

PLAINTIFF'S
EXHIBIT
503
Comes v. Microsoft

EXHIBIT # 23
Levin
10/25/01
Annamarie Spangrud

**Microsoft Corporation Applications Division
1991 Annual Report**

6/90 - 6/91



Microsoft

Confidential — For Internal Use Only

MS7007751

CONFIDENTIAL

A Message From the Top

What a year for climbing high! Many exciting new products, awesome press reviews, incredible sales volumes, and lots of new members of the Applications family. An absolutely incredible year for our division and our company.

We have many more mountains to climb, though. We need to do an even better job of listening to our customers and making our products more intuitive and easy to use. We must be innovative in how we use new technologies. We also need to be prepared for the competition — we need to continue being the best.

Although fiscal year 1991 was fun, 1992 looks even more exciting. I want to thank each and every one of you for your unending dedication and innovation. I have no doubt that our exciting dreams will be the memories of our future.

Thanks for sharing the journey!



Mike Maples

CONFIDENTIAL

MS7007752

1991 Review

Organization Changes

During 1991 we formed two new business units and two product units.

To help increase the focus of product groups within OBU, the Word Business Unit was created to run our word processing business. The Work-Group Application Business Unit was created to plan and develop our efforts and strategies in the Mail and Workgroup software areas.

Over the past year, the growth in the Project and Pen-Windows areas allowed the formation of product units within ABU and OBU. These two groups, although not business units, will focus on developing the product lines within the product group.

Development and Testing

The accomplishments of the Applications Division development and testing staffs reached new heights this year. Here are a few examples:

- Record number of patent applications: 11.
- Record number of new hires and interns from campus recruiting:
 - 40 development hires, 53 summer development interns.
 - 28 testing hires, 60 summer testing interns.
- Record-size development team shipped Excel 3.0: More than 30 developers!
- Record-size acquisition: Bought a company with 63 employees. Consumers Software Inc. became part of the Applications Division in April.
- Record number of lines of code written by developers and testers in one year: More than 1.5 million!

You will find many more examples described in the individual reports from the Business Units and the Applications Strategy group that follow in this annual report.

The heights we've reached in software development become readily apparent during conversations with developers, testers and managers at other companies: We are at least two years ahead of all other PC software development companies in terms of executing the best development process.

CONFIDENTIAL

MS7007753

For example, two local software companies recently started "Zero Defects" campaigns. Both companies found that their development teams were expecting the testing group to find ALL of the bugs. Their developers were slamming together code and then tossing it to the testing group without really checking to make sure the code was "done." We reached and scaled that foothill many years ago—and our efforts to develop ZD code have been part of our development and testing process for more than two years.

Our competitors are improving their products and their development methods, and we must do likewise. In addition, we must increase our awareness of who our customers are (some are internal to Microsoft, the majority are external) and what they need and expect. If we continue to improve our products and development methods and learn more about our customers, we will continue to reach new heights by continuing to ship world class products.

Program Management

By any measure this has been an incredibly successful year for the Microsoft Applications Division. Program managers were instrumental in this success in the design and shipment of our products. Not only did we design products with the right features in their respective categories, but we tapped early into some powerful trends such as interoperability and usability.

The coming year will bring tougher challenges. Our major competitors will have Windows applications including Lotus 1-2-3/W, Ami Pro, and Freelance; Borland Quattro Pro/W and Paradox/W; Word Perfect for Windows; and Software Publishing's Harvard Graphics for Windows, to name a few. Currently it's not surprising that we dominate the Windows market. We have most of the major Windows applications. But with more choices available to users we'll have to execute our design, development and release process perfectly to retain our dominance.

Furthermore, Lotus, Borland, and other key competitors are waking up to the importance of interoperability, consistency and usability. They are releasing their own families of Windows applications. This is a major part of their development effort and marketing message. Although we pioneered in these areas, we'll have to do much better to keep our lead.

Here are some things that Program Management will do to meet these challenges:

- Understand the complete activities that are import to users, develop scenarios, and design features that work together to support these activities.

- Give high priority to interoperability and cross-application consistency. To make this happen we'll work on increasing communication between program managers. We'll also improve the UITE process and coordinate it with other interoperability efforts. It will be part of every program manager's objectives to consider the interoperability and consistency implications of every design decision.
- Always look for cool usability improvements. Every program manager should know the top ten commands people use in their product, exactly why and how they do them, and what will really make a difference in their everyday use of the product. Excel 3's Auto-sum tool is a great example. It's the feature that most excites users, and it's the most important feature in Excel 3 marketing (there's a huge picture of it on the box). Yet it only took three days to develop. But someone had to think of it.
- Analyze PSS call statistics and work to reduce calls by fixing bugs, redesigning features or better documentation. Not only will this increase the quality of the product, but reducing support costs will help Microsoft keep its high profitability.
- Prototype everything possible, as early in the design process as possible. Usability test in advance with prototypes rather than with actual code so as not to waste developers' time changing code. It's amazing how much a design can be improved with a prototype, and what cool ideas you can discover in time to get them into the product.
- Aim to produce "zero defects specs" so that Development and User Ed have complete, solid designs to work from.
- Remember that great design only matters when the product ships.
- Above all, focus on quality.

User Education

User Education reached new heights this year as each group met challenges of tight deadlines, providing excellent documentation while meeting COGS objectives, and producing snazzy, innovative work at the same time.

With input from PSS, International, and users, WinWorks, Word, and Excel were switched from alphabetic references to user's guides. Emphasizing core documentation, User Ed leveraged work from online and printed documentation as the teams moved to improve overall consistency, efficiency, and ease of localization:

- Project uses generic documentation (one book for all platforms).

- The merged MacWord and WinWord writing teams share tasks.
- Visual Basic's integrated documentation set relies on programmers to use the CBT (75 percent do).
- Bullet and Bandit will be the first to implement the Synners model with almost all of the documentation online.

Creative teams introduced innovative ways to get users instantly productive. Some of the creative work helps save costs, and shorten schedules.

- In WinWorks and Voodoo, Wizards "magically" help people create documents like mailing labels or newsletters.
- Multimedia Works brings Works all the richness of sound and video to its learning tools.
- DABU is pioneering (and pursuing a patent on) Cue Cards, which instruct people how to use Cirrus while they do their own work.
- The Direct Page Imaging work done by composition in Work Group cuts one week from print schedules and will save Microsoft about \$500,000 a year in prep charges.

Projects underway will help international speed localization. EBU is undertaking simultaneous ship WinWorks (French, German, and English at once) and ABU is making modifications to their process to approach a zero-delta ship date.

Many cross-group activities have User Ed working together better than ever. There's a UEJOBS alias to share information about job openings and quarterly UE presentations to share ideas. User Ed teams have created a standard page design, the Microsoft Publications Style Guide, and Help forums to establish Apps-wide standards.

Individual efforts and great team work helped UE scale new peaks in this year's climb for the summit.

MS7007756
CONFIDENTIAL

Product Marketing

Product marketing took on new challenges successfully as our Windows applications made big gains in market share. Our biggest challenge is to promote the identity of Microsoft as an applications developer to build on the gains we have made in individual product categories. During the past year we had several important accomplishments that clearly led to better results:

- A controversial direct mail program that finally moved the market share dial for Word and Excel by getting the product into the hands of users who could spread the word to others.
- Better measurement and evaluation of marketing programs so that decisions are based on data, not lore.
- Better teamwork with our US sales and marketing division (SMSD) resulting in more flexible support for new product launches and making market share gains the religion for the coming year.
- An explosion in the variety of marketing we are doing as our product line spans games (the best-selling games, in fact), productivity apps, development tools, and workgroup applications.
- Developing much more systematic ways of incorporating real customer feedback into product design including formal usability testing (with hats off to the Lab, Program Management, User Ed. Development, and Testing), informal usability evaluation, activity based planning, actively soliciting feedback from users, and feedback from PSS.

Next year we have to continue this good work and overcome many new challenges:

- Competing with our old character-based rivals—WordPerfect, Lotus, Borland, and Software Publishing—who now have Windows applications of their own. The world changes because GUI is not unique and they can sell their products to big installed bases.
- Promoting the usability and accessibility of our applications as broad benefits that go beyond the feature war to build a sustainable advantage. This means promoting benefits for all users, not just the most technically sophisticated users.
- Competing on a broad front with Lotus which now competes with almost all of our products, not just Excel.
- Developing a strategic selling argument for our applications which, in addition to transcending the feature war, also makes our apps the long-term choice for work groups and for building custom applications.

Training

- Managing the broadest product portfolio we've ever had while making each individual product successful. "Segmentation" is the buzzword answer. We need a convincing story and way to reach the first time user, the "got-to-get-a-job-done/don't-give-a-damn-about-PCs" user, the sophisticated user, and the MIS manager.
- Managing marketing expenses and measuring results so we can choose the highest payoff ideas.

In July 1990, the ADC was renamed to the Applications-Division Training Center, (ATC), and was made responsible for training STEs as well as SDEs. In October 1990, this was expanded to include all employees in the Applications Division.

Although some preliminary plans for training all employees were developed, implementation was delayed until January 1991, when two additional trainers were hired. Based on a Training Needs survey sent out in January, plans which included both recommended and optional training were developed for six major categories. Since that time, the ATC has been working on either implementing the needed courses, or on coordinating with other groups to teach the courses. To help implement this coordination effort and to handle the increasing load of registration requests, an ATC Coordinator was hired.

The ATC has:

- Developed and implemented courses for more than 600 Apps employees in Windows Programming, CVW, OrgPlus, Windows Test Tools, Windows 3.1 Help Files, Visual Basic, and C++.
- Assisted in bringing in outside consultants to teach courses requested within the division.
- Put on impromptu seminars for special groups on topics including: LANMAN programming, Client/Server program designs, and training methodologies.
- Moved all information about the ATC courses, plans, etc. to a Windows Help file: \OLIVE\PUBLIC\HELP\ATC.HLP.
- Assisted in developing and putting on the Applications Division Interviewers Workshop.

In the future, the ATC will update the existing courses and develop new courses including 80x86 Assembler, Windows NT, and Windows 32.

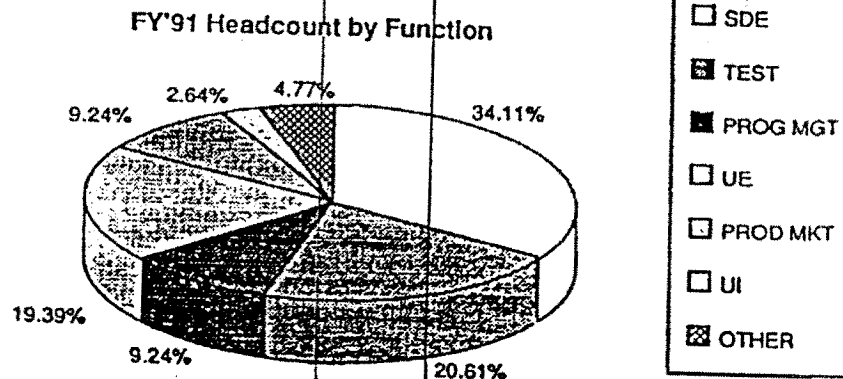
MS7007758
CONFIDENTIAL

Division Attitude Survey

For the third consecutive year we conducted a survey of all Applications Division employees. All areas saw some improvement, but there is more work to be done. The key areas that need improvement are: employee development and education; internal communication; business unit cooperation, and our performance review system. Departments will develop action plans to improve their performance in these areas during FY'92.

Headcount

During 1991 the Applications Division grew from 753 employees to 986. There will be continued emphasis on hiring experienced staff, minorities, and females in the upcoming years. Even with our continued growth, our attrition level was only 2.31 percent — compared with 4.95 percent last year.



During the year, growth in Testing was up 4.14 percentage points; Program Management up 1.54 points, and Product Marketing up 1.14 points. User Education growth was down 4.65 percentage points. Development staff (software design engineers, software test engineers, and program managers) continued to grow in the division. Last year this group was 58.8 percent of the division — in FY '91 the group increased to just shy of 64 percent.

CONFIDENTIAL

MS7007759

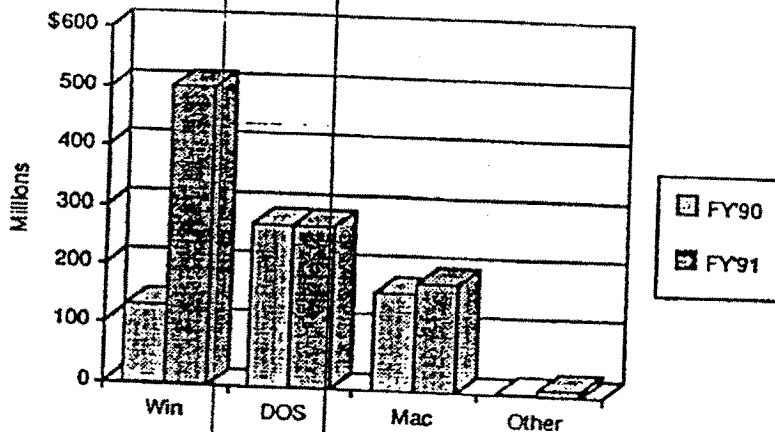
Business Results

Net revenues of \$934.5 million were 25.7 percent above our plan of \$743.0 million and 66.0 percent over last year. Burdened operating income came in at \$337.9 million, or 79.4 percent above plan and 120.4 percent above last year. Division COGS continued to show great improvement over last at only 17.0 percent of revenue vs. 22.4 percent in FY '90.

	Actual		Plan	Variance	
Revenue - USSMD	\$383,572	41.0%	\$301,196	40.5%	\$82,376
Revenue - Intl FG	573,695	61.4	448,543	60.4	125,153
Other/Admnts	(22,728)	(2.4)	(6,729)	(.9)	(15,999)
Net Revenue	<u>934,539</u>	<u>100.0</u>	<u>743,010</u>	<u>100.0</u>	<u>191,530</u>
COGS	158,834	17.0	140,033	18.8	(18,801)
Operating Expenses	177,245	19.0	175,417	23.6	(1,828)
Allocated Expenses	260,552	27.9	239,279	32.2	(21,323)
Burdened Income	<u>\$337,908</u>	<u>36.2%</u>	<u>\$188,331</u>	<u>25.3%</u>	<u>\$149,577</u>

During FY '91 Windows products accounted for a far greater percentage of the gross revenue than ever before. In the future we plan to see even more growth in the GUI environment. Although our commitment to the Macintosh continues to be strong, we do not foresee drastic growth in revenue volumes.

Gross Revenue by Environment



MS7007760
CONFIDENTIAL

1992 Goals

The division meeting included some ideas and objectives on how to keep moving ahead in FY'92. This seems like a good vehicle to restate those goals and objectives. We need to insure we just don't sit back and watch our accomplishments, but keep moving forward.

Vision

Where are we trying to go and how are we going to get there in 1992? Our vision and our strategy is really quite simple. We want to build a family of products that integrate and provide all the tools necessary for an information worker to browse, assimilate and manage any information they want in a graphical environment. We've defined that as *Information At Your Fingertips*. In addition to that, we want to have a broad product line that ensures that PCs are not only useful, but desirable, for homes and businesses, small and large. And last but not least, we want to be known as an aggressive technology leader. We want to be in a position of having the envy of the world in our industry in terms of the innovations and changes we bring to the marketplace.

Strategy—Leadership Products

How do we back up this strategy? It's quite simple. First, we have to have world-wide leadership products. Second, we must make sure those products work together and become that integrated information office automation suite.

First, leadership products. We've organized into business units and product units. We understand very clearly the customer, the requirements, the functions and features we need to build into the products. Here are highlights of what we've got to keep our eye on as we build those leadership products:

Usability

We must continue to make the products more usable. A very large number of our users, in fact, don't use a lot of the product. So we need to keep focusing back on what are the things that every user uses and how do we make those better, simpler. Maybe we should spend about a third of our energy on looking at our products and making sure they are acceptable for the people who are not the power users, but who, in fact, are the majority of our users.

Coexistence in Today's World

Gone is the day when a person would buy a new PC and run a single application. All of our apps have to work in today's world. Whether that world was created by us or by some of our competitors, it's very important for us to put energy into coexisting and making the user's transition from the old to the new more easy, more possible, more reasonable. Features like macro translation, and keystroke compatibility with WordPerfect and Lotus, Harvard translators...many, many kinds of capabilities that allow us to move smoothly and coexist in today's environment.

New Technology

We should spend a third of our time on innovation and new technologies, being out in front with new ideas. We can certainly apply new ideas to the first two, but there are always new capabilities and new features to which we can apply our energies.

Quality and Speed

Last, but not least, or maybe first, we want to make sure that in all cases our products reflect the highest of quality and the best performance. We can never sacrifice on the qualities that have made our products renown in the market, and that is speed and quality.

Strategy—Support the Vision

In addition to building leadership products, there is a series of things that we have to do together to deliver on the vision that we are all headed towards. Those things are reflected in a relatively simple list. We've worked hard at getting at them and have made some progress, there is still a ways to go. To some degree our organization is an inhibitor to us moving forward on these items that support the vision. It is extremely important that we figure out the ways to learn to work together and communicate so these elements can be provided in all of our products:

MS7007762
CONFIDENTIAL

Consistency

As the boundary between the products evaporates, as the users move to buy multiples of our applications for an office suite, as they start applying the various capabilities brought to them by Linking and Embedding, absolute consistency is necessary. The user doesn't want to have to learn different meanings for the same term. They don't want to have to learn different terms that have the same meaning. So, it's up to all of us to make sure that we participate in defining what consistency is, working with the User Interface Task Force. Not only do we have to define consistency, but we have to change our products to make them consistent.

Integration

Object Linking and Embedding is the technology that allows us to have applications and pieces of applications work well together. We are well on the way to integrating Object Linking and Embedding in every single app we have. However, it is not a static technology; it is not a static architecture. There are new versions, new features, new capabilities. We will always have to be focused on not only that we implement them, but that we understand how users can take advantage of them.

Programmable

How do we make these mega-applications? It is through the Silver technologies, the macro languages and the convergence of those that will allow people to use these building blocks, these components, these tools that we are putting together to build the kind of mega applications they want.

Networkable

Last but not least, we have to make sure our products work on networks. They have to not only work on networks, they have to be installed, executed, share data on networks. They must have features that exploit the network, because networks are really the link to the information. If we're going to deal with this vision of bringing information to the user, then we have to make sure we understand how to maximize that link.

1992 Objectives

These visions are always easy to see—they have a distance to them that hides the complexities of getting there. But when you get up close and you look at what we do at the next step, or what we do next week, it begins to look more perilous. As we are looking at the task we have before us each day we're always faced with, "This is a hard thing to do and I'm not sure it's getting us to the vision." Following are some challenges for FY '92, taking one step at a time and trying to arrive at how we really start moving on this vision.

Best products

Building the best products, we are all committed to, we're all working on, we all understand.

Support the vision

- **UI consistency**—We have the User Interface Style Guide, recently republished. There is activity going on to add to it. The challenge is that every product by one year from now will have implemented all of the elements of that Style Guide. In other words, with every major release we make changes to fit the Style Guide.
- **Shared technology**—In every product have OLE 1.0 installed and have a committed plan to put OLE 2.0 in their product. And to have the shared technologies that allow this vision to evolve. Now, in one year we won't be able to have Silver implemented in all the technologies. But with the proper work and the proper definition from each team, we will understand what the various technologies are, what the changes have to be in every application, and how we can move there.

World-wide business

There are several challenges we should face and address in this year. Challenges that will help us preserve that franchise, but will make our lives and our brethren at IPG and our customers happier.

- **Improve translation process**—Every group should try to migrate to the WinPubs system by one year from now. That's a high risk; there's a lot of activity, there's a lot of stress and turmoil. By doing this we can restructure the way we do translations and move away from big chunks of translations at the end of the products to where we can keep a very smooth path, process, of moving translations between what our User Ed folks are doing and what IPG is doing. We'll have a common system to allow that

MS7007764

CONFIDENTIAL

- **EXE edit**—The second thing we need to do is to make sure the technologies are in place to allow IPG to edit a program without having to recompile any part of it. We need to keep working on tools that allow dialogs and other integral parts of the products to be edited outside of Microsoft by less skilled people. And so this is a challenge to Application Strategy and the tools developers to develop the concepts that will allow us to simplify the translation. And secondly, to each of the development organizations in each business unit to implement them.
- **Double byte enabled**—The third internationalization challenge is that we want every new project and program that we start to be double byte enabled from the time of its inception and its first delivery. We have some programs that are not now and the marketplace will require that we continue on our efforts to go back and retrofit double byte enabling.

Great Network Support

Some of our customers have commented that our network support is getting worse, not better; that it's harder to install and operate our applications off the network. We need to quickly reverse that. We need to make sure our applications not only take advantage and share data and information on a network, but, just as importantly, can be installed on a network and can be executed off a network.

Fit and Finish

- **Setup**—The automobile industry learned a very hard lesson by not paying attention to how the product came out of the showroom: how it worked together, how it felt when it was first out of the box. We need to make sure that those experiences that the user has with our products are extraordinarily good the first day they try the product. We need to make sure that the products, in fact, do have a very clear setup procedure that does not ask redundant questions, that helps the user make decisions and doesn't ask or expect of them things beyond their knowledge, their capabilities or their abilities.
- **First experience**—We want to make sure that the first experience that a user has with our products helps them over the boundary of just a blank spreadsheet or a blank word processing document. For example, in Excel 3.0 when you first bring it up, it shows you a simple example of how the product works and some of the capabilities. We need to do more in every product so the user feels invited to participate, friendly and that they can make this activity solve their problems.

- **Driver management**—There are a lot of harder problems we have to deal with as we have multiple applications. For example, how do we deal with multiple text translation filters, multiple graphics filters, spelling dictionaries or how do we manage fonts? It's our challenge to solve this problem this year, so that as each application installs additional object linking modules, graphics filters or word processing filters that the correct newer filter is kept and that we can have the most proper one there that fits all of our applications.

User Education

- **Adopt standards**—In terms of User Education there are things we need to do to make sure that we support the needs of our users. We've come up with a set of standards in terms of page size, layout and the way the content should be organized. We should make sure we have all have adopted those or are shipping those in the products by the end of the next fiscal year.
- **Smaller is better**—As a general guideline, we ought to keep in mind that smaller is better. The users don't want to read a lot of information, they don't want a lot of documentation. They want concise answers to the questions they have. We need to keep thinking about every release and how we can we make the documentation more direct to the user's requirements and still make it smaller and easier to deal with.

Conclusion

Climb High

Climb Far

Your goal the sky

Your aim the star

The quote above is inscribed on the Hopkins Memorial Steps at Williams College. It summarizes some thoughts as to what we have to do in FY '92 and beyond. We want to climb high and we want to climb far. We can't sit on top of the gold mine and watch the world go by. Our goal for this next year is to reach for the sky. It's not just to stop; it's to keep going and reach as far as we can in FY'92. So, it's up to us. We know what we can do, we've seen our accomplishments of the past. We know we have the capabilities to keep moving.

CONFIDENTIAL

Applications Division Annual Report 15

MS7007766

ABU Review

MS7007767

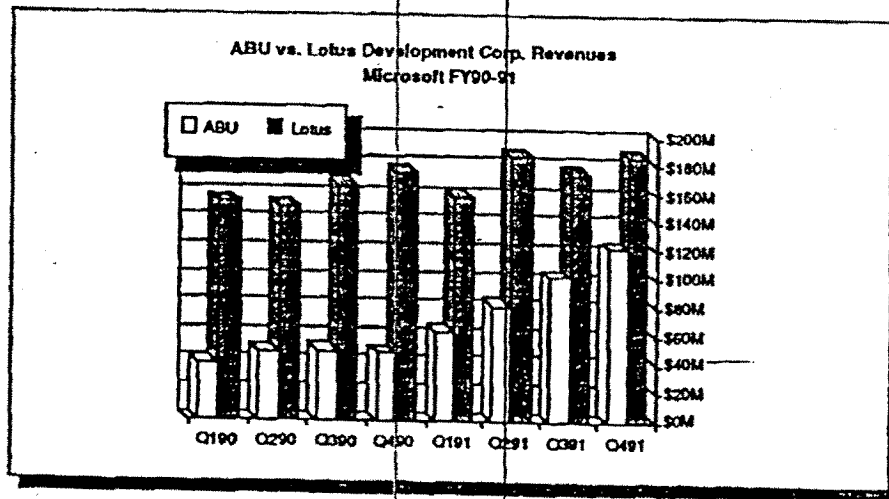
CONFIDENTIAL

TO THE ANALYSIS BUSINESS UNIT:

Congratulations on a year of phenomenal achievement! You made ABU one of the fastest growing and most profitable business units in the company. FY91 was truly a year of climbing higher than ever before.

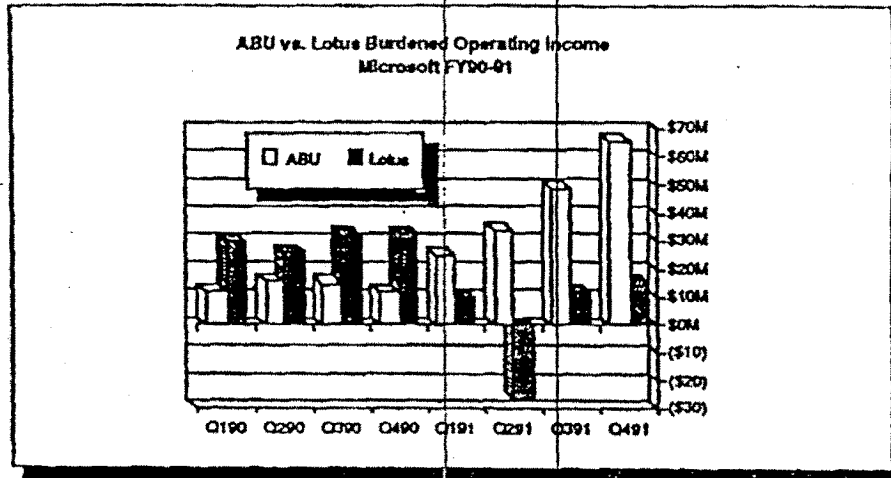
FINANCIAL HIGHLIGHTS

- Revenues nearly doubled over FY90, growing from \$185M to \$378M, or 147% of the FY91 plan. Our business grew by 110% in the US, and 94% in international retail.
- Profits grew even faster. ABU's FY91 burdened operating income was 320% of FY90 and 127% of plan. ABU burdened operating income was 47.6% of revenue in FY91, a significant improvement over the FY90 figure of 29.9%. By itself, ABU is one of the most profitable software companies in the industry.
- Project revenues closed at \$37.6M versus a plan of \$18.9M. We sold 100K units of Windows Project worldwide, twice the FY91 plan.
- The Project group's burdened operating income finished at approximately 30% of revenue versus a plan of negative 40%, a difference of \$19M to the bottom line.
- International retail contributed 56% of ABU revenues.
- Our FY91 burdened operating income of \$174M compares favorably to the \$12M Lotus earned over the same period. In fact, ABU's June operating income of \$17M was greater than Lotus' operating income for the second quarter of calendar 1991. The following graphs show a very positive revenue and operating income trend relative to Lotus over the last 8 quarters.



MS7007768

CONFIDENTIAL



PRODUCT HIGHLIGHTS

- Windows, Mac, and OS/2 Excel 3.0 shipped on time and to critical acclaim. It was rated #1 by Software Digest and InfoWorld and received great reviews in nearly every other publication. Excel 3.0 was an impressive example of teamwork and commitment to shared goals.
- Excel 3.0 was the first Microsoft app to take advantage of core code, fully-implement OLE, and to implement DDE and OLE on the Macintosh
- Microsoft Project for the Macintosh also shipped on time and initial reaction has been great. It stands to build upon the great success of the Windows version.
- Although they haven't shipped yet, the fiscal year ends with great progress underway on Microsoft Graph 3.0 and Far East Excel 3.1. Both teams deserve kudos for their commitment to meeting the needs of multiple clients under tight deadlines.
- ABU took on responsibility for SQL-C in FY91. In this role, we will be driving the database connectivity strategy for both Applications and Systems divisions in the years ahead.

MARKETING HIGHLIGHTS

- Microsoft's market share in the PC Project Management business grew to approximately 50% in FY91 thanks to the critically-acclaimed Windows Project, the #1 project manager according to nearly every evaluator. A great product, "grass roots" marketing programs, and extra effort by the team has made Windows Project the market leader.

Microsoft Confidential

2

MS7007769

CONFIDENTIAL

- Windows Excel's market share nearly tripled in FY91, closing the year at 36% unit share worldwide. We sold approximately 850K units of PC Excel worldwide in FY91, or more than 250% of FY90. Unit sales in the 4th quarter of FY91 were only 20K units less than unit sales for all of FY90. We finished the year on a roll!
- U.S. Win Excel sell-through increased to 29K units/month by the end of FY91, or more than triple the rate of the previous year.
- Mac Excel 3.0 solidified our position in the Macintosh spreadsheet market as we prepare for our first serious competition in a few years.
- The competitive upgrade program, a \$129 offer to users of competitive PC worksheets, exceeded all expectations. Via direct mail and the channel, the program sold more upgrade units than planned with significantly less cannibalization of full-priced units than expected. This, plus an aggressive seeding program created over 100K new Excel advocates as we prepare to defend our Windows spreadsheet turf over the next 12 months.
- International marketing support improved through the work of the international product managers—Jeff Camp, Lisa Eisenberg, and Denise Rabius.

EFFICIENCY

- We completed our investment in core code for both Excel and Project in FY91. The good news is that it works better than we thought, and positions both groups to be able to quickly and efficiently execute a cross-platform strategy over the next few years. This move, plus superb management of dramatic growth of our development teams, contributed to big improvements in development productivity and output in FY91.
- The move to core files for Excel and generic documentation for Project was a major contributor to greater efficiency in documentation development and localization. Not only is this decreasing costs, but is allowing us to focus more time on content, and less on porting to new platforms.
- In addition to their work with generic documentation, User Ed has made a significant investment toward achieving simultaneous shipment of international versions. The Project Group has already achieved this goal, and Excel is on the way to big improvements.
- Excel 3.0 was one of the first projects to use DPI for a product's main books, significantly reducing print time.

ORGANIZATION

- ABU grew by another 31 people in FY91, finishing the year with 174. Jon DeVaan was added to the management team of the business unit.
- The Project Product Group was created in recognition of growth and contribution to the company. The Project Group was 30 members strong at the end of the year.
- The ABU and DABU production groups were successfully merged.
- The Apps Division survey showed that we finished the year with great morale and a positive outlook for the future. Let's work hard to make sure we maintain this and continue to have fun in the coming years.

Microsoft Confidential

3

MB7007770

CONFIDENTIAL

KEY OBJECTIVES FOR FY92

We can all be proud of FY91. It was a great year by most any measure. However, our success has not gone unnoticed. FY92 will be the year that our key rivals—Lotus, Borland, Symantec, and Computer Associates—attack us with their Windows products. Lotus and Claris will also be striking on the Macintosh. We need to continue building great products and marketing programs to defend our positions and continue our momentum. Achieving our objectives in FY92 will require a great deal of effort and focus by us all.

1. Grow market share in the PC spreadsheet and PC project management categories. Defend our leadership positions versus new Windows competitors.
2. Ship Windows Project 2.0 and Excel 4.0 on time with high-quality. Release Far East Excel in September.
3. Work towards simultaneous shipment of English, French, and German versions of Excel and Project. Reduce Far East delta to 90 days via simultaneous development of DBCS code. Work closely with IPG to improve process and reduce localization cost.
4. Defend our leadership position with Mac Excel versus 123/Mac and Claris Resolve.
5. Successfully introduce Project for the Macintosh.
6. Meet customer requirements with Windows and Mac Graph.
7. Drive Microsoft's database access strategy. Deliver SQL-C drivers to Cirrus, Visual Basic, SQL Server, and other groups within the company.
8. Reduce PSS cost per license sold by 25%.
9. Ship new query tool by Summer 1992 based on Cirrus code, using AFX layer.
10. Develop EIS strategy and product plan.
11. Meet FY92 revenue goal of \$431M and burdened operating income target of \$164M.
12. Aggressively pursue new technologies. Help define OLE 2.0 and multimedia version of Excel. Finish movement to standard development tools and have plan to move to 32-bit versions.
13. Improve development tools, processes, and overall business unit efficiency. Improve intra-business unit communication.
14. Improve the skills of everyone in the business unit. Make sure that everyone defines and follows-through on personal training plan.
15. Improve the everyday worklife in the business unit. Address issues raised in the Application Division Survey. Have some fun.

ABU JUNE MONTHLY REPORT

I. Highlights/Major Achievements

- Revenue was \$37.8M in June, or 155% of plan. US\$MD was 172% of plan (\$16.5 vs. \$9.6), int'l retail was 144% (\$21M vs. \$14.7). Int'l retail was 56% of the total.
- Burdened operating income was 49.9% of revenue in June or \$17.4M versus a plan of 38.1% and \$9.0M. ABU's operating income in June was \$2M more than Lotus Development Corp.'s operating income for the whole 2nd quarter of 1991.
- Shipped Microsoft Project for the Macintosh on time. It shipped in France 2 days later, a terrific effort!
- Sold 78K units of Win Excel worldwide in June. We sold 290K units in the 4th quarter of FY91.
- Worldwide Win Excel unit market share reached 36% for March-May. Unit share in the US was 32.5%.
- Finalized plans to do query tool with help from DABU. We will base work on Cirrus and use the AFX layer.
- PSS reached lowest abandonment levels in last 6 months for both Win Excel and Win Project.
- American Airlines standardized on Win Project.

II. Business Summary

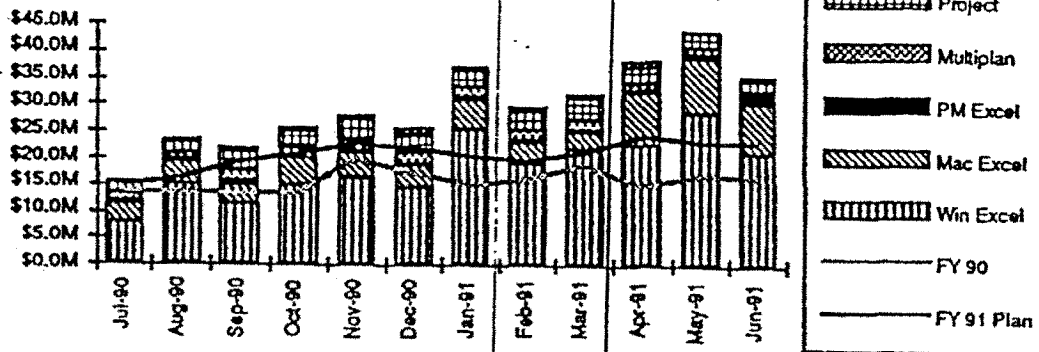
June Revenue vs. Plan

- Sales remained strong. Revenues of \$37.8M were 155% of plan. Win Excel accounted for the majority of the positive variance.
- Project had another month of 200% of plan. Sales have flattened at about \$2.5M/month, although the market has shown slow growth recently as well.

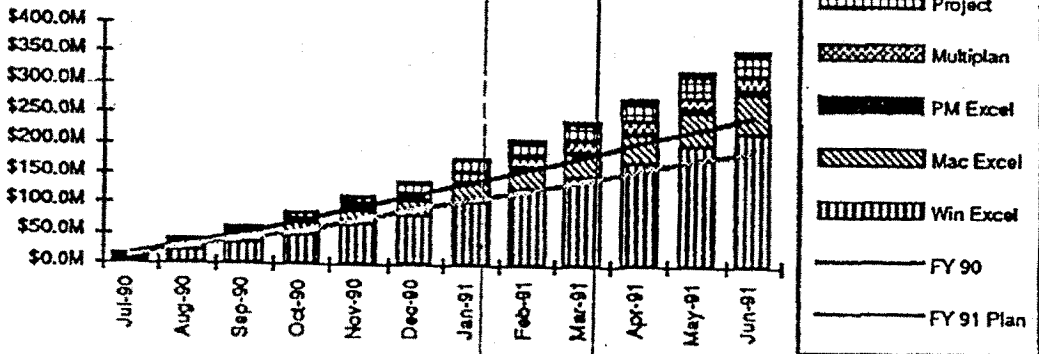
Profitability

- ABU profitability remains very strong. Burdened operating income was 49.9% of revenue in June or \$17.4M versus a plan of 38.1% and \$9.0M.

**ABU Worldwide Revenue vs. Plan
FY90, By Product**



**ABU Worldwide Revenue vs. Plan
Cumulative FY90, by Product**



III. Excel Highlights

- Mac Excel picked up in the US to 13K units, but was still below plan worldwide.
- Mac Excel updates once again shattered plan, shipping 41K units.
- Shipped Win Excel 3.0a with little turmoil in the channel.
- Finalized plans to do query tool with help from DABU. We will base work on Cirrus and use the AFX layer.
- French Mac Excel released 7/11.
- IBM ACIS hardware/software bundles will include Win Excel (ACIS ships 100K-150K machines annually).
- LMI beta test begun at Aetna, Arthur Anderson, and Exxon.

IV. Project Highlights

- Mac Project to be announced 7/9/91 in Menlo Park.
- OS/2 Project has been cancelled.
- Project proceeding smoothly. Code complete is scheduled for 9/4/91.
- Rockwell (AMSD) purchased 300 units in June.

VII. SQL-C Highlights

- Letter of Intent terms agreed to with MicroDecisionware (2-tier DB2) and PageAhead (Oracle, RDB).
- Making good progress on VB-SQLC solution. We will match the dblib support that is available today.

VIII. PSS

- Abandonment rates reached their lowest point in 6 months as new staff, experience, and better call balancing between Lincoln Plaza and North Carolina took effect.

IX. ABU Objectives For July-August 1991

1. Complete performance reviews.
2. Launch Project for the Macintosh.
3. Complete response to 123/W, including press tour in late July.
4. Finalize spec and schedule for Excel 4.0. Begin development, reaching integration phase of milestone I on August 27.
5. Reach Project 2.0 code complete on Sept. 4.
6. Reach Graph ZBR on Aug. 14, RCI on Aug. 26.
7. Reach FEXL code complete on August 1.
8. Finalize all SQL-C driver plans.
9. Finalize development plans for Query Tool.

Microsoft Confidential

ME7007774

3

CONFIDENTIAL

JUNE MONTHLY REPORT FOR EXCEL

I. Highlights/Major Achievements

- Sold 78K units of Win Excel worldwide in June. We sold 290K units in the 4th quarter of FY91.
- Worldwide Win Excel unit market share reached 36% for March-May. Unit share in the US was 32.5%.
- Shipped Win Excel 3.0a with little turmoil in the channel.
- Nearly finalized Excel 4.0 spec and schedule.
- Finalized plans to do query tool with help from DABU. We will base work on Cirrus and use the AFX layer.
- French Mac Excel released 7/11.
- IBM ACIS hardware/software bundles will include Win Excel. (ACIS ships 100K-150K machines annually)
- PSS reached lowest abandonment and highest customer ratings since the release of Excel 3.0.
- LMI beta test begun at Acma, Arthur Anderson, and Exxon.

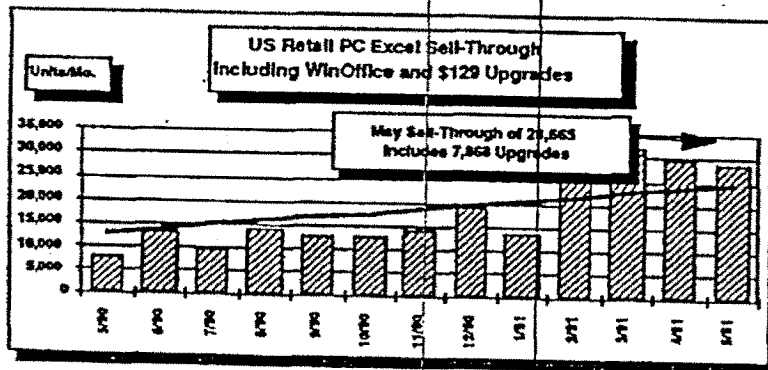
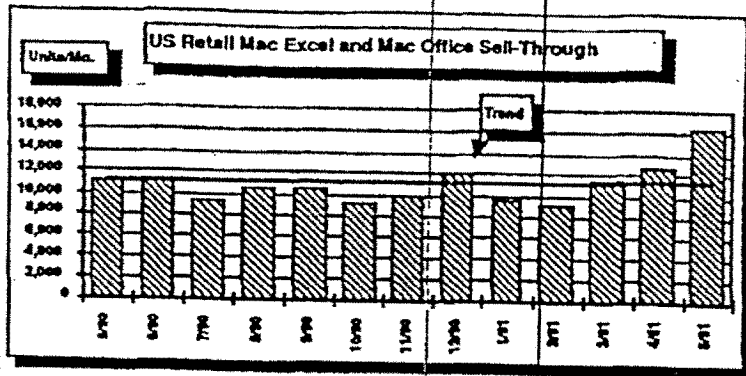
II. Business Summary

- Sold 78K units of Win Excel worldwide in June. 41K of these sold through international retail.
- We sold 290K units of Win Excel in the 4th quarter of FY91, a new record. We've sold 530K in the first 6 months of CY91.
- Win Excel was \$10M over plan in June.
- Mac Excel picked up in the US to 13K units, but retail product was below plan worldwide. Counting updates, Mac Excel was \$3M over plan for the month.

USSMD COST OF GOODS SOLD

Major Products	May	June	June Plan	YTD - Actual
Mac Excel	5.5%	5.5%	7.2%	5.2%
Win Excel	7.6%	9.2%	11.3%	7.6%
Win Excel Update	15.7%	24.1%	30.4%	15.3%
ABU US TOTAL	10.0%	9.3%	11.3%	9.3%

MS7007775
CONFIDENTIAL



III. Strategy Changes

- After evaluating Brio Technology and other options, we decided to do our next query tool in-house based on Cirrus code. We will be working closely with DABU on this effort and use the AFX layer.
- Due to time constraints, Excel 4 books will be published using Microsoft Word for the Macintosh and the Apps standard page design.
- Finalized level of All-in-One support in Excel. Functionality will ship first as an add-in in the fall, then will be folded into 4.0.

IV. Product Status

Graph 3.0. Reached code complete early July. Testing is turning up some issues with backward compatibility, but we think we can fix them and still make the ship date. The bug count is rising slowly. Working out bug reporting details with GBU. Documentation is in editing.

Zero bug release target is Aug. 14. First release candidate scheduled for August 26.

Excel 3.0 FE. Reached code complete on schedule, including radar charts. Testing is progressing well with no new issues. There were about 38 active bugs at press time, down from 55 the previous week. ZBR is scheduled for August 1.

Mac Excel 3.0. We'll have to do an 'a' release to make this work with the new '040 machines from Apple. Testing on this should begin in August and be ready for a September release, though we'll have to wait and see on machine availability to determine the exact ship date.

Win Excel 3.0a. Shipped.

Excel 4.0 LMI testing continues, though there is still concern about not having enough 1-2-3 expertise to do this adequately. Response to the beta has been slow so far. We'll need to push for more response and do some site visits to make sure we're getting as much out of them as possible.

Win32 work is progressing. Excel boots and you can enter data under NT on a 386.

Testing on private releases began 7/3. Looking good for starting full scale development by 7/8, although the dust will be settling after that with regards to final development schedules.

Conversion of our automated tests to a new format has begun. This will take approximately 2 months to complete. The new format allows easier localization of the tests as well as being able to run with the Teacher/Pupil distributed automation software.

Finalizing documentation strategy, determining resource needs, and building schedules. Revised User's Guide to make it generic and to reduce page count. One writer will write both the online and print documentation for the Function Reference material. Looking at new writing and editing processes to help SimShip. After many long discussions with Int'l, we've decided to use MacWord as the domestic publishing tool and to convert to the Apps standard page design.

Working on CBT strategy. We've converted the Excel 3.0 lessons to DOT 2.0 and have broken one of the lessons into smaller chunks. Some people have suggested doing things like Preview on the Mac, switching from Lotus 123 on the Mac, "Wizards" (aka Daemons) for Win Excel, etc. We're looking at the feasibility of these on a shortened schedule.

Working on Help strategy. We're reformatting the files to handle multiple platforms.

Excel 5.0 - Two developers are scheduled for this work (JohnK and PatrickH) with help from EdF.

Database Access. Query Tool is finally underway. Research is ongoing regarding plans to split off from Cirrus and use the AFX windows layer to provide Macintosh functionality.

Q + E. 3.1 ship date is September. Will include drivers for Paradox, Oracle, and DEC RDB as well as some speed-ups, a few minor features, and some bug fixes. We are also working with Tandem on a driver.

SQLC. Driver Developer's Guide drafted and distributed for review. Have letters of intent in place for all drivers needed for Cirrus and are working with Page Ahead on 1-tier drivers. Having trouble getting Information Builders signed-up, but will follow-up in July.

V. PSS

- June saw a significant reduction in call abandonment and delay, with the trend continuing into July. This is due partly to reduced calls coming in but mostly to increased headcount and experience. Early July is seeing abandonment rates of less than 5%.

Microsoft Confidential

3

MS7007777

CONFIDENTIAL

- Mac Excel queue started call coding using WinTech. Preliminary numbers are somewhat bogus (mis-categorized) but will be refined for July.
- Win Excel 3.0a release won't show any effect until July.
- Excel 3.0 offered increased 10/day while Excel 2.x decreased 39/day for a net decrease of 29/day. Which is about the same as last month. (Total offered is at a five month low).
- Charlotte handled more calls than LP, which is a first.

Win Excel call numbers for the past three months.

	3/91- 2x	3/91- 3	4/91- 2x	4/91- 3x	5/91- 2x	5/91- 3x	6/91- 2x	6/91- 3x
Avg/Day Handled	335	434	229	626	188	640	201	774
Avg/Day Abandon	142	230	97	241	79	205	27	81
Abandonment	30%	35%	30%	28%	29%	24%	12%	9%
Avg Length(min.)	13.0	12.3	9.3	11.0	15.5	11.1	8.2	10.8
Avg. Delay(sec.)	304	521	289	329	310	334	91	94

Major Issues:

On Win Excel, HOW TO questions are the largest categories, accounting for roughly 15% of our calls. The rest are widely distributed but we believe the 3.0a should cover 18% of the calls.

On Mac Excel, the only big issue has to do with copying to draw packages, which is fixed with an INIT we're planning on making available as soon as it's verified. Other than that, no major issues. Very few "problem" calls, mostly usage questions.

Action Items

- Incorporate self-thru numbers to get calls per package.
- Initiate visits other way; PSS techs visiting the testing group to see what we do.

Apps PSS Task Force

Apps PSS Task Force met with Curtis Freet to understand how the PSS costs are going to be reported. Major points of interest:

- Cost will be showing up in Operating Expenses (instead of as an Allocation).
- Computations will be changed from a "perceived benefit" model to an activity based model for accuracy.
- Report will be separated in to BU (Project will be separate from Excel) but not by product (Mac Excel and Win Excel will show up in same line).
- DSN (Direct Service Numbers) now exist. A common piece needs to be developed for users to be aware of these numbers. BlasGa is heading this effort up.

Other

Major re-organization in PSS. A memo covers this but here are the key points for us (ABU):

- Three major groups now exist: Developer Support, MIS/Mission Critical Support and End User Support. Excel support falls under End User Support. ABU Support still doesn't have a Unit Manager.
- PSS Technical Programs will be expanding it's role to include improving the information flow between us and our PSS group. Mark Seidenverg is the person in this group responsible for ABU.

Microsoft Confidential

MS7007778

CONFIDENTIAL

VI. Marketing/Share/Competition

- Worldwide Win Excel unit market share reached 36% for March-May. Unit share in the US was 32.5%. With the exception of Computer Intelligence, however, our momentum is poorly understood in the industry.
- 83,000 Win Excel 3.0 working models were shipped through the PC World test drive with a low percentage of support calls.
- Lotus offering \$119 discount on 2.3 upgrade instead of usual \$150 (through July 31)
- Lotus PR has been positive, both for the "working together" strategy for their applications product line and for First Looks of 123/W.
- Lotus is doing aggressive price promotion for 123 R2.3, primarily with direct mail. Price is \$119 and is positioned directly against Quattro Pro.
- Some indication that Lotus is being very aggressive in the OEM channel. *why intelligent*
- Borland is leaking more information about Quattro for Windows and is showing the product at a few User Groups. Key features, per PC Week, include pop-up ("object-oriented") menus for cell formatting and "3-D Workbooks".

VII Staffing/Organization

Administration 4104. Dina Shepard has assumed a new position with Word Marketing. Cindy Charleson returns to ABU as Pete Higgins' administrative assistant.

Excel Development 4105. Anthony LaMarca, James Kuffner and Mehran Sahami have started as interns. Anil Bhansali and Bob Coffen have started full time. Bruce Moeland transferred from the Multimedia Systems group and is starting up the Query Tool project with Kyle.

Excel Product Marketing 4106. Goodbye to Terry Bourne and Joe Krawczak, two veterans of the spreadsheet wars. Joe will be joining the Windows Marketing group after 3 years with Excel. Terry, the original Excel specialist, will be moving on to PSS to help the product divisions provide better products and customer service.

Program Management 4107. Steve Iijima will join Excel pgm as program manager specializing in DBCS. Will manage shipment of Chinese Excel 3.0.

Excel Testing 4109. One new permanent hire came in (Eric Rockey) and three interns (Simon Tsang, Robert Purser and Mark Mitchell).

User Education 4110. Carl Chatfield joined the group as a Technical Writer II on 6/17. Hired Amado Villescas from OBU as an Electronic Pasteup Artist. He starts 7/17/91. Temp Laura Brenner began as editor at the end of June. Temp copy editor Cyd Smith finished her work in mid June. Summer intern, Tianshu Li, started June 17. Freco, Myron Ruderman, starts July 1 on Excel 4 Help.

VIII. Excel Objectives For July - August 1991

1. Finish performance reviews.
2. Finalize Excel 4.0 add-in plan.
3. Prepare competitive response to 123/W. Do press tour.
4. Prepare query tool spec and schedule.
5. Finalize SQL-C driver development plans. Finalize all contracts and get deal with Information Builders. Present Microsoft's SQL-C plans to SAG at August meeting.
6. Participate in National Sales Meeting.
7. Reach ZBR on Graph on August 14, release candidate 1 on Aug. 26.
8. Complete integration phase of MM1 for Excel 4.0 on August 27.
9. Reach FEXL ZBR on Aug. 1.

Microsoft Confidential

6
MS7007780

CONFIDENTIAL

Microsoft

To : Pete Higgins
From : Vijay Vashee
Date : 7/22/91
Re : Project Management Annual Report- FY91 : Climbing High

Major Achievements

- In FY 91 we positioned the product very well, and changed the way the category is evaluated, resulting in :

- PC World	Best Buy, September 1990
- PC Magazine	Editor's Choice, September 11, 1990
- PC Week	#1 Windows Project Manager, August 6, 1990
- Software Digest	#1, December 1990
- InfoWorld	7.3
- InfoWorld Readers Poll	Best of 1990, February 4th, 1991
- BYTE Readers Poll	Reader's Choice, May 1991

In addition we also got many product announcements and articles written up in various vertical and trade magazines.

- With grass roots sales activities we beat forecasts worldwide, illustrated by the following FY 91 results :
 - Revenues closed at \$37.6 million versus a plan of \$18.9 million : 199 % of the plan that includes the Mac and PM version that did not ship in FY 91. Against the shipping products plan, we were at 236%.
 - Units closed at 100K versus a plan of 50K : 200 % of plan. Excluding Mac and PM versions, we were at 238% .
 - Estimated BOI closed at 30% versus a plan of (40%) : Adding close to an estimated \$19 million to the bottom line
 - Best of all, we went from an approximate 8% market share to over 40% worldwide : We began growing the category !
- Outstanding improvements in designing and developing products. We also improved the spec updating process and now all players get up-to-date information as soon as it has been entered or revised. Tremendous strides have been made towards thinking through what needs to be done and scheduling this in a responsible manner. Result : We released Cyclone, 7 days after the scheduled date and have remained on track for our v2.0 effort.
- As part of our awareness and support activities, we were very successful in running "Demo Days" where we got multiple accounts into one location to show the product. Effectively leveraging our time while getting the awareness high. We also arranged many conference calls with Rep/accounts, to reduce our travel time, while still meeting the needs of the customer and answering technical questions that the field was uncomfortable in handling. Result : Presented to more than 500 accounts, got more than 100 standardizations and product shown to more than 2000 user, influentials and gurus.
- We introduced the product with juggling cubes (balancing of resources, time and money) and Gantt Bars. Both proved to very effective and cost effective trinkets. Towards the end of the year, we worked out a promotion with Nestle, where the Gantt Bar cost became free, a sample coupon has been attached that we now give away to the next 10K users.
- Working with PSS, we reduced response times from Proj to unique questions posed to the PSS technicians. A two way communication has been established, resulting in PR leads as well quick handling of issues. We also produced a video to handle three sensitive areas and distributed this worldwide. Result : Faster higher quality support
- The Proj group has provided a high bandwidth of information to our International sales, marketing and support people in our subs. This ranged from providing presentation materials, a forum to exchange success stories, technical information, video, to marketing programs that have proved to be effective. The high point of this has been subs easily beating their sales plans, but also the single largest unit order from an account : 4,703 units from the Australian Tax Dept for Microsoft Project for Windows.
- The Proj group also made significant COGS reductions. We began FY91 with the Project for Windows version's COGS at \$28.24 and mid-way through the year saw reductions through generic documentation and the dropping of Windows runtime. We approached the end of FY91 at \$16.90, a 40% reduction in the COGS.

Microsoft Confidential —Please Shred

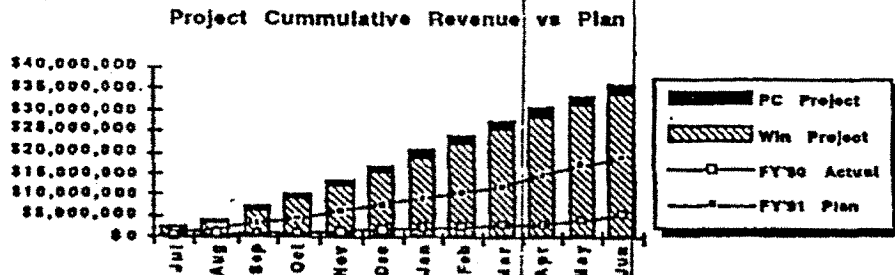
MS7007781
CONFIDENTIAL

- We began the year with no trainers or consultants supporting the product and ended with over 130 of each joining our effort and finding 20 of each to be of high enough quality for us to feel comfortable recommending to our customers. Result: Reduced effort on our part, while we benefit from the impact of a few hundred more sales people working for us.
- Prior to FY 91, our headcount was at 20, we closed FY 91 at 35. The Proj Mgrs have done an excellent job developing mentor programs and assimilating this rapid increase in headcount smoothly, getting them productive rapidly and still foster an increasing team spirit. A consequence of this has been a much more aggressive v2.0 spec expanded beyond what we had begun with.

FY 92 Opportunities and Goals

- Successfully introduce Microsoft Project for Macintosh and achieve our market share goal.
- Tough six months ahead of us as competitors come back and attack us: Develop marketing programs that further solidify our position and at the very least maintain our market share gains.
- Release v 2.0 Win version by the end of CY 1991, with the Mac version following shortly.
- Successfully introduce v 2.0 and maintain/increase market share.
- Set the stage for 3.0, so that we can move at full speed come January 92 on coding and testing it.
- Develop a strategy for moving from a project management solution provider to a planning system provider.
- Reduce PSS costs as a percentage of net sales: Increase profitability while increasing customer satisfaction.
- Meet or exceed our forecasted revenue of over \$55 million. (Represents a growth of more than 46%)
- Adjust our expenses as we assess any changes in meeting our revenue plan goals

Performance Against Plan



Momentum continues. Despite a shortfall of \$2.95 million due to the Mac and PM versions not shipping, we closed the year nearly \$19 million over plan. Resulting in us being over plan by 199%.

Cost of Goods Sold

The standard unit cost for the month of June was at \$40.08 against a budget of \$40.05 for PC Project. For Project for Windows the COGs was at \$16.70 versus plan of \$19.38. We got \$356.97 for Project for Windows and \$269.55 for PC Project, COGs as a percentage of unit revenue is 4.7% and 14.8% respectively.

Market Share

North American Market Share : May SPA data continues to show progress.

	CY 1988	CY 1989	CY 1990	CY 1991 YTD
Revenue Share	9.2%	8.3%	27.1%	37.3%
Unit Share	8.5%	6.2%	22.3%	35.0%

The three month running average is 34.7% for dollar revenue and 31.2% for units.

OnTarget has not hurt us, yet. Symantec continues to aggressively advertise. They have now begun chasing our trainers and consultants. With their introduction of Timeline for Windows, we can expect a bloody battle.

SuperProject has become very aggressive and begun touting their resource leveling advantages over us, using unique examples to exaggerate their advantage. Since this was done by a consultant it carries greater weight. Note that, no competitor gets the consultant's fight answer, however SuperProject does do a better job.

Metier acquired Schedule Publisher by Advanced Management Systems. The SRP for this is \$2000.00. I expect them to be very aggressive in pushing this and slowing our progress in making inroads into Govt. The product is available for Mac, GEM and Windows. I expect heavy discounting with an AUP around \$500.00.

International Market: While data is scarce on local competitors, against the US based competitors, we are just AWESOME, with the running three month average share of revenues running at 73%.

Sell Through numbers in the US decreased in May, for the fiscal year, they are :

Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May
3676	3241	3124	5551	3418	3735	4207	3775	3267

Factoring out estimated PST units from shipments, the channel inventory remains under control. The months of supply we have in the channel decreased in May. Since May orders were strong and June orders did not drop, it appears that we do need to worry yet :

Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May
0.6	1.1	1.2	0.4	0.9	0.8	0.7	1.0	0.8

Product Support

of calls abandoned, dropped to 5%. PSS is ready and able to support the Mac version.

	January	February	March	April	May	June
Average Daily Calls Handled	109	114	127	123	137	141
Average Daily Abandonment Rate	15%	18%	8%	8%	11%	5%
Average Wait Time in Queue	3.4 mins	5.7 mins	2.3 mins	2.1 mins	3.0 mins	1.4 mins
Ave of the Daily Longest Wait	19.9 mins	26.8 mins	17.5 mins	15.0 mins	18.9 mins	15.1 mins
% Handled w/in 20 secs	24%	7%	55%	58%	47%	68%
Talk Ratio	89%	98%	64%	57%	68%	57%

From a support standpoint PSS continues to do a kick ass job.

Microsoft Confidential — Please Shred

3

MS7007783
CONFIDENTIAL

Product Development Status

Major events that occurred this month were :

- PM Project : V1.0 has been cancelled. As we better understand how the OS/2 scenario unfolds we will re-evaluate our position on future versions. This was a very hard decision, but one that I believe will help focus and strengthen us for the our 2.0 effort.
- Cyclone was released to manufacturing.
- Phase III features and schedules finalized.

	Next Milestone	Date	Release to Mafg	Range
Cyclone	Post-Mortem	9/2/91	SHIPPED!!!!	
Project v 2.0	Code complete	9/4/91	12/20/91	- 4 wks/+0wk

Marketing

■ The following standardized this month :

Rockwell, AMSD	Std (300 units)
Mitsubishi	Std (30 units)
American Airlines	Std
Honeywell	Std
Baltimore Gas & Electric	Std
FAA - OATS	Std
Wright-Patterson	Std
Fannie Mac	Std

- Field sales training has begun
- Conference Calls : Andersen Consulting, Northwest Air
- Account Visits : Rockwell, Mitsubishi, Wright-Patterson AFB, GM, Society Corp., P&G.
- With the successful market share gains stabilizing, we are now in the position to spread the word. Efforts in educating the analysts and influentials in the industry continued PR pushing a memo covering the SPA data and reinforcing the product positioning to PR influentials.
- Competitive response has been sent to the sales force on On Target.

Project Status

FY92 Planning Done with.

Leverage the Views With the help of User Ed and Program Management the views and sample files that demonstrate the power and flexibility in Project for Windows and Macintosh were completed and are now shipping with the Mac version. The PC version does not have enough disk space, so we will explore creative ways to get the information in to the hands of the customers.

Project for Mac Introduction Press Release, Rude Q&A, Review Guide, Evaluation criteria and the logistics for the announcement all in place for a great announcement.

The Art of War Continue to expand/develop mid-life kickers that will help us hold the fort until v2.0.

Microsoft Confidential — Please Shred

MS7007784

CONFIDENTIAL

Staffing

Positions	Development	Testing	Prog Mgmt	Prod Mktg	Group Total
FY 91 Budget	9	8	3	4	24
Additional Approved	2	1	1	0	4
FY 92 Approved	3	4	1	2	10
Open Positions	2	1	1	0	4
Temporary/Interns	4	3	2	2	11

Development Welcome to our newest intern, John Pasalis and two new fulltime developers, Raman Narayanan and Mark Gollin. We lost Jeff Olsen to his bride and will not be joining Microsoft.

Testing Welcome to Brian Bishop and Laurel Cripe, both full-time testers.

Program Management Welcome to Donald Lee, Program Manager intern. We are looking for a full time person.

Product Marketing Welcome to Jessica Ostrow our new Asst. Product Manager.

Objectives For Next 60 Days

Product Plans

- Conduct a Post-Mortem for Cyclone.
- Meet V2.0 code complete date.
- Test and release the Cyclone working model

Marketing Plans

- Participate in a leveraged way on AMC committees.
- Successfully introduce cyclone.
- Initiate work on new Ad campaign.
- Continue analysts and project management influentials "Success Awareness" Program.
- Flesh out a more aggressive SWAP program.
- Complete market research plans and begin analysis of data.

Customer Support

- Distribute Tips and Tricks Part 2 aggressively. Support FSS on the harder questions that come from customers, and add to their knowledge database. Distribute Timeline conversion macro to the field
- Summarize results from the market research surveys conducted by Telemarketing. Goal is to do this on a six monthly basis for evaluation of changes
- Continue developing consultants and training centers to augment sales and support needs

DABU Review

MB7007786

CONFIDENTIAL

Microsoft Interoffice Memo

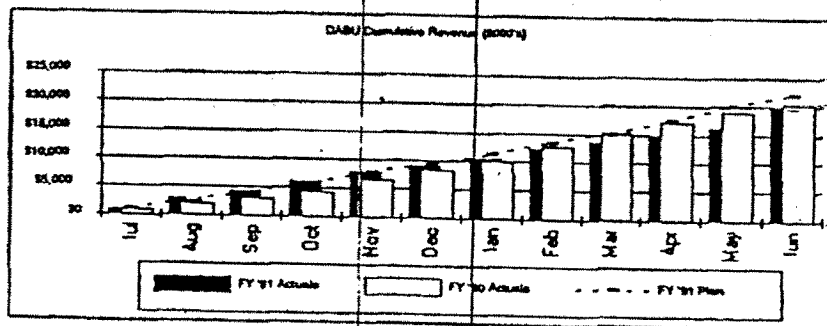
To: Mike Maples
From: Charles Stevens, Mike Johnson
Cc: DABU
Date: July 22, 1991
Re: DABU Status Report for FY 1991 with June 1991 highlights

I. Highlights/Major Achievements - FY 1991

- 1) Shipped Visual Basic for Windows. Won acclaim in reviews including "Best of Spring" at Windows World/Spring Comdex. Shipped more than 17,000 units world wide in the month of June - the first full month in the channel.
- 2) Started Cirrus development and achieved 4 major project milestones.
- 3) JET development completed all of their FY 91 milestones for the Red Engine and made significant progress on the Blue Engine.
- 4) Completed and released QBasic for shipment with DOS 5.0.
- 5) Began work on Macro Manager and Macro manager SDK and completed the preliminary specs for each. Macro Manager will ship with Windows 4 and includes a large subset of Silver/Object-Oriented Basic.
- 6) BASIC PDS received "Best of 1990" award from PC Magazine and won three other industry magazine awards. BC v. 7.1 shipped in July 1991.
- 7) Started Visual Basic for DOS (QB5), completed spec and achieved 2 project milestones.
- 8) Shipped Game Shop in October 1990, an opportunistic QuickBasic product, and generated WW revenues of \$532K.
- 9) Initiated "On-Call for BASIC" a new PSS plan, including 900M, for QuickBasic. This cut supports costs from over 20% of revenues to 10%.
- 10) Signed a contract with Fawcett Publications and help launch BasicPro magazine (first 2 issues published).

II. Business Summary - FY'91

DABU revenues for FY 1991 were \$19,677 million, a decrease of 4% from \$20,423 million in FY 90. Total FY 1991 revenues of \$19,677 million were 89% of plan of \$22,088 million. The shortfall of \$2.4mil was caused by BC being \$1.5mil under plan in the US and PC QB \$2.25mil under plan in International; all other products were close to or over plan (see below for details).

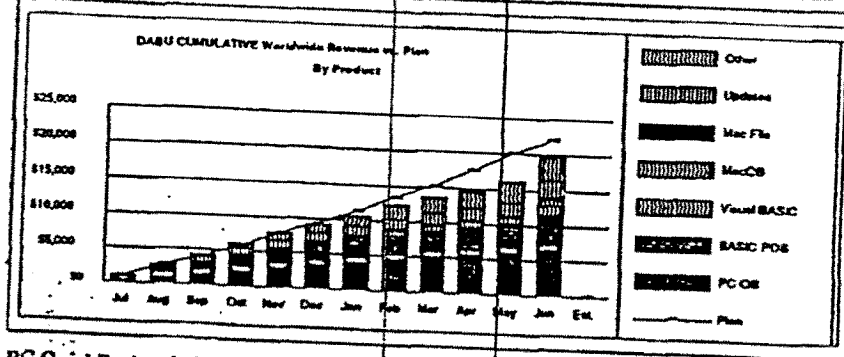
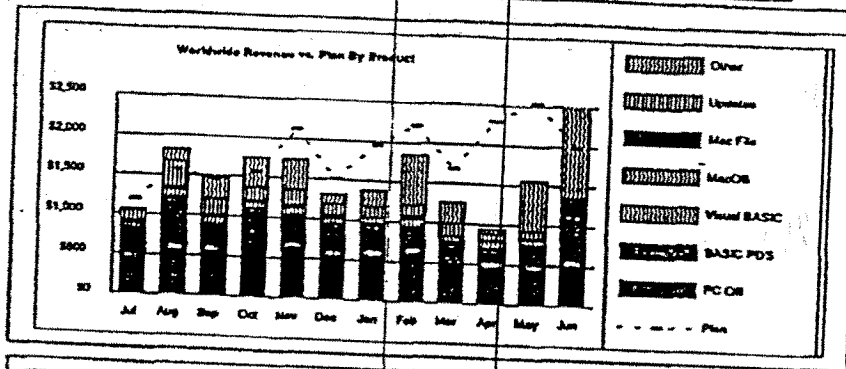
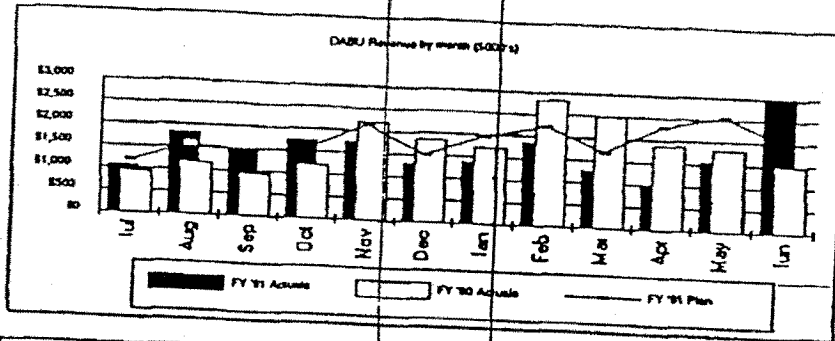


Microsoft Confidential

MS7007787

CONFIDENTIAL

DABU Annual Report with June 1991 Highlights



PC QuickBasic: QuickBasic worldwide revenues (including updates) decreased 19% from \$8.701 million in FY 1990 to \$7.084 million in FY 1991. Total FY '91 domestic QB sales were 25% lower and International sales were 17% lower. Including Game Shop, which generated WW revenues of \$532,062 for FY 1991 (not forecast), QB revenues were 104% of plan in the US and .66% of plan in International (77% overall). Intl QB sales were \$2.25mil behind plan.

BASIC PDS: In comparison with actual sales in FY '90, FY '91 domestic BASIC PDS sales (including updates) were 53% lower (\$2.271 to \$4.807 million) and International sales were 66% higher (\$3.891 to \$2.575 million). Total WW sales of BASIC PDS decreased 15% from \$7.381 million in FY 1990 to \$6.242 million in FY 1991. BC was only 60% of plan in the US and 109% in Intl (85% overall).

Microsoft Confidential

CONFIDENTIAL

DABU Annual Report with June 1991 Highlights...

Visual Basic: Despite shipping in June, VB was able to almost completely make up the fiscal year forecast (it had been forecast to ship in January). VB had total revenues of \$1,879,715 or 93% of \$ forecast for the fiscal year.

MacQB: MacQB worldwide revenues decreased 6% from \$828k in FY 1990 to \$778K in FY 1991, however, 1991 revenues were 121% of \$ forecast for the year. Domestic sales in FY '91 were 126% of plan and International sales were 113% of plan.

File: Mac File worldwide revenues decreased 38% from \$716K in FY 1990 to \$441K in FY 1991. Mac File revenues were 64% of plan in FY 1991 (Domestic was 63%, International 64%).

III. June 1991 Summary

Highlights/Major Achievements:

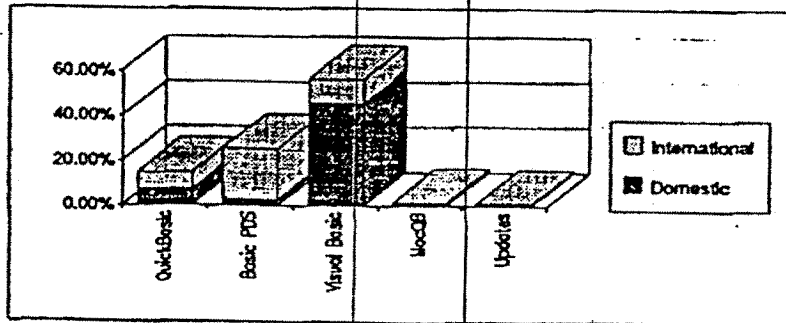
- 1) Shipped more than 17,000 units of Visual Basic for Windows world wide generating revenues of more than \$1.8 million, which was 500+% of plan for the month. VB continued to receive acclaim from industry journals.
- 2) DABU made 170% of plan for June, thanks to the large VB shipments. PC QB, Mac QB and BC sales were also above plan (see below).
- 3) Held Business Unit meeting - reviewed product strategies/plans for the coming year.

June '91 Revenues

DABU revenues for June 1991 were \$3,308 million which are 170% of plan of \$1.947 million. VB combined retail and update domestic revenues were \$1,514 million, 598% above plan of \$253K and International revenues of \$346,387 were 539% above \$ forecast of \$64,283. PC QB domestic sales were 114% of \$ forecast, while international sales were well below forecast (46% of \$ forecast). BC domestic revenues were well below plan at \$104,047 (37% of \$ forecast), while international revenues of \$740,652 were well above plan (165% of \$ forecast). Mac QB International revenues were just below plan at 88% of dollar forecast (\$18,558 to \$21,200), but domestic sales rose 132% above dollar forecast (\$39,860 to \$30,181). Total MacQB revenues of \$58,418 were 114% above \$ plan for the month. File domestic sales of \$10,871 (including upgrades) were 59% of \$ plan for the month; international sales remained well below plan at \$14,676 which were just 31% of plan.

BASIC Family Product Sales

The following charts shows the mix of dollars sales for BASIC family products in June 1991.



Microsoft Confidential

MS7007789

3

CONFIDENTIAL

DABU Annual Report with June 1991 Highlights

	June 1991		FY'91		FY'91	
	SMSD	Int'l	SMSD	Int'l	SMSD	Int'l
QuickBasic	7.5%	7.5%	15.5%	25.7%	\$2.447M	\$4.052M
BASIC PDS	3.1%	22.4%	11.3%	19.8%	\$1.789M	\$3.125M
Visual Basic	45.8%	10.5%	9.7%	2.2%	\$1.533M	\$346K
MacQB	1.2%	0.6%	3.2%	1.7%	\$509K	\$269K
Updates	0.4%	1.0%	3.2%	7.6%	\$505K	\$1.197M
Total BASIC	58.0%	42.0%	43.0%	57.0%	\$6.783M	\$8.989M

Profitability for FY 1991

Net Revenues for FY 1991 of \$18,637k were 87% of plan.

Cost of Goods Sold as a percentage of net revenues was 14.1% in the US (vs a plan of 16.6%) and 20.6% in International vs a plan of 20.1%). Other costs, including inventory adjustments and manufacturing variances, were 11% of revenues vs a plan of 7.6% of revenues, due to Inventory Carrying Costs and Adjustments (mainly obsolescence) which were budgeted. Total Cost of Revenues came in at 27.3% vs a plan of 25.1%.

For the fiscal year, Operating expenses of \$15,281k were 95% of plan (\$822k under plan). Most of the positive variance was spread over several sources including Payroll and Taxes, Employee Recruiting, Travel and Entertainment, Professional Fees, and Product Development.

Allocated expenses for FY 1991 of \$14,712k were 109% of plan. The major areas above plan were International Finished Goods, PSS Operations, and Legal.

Burdened operating income was (\$16.451 million) vs. a budget of (\$13.536 million).

COGS

Product	Cogs			
	SRP	Target	Cogs	Variance
Mac File	\$195	\$12.00	\$9.26	\$2.74
MacQB	\$99	\$7.36	\$7.30	\$0.06
PC QB 3.5"	\$99	\$8.36	\$6.26	\$2.10
PC QB 5.25"	\$99	\$8.14	\$6.08	\$2.06
BASIC PDS 3.5"	\$495	\$25.65	\$25.38	\$0.27
BASIC PDS 5.25"	\$495	\$23.28	\$22.97	\$0.31
Visual Basic	\$199	\$12.82	\$11.52	\$1.30

IV. Strategy Changes in FY'91

Added custom controls and other features to Thunder/VB.

QB5 (in development) was renamed VB-DOS, ship date is Feb '92.

Cancelled multi-user ISAM project for BC, will be added later for VB-DOS if appropriate.

V. Product/Project Changes in June

JET: Release 1.07 of JET will be made to Cirrus on 7/26/91. This release will contain all functionality necessary for Cirrus code complete. Some of the important features in release 1.07 will be Query Security, dBASE and Paradox ISAMs, the Compact Utility, and Fast Find. Release 1.08 of JET, scheduled for 8/15/91, will be the feature complete release to Cirrus.

Microsoft Confidential

CONFIDENTIAL

MS7007790

DABU Annual Report with June 1991 Highlights

Cirrus: Code complete is approaching quickly (7/31). Items that are running a bit late include builders (like expression builders), Wizards, some Import dialogs, a few EB features, Help integration and Setup. R&D has put in a massive effort during the last month to make this test release and to keep the bug count to a minimum. We are working with the Excel group on a WinQuery tool which hopefully will provide the foundation for our cross-product technology. Unfortunately, efforts to coordinate integration with WinWord were too late and WinWord's mailmerge will not operate well with Cirrus.

Visual Basic for DOS (QB5): Work is continuing on Form Designer and Methods implementation. Product component naming issues have been resolved and the next build will contain correct EXE and LIB names. Usability tests for various aspects of the programming environment are being planned and will be completed over the next few weeks with Form Designer usability tests being done when functionality approaches completion. International scheduling is in progress and the delta will be set by mid-August. Code Complete is 9/30.

Macro Manager: AFX has delivered Dialog Editor specs as promised. They are starting with the Win 3.1 SDK/QC-Win dialog editor as their basis, which they believe to be the best long-term foundation; AFX also delivered a work plan and schedule for the dialog editor; they are proceeding with implementation; OLE 2 is distributing a condensed version of the Command Implementors Guide to ISVs. A presentation on product/technology/schedules was scheduled (and given) to Win 4 and Jim Allchin on 7/17/91.

VI. Competition - FY 1991 Highlights

Ashton-Tate: This was another year of problems and frustrations for A-T. Their market share continued to decline as Paradox and FoxPro continued to attack their user base. A-T did finally ship dBASE IV V1.1 in July 1990 but the product has not been a steamroller success. Judge Hatter's initial ruling in November that A-T did not have a legal copyright of the dBASE language caused a great deal of confusion in the marketplace (much to the delight of Borland, Fox, and other PC database vendors). Although Judge Hatter reversed his own decision during the early part of 1991, the damage had taken its toll. On the other end of the roller coaster spectrum, Software Digest ranked dBASE #1 in the multi-user, programmable database category. A-T announced they would ship a Windows version of dBASE by the end of calendar 1991.

Borland: Borland had a very good year with most of their product line. Languages, Quattro Pro, and Paradox all had outstanding sales volumes. Borland's strategy of offering competitive upgrades of their products at very low prices had a positive effect on market penetration. Paradox market share (units) increased from 18% to an estimated 24%, with dBASE unit market share being hardest hit. Borland announced ObjectVision in January. It opened to mixed reviews - people liked many of the features in the product, but overall most users didn't really understand what the product was supposed to do. The second annual Paradox Developers Conference was very successful attracting more than 1100 attendees. Borland announced they would ship a Windows version of Paradox by the end of calendar 1991.

Borland/Ashton-Tate: Not FY 1991 news, but certainly the most interesting news on the database front, was the July 10th announcement of Borland's intent to buy A-T. In a stock-for-stock transaction worth approximately \$440 million, if approved, means that Borland would hold an estimated 70% share of the U.S. PC database market as well as significantly strengthening its international presence. A complete document on this merger will be published by Cirrus marketing by end of July.

DataEase: DataEase for Windows is in beta testing. It's reported to be a port of their CUI product and supposedly doesn't even use dropdown menus. Also, the rumored deal of a Lotus buy-out is off and DataEase has laid off 30 employees.

CONFIDENTIAL

MS7007791

Microsoft Confidential

5

Fox: Fox had a good year. They shipped a greatly enhanced version of FoxPro (V2.0) and a new version of FoxPro for the Mac. FoxPro 2.0 was highly acclaimed by the journals and the dBASE community and has taken a little more of the dBASE user base from A-T. A-T's lawsuit against Fox was not resolved (see A-T section) and this cloud over Fox had some negative impact on sales. Hal Pollock, an advertising wizard, joined Fox in May and has breathed new life into their advertising campaigns. The long awaited Rushmore technology was being demoed to user groups across the country just before the close of FY 1991.

Gupta: Although Gupta released new versions of several products, they continue to be viewed as having a high end, developer-oriented focus. SQL Windows 2.0 was specifically targeted to end users when it was released in December, but the overall architecture of their product line has prevented wide-spread acceptance by this segment. Unlike Microrim, however, Gupta's sales revenues increased for the year and they edged up a few percentage points in the race for market share. Just as FY 1990 ended, Gupta announced another product aimed at end users. Quest is a Windows-based query tool. Although the product has a few interesting features, it will be difficult to position and sell, much the same as Borland's ObjectVision.

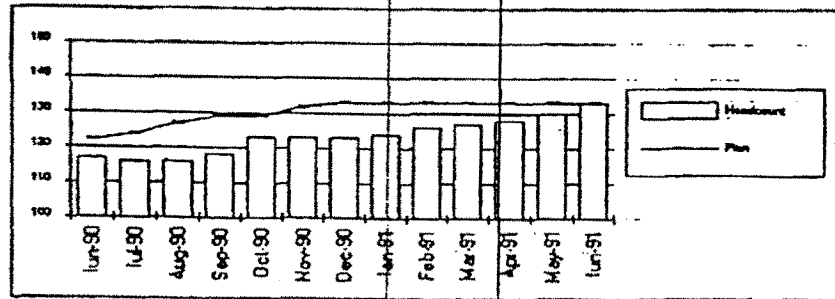
Microrim: Microrim had a mixed year. Overall, the year was not kind to them. Their long-standing claim of #2 PC database product went by the wayside as Paradox and even FoxPro rolled by them. Their first-ever Developers Conference was only attended by 200 and they abandoned plans to develop a R:BASE 3.x compiler. On the positive side, Microrim released Personal R:BASE, a \$99 single user version, non-programming version of their flagship R:BASE 3.1 and sales have been good. However, revenues from this product have not been sufficient to stem the downward slide of their market share. At the end of the fiscal year, they were reportedly having problems paying their payroll.

Nantucket: Nantucket is another company that has had a rough year. After several significant delays, they shipped the totally new Clipper 5.0. The product was riddled with bugs and many users did not upgrade to the new version. A subsequent release to fix the bugs in 5.0 did not excite the Clipper die-hards.

SPC/Precision: The big news here was the purchase of Precision Software, makers of SuperBase 2 and 4, by SPC. SPC paid a reported \$25 million for Precision in a deal that could be beneficial to both companies. SPC needed a good database product to add to its offerings and Precision needed the marketing punch and stability that SPC will supply. SPC also markets Info Alliance, an innovative client-server product, which hasn't made significant sales inroads up to this point, and whose positioning is still confusing.

VII. Staffing/Organization

DABU's head count grew from 117 in July 1990 to 135 permanent and 12 interns during June 1991. Head count plan for this month is 137.



MS7007792

DABU Annual Report with June 1991 Highlights

In FY91: Bob Allison, David Dow, Ted Liuson, Kim Lum, Peter Mau, Mark Roberts, Matthew Shulman, Andrew Sigal and Michael Woolf joined DABU Development. Dave Kaplan, Richard McAniff, Michael Mee, Rick Raddatz, and Narendra Varma joined DABU Program Mgmt and Mike Risse joined DABU Mktg. Jay Burnett, Jim Dixon, Arman Gharib, Jeff Grove, Destry Hood, Chris Kauffman, Andrew Miller, Kent Murdoch, Tamara Thomas, and Peter Tucker joined DABU QA. Laura Bennett, Drew Fletcher, Joan Hammond, Thalia Kelpc, Tim McKee, and David Schroeder joined DABU User Education. Maria Bottemiller, Annaliza McBride and Pat Schultz joined DABU as Group Assistants. 15 people left DABU during FY1991, 34 joined.

In early July, we created the Applications Programmability Product Unit, a group of about 80 people working on our Basic products (QBasic, QB, BC, VB, EB, Macro Manager and Silver/OOB) reporting to Len Oorthuys. In this groups, Len (acting) and Dennis Canady are the development managers, Rick Olson manages QA, Eric Peterson User Education, John Fine Program Management, and Tom Button Marketing.

VIII. Objectives for FY'92

Business

- 1) Beat DABU revenue forecast (which is \$17.8 million in US).
- 2) Be profitable in our Apps Programmability business (all Basic products).
- 3) Manage PSS and COGs to under 10% of revenues (in FY91 they were both approximately 14% of revenues).

Product Development

- 1) Ship Cirrus worldwide in Q1-92 (calendar).
- 2) Ship VB-DOS worldwide Q1-92 (calendar).
- 3) Deliver Macro Manager by WIN 4 beta (7/92).
- 4) Complete JET and ship with Cirrus. Ship DAE to internal clients.

Strategy and Planning

- 1) Complete plan/ship VB-Win intermediate release. Complete plan, make code complete release of VB-Win 2.0 by June '92.
- 2) Complete plan for second release of Cirrus. Make progress on V3 definition. Have Mac/Kanjii/NT 32-bit plans in place and proceeding.
- 3) Complete plan/schedule/staffing for Silver/Object Basic. Make development milestones for early '93 ship.
- 4) Complete plans for NT/32-bit and Mac versions of VB/Macro Mgr/Silver.
- 5) Complete plan, ship C version of ISAM.

Marketing

- 1) Ship more than 100k units of VB-Win worldwide (60k in the US) and be the #1 best-selling Windows development tool.
- 2) Ship more than 60k units of Cirrus worldwide within 12 months of ship (40k in the US), which is at least 6% market share.
- 3) Launch VB-DOS and ship more than 40k units and upgrades in the first three months in the US.
- 4) Have distribution plan for Macro Mgr before WIN 4, have key ISVs signed up for Silver/OOB, have business plan and pricing model for charging Silver royalties.

Microsoft Confidential

MS7007793

7

CONFIDENTIAL

DABU Annual Report with June 1991 Highlights

Other

- 1) Offer our employees challenging opportunities and career growth, as well as exciting world-class products to work on.
- 2) Move all projects in development to Win Word Publishing by the end of FY92.
- 3) Continue implementation of ZD on all projects.
- 4) Achieve >90% code coverage using test automation strategy, leverage test cases across all our products to achieve greater efficiency and port tools/test cases to Macintosh.
- 5) Ship all products in major foreign languages within 60 days of US product ship by building International Products from the start and by integrating IPG completely into the project management and development process.

Microsoft Confidential

CONFIDENTIAL

MS7007794

EBU Review

CONFIDENTIAL

MS7007795

Microsoft Memo

TO: Mike Maples
FROM: Susan Boeschon & EBU Managers
RE: EBU Climbing High in FY91
DATE: July 22, 1991
CC: EBU Staff

I. FY91 HIGHLIGHTS. WE CLIMBED HIGHER THAN EVER!

FY 91 was a very solid year for EBU. We increased worldwide revenue by 30% over FY90 closing the year at \$117M or 108% of plan. We managed to budget ending the year \$1.6M under our \$28.2M operating expenses budget. We met our profitability goals with a year end burdened operating income at \$22.1M versus a plan of \$17.1M or 129% of plan. Although we met our business objectives of growing the revenues, staying within budget and decreasing product COGs, we did not see a substantial profitability gain over FY90. Both operating expenses and allocations have grown at a faster rate than revenues. However, this was anticipated as FY91 was a heavy investment year for EBU. We have made very strong investments in new products, tools and processes. We'll be shipping eight great new products this fall. The new processes and tools are paying off in efficiency increases. We'll see the results of both in FY92. FY92 will be EBU's year!

CLIMBING BETTER

SHIPPED PRODUCT MEETING SCHEDULE AND QUALITY GOALS

- Shipped Kanji Works, which became the best selling software product in Japan.
- Shipped PC Flight Simulator Aircraft & Scenery Designer.
- Shipped Learning DOS 5.0.
- Shipped Windows Productivity Pack.
- Shipped Windows Entertainment Pack - Volume I.
- Shipped Word Jr and Multiplan Jr for France.
- Shipped Mac Works 2.00c, d, and e to update copyrights, add converter functionality, improve CBT, and work better on networks.
- Completed *In and Out of the Classroom* video, a motivational video for teachers co-developed with Apple to support the education market.

CLIMBING PEAKS NEVER BEFORE CONQUERED

GREW THE BUSINESS

- Developed eight new products to ship this fall -- Works for Windows, Publisher, Money, MultimediaWorks, Mac Flight Sim, MacWorks, Windows Entertainment Pack Volumes II and (possibly) III.
- Initiated two new products: Boris (Accounting), and Starfighter (Signs and Banners).
- Investigating Flight Simulator: Air Traffic Control and PC Space Simulator.
- Worked with NEA on after-market piece *In and Out of the Classroom*; Works is now the number one product in the educational sales channel.
- Formed alliance with ASBDC and created Works Small Business Partners Program. Seminar materials, *Growing Your Business*, are the cornerstone of this project.
- Formed a strategic partnership with SeniorNet. Provided the basic materials for SeniorWorks, training for members of SeniorNet.
- Grew the Microsoft US entertainment revenue 71% (\$7.6M actual) over FY90.
- PC Works maintained a strong #1 position in the low-end integrated category, with 51% of worldwide shipments and 68% of worldwide revenues. In the entire integrated category, PC Works grew to 37% unit share and 21% revenue share.

MS7007796

CONFIDENTIAL

CLIMBING HIGHER PEAKS ACHIEVED MAJOR MARKETING WINS

- Secured several key PC Works bundles with OEM's targeting the mass merchant channel including Smith Corona (30K), Cumulus (20K) and Leading Edge (40K).
- WPP and WEP also became strong OEM products with over 200K total units bundled in FY91.
- Signed letter of intent for Mac Works to be included in Jostens Integrated Learning System.
- Windows Entertainment Pack sold over 100,000 units domestically with \$2.3M in revenues, in its first 9 months in the market.
- Held four of top five spots in the Home, Education, & Recreation category on the Merisel Hot List for several months with WEP, Flt Sim, WPP, and LDOS.
- Expanding into new channels (mass merchant, superstore, etc.) effectively doubling PCWorks distribution by year end.

CLIMBING FOR ALL TO WATCH CONTINUED TO FILL EBU TROPHY CASE

PC Works

- PC World August 1991 - Best Buy; Works hailed as a "minimalist masterpiece" - our first head to head competition with LotusWorks.
- PC Week's Corporate Satisfaction Poll as the #1 integrated product.
- #1 integrated product from Government Computer News.
- PC Laptop's Lappy Award - Best Integrated Software.
- Compute Magazine's Compute Choice Award: Best "Small Business Organizer".
- Home Office Computing's 4 Star Rating.
- PC Magazine's World Class Award for 1990.

Flight Simulator

- PC Flight Simulator voted Best Entertainment Software by 185,000 readers of PC Resource magazine.
- PC Flight Simulator receives PC World "World Class Award" for 9th straight year.
- PC Flight Simulator wins Merisel's Hot List Award.
- Demoed Mac Flight Simulator 4 at System 7 rollout, getting more cheers than System 7.

Windows Productivity Pack

- Windows Productivity Pack and documentation won an STC Award of Excellence.

CLIMBING SMARTER INNOVATION

- Invented "Wizards" for immediate productivity. Built authoring tools using Toolbook to create them and designed for the international as well as English markets.
- Provided state-of-the-art R&D in multimedia. Enhanced Win Works CBT with multimedia segments and developed an innovative online reference model that demonstrates a very visual way to present reference information online. It includes animated demos with sound.
- Created Note-it Server to be included in Voodoo and Windows Works.
- We'll be the first MS Apps to ship with the OLE DLLs and the Common Dialog DLLs. We are the first customers outside OBU for their WP conversion DLLs and Speller.
- Created generalized Mac floating tool palette for Mac Works; also used in Mac FS4.
- WMT, the test automation tool came on line and paid for itself in the first years use.
- Applied all new processes and very creative problem solving for the WinWorks Simultaneous Ship project.
- Implemented new documentation models for Win and Mac Works.
- Created and successfully implemented a documentation plan for Barney with the goal of almost no overlap between print and online. Resulting manual is 1/3 the size of Quicken's.
- Pushed products into the mass merchant channel.
- Introduced a very successful MacWorks/Quicken bundle.
- Utilized in-flight advertising for Works.
- Created visual specifications rather than the standard written specs for products like Font Effect Server and Boris.
- Designed new "user friendly" cursors.
- Implemented usability tests 2 months into product design (e.g. early).

CLIMBING GLOBALLY SUPPORTED INTERNATIONAL

- Set a goal to ship English, French, and German WinWorks on the same day without delaying the English version. Defined an innovative print and online strategy to meet that goal. It included both US and International using the same publishing tool, WinWord, the same page design, new indexing tools, and using built or hand-drawn art instead of screen dumps. Through careful scheduling, communication, sharing of resources and heroic efforts from IPG, CorpCom and the WinWorks team, project is on schedule.
- Shared resources between US and International during peak times.
- Met international commitments with Kanji Works and the Junior products.
- Designed Mac Works for "zero-compile" localization.
- Modified design and authoring of Voodoo and WinWorks wizards to ease localization.
- Used conceptual art with Latin-like text for all samples in Voodoo. This way they can be used as is for all localized versions.
- Visited the European subsidiaries, and held EBU Marketing Conference.

CLIMBING STRONGER MANAGED PEOPLE AS WELL AS PROJECTS

- Once again, EBU scored substantially higher than the division norm and led the division in positive responses in nearly all categories on the Apps Division Survey. Morale is very high (Division 62.3%; EBU 83.3%) despite the pressures of multiple product ships. EBU works well as a team and rates cooperation within the unit very high (Division 64.2%; EBU 83.0%). According to the survey, job satisfaction is high, communication processes are effective and the group feels generally well managed.
- We've attracted and kept great players.
- Instituted new team oriented processes -- milestone meetings, joint design and code review sessions, future feature presentations.
- Assimilated massive numbers of new hires and interns successfully by investing in training and mentoring programs up front.
- We continue to have fun --first annual croquet/margarita tournament, team treasure hunts, cookie payoffs, Schulz's sausage feeds, mini-golf events, creative offices... etc.

NEW EXPEDITIONS SCHEDULED NEXT YEARS OBJECTIVES

- Meet product commitments. Ship a ton of great products on schedule to capture the small business and home markets for Microsoft.
- Meet revenue and profit targets. Grow market share, expand distribution and entrench our products in the mass merchant channels. Reduce development costs, localization costs, COGs and PSS costs.
- Focus on long term product strategies--create a new "charter" for the business.
- Develop proposals for "coconsumer" software. Design new products that are more task specific and friendly to use.
- Make sure next versions of our products work well together.
- Develop a strategy and plan for non-PC platforms.
- Grow the people in EBU.

II. BUSINESS SUMMARY

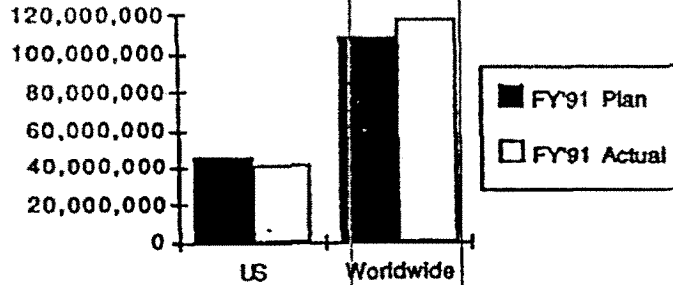
FY91 was a solid year worldwide for EBU. Following is a synopsis of the key business factors:

EBU Revenue Versus Plan

EBU closed FY91 at \$117M worldwide or 108% of plan. US Revenues closed at only 95% of plan. Contributing factors for not making US plan are lackluster PC Works sales, due to increased competition and no new version, some shifting in Mac Works retail sales to educational sales, and Mac Flight Simulator not shipping on schedule.

CONFIDENTIAL
MS7007798

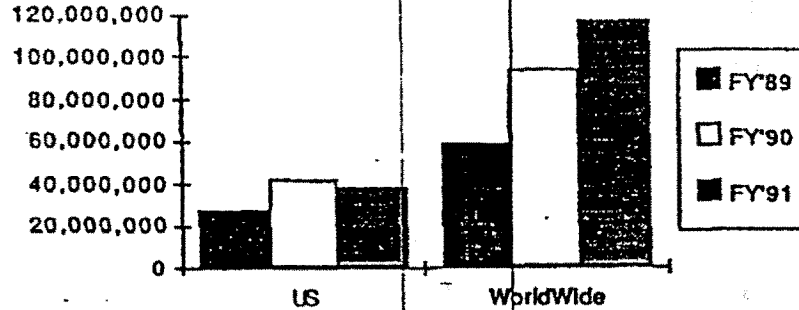
FY91 Plan vs. Actual (US and Worldwide)



EBU Revenue Growth

EBU worldwide revenues grew 60% from FY89 to FY90 and a healthy 30% from FY90 to FY91. US Revenues are down compared to FY90 because there was no PS/2 PC Works bundle this year (if the IBM PS/2 bundle revenue is eliminated from the US retail numbers, US retail sales grew 23% over FY90).

FY89, FY90 & FY91 Revenue

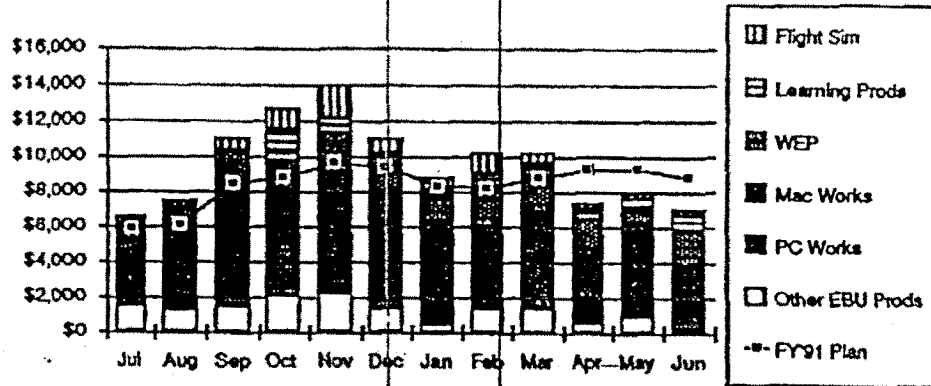


EBU Revenue by Month

EBU's sales are highly seasonal. Sales were very healthy during the key Christmas selling season this year, but fell below plan during the end of the fiscal year. The FY91 plan did not allow for seasonality adjustments, thus the key spikes over plan during the Christmas season and the below-plan months during the Spring/Summer.

CONFIDENTIAL

FY91 Worldwide Revenue vs. Plan (in thousands)



EBU Revenue by Product

PC Works continues to comprise the majority of EBU's revenue. Worldwide PC Works sales were 98% of plan, at \$64.6M, but only 83% of plan in the US at \$13.6M. PC Works has seen 4 new competitors enter it's US market this year, with PFS:WindowWorks being the major threat, introduced in May. Mac Works fell short of plan worldwide due to an old version of the product and a shift to more academic sales than in past years in the US. MacWorks is now facing new competition also with GreatWorks from Symantec the brand new competitor. PC Fit Sim is losing some momentum since we decided to apply BAO resources to MacFit Sim, which unfortunately did not ship as planned in FY91. The Aircraft and Scenery Designer has exceeded its plan. LDOS has lost some momentum, but WPP has had more sales than expected due to Windows success.

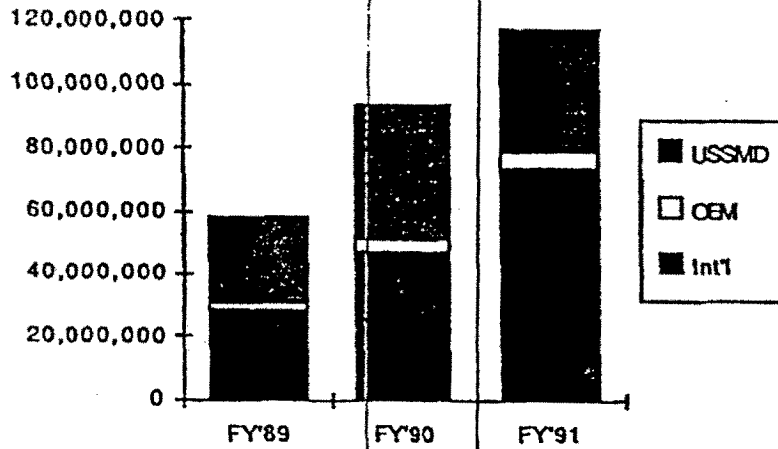
	US Retail	% Plan	Worldwide Total	% Plan
PC Works	\$13.6M vs. \$16.2M	83%	\$64.6M vs. \$65.7M	98%
MacWorks	\$11.7M vs. \$12.5M	94%	\$17.8M vs. \$18.6M	96%
PC Fit Sim	\$3.8M vs. \$5.5M	68%	Fit Sim & A&SD: \$8.7M vs. \$11M	79%
A&SD	\$1.3M vs. \$1.1	122%		
Mac FS	\$2.6M vs. \$1.3M	20%	\$3.0M vs. \$1.4M	21%
WEP	\$2.3M vs. \$0M	n/a	\$3.2M vs. \$0M	n/a
LDOS	\$2.0M vs. \$2.2M	90%	\$2.6M vs. \$3.5M	74%
WPP	\$1.6M vs. \$.85M	188%	\$1.8M vs. \$.85M	216%

EBU Revenue by Channel

Revenues have shifted substantially by channel in FY91. In FY89 and FY90, International represented just under 50% of EBU sales. In FY91 Int'l represents 62% of EBU revenues.

CONFIDENTIAL

Revenue by Channel



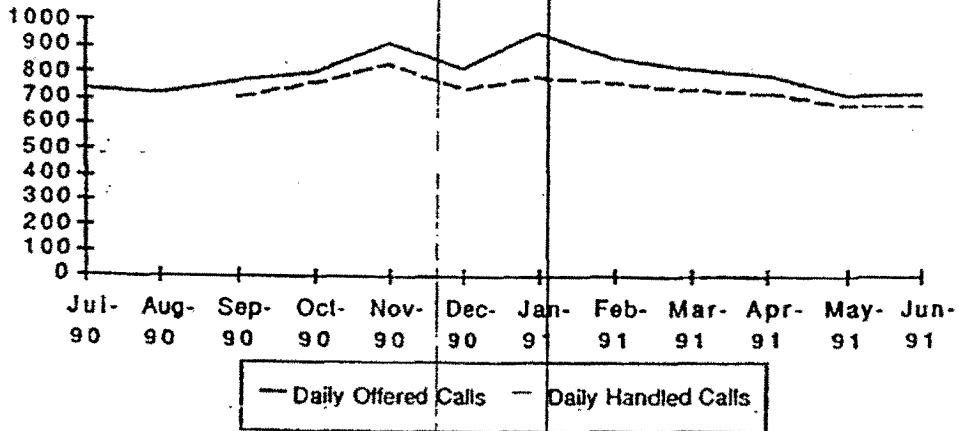
COGS

Overall EBU product COGs were 12.9% of revenue for FY91.

PSS

EBU is generating over 16K PSS calls a month and PSS only has capacity for just under 15K calls. Almost 100 calls per day are not being met. The average length of each call is 7.59 minutes and the delay time is just under 2 minutes.

PSS Calls Offered vs. Calls Handled



EBU FY91 Annual Report

Product	Monthly	Daily	Monthly	Daily	Average	Delay
	Offered Calls	Offered Calls	Handled Calls	Handled Calls	Call Times	Times
DOS Works	11058	537	9785	482	7.83	1.43
Mac Works	3752	182	3688	181	7.62	1.26
DOS Flt. Sim.	875	43	810	10	7.74	2.94
Mac Flt. Sim.	197	10	186	9	3.36	1.23
Learning DOS	126	6	108	5	7.07	1.72
DOS Chart	121	6	100	5	8.06	3.35
WEP	5		5		0.65	0.83
WPP	3		3		0.78	1.01
Other Entry	75	4	61	3	5.06	3.01
Total for EBU	16212	788	14746	695	7.59-	1.99

**numbers are FY91 Avg.

EBU managers and product teams are working with FSS to define product problem areas in order to reduce call volumes. New versions of current products and products in design and development stages will incorporate changes to reflect this data.

BOI

Burdened operating income for the year was \$22.1M or 19.7% of net revenues versus a plan of \$17.1M or 129% of plan. BOI for the first three quarters of the year averaged 26.1% of net revenues but the year end results were negatively impacted by the decreased revenues we saw in fourth quarter.

III. MAJOR STRATEGY CHANGES

- Added OLE support to Windows Works.
- Bundling OLE servers with Works and Voodoo.
- Added Boris - Windows Accounting Package.
- Added Starfighter - Banner Sign Package.
- Created Junior products on short notice.
- Decided to apply BAO resources to Mac Flt. Sim, pushing PC Flt. Sim out.
- Killed Atari and Amiga ports of Mac Works.
- Chose to develop Page Wizards over CBT for Voodoo and added Wizards to Win Works.
- Changed from using Toolbook as the authoring tool for the Multimedia Works online reference to using Winhelp 3.1.

IV. STAFFING/ORGANIZATION/EMPLOYEE DEVELOPMENT

- New Group Program and Product Managers this year.
- Reorganized marketing from 2 large teams into 3 smaller teams to cover all the products, channels and markets EBU serves.
- UE Print changed from a functional group structure - writers, editors, production - to a project structure to facilitate efficiency and product expertise.
- Reorganized program management into two groups.
- All leads in the CBT and UE groups participated in a management course called "Positive Power and Influence". It provided a good opportunity to develop skills and build a coordinated management team.
- We stayed up-to-date on multimedia developments by attending industry conferences and seminars.
- EBU overall ended the year at 156 against approved headcount of 157.

CONFIDENTIAL

MS7007802

V. JUNE 1990 STATUS SUMMARY

HIGHLIGHTS/MAJOR ACHIEVEMENTS

- WinWorks, Barney, and Voodoo are all code complete and in Beta testing.
- Handed Mac Works communications module off to Testing.
- Using WMT, the Barney team reduced the text execution time for the first Printer Test Pass 60%.
- WinWorks team hit an all-time high for bugs found in one week: 256. This is a tremendous productivity achievement (and is not an unexpected number of bugs for WinWorks at this stage in testing).
- WinWorks team automated their Video Config test, saving approx. 3 hours per config, and the Printer config test, saving approx. 1 hour per printer. They also completed the First Test Pass on schedule, and added the testing of the Note-It! OLE server to their project.
- Demonstrated Wizards and Multimedia work to Bill, Mike, and staff meeting, and WGBU UE group. Resolved multimedia future direction in meeting with Bill.
- Last WinWorks documentation handoff to International. Still on track for simultaneous ship.
- Met technical review date for complete Voodoo User's Guide.
- Activated Mac Works price decrease.
- Signed deal with AST for 75,000 unit bundle of WinWorks and Money.
- Visited more resellers: Egghead, CompUSA, Babbage's, MicroCenter, Intelligent Electronics, Office Depot, Best Buy, Eick-Tek.
- Demoeed at key Apple meeting of higher-ed and K-12 groups determining which product to bundle with Mac's sold into education.
- Demoeed Solutions Series to nearly 20 OEMs this month.
- Completed reviews.

BUSINESS SUMMARY

June Revenue vs. Plan

- Revenues were 89% of plan with \$7.84M actual vs. \$8.79M plan.
- USSMD retail was 115% of plan with \$3.57M actual vs. \$3.09M plan.
- Int'l OEM had actual sales of \$1M with no plan.
- MacWorks was 96% of worldwide revenue plan (\$1.46M actual) and 114% of US revenue plan (\$1.07M actual). Int'l retail sales were off.
- PC Works was 80% of worldwide revenue plan (\$4.1M actual) and 104% of US revenue plan (\$1.26M). Int'l retail sales pulled sales down considerably.

Competition

- Symantec is shipping GreatWorks, a competitor to MacWorks. They are also rumored to be working on a Windows version.
- BeagleWorks will be a new MacWorks competitor and is expected to be shown at MacWorld along with Claris' new Works Product.

STRATEGY CHANGES

- Tentatively planning to ship the Note-It OLE server with WinWorks and Voodoo. May use our internally developed interface for the WordArt server for Voodoo.
- Added a Windows Basics demo to Barney.
- Sharing personnel with international to get Win Works Wizards and CBT localized.

PRODUCT/PROJECT CHANGES

Voodoo: Code complete, released Betas #1 and #2. Under 30 active bugs in development. Stellar progress by interns on a front end to the font effects product. Plus they've created a Note-It (post-it like) server. Voodoo now has eleven different code sources for testing. Handed off first help file to IPG for translation.

WinWorks: Code complete and in Beta. Just over 100 active bugs in development. Full test pass and config passes complete. Shipped Beta 1. Added Note-It server. 15 CBT lessons completed and handed off to Int'l. Win Works, Tutor 1.1, and MMWindows now work together so final pieces are being integrated and tested together.

Barney: Code complete and in Beta. Less than 10 active bugs in development! Released Beta 1. We will finish test case pass 1 on time. 10 of 10 CBT previews completed, will be handed off July 19th.

Windows Entertainment Pack Vol II: Games set.

Mac Works: Completed Communications module test pass. Preparing for help topic Technical Review when software is code complete.

EBU FY91 Annual Report

Mac Flight Sim: We are still finding a lot of bugs on Mac FS, over half of which are severity 1 and 2. Bug quality is high. BAO is just now beginning to catch up by fixing more bugs per week than we find. The find rate still has not abated.

ACTT: Completed 4 printer test runs and 5 config test runs on schedule.

WMT: Completed first draft of documentation for our WMT automation tool.

OBJECTIVES FOR NEXT 60 DAYS

- Ship WinWorks, Barney, Voodoo, WEP2 (and possibly WEP3), Mac Flight Sim by September 15.
- Pick Font Effects Server strategy.
- Hand off Mac Works to Testing, begin beta cycle.
- Present next version product plans to EBUMgr.
- Continue work on Flight Sim: Air Traffic Control spec.
- Press first milestone CD containing MMWin Works setup, Kaleidoscope, and CBT with 15 movies.
- Conduct second Boris usability test. Work with Great Plains to define UE strategy and usability test online help models.
- Define WPP product strategy and build schedules for all components.
- Evaluate feasibility of an online Growing Your Business to be included on the Multimedia Works CD.
- Complete long-leads press tour for Solution Series.
- Determine if the Windows Entertainment pack will be just volume 2 or if there are enough games and resources to complete volumes 2 and 3.
- Complete Dataviz contract for MacWorks.

CONFIDENTIAL

MS7007804

Microsoft

GBU Review

CONFIDENTIAL

MS7007805

Microsoft Memo

To : Mike Maples
From : Bob Gaskins, Dennis Austin, Darrell Boyle, Tom Rudkin, Aniko Somogyi, Eunice Yan
Date : July 29, 1991
Cc : All GBU
Re : GBU Monthly Report for June 1991 and Fiscal Year 1991

I. Business Summary

During MS Fiscal Year 1991, the Graphics Business Unit increased its revenues to over 350% of revenues for FY 1990. The growth was even larger in International, with FY 1991 revenues over 500% of revenues for FY 1990. This growth was not unplanned; GBU revenues were 111% of plan for the year, totalling \$33,515,000. Expenses were below budget, at 96% of plan. Capital spending was 94% of plan. Burdened Operating Income was \$1,144,000 against a plan of -\$1,742,000, a positive variance of \$2,886,000.

In FY 1991 Windows PowerPoint shipped over 51,000 units for 120% of plan in the U.S. Mac PowerPoint shipped over 25,500 units (exactly half of Windows) for 95% of plan in the U.S. International sales were precisely at 100% of plan for the year, almost 29,000 Windows units and some 6,000 Mac units. Total sales of the GBU *excluding* MS Office are \$28,555,796 (103% of plan) for the year. (MS Office adds \$5,392,773 revenue for the year.)

In the U.S., we shipped 51,002 units of Windows PowerPoint, 25,639 units of Mac PowerPoint, plus 48,470 units contained in Win Office and 38,698 units contained in Mac Office, for a total of 163,809 copies of PowerPoint shipped in FY 1991. Another 35,263 units of international sales plus 15,750 units of international Office makes about 215,000 total copies shipped worldwide in the one year.

Windows PowerPoint shipped \$12,488,531 (51,002 units) in the U.S. against a forecast of \$10,437,215 (41,523 units), for 120% of forecast. Internationally, Windows PowerPoint shipped \$8,861,665 (28,940 units) against a plan of \$7,810,027 (23,167 units), for 113% of plan. In addition, a further 56,051 units of WinPP were shipped as part of the WinOffice product, for another \$3,147,998 in revenue to GBU. Worldwide, Windows PowerPoint shipped \$21,892,408 for 116% of plan.

On Mac, we shipped \$4,987,726 (25,639 units) in the U.S. versus a forecast of \$5,231,249 (26,044 units), 95% of the forecast. Internationally, Mac PowerPoint sales were \$1,566,028 (6,323 units) against plan of \$2,707,142 (10,674 units), 58% of plan. In addition, a further 47,147 units of MacPP were shipped as part of the MacOffice product, for another \$2,244,775 in revenue to GBU. Worldwide, Mac PowerPoint shipped \$6,553,754 for 83% of plan.

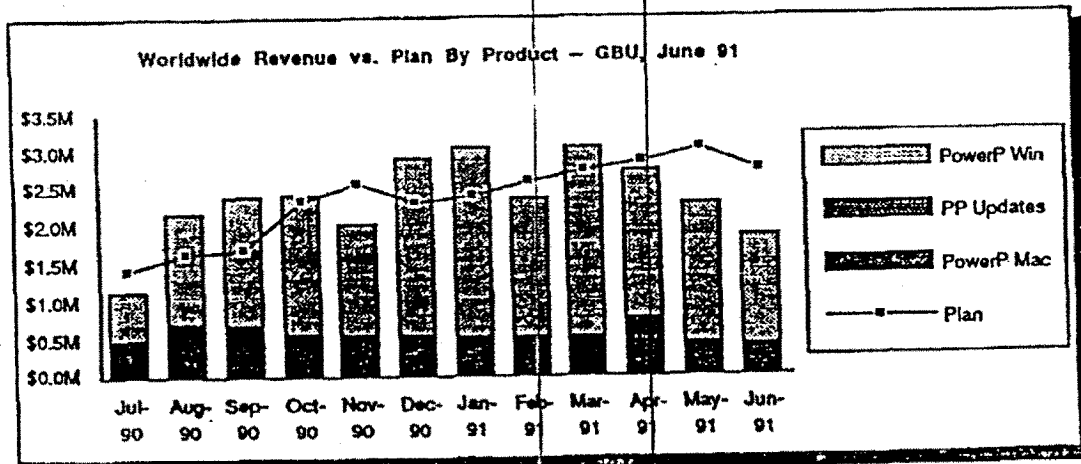
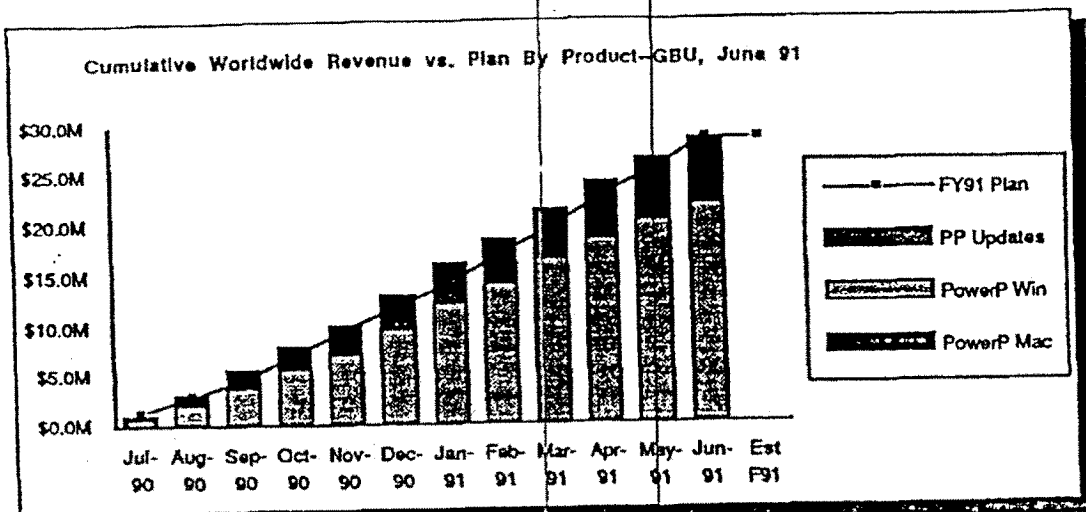
Product cost for Windows PowerPoint was 10.7% in FY 1991; for Mac PowerPoint, 11.5%. Total COGS for the business unit was 11.3% for the year.

CONFIDENTIAL

Microsoft Confidential

MS7007806

Micro



II. Strategy Changes

None.

CONFIDENTIAL

MS7007807

III. Product / Project Changes

Competitive Response. Maintenance releases were completed for both the Windows (2.00E) and Mac (2.01F) versions of PowerPoint. The Harvard Graphics Translator, which enables the fully-editable translation of Harvard Graphics files, was developed and released along with Window PowerPoint. The maintenance release of the AFE translator (1.00A) continues to progress toward a September release.

PowerPoint 3.0. June marks the end of a full year of development work on PowerPoint 3.0. When the project began last year, it was full of outrageous optimism—both that not many features would be required, and that the whole job could be done on two platforms in nine months. Over the course of the year, this optimism faded; we decided that we must include in PowerPoint 3.0 virtually all the major features planned for PowerPoint 4.0, and that meant that it would take a longer time. A major re-scheduling was completed in May. As June ends, we are looking forward to completion of milestone 3 in August. So far, the new schedule has been accurate.

Graphics Technology. FY1991 marks the first year that we have had a plan to deliver graphics components from the GBU which can be used by other business units across our product line to add graphical features to all of our apps: in our plan were a general Windows metafile editor (MS Draw 1.0), a list of a dozen or so graphics input filters, and a small assortment of clip art created in Draw. Using these components, any app can add the ability to convert a wide range of art into Windows metafiles and an editor to create/edit such metafiles, using only the standard OLE 1.0 interface. All this is planned for release to clients (Works, Word, Voodoo, and Cirrus are signed up so far) by the end of July. Great progress continues to be made toward this date, and we expect to make it. Developers from MSKK integrated DBCS for string-handling into the main source stream, so that all of these components will be localized only one time for release with all clients in each language, european and far east.

IV. Marketing / Share / Competition

Launched in May 1990, PowerPoint for Windows has achieved an estimated 10% share of the PC (DOS and Windows) presentation graphics market by the end of FY1991. Our share of Windows alone is greater than 70%. On the Macintosh side, the share declines which had begun in 1989 continued, and today we have about 25% share of Mac behind Aldus at about 30%.

FY 1991 was a banner year for press coverage for PowerPoint for Windows. The Windows product won every round-up review as well as all of the major awards, including: *PC Magazine*, Best of 1990; *PC Magazine*, Editors' Choice; *PC World*, Best Buy; *PC Week*, Analysts' Choice.

Last year, we benefitted from numerous competitive blunders on the part of our competitors. SPC originally prioritized OS/2 over Windows and has yet to release a version of Harvard Graphics for either platform. Lotus had a jump on SPC, releasing a very solid graphical upgrade to Freelance Plus, but on the wrong platform, OS/2. Aldus announced Persuasion for Windows in October for shipment in December, but a month later announced a slip of six months, and they shipped Persuasion in early June—one full year after PowerPoint. At about the same time, IBM introduced a product called "Hollywood" which is very hard to respect. Charisma from Micrografx appeared to be serious PowerPoint competition last summer, but faded as the year progressed. The bad news about 1992 is that it will be a much more difficult year. In addition to Windows versions of all the products mentioned above, we could see Windows versions of Applause (from Borland) and DrawPerfect (from WordPerfect). The good news is that we should see dramatic category growth, and that PowerPoint 3.0 should be very competitive.

MS7007808

V. International

In FY 1991 GBU international sales resulted in \$11 million in revenue, up from about \$2 million in FY 1990. This amounts to almost exactly one-third of the total GBU business. FY 1991 sales of Windows PowerPoint were \$9.3 million, 119% of plan (37,058 units, including Office, 160% of unit plan). Germany sold \$2.3 million of Windows PowerPoint, 215% of plan; UK sold \$1.3 million, 263% of plan; France sold \$1.0 million, 121% of plan; Sweden sold \$1.0 million, 89% of plan; and Australia sold \$870,000, 94% of plan.

During FY 1991 international projects included: (1) Released all international Windows PowerPoint 2.0 versions within 90 days of US release, thanks to IPG—our good teamwork with IPG continues. (2) Launched Windows PowerPoint internationally—many countries announced Windows PowerPoint during the Windows 3.0 rollout. (3) Helped subsidiaries with imaging solutions for Windows. (4) Continued teamwork with subsidiaries to enhance PowerPoint business—visited Canada, UK, Ireland, France, Italy, Germany, and Sweden. (5) Began Kanji Draw and Kanji PowerPoint projects with MS Japan engineers in residence at the GBU (Kanji Draw will ship with Kanji Win Word, very soon—it looks great). (6) Grew international awareness at the GBU—international requirements are key to product specs and future product strategy. (7) Grew the international team at GBU, adding an international program manager and an international QA specialist.

An international review meeting was held at the GBU in early July, with Charlotte Guyman from International Marketing, and Tricia Green and Peter Bladin from IPG. Alm was to review FY 1991 accomplishments, issues, priorities, and lessons learned, and to put in place strategies for continuing to do better in FY 1992.

VI. Product Support

At the end of FY 1991, PSS published its analysis of support costs for the first nine months of FY 1991, through March. We were very pleased to see the PowerPoint and GBU had retained the title for "lowest support cost": GBU total support cost as a percentage of revenue was 1.13%, compared to the average of other MS apps of 7.55% and for all MS products of 5.46%.

VII. Staffing / Organization

FY 1991 brought us twenty more wizards to join "The Wizards of Menlo Park": this was a major improvement in recruiting over FY1990, during which we hired only eight folks.

Wizard	Department	Start Date
Jim Bartram	Development	July 15, 1990
Laura Tillett	Program Mgmt	July 23, 1990
Paul Warrin	Development	August 6, 1990
Yalin Chen	Development	September 14, 1990
Bethann Martin	QA	September 14, 1990
Bruce Lee	QA	October 1, 1990
Amy Whitehurst	Marketing	October 26, 1990
Cindy Goral	Program Mgmt	November 8, 1990
Bronwen Boynton	Admin	November 8, 1990
Alice Wang	Development	December 3, 1990
Eunice Yan	QA Manager	January 2, 1991
Pierre Aoun	QA	January 7, 1991
Dan Hoffmann	QA	February 4, 1991
Anders Kierulf	Development	February 19, 1991
Kim Kinzie	Development	February 19, 1991
Starlene Burgett	QA	February 19, 1991
Dave Kesterson	International	April 19, 1991
Millani Lew	QA	June 24, 1991
Brendan Busch	Development	July 1, 1991
Cristoph Amman	Development	September 2, 1991

VIII. GBU Objectives

- Take market leadership from Harvard Graphics and Lotus Freelance, and pre-empt Aldus Persuasion, through active, early marketing, advertising, and PR on Windows PowerPoint
- Respond to competitive and customer situations with timely release of working models, WinOffice, maintenance/enhancement versions, and format conversion helps
- Continue the improvement in our international business, with versions of Windows PowerPoint for all major European and Far Eastern markets and active support of subsidiaries
- Advance the release of PowerPoint 3.0 on both Windows and Mac, including in it the mainstream competitive features required for leadership on both platforms
- Produce a standard Embed Draw program for Windows which can be used to provide drawing features in our entire line of Windows apps

CONFIDENTIAL

0BU Review

CONFIDENTIAL

MS7007811

Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Tel 206 936 8807
Telex 160520
Fax 206 883 8101

Microsoft Memo

To the Office Business Unit

Congratulations on FY'91!

Congratulations on the completion of an outstanding fiscal year! Your contributions lead to strong growth of the Office Business Unit in many ways:

- Gross revenues grew by 57%, to \$419M, 122% of plan. Profits (burdened operating income) grew to \$157M, 39% of net revenues and 48% growth over FY'90.
- We continued to gain share in PC word processing and close the gap with WordPerfect. During the last year, WordPerfect worldwide share has dropped from about 55% to about 47%, while Microsoft Word has increased from 30% to 40%.
- We took the lead in Mac Mail, and now own the #1 market share position.
- The OBU team grew rapidly and was split into three business units: Word, Workgroup Applications, and Windows for Pen Computing. The staff grew stronger with the addition of three general managers – Chris Peters (Word), Greg Slyngstad (Pen Win), and Daniel Petre (Workgroup Apps) – and Shirish Nadkarni took the leadership of our Office Strategy.

We welcomed 60 new people in Vancouver and established Workgroup Canada from the acquisition of Consumer Software. In total, 150 new people joined us, bringing the business unit to a total of 370 people. The skills and capabilities of each person advanced, and more than 80 people were recognized with promotions.

Goals for the Year Ahead

We're off to a great start in the 1990's. But our competition is tough and attacking our progress. Smart, hard work focused on our key goals is how we will grow our success. Compared to last fiscal year, our goals for FY'92 are very similar, but they have also grown:

- Continue to increase our PC word processing share, especially in the domestic market, and maintain our leadership of the Windows segment.
- Rapidly grow our PC Mail share and establish Microsoft messaging services as a foundation for workgroup applications.
- Establish Windows for Pen Computers as the market share leader and make significant progress in developing applications to exploit this environment.
- Articulate the Microsoft Office System Strategy and become the recognized leader in this market.
- Continue to strengthen our team and improve our operations. Dramatically reduce our PSS costs per license.

Thanks again for your hard work and the results in FY'91, and do it even better in FY'92!

Office Business Unit
FY'91 Report

Page 1
CONFIDENTIAL-SHRED

CONFIDENTIAL

Microsoft

MS7007812

FY'91 Highlights

60% Increase in Shipments of Microsoft Word

1,665,000 copies (licenses) of Microsoft Word were shipped in FY'91 – a 60% increase over FY'90. This includes 156,000 upgrades to Word for Windows. Another 257,000 updates were shipped to existing customers, primarily PC Word v5.5 updates.

Word for Windows Installed Base Nears 1 Million

812,000 copies of Word for Windows shipped during FY'91, bringing the installed base to a total of 980,000 – in only 19 months!

Domestic PC Word Processing Share Grows by 35%

Very strong Word for Windows sales in the US – about 400,000 licenses – pushed PC market share to about 25%; up from about 18% a year ago. The Word for Windows competitive upgrade contributed 112,000 units, and about 50% of the users taking advantage of this marketing promotion were previously WordPerfect users.

Workgroup Applications Canada is Established

On April 8th, Microsoft's acquisition of Consumer Software was closed, and Workgroup Applications Canada was opened. We were excited to have 60 new people join us in our mission to establish the leadership position in developing and marketing network enabled services to enhance workgroup productivity.

In addition, the Spitfire (X.400 mail server) team joined us from NBU.

Growth in Electronic Mail Market Share Continued

With the release of version 3.0, Mac Mail is solidly in the #1 market share position, with 41% share domestically, and 55% worldwide. Including upgrades for CSI customers, we shipped 375,000 licenses for PC Mail.

Windows for Pen Computers Builds Momentum

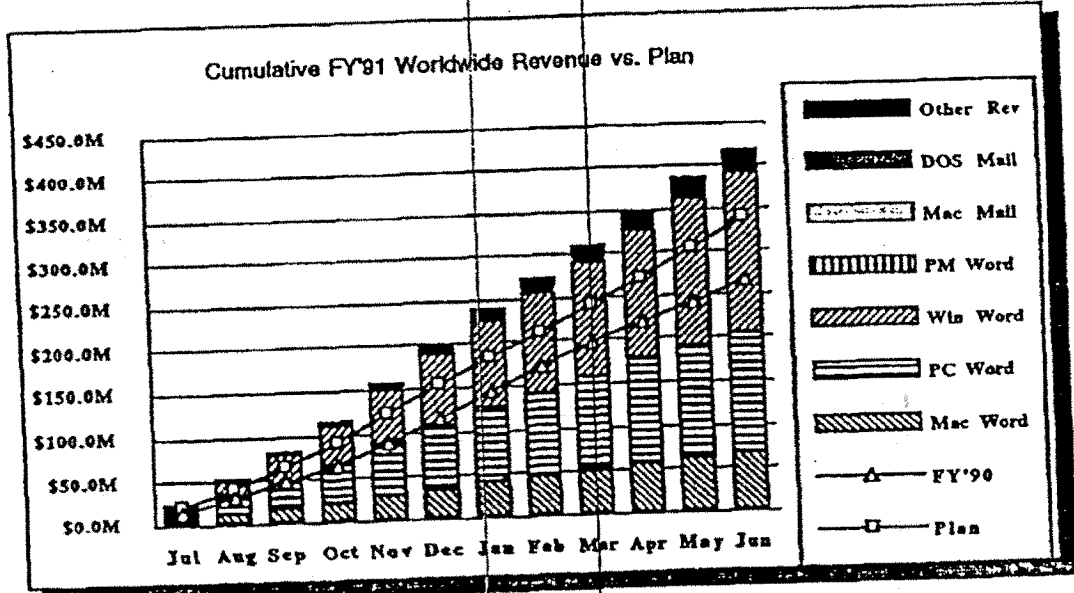
The Pen group grew from 2 people to over 40, and the product development pace was impressive. Already 2 betas have been released, 120 ISVs have publicly committed to pen applications for Windows, and nearly 30 OEMs are signed up to sell Windows with their pen computers.

But Our Competition Got Tougher

Lotus' acquisition of Samna (Ami Pro word processor) and cc-Mail have made them a significant OBU competitor. WordPerfect is showing a strong – but late – word processor for Windows. GO Corporation has convinced many people that PenPoint is the best operating system for pen computers, and that you must start from scratch (OS and apps) to take advantage of these new platforms. We will have to be very focused in FY'92 to continue our revenue growth and market share momentum.

Business

FY'91 Revenue



- FY'91 gross revenues of \$418.6M are 125% of plan and 57% growth over the same period in FY'90.
- In the MS Word business, worldwide - all channels, we hit \$401M.

FYID '91	USSMD	Plan %	Intl Retail	Plan %	World wide	Plan %
Win Word	\$80.8M	129%	\$110.8M	176%	\$192.8M	167%
PC Word	\$22.3M	93%	\$113.3M	101%	\$136.4M	99%
PM Word	\$2.0M	85%	\$1.8M	57%	\$3.8M	68%
Mac Word	\$40.0M	88%	\$28.1M	95%	\$68.1M	91%
Mac Mail	\$2.8M	81%	\$1.5M	72%	\$4.3M	78%
PC Mail	\$573K	16%	\$128K	133%	\$701K	19%
OBU Total	\$149.8M	114%	\$266.9M	127%	\$418.6M	125%

- Worldwide, Win Word was the leading product with 48% of sales, compared to 34% for DOS Word, 17% for Mac Word, and 1% for OS/2 Word.
- Worldwide, Win Word is the largest and fastest growing business. Win Word rocketed from \$39M in FY'90 to \$191M in FY'91.
- Internationally, DOS Word remained the largest business - \$113M compared to \$111M for Win Word.
- International comprised 64% of OBU FY'91 business.

COGS

- Worldwide COGS were 16.8% for FY'91 compared to a budget of 17.4%. Product costs were 10.5%, at plan.

Profitability

- FY'91 operating income was \$157M, on \$404M net revenues, or 39%. This compares to a budget of \$109M or 33% of net. The significantly higher than planned profitability was the result of exceptional performances for Win Word products in both the USSMD and International channels. Operating expenses exceeded plan by \$2.2M, primarily due to unfavorable marketing variance in the subsidiaries and payroll variance due to the acquisition of CSI and staffing beyond plan in the Windows for Pen Computing unit.

Summary

Products Shipped

- Win Word v1.1 - July '91.
- PC Word v5.5 - September '91.
- Word for OS/2 - November '91.
- PM Word v1.1 - December '91.
- Mac Mail v3.0 - March '91.
- Mac Schedule+ v1.0 - April '91.
- PC Mail v2.1 - May '91.

Marketing

- The official name for the pen product was finalized: Microsoft Windows for Pen Computing - it's ugly, but Legal and Systems are happy.
- The single most successful marketing promotion in the US this year was the \$129 direct Word/Excel promotion. On the Word side, we sold 112K units, of which we calculate 89K were incremental, for incremental gross revenue of \$9.7M.
- The 2nd Annual Word Users Conference was held in October.
- We won the January '91 InfoWorld Professional word processing roundup, including WordPerfect. We also won a PC Week "Analyst's Choice" against other Windows word processors, including Ami Pro and NBI Legend.
- MS Mail for PC Networks (Network Courier) achieved the highest overall evaluation rating in the recent Software Digest Ratings Report. (8.6)

OBU Organization

- In November, OBU reorganized into 3 business units: Word, Workgroup Apps, and Pen Computing. Chris Peters became the General Manager for Word, Greg Slyngstad the General Manager for Pen Computing, and late in FY'91 Daniel Petre joined us as the General Manager for Workgroup Apps.

Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Tel 206 882 8807
Telex 160520
Fax 206 883 8101

Microsoft Memo

TO: Mike Maples
FROM: Jeff Raikes *J. Raikes*
DATE: 7/24/91
RE: June 1991 Workgroup Apps Monthly Report

CC: Workgroup Apps

Summary

- June gross revenues of \$674K¹ were 57% of plan, with International accounting for 18% of the Mail business.
- Daniel Petre has arrived and taken over as general manager of workgroup applications.
- Lotus and IBM announced their cooperative agreement to supply email solutions, recommending Office Vision for host environments and cc:Mail/Notes for LANs.
- Mac Mail received the MacWorld "World Class" award in the email category.
- PC Mail v2.1 Remote client, FAX and MHS gateways were released.

Business

June Revenue

- June gross revenues of \$674K were 57% of plan, with International accounting for 18% of the Mail business.
- Microsoft Mail for AppleTalk Networks was under plan (96% of plan) for the month. Lower sales are the result of several factors, including Quickmail 2.5 announcement and a tapering down of update sales. Retail server sales dropped to approximately 200/month, which we expect to be our run rate for the next few months.
- Schedule+ is under plan due to late shipment, and lack of post-launch support.

June	USSMD	Plan %	Intl Retail	Plan %	World wide	Plan %
Mac Mail	\$387K	132%	\$82K	42%	\$469K	96%
PC Mail	\$164K	24%	\$41K	425%	\$205K	29%
Mail Total	\$551K	56%	\$123K	60%	\$674K	57%

FYTD Revenue

- FYTD gross revenues of \$4.4M, including Mac/Win Office allocations, were 54% of plan.
- International Mac/PC Mail comprised 34% of Mail FYTD business.

FYTD '91	USSMD	Plan %	Intl Retail	Plan %	World wide	Plan %
Mac Mail	\$2.6M	83%	\$1.4M	77%	\$4.1M	81%
PC Mail	\$275K	9%	\$67K	77%	\$342K	11%
Mail Total	\$2.9M	49%	\$1.5M	77%	\$4.4M	54%

¹ Includes Mac/Win Office allocations.

CONFIDENTIAL

MS7007816

Microsoft

- Total SMSD revenues were \$3.7mm vs. plan of \$7.3mm. Product slips account for much of the problem: Mac Mail shipped in February instead of the forecasted month of October; and PC Mail shipped in April instead of November.
- SMSD Mac Mail revenues were \$2,966,962, or 91% of FY91 domestic plan. Mac Mail revenues break down as follows: 50% domestic retail; 17% Microsoft Office; 33% international retail.

Strategy and Planning

- FFAPI SKUs will be shipped and supported through the next version of Mail.
- Since Apple may not ship a client component of their email system, we will try to work with Apple on At Your Service (AppleMail) connectivity with our Mac front end.
- Torque is moving from "prototype" to "project" mode. We're concentrating on resolving three primary issues: database technology, forms technology and programming language/model.

Product Development

- PC Mail v2.1 Remote client released.
- Only two bugs remain on Mac Mail v3.0a: server corruption on the Si and large enclosures.
- The 2:1 FAX and MHS gateways were released.
- X.400, PROFS, SNADS, MCI and SMTP are scheduled to release in July.

	Next Milestone	Date	Spec Closed	Target Release	Range
PC Mail PM 2.1	RTM			7/24/91	
PC Mail Mac 2.1	RTM			7/24/91	
PC Calendar v1.0	MM3	9/15/91	done	12/18/91	
PC Win Mail v3.0	MM2	8/2/91	done	12/30/91	-9/+4
Address Book	MM2	8/2/91	done	12/30/91	-9/+4
Workflow v1.0	issue recommendations	8/15/91	TBD	12/92	
Mac Mail v3.0a	RTM	8/29/91	done	8/29/91	
Mac Mail v4.0	requirements	TBD	TBD	TBD	
DLS	requirements	7/30/91	TBD	12/92	
Mac Mail/PM Mail Gateway	code complete	done	done	7/31/91	TBD

Product Marketing

- Competition. (1) Lotus and IBM announced their cooperative agreement to supply email solutions, recommending Office Vision for host environments and cc:Mail/Notes for LANs. (2) cc:Mail had record sales in May.
- Mac Mail. Received the MacWorld "World Class" award in the email category. This is a reader's choice award of the top Macintosh products. Microsoft Mail received 45% of the vote, Quickmail received 40%, and TOPS, cc:Mail and B+Mail each received only a few votes.
- Market Share. The market share for Microsoft Mail for AppleTalk Networks was, again, exceptionally strong during April, reflecting the high sales of Mail 3.0.

CONFIDENTIAL

MS7007817

Product Support Services

Product	Total Calls for Month	Monthly Avg. calls/day	Avg. call length (min)	% requiring call-back
Mac Mail	855	45	6.8	50
PC Mail (LP only)	836	44	7.2	50

- In addition to the above data, Lincoln Plaza downloaded approximately 10 voice messages a day from WGC.
- Mail Connection CPP - The CPP of the connection went out 10 days late. We are still missing support for Netware 3.11. This will be supported by ship. The CPP marked the beginning of full support for the Connection through PSS. The entire mail team is now able to answer questions on this product.
- The major PSS issue continues to be the development of a premium support plan. PattyS has assured us that recent organizational changes will facilitate the process.

Staffing and Organization

Workgroup App Product Marketing

- Hired Tom Davics as New Product Team Lead.

Workgroup App Development

- David Greenspoon and Pierre Cote have joined the Torque team as SDEs. Johnny Lee and Raman Sarin have joined the Bullet team as SDEs.

Workgroup App Program Management

- Jharna Jain (working on Bullet/BBS) and Alex Edelstein (working on Spitfire) joined us.

Workgroup App User Ed

- Hired three new writers: Rob Sandelin for Pen, Vik Parrot for Bullet and Bandit, and Steve Johnson for Spitfire. We've also acquired a new editing manager, Amanda Clark.

Next Two Months Objectives

1. Resolve workgroup apps product plan and resource issues
2. Issue workgroup apps vision document and presentation
3. Hire workgroup apps test manager

CONFIDENTIAL

MS7007818

Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Tel 206 882 8807
Telex 160520
Fax 206 883 8101

Microsoft Memo

To: Jeff Raikes
From: Greg Slynstad
Date: July 18, 1991
Re: Pen Group June/1991 Annual Report

Cc: Chris Peters, Daniel Petre, Julia MacLauchlan, Rice

Monthly Summary

- o Shipped our second beta of the SDK on time.
- o Announced support for Pen Win by over 120 ISVs including the key pen specific ISVs.
- o Agreed on plan to have Pen Win booth at Fall Comdex funded primarily by third party OEMs and ISVs.
- o We have added 8 new OEMs to our list of supporters including Zenith, Dell, AST, and Olivetti.
- o Our strength with the Japanese OEMs may be eroding as we hear rumors of Go signing up several key Japanese OEMs.
- o Most OEMs appear to be moving to a dual OS (both Pen Win and PenPoint) strategy which is bad news for us.

Summary for the year

- o The pen group grew from 2 people (Lloyd and Marlin) to over 40.
- o Held a very successful ISV conference with over 200 attendees
- o Received public commitment from over 21 OEMs
- o Received public commitment from over 120 ISVs
- o Shipped two betas—on time!
- o Our ship date has not changed: November 22 but is dependent on Win 3.1 schedule.

Business

No revenue was earned in FY91. We are working closely with many of the 21 OEMs that are committed to providing Pen Win machines. We have yet to get IBM or Compaq but progress continues on both accounts. IBM J is putting pressure on Boca to license Pen Win so we expect movement in the next couple of months. The NCR machine will ship in a couple of months and this will be a key battle for Pen Win vs PenPoint.

MS7007819

Pen Win Monthly Report.

Microsoft Confidential

CONFIDENTIAL

Besides our OEMs, we have had great success on the ISV front and are just beginning to make progress on the corporate side. Our small marketing group (now 4 people) has been putting in vast amounts of time and energy to make all of this happen.

Go continues to win the PR battle but we are making progress on this front as well. We should expect several OEM announcements from Go since we know more and more of our OEMs are taking a dual OS approach. We now think we will ship first but we have a lot of work to do.

OEM Status

Dell, AST, Zenith, Olivetti, Wacom, Tusk, Microslate and SuperScript announced their support of Pen Win.

OEM	Status	Machine Info
CalComp	Announced Support.	Opaque Digitizer for the desktop
Canon	Announced Support.	
Compaq	No commitment. Interest increasing.	
Fujitsu	Announced Support.	
GRiD	Announced Support (also a Go OEM.)	Machine built by Matsushita
Hitachi	Announced support	
IBM	No commitment. Continuing to pursue. Have sent price proposal	We have heard their Go machine has slipped to late 92.
Kyocera	Announced support	No info. Key pen supporter has left, they have slowed progress.
Mitsubishi	Announced support	
Momenta	Announced support	Nice machine. Large hard disk. Clipboard with good desktop functionality, long battery life.
NCR	Announced a machine at PCExpo. (also a Go OEM.)	Clipboard style machine with lightweight base station. Leaning away from hard disk due to durability requirements. Leaning towards 8 MB Flash, 4 MB DRAM.
NEC	Announced support. Will show at Comdex	One machine is a variation on their notebook PC.
OKI	Announced support	
Olivetti	No announcement	
Samsung	Announced support	

CONFIDENTIAL

Sanyo	Announced support. Will show at Fall Comdex		
Scenario	Announced support		
Seiko Epson	Announced support Aiming for Fall Comdex.		
Sharp	Announced support. Aiming for Fall Comdex		
Summagraphics	Announced support	Opaque Digitizer	
Telegroup	Announced support	Prototype Working. It is a notebook converted to a clipboard.	
The Eden Group	Announced support	Having working clipboard prototype	
Toshiba	Announced support	No info	
WANG	LOI signed. Announcing early June	Fairly weak clipboard.	
ZDS	New OEM. Showing interest.		
Zenith	On-going meetings technical meeting with pdf planning scheduled for WinWorld.		

Strategy and Planning

- o All specifications are essentially complete. We will be making minor tweaks to some and the notebook may have to be reduced in scope.
- o Met with CIC, NEC and MSKK to further progress on Kanji Pen. Many issues remain and we are following up with Peter and Sam to resolve. (Want CIC to port their Kanji recognizer to our pen system.)
- o The ISV Compuserve forum is up and running.

Development

System

Released Beta II SDK. Boxed edit has been added. Several test releases have been made. The Synthetic keyboard was modified to use resources for the keyboard layout to make it easier for internationalization.

CONFIDENTIAL

development, Tim Kostalansky in program management and Murali Dharan joined the marketing group.

Objectives for FY92:

- o Ship Microsoft Windows for Pen Computing v1.0 by end of year
- o Hold an OEM Conference in August
- o Hold the Second Annual ISV Conference
- o Establish a Corporate marketing force.
- o Ship key European and Kanji Pen Win by 1st quarter and 2nd quarter respectively.
- o Move to a building/area with more space.
- o Firm up plans for 1.1 and 2.0 and work out plan to tie into main Windows product.

CONFIDENTIAL

MS7007823

Microsoft Memo

To: Jeff Raikes
From: Chris Peters
Re: Fiscal Year 1991 Report for WOBU
Date: September 6, 1991
Cc: Chris Mason, Jon Reingold, Joanne Sheldon, Gerard Baz

Many thanks to Gerard and Jon, much of the writing in this FY 1991 wrapup comes from their excellent work.

FY 1991 Achievements

Business

Fiscal '91 was a strong year for the Microsoft Word business. Worldwide, all channels, we hit \$401mm! We achieved 120% of revenue forecast, and with \$1.9mm licensed units worldwide we were 127% of unit forecast. Worldwide Win Word was the leading product with 48% of sales, compared to 34% for DOS Word, 17% for Mac Word, and 1% for OS/2 Word.

With \$147mm, we reached 118% domestic forecast revenue. Domestic represented 37% of our worldwide business. Our focus on market share led to 134% of forecast licensed units. Our unit results were particularly strong due to the successful \$129 Win Word competitive upgrade campaign. Win Word was the biggest seller domestically, totalling 56% of our business, while Mac Word was 27%, DOS Word 16%, and OS/2 Word 1%. \$254mm in revenues, 122% of revenue forecast internationally, and 120% of forecast units. International revenue was 63% of our worldwide business. DOS Word remained the leader internationally, with 45% of revenues, compared to 43% for Win Word, 12% for Mac Word, and 1% for OS/2 Word. The single most successful marketing promotion in the U.S. this year was the \$129 direct Word/Excel promotion. On the Word side, we sold 112k units, of which we calculate 89k were incremental, for incremental gross revenue of \$9.7mm.

Our PSS situation remains problematic, especially for Win and DOS Word. We have been making recent progress on DOS Word abandonment and delay, but the Win Word situation is likely to persist until at least the end of July. Win Word 2 will fix many of the largest support issues, such as print merge, improved tables, conversions, and graphics handling.

Forecast vs. Actual

	Actual	Forecast	% Var.
U.S. Units	990,627	739,032	134%
U.S. Rev.	\$148,818,149	\$124,924,877	118%
Int'l Units	931,085	776,718	120%
Int'l Rev.	\$254,108,575	\$208,048,083	122%
W.W. Units	1,921,712	1,515,750	127%
W.W. Rev.	\$401,026,724	\$332,972,960	120%

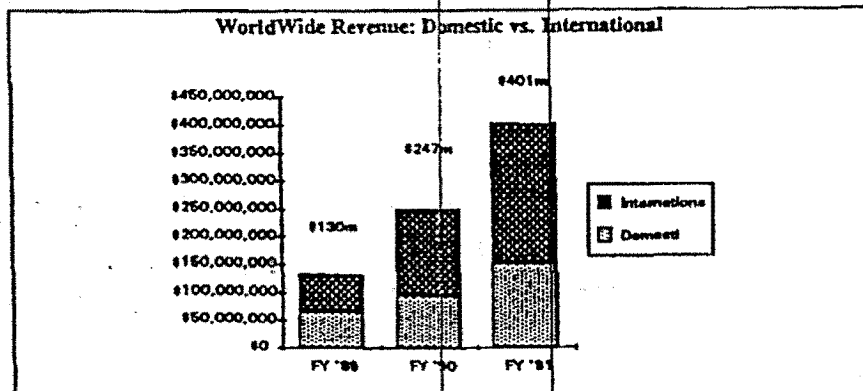
Worldwide, Word revenue was \$401mm = 120% of forecast. This includes \$2mm of OEM revenue. Worldwide licenses totalled 1,921k = 127% of forecast. U.S. revenues accounted for \$147mm of revenue, 37% of worldwide, while International revenues were \$254mm, or 63% of worldwide.

MS7007824

CONFIDENTIAL

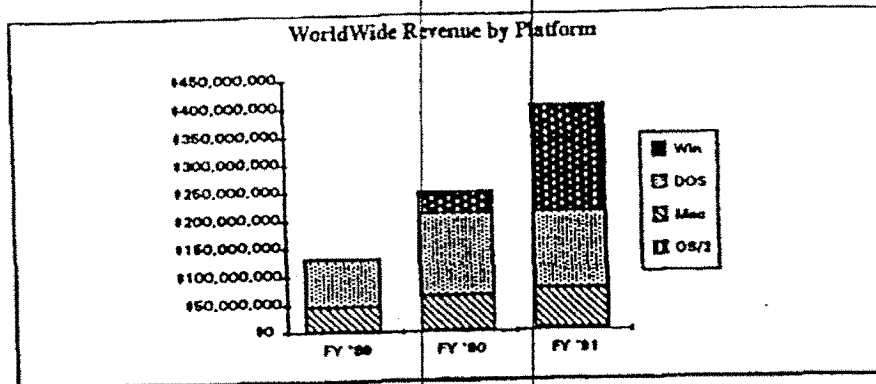
WorldWide		YTD		
Product	Actual	Forecast		+/-
DOS Word				
units	605,220	614,381		99%
revenue	136,885,275	137,114,972		100%
Mac Word				
units	410,805	419,107		98%
revenue	\$89,339,076	\$74,737,054		93%
Win Word				
units	891,818	462,251		193%
revenue	190,993,513	115,546,689		165%
OS/2 Word				
units	14,069	20,011		70%
revenue	\$3,808,860	\$5,574,245		68%
Total Word				
units	1,921,712	1,515,750		127%
revenue	401,028,724	332,972,960		120%

Win Word propelled our worldwide results, exceeding forecast by \$75mm. DOS Word came in just at forecast, thanks to good international results. Mac Word was under forecast by \$6mm, mostly due to the fact that we forecast version 5 to ship in the U.S. at the end of this fiscal year. PM Word lagged by \$2mm, also due to a later than expected ship date.



CONFIDENTIAL

MS7007825



Worldwide Sales by Platform

	% Rev.
Win	48%
DOS	34%
Mac	17%
OS/2	1%

Worldwide, Win Word is the largest and fastest growing business. Win Word rocketed from \$39mm in FY '90 to \$191mm in FY '91. DOS Word decreased only slightly from \$146mm to \$137mm, while Mac Word increased slightly from \$62mm to \$69mm.

Product	International		+/-
	Actual	Forecast	
YT			
DOS Word			
units	407,684	425,718	96%
revenue	113,853,673	112,078,408	102%
Mac Word			
units	145,561	138,058	105%
revenue	29,400,501	29,570,911	99%
Win Word			
units	372,269	201,935	184%
revenue	109,011,387	63,143,121	173%
OS/2 Word			
units	5,571	11,011	51%
revenue	\$1,843,014	\$3,257,845	57%
Total Word			
units	931,085	776,718	120%
revenue	254,108,575	208,048,083	122%

Internationally, DOS Word just barely remained the largest business, and exceeded forecast by \$2mm. Win Word provided by primary drive over forecast with an extra \$46mm. Mac Word was essentially at forecast, while OS/2 Word was under by \$1mm due to later than expect release. \$33mm of the \$46mm over forecast internationally came from France and Germany combined. France and Germany represented 53% of Word international revenue.

MS7007826

CONFIDENTIAL

Subsidiary	Revenue	% Revenue	International Sales by Platform	
				% Rev.
Germany	\$30,997k	28%	Win	43%
France	\$27,075k	25%	DOS	45%
MS LTD.	\$11,950k	11%	Mac	12%
MS AB	\$11,401k	10%	OS/2	1%
MS PTY	\$7,667k	7%		
Other	\$19,921k	18%		

Domestic

Product	Actual	YTD Forecast	+/-
DOS Word			
units	197,536	188,665	105%
revenue	\$23,031,602	\$25,038,566	92%
Mac Word			
units	265,244	281,051	94%
revenue	\$39,938,575	\$45,166,143	88%
Win Word			
units	519,349	260,316	200%
revenue	\$81,982,126	\$52,403,568	156%
OS/2 Word			
units	8,498	9,000	94%
revenue	\$1,965,846	\$2,316,600	85%
Total Word			
units	990,627	739,032	134%
revenue	146,918,149	124,924,877	118%

Domestically, Win Word was the engine that propelled us \$22mm over forecast. Win Word generated \$30mm above forecast. DOS Word came in \$2mm under forecast, while Mac Word came in \$5mm under forecast due to expectations that Word 5 would ship during this fiscal year. OS/2 Word was only a few hundred thousand dollars under forecast.

In terms of units (licenses) we were 252k over forecast, in large part due to our Win Word competitive upgrade campaign. Probably the most successful marketing promotion in the U.S. ever, we sold 112k units, of which we calculate 89k were incremental, for incremental gross revenue of \$9.7mm. The primary objective of the campaign was to increase market share, and in particular to attract Windows owners using DOS apps to make the switch to Win Word before Windows WordPerfect became available. We were extremely successful, and in fact the single largest category of people purchasing the upgrades were WordPerfect users (50%) followed by WordStar (20%).

Domestic Revenue by Platform

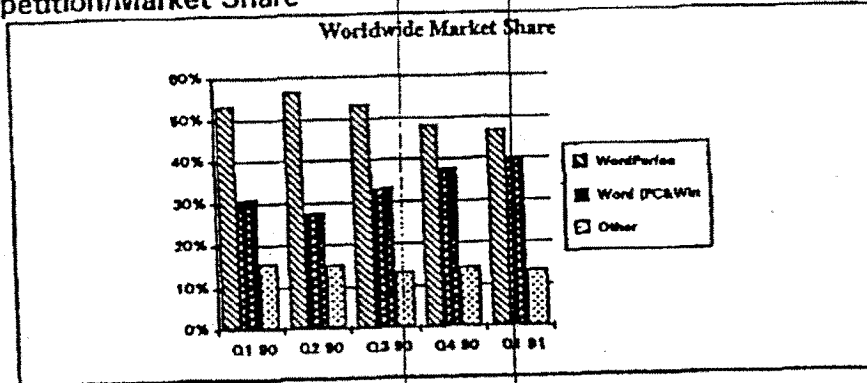
	% Rev.
Win	56%
DOS	16%
Mac	27%
OS/2	1%

Win Word accounted for 56% of our domestic revenues, while Mac Word was 27%, DOS Word 16%, and OS/2 Word 1%. DOS Word languished more than expected this year, and while the Mac platform dramatically increased their unit sales, software sales did not follow suit. Our understanding so far is that the user base for the Mac is not expanding, and people are buying multiple machines and using the same software for both.

CONFIDENTIAL

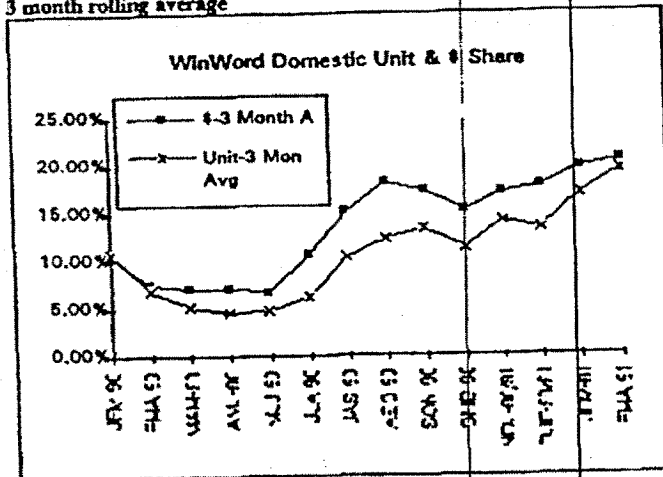
MS7007827

Competition/Market Share



Our worldwide market share is getting increasingly close to WordPerfect's share. If Win Word 2 is successful, we will likely surpass WordPerfect. We are already larger than them outside the U.S.

Win Word Domestic Share 3 month rolling average

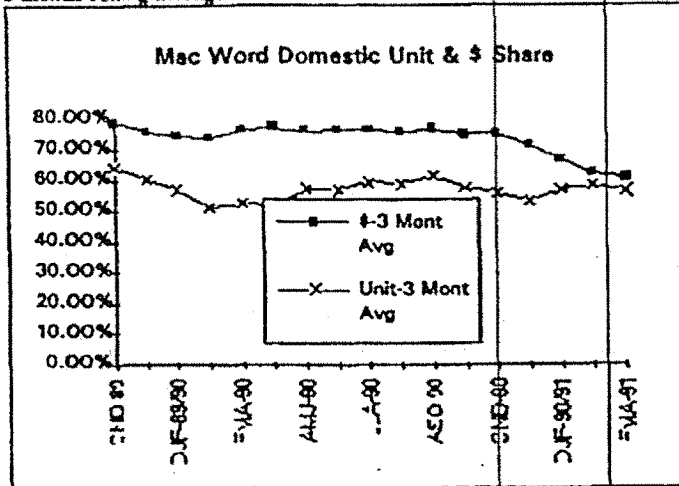


Domestically, Win Word share has been increasing fairly steadily since Windows 3 shipped, and has recently been over 20% (unit basis).

CONFIDENTIAL

MS7007828

Mac Word Domestic Share
3 month rolling average



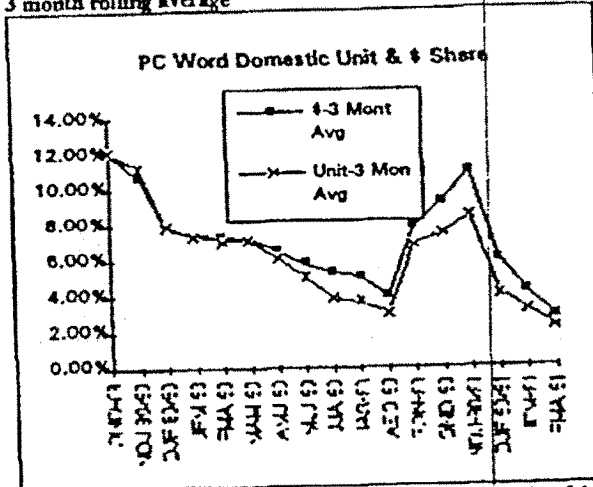
Although the trend for the last two months makes it appear that we are losing market share, an investigation of FY 90 vs FY 91 share averages shows that this is not the case. Our domestic share to date is exactly the same as in FY 90. International, and thus World Wide, share is slightly up.

	March	April	May	FY 90	FYTD 91	Change
Domestic unit share	66%	54%	50.7%	58%	58%	none
Domestic \$ share	63%	57%	62.1%	71%	71%	none
International unit share	53%	62%	48.8%	50%	54%	+4%
International \$ share	79%	83%	80.0%	79%	83%	+4%
World wide unit share	61%	56%	50.0%	55%	57%	+2%
World wide \$ share	70%	65%	67.9%	74%	75%	+1%

CONFIDENTIAL

M87007829

DOS Word
3 month rolling average



PC Word's market share jumped up with the channel sell-in of the new Word 5.5. However, sell-thru did not live up to expectations, and the channel stopped ordering new copies as they worked down their inventories. Recent shipments have been decent (over 10,000 units) so we should see share get closer to pre-Word 5.5 levels soon. With aggressive promotional programs that we have in place over the next six months, we hope to push our share back up to at least 5-6% range.

Word for OS/2

Word for OS/2 dominates the extremely small OS/2 Word processor market, with a 60% share of units. Unfortunately, the OS/2 category has yet to sell well, and so we have not made much money in this business.

Releases

PC Word 5.5 and PM Word 1.1 were the 2 major releases of the year. PC Word was shipped in September, sporting a new user interface and no new features. PM Word was shipped in December, after a long fight against the instability of OS/2 and Porthole. We had several minor releases: WinWord 1.1, released in July, added support for the new Windows 3.0 visuals, and WinWord 1.1A, January, incorporated speed improvements and new key converters and filters (EPS, WP 5.1, and Text-with-layout). MacWord 4.0C, D, and E were released, fixing minor bugs. PC Word 5.5A and 5.5B were also released. 5.5B saw a change to high density disks for PC Word, which should bring significant COGS savings.

New Products

WinWord 2.0 and MacWord 5.0 are the two most major projects of the year. They have both gone through major spec work and are now on track for shipment at the end of September. Key highlights include OLE support, Grammar checking, new platform support (System 7 and Win 3.1), and important user interface changes, based on extensive usability testing and an effort to address the top PSS call generators. Both products were brought closer together by resolving many, but not all, the interface inconsistencies. We purchased the rights to a 3rd party equation editor (MathType from Design Science) for both platforms, and will be integrating it using OLE. Winword will also include Draw, Graph, and WordArt OLE applications, developed respectively by GBU, ABU and EBU (WordArt is a font effects application). A special emphasis was put on WordPerfect 5.1

September 6, 1991

FY 1991 WOBUR Report

MS7007830-

CONFIDENTIAL

compatibility in WinWord 2.0: a keystroke compatibility feature, presented as a learning tool, will let experienced WordPerfect users create new documents in WinWord using WordPerfect keystrokes, and an improved WordPerfect converter will support more advanced features like styles, graphics, outlines, linodraw, and many more. MacWord 5.0 will be one of the first applications to support Apple's system 7 features, including Publish and Subscribe and a subset of Apple events.

On the conversions side, the development team grew to 12 people. Dedicated program managers, testers and PSS people were assigned to conversions. Converters became real projects, with a schedule, a spec, and an expected delivery date. At the same time, we tried to be a lot more responsive to specific large accounts by using PSS resources more effectively. We still have a long way to go to provide 100% WordPerfect file compatibility. Our short term plan is to rely on Microsoft to improve the current converter, while starting the development in-house of a new converter, to be shipped after Winword 2.0.

The business unit strategy on the future products was adjusted, called the "OneWord" plan. We suspended new feature and spec work on pyramid, while development continued porting code to the new architecture. We are now ready to resume this spec work in preparation for October. PC Word 6 was also postponed, and the development resources added to the WinWord 2 team.

On the Proofing tools side, we finalized the CS API, now used by EBU, and to be used by GBU in their next round of product release. The CG API, for grammar checkers, is also under way, and has already been communicated to Reference Software for a french grammar checker.

We have continued our efforts to bring an SGML and ODA solution to Winword users. For ODA, we understand the situation much better, and are talking to Bull about licensing their existing RTF converter. We will have a CDA converter for DEC's All-In-One product in the Winword 2.0 timeframe.

The competition has also been very active. MacWordPerfect 2.0 shipped in the fall, first very buggy, but quickly corrected with a 2.1 release. Although WordPerfect 2.0 is a very good product, MacWord 4 was able to win the SW Digest round-up for 1991. WordPerfect is also working on a Windows version, which slipped from March to end of 91 very rapidly. We've never known so much about an unreleased competitive product as is the case here. Ami Pro 2.0, scheduled for the end of the summer, will also be a good competitor, but seems to be playing catch-up with Winword 1.

Organization and Headcount

In January the business unit was formed and Chris Peters was made General Manager. During FY 1992 Jon Reingold became Group Product Manager, Gerard Baz became Group Program Manager, and Jeanne Sheldon added User Ed Manger to her role as Testing Manager. Chris Mason remained the Development Manager.

FY 1992 Objectives

- Define WinWord 3/MacWord 6 to be the knock-out punch to WordPerfect in GUI environments. Address product issues like layers, email and database integration, form support, more intelligence (autofinishing).
- Ship WinWord 2.0 and MacWord 5.0 in September/October.
- Ship MacWord 5.1 with macros.
- Ship a better, in-house, WordPerfect converter
- Finalize our solution for SGML and ODA.

CONFIDENTIAL
MS7007B31

Application Strategy Group Review

CONFIDENTIAL

MS7007832

Microsoft Memo

To: Mike Maples
From: Darryl Rubin
Date: 7/22/91
Subject: FY91 Annual Report
June 1991 Monthly Report
CC: GregW, Jeff, TandyT, RichardB

I. Highlights during the past year

- * Reorganized to form a single group, Application Tools, out of the formerly separate DTL and Online Learning development groups. The group shipped many products this year, including SDM 2.24, Dialog Editor 3.0, CW 3.1, WinBBS, GUI Semp 1.0, Tutor 1.0, WAIT (Windows Automated Test Tools), Raid 3.0 and 3.1, Winhelp 3.1, Tutor 1.0 runtime (formerly called Dot 2.0). New projects were started to implement localization tools and "future setup" for win 4.
- * The NEW AFX; During the month of May the AFX mission was reset to be very Windows centric, where Windows functionality was not duplicated if possible. Portability is now being handled by doing a WLM (Windows Layer on the Mac). Composer was split into two products, a simple dialog editor for use in Macro Manager (Mighty Mouse) and a follow on product (Composer) for UI editing in conjunction with AFX class libraries and Sequoia. Foundations classes are code complete and will ship with C7.
- * The architecture group completed work on OLE 1.0 and held a successful ISV seminar. OLE 2.0 design work is under way. Time has been spent on an ongoing basis working with the systems and Silver groups on the object infrastructure for IAYF. Information data type modelling for Winword and Excel was done and a standardized app programmability command set defined. Developed and taught an OO programming course and a design course. Joined OMG.
- * The user interface group published the UI Style Guide and Visual style guide. Good progress was made documenting an OO user model and prototyping it, including generating the demo for Billg's comdex speech. The group completed 62 usability tests and designed over 300 icons and 750 bitmaps.

II. Goals for the coming year

APPLICATION TOOLS

- * Ship tools permitting no-compile localization.
- * Ship Mac OLE, NT OLE, OLE 2.0, OLE sound server, and shared text edit control.
- * Ship ALAR (a.k.a. Macdev). This is a joint project with Languages.
- * Put tools in place for transitioning apps to NT.
- * Design and start coding app setup tool for win 4.
- * Develop link between Raid and the Prism support database.
- * Ship Machelp 3.1, NT help, and two Winhelp 3.x releases for mmsys (as joint projects with mmsys).
- * Design online viewer and viewfile technology for Win 4 as successor to Winhelp and Tutor.

CONFIDENTIAL

MS7007833

ARCHITECTURE

- *Complete OLE 2.0 design, hold ISV seminar, design OLE 3.0.
- *Work jointly with systems on design of object infrastructure services for Win 4.
- *Develop a 3 year roadmap for adopting IAYF and OLE technology into our next generation applications.
- *Design and prototype a Win 4 component software application; develop techniques for reengineering existing applications.
- *Develop an advanced education strategy proposal; continue developing and teaching design courses.

APPLICATION FRAMEWORK

- *Deliver Foundation Classes with C7.
- *Deliver Mighty Mouse Dialog Editor for MacroMan.
- *Deliver Fulcrum Application Classes and Composer with Sequoia.
- *Provide a Windows Layer for the Mac to enable portability.
- *Start work with Silver team on Object Basic.

USER INTERFACE ARCHITECTURE

- *Complete specification prototype of basic objects in OO UI including basic document/Form design (to replace applications) and user programming models.
- *Continue to provide great usability testing, design review, graphic design for product groups.
- *Provide improved visuals for integration into Windows 4.
- *Continue to provide leadership for UIIF and style guide; proactively define UI elements for transitioning apps to a document-centric model (e.g., popup menus, property sheets)

III. Highlights for June

- *Successful project review of new AFX direction with Billg.
- *Feature complete for Foundation Classes.
- *Mighty Mouse spec and schedule completed.
- *HELP 3.1: Shipped with Windows 3.1 SDK.
- *OLE 1.0 shipped with Windows SDK.
- *Mac OLE Milestone #1 complete (Part of client DLL and client applet implemented and client applet talking to Mac Excel).
- *OLE 2.0 Architecture and Protocol Proposal published 7/5.
- *1st Design Concepts and Patterns course given.
- *UI Style Guide sent out for external (ISV) comment.

IV. Accomplishments toward last month's goals

APPLICATION TOOLS

Development Tools and Libraries

- *ALAR -Internal Milestone 3 -07 Jun, Mac Swapper testing release 21 Jun.
Not done due to codeview kernel problems. CV will be added to the July milestone to parallel the Codeview team's beta release. Testing release not done due to Apple ATRAP callback problem--will be part of the July milestone also.
- *CENV -EC v1.0 PC-Mac Ethernet Communications -07 Jun.
Done.
- *TUNER -Milestone 2 - WinWorks Near/Far decision -14 Jun.
Done.

CONFIDENTIAL

MS7007834

*Publish CW 3.1 schedule.
 Partly done, waiting information from Codeview. PWB items have been scheduled.
 *SDM 3.0 milestone III 6/30/91.
 Not done. Schedule slipped one month.
 *Release DESTools 3.02 6/30/91.
 Done.
 *Split STUFF source tree ("code freeze") for EBU.
 Done.
OLE
 *MAC OLE first Milestone 7/1 (Part of client DLL and client applet. Client applet talking to MAC Excel).
 Not done. Will be completed within a few days.
 *OLE 1.0 final release 6/15.
 Done.

Quality Assurance

*Ship Raid 3.1 that has database admin capability that will run under debug Win 3.1.
 Done.
 *Ship a MSKK release of Raid 3.1.
 Not Done. Awaiting information from MSKK.
Documentation Production Tools
 *Complete draft proposal for "Phase I" help authoring support.
 Done.
 *Release Help 3.06 to MM Windows.
 Done.
 *Ship WinHelp 3.1 with Win 3.1 beta 6/7 and Win 3.1 SDK 6/14.
 Done.
 *Help 32-bit plan complete 6/15.
 Not done, work load analyzed.

APPLICATION FRAMEWORK

AFX C7 Library

*Update and combine the specification materials into a product spec, updating and pointing to satellite documents.
 Done.
 *Finish Milestone 1 for Foundation product.
 Done. This is feature complete for most of the components going into Foundation.
 *Complete most of Milestone 2 for Foundation product.
 Done. Except for OLE, pending resolution of Win31 SDK inclusion with C7.00 product. This is code complete for all of the components going into Foundation.
 *Convert all old C7LIB functional test cases to run with new Foundation libraries.
 Done.
 *Convert all old performance measurement tests (strings/collections) to run with new Foundation libraries.
 Done. String performance done by development.

Fulcrum V1.0

*Resolve Fulcrum features and priorities.
 Not done. Plan to have list of top open issues by 7/10.
 *Specify features needed to replace SDM.
 In progress. Analyzed problems that SDM solves and wrote up some this for Windows Advocacy report; have not specified solutions; will coordinate with Composer PT design.
 *Prototype Visual Basic control bindings.
 Working. Control binding is working, will be finished this month.

CONFIDENTIAL

Mighty Mouse/Composer

*Complete Mighty Mouse Spec and schedule.

Not done. The spec is close to complete. The Macroman group is pleased with the feature set and design. There are still a few open issues which will be resolved this month.

*Get an initial version of Mighty Mouse up and running (stealing large amounts of code from win 3.1 DLGEDIT).

In progress - we have a version of MM up and running.

*Write Mighty Mouse test plan.

Done. Initial Test Plan checked in July 1.

USER INTERFACE ARCHITECTURE

UI Model Architecture

*Complete query object functionality.

Not done. Will be done this month.

*Support encapsulation of existing applications.

Partially complete. Basic functionality implemented, but not yet stabilized.

*Resolve direct manipulation UI for Excel/Word.

Reviewed issues with program managers, recommended alternatives and scheduled quick usability testing. Issue not completely resolved, but these steps work toward resolution.

Usability

*Complete test proposals/plans for Address Book/Bullet, Calendar/Bandit, Bullet Help system, Cirrus Browsing and Filtering, Mouse (Alps vs Mitsui), Sequoia.

Done, except for Cirrus (delayed by product team).

*Complete testing for Direct Manipulation Alternatives (phase 2), LanMan Install, Multimedia SDK, Pen Windows (phase 3), Win Word 2.0 (third round).

Done, except for Direct Manipulation Alternatives (test run, analysis/report to be completed this month).

Graphics Design

*Complete screen design work for Boris forms, WinWord toolbar button revisions.

Done, except for Boris (many product team changes).

*Complete icon design work for Win 3.1 Print Manager, LanMan, NT Security, Mac Works (new request), Voodoo, Barney, Bandit, WinGraph (Mac), MM Viewer.

Done, except for NT Security (canceled by product team), LanMan (canceled).

ARCHITECTURE

*Resolve OLE 1.1 features with Pen Windows, provide design assistance.

Ongoing.

*OLE 2.0 design: determine OLE 1.0 architecture extensions and preliminary in-situ protocols, write up containment and drag/drop design proposals.

Spec done, containment and drag/drop not done.

*First release of IAYF container and naming protocols document (June 24).

Done.

*Write Object Infrastructure and IAYF Vision memo (Greg W - 6/19).

Done.

*Finalize all examples and slides for OO Design Course (6/17).

Done.

*Teach first offering of OO Design Course (6/17 -7/1).

Done.

V. Business Summary

N/A

CONFIDENTIAL

MS7007836

VI. Strategy Changes

No changes.

VII. Product/Project Changes

- *SDM 3.0 will slip to accommodate SDM 2.24 feature request by WinWord 2.0 (SPIFF) (extended selection listboxes). The primary SDM 3.0 client, PYRAMID, has agreed to this slip.
- *After investigation of existing MAC installation tools, we have determined that it is unnecessary to build a MAC version of GUI setup.
- *PenWindows will have the responsibility of implementing *in situ* OLE in Penwindows rather than the OLE team. The OLE team will give help to Penwindows and provide the initial code for the Penwindows to start with. Next 3 months, 1/2 person from OLE will be working with PenWindows group.
- *A new version of MacHelp is scheduled with System 7 support. First client is MacExcel.
- *A interim version of Tutor is added for ship in October. First client is MMWinWorks.
- *Languages will market AT's WATT based WIN test tools. Languages will ultimately assume the responsibility for WATT enhancements and revisions, but not until the first version is marketed later this year. In the meantime, AT will continue to development and bug fixing.

VIII. Marketing/Share/Competition

N/A

IX. Staffing

- *Richard McDaniel joined APPA as a summer intern. He will be working on OLE 1.0 and 2.0 prototyping for OLE Capsules.
- *Bob Cook accepted offer for advanced application prototyping lead and started 7/8.
- *Doug Hodges accepted offer for OLE 2.0 design project/program manager starting 8/12.
- *Darlene Black joined the group as User Interface Standards Specialist.
- *Randy Kerr joined the group as User Interface Design Specialist (Advanced UI Model group).
- *Lee Axon joined the group as Prototype Engineer.
- *Michael Van Kleck transferred to the Pen group.
- *Made offer to Charlie Pitcher for LAYF evangelist/senior program manager.

X. Goals for next month

APPLICATION TOOLS

Development Tools and Libraries

- *Localization—Finalize plan and review with Bill G. Release coding practices and standards documents.
- *ALAR — Internal Beta - 26 July.
- *All CW features related to PWB code complete (principally, segmentation work and performance-constrained window management).
- *CW Ted 3.0 code complete, and released to testing.
- *SDM 3.0 milestone III.

- *Spec for Mac installation using Apple Installer (draft) by 7/31/91.
- *Complete proposal for AT/Languages cooperation on test tools.

OLE

- *Packager bug count to zero and Srvt demo code ready to ship(7/31).
- *Publish schedule for NT OLE.

Quality Assurance

- *Ship a MSKK release of Raid 3.1
- *Present to PSS a plan on how to exchange PRISM Data with Raid.

Documentation Production Tools

- *Ship WinHelp 3.07.
- *Complete 1st draft WinHelp 3.1 authoring proposal.
- *Ship Tutor 1.0

APPLICATION FRAMEWORK

Windows Layer for Mac

- *Finish input layer

AFX C7 Library

- *Integrate Foundation libraries with C7 Beta.
- *Foundation (non-GUI) product will be ZD for all models, all platforms debug variants (7/17 Milestone 1.1).
- *Foundation product (GUI) will be ZD for all models, all platforms debug variants (7/26 Milestone 2). and regress non-GUI components.

Fulcrum V1.0

- *Complete draft of Fulcrum spec that describes features and architecture of libraries.
- *Prepare list of Windows programming problems, and initiate Windows Developers Advocate relationship with MSDP and Windows group.
- *Finish VBX control layer.

Mighty Mouse/Composer

- *Prototype Mighty Mouse dialog editor in VB.
- *Complete the Mighty Mouse spec resolving all remaining open issues.
- *Complete Mighty Mouse prototype in VB which can be integrated with the MacroMan prototype.
- *Finalize Composer feature list.
- *Close down all MacroMan/Mighty Mouse API issues, and complete the implementation of the runtime binding and dialog API sets.

ARCHITECTURE

- *OLE 2.0--Detail protocols for the following: menu negotiation, layout negotiation, standard application commands, full style and property model APIs
- *Develop OLE drag/drop proposal w.r.t. current app and shell models.
- *Finish first offering of Design Concepts and Patterns course; make revisions on first course and begin second offering (7/26).
- *Advanced Application Prototyping--write memo on component software applications.

USER INTERFACE ARCHITECTURE

UI Model Architecture

- *Complete the filtering interface of the query object.
- *Complete old Windows apps encapsulation
- *Create user object, in-box and out-box objects.
- *Finalize new Edit menu shortcut key assignments.
- *Finalize transfer model for Win Word.
- *Finalize Help "on top" default.
- *Finalize OLE 1.0 usability fix(es)

CONFIDENTIAL

Usability

*Complete test plans for Excel 4.0 customizable toolbar, Excel 4.0 Index, Pen Windows (phase 4), SmartPages, Excel 4.0 Direct Manipulation test, Excel 3.0 field test (phase 2).

*Complete testing for Address Book, Bandit, Cirrus, Direct Manipulation Alternatives, Microsoft Office (Win), Sequoia, Win Optical Works, OLE 1.0 usability test, Win Word Direct Manipulation test, Help "on top" usability test.

Graphics Design

*Complete icon designs for Voodoo, WinGraph, Solutions (Works/Money/Voodoo combo), PC Mail Gateway, Equation Editor, Voice Recorder.

*Complete screen designs for Excel toolbar, Boris.

*Resolve PC version of Visual Style Guide.

*Write up design review of CD TV.

CONFIDENTIAL

Headcount, Profit & Loss and Sales Summary

CONFIDENTIAL

MS7007840

APPLICATIONS DIVISION HEADCOUNT - JUNE 1991

DEPARTMENTS	FY 91 PLAN				AS OF FIRM		
	01	02	03	04	30-Jun	HIRES	TOTAL
APPLICATIONS MANAGEMENT							
4101 Applications Group	3	3	5	6	3		3
4122 Applications Development College	2	2	2	2	3		3
4159 Applications Marketing	10	10	10	10	10	1	11
TOTAL	15	15	17	18	16	1	17
APPLICATIONS STRATEGY							
4142 Strategy Group	2	3	4	4	2		2
4143 Applications Development Tools & Libraries	23	25	27	28	31	3	34
4112 Applications Architecture	5	6	7	7	5		5
4102 On-Line Training Group	3	3	3	3	0		0
4144 On-Line Development	20	20	21	21	16		18
4145 On-Line Testing	15	16	16	16	20	2	22
4148 On-Line Prog Mgmt	6	6	6	6	8	2	10
4147 On-Line Support	8	8	9	9	12		12
4103 User Interface Group	2	2	3	3	4	1	5
4150 UI Usability	10	12	14	15	13		13
4151 UI Graphics Design	6	7	7	7	6		6
4152 UI General Design	4	6	6	6	3	1	4
4155 Applications Framework	15	18	21	23	22		22
TOTAL	119	132	144	150	144	6	153
ANALYSIS BUSINESS UNIT							
4104 ABU Group	6	7	7	7	4		4
4105 ABU Development	30	34	35	36	32	7	39
4106 ABU Marketing	18	18	18	18	17	4	21
4107 ABU Program Mgmt	13	14	14	14	17	2	19
4108 ABU Project Mktg	24	24	24	24	30	4	34
4109 ABU Testing	21	23	26	27	26	5	31
4110 ABU User Ed	45	45	45	45	42		42
4153 ABU Production	8	8	8	8	7		7
TOTAL	165	173	177	179	175	22	197
DATA ACCESS BUSINESS UNIT							
4111 DABU Group	6	6	6	6	7		7
4115 DABU Development	48	52	53	53	51	9	60
4116 DABU Marketing	8	8	8	8	5	2	7
4117 DABU Prog Mgmt	11	12	12	12	14	3	17
4118 DABU Testing	26	26	26	26	32	1	33
4119 DABU User Ed	29	29	29	29	30		30
TOTAL	128	133	134	134	139	15	154
ENTRY BUSINESS UNIT							
4120 EBU Group	2	2	2	2	2		2
4121 EBU Development	33	36	36	41	35	5	40
4123 EBU Marketing	15	15	15	15	17	2	19
4124 EBU Program Mgmt	13	13	14	14	14	2	16
4125 EBU Testing	21	23	24	24	35	7	42
4126 EBU User Ed	27	27	27	27	27		27
4127 EBU User Ed On-Line	24	25	25	25	26		26
4154 Applications Configuration testing	4	4	4	4	3		3
TOTAL	139	145	150	152	159	16	175

APPLICATIONS DIVISION HEADCOUNT - JUNE 1991

DEPARTMENT	FY 91 PLAN				AS OF FIRM		
	Q1	Q2	Q3	Q4	30-Jun	HIRES	TOTAL
GRAPHICS BUSINESS UNIT							
4128 GBU Group	5	7	7	7	8		8
4129 GBU Development 1	10	11	13	14	11		11
4130 GBU Development 2	8	11	13	14	8		8
4131 GBU Marketing	8	9	9	9	7		7
4132 GBU Software QA	7	9	11	12	10		10
4141 GBU Program Mgmt	5	5	6	6	3		3
TOTAL	44	52	58	62	47	0	47
OFFICE BUSINESS UNIT							
4133 OBU Group	2	2	2	2	2		2
4185 OBU Strategy					1		1
4134 Word Testing	38	40	42	42	34	4	38
4135 Word User Ed	53	56	62	64	29	1	30
4136 Word Development	58	58	61	62	62	2	64
4137 Word Marketing	15	16	16	16	17	4	21
4140 Word Program Mgmt	13	13	14	14	15	1	16
4162 Word Product					1		1
4138 Work Group Development	32	32	35	37	33	5	38
4139 Work Group Mktg	8	9	9	9	9	2	11
4158 Work Group Program Mgmt	8	8	8	8	12		12
4163 Work Group Testing					23		23
4164 Work Group User Ed					30		30
4170 Work Group Mgmt					2	1	3
4148 Pen Windows Product Mktg	4	6	7	7	4	1	5
4159 Pen Windows Program Mgmt					4	1	5
4160 Pen Windows Development					17	2	19
4161 Pen Windows Testing					9	1	10
4169 Pen Windows Group					2		2
TOTAL	232	240	256	261	306	25	331
GRAND TOTAL	842	890	937	950	986	88	1074

CONFIDENTIAL

ANALYSIS

	Month			YTD			
	Actual	% of Net Revenue	% of Plan	Actual	% of Net Revenue	% of YTD Plan	% of FY91 Plan
Net Revenues	\$34,881	100%	147%	\$364,349	100%	146%	146%
Cost Of Goods Sold	5,800	17%	136%	63,871	15%	119%	119%
Gross Profit	29,082	83%	160%	312,478	85%	152%	152%
Operating Expenses	2,953	8%	88%	50,806	14%	106%	106%
Allocations	6,705	25%	128%	87,238	24%	108%	108%
Burdened Operating Income	\$17,423	50%	188%	\$174,434	48%	228%	228%

DATA ACCESS

	Month			YTD			
	Actual	% of Net Revenue	% of Plan	Actual	% of Net Revenue	% of YTD Plan	% of FY91 Plan
Net Revenues	\$3,204	100%	169%	\$18,837	100%	87%	87%
Cost Of Goods Sold	847	26%	139%	5,095	27%	95%	95%
Gross Profit	2,357	80%	176%	13,542	73%	84%	84%
Operating Expenses	1,900	59%	134%	15,281	82%	95%	95%
Allocations	1,599	50%	133%	14,712	78%	109%	109%
Burdened Operating Loss	(\$943)	-29%	83%	(\$16,451)	-84%	122%	122%

ENTRY

	Month			YTD			
	Actual	% of Net Revenue	% of Plan	Actual	% of Net Revenue	% of YTD Plan	% of FY91 Plan
Net Revenues	\$4,370	100%	76%	\$111,906	100%	106%	106%
Cost Of Goods Sold	2,071	47%	95%	25,457	23%	100%	100%
Gross Profit	4,299	97%	89%	88,448	77%	108%	108%
Operating Expenses	2,423	55%	113%	27,165	24%	94%	94%
Allocations	3,952	92%	134%	37,188	33%	108%	108%
Burdened Operating Loss	(\$2,075)	-47%	-174%	(\$22,096)	-20%	130%	130%

GRAPHICS

	Month			YTD			
	Actual	% of Net Revenue	% of Plan	Actual	% of Net Revenue	% of YTD Plan	% of FY91 Plan
Net Revenues	\$2,115	100%	72%	\$33,515	100%	111%	111%
Cost Of Goods Sold	832	39%	122%	6,375	19%	107%	107%
Gross Profit	1,483	70%	82%	27,140	81%	112%	112%
Operating Expenses	1,284	60%	100%	13,388	40%	96%	96%
Allocations	1,572	75%	129%	12,607	38%	105%	105%
Burdened Operating Income	(\$1,152)	-54%	-110%	\$1,144	3%	-66%	-66%

OFFICE

	Month			YTD			
	Actual	% of Net Revenue	% of Plan	Actual	% of Net Revenue	% of YTD Plan	% of FY91 Plan
Net Revenues	\$28,451	100%	87%	\$404,132	100%	121%	121%
Cost Of Goods Sold	6,118	22%	116%	68,037	17%	117%	117%
Gross Profit	22,332	78%	81%	336,096	83%	122%	122%
Operating Expenses	4,214	15%	127%	58,704	14%	104%	104%
Allocations	12,283	43%	125%	122,706	30%	109%	109%
Burdened Operating Income	\$5,835	21%	41%	\$156,685	39%	143%	143%

Total Summary by UNITS June 1991

BUSINESS UNIT	USING		DOM ODM		RT RET		RT RET		RT RET		RT RET		RT RET		RT RET		RT RET		TOTAL	
	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES
BUSINESS UNIT	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
ANALYSIS	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
APPLICATIONS	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
DATA ACQ	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
EXCHANGE	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
OFFICE SV	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
TOTAL	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117

Total Summary by UNITS Year-to-Date

BUSINESS UNIT	USING		DOM ODM		RT RET		RT RET		RT RET		RT RET		RT RET		RT RET		RT RET		TOTAL	
	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES	UNITS	SALES
BUSINESS UNIT	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
ANALYSIS	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
APPLICATIONS	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
DATA ACQ	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
EXCHANGE	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
OFFICE SV	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117
TOTAL	18,111	17,764	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117	11,117

MS7007844

CONFIDENTIAL

ERU JUNE 1971

YR	ERU - Retail	USLMO		DOM OMA		INT OMA		TOTAL		% of PLAN	TOTAL SALES PLAN
		UNITS ACTUAL	UNITS PLAN	UNITS ACTUAL	UNITS PLAN	UNITS ACTUAL	UNITS PLAN	UNITS ACTUAL	UNITS PLAN		
JUNE 71	MAC CHART	41	34	0	0	0	0	41	34	119%	111,200
	MAC CHART	377	377	0	0	0	0	377	377	100%	112,000
	MAC FLIGHT SMOG	4,714	4,714	0	0	0	0	4,714	4,714	100%	112,000
	MAC FLIGHT SMOG	4,366	4,366	0	0	0	0	4,366	4,366	100%	112,000
	MAC LEARNING DO	20,733	20,733	0	0	0	0	20,733	20,733	100%	112,000
	MAC LEARNING DO	20,733	20,733	0	0	0	0	20,733	20,733	100%	112,000
	MAC MULTIPLAN II	0	0	0	0	0	0	0	0	0%	112,000
	MAC PERSONAL PD	1,300	1,300	0	0	0	0	1,300	1,300	100%	112,000
	MAC PERSONAL PD	1,300	1,300	0	0	0	0	1,300	1,300	100%	112,000
	MAC VOODOO	0	0	0	0	0	0	0	0	0%	112,000
	MAC WORLD 3	11,766	11,766	0	0	0	0	11,766	11,766	100%	112,000
	MAC WORLD 3	11,766	11,766	0	0	0	0	11,766	11,766	100%	112,000
	MAC WORKS	3,263	3,263	0	0	0	0	3,263	3,263	100%	112,000
	MAC WORKS	3,263	3,263	0	0	0	0	3,263	3,263	100%	112,000
	WIN WORKS	0	0	0	0	0	0	0	0	0%	112,000
	WIN WORKS	0	0	0	0	0	0	0	0	0%	112,000
	ERU (Total)	41,111	34,000	0	0	0	0	41,111	34,000	121%	1,111,000
	ERU (Total)	41,111	34,000	0	0	0	0	41,111	34,000	121%	1,111,000
	ERU - Unavail	0	0	0	0	0	0	0	0	0%	112,000
	ERU - Unavail	0	0	0	0	0	0	0	0	0%	112,000
	MAC CHART	0	0	0	0	0	0	0	0	0%	112,000
	MAC CHART	0	0	0	0	0	0	0	0	0%	112,000
	MAC FLIGHT SMOG	0	0	0	0	0	0	0	0	0%	112,000
	MAC FLIGHT SMOG	0	0	0	0	0	0	0	0	0%	112,000
	MAC HOC	0	0	0	0	0	0	0	0	0%	112,000
	MAC HOC	0	0	0	0	0	0	0	0	0%	112,000
	MAC MOC	0	0	0	0	0	0	0	0	0%	112,000
	MAC MOC	0	0	0	0	0	0	0	0	0%	112,000
	MAC WORKS	0	0	0	0	0	0	0	0	0%	112,000
	MAC WORKS	0	0	0	0	0	0	0	0	0%	112,000
	WIN WORKS	0	0	0	0	0	0	0	0	0%	112,000
	WIN WORKS	0	0	0	0	0	0	0	0	0%	112,000
	OTHER	0	0	0	0	0	0	0	0	0%	112,000
	OTHER	0	0	0	0	0	0	0	0	0%	112,000
	ERU (Total)	0	0	0	0	0	0	0	0	0%	112,000
	ERU (Total)	0	0	0	0	0	0	0	0	0%	112,000

ERU Year-To-Date

YR	ERU - Retail	USLMO		DOM OMA		INT OMA		TOTAL		% of PLAN	TOTAL SALES PLAN
		UNITS ACTUAL	UNITS PLAN	UNITS ACTUAL	UNITS PLAN	UNITS ACTUAL	UNITS PLAN	UNITS ACTUAL	UNITS PLAN		
JUNE 71	MAC CHART	41	34	0	0	0	0	41	34	119%	111,200
	MAC CHART	377	377	0	0	0	0	377	377	100%	112,000
	MAC FLIGHT SMOG	4,714	4,714	0	0	0	0	4,714	4,714	100%	112,000
	MAC FLIGHT SMOG	4,366	4,366	0	0	0	0	4,366	4,366	100%	112,000
	MAC LEARNING DO	20,733	20,733	0	0	0	0	20,733	20,733	100%	112,000
	MAC LEARNING DO	20,733	20,733	0	0	0	0	20,733	20,733	100%	112,000
	MAC MULTIPLAN II	0	0	0	0	0	0	0	0	0%	112,000
	MAC PERSONAL PD	1,300	1,300	0	0	0	0	1,300	1,300	100%	112,000
	MAC PERSONAL PD	1,300	1,300	0	0	0	0	1,300	1,300	100%	112,000
	MAC VOODOO	0	0	0	0	0	0	0	0	0%	112,000
	MAC WORLD 3	11,766	11,766	0	0	0	0	11,766	11,766	100%	112,000
	MAC WORLD 3	11,766	11,766	0	0	0	0	11,766	11,766	100%	112,000
	MAC WORKS	3,263	3,263	0	0	0	0	3,263	3,263	100%	112,000
	MAC WORKS	3,263	3,263	0	0	0	0	3,263	3,263	100%	112,000
	WIN WORKS	0	0	0	0	0	0	0	0	0%	112,000
	WIN WORKS	0	0	0	0	0	0	0	0	0%	112,000
	ERU (Total)	41,111	34,000	0	0	0	0	41,111	34,000	121%	1,111,000
	ERU (Total)	41,111	34,000	0	0	0	0	41,111	34,000	121%	1,111,000
	ERU - Unavail	0	0	0	0	0	0	0	0	0%	112,000
	ERU - Unavail	0	0	0	0	0	0	0	0	0%	112,000
	MAC CHART	0	0	0	0	0	0	0	0	0%	112,000
	MAC CHART	0	0	0	0	0	0	0	0	0%	112,000
	MAC FLIGHT SMOG	0	0	0	0	0	0	0	0	0%	112,000
	MAC FLIGHT SMOG	0	0	0	0	0	0	0	0	0%	112,000
	MAC HOC	0	0	0	0	0	0	0	0	0%	112,000
	MAC HOC	0	0	0	0	0	0	0	0	0%	112,000
	MAC MOC	0	0	0	0	0	0	0	0	0%	112,000
	MAC MOC	0	0	0	0	0	0	0	0	0%	112,000
	MAC WORKS	0	0	0	0	0	0	0	0	0%	112,000
	MAC WORKS	0	0	0	0	0	0	0	0	0%	112,000
	WIN WORKS	0	0	0	0	0	0	0	0	0%	112,000
	WIN WORKS	0	0	0	0	0	0	0	0	0%	112,000
	OTHER	0	0	0	0	0	0	0	0	0%	112,000
	OTHER	0	0	0	0	0	0	0	0	0%	112,000
	ERU (Total)	0	0	0	0	0	0	0	0	0%	112,000
	ERU (Total)	0	0	0	0	0	0	0	0	0%	112,000

MS7007847

CONFIDENTIAL

Other - Government, New Material, Private

