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To: Mike Hallman, Jeremy Butler

APR 12 1991

From: Joachim Krieger

CORPORATE

Date: April 8, 1991

Subject: OEM Goals & Challenges

cc: Bill Gates, Steve Ballmer, Chris Smith, Bernard Vergnes

FY 90/91 in Retrospect

The Customers

The business of our OEM customers has undergone significant changes over the last 18 months, but the recipe for success has changed only slightly. This is obvious when analyzing the more successful OEMs:

These have pursued technological leadership in quality manufacturing and product design which enabled them to enter premium markets (like notebooks and laptops) ahead of competition. At the same time, they have forged closer relationships with key suppliers to allow them to incorporate new technologies early into their product plans. The clever ones have stayed focussed in enhancing their Intel based product lines instead of straying into the RISC arena thereby putting profit over prestige and resisting the "fashion" trend. Remaining a key challenge even for the successful OEMs has been the development of new distribution channels and taking a global (WW) look at their business.

The PC being an even greater commodity today than 18 months ago, has led to the sale of more units through direct mail-order organizations and superstores than ever before - emphasizing that a lot of second and third tier manufactures have mastered quality manufacturing and have been able to contract for maintenance coverage through third party organizations (even in Europe). As a result non-value adding resellers have been driven out of the market. This change in distribution has caused a decline in market share for the top 25 WW PC suppliers to only 65% compared to over 80% two years ago. Interesting to note is that this data takes all the various mergers into account, proving again that adding size through mergers does not guarantee improved share.

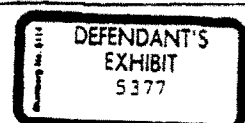
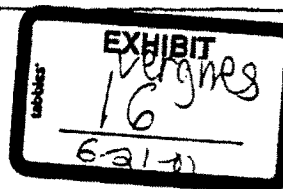
Another important characteristic of successful OEMs has been how fast they have been able to take a global (WW) view of the market. Eighteen months ago most OEMs made central product decisions and forced their

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product onto their distributors or outside their homeland subsidiaries. During the last year - probably because of the fast growth and size of the business outside their home countries - we have observed an emphasis on a more democratic decision process, whereby subsidiaries are now able to influence HQ product and marketing decisions. More and more successful OEMs have started to think "International" and are listening to recommendations from their successful subsidiaries.

The PC products themselves have gotten smaller, more powerful and cheaper whereby our royalties have been under severe price pressure. Despite margin pressure and DRI having (for 9 months) a far superior product in the market, we have not only continued to resist the DOS royalty price erosion, but have maintained our market share and are well on the way to increase our royalties per system sold by increasing our WIN/system penetration. These "dog fights" have been carried out by an 80+ people sales force and a lot of help from product line people and MS executives. Only the LAN Man and OS/2 customers have not shown any royalty growth caused by late product deliveries and a change in distribution strategy on our side, as well as the IBM/MS confusion.

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The Organization

In May of 89 we reorganized OEM into a WW organization whereby the US continues to prosper under a direct reporting relationships and all of International is being worked through a matrix organization, with area directors located in corporate HQ. At the same time, OEM has taken an active role in guiding the sales of FG-DOS and MS Mouse products to OEMs even when carried out in the subs. The idea behind this was to increase market share, set WW pricing and enable us to build relationships with emerging and potential royalty customers early on. Since then we have experienced high growth in both areas and could have done even better if we would have integrated the FG-DOS sales personnel directly into the WW OEM organization.

With the exception of FE OEMs selling in the US, we still need to learn how to evangelize OEM subsidiaries on our system product directions. Local MS subs as well as the European HQ continue to be motivated mainly by short term warehouse sales and do not have enough trained resources to do missionary OEM work.

Another important accomplishment of the OEM organization over the past two years has been an attitude change towards smaller customers. Particularly in the US, we have started focusing on smaller accounts and developed a lot of them into loyal (DOS/WIN/Mouse/per system) customers. Five years ago we wouldn't have even talked to them, while today we understand them as an important growth opportunity.

Morale of the US group is high, but growth as well as attrition to other parts of MS have left us with a lot of newly hired people - without having an appropriate training program in place. International OEM in general is suffering from being understaffed by at least 10-12 royalty sales people worldwide. The same is probably true for the

FG-DOS sales force. Morale is okay, but not great. This seems to be a result of local subs focusing on maximizing retail sales, the OEM sales people having to serve customers with less growth and revenue potential and its strategic value not being understood by most GMs. This is complemented by a P/L measurement system which excludes an integrated revenue/expense picture for all channels above the bottom line. This is causing understaffing/hiring of the sub OEM groups and OEM sales personnel being attracted by more "mainstream" departments. My conclusion: the matrix works somehow, but it is not an optimal solution. We will need to take some measure next FY to avoid true damage. I also understand that the OEM commission will now be part of the sub P/L to improve the view from the top. Nevertheless, there will be a need to close the loop regarding OEM personnel compensation and option grants, meaning they will need to be signed off by the VP of OEM and not only by the area VP.

Last but not least - OEM Marketing. I inherited this group with the reorganization. We have continued to provide internal marketing communications to the WW OEM group, system training, and added some channel and business analysis. Often covering up for an always changing System Product Marketing function with collaterals and background production. But we are missing the boat in helping OEMs get their products to markets early and to be an effective feedback mechanism to product marketing including the active development of sales plans. A new charter for this group - in light of the just founded System OEM Marketing group - should be to help OEMs and OEM AMs develop emerging business opportunities through marketing methods and product feedback. At the same time, we should charter this group with OEM AM sales and technology training coordination.

Conclusions

Over the past 18 months, we integrated our International OEM Sales force into a WW organization. This has been accomplished in a cooperative way by addressing the key business issues and maintaining our overall profitability. As a next step, we need to address how the current organization needs to be revised to match the changes in the business of our OEMs.

The key questions to answer while reorganizing:

1. How would it help us increase our market penetration?
2. How can we support our OEM relationships on a worldwide basis more effectively?
3. How can we keep all OEM personnel well motivated and trained to tackle the challenges ahead?

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OEM Sales Goals for FY92

- Exceed \$400M in revenue and stay within PPB guidelines*
- Have more than 65 % of all systems shipped with DOS 5.0 as the DOS version of choice by Q3FY92.
- Exceed 50 % market share for WIN design ins on licensed 386 DOS machines and get more than 20% preinstalled on the HD. (Excluding IBM units.)
- Obtain design ins for OS/2 3.0 by Q3 FY92 to guarantee an 80% penetration on MIPS as well as on high-end Intel PCs. (Understanding that we will benefit from this in FY 93/94 and thus making OS/2 2.0 widely obsolete.)
- Successfully reorganize and train the OEM sales force to match our customers global needs and business infrastructure.
- Pursue high volume socket sales aggressively in case we have a low-end network offering available in Q1 of FY 93.

*US <25% of 12 month trailing revenue.
Japan < 40%
CH, TC ≤ 30%
Other ≤ 25%

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Business Organization

Management principles

For me, the ideal way to manage the OEM business would be to think about a total worldwide channel responsibility. This would mean direct channel reporting of all OEM business including FG-DOS, Mouse and APPS sales to OEMS, applying the principle - OEM owns the customers and all sales going to and through them. If we as a company could agree to this, we might enjoy an immediate increase in market share. Trade-offs between royalty and FG agreements would be made by one group, all personnel would be trained in a unified way and we would probably have a direct reporting structure without today's conflict of interests between warehouse sales goals and OEM penetration goals. This would follow the ITIS model, whereby the subs would provide just services (like F & A, distribution, support, etc) at an agreed upon fee. IPG in Ireland, and to a degree, the US is following that model today. In thinking further ahead, this could lead to 3 different "sales companies" within every sub: 1) Distribution, 2) Large Accounts, and 3) OEMs, if combined with an operational manager position to run the service side of the business, the GM's time would be freed up to focus on strategic developments and being a coach by giving these unit managers lots of authority. If implemented well - meaning in a cooperative style - such a construction should actually improve our market position just by running smaller organizations and less of a monster organization as it exists today. (Giving more power to direct GM reports in the subs could at the same time help develop more management talent and make us more crisis proof.) We should give this some thought at corporate levels for the years to come. We could start doing this for OEM in FY 92 as a pilot, will we be able to decide this in time?

Nevertheless, we need to start reporting the OEM business (and maybe the others as well) as described above to enable us to understand it better. This would, over time, lead to a redefinition of account goals and move focus towards increasing total account penetration. It would allow us also to get a better handle on subsidiary marketing and service expense by customer type. Sure enough an enlarged thinking of the OEM business in the subs will enable us to develop, grow and promote OEM personnel within the group more easily - thus addressing some of the existing morale issues outside the US. This includes influencing compensation and option grants directly.

Even if we can't agree upon implementing my favorite organization, we will need to implement a different group structure in the US HQ to allow us to address the international support needs for our customers. The principle thought here is to focus on servicing the OEMs best where they sell the most. This might mean a redefinition of the territory the directors will cover.

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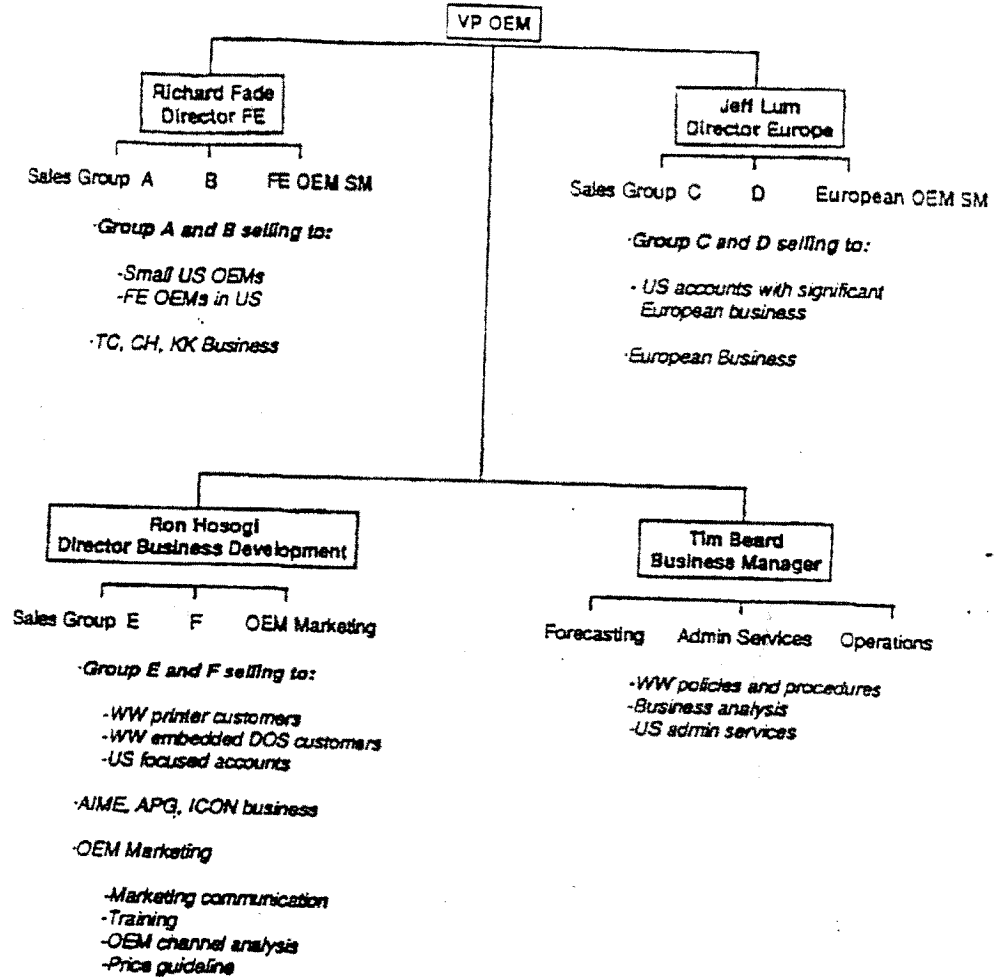
Two models come to mind:

1. Hire local resources to cover all key OEMs within a subsidiary territory and develop the OEM HQ AM function into a global AM position.
2. Allow the OEM AM to travel to key subsidiaries to promote our cause when needed, without adding sub personnel.

I doubt that the first model will serve its purpose and can be implemented in a cost effective way because we will have to add a lot of resources with questionable payback control as well as account knowledge. By going the second route, the account knowledge will reside with the OEM HQ AM, no additional headcount needs to be added, while only nominally increasing the T&E budget. This should lead to a harder working and a more motivated sales force without disrupting current subsidiary structures, whereby any warehouse sales leads should be passed on to the subs immediately and global product marketing feedback would be more effective and direct than today.

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Proposed New OEM Organization



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Rationale

1. Richard Fade's group

Most small US OEMs are run by orientals and/or buy partial systems from CH or TC OEMs. Trade offs can be done easier and a cultural understanding can be developed within the group. Selling to these OEMs requires different marketing techniques (direct mailings, etc) and prospecting. At the right time the faster growing customer will need to be transferred to other groups. We would develop more managers who understand the FE mentality and culture. This will enable us to penetrate this market better than before. Richard will get some exposure to the FE to enhance his WW OEM management skills.

2. Jeff Lum's group

By enhancing this group, we would serve US customers with focus in Europe better and give Jeff the opportunity to make his trips worthwhile by being able to understand and impact the European OEM business more effectively. I expect this group to provide us more direct feedback regarding multilingual OEM product needs and European market specifics. This would then be crossed checked with the sub's input to improve our intelligence.

3. Ron Hosog's group

This group consists of the "old" OEM Marketing group refocused on its key elements:

1) Communication, 2) WW OEM specific training, and 3) PC distribution analysis and its impact for OEM products. In addition, we are adding specialist product sales personnel and small sub business support. If the printer and embedded DOS business develop in a manner in which we need dedicated subsidiary AMs, we will move the people into the right territory organization. Until then, it makes sense to keep them in a special unit, knowing that the methods needed to be successful in both businesses are largely the same. AJME, APG, and ICON business support should be kept together to develop a common method and provide backup services as necessary, while assigning it to more than one person. Ronh will act as a coach in this area using his past experience. Allowing Ronh to manage sales to US focused OEMs will refresh his direct sales management skills after all his years in matrix management.

4. Group Operations

There is a natural reason to combine forecasting and analysis under Tim, who knows the F & A side of things very well. Running the operations will involve him in WW policies and procedures as well as the OEM price guidelines.

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FY91

Year end US HQ headcount (existing organization)

	VP	Director	Manager	AM	Admin	TOTAL	
JoachimK	1	1			1	3	
RonH		1		5	4	10	(admin. incl. 2x fcst.)
RichardF		1	5	33	5	44	
JeffL		1		1	1	3	
TOTAL	1	4	5	39	11	60	

FY92

Year end US HQ headcount (proposed organization)

	VP	Director	Manager	AM	Admin	TOTAL	
JoachimK	1				1	2	
RonH		1	2	15+1	4	23	
RichardF		1	1+1	11+2	1+2	19	
JeffL		1	2	14*	3	20	(incl. 1) transfer
TimB		1			2	3	(admin = 2x fcst.)
TOTAL	1	4	6	43	13	67	

* Includes Lorim

The proposed changes do not change headcount. I am proposing to add only 6 heads: 1 manager, 3 AMs, and 2 admins, one for the manager, the other for Richardf. This should be well in line with our profitability.

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European OEM Sales Staff
 FY 91 (existing organization)

Sub	OEM SM	OEM AM	AM FG-DCS	TOTAL
MS AB	1	2	1	4
MS BV	1	0	1	2
MS GMBH	1	2	2	5
MS LTD	1	1	1	3
MS SARL	1	1	1	3
MS SPA	1	1	1	3
MS SRL	1	0	1	2
TOTAL	7	7	8	22

European OEM Sales Staff
 FY 92 (proposed organization)

Sub	OEM SM	OEM AM	AM FG-DCS	TOTAL
MS AB	1	2	2	5
MS BV	1	0	2	3
MS GMBH	1	5	5	11
MS LTD	1	2	3	6
MS SARL	1	1	3	5
MS SPA	1	2	2	5
MS SRL	1	0	1	2
TOTAL	7	12	18	37

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International OEM Sales Staff

FY 91 (existing organization)

Sub	OEM SM	OEM AM	AM FG-DOS	TOTAL
MS KK	0.5	6.5	na	7
MS CH	0.5	3	2	5.5
MS TC	1	3.5	0.5	5
MS APG	0.5	0.5	0.25	1.25
MS SINGAPORE	0	0.5	0.5	1
MS PTY	1	1	1	3
MS INC	1	0.5	1	2.5
MS MEXICO	0.5	1	0.5	2
MS LTDA	0.5	0.5	1	2
MS AIME	0.25	0.5	1	1.75
TOTAL	5.75	17.5	7.75	31

International OEM Sales Staff

FY 92 (proposed organization)

Sub	OEM SM	OEM AM	AM FG-DOS	TOTAL
MS KK	1	10	na	11
MS CH	1	4	2	7
MS TC	1	5	1	7
MS APG	0.5	1	1	2.5
MS SINGAPORE	0	1	1	2
MS PTY	0	1	1	2
MS INC	1	0.5	2	3.5
MS MEXICO	0	1	1	2
MS LTDA	0	1	1	2
MS AIME	0	0	1	1
TOTAL	4.5	24.5	11	40

Key

OEM SM - OEM Sales Manager

OEM AM - OEM Account Manager

All international charts show only direct sales personnel, not total HC allocated to OEM.

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US Key Account Distribution Proposal

Group A & B Smaller US Accounts	Group C & D European Focus	Group E & F US Focus	
US territory focus CH, TC, KK-OEMs selling in the US Poquet	Atari CBM Compaq CompuAdd Dell HP Memorex/Telex NCR Olivetti Philips Tandon Zenith	ALR AST AT&T DEC Data General Everex Intel Momenta Northgate Packard Bell Phoenix PBU Accounts	Tandem Tandy/GRID UB Wang Western Digital Wyse 3COM Embedded DOS accounts

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				(Current Year)		(Planning Year)	
		FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
USA			10.1%	12.8%	19.4%	14.8%	11.3%
	8086	820,308	852,716	358,333	236,309	150,000	50,000
	286	2,018,814	1,936,790	1,395,473	1,388,428	800,000	500,000
	386	808,174	1,410,788	2,638,654	3,438,821	4,000,000	3,800,000
	486		11,837	121,327	358,725	1,200,000	2,300,000
	586		0	0	0	50,000	290,000
	Sub-Total	3,845,096	4,011,831	4,524,787	5,402,281	6,200,000	6,940,000
International			30.8%	8.1%	-1.9%	5.4%	7.1%
	8086	2,729,879	2,407,882	1,807,272	1,144,426	850,000	350,000
	286	2,418,057	3,398,907	3,404,100	3,137,930	2,000,000	1,250,000
	386	424,822	1,475,080	2,821,880	3,328,498	5,000,000	5,200,000
	486		4,986	40,548	115,813	400,000	1,700,000
	586		0	0	0	95,500	220,000
	Sub-Total	5,572,558	7,286,865	7,873,580	7,726,487	8,145,500	8,720,000
IBM			9.2%	14.1%	7.9%	8.8%	9.2%
	8086	370,200	135,000	100,000	0	0	0
	286	1,480,800	1,320,000	850,000	578,000	388,000	118,000
	386	617,000	1,235,000	2,100,000	2,494,000	2,848,000	2,880,800
	486	0	5,000	25,000	248,000	569,000	832,400
	586	0	0	0	0	4,000	15,000
	Sub-Total	2,468,000	2,695,000	3,075,000	3,318,000	3,610,000	3,948,000
US+ITL+IBM			19.8%	10.8%	8.3%	9.2%	9.2%
	8086	3,920,387	3,195,408	2,075,808	1,382,735	800,000	400,000
	286	5,917,471	6,835,897	6,849,573	6,082,356	3,188,000	1,865,000
	386	1,847,798	4,120,868	7,581,314	9,228,317	11,648,000	11,880,800
	486	0	21,823	186,875	722,340	2,189,000	4,932,400
	586	0	0	0	0	149,500	525,000
	Sub-Total	11,685,654	13,983,996	15,473,387	18,448,748	17,856,500	19,608,000
Non-Licensed			35.8%	4.0%	14.2%	10.1%	12.0%
	8086	650,000	600,000	300,000	250,000	100,000	50,000
	286	750,000	1,000,000	1,100,000	870,000	632,000	350,000
	386	78,000	400,000	650,000	1,100,000	1,700,000	2,100,000
	486	0	0	30,000	55,000	157,000	400,000
	586	0	0	0	0	28,000	30,000
	Sub-Total	1,478,000	2,000,000	2,080,000	2,375,000	2,618,000	2,930,000
Total Intel			21.5%	9.8%	7.2%	9.3%	9.8%
	8086	4,570,387	3,795,408	2,375,808	1,632,735	900,000	450,000
	286	6,887,471	7,835,897	6,749,573	6,082,356	3,820,000	2,218,000
	386	1,922,798	4,520,868	8,211,314	10,358,317	13,348,000	13,980,800
	486	0	21,823	216,875	777,340	2,326,000	5,332,400
	586	0	0	0	0	175,500	555,000
WW Total		13,180,654	15,983,996	17,553,387	18,821,748	20,570,500	22,536,000

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Units										FY1990 PC PRODUCTION-CONSUMPTION MATRIX									
	MFG		CONS		Net Ex./fm)	EXPORT TO...													
	US	EUR	US	EUR		US	EUR	KK	ROW										
US	6,513,331	7,100,000	488,669	4.43	1.98	0.00	0.20	8.81	32.50%	60.00%									
Europe	3,494,149	6,400,000	2,905,851	0.10	3.28	0.00	0.10	3.49	35.00%	25.00%									
KK	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%									
ROW	5,886,116	2,493,596	(3,392,520)	2.58	1.12	0.00	2.21	5.89	13.00%	15.00%									
Total	15,893,596	15,993,596	0	7.10	6.39	0.00	2.51	15.99											

Percent										
	EXPORT TO...				MARKET SHARE					
	US	EUR	KK	ROW	US	EUR	KK	ROW		
US	67%	30%	0%	3%	62.4%	31.1%			7.9%	
Europe	3%	94%	0%	3%	1.9%	51.4%			4.2%	
KK	0%	0%	100%	0%	0.0%	0.0%			0.0%	
ROW	44%	19%	0%	58%	36.1%	17.5%			67.9%	

Units										FY1991 PC PRODUCTION-CONSUMPTION MATRIX									
	MFG		CONS		Net Ex./fm)	EXPORT TO...													
	US	EUR	US	EUR		US	EUR	KK	ROW										
US	7,144,787	7,435,000	310,213	4.68	2.25	0.00	0.21	7.14	48.00%	58.00%	105.00%								
Europe	3,857,505	7,360,000	3,502,495	0.12	3.83	0.00	0.12	3.86	38.00%	27.00%	115.00%								
KK	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%	120.00%								
ROW	6,581,075	2,738,367	(3,842,708)	2.62	1.44	0.00	2.48	6.55	18.00%	18.00%	109.82%								
Total	17,583,367	17,533,367	0	7.42	7.32	0.00	2.82	17.55			109.75%								

Percent										
	EXPORT TO...				MARKET SHARE					
	US	EUR	KK	ROW	US	EUR	KK	ROW		
US	68%	32%	0%	3%	63.1%	30.8%			7.9%	
Europe	3%	94%	0%	3%	1.8%	48.8%			4.1%	
KK	0%	0%	100%	0%	0.0%	0.0%			0.0%	
ROW	40%	22%	0%	36%	35.3%	18.7%			65.3%	

Units										FY1992 PC PRODUCTION-CONSUMPTION MATRIX									
	MFG		CONS		Net Ex./fm)	EXPORT TO...													
	US	EUR	US	EUR		US	EUR	KK	ROW										
US	8,082,311	7,827,780	(254,531)	6.08	2.71	0.00	0.32	8.09	48.00%	48.00%	105.00%								
Europe	4,087,820	8,022,400	3,934,580	0.12	3.83	0.00	0.12	4.10	38.00%	25.00%	109.00%								
KK	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%	120.00%								
ROW	6,631,817	2,971,598	(3,660,219)	2.81	1.44	0.00	2.89	6.63	18.00%	28.00%	108.52%								
Total	18,821,748	18,821,748	0	7.79	8.00	0.00	3.00	18.82			107.23%								

Percent										
	EXPORT TO...				MARKET SHARE					
	US	EUR	KK	ROW	US	EUR	KK	ROW		
US	63%	34%	0%	4%	65.0%	33.9%			10.7%	
Europe	3%	94%	0%	3%	1.8%	48.1%			4.1%	
KK	0%	0%	100%	0%	0.0%	0.0%			0.0%	
ROW	39%	22%	0%	39%	33.5%	18.0%			65.3%	

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Units										FY1993 PC PRODUCTION-CONSUMPTION MATRIX			
	MFG	CONS	Net Ex/(m)	EXPORT TO...									
				US	EUR	KK	ROW						
US	8,088,730	8,218,138	(80,813)	3.44	3.27	0.00	0.38	8.07	44.00%	49.00%	105.00%		
Europe	4,378,300	8,824,060	4,245,280	0.11	4.14	0.00	0.13	4.38	37.00%	24.00%	107.50%		
KK	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%	120.00%		
ROW	7,121,830	3,727,283	(3,394,568)	2.88	1.20	0.00	3.23	7.12	19.00%	27.00%	125.43%		
Total	20,570,900	20,570,500		8.24	8.60	0.00	3.73	20.57			109.29%		

Percent									
	EXPORT TO...				MARKET SHARE				
	US	EUR	KK	ROW	US	EUR	KK	ROW	
US	80%	36%	0%	4%	88.0%	38.0%		9.7%	
Europe	3%	95%	0%	3%	1.3%	48.1%		3.5%	
KK	0%	0%	100%	0%	0.0%	0.0%		0.0%	
ROW	38%	17%	0%	48%	32.7%	13.9%		86.7%	

Units										FY1994 PC PRODUCTION-CONSUMPTION MATRIX			
	MFG	CONS	Net Ex/(m)	EXPORT TO...									
				US	EUR	KK	ROW						
US	10,111,840	8,588,908	(1,822,941)	3.82	3.68	0.00	0.51	10.11	44.00%	48.00%	104.50%		
Europe	4,733,220	9,529,808	4,796,388	0.12	4.47	0.00	0.14	4.73	37.00%	24.00%	110.50%		
KK	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%	120.00%		
ROW	7,890,840	4,417,383	(3,273,447)	2.88	1.44	0.00	3.58	7.89	19.00%	27.00%	118.52%		
Total	22,536,000	22,536,000		8.71	9.60	0.00	4.22	22.54			109.55%		

Percent									
	EXPORT TO...				MARKET SHARE				
	US	EUR	KK	ROW	US	EUR	KK	ROW	
US	88%	37%	0%	5%	87.8%	38.4%		12.0%	
Europe	3%	85%	0%	3%	1.4%	48.8%		3.4%	
KK	0%	0%	100%	0%	0.0%	0.0%		0.0%	
ROW	38%	18%	0%	47%	30.7%	15.0%		84.7%	

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International CPU Detail						
	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
US+INTL Licenses		22.8%	8.7%	3.8%	8.2%	6.7%
8088	3,550,187	3,080,408	1,978,806	1,382,735	800,000	400,000
286	4,438,671	5,335,687	4,798,673	4,508,358	2,800,000	1,750,000
386	1,230,796	2,885,868	5,481,314	6,768,317	9,000,000	9,000,000
486	0	16,623	161,878	474,340	1,800,000	4,000,000
586	0	0	0	0	145,500	510,000
Sub-Total	9,217,654	11,298,586	12,398,367	13,128,748	14,200,000	15,150,000
EURO		25.8%	6.7%	5.3%	4.8%	6.4%
8088	898,419	678,614	413,378	251,770	150,000	50,000
286	600,648	940,671	938,932	962,800	500,000	250,000
386	136,014	428,628	808,547	1,038,580	1,800,000	1,400,000
486	0	4,988	27,047	56,280	100,000	750,000
586	0	0	0	0	65,500	120,000
Sub-Total	1,633,081	2,050,899	2,188,905	2,308,390	2,418,500	2,570,000
FE/ROW		32.3%	8.6%	-4.7%	6.8%	7.3%
8088	1,833,480	1,731,178	1,182,883	892,656	500,000	300,000
286	1,817,408	2,458,038	2,484,188	2,176,130	1,800,000	1,000,000
386	288,008	1,046,822	2,015,713	2,288,938	3,400,000	3,800,000
486	0	0	13,501	60,358	300,000	850,000
586	0	0	0	0	30,000	100,000
Sub-Total	3,839,477	5,238,768	5,684,675	5,417,077	5,730,000	6,190,000
International Totals		30.8%	6.1%	-1.8%	5.4%	7.1%
8088	2,729,679	2,407,692	1,607,272	1,144,428	650,000	350,000
286	2,418,067	3,388,907	3,404,100	3,137,830	2,000,000	1,250,000
386	424,822	1,475,080	2,821,890	3,328,498	5,000,000	5,200,000
486	0	4,988	40,548	115,615	400,000	1,700,000
586	0	0	0	0	95,500	220,000
Total INTL Intel	5,572,568	7,286,665	7,873,580	7,726,467	8,145,500	8,720,000

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Intel Processor Summary By Business Sector						
Units	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
USA	3,646,088	4,011,831	4,524,767	5,402,281	6,200,000	6,940,000
International	6,572,958	7,288,865	7,873,580	7,728,487	8,145,500	8,720,000
IBM	2,488,000	2,693,000	2,078,000	3,318,000	3,810,000	3,946,000
Unlicensed	1,478,000	2,000,000	2,080,000	2,378,000	2,615,000	2,930,000
WW Total	13,180,854	15,993,596	17,553,367	18,821,748	20,570,500	22,536,000
Percent						
USA	27.7%	25.1%	25.8%	28.7%	30.1%	30.8%
International	42.3%	45.6%	44.9%	41.1%	39.6%	38.7%
IBM	18.8%	16.9%	17.5%	17.6%	17.5%	17.5%
Unlicensed	11.2%	12.5%	11.8%	12.6%	12.7%	13.0%
WW Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
World-Wide Intel Processor Summary						
Units	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
8088	4,570,387	3,795,408	2,378,605	1,632,735	900,000	450,000
286	6,667,471	7,855,697	6,749,573	8,052,358	3,820,000	2,218,000
386sx	0	1,582,304	4,105,657	6,215,590	9,344,300	10,485,450
386dx	1,922,798	2,908,564	4,105,657	4,143,727	4,004,700	3,495,150
486sx	0	0	0	486,404	1,511,900	3,732,680
486dx	0	21,623	216,875	310,938	814,100	1,599,720
586	0	0	0	0	175,500	555,000
Total	13,180,854	15,993,596	17,553,367	18,821,748	20,570,500	22,536,000
Percent						
8088	34.73%	23.73%	13.53%	8.67%	4.38%	2.00%
286	50.68%	47.87%	38.45%	32.18%	18.57%	9.84%
386sx	0.00%	9.89%	23.39%	33.02%	45.43%	46.53%
386dx	14.81%	18.37%	23.39%	22.02%	19.47%	15.51%
486sx	0.00%	0.00%	0.00%	2.48%	7.35%	16.56%
486dx	0.00%	0.14%	1.24%	1.65%	3.96%	7.10%
586	0.00%	0.00%	0.00%	0.00%	0.85%	2.46%

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OEMSALES

USA	FY89	FY90	FY91	FY92	FY93	FY94
Processors (000)						
IBM Machines	1,111	1,213	1,384	1,493	1,625	1,776
Other OEM (licensed) Mach	3,645	4,012	4,525	5,402	6,200	6,940
Total Machines	4,756	5,225	5,909	6,895	7,825	8,716
Penetrations of Major Products on non-IBM Processors						
% shipping DOS	98.5%	100.0%	100.0%	100.0%	100.0%	100.0%
% shipping Windows	27.1%	24.8%	27.0%	29.9%	35.0%	40.0%
% shipping OS/2	0.3%	0.5%	0.7%	0.7%	1.0%	2.5%
Units of Lan Man	4147	44,553	140,000	135,000	200,000	400,000
Average Royalty for Major Products on non-IBM processors						
\$ per DOS	\$17.00	\$16.88	\$18.22	\$17.87	\$17.00	\$16.50
\$ per Windows	\$8.68	\$7.73	\$16.76	\$17.83	\$17.00	\$18.50
\$ per OS/2 (gross)	\$104.08	\$124.59	\$120.00	\$110.00	\$70.00	\$50.00
\$ per Lan Man	\$407.04	\$117.64	\$75.00	\$48.14	\$40.00	\$25.00
Actual Earned Royalties (\$000) on Major Products, non-IBM processors						
DOS	\$81,015	\$67,739	\$82,442	\$88,539	\$105,400	\$114,510
Windows	\$8,820	\$7,890	\$19,255	\$28,925	\$38,890	\$45,804
OS/2	\$1,197	\$2,741	\$3,965	\$4,178	\$4,340	\$8,673
Lan Man	\$1,688	\$5,241	\$10,500	\$6,547	\$8,000	\$10,000
Actual Earned Royalties (\$000) on Major Products, IBM processors						
DOS	\$0	\$0	\$0	\$500	\$0	\$0
Win	\$90	\$0	\$7,425	\$281	\$2,500	\$3,000
OS/2 (net)	\$857	\$2,188	\$3,500	\$298	\$0	\$0
Lan Man	\$1,058	\$271	\$2,500	\$1,200	\$600	\$400
Actual Earned Royalties (\$000) on Minor Products, all processors						
Printer	\$0	\$727	\$1,000	\$879	\$1,500	\$2,000
MS-Net	\$4,422	\$5,000	\$3,000	\$1,334	\$1,500	\$1,500
SQL Server	\$472	\$284	\$0	\$79	\$100	\$100
Comm Server	\$0	\$0	\$0	\$867	\$1,200	\$1,500
Xenix	\$8,913	\$9,255	\$8,000	\$7,693	\$9,000	\$10,500
Languages	\$941	\$1,036	\$400	\$153	\$400	\$400
Misc	(\$12)	\$451	\$1,000	\$998	\$500	\$500
CD-ROM	\$82	\$200	\$700	\$1,932	\$2,500	\$4,000
ABU	\$3,663	\$4,559	\$5,600	\$10,523	\$11,000	\$12,500
DABU	\$0	\$0	\$0	\$0	\$0	\$0
EBU	\$0	\$0	\$0	\$0	\$0	\$0
OBU	\$0	\$0	\$0	\$0	\$0	\$0
Total Actual Earned Royalties	\$91,006	\$107,382	\$150,307	\$182,904	\$185,430	\$215,389
Net UPB Revenue	\$12,094	\$23,101	(\$4,300)	\$19,700	\$15,000	\$0
UPB Reserve	\$0	\$0	(\$7,000)	\$0	\$2,000	\$5,000
Total Royalty Revenue	\$103,100	\$130,483	\$139,007	\$182,604	\$202,430	\$220,389
Finished Goods						
Misc	\$747	\$3,818	\$17,000	\$9,700	\$12,000	\$12,000
Packaged DOS	\$7,468	\$13,880	\$14,800	\$12,900	\$15,500	\$18,000
Packaged OS/2/SDK	\$1,252	\$1,300	\$1,000	\$0	\$500	\$500
Packaged Lan Man	\$0	\$1	\$0	\$0	\$0	\$0
Packaged SQL Server	\$0	\$0	\$2	\$0	\$0	\$0
Packaged Comm Server	\$0	\$0	\$0	\$0	\$0	\$0
Other packaged goods	\$2,477	\$1,855	\$2,000	\$300	\$2,000	\$2,000
Total Finished Goods Revenue	\$11,684	\$20,834	\$34,802	\$22,900	\$30,000	\$32,500
Total OEM Channel Revenue	\$115,034	\$151,317	\$173,809	\$205,504	\$232,430	\$252,889

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International*	FY89	FY90	FY91	FY92	FY93	FY94
Processors (000)						
IBM Machines	1,357	1,482	1,691	1,825	1,988	2,170
Other OEM (licensed) Mach	5,573	7,287	7,874	7,726	8,146	8,720
Total Machines	6,930	8,769	9,565	9,551	10,131	10,890
Penetrations of Major Products on non-IBM Processors						
% shipping DOS	92.4%	97.2%	99.0%	97.0%	96.5%	96.5%
% shipping Windows	16.1%	13.6%	20.0%	30.7%	35.0%	40.0%
% shipping OS/2	0.1%	0.3%	0.4%	0.8%	1.0%	2.0%
Units of Lan Man	433	2,942	5,500	8,500	25,000	175,000
Average Royalty for Major Products on non-IBM processors						
\$ per DOS	\$16.85	\$14.99	\$18.00	\$16.38	\$16.00	\$15.70
\$ per Windows	\$8.44	\$10.04	\$15.29	\$15.63	\$16.00	\$15.70
\$ per OS/2 (gross)	\$178.57	\$126.55	\$115.00	\$105.75	\$75.00	\$60.00
\$ per Lan Man	\$623.56	\$547.93	\$400.00	\$372.47	\$175.00	\$50.00
Actual Earned Royalties (\$000) on Major Products, non-IBM processors						
DOS (incl GW)	\$86,756	\$106,158	\$124,718	\$120,297	\$125,767	\$132,112
Windows	\$7,585	\$9,923	\$24,074	\$37,034	\$45,615	\$54,762
OS/2	\$1,418	\$2,784	\$3,622	\$6,345	\$6,109	\$10,464
Lan Man	\$270	\$1,612	\$2,200	\$3,166	\$4,375	\$8,750
Actual Earned Royalties (\$000) on Major Products, IBM processors						
DOS	\$0	\$0	\$0	\$0	\$0	\$0
Win	\$0	\$0	\$0	\$0	\$0	\$0
OS/2 (net)	\$0	\$0	\$0	\$0	\$0	\$0
Lan Man	\$0	\$0	\$0	\$0	\$0	\$0
Actual Earned Royalties (\$000) on Minor Products, all processors						
Printer	\$0	\$541	\$663	\$82	\$1,000	\$1,500
MS-Net	\$1,271	\$1,259	\$2,000	\$1,225	\$900	\$750
SQL Server	\$0	\$1	\$16	\$615	\$500	\$400
Comm Server	\$0	\$0	\$250	\$201	\$300	\$350
Xenix	\$2,345	\$644	\$1,200	\$1,000	\$900	\$900
Languages	\$350	\$355	\$70	\$70	\$100	\$100
Misc.	\$703	(\$24)	\$300	\$210	\$0	\$0
CD-ROM	\$523	\$509	\$380	\$387	\$750	\$1,500
ABU	\$4,436	\$4,466	\$4,800	\$3,328	\$4,000	\$5,000
DABU	\$0	\$0	\$0	\$0	\$0	\$0
EBU	\$0	\$0	\$0	\$0	\$0	\$0
OBU	\$0	\$0	\$0	\$0	\$0	\$0
Total Actual Earned Royalties	\$106,657	\$128,229	\$164,273	\$173,940	\$190,315	\$216,588
Net UPB Revenue	\$33,940	\$38,056	\$3,000	\$2,778	(\$5,000)	(\$5,000)
UPB Reserve	\$0	(\$10,500)	(\$8,500)	\$0	\$5,000	\$13,500
Total Royalty Revenue	\$139,597	\$155,785	\$158,773	\$176,718	\$190,315	\$225,088
Finished Goods						
Mice	\$0	\$0	\$0	\$760	\$1,000	\$1,200
Packaged DOS	\$0	\$0	\$0	\$0	\$0	\$0
Packaged OS/2/SDK	\$0	\$0	\$0	\$0	\$0	\$0
Packaged Lan Man	\$0	\$0	\$0	\$0	\$0	\$0
Packaged SQL Server	\$0	\$0	\$0	\$0	\$0	\$0
Packaged Comm Server	\$0	\$0	\$0	\$0	\$0	\$0
Other packaged goods	\$0	\$0	\$0	\$1,800	\$2,500	\$3,000
Total Finished Goods Revenue	\$0	\$0	\$0	\$2,560	\$3,500	\$4,200
Total OEM Channel Revenue	\$139,597	\$155,785	\$158,773	\$179,278	\$193,815	\$229,288

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CONTCON RLS

Consolidated Processors (000)	FY89	FY90	FY91	FY92	FY93	FY94
IBM Machines	2,468	2,695	3,075	3,318	3,610	3,946
Other OEM (Licensed) Machines	9,218	11,299	12,398	13,129	14,346	15,660
Total Machines	11,686	13,994	15,473	16,447	17,956	19,606
Penetrations of Major Products on non-IBM Processors						
% shipping DOS	94.6%	98.2%	99.4%	98.2%	98.0%	98.1%
% shipping Windows	20.5%	17.6%	22.6%	30.3%	35.0%	40.0%
% shipping OS/2	0.2%	0.4%	0.5%	0.7%	1.0%	2.2%
Units of Lan Man	4,580	47,495	145,500	144,500	225,000	575,000
Average Royalty for Major Products on non-IBM processors						
\$ per DOS	\$18.91	\$15.67	\$16.81	\$17.00	\$16.43	\$16.05
\$ per Windows	\$7.75	\$9.22	\$15.48	\$16.58	\$16.43	\$16.05
\$ per OS/2 (gross)	\$149.11	\$125.85	\$116.82	\$107.50	\$72.84	\$55.57
\$ per Lan Man	\$537.94	\$395.14	\$281.39	\$239.01	\$116.65	\$38.92
Actual Earned Royalties (\$000) on Major Products, non-IBM processors						
DOS (incl GW)	\$147,771	\$173,897	\$207,160	\$216,838	\$231,167	\$246,622
Windows	\$14,627	\$17,813	\$43,329	\$65,959	\$82,505	\$100,568
OS/2	\$2,899	\$5,525	\$7,606	\$10,521	\$10,449	\$19,139
Lan Man	\$2,484	\$8,853	\$12,700	\$9,713	\$12,375	\$18,750
Actual Earned Royalties (\$000) on Major Products, IBM processors						
DOS	\$0	\$0	\$0	\$500	\$0	\$0
Win	\$90	\$0	\$7,425	\$281	\$2,500	\$3,000
OS/2 (net)	\$857	\$2,188	\$3,500	\$298	\$0	\$0
Lan Man	\$1,058	\$271	\$2,500	\$1,200	\$600	\$400
Actual Earned Royalties (\$000) on Minor Products, all processors						
Printer	\$0	\$1,288	\$1,563	\$961	\$2,500	\$3,500
MS-Net	\$5,893	\$8,259	\$5,000	\$2,559	\$2,400	\$2,250
SQL Server	\$472	\$285	\$18	\$694	\$600	\$500
Comm Server	\$0	\$0	\$250	\$1,068	\$1,500	\$1,850
Xenix	\$11,258	\$9,899	\$10,200	\$8,893	\$9,900	\$11,400
Languages	\$1,291	\$1,392	\$470	\$223	\$500	\$500
Misc.	\$891	\$427	\$1,300	\$1,208	\$500	\$500
CD-ROM	\$605	\$709	\$1,060	\$2,299	\$3,250	\$5,500
ABU	\$8,099	\$9,025	\$10,400	\$13,851	\$15,000	\$17,500
OABU	\$0	\$0	\$0	\$0	\$0	\$0
EBU	\$0	\$0	\$0	\$0	\$0	\$0
OBU	\$0	\$0	\$0	\$0	\$0	\$0
Total Actual Earned Royalties	\$197,875	\$235,611	\$314,580	\$338,844	\$375,745	\$431,977
Net UPB Revenue	\$48,034	\$81,157	(\$1,300)	\$22,478	\$10,000	(\$5,000)
UPB Reserve	\$0	(\$10,500)	(\$15,500)	\$0	\$7,000	\$18,500
Total Royalty Revenue	\$243,909	\$286,268	\$297,780	\$359,322	\$392,745	\$445,477
Finished Goods						
Misc	\$747	\$3,818	\$17,000	\$10,460	\$13,000	\$13,200
Packaged DOS	\$7,458	\$13,860	\$14,800	\$12,900	\$15,500	\$18,000
Packaged OS/2/SDK	\$1,252	\$1,900	\$1,000	\$0	\$500	\$500
Packaged Lan Man	\$0	\$1	\$0	\$0	\$0	\$0
Packaged SQL Server	\$0	\$0	\$2	\$0	\$0	\$0
Packaged Comm Server	\$0	\$0	\$0	\$0	\$0	\$0
Other packaged goods	\$2,477	\$1,855	\$2,000	\$2,100	\$4,500	\$5,000
Total Finished Goods Revenue	\$11,934	\$20,834	\$34,802	\$25,460	\$33,500	\$36,700
Total OEM Channel Revenue	\$255,843	\$307,102	\$332,582	\$384,782	\$426,245	\$482,177

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Non-IBM Actual Unit Product Shipments (OCC), Based on Penetration Assumptions
(no data entry fields on this sheet)

	FY89	FY90	FY91	FY92	FY93	FY94
USA Non IBM						
DOS	3,590,000	4,011,931	4,524,787	5,402,281	6,200,000	6,940,000
Windows	989,000	995,000	1,221,692	1,613,000	2,170,000	2,775,000
OS/2	11,500	22,000	33,205	38,000	62,000	173,500
Lan Man	4,147	44,553	140,000	136,000	200,000	400,000
International Non IBM						
DOS	5,149,000	7,080,000	7,794,844	7,494,673	7,860,408	8,414,800
Windows	899,000	988,000	1,574,716	2,369,000	2,950,925	3,488,000
OS/2	7,941	22,000	31,494	60,000	81,455	174,400
Lan Man	433	2,942	5,500	8,500	25,000	175,000
Consolidated Non IBM						
DOS	8,739,000	11,091,931	12,319,631	12,896,954	14,060,408	15,354,800
Windows	1,888,000	1,983,000	2,796,408	3,982,000	5,020,925	5,264,000
OS/2	19,441	44,000	64,700	98,000	143,455	347,900
Lan Man	4,580	47,495	145,500	144,500	225,000	575,000
Actual Earned Royalty Revenue Per Processor						
USA (excl. IBM processors)	\$24.57	\$28.77	\$33.22	\$30.15	\$29.91	\$31.04
International	\$18.96	\$17.60	\$20.86	\$22.51	\$23.36	\$24.84
Total Royalty Revenue Per Processor (incl UPB and UPB forgiveness)						
USA (excl. IBM processors)	\$28.28	\$32.52	\$30.72	\$33.80	\$32.65	\$31.76
International	\$25.05	\$21.38	\$20.17	\$22.87	\$23.36	\$25.31

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