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4 Gen Rental Reports

Microsoft

Confidential Monthly Report

To: Mike Hallman

RECEIVED Executive Staff Direct Reports

From: Jeremy Butler

Date: May 23, 1991

JUN 03 1991

WHN

March 1991 Monthly Report

March and the third quarter generally were excellent periods for International Finished Goods. Windows and Windows apps are continuing strongly. Sixty nine percent of year-to-date over-plan performance is due to real business growth; the balance is the effect of the dollar. The outlook for the fourth quarter is for slight softening in some countries in Europe, continued hard times in Brazil; on the currency front, the dollar is strengthening so dollar denominated growth will not seem as large as it has over the first three quarters.

Billings in OEM were ahead of plan for the quarter by 12%. This is in spite of severe shortfalls in Japan, where we have some overdue contracts and lower than budgeted export shipments by our OEM customers. The US and Europe were over plan. The next big event would be a Windows deal with Compaq.

ITIS revenues in International are mis-classified and are higher than shown in the official results below. This will be fixed by year end.

Services Net Revenues: Rolling Three Months, and Year-To-Date (\$000)

Table with 8 columns: Services, Jan-91, Feb-91, Mar-91, YTD Actual, YTD Budget, Growth YTD, Budget % YTD. Rows include US Consult, Int'l Consult, US PSS, and US MSU.

International Organization

A large number of organizational developments have occurred in International. Attached is an outline organization chart for Chris and Bernard's organizations as they will appear on July 1. Congratulations are due to several experienced managers who have been appointed regional directors: Steve Wells, Orlando Ayala, Bryan Nelson, Rolf Skoglund, Christian Wedell, and Michel Lacombe will be heading regions. We should also congratulate Phil Welt on his appointment as the country general manager for Mexico. It is exciting to see Daniel Petre moving from Australia to Redmond into Apps this summer. Daniel has built Microsoft into a market leader in Apps starting three years ago from an also-ran position. We are currently recruiting for Daniel's replacement. Eugenio Beaufrand will become the GM of our newest sub, Microsoft Argentina, on July 1: congratulations to Eugenio, and to MS Brazil for parenting yet another subsidiary.

OEM Business

International continues behind plan: we have three contracts with NEC which should have been signed months ago, which will not arrive in Redmond signed by the customer until June. Their signature will however generate a large burst of revenue for FY91. This situation has been largely caused by understaffing and too-late hiring in the KK OEM department. I expect this to be fully remedied by Q1 of next fiscal year.

The Korean FTC has started to investigate whether Microsoft is monopolizing the Korean systems business. They are egged on by one or two OEMs who are lagging in the world PC markets, and who want to get unfairly low prices for MS-DOS from us, and who want to be able to ship a local

legal DOS clone inside Korea, while also receiving our lowest per processor pricing. There is strong anti-American feeling in Korea at present and this investigation is largely politically inspired. I know that all our actions have been both legal and ethical, but dealing with this will take large amounts of time of our people here in Redmond and even more of BC Lee's.

Joachim's report and the account summaries for our large OEM customers are attached as usual.

OEM Net Revenues: Rolling Three Months, and Year-To-Date (\$000)

OEM Business	Jan-91	Feb-91	Mar-91	YTD Actual	YTD Budget	Growth YTD	Budget % YTD
US OEM	18,175	27,361	9,598	134,684	113,809	32%	118%
US GAAP	0	0	-1,702	-13,502	0	-	-
Europe	997	650	14,593	43,892	39,832	29%	110%
ICON	63	775	929	4,082	3,285	-49%	124%
Far East	2,358	1,108	11,119	36,246	32,507	4%	112%
Japan	4,430	3,628	1,686	31,187	44,591	-29%	70%
Red Other	0	0	708	2,249	2,100	NEW	-
Int'l GAAP	0	0	-6,500	-11,800	0	-	-
Tot. IOEM	7,848	6,161	22,535	105,856	122,315	-16%	87%
Total OEM	26,023	33,522	30,431	227,038	236,124	-1%	96%

Product Development and Localization

There are three monthly reports that deal with these issues. First there is the combined IPG & FEPD International Products Report; second there is the IPG Monthly Management Report (attached); lastly there is the FEPD monthly management report (included with Chris' report).

In IPG we are grappling with ways to reduce costs of localization of large products for small markets. I hope to have some interim solutions documented in plans in the coming weeks. The longer term solutions require us to have no-compile products and tools that can be given to off-site, non-MS localizers. We still have a lot of work to do in explaining Bill's direction that Microsoft should be doing no-compile products: Bill found that localizers in Ireland hadn't heard of this yet. Charlotte was asked a few days ago by an International Product Manager in Apps if it was really true that we were going to do no-compile products, because her colleagues had said there was no truth to the rumor. We will be rolling out an internal PR campaign on this during the summer.

Right-to-Left products are another area of concern. At present accountability is split between the AIME sales group (who sells product, and is supposed to create requirements), FEPD who enable the product, and IPG who localize the product. I have removed IPG from these products and given to the FEPD group under Mike Cooper the responsibility for coming up with a methodology and plan for right-to-left product development and localization whose costs fit the size of the market opportunity. We will have a memo on this in the coming ten days.

International Finished Goods

Europe continued its strong above-plan performance with slight weakening of demand in several countries. Recent news from Italy indicates a no-growth situation for all distributors: they report that only their MS sales are increasing but that those increases are offset by decreases in other vendors' product sales. Thanks mostly to Europe's great sales performance their contribution to profit is over 17 points higher than planned. Europe's gross profit margin continues one point better than budget; expenses are in line, with the exception of the massive overspending on hiring in GmbH.

Taiwan is shaping up under its new general manager. FG sales in Korea are falling behind plan as products that were planned to ship don't. I expect that Korea will miss its sales budget this year. Overall Far East is running at one point above GPM% budget and ten point above profit plan.

The ICON finished goods channel continues seven points below plan for GPM%: this is due to a combination of US-level prices for expensive-to-manufacture localized products, obsolescence, high discounts for distributors who work in places we don't offer any marketing or end user support, and high freight costs. Coupling this with the high cost of localizing into Portuguese, Spanish and right-

to-left languages, we are left with a money losing business. Chris, SteveWe and BryanN will figure out how to fix this over the summer (part of this is the right-to-left plan mentioned above). ICON is four points, or \$2 million, short of its profit plan year-to-date, in spite of being over its sales plan.

Detailed country comments are in Bernard's and Chris' report.

**International Finished Goods Net Revenues: Rolling Three Months, and YTD (\$000)**

Int'l Business	Jan-91	Feb-91	Mar-91	YTD	YTD	Growth YTD	Budget % YTD
				Actual	Budget		
U.K.	7,568	8,050	9,748	61,121	44,901	99%	136%
Nordic	7,252	6,369	6,415	54,855	39,345	105%	139%
Germany	23,353	23,678	17,556	168,087	101,155	139%	166%
Switzerland	2,450	2,634	2,104	18,099	15,507	67%	117%
France	25,025	18,046	19,529	169,845	106,757	103%	159%
Benelux	3,329	3,202	3,437	26,371	18,056	117%	146%
Italy	2,980	3,662	3,276	25,282	19,908	73%	127%
Spain	1,647	1,557	1,395	9,641	7,259	124%	133%
<b>Europe</b>	<b>73,604</b>	<b>67,198</b>	<b>63,460</b>	<b>533,301</b>	<b>352,888</b>	<b>111%</b>	<b>151%</b>
Canada	4,215	4,747	6,184	38,113	33,999	52%	112%
Mexico	567	360	757	4,673	5,023	78%	93%
Brazil	416	67	58	5,250	7,728	-27%	68%
Venezuela	238	157	104	1,167	860	NEW	136%
ADME	944	972	1,224	6,915	4,362	35%	159%
<b>ICON</b>	<b>6,380</b>	<b>6,303</b>	<b>8,327</b>	<b>56,118</b>	<b>51,972</b>	<b>40%</b>	<b>108%</b>
Korea	162	193	290	1,898	2,212	40%	86%
Taiwan	103	417	252	1,322	2,719	-27%	49%
Red. Taiwan	53	63	122	1,713	627	NEW	273%
Asia Pacific	140	288	176	1,794	1,247	-34%	144%
Singapore	608	290	438	3,408	1,902	NEW	179%
Australia	2,904	4,007	4,660	35,935	29,400	77%	122%
<b>Far East</b>	<b>3,970</b>	<b>5,258</b>	<b>5,938</b>	<b>46,070</b>	<b>38,107</b>	<b>76%</b>	<b>121%</b>
Japan	4,171	4,618	6,714	38,962	31,655	61%	123%
Red Other	-19	178	784	2,307	1,116	-31%	207%
<b>FE/ICON</b>	<b>14,502</b>	<b>16,357</b>	<b>21,763</b>	<b>143,457</b>	<b>122,850</b>	<b>53%</b>	<b>117%</b>
<b>Total Int'l</b>	<b>88,106</b>	<b>83,555</b>	<b>85,223</b>	<b>676,758</b>	<b>475,738</b>	<b>95%</b>	<b>142%</b>

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## International Organization Chart

Effective July 1, 1991

President and Chief Operating Officer, Mike Hallman

Vice President International Operations, Chris Smith (Redmond)

Director Intercontinental Operations, Steve Wells

General Manager Australia, Daniel Petre

General Manager Canada, Frank Clegg

Sales Manager Singapore, Robin Boon

Sr. Director Far East Operations, Peter Neupert

General Manager Japan, Sam Furukawa

General Manager Korea, BC Lee

General Manager Taiwan, Shaw Gang Yang

Regional Manager Asia Pacific, Rick Tsang

Director Latin America Operations, Orlando Ayala

General Manager Brazil, Gregorio Diaz

General Manager Mexico, Phil Welt

General Manager Venezuela, Carlos Fernandez

General Manager Argentina, Eugenio Beaufrand

Director AIME Operations, Bryan Nelson

Regional Manager AIME, Richard Hevron

Sales Manager Israel, Arie Scope

Sales Manager India, Rajiv Nair

Director Far East Product Group & Bi-Di, Mike Cooper

Manager International Subsidiary Development, Bob O'Rear

Vice President Europe, Bernard Vergnes (Paris)

Regional Director Northern Europe, Rolf Skoglund

General Manager United Kingdom, David Svendsen

General Manager Sales & Marketing Sweden, Mats Wennberg

Director Business Operations Sweden, TBH

General Manager Norway, TBH

General Manager Denmark, TBH

General Manager Finland, TBH

Regional Director Central Europe, Christian Wedell

General Manager Sales & Marketing Germany, Jochen Haink

General Manager Business Operations Germany, TBH

General Manager Switzerland, Peter Blum

General Manager Austria, Egon Salmutter

Director Eastern Europe, Jurgen Stranghoener

Regional Director Southern Europe, Michel Lacombe

General Manager Sales & Marketing France, Jean-Philippe Courtois

General Manager Business Operations France, Jean-Francois Heitz

General Manager Italy, Umberto Paolucci

General Manager Benelux, Patrick de Smedt

General Manager Spain, Carlos Brazao

Manager Business Operations, Robbie Bach (Paris)

Director Systems Marketing, Hans Apel (Paris)

Director Channel Development, Jeff Sanderson (Paris)

----- Director Finance and Administration, TBH (Paris)

----- Legal Counsel, Peter Davies (Paris)

----- Director Consulting Europe, Gordon Ross (Reading, UK)

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MONTHLY REPORT      INTERNATIONAL  
PRODUCTS

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*Chris and Tomkins  
reports will be sent  
separately*

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INTERNATIONAL PRODUCT GROUP  
MARCH STATUS REPORT

TO: JOACHIM KEMPIN

FROM: GREG TIBBETTS 

DATE: April 23, 1991

CC: IPGSTAFF

**EXECUTIVE SUMMARY:**

- o Microsoft Word Processing products continue to receive awards in both Germany and France. In addition, we have received several nice comments from individuals in both subs on product quality.
- o Most of IPG's administrative bandwidth in late March and April has been taken up by the budgeting process, both with F&A and with the project forecast model. Even though we have automated this to a much greater degree this year, just the sheer number of products and language versions, and their corresponding data elements, takes a tremendous amount of time to organize, input and then modify in response to changing decisions and conditions. While we get a firm handle on the final project list and budgeting model, I have held up submitting our expense budgets to F&A. One way or another, though, we need to get them in by end-April.
- o We need to get a firm decision on whether Ireland IPG will remain on the Sandyford site or move to a new location. MikeOC has to commit soon to the builder, or we begin slipping the date the building will come on line.
- o The Andersen Consulting project continues to make progress. A trip to Ireland is planned for late April to finalize the method for capture of Ireland GL, AP and Payroll expense and determine what the system needs to properly incorporate this data.
- o Ireland's Driver Center seems to be running into some resistance from GmbH on taking over the character printer drivers. This action is coming earlier than planned due to the split of GUI work between IPG and PBU, so it is likely coming as a surprise to JurgenS. In any case, I agree with Mike that it's important to put as much of this stuff under one roof as possible, so he will be talking to Christian and Bernard to see what the problem is.
- o The subs are quite far behind on returning the quality ratings on products. Some 40 were overdue at end of March. Although we initially said we should not be in the business of trying to follow people around and remind them, I am having Julian email the sub marketing managers and copy the GMs on the list of overdue ratings. I'd rather not have to do that, but there seems no other way.

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**PERFORMANCE:**

**QUALITY** - Ratings of below 3.0 remain at 0% for March as they have since before the first of the year. YTD 3.0 and above continue at 90%, with 4.0 and above still hovering around 50%. Overdue forms from the subs have now reached 40 as of the end of March with only 3 forms received during the entire month. A list of the subs and late product evaluations is attached.

**SPEED** - The delta program results continue to worsen with the second month in a row of missing 100% (4) of forecast deltas on projects shipped in march.

**COST** - Progress continues on the Project Cost Accounting System and project people are due to travel to Ireland next week to firm up the interface with Ireland's accounting system.

**ACTIVITY REPORT:**

**LOCALIZATION** - Tricia's group reports better attainment against hiring plan, but difficulty remains in sourcing some jobs, notably SDEs, Group Localization Manger, French Localizers and Language Leads.

CERs have been submitted for unbudgeted capital equipment per the message in my February monthly report. A memo is attached to these requests showing all justification.

Tricia also reports an increased emphasis on both training and team building is in progress in her group with the investigation of new training courses and a planning and team building session to be held among her Engineering and Tech Support staff.

In the Production area, she reports that MS User Ed managers have now agreed to agree on a common corporate page design for printed doc. Two of her UE people will represent her group during these discussions.

Christoph reports the bulk contract for translation has been approved by Legal. Their first use of it will be to obtain a contract with Translingua for one million words. The first chunk out of the contract will be German Mac Word. Bulk contracts have been successful for Ireland as a way of freezing prices.

Manufacturing did great with Word 5.5 releases. German released on March 13th and shipped 5 days later. French released on April 1st and shipped on the 3rd. Software was the gating item here, and both products were late as Christoph's group tried to get the macro converters sorted out as reported last month. We will definitely have to rerelease German when a better macro converter is available and probably French as well.

Christoph reports all of his domestic BUs will convert to WinWord within 6 to 18 months which should help us greatly, especially if a standard corporate page layout can also be agreed as mentioned above.

PC Word 5.5 was the pilot for electronic color separation. Christoph reports it worked, but there was also downside. It just about doubles lino time to do a color separated file and is additional work for the people participating in it. A post-mortem evaluation is planned to weigh the pros and cons before deciding whether we should proceed.

The addition of the CSI gateways is unplanned work (CSI was supposed to do these exclusively, but now that this is an MS company, we're being asked to do them) which will affect our

IPG Status Report, April, 91 (Cont'd)

headcount. Christoph's group remains short-handed in Testing for both Mac and PC product, and that area is one that will be hard hit by this. Localization is also a problem. We will do the best we can, but there is little lead time. An open issue is whether or not a business case is needed for them. Will send mail to Jeremy to find out.

Christoph and Tricia met with Jochen Haink from GmbH this month. He supports obtaining localizers through the sub by having some sub new hires be long range, starting as temps for GmbH and working in IPG for 1 to 1.5 years, after which they take a permanent job with the sub. This has good potential. He also reported that he specifically asked before coming whether his marketing people in the sub felt there were communications problems between Redmond and Germany, and the response was that Redmond's communication level warrants no complaints. That is good news and indicative that our emphasis on customer orientation and communication is having an effect. Communication used to be a large issue with GmbH.

Franz's group has been working on a pilot project to output film positives directly from the lino and deliver that to PSG (mfg). The pilot seems to work well and this is being followed up as a possible way to cut an additional step from the process.

Work continues to try to get Compaq and other OEMs to use our localized doc as is without extensive modifications. Meetings were held to determine what could be done to make this palatable for them. This effort continues.

A focus on training with new work on producing an LPM training course and continued development of testing training. All groups have been trying to upgrade their training capabilities and delivery.

Automated testing is a big issue for Franz's group, especially in the area of Excel which uses extensive testing resources. This effort is being coordinated with R&D who has the charter for this activity long-term.

Cooperation with the OS/2 community appears very strong with good support from BobMu and others for doing a good job with future OS/2 localization. The commitment in most of the OS groups is growing and we continue to gain mindshare with them.

In Ireland, a focus is being made on translation companies and the possibility of expanding their role in the localization process; i.e., how much more can they do while they are already accessing the file to do the text translation. Mike is having translation agencies visit his site and familiarize themselves with MS standards and protocols. He hopes to have some conclusions drawn and some possible pilot work identified in the near future.

We are driving for additional standardization of terminology for the Euro languages with our OEMs and ISVs. Representatives from Ireland have attended language conferences towards this end, and Redmond reps may also attend selected sessions to continue this effort for our Euro languages.

Network problems, including email issues, which have been a difficulty for some time in Ireland were recently shared with JoeM during his visit to Ireland. He promised to investigate them and give them immediate attention, and this seems to have been confirmed after he left by the resident MIS staff. Hopefully this will improve markedly soon.

During BillG's visit in late March, Russian Windows was demonstrated for him by Tony Burke and Yuri Starikov. He engaged in what would have been a long discussion with them about Cyrillic and EE character sets had time permitted. He was also interested in the Win tool that



IPG Status Report, April, 91 (Cont'd)

Yuri developed to create keyboard drivers and suggested it be sent to the US developers which Mike's guys will do.

Mike reports in the Driver Center area that a new set of standards for Unitool drivers is now in place. Development is ongoing for 2 Canon printers, a Panasonic and Kyocera and Sharp models. Of the printers identified by our subs as needed, 23 require development from scratch, 24 can be reworked from PBU drivers and 22 from Windows drivers. 10 more have old style drivers developed by a third party in Germany. These would have to be done from scratch. Mike feels confident that his driver team can handle the required work. Keith Clarke, the driver center manager, continues to make contacts in the Printer companies. Keith also attended the HP Peripheral Developer's Conference. Brad Baker's visit to familiarize the DC's people with apps testing methods and tools was very valuable to the unit.

**OPERATIONS** - Ireland IPG is now occupying their new temporary space in the Sandyford Business Centre. This new leased space will handle their growth while the new facility, whether a building extension to the current MS site or a new site, is being constructed. The network and data link are two major items for MIS to resolve before the site can become fully operational.

Renovation continues at Koll and we have completed the final major move to organize the three product groups along team lines. Further juggles will be necessary as more of Koll comes on line, but hopefully these will be small as MANY mandays of production are lost each time we have to move people around.

We met with yourself and Carl Bates and Megan during the month to examine the long-term space plans for IPG. Essentially, the initial request was that we vacate the campus for Koll, which as you know from the meeting is not possible as we will not all fit in Koll until the Nov/Dec time frame when we would supposedly be allowed back. This was modified during the meeting to see if we could give up 50 offices in building 9. I am not convinced we can do that either, but we are looking into it. Until our product list and 92 plan are final, we don't have an accurate count, but that should wind up this week after Jeremy does his final pass on the list. Once we have that, we will meet again with Carl to discuss possible options. I would be nice to get a final plan we can live with. A 4 building campus, Koll plus the new property east of Koll, would be an optimal solution with buildings coming on line as IPG grows. I am not confident, however, that even if this plan is made and accepted, it will last more than a single year before other MS growth interrupts it.

The Project Forecasting System automation project continues in bug-fix mode. You have the first output report and a good final cut should be out late this week or early next. If Jeremy's final cut makes it to us this week, we may have a final budget cut done as well.

The AC Project Accounting System is progressing nicely. Julian has weekly status meetings with AC, and we are on target for completion by end FY. The project lead for Andersen and Julian from IPG are going to Ireland, hopefully the middle of next week, to finalize Ireland IPG's link into the system. They will meet with both Ireland IPG staff and Tony Kelly, MS Ireland's controller, to establish the interface between the two groups.

IPG's budget cycle is on hold pending completion of the project budget. It is likely that the submitted headcount and capital acquisition budgets will also have to be revised for changes in the plan and some changes in the way products are planned. F&A's drop dead date is end of April for complete submissions if we are to have a budget to show at Business Plan.

Julian continues to try and push for a resolution of the Temp issues we have with Administration. Our use of Temps does not fit their standard model, since we can seldom plan far in advance for all the exact specific parameters of the temp contract. We often need the temps when something

IPG Status Report, April, 91 (Cont'd)

is delivered to us and while we can predict this with a few days or a week, we cannot supply the exact dates and durations required by the request form and the procedure. She will work this out with SamW and SusanR.

**RESEARCH & DEVELOPMENT** - Work continues on the "No Compile in IPG" project as R&D's highest priority. Chris and Franz are focussing on BradSi in Systems, while Chris continues to work with RichardB in Apps Strategy. During the meeting with BillG today, it is clear that we need to do more in this area to drive the issue and be more vocal and visible. Chris and I are meeting tomorrow to nail down our future plans.

The international handbook version for ISVs should kick off soon. I have sent two mails to Bill requesting his input on reviewing the manual to ID proprietary information, but as yet he has not been able to get to it. If he is unable to spare the time, we may take our best shot and simply pass the result by him for review. Work continues on fleshing out the Testing section which was incomplete. Writers have been selected and work assignments should be give shortly.

Linguistics is collecting and reviewing all available information on Machine Translation available in IPG. Once the review is complete, they will begin trying to gather enough additional information from outside sources to answer the basic question of "When?".

Testing Automation project has been kicked off and is proceeding in cooperation with both the IPG product groups and some of the business units.

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**COMPLETED IPG OBJECTIVES AND TASKS:**

Resolve problems in project forecast model.  
Generate the first project cost forecast for FY92  
Submit headcount and Cap Aq budgets  
Drive creation of initial expense budgets  
Completed study of project cost increases and contributing factors

**NEXT MONTH'S OBJECTIVES:**

Perform a program review on the User Verification Scheme  
Generate final FY92 project forecast  
Generate final IPG FY92 budgets  
Kick off the creation of a full IPG 3 year plan  
Recruit aggressively to achieve FY91 numbers  
Resolve Ireland space situation  
Resolve Redmond space situation

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PROJECT WORK	Units	Rolling Three Months			YTD
		Jan-91	Feb-91	Mar-91	
Projects completed (from FY project list)	#	1	2	4	61
Projects budgeted (from FY project list)	#	25	19	37	190
Software releases	disks	58	74	321	1971
BOMs created	#	92	170	252	1236
Active projects in process					
- Office/Network Products	#	71	44	45	
- Op Sys/Planning/SPAG Products	#	30	29	28	
- Entry/Graphics/Data/Lang Products	#	na	33	37	
- R&D	#	7	11	20	
- Ireland IPG	#	46	55	73	
<b>HUMAN RESOURCES</b>					
Headcount Redmond actual at end of period	#	371	386	392	
Headcount Redmond budget	#	490	497	503	
Headcount Redmond total approved	#	490	497	503	
Headcount Redmond (actual/approved)	%	75.7%	77.7%	77.9%	
Headcount Ireland actual at end of period	#	141	150	156	
Headcount Ireland budget	#	164	177	183	
Headcount Ireland total approved	#	164	177	183	
Headcount Ireland (actual/approved)	#	86.0%	84.7%	85.2%	
Headcount Total Approved	#	654	674	686	
Headcount Total (actual/approved)	%	78.29%	79.53%	79.88%	
Temporaries onsite	#	25	19	24	
Temporaries offsite	#	27	18	34	
Total temp time	m-days	419	276	615	
Terminations in period - Redmond	#	4	5	6	49
Transfers within IPG - Redmond	#	1	2	1	16
Transfers to other MS departments - Redmond	#	4	0	2	6
Training hours	hours	720	1854	2340	4922.5
<b>BUDGET</b>					
Expenses actual Redmond	\$(000)	1,957	2,113	2,268	16,984
Expense budget Redmond	\$(000)	2,435	2,524	2,550	21,124
Variance Redmond	%	19.6%	16.3%	11.1%	19.6%
Expenses actual Ireland	\$(000)	983	834	739	5,423
Expenses budget Ireland	\$(000)	797	831	892	6,158
Variance Ireland	%	(23.4%)	(0.4%)	17.1%	11.9%
Variance total IPG	%	9.0%	12.1%	12.6%	17.9%
<b>PERFORMANCE FACTORS</b>					
Quality Forms due back from subs					Current Mon to date
- Newly due this month	#	9	11	4	29
- Overdue	#	29	30	40	33
Total due from subs	#	38	41	44	62
Total received from subs	#	6	5	3	7
Percentage rated 4.0 or better	%	50.0%	25.0%	25.0%	50.7%
Percentage rated 3.x	%	50.0%	75.0%	75.0%	39.4%
Percentage rated below 3.0	%	0.0%	0.0%	0.0%	9.9%
Forms sent to subs this month	#	5	1	27	123
Deltas set	#	14	16	20	123
Deltas completed	#	0	1	4	33
- Percentage of Deltas met or exceeded	%	0.0%	0.0%	0.0%	48.48%
- Percentage of Deltas missed	%	0.0%	100.0%	100.0%	51.52%

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From gregti Thu Mar 21 08:56:39 1991  
To: julans  
Subject: FW: Evaluation form  
Date: Thu Mar 21 08:59:46 PDT 1991

Re: Thu Mar 21 08:57:33 PST 1991

>From joserap Wed Mar 20 04:51:48 1991  
To: gregti  
Cc: carlosb joserap triciag  
Subject: Evaluation form  
Date: Wed Mar 20 13:32:18 1991

Localized Product Evaluation

Date: 03/19/91  
Sub Marketing Manager: Jose Ramon Porto  
Env: Win  
Product: Entertainment Pack  
Ver #: 1.0  
Lang: A - Eng

THIS FORM SHOULD BE SENT TO GREG TIBBETTS, DIRECTOR, IPG.

Please document your evaluation of the above-listed product in the following areas, using the 1-to-5 rating scale detailed on the bottom of this form. (Please list your ratings in the boxes provided, to the nearest 10th of a point; for example, 3.7.) We will also need any specific comments, positive or negative, that you are able to provide.

Evaluation of Localized Software: 4

Evaluation of Localized Documentation: 4

Overall Evaluation of Localized Product: 4

You must fill in the date of the first shipment of product from your warehouse and the number of units shipped the first FULL month of sales.

Date of First Shipment: January 7 th.  
Number of Units Shipped/Month: 122 units.

PS: Due to the changes we have had in the subsidiary I don't know which evaluation forms were sent and which not. Is it possible to send me the ones that is necessary to answer? Thanks for your help.

Regards Jose Ramon

MS-PCA 2549545

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Thu Mar 21 08:59:46 1991



### Localized Product Evaluation Form

Date: 8/23/90 \_\_\_\_\_ Sub Marketing Manager: Maurizio Resoldi  
Env: DOS \_\_\_\_\_ Product: QuickC \_\_\_\_\_ Ver #: 2.5 \_\_\_\_\_ Lang: English \_\_\_\_\_

Please document your evaluation of the above listed product in the following areas, using the 1-to-5 rating scale described on the back of this form. (Please list your ratings in the boxes provided, to the nearest 10th of a point; for example 3.7.) We also need any specific comments, positive or negative, that you are able to provide.

1. Evaluation of Localized Software 3.0

Comments: No serious bugs, examples adequate. \_\_\_\_\_  
\_\_\_\_\_

2. Evaluation of Localized Documentation 3.0

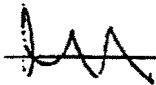
Comments: Features description adequate. Information generally accessible, writing style acceptable. \_\_\_\_\_  
\_\_\_\_\_

3. Overall Evaluation of Localized Product 3.0

Comments: Overall acceptance of the product is good, good market value. \_\_\_\_\_  
\_\_\_\_\_

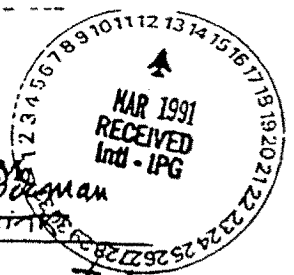
To complete this questionnaire, you must fill in the date of the first shipment of product from your warehouse, and the number of units shipped in the first FULL month of sales, in the spaces provided below.

Date of first shipment: 15/5/90 \_\_\_\_\_ Number of Units Shipped/Month: 82 \_\_\_\_\_

Signature:  \_\_\_\_\_

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LOCALIZED PRODUCT EVALUATION FORM

Date: 3-08-91 Sub Marketing Manager: Barb G. Dodman

Env: Win Product: Win ProductivityPack Ver #: 1.0-A Lang: EA

Please document your evaluation of the above-listed product in the following areas, using the 1-to-5 rating scale detailed on the back of this form. (Please list your ratings in the boxes provided, to the nearest 10th of a point; for example, 3.7.) We also need any specific comments, positive or negative, that you are able to provide.

1. Evaluation of Localized Software:

3.9

Comments: The cdt is well made. The control menu could be more intuitive and easier. There are still keystrokes necessary to continue in lessons even when using a mouse. This could be easier.

2. Evaluation of Localized Documentation:

4.2

Comments: This small paper is a nice way to introduce a novice how to install the package. Nice made.

3. Overall Evaluation of Localized Product:

4.0

Comments: More intuitive way to slip through lessons and see how all parts together. But all small a great promising package suitable for all Windows Users.

To complete this questionnaire, you must fill in the date of the first shipment of product from your warehouse, and the number of units shipped in the first FULL month of sales, in the spaces provided below.

Date of First Shipment: MAR 1991 Number of Units Shipped: 100000

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PAGE 1  
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Department Summary - IPG  
Period Ended 03/31/91

Expenses by Department		Month		Under/
		Actual	Budget	(Over)
5001	Incl R&D Division Management	91,415	32,104	(59,311)
5002	Incl R&D Research & Develop	97,942	91,114	(6,828)
5005	Incl R&D Ofc/Network Prods	779,970	829,887	49,917
5006	Incl R&D Op Sys/Planng/SPAG	698,611	771,115	72,504
5007	Incl R&D Ent/Grn/Data/Lang	599,842	825,486	225,644
5008	Incl R&D Subsidiaries	739,320	891,766	152,446
	Total IPG Expenses	3,007,100	3,441,272	434,172

Expenses by Department		Year to Date		Under/
		Actual	Budget	(Over)
5001	Incl R&D Division Management	323,619	396,025	72,406
5002	Incl R&D Research & Develop	2,310,821	5,181,160	2,870,347
5005	Incl R&D Ofc/Network Prods	5,052,285	4,502,379	(550,006)
5006	Incl R&D Op Sys/Planng/SPAG	3,182,283	3,485,170	302,887
5007	Incl R&D Ent/Grn/Data/Lang	6,115,339	7,559,640	1,444,301
5008	Incl R&D Subsidiaries	5,423,251	6,157,721	734,470
	Total IPG Expenses	22,407,598	27,282,003	4,874,405

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**MONTHLY REPORT      INTERNATIONAL  
RETAIL FINANCIAL**

**MS-PCA 2549549**

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## INTERNATIONAL FINISHED GOODS FINANCIAL RESULTS

March 1991

Prepared by Jerry Masters - April 18, 1991

**Microsoft**

### EXECUTIVE OVERVIEW

International Finished Goods (IFG) recorded strong results again in March. Revenues of \$83.8 million were 34% over budget, and were \$1.4 million more than February. Sales growth of \$2.1 million in Japan, \$1.4 million in England, \$1.3 million in France and \$1.3 million in Canada offset a \$5.9 million sales decline in Germany. Revenues were over budget by \$21.2 million from a favorable operations variance of \$15.9 million and a favorable foreign exchange variance of \$5.3 million. Costs of revenue rose to 22.6% of revenues, which reflects an accrual for inventory obsolescence. Spending for operating expenses was over budget by \$2.0 million, because of the negative foreign exchange variance. Allocated expenses were higher than planned, reflecting greater legal costs and R&D activities. Burdened operating income was down to 36.2%.

### CONDENSED RESULTS

The following is a comparison of actual versus budget condensed results of operations for the current month and year-to-date (in millions):

	Month		YTD	
	Actual	Budget	Actual	Budget
Net revenues	\$83.8	\$62.6	\$669.3	\$465.6
Cost of revenues	22.6	14.8	151.8	115.0
Operating expenses	18.1	16.1	138.7	129.6
Allocated expenses	12.7	11.2	92.0	96.2
Burdened operating income	\$30.4	\$20.5	\$286.8	\$124.8
Net revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	26.9	23.6	22.7	24.7
Operating expenses	21.6	25.8	20.7	27.8
Allocated expenses	15.2	17.9	13.8	20.7
Burdened operating income	36.2%	32.7%	42.8%	26.8%

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## NET REVENUES

The following is a comparison of actual versus budget revenues for the current month and year-to-date (in millions):

	Month		YTD	
	Actual	Budget	Actual	Budget
Applications	\$55.4	\$42.6	\$422.5	\$320.1
SPAG	9.8	7.3	81.6	53.2
Languages	3.2	3.1	28.6	23.8
Systems	16.0	10.1	141.2	72.2
Other	0.5	0.0	4.3	0.3
Gross revenues	84.9	63.1	678.2	469.6
Adjustments	-1.1	-0.5	-8.9	-4.0
Net revenues	<u>\$83.8</u>	<u>\$62.6</u>	<u>\$669.3</u>	<u>\$465.6</u>

IFG net revenue for *March* of \$83.8 million was 34% more than a planned \$62.6 million. The favorable variance of \$21.2 million was the combined result of a \$15.9 million favorable operations variance and a \$5.2 million favorable exchange rate variance (actual and planned exchange rates and the related percentages of variance for the current month and FY91 YTD are shown in Exhibit 1). On a *year-to-date* basis, IFG net revenue of \$669.3 million is 43.7% more than a planned \$465.6 million. This \$203.7 million YTD favorable variance is the combined result of an \$141.0 million favorable operations variance and a \$62.7 million favorable exchange rate variance. Excluding the exchange rate variance, GmbH, SARL, the Nordic Region and LTD have led the charge with YTD revenue growth over plan of \$50.3 million (51%), \$45.5 million (43%), \$11.9 million (31%), and \$9.1 million (21%), respectively. Actual and planned IFG net revenues by consolidating unit for the month and FY91 YTD are shown in Exhibit 2.

Run rates and the March budget for IFG's big sellers were as follows (dollars in thousands):

	January Actual	February Actual	March Actual	March Budget
<b>Dollars</b>				
Windows Systems	\$11,231	\$ 8,867	\$ 8,698	\$4,862
WIN Excel	11,594	11,325	14,360	8,576
WIN Word	11,849	11,062	11,369	6,097
DOS Systems	3,988	4,724	4,328	3,499
PC Word	11,017	8,942	8,785	9,861
PC Works	4,686	4,848	4,432	4,345
Mice	9,321	8,240	8,935	6,464
<b>Units</b>				
Windows Systems	107,155	73,543	85,246	45,253
WIN Excel	33,000	37,031	48,771	28,565
WIN Word	37,108	33,026	37,437	19,199
DOS Systems	62,411	74,727	71,800	54,067
PC Word	32,254	28,527	34,140	37,674
PC Works	31,046	31,917	33,205	38,803
Mice	80,948	71,938	79,289	72,012

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## COST OF GOODS SOLD

Cost of goods sold (COGS) as a percentage of net revenues was over budget by 3.3%. The addition of \$5.5 million to the inventory obsolescence reserve increased the COGS from 20.4 percent of net revenues to 22.6%. The actual COGS of 26.9% consisted of 16.0% net product costs and 10.9% non-product costs, whereas the budget COGS of 23.6% consisted of 17.6% net product costs and 6.0% non-product costs. On a year-to-date basis, actual COGS of 22.7% are 2.0% below a planned 24.7%.

Net product costs for IFG were under plan (16.0% vs. 17.6%) due to favorable product cost variances in Applications (10.1% vs. 12.9%) and SPAG (31.6% vs. 37.2%). Actual and planned product cost percentages by product group are shown in Exhibit 3.

The unfavorable variance in non-product costs (10.9% vs. 6.0%) is because of the \$5.5 million accrual for inventory obsolescence. A classification error of \$7.0 million distorts the Royalties and Manufacturing & Distribution Cost Allocation line items. This misclassification is a correction from the prior month.

## OPERATING EXPENSES

March 1991 - Actual operating expenses were over plan by \$2.0 million, \$18.1 million compared to a plan of \$16.1 million. This \$2.0 million overrun is a combination of an unfavorable exchange rate variance of \$1.1 million and an unfavorable operations variance of \$.9 million. Actual and planned IFG operating expenses by consolidating unit for the month are shown in Exhibit 4, Page 1. Operating expenses by line are shown in the following table (in thousands):

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Marketing/incentive programs	\$ 5,471	\$ 5,546	\$ 75
Payroll	4,860	4,778	-81
Employee recruiting	651	241	-410
Rent and utilities	877	689	-188
Bad debt expense	1,467	334	-1,133
All other	<u>4,790</u>	<u>4,562</u>	<u>229</u>
	<u>\$18,116</u>	<u>\$16,150</u>	<u>\$-1,966</u>

Marketing costs continues to come in under plan, taking into account the unfavorable FX rate variance. Headcounts are still below plan, thus payroll is below budget in local currencies. Employee recruiting is over budget because of an operational variance at GmbH of \$1.1 million, which was incurred to fill open spots in fiscal 1991 and in connection with 1992 hiring. Rent and utilities reflects unfavorable operational variances at SARL (\$127 thousand) and KK (\$96 thousand). France has been recording pre-rental costs in this line item whereas they were budgeted as non-operating expenses. Japan recently moved into the new Shiba facility. The allowance for bad debts was increased \$1 million for potential exposures, primarily in Brazil.

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FY91 YTD - On a year-to-date basis, IFG operating expenses of \$138.7 million are 7.0% over a planned \$129.6 million. This \$9.1 million YTD unfavorable variance is the net result of a \$3.1 million favorable operations variance and a \$12.2 million unfavorable exchange rate variance. Actual and planned IFG operating expenses by consolidating unit for FY91 YTD are shown in Exhibit 4, Page 2. Operating expenses by line item are shown in the following table (in thousands):

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Marketing/incentive programs	\$ 42,805	\$ 43,194	\$ 389
Marketing accrual	2,500		-2,500
Payroll	36,731	38,193	1,462
Rent and utilities	7,017	5,288	-1,729
Bad debt expense	5,630	2,463	-3,167
All other	<u>43,983</u>	<u>40,430</u>	<u>-3,553</u>
	<u>\$138,666</u>	<u>\$129,568</u>	<u>\$-9,098</u>

The variance in marketing is general under-spending in local currencies. We have established a marketing accrual of \$2.5 million to compensate, and this accrual will be reversed as local spending catches up to the plan during the next three months.

Payroll expense is the largest item under budget, with new headcounts lagging planned increases.

Rent expense is over budget because of the move to the Shiba facility in Japan and the coding of pre-rental costs as rent (rather than as non-operating income) in France.

Bad debt expense is above budget because of the translation effect, a \$1 million accrual for potential losses in various territories and the increased revenue base.

#### ALLOCATED EXPENSES

March 1991 - Actual allocated expenses were \$12.7 million compared to a plan of \$11.2 million. Allocations were higher in most areas, especially legal (\$752 thousand more than the planned \$116 thousand).

FY91 YTD - On a year-to-date basis, actual allocated expenses were \$92.0 million compared to a plan of \$96.2 million. Favorable variances from Localization (\$4.0 million - \$26.2 million vs. \$30.2 million), Applications Development (\$1.3 million - \$35.8 million vs. \$37.1 million) and smaller favorable variances in most other R&D groups, partially offset by an unfavorable variance from Legal (\$1.9 million - \$2.9 million vs. \$1.0 million), accounted for the variance.

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## BURDENED OPERATING INCOME

March 1991 - Strong revenues (\$21.2 million over plan) and favorable product cost percentage (16.0% vs. 17.6%), offset by accrual additions of \$5.5 million for inventory obsolescence and \$1.0 million for bad debts, generated an operating income of \$30.4 million, \$9.9 million over a planned \$20.5 million. Operating income as a percentage of net revenue was 36.2%, compared with a plan of 32.7%.

FY91 YTD - On a year-to-date basis, all elements of IFG's profit model continue to experience favorable variances, except direct operating expenses (which exceed plan by \$9.1 million due to the weakening US Dollar and reserve accruals). Specifically, net revenues exceed plan by \$203.7 million, cost of revenues as a percentage of net revenues are 22.7% compared with plan of 24.7%, and allocated expenses are under plan by \$4.1 million. As a result, year-to-date burdened operating income of \$286.8 million is 2.3 times plan of \$124.8 million and as a percentage of net revenue is 42.8% compared with the plan of 26.8%.

## OTHER DATA

Inventories - Transfer priced inventories of \$76.1 million were \$17.6 million lower than the February balance. Days' sales in inventory (calculated based on past three month product costs) decreased to 78 days from 89 days at the end of the prior month. Generally, recorded assets in Europe were devalued because of the foreign currency translations (end of month rate). In addition, LTD and SARL trimmed their level substantially. Exhibit 5 shows the change in inventories and comparison of Days' COGS in inventory by subsidiary.

Receivables - Trade receivables stayed about the same, but the strengthening of the US Dollar caused a drop of \$10.6 million to \$160.9 million. Days' sales in accounts receivable (calculated based on past three month sales) decreased 2 days to 57 days at month-end. The reason for the slight drop is the effect of translation rates on the calculation. Brazil's DSO jumped to 867 days because of the deterioration of its economy. Exhibit 6 shows the change in receivables and comparison of days' sales outstanding (DSO) by subsidiary.

Backorder Information - March orders increased to \$89.2 million. Orders, backorders (both in millions) and the order-to-backorder ratio are shown in the following table:

	<u>Orders</u>	<u>Backorders</u>	<u>Order-to-Backorder</u>
March	\$89.2	\$33.4	2.67
February	78.9	32.6	2.42
January	89.2	40.3	2.21
December	79.0	51.3	1.54
November	107.0	53.2	2.01
October	92.1	48.8	1.89
September	66.8	26.1	2.56
August	48.3	19.2	2.52
July	53.8	21.7	2.48
June	48.2	17.9	2.69

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*Financial Statements*

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Sales Channel Analysis  
Month Ended 03/31/91  
(In Thousands)

International Finished Goods

	Month			Year To Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Revenues						
Applications	55,393	42,571	12,822	422,502	320,070	68.7
Books	24	0	0.0	222	0	0.0
SPAG	9,773	7,205	2,488	61,605	53,225	11.4
Languages	3,219	3,138	5.0	28,579	23,764	5.1
Multimedia	2	0	0.0	131	0	0.0
Networks	(36)	0	(36)	1,457	50	0.0
Non-specific	31	0	31	937	0	0.0
Support Services	544	38	0.1	1,685	303	0.0
Systems	15,999	10,071	5,928	141,172	72,160	15.5
UPB	0	0	0.0	(133)	0	0.0
Gross Revenues	84,949	63,117	21,832	678,157	469,571	100.9
Revenue Adjustments						
Gross Revenue Adjustments	15	0	0.0	(35)	0	0.0
Returns Reserve	47	0	0.0	(1,322)	0	0.0
Royalties	(1,230)	(492)	(0.8)	(7,526)	(3,987)	(0.9)
Net Revenues	83,781	62,625	21,156	669,271	465,584	100.0
Cost of Revenues						
Applications	5,582	5,479	0.0	49,108	41,280	8.9
Books	12	0	0.0	103	0	0.0
SPAG	3,088	2,711	0.3	26,511	19,978	4.3
Languages	739	648	0.9	5,411	4,758	1.0
Multimedia	0	2	0.0	4	0	0.0
Networks	137	0	0.0	360	0	0.0
Non-specific	(2)	0	(2)	160	0	0.0
Support Services	42	36	0.1	502	295	0.1
Systems	3,795	2,152	1.6	29,770	15,135	3.3
Product Cost of Revenues	13,394	11,029	2,365	111,939	81,454	17.5
Inventory Carrying Costs	119	0	0.0	577	0	0.0
Manufacturing Variance	(114)	243	0.4	100	6,450	1.4
Inventory Adjustments	6,126	361	0.6	10,237	2,744	0.6
Freight, Shipping & Other	1,832	2,112	3.4	17,015	15,900	3.4
Royalties	7,220	353	0.6	2,533	2,251	0.3
Allocate Mfg & Dist	(6,021)	696	1.1	9,398	6,246	1.3
Total Cost of Revenues	22,557	14,794	7,763	151,810	115,046	24.7
Gross Profit	61,224	47,831	13,393	517,460	350,539	75.3

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Sales Channel Analysis  
Month Ended 03/31/91  
(In Thousands)

International Finished Goods

	Month			Year To Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Operating Expenses	4,860	4,778	7.6	36,731	38,193	8.2
Payroll & Payroll Tax	987	838	1.3	6,669	6,940	1.5
Employee Fringes	651	241	0.4	5,107	2,845	0.6
Travel & Entertainment	308	895	1.4	5,889	7,151	1.5
Professional Fees	552	244	0.4	2,128	1,937	0.4
Administrative Services	188	321	0.5	4,481	2,908	0.6
Maintenance & Repairs	27	132	0.2	1,145	1,175	0.3
Commissions	698	0	0.0	311	0	0.0
Supplies & Equipment	183	516	0.9	5,076	4,656	1.0
Postage & Freight	437	143	0.2	1,277	1,277	0.3
Mktg Fund Incent Programs	5,034	430	0.7	1,345	3,656	0.8
Marketing Accrual	0	5,116	8.2	41,260	39,538	6.5
Telecommunications	206	0	0.0	2,800	0	0.0
Rent & Utilities	877	378	0.6	2,941	3,279	0.7
Depreciation & Amort	851	689	1.1	7,017	5,288	1.0
Bad Debt Expense	1,467	797	1.3	6,100	6,020	1.3
Stamps, Lic, Ins & Tax	283	334	0.5	5,630	2,463	0.5
Misc Operating Expenses	13	260	0.4	2,694	2,093	0.4
General Distribution	10	7	0.0	107	50	0.0
Bldg, Grounds Distribution	3	4	0.0	53	63	0.0
				30	36	0.0
Total Operating Expenses	18,116	16,150	25.8	138,666	129,568	27.8
Contribution Before Allocations	43,108	31,681	50.6	378,795	220,971	47.5
						157,824

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Sales Channel Analysis  
Month Ended 03/31/91  
(In Thousands)

International Finished Goods

	Month		Year To Date		
	Actual	Budget	Actual	Budget	Variance
Allocated Expenses					
Research and development					
Applications	4,689	4,387	35,766	37,108	8.0
SPAG	310	181	2,077	1,910	0.4
Multimedia	291	332	2,373	2,849	0.6
Systems	1,199	1,018	8,316	6,774	1.9
Languages	635	568	4,943	5,166	1.1
Intl R&D	3,556	3,602	26,229	30,272	6.5
Sales and marketing					
International Management	826	754	6,591	6,665	1.4
General and administrative					
Finance and Administration	369	272	2,595	2,432	0.5
Legal	868	116	2,954	1,009	0.2
Total Allocated Expenses	12,743	11,230	92,042	96,185	20.7
Burdened Operating Income	30,365	20,451	286,753	124,785	26.8
					161,967

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INTERNATIONAL FINISHED GOODS  
MONTHLY OPERATING RESULTS

(in thousands)

FISCAL YEAR 1991

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	YTD
Net revenues	49,246	54,182	61,562	71,740	91,136	88,833	86,402	82,366	83,781				669,270
Cost of revenues	12,041	13,389	13,765	15,848	20,545	19,278	16,896	17,491	22,557				151,810
Operating expense	10,596	11,676	15,756	16,111	15,694	18,472	15,388	16,858	18,116				138,665
Allocated expense	8,131	9,203	10,076	9,727	10,299	10,133	11,276	10,453	12,743				92,042
Burdened op. inc.	18,478	19,915	21,965	30,054	44,598	40,950	42,843	37,585	30,365				286,752
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%				100.0%
Cost of revenues	24.5%	24.7%	22.4%	22.1%	22.5%	21.7%	19.6%	21.2%	26.9%				22.7%
Operating expense	21.5%	21.5%	25.6%	22.5%	17.2%	20.8%	17.8%	20.5%	21.6%				20.7%
Allocated expense	16.5%	17.0%	16.4%	13.6%	11.3%	11.4%	13.1%	12.7%	15.2%				13.8%
Burdened op. inc.	37.5%	36.8%	35.7%	41.9%	48.9%	46.1%	49.6%	45.6%	36.2%				42.8%

FISCAL YEAR 1990

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	YTD
Net revenues	22,830	27,346	30,037	34,536	43,624	44,884	42,453	46,350	53,668	45,505	49,395	51,896	492,523
Cost of revenues	6,456	7,580	8,447	9,671	12,016	13,513	11,572	12,307	14,750	12,468	13,447	12,942	135,170
Operating expense	6,119	7,279	10,152	9,109	8,734	11,455	8,954	10,325	11,848	12,477	13,469	10,995	120,916
Allocated expense	5,598	6,448	5,832	6,398	6,074	6,624	6,646	6,441	7,281	7,212	7,990	9,520	82,065
Burdened op. inc.	4,657	6,039	5,606	9,358	16,800	13,292	15,281	17,277	19,789	13,348	14,489	18,439	154,372
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	28.3%	27.7%	28.1%	28.0%	27.5%	30.1%	27.3%	26.5%	27.5%	27.4%	27.2%	24.9%	27.4%
Operating expense	26.8%	26.6%	33.8%	26.4%	20.0%	25.5%	21.1%	22.3%	22.0%	27.4%	27.3%	21.2%	24.6%
Allocated expense	24.5%	23.6%	19.4%	18.5%	13.9%	14.8%	15.7%	13.9%	13.6%	15.8%	16.2%	18.4%	16.7%
Burdened op. inc.	20.4%	22.1%	18.7%	27.1%	38.5%	29.6%	36.0%	37.3%	36.9%	29.4%	29.3%	35.5%	31.3%

FISCAL YEAR 1989

	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	YTD
Net revenues	17,963	17,914	21,671	22,964	28,803	30,602	25,946	25,137	28,520	26,641	26,344	26,175	298,680
Cost of revenues	5,711	6,118	7,422	7,605	10,629	10,283	8,833	8,272	10,078	8,881	9,271	9,125	102,228
Operating expense	4,091	4,106	5,376	5,209	5,529	6,953	5,955	5,715	6,691	7,433	7,302	7,481	71,841
Allocated expense	3,525	3,797	3,956	3,912	4,261	4,438	4,354	4,323	5,316	4,702	5,295	6,148	54,027
Burdened op. inc.	4,636	3,893	4,917	6,238	8,384	8,928	6,804	6,827	6,435	5,625	4,478	3,421	70,584
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	31.8%	34.2%	34.2%	33.1%	36.9%	33.6%	34.0%	32.9%	35.3%	33.3%	35.2%	34.9%	34.2%
Operating expense	22.8%	22.9%	24.8%	22.7%	19.2%	22.7%	23.0%	22.7%	23.5%	27.9%	27.7%	28.6%	24.1%
Allocated expense	19.6%	21.2%	18.3%	17.0%	14.8%	14.5%	16.8%	17.2%	18.6%	17.6%	20.1%	23.5%	18.1%
Burdened op. inc.	25.8%	21.7%	22.7%	27.2%	29.1%	29.2%	26.2%	27.2%	22.6%	21.1%	17.0%	13.1%	23.6%

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*Exhibits*

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INTERNATIONAL FINISHED GOODS  
FOREIGN CURRENCY EXCHANGE RATES

March

U.S. Dollars per unit of Foreign Currency			
Currency	Actual	Plan	Variance %
British Pound	1.83812	1.66667	10.3
Swedish Krona	0.17067	0.16287	4.8
Deutsch Mark	0.62677	0.58480	7.2
Swiss Franc	0.72510	0.65789	10.2
French Franc	0.18421	0.17361	6.1
Dutch Guilder	0.55609	0.52632	5.7
Italian Lira	0.00084	0.00079	6.3
Spanish Peseta	0.01009	0.00911	10.8
Canadian Dollar	0.86473	0.85470	1.2
Korean Won	0.00138	0.00143	(3.5)
Taiwan Dollar	0.03666	0.03865	(5.1)
Australian Dollar	0.77560	0.73500	5.5
Japanese Yen	0.00731	0.00640	14.2
Irish Pound	1.67400	1.56250	7.1

YTD

U.S. Dollars per unit of Foreign Currency			
Currency	Actual	Plan	Variance %
British Pound	1.90500	1.66667	14.3
Swedish Krona	0.17528	0.16287	7.6
Deutsch Mark	0.64934	0.58480	11.0
Swiss Franc	0.76665	0.65789	16.5
French Franc	0.19239	0.17361	10.8
Dutch Guilder	0.57606	0.52632	9.5
Italian Lira	0.00087	0.00079	10.1
Spanish Peseta	0.01038	0.00911	13.9
Canadian Dollar	0.86370	0.85470	1.1
Korean Won	0.00140	0.00143	(1.9)
Taiwan Dollar	0.03698	0.03865	(4.3)
Australian Dollar	0.78921	0.73500	7.4
Japanese Yen	0.00734	0.00640	14.6
Irish Pound	1.73570	1.56250	11.1

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INTERNATIONAL FINISHED GOODS  
NET REVENUE BY CONSOLIDATING UNIT

March 1991

(In thousands of US Dollars)

	Actual		Plan		Total Variance		Operations	FX Rate
	US \$	%	US \$	%	US \$	%	Variance	Variance
							US \$	US \$
<b>EUROPE</b>								
LTD (England)	9,291	11.1	6,919	11.0	2,372	34.3	1,505	867
AB (Nordic Region)	6,217	7.4	5,458	8.7	759	13.9	474	285
GmbH (Germany)	17,480	20.9	11,516	18.4	5,964	51.8	4,794	1,170
AG (Switzerland)	2,039	2.4	1,836	2.9	203	11.1	14	189
SARL (France)	19,118	22.8	13,595	21.7	5,523	40.6	4,423	1,100
BV & NV (Benelux)	3,434	4.1	2,417	3.9	1,017	42.1	833	184
SpA (Italy)	3,237	3.9	2,708	4.3	529	19.5	336	193
SRL (Spain)	1,395	1.7	1,034	1.7	361	34.9	225	136
	<u>62,211</u>	<u>74.3</u>	<u>45,483</u>	<u>72.6</u>	<u>16,728</u>	<u>36.8</u>	<u>12,604</u>	<u>4,124</u>
<b>ICON</b>								
INC (Canada)	6,083	7.3	5,536	8.8	547	9.9	476	71
Mexico	757	0.9	609	1.0	148	24.3	148	0
Brazil	58	0.1	1,357	2.2	(1,299)	(95.7)	(1,299)	0
Venezuela	104	0.1	97	0.2	7	7.2	7	0
AIME	1,224	1.5	528	0.8	696	131.8	696	0
	<u>8,226</u>	<u>9.9</u>	<u>8,127</u>	<u>13.0</u>	<u>99</u>	<u>1.2</u>	<u>28</u>	<u>71</u>
<b>FAR EAST</b>								
CH (Korea)	290	0.3	347	0.6	(57)	(16.4)	(46)	(11)
TC (Taiwan)	252	0.3	302	0.5	(50)	(16.6)	(36)	(14)
Redmond Taiwan	122	0.1	70	0.1	52	74.3	52	0
Asia Pacific	176	0.2	45	0.1	131	291.1	131	0
Singapore	438	0.5	226	0.4	212	93.8	212	0
PTY (Australia)	4,570	5.5	3,358	5.4	1,212	36.1	973	239
	<u>5,848</u>	<u>6.9</u>	<u>4,348</u>	<u>7.1</u>	<u>1,500</u>	<u>34.5</u>	<u>1,286</u>	<u>214</u>
KK (Japan)	6,714	8.0	4,515	7.1	2,199	48.7	1,363	836
Other Redmond	782	0.9	152	0.2	630	414.5	630	0
Total Non-Europe	<u>21,570</u>	<u>25.7</u>	<u>17,142</u>	<u>27.4</u>	<u>4,428</u>	<u>25.8</u>	<u>3,307</u>	<u>1,121</u>
Total	<u>83,781</u>	<u>100.0</u>	<u>62,625</u>	<u>100.0</u>	<u>21,156</u>	<u>33.8</u>	<u>15,911</u>	<u>5,245</u>

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INTERNATIONAL FINISHED GOODS  
NET REVENUE BY CONSOLIDATING UNIT  
YTD THROUGH MARCH

(In thousands of US Dollars)

	Actual		Plan		Total Variance		Operations	FX Rate
							Variance	Variance
	US \$	%	US \$	%	US \$	%	US \$	US \$
<b>EUROPE</b>								
LTD (England)	60,100	9.0	43,529	9.3	16,571	38.1	9,067	7,504
AB (Nordic Region)	53,916	8.1	37,986	8.2	15,930	41.9	11,897	4,033
GmbH (Germany)	166,274	24.8	98,444	21.1	67,830	68.9	50,285	17,545
AG (Switzerland)	17,681	2.6	15,370	3.3	2,311	15.0	(241)	2,552
SARL (France)	168,289	25.1	105,733	22.7	62,556	59.2	45,472	17,084
BV & NV (Benelux)	26,120	3.9	17,481	3.8	8,639	49.4	6,336	2,303
SpA (Italy)	24,932	3.7	19,641	4.2	5,291	26.9	2,933	2,358
SRL (Spain)	9,641	1.4	7,043	1.5	2,598	36.9	1,365	1,233
	<u>526,953</u>	<u>78.6</u>	<u>345,227</u>	<u>74.1</u>	<u>181,726</u>	<u>52.6</u>	<u>127,114</u>	<u>54,612</u>
<b>ICON</b>								
INC (Canada)	37,889	5.7	33,425	7.2	4,464	13.4	4,067	397
Mexico	4,673	0.7	4,823	1.0	(150)	(3.1)	(150)	0
Brazil	5,250	0.8	7,484	1.6	(2,234)	(29.9)	(2,234)	0
Venezuela	1,167	0.2	860	0.2	307	35.7	307	0
AIME	6,916	1.0	4,300	0.9	2,616	60.8	2,616	0
	<u>55,895</u>	<u>8.4</u>	<u>50,892</u>	<u>10.9</u>	<u>5,003</u>	<u>9.8</u>	<u>4,606</u>	<u>397</u>
<b>FAR EAST</b>								
CH (Korea)	1,898	0.3	2,212	0.5	(314)	(14.2)	(275)	(39)
TC (Taiwan)	1,322	0.2	2,719	0.6	(1,397)	(51.4)	(1,332)	(65)
Redmond Taiwan	1,713	0.3	627	0.1	1,086	173.2	1,086	0
Asia Pacific	1,794	0.3	1,247	0.3	547	43.9	547	0
Singapore	3,408	0.5	1,902	0.4	1,506	79.2	1,506	0
PTY (Australia)	35,020	5.2	28,163	6.0	6,857	24.3	4,373	2,484
	<u>45,155</u>	<u>6.8</u>	<u>36,870</u>	<u>7.9</u>	<u>8,285</u>	<u>22.5</u>	<u>5,905</u>	<u>2,380</u>
KK (Japan)	38,962	5.9	31,480	6.9	7,482	23.8	2,157	5,325
Other Redmond	2,306	0.3	1,115	0.2	1,191	106.8	1,191	0
Total Non-Europe	<u>142,318</u>	<u>21.4</u>	<u>120,357</u>	<u>25.9</u>	<u>21,961</u>	<u>18.2</u>	<u>13,859</u>	<u>8,102</u>
Total	<u>669,271</u>	<u>100.0</u>	<u>465,584</u>	<u>100.0</u>	<u>203,687</u>	<u>43.7</u>	<u>140,973</u>	<u>62,714</u>

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Microsoft Corporation  
International Retail Cost of Revenue  
MONTH ENDED 03/31/91

Int'l Retail	Actual			Plan		
	Sales Mix	Cost %	Weighted Cost %	Sales Mix	Cost %	Weighted Cost %
Applications	65.2 %	10.1 %	6.6 %	67.4 %	12.9 %	8.7 %
Books	0.0	49.5	0.0	0.0	0.0	0.0
SPAG	11.5	31.6	3.6	11.5	37.2	4.3
Languages	3.8	23.0	0.9	5.0	20.6	1.0
Multimedia	0.0	9.6	0.0	0.0	16.9	0.0
Networks	(0.0)	(379.0)	0.2	0.0	0.0	0.0
Non-specific	0.0	(7.4)	(0.0)	0.0	0.0	0.0
Support Services	0.6	7.7	0.0	0.1	96.6	0.1
Systems	18.8	23.7	4.5	16.0	21.4	3.4
Product Cost (Gross)	100.0 %		15.8 %	100.0 %		17.5 %
Effect of Revenue Adjustments			101.4 %			100.8 %
Product Cost (net)			16.0			17.6
Inventory Carrying Cost			0.1			0.0
Manufacturing Variance			(0.1)			0.4
Inventory Adjustments			7.3			0.6
Freight, Shipping & Oth			2.2			3.4
Royalties			8.6			0.6
Allocate Mfg & Dist			(7.2)			1.1
Total Cost of Revenue			26.9 %			23.6 %

YEAR TO DATE 03/31/91

Int'l Retail	Actual			Plan		
	Sales Mix	Cost %	Weighted Cost %	Sales Mix	Cost %	Weighted Cost %
Applications	62.3	11.6	7.2	68.2	12.9	8.8
Books	0.0	46.3	0.0	0.0	0.0	0.0
SPAG	12.0	32.5	3.9	11.3	37.5	4.3
Systems Journal	0.0	0.0	0.0	0.0	0.0	0.0
Languages	4.2	18.9	0.8	5.1	20.0	1.0
Multimedia	0.0	3.3	0.0	0.0	14.7	0.0
Networks	0.2	24.7	0.1	0.0	0.0	0.0
Non-specific	0.1	17.1	0.0	0.0	0.0	0.0
Support Services	0.2	29.8	0.1	0.1	97.6	0.1
Systems	20.8	21.1	4.4	15.4	21.0	3.2
UPB	(0.0)	0.0	0.0	0.0	0.0	0.0
Product Cost (Gross)	100.0 %		16.5 %	100.0 %		17.3 %
Effect of Revenue Adjustments			101.3 %			100.9 %
Product Cost (net)			16.7			17.5
Inventory Carrying Cost			0.1			0.0
Manufacturing Variance			0.0			1.4
Inventory Adjustments			1.5			0.6
Freight, Shipping & Oth			2.5			3.4
Royalties			0.4			0.5
Allocate Mfg & Dist			1.4			1.3
Total Cost of Revenue			22.7 %			24.7 %

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Microsoft Corporation  
 Applications Cost of Revenue by Business Unit  
 International Retail

MONTH ENDED 03/31/91

	Actual			Plan		
	Sales Mix	Cost %	Weighted Cost %	Sales Mix	Cost %	Weighted Cost %
Analysis	39.0 %	8.5 %	3.3 %	35.2 %	12.8 %	4.5 %
Applications Support	0.9	17.3	0.1	0.1	7.6	0.0
Data Access	1.1	20.4	0.2	2.3	20.3	0.5
Entry	12.1	14.0	1.7	14.2	18.5	2.6
Graphics	2.4	9.2	0.2	2.7	13.4	0.4
Office	44.6	10.0	4.5	45.5	10.8	4.9
Product Cost (Gross)	100.0 %		10.1 %	100.0 %		12.9 %

YEAR TO DATE 03/31/91

	Actual			Plan		
	Sales Mix	Cost %	Weighted Cost %	Sales Mix	Cost %	Weighted Cost %
Analysis	34.3	10.8	3.7	34.3	13.0	4.4
Applications Support	0.6	16.0	0.1	0.3	13.5	0.0
Data Access	1.7	22.2	0.4	2.3	20.9	0.5
Entry	14.1	14.9	2.1	13.8	17.9	2.5
Graphics	1.9	13.2	0.3	2.3	13.1	0.3
Office	47.4	10.8	5.1	47.0	11.0	5.2
Product Cost (Gross)	100.0 %		11.6 %	100.0 %		12.9 %

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INTERNATIONAL FINISHED GOODS  
OPERATING EXPENSES BY CONSOLIDATING UNIT  
MARCH 1991

(In thousands of US Dollars)

	Actual	Plan	Total Variance		Operations	FX Rate
	US \$	US \$	US \$	%	Variance US \$	Variance US \$
<b>EUROPE</b>						
LTD (England)	2,068	1,677	(391)	(23.3)	(198)	(193)
AB (Nordic Region)	1,414	1,528	114	7.5	179	(65)
GmbH (Germany)	3,337	3,229	(108)	(3.3)	116	(224)
AG (Switzerland)	359	490	131	26.7	164	(33)
SARL (France)	3,668	3,529	(139)	(3.9)	72	(211)
BV & NV (Benelux)	753	612	(141)	(23.0)	(101)	(40)
SpA (Italy)	911	681	(230)	(33.8)	(176)	(54)
SRL (Spain)	495	345	(150)	(43.5)	(102)	(48)
	<u>13,005</u>	<u>12,091</u>	<u>(914)</u>	<u>(7.6)</u>	<u>(46)</u>	<u>(868)</u>
<b>ICON</b>						
INC (Canada)	851	958	107	11.2	117	(10)
Mexico	714	146	(568)	(389.0)	(568)	0
Brazil	784	350	(434)	(124.0)	(434)	0
Venezuela	73	33	(40)	(121.2)	(40)	0
AIME	127	51	(76)	(149.0)	(76)	0
	<u>2,549</u>	<u>1,538</u>	<u>(1,011)</u>	<u>(65.7)</u>	<u>(1,001)</u>	<u>(10)</u>
<b>FAR EAST</b>						
CH (Korea)	60	110	50	45.5	48	2
TC (Taiwan)	47	106	59	55.7	56	3
Taiwan Redmond	54	1	(53)	(5300.0)	(53)	0
Asia Pacific	28	8	(20)	(250.0)	(20)	0
Singapore	73	59	(14)	(23.7)	(14)	0
PTY (Australia)	1,113	992	(121)	(12.2)	(63)	(58)
	<u>1,375</u>	<u>1,276</u>	<u>(99)</u>	<u>(7.8)</u>	<u>(46)</u>	<u>(53)</u>
KK (Japan)	1,252	916	(336)	(36.7)	(180)	(156)
Redmond Operations *	(65)	329	394	119.8	394	0
Total	<u>18,116</u>	<u>16,150</u>	<u>(1,966)</u>	<u>(12.2)</u>	<u>(879)</u>	<u>(1,087)</u>

\* - The negative expense (or revenue amount) of (65) is due to a reclass of bad debt expense from Redmond Operations to the individual territories.

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INTERNATIONAL FINISHED GOODS  
OPERATING EXPENSES BY CONSOLIDATING UNIT  
YTD THROUGH MARCH

(In thousands of US Dollars)

	Actual	Plan	Total Variance		Operations	FX Rate
	US \$	US \$	US \$	%	Variance US \$	Variance US \$
<b>EUROPE</b>						
LTD (England)	16,518	13,942	(2,576)	(18.5)	(493)	(2,083)
AB (Nordic Region)	11,480	11,204	(276)	(2.5)	556	(832)
GmbH (Germany)	27,545	26,376	(1,169)	(4.4)	1,602	(2,771)
AG (Switzerland)	3,220	4,403	1,183	26.9	1,640	(457)
SARL (France)	28,096	28,557	461	1.6	3,284	(2,823)
BV & NV (Benelux)	6,021	5,424	(597)	(11.0)	(61)	(536)
SpA (Italy)	5,548	5,325	(223)	(4.2)	298	(521)
SRL (Spain)	3,419	2,507	(912)	(36.4)	(481)	(431)
	<u>101,847</u>	<u>97,738</u>	<u>(4,109)</u>	<u>(4.2)</u>	<u>6,345</u>	<u>(10,454)</u>
<b>ICON</b>						
INC (Canada)	7,079	7,758	679	8.8	753	(74)
Mexico	1,957	1,411	(546)	(38.7)	(546)	0
Brazil	2,859	2,402	(457)	(19.0)	(457)	0
Venezuela	136	293	157	53.6	157	0
AIME	476	431	(45)	(10.4)	(45)	0
	<u>12,507</u>	<u>12,295</u>	<u>(212)</u>	<u>(1.7)</u>	<u>(138)</u>	<u>(74)</u>
<b>FAR EAST</b>						
CH (Korea)	533	881	348	39.5	337	11
TC (Tawain)	341	905	564	62.3	549	15
Taiwan Redmond	328	12	(316)	(2633.3)	(316)	0
Asia Pacific	41	129	88	68.2	88	0
Singapore	408	585	177	30.3	177	0
PTY (Australia)	8,013	7,547	(466)	(6.2)	79	(545)
	<u>9,664</u>	<u>10,059</u>	<u>395</u>	<u>3.9</u>	<u>914</u>	<u>(519)</u>
KK (Japan)	8,808	6,807	(2,001)	(29.4)	(843)	(1,158)
Redmond Operations	<u>5,840</u>	<u>2,669</u>	<u>(3,171)</u>	<u>(118.8)</u>	<u>(3,171)</u>	<u>0</u>
Total	<u>138,666</u>	<u>129,568</u>	<u>(9,098)</u>	<u>(7.0)</u>	<u>3,107</u>	<u>(12,205)</u>

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**INTERNATIONAL FINISHED GOODS  
INVENTORY BY SUBSIDIARY  
AS OF MARCH 31, 1991**

Exhibit 5

(In thousands)

	Net Inventory in US Dollars			Days COGS In Inventory		
	2/28/91	Change	3/31/91	2/28/91	Change	3/31/91
<b>Europe</b>						
LTD	11,643	(4,098)	7,545	90	(35)	55
AB	6,176	(1,501)	4,675	52	(1)	51
GmbH	6,365	1,795	8,160	17	8	25
SARL	25,001	(8,105)	16,896	66	(12)	54
BV/NV	2,871	(210)	2,661	51	(1)	50
SRL	4,321	(1,162)	3,159	126	(28)	98
SpA	3,231	(820)	2,411	54	(9)	45
	<u>59,608</u>	<u>(14,101)</u>	<u>45,507</u>			
<b>ICON</b>						
INC	11,032	(1,682)	9,350	100	(23)	77
<b>Far East</b>						
CH	299	68	367	115	21	136
PTY	10,729	(1,577)	9,152	164	(45)	119
	<u>11,028</u>	<u>(1,509)</u>	<u>9,519</u>			
KK	3,815	(202)	3,613	69	(15)	54
Ireland	4,235	(573)	3,662	14	1	15
<b>Export Department</b>						
International Subs	503	574	1,077	4	6	10
Redmond International	3,481	(135)	3,346	177	(16)	161
	<u>3,984</u>	<u>439</u>	<u>4,423</u>			
<b>Total</b>	<u>93,702</u>	<u>(17,628)</u>	<u>76,074</u>	89	(11)	78

Inventory and COGS amounts used to calculate "Days COGS in Inventory" ratio, include intercompany mark-up.  
MS-KK's, MS-CH's and MS-IRE's inventory includes raw materials, WIP and finished goods.

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**INTERNATIONAL FINISHED GOODS  
ACCOUNTS RECEIVABLE BY SUBSIDIARY  
AS OF MARCH 31, 1991**

Exhibit 6

(In thousands)

	AR in US Dollars			DSO		
	2/28/91	Change	3/31/91	2/28/91	Change	3/31/91
<b>Europe</b>						
LTD	10,618	(156)	10,462	37	(3)	34
AB	11,010	(735)	10,275	39	5	44
GmbH	44,843	(9,089)	35,754	54	(2)	52
AG	5,686	(1,027)	4,659	67	(3)	64
SARL	41,471	(4,006)	37,465	46	4	50
BV/NV	7,130	(600)	6,530	53/60	1/(4)	54/56
SRL	5,737	(225)	5,512	94	12	106
SpA	9,417	(453)	8,964	76	6	82
	<u>135,912</u>	<u>(16,291)</u>	<u>119,621</u>			
<b>ICON</b>						
INC	6,655	1,176	7,831	42	(4)	38
Mexico	2,372	(129)	2,243	171	(51)	120
Brazil	5,348	(137)	5,211	667	200	867
Venezuela	644	(18)	626	100	13	113
AIME	2,461	448	2,909	86	(3)	83
	<u>17,480</u>	<u>1,340</u>	<u>18,820</u>			
<b>FAR EAST</b>						
CH	1,090	133	1,223	152	11	163
TC	560	113	673	35	(2)	33
Redmond Taiwan	770	118	888	245	92	337
Asia Pacific	509	(39)	470	72	(2)	70
Singapore	1,192	(81)	1,111	78	(3)	75
PTY	4,566	564	5,130	42	(2)	40
	<u>8,687</u>	<u>808</u>	<u>9,495</u>			
KK	9,770	3,215	12,985	63	14	77
Redmond Other	514	42	556	454	(96)	358
Other *	(910)	325	(585)			
Total Non-Europe	<u>35,541</u>	<u>5,730</u>	<u>41,271</u>			
Total	<u>171,453</u>	<u>(10,561)</u>	<u>160,892</u>	59	(2)	57

\* "Other" includes Ireland, Int'l Retail Licensing and the effect of cash receipts which have not been identified and applied to a specific territory (\$612 at Mar. 31 and \$982 at Feb. 28 (thous)).

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**MONTHLY REPORT**

**EUROPE**

**MS-PCA 2549570**

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MARCH 1991

TO Jeremy Butler  
FROM Bernard Vergnes  
DATE May 2nd, 1991

The combination of the dollar exchange rate strengthening, now only 2.1% below the budget rate, and of last fiscal year high growth rate of the spring is having a significant impact on month to month yearly growth : only 51%, lowest rate of nearly the last 18 months. Global European retail sales remain however well above local plan (126% for the month). If the dollar strengthening was to be confirmed over the next few months (and we are budgeting at even higher rates for next year), our fiscal year end result would be right above the \$ 700M mark for distribution in Europe, a good \$ 40M short of the forecast we were playing with only 2 to 8 months ago.

March, as usual, has been busy with the start of the budgeting exercise that resulted in a week long first pass scrub at EHQ in Paris. Even with the higher dollar exchange rate that will definitely decrease FY92 budget below the "magical" \$ 1B level, this will be our real target for next year.

March this year was also the "wife CMM" that took place in Lisbon and allowed each one of us to "brain-dump" Jeremy and a week long Bill Gates visit to Ireland, Switzerland, Germany, Holland and Paris. That trip was quite successful with good press and large accounts events organized by each subsidiaries. A good note for the excellent first-time organization of the Swiss visit in Zurich. For Peter Blum this was quite a challenge, for most others it was already nearly routine.

Good note also this month for the impressive Hanover Fair participation of GmbH. Four full booths: General, Mac, Network and ISV, with very crowded attendances.

Table 1 Business Growth

BUSINESS GROWTH	MARCH			FY TO DATE		
	FY91	FY90	Growth	FY91	FY90	Growth
Distribution (US \$)	63,460	41,993	51%	533,304	252,805	111%
OEM (US\$)	14,593	7,898	85%	43,890	34,252	28%
People				944	538	75%

**Warehouse Revenues**

Every subsidiary nicely above budget again. The UK with their historical high, helped by the end of the British fiscal year. Outlook remains quite positive although some countries still report signs of slackening of the market (Italy, Sweden).

**Table 2 Warehouse Sales (current \$)**

Sub				Latest Month			FY91 YTD			
	Jan	Feb	Mar	Budget	Diff	% Bud.	Actual	Budget	Diff	% Bud.
LTD	7568	8050	9748	7226	824	135%	61122	44901	16221	136%
AB	7252	6369	6415	5820	549	110%	54856	39346	15510	139%
GMBH	23353	23678	17556	12054	11624	146%	168088	101156	66932	166%
AG	2450	2634	2104	1871	763	112%	18099	15506	2593	117%
SARL	25025	18046	19529	13880	4166	141%	169845	106757	63088	159%
SRL/LD	1647	1557	1395	1086	471	128%	9642	7259	2383	133%
BV/NV	3329	3203	3437	2552	651	135%	26371	18056	8315	146%
SPA	2980	3662	3276	2789	873	117%	25281	19908	5373	127%
Total	73604	67199	63460	47278	19921	134%	533304	352889	180415	151%

**Table 3 Performance in Local Currency**

SUB	March 91 local	March 91 \$
LTD	122%	135%
AB	105%	110%
GmbH	136%	146%
AG	102%	112%
SARL	133%	141%
SRL	116%	128%
BV/NV	127%	135%
SPA	111%	117%
EUROPE	%	134%

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OEM Revenues

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OEM royalty business back on track thanks to a very strong month at more than twice the budget.

Relationship with Compaq is reported by all countries to have strengthened at the occasion of the Ballpoint launch campaign and of the concretization of several JIA/TSA.

On the IBM front, several diverging messages are being received with close relationships in Spain and Holland where Windows keep being distributed by IBM and sudden cooling of the relation in the UK where orders for the same product are being cancelled. After some hesitations, and with the help of Bill Gates, Microsoft participation to IBM Euro Large Account event in May is being confirmed. A new structure and role for their Euro headquarters and a full new set of persons will present us with a sustained challenge for the months to come.

Table 4 OEM Royalty Sales (\$)

Sub				Latest Month			FY91 YTD			
	Jan	Feb	Mar	Budget	Diff	% Bud.	Actual	Budget	Diff	% Bud.
LTD	-55	73	2948	1368	1580	215%	8750	5471	3279	160%
AB	0	29	1069	550	519	194%	5233	5145	88	102%
GMBH	575	215	5283	1872	3411	282%	12192	14960	-2768	81%
AG	0	0	0	0	0	n/s	9	0	9	n/s
SARL	335	58	1089	545	544	200%	3933	3105	828	127%
SRL	1	0	23	131	-108	18%	91	415	-324	22%
BV/NV	130	285	922	44	878	2095%	4073	2242	1831	182%
SPA	8	-10	3259	2632	627	124%	9609	9596	13	100%
Total	994	650	14593	7142	7451	204%	43890	40934	2956	107%

Headcount

---

A slow month for hiring with several countries decreasing their headcount... Two noteworthy events are the firing in Spain of both Sales Manager and Technical Manager, resulting very rapidly, in a better working relationship and atmosphere in the subsidiary and the hiring of Egon Salmutter in Vienna as General Manager of Microsoft Austria. Welcome to him in a great team of winners.

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Table 5 Headcount

Sub	Mar-91 Actual	Mar-91 Budget	Mar-91 H/C Approv.	Diff vs. H/C Approv.	Change vs prior month	Termination	EFT
LTD	139	132	162	-23	9	0	22.1
AB	101	100	103	-2	4	0	7.0
GMBH	282	288	302	-20	-6	6	57.0
AG	13	17	18	-5	-2	2	0.0
SARL	233	271	271	-38	7	1	34.5
SRL	33	32	38	-5	-1	2	2.8
BV	52	45	58	-6	3	0	3.5
NV	9	10	11	-2	1	0	1.4
SPA	68	71	80	-12	3	0	2.0
EHQ	14	17	18	-4	1	0	0.0
Total Europe	944	983	1061	-117	19	11	130.3

### COUNTRIES REVIEWS

#### UNITED KINGDOM

United Kingdom	Month	% Budget	YTD	% Budget
Warehouse Sales (£)	5303	122%	32100	119%
OEM Sales (\$)	2948	215%	8750	160%
Gross Profit (%)	44%	112%	46%	114%
People Expenses (£)	528	149%	3449	113%
Marketing Expenses (£)	305	69%	3251	89%
Total Expenses (£)	1302	111%	9918	103%
Operating Income (%)	20%	157%	15%	335%

#### Revenue, Financial & Operational Performance.

Record sales this month with good results over all segments. Record OEM results were also experienced. Based on the new MYR forecast business model, operating expenses were £393K underspent on MTD forecast, largely due to underspend in Marketing and T&E.

The channel is reporting good results overall for the software suppliers, and mixed results for OEM's. Microsoft still remains the bullish candidate for our direct accounts, and we are still No 1 supplier to our three main distributors and a close second (to Lotus) in our key direct dealers.

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OEM debtors have increased to 120 days with aged level rising to alarming proportion. A new starter has been hired in OEM group and she will have this as her priority during April. Debtors for FG business is still at a 40 days DSO, but aged debtors has also worsened, and MUST be addressed in April.

The April Budget for the UK government was if anything positive to business outlook, and expectations are for a lowering of interest rates and some improvement in business confidence is expected. If this holds and with our Windows campaign now in full flight, I am optimistic that we will meet our MYR forecasts over the next four months.

### Marketing and Sales

March was a peak season for the whole industry, and reports are reasonable for most OEM's and software vendors. Compaq are expressing disappointing sales in their SystemsPro, Apple are worried about their swing to low-end models, and IBM executives just look worried. Claris are expanding their field personnel, and given that we will not follow suite, it puts more pressure on the Mac team to leverage their limited resource and programmes.

Our difficulties with Software Ltd in getting paid and ramping up their business was resolved in March. Ingram Micro D will buy them and I expect that this will assist them become our fourth distributor in FY 92.

#### a) Finished Goods

Even with such a record sales month, the channel looks robust enough with only 30 days stock with distributors. We will have to shorten this further over the next quarter, as each comes on stream with direct ex-factory deliveries on rate based products. Softsel will start as pilot in April. Liquidity in the channel is still of major concern, and even our direct Excellence Centres are being forced to trade with distributors to spread their supplier credit.

Large Accounts ran the first of a "permanent seminar programme" to 15 key companies from Insurance sector.

CAA committed to LM but to DEC's Pathways. It's hard not to feel that we "lost" the business however.

The Window 3 and Win apps campaign is continuing, and generating a lot of interest, leads and business. Our budget assumptions for distributing working models for this campaign are VERY wrong, and approval will be sought to fund the expected variance this FY. Results so far are fantastic: 15.679 units of Win3/Win-Mouse and 50% over budget; Win 3 5,376 Win Excel (50% more then previous best) and 156% over budget; Win Word is 179% over budget. This is with a background of some dismal market share reports. Supercalc share has risen to 30% on the back of their reduction in price strategy (from £395 to £79). This does not appear to have hurt the run rate for Excel or Lotus, and I expect research will show Supercalc sales going to their existing accounts. Word Perfect share is still unchanged given the rise in WW run rate. Wordstar's Legacy promotion has also taken some share in the market. These share statistics pre-date any impact from our Win Computing campaign, and so I expect positive impacts on market shares as a result.

Our Mac products had a return to better results on the back of some marketing programmes with the channel. We were 13% under revenue budget, but good returns for Works and Mac Office. We meet

Apple in April to see what else we can do together to get the product balance reflecting more bias to the power Macs rather than the Classic/LC bias currently.

Billg and Jeremybu came to Dublin during March and helped support us in our dealer and LA strategies. Lots of good business potential now identified for LA and ITIS in Ireland.

Education contributed a record £750K of sales in March. This size of business is however attracting attention, and we now have WordPerfect, CA and Novell offering ridiculous site licence deals to rope in market share in this sector. The latest is from CA who offer all their products for £500 per site!!

#### b) NBU

Record sales of £13K but given the huge ramp-up for NBU, we were under budget by 35% for LM and SQL business. Positives for the month include a 24% increase in channel sell-thru from February (however Server sell-thru was down!); and the Azlan management buy-out is virtually done, and resolves a major exposure for our network business. As well, good work done between LA, ITIS, PSS and Redmond groups to close the Marks & Spencer business for LM and SQL. Lead distribution, newsletter and seminar series now regulated, and only time and continued focus will see how our channel fortunes eventuate.

#### c) OEM

We are now over FY91 budget and still a quarter to go! I expect to exceed \$10 million by 30 June. The OEM business is starting to emerge again for LTD. Amstrad signed their DOS 5 licence amendment, and the German Works bundle (\$328K); ICL for Win 3 looks good for April; and 10 new Pkgd DOS contracts signed during March with a record 4,400 units sold (against budget of 2,600). We are really stretched to capitalise on this trend, and so I will be proposing an additional head for FY92 to grab the business. Only (potential) down-side is the requested meeting from ICL/Fujitsu/Poquet to discuss WW licensing. It would be a shame to lose the ICL account, as we can influence an awful lot in the UK. We also booted DR-DOS (as well as piracy!!) out of Multiplex, and is an additional 500 units of DOS per month.

IBM UK management were met during March. They really sound (and look) under pressure, and are casting about for scape-goats. They were very antagonistic about MS. They saw our recent Systems positioning statement as intentionally trying to bury OS/2 2.0 (because of Win 32 news), and they see our DOS RUP programme as being another example of us competing against them in their customer base. I was told (unofficially) that IBM would have their own RUP DOS programme. I have set up a briefing session for these same managers in Reading for April, in the hopes that we can find some common ground.

*Red Flag: IBM cancelled hard order for 15,000 units of Win3, on advice from their EHQ. I expect it had something to do with the anticipated OS/2 push, but this bundle could have still continued even with this promo, as the Win 3 bundle was on PS/50's. I meet with IBM management again in April to get this sorted out.*

#### Support Services

Lack of progress in reducing abandoned rates (15% for March) and average queue time (4.12 minutes in March) indicate that we are hitting a capacity problem. Vacancy factor is under control, but when

filled, is not expected to match demand given the ramp up in product sales last quarter. A PSS support plan was completed this month, and will provide a differentiated service level in order to provide priority service to key accounts.

*Red Flag:* The purchase of CSI's gateways for our Mail strategy is great until you try to support it. No direction has been received on how this will be managed, when and with what resource. I have a PC Mail Business Plan for the client only, and that does not include Gateway products. Until I get a view of this from Redmond, it will stay that way, and I can't make proposals for resources required.

#### Human Resources and Organization

Space plans still need to be finalized for Winnersh and the current building in Reading, and will not be completely resolvable until warehouse option is resolved (by end of April) and the FY 92 plan approved. Space plans for FY92 still mean that LTD training facility will need to be sited externally.

Staff vacancies are under control, although we do have some jobs that are proving difficult to recruit (esp LM/SQL support, Mail PM). The loss of Fionak and Bryann before June will certainly create instability in the Marketing and sales functions. Good candidates received for the Marcom Mgrs role.

#### SWEDEN AND NORDIC COUNTRIES

Sweden&Nordic Countries	Month	% Budget	YTD	% Budget
Warehouse Sales (Skr)	37585	105%	311587	129%
OEM Sales (\$)	1069	194%	5234	102%
Gross Profit (%)	49%	121%	47%	115%
People Expenses (Skr)	3631	105%	25427	91%
Marketing Expenses (Skr)	3199	67%	22172	70%
Total Expenses (Skr)	9006	81%	71770	87%
Operating Income (%)	25%	268%	24%	352%

#### Revenue, Financial & Operational Performance

Languages and Networks only around 50% of budget. Inventory reduced 2 days to 47 and DSO climbed 5 days to 44. All reserves are fine. Forecast for FY91 is 404MSEK or 120% of budget. Operating Income will only be a few percent in the last quarter giving a FY Operating Income around 19%. This is due to major marketing programs running for Win Word, Lan Man and localized Excel, GPM reduced due to some price reductions in Denmark, Finland and Norway from May 1. Overall yearly growth is around 100% for the region. Channel inventory build-up only in Norway due to new lower discount from April.

*Yellow flag:* Need to get overdue interest invoicing to work in MacPac.  
Current NIBT is very high. Shall we do any tax planning?

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### Marketing & Sales - Finished Goods and Services

*Red Flag: Need to get MS Corp to invest in providing the MEMO gateway to PC Mail. Key for Nordic region and Germany as well as Switzerland. They have 150,000 users!*

*Yellow Flag: How to approach the End-User Register. Ltd & PTY disappointed with A400 module. Finalize the new office proposal for Norway and Denmark.*

**Products:** PC Mail will be distributed through both Lan Man and FGP sales channels. Languages price reduction has still not come into effect to give us the sales increase. Mac applications selling very bad in March. Classic & LC customers are they buying low priced products?

**Channels:** IBM, Finland has signed for Windows app's distribution. B/L is now at one week. Book-Bill ratio is 1.09. Denmark, despite a high growth, is not taking off as expected yet. Still several basics are not fully working like dealer training. The distributor is strengthening but it takes time. Finland still has to get Win Word to move.

**Marketing:** Very active month with excellent work done in all countries focusing on roadshows and customer seminars incl. several exhibitions. Advertising for Win Word in all countries during March to May. Also, running very visible Mac Works campaign. Working on a Pan Nordic marketing structure for advertising to be implemented from the Fall to reduce the agency fee's.

**Large Accounts:** Many prospects developing well, SAS; Folksam. The Swedish Government questioned the choice of Windows 3 as the correct platform due to its shortcomings in memory and fault error handling. Paul Maritz visit shall help to get this sorted out. The Danish Bank has not yet decided to select Oracle so we still have a potential for that part of this huge opportunity. Several LA ask for local PM Apps. This will be presented for localization when clear business case exists.

### Marketing & Sales - OEM and LAN

*Red flag: OEM Mouse shipments. Need inventory in Ireland to be able to fulfil opportunities.*

**OEM:** UPB at \$1,500k. Pending issues are still Euro FGP contract for Nokia and Victor. Draft with Peterdav. Both are looking into bundling working models of our app's on their H/W. Mouse sales to them are increasing however signed contracts with others. Both Nokia and Victor are soon to sign amendment for Dos 5.

**Nokia:** Q3 sales good. Constructive and informative account review in Redmond closed issues like 3Com Lan upgrade, signing of amendment. Relation is improving and Nokia now have 2 of their best engineers in the NT dev. team in Redmond. Trying to close deal where they are selling RU-DOS. OS/2 1.3 amendment soon to be signed.

Discussing JIA with Compaq. Victor and Nokia wants the same.

**Pack.** Dos business strong in Sweden. Introduced several product bundles with Windows and Mouse and also split deliveries from 25+ units. Discovered dealer piracy of Pack. Dos and this made front page news in Computer Sweden (nr 1 comp. press for dealers!) Talking to Peterdav on next step. DR-DOS aggressive now both in Denmark and Norway.

**Lan Man** business still slow lagging two months behind the plan. Positive is that the nr of dealers are over plan and well trained. The only obstacle on that end is that our discount structure gives less for the dealer. Focus will not be on this but creating PULL based on good advertising and building customer satisfaction. Shall start in May. In March LAN MAN was showed at a major Swedish Trade show in

their own booth. They had 800 great leads!! Super job! For more info on Lan Man see quarterly report.

Great start for our ISV champion. 27 people registered to the Euro ISV conference. Helping to make a success of the Swedish largest computer fair, DKM in Sept 1991, "Windows Corner", an area for exposing Windows applications. First Swedish administrative Windows package launched, XoR. Also spoke to the Danish Windows User group, 70 people.

#### Support Performance

*Red Flag: Our ACD is still not performing according to specification.*

*Needs resolution before investing further in this system for the other countries.*

*Yellow Flag: LANISQL PSS training courses must happen!*

Phone abandonment down to 28% and average delay reduced from 3.1 to 1.8 minutes. A great improvement. However the productivity factor was only 31 down from 39. The need for a PSS administrator to optimize the use of our PSS staff will certainly help this to go up. Focus nr 1 is to recruit new staff since this is the thin area. Nr 2 is training of current staff who already is meeting their service goals.

Technical briefings, for Lan Man 32 attendees and PC apps & tools 31 attendees, support staff at Nordic dealers was held & highly appreciated. Also, a new issue of the Tech Newsletter was delivered.

DOS 5 testing is progressing well with no serious problems.

No new people but many interviews. A special PSS handbook is in development.

#### Human Resources and Organization

Advertising in Sweden generated huge nr of applicants, 146 letters and 150 calls. Expect to be at 120 people by June. PSS recruiting is nr 1. Updated employee handbook ready for approval in April. New Swedish office progressing well. New warehouse agreed to be ready by latest Dec 31, 1991. Also new premises in Norway and Denmark by July/Aug.

#### FEDERAL REPUBLIC OF GERMANY

Fed. Republic Germany	Month	% Budget	YTD	% Budget
Warehouse Sales (DM)	28017	136%	257076	149%
OEM Sales (\$)	5283	282%	12192	88%
Gross Profit (%)	47%	99%	47%	99%
People Expenses (DM)	2792	102%	20382	97%
Marketing Expenses (DM)	1743	98%	14064	88%
Total Expenses (DM)	6224	99%	48944	96%
Operating Income (%)	25%	147%	28%	155%

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### Financial & Operational Performance

Although revenue is well above budget, it is less than what was expected. Three main reasons for the weakening of the business were (a) reduced Word 5 and Excel 2 sales in expectation of new versions coming out in April, and (b) overstocking at the distributor level, in order to take financial benefit before the discount reduction takes its full impact, (c) a slowing PC hardware market. Sell-off promotion programs are being worked on with the respective distributors. It should be noted that March has also been a "short month" because of CEBIT.

We expect the business to continue at above-budget rates as in March, for the next three months. The arrival of Word 5.5 D and Excel 3 D will help to compensate for the PC sales slowdown. Since there are no signs of a generally weakening economy for the short term, we should expect the business to continue "flat on a high level" for the summer. Economy analysts begin to become more conservative than they used to be on the medium term outlook. It will be important to monitor the press closely for the coming months.

### Marketing & Sales - Finished Goods

It was CEBIT time again - certainly a big success for Microsoft, but overshadowed again as in every year before by negative press on Microsoft (FTC, Apple, mad ISVs in the US...). The number of visitors to the 4 Microsoft booths is estimated to be in the 6 digits range, the new network booth attracted a large number of highly qualified visitors. 70 ISVs exhibited on the Microsoft ISV booth, and every single one of them was very happy with the service they got, and the attention that the ISV booth received overall.

The text, analysis, windows, macintosh, and languages business units performed at or above revenue budget. Entry products and Network BU fell short. During CEBIT, agreement was reached between Microsoft, Adcomp and C 2000 that Microware, C 2000's networking company, will be authorized as secondary distributor. This will help the NET BU to sell more product, and it will enable C 2000 to maintain their relationship with more than 100 3COM dealers.

Products: Windows sales is weakening, partly due to overstocking at distributor level, but also because of rumors on Windows 3.1. The Macintosh unit is disappointed about the delay of new versions of Word and Excel.

### Marketing & Sales - OEM

Progress on royalty business: with billing for several new contracts finally through, we are at 88% of YTD budget -- outstanding new contracts will get GmbH to above budget at year end. VOBIS attempted to jump off DOS 5 in the last minute, but this could be prevented -- deal is now signed and will make a big change to the DR-DOS penetration in the market place. Packaged DOS business remains high at 27000 units. We will work on setting up our fulfillment partner to handle pack DOS business, and we need to look at which pack DOS customers should be converted to licensees, in order to reduce the administrative overhead. DR is reported to plan shipment of DOS 6 within 6-12 weeks after DOS 5 -- i expect them to promote that version heavily when we introduce DOS 5. The version number alone gives them at least a good short term weapon against us.

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*Yellow Flag: It has been reported from the PSS group that there is "high activity" on email from the MS-DOS group in Redmond, saying that "MS-DOS 6 will come very early". This is very dangerous to our DOS 5 update business and should be stopped.*

Support Performance

The hotline performance data show continued decrease of abandonment rate (23% vs. 27% the previous month) during CEBIT. At the same time, the PSS staff allocated booth hotline managed 2000 customer call on booth per day. Exposing PSS to customers directly at the show is very welcome by the customers, and is a great "training program" for employees. The PSS group got a lot of questions on DOS 5, OS/2 3.0, and Windows 3.1.

The transfer of Jurgen Stranghoner to Director of EE was announced, and Rainer Kniesche is going through his introduction program for Director of PSS. Both will be fully in charge of their new jobs by June 1. A Redmond training program for Rainer K. is being worked out between himself and Glen Halstead.

Human Resources & Organization

By the end of March, 93% of all open slots were filled (people physically on board). For Sales and Marketing, PSS and F&A, there were less than 5% open slots, with some more contracts closed already. Consulting is at only 36% of plan, while East and Net BU are at 80%. Overall, this is a good result. HR is positive to fill all remaining jobs within this FY. The advertising campaign for July 1 positions has resulted in approx. 1000 applications.

Final candidates for Director East Europe and Austria GM have been identified and contracted. Egon Salmutter will be on board effective April 15, and will then pick up hiring for the remaining slots in Austria.

The operations department has made good progress in reorganizing, we were able to re-hire for a order processing supervisor position a person that had left 6 months ago over frustration. We lost the Munich branch office manager who will work for Borland as a large account sales manager. I had two meetings with him to change his mind, but could not achieve that.

**SWITZERLAND**

Switzerland	Month	% Budget	YTD	% Budget
Warehouse Sales (DM)	2902	102%	23534	100%
OEM Sales (\$)	0	ns	9	ns
Gross Profit (%)	51%	116%	49%	111%
People Expenses (DM)	148	65%	1233	58%
Marketing Expenses (DM)	188	67%	1519	61%
Total Expenses (DM)	495	62%	4209	59%
Operating Income (%)	34%	208%	32%	218%

### Financial & Operational Performance

*Green Flag This month was characterized by intense work for the budget and the preparations for the visit of Bill Gates at march 25 and 26, 1991. We had a good response for this event from allover the market.*

*Green Flag Our new distributor, Wyrsh Trading AG, is developing it's business very positively. They could already make new businesses in the French part of Switzerland.*

### Marketing & Sales - Finished Goods and Services

The Lan Manager business is running very good. On march 19, 1991 we organized a seminar with our Lan Manager distributor, Ascom Elcoma AG and it was attended by 100 peoples. Novell made a presentation too but our presentation had clearly a much better response.

The Large account business is developing very positively. We made a Beta XL 3.0 for Macintosh presentation at Tetra Pak. The result is that we are now in discussions with them for an international contract (6'000 Macintoshs and 1000 Pcs).

For UBS we are developing a new Letter of Intent covering the behalvs of the UBS-subs in England, New York and Switzerland. We have already contacted Jeff Sanderson to work this out.

In April we will definitely publish our dealer newspaper "LINK". Therein we will treat the relationships to dealers and distributors, product strategies, new products, tips and much more. It will help us to make Microsoft better known in the market and to promote our strategies.

*Green flag We have finished the planning of our advertisement campaign and on April 23, 1991 it will start in the press for the first time. To enforce the campaign we produced brochures which inform our distributors and dealers about our mediaplan.*

Furthermore we had some meetings with well known training institutes to discuss our training concept. Our goal is to organize German as well as french trainings for our customers in the correspondent region. Until today the trainings were held at the distributors but so we couldn't cover the whole market. In April / May we will make an agreement with a training institute in order to begin with the trainings as soon as possible.

Fairs and events We started the first preparations for the LOGIC fair (May 28 - June 1, 1991).

### Marketing & Sales - OEM

Since Miguel Bayo, our sales rep. OEM, is on board (hire date March 1, 1991) we are trying hard to generate some OEM business. We are doing this in collaboration with Manfred Schindler (MS GmbH). The Packaged Dos business is running well and at the time we have signed about 55 contracts.

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### Support Performance

We have still the same problem namely that our SE group is too small and that we have too many people who want to get support directly from Microsoft.

*Red flag Many large accounts in Switzerland ask for support from Microsoft directly even if most of them buy the products abroad. This kind of support cannot be handled through the hotline service. To do this we need a lot of time and manpower.*

To find a solution for this special kind of problem I will directly discuss it with C. Wedell.

### Human Resources and Organization

The situation with our new offices is not yet clear and we are still waiting on the decision of the municipal authorities. At the same time we are looking for other possibilities just in case we can't get this office. The headcount is o.k. and we hope to be in line till the end of FY91.

### FRANCE

France	Month	% Budget	YTD	% Budget
Warehouse Sales (FF)	106016	133%	879008	143%
OEM Sales (\$)	1089	200%	3932	127%
Gross Profit (%)	51%	112%	50%	109%
People Expenses (FF)	8647	98%	66370	93%
Marketing Expenses (FF)	7948	101%	48920	76%
Total Expenses (FF)	22452	101%	161919	91%
Operating Income (%)	30%	165%	32%	184%

### Revenue, Financial and Operational Performance

Inventory = 65 days of forward estimated Sales. DSO = 48 days (forward 3 months Sales forecast).

New Building : Computer and Tel. cabling on schedule. Installation of partitions goes quickly. Move Mid-June.

AS 400/Mac Pac : We went live on March 4th. No major problems.

### Marketing and Sales - Finished goods and Services

Despite a slow month of the key hardware manufacturers who are under their PC shipments budgets (especially Olivetti and Goupil) we achieved +33 % over the MTD budget.

Most other channels were over budget, especially the Large Accounts group (138 % over the budget : enormous orders from FRANCE TELECOM and signature of 9 new contracts). The NBU sales were

also strong (+ 76 % over the budget). Those satisfactory figures should not make us oblivious to major threats and uncertainty (IBM/Novell announcement and large accounts confusion about our OS/2 strategy).

We can notice the ongoing high level of sales of Win Excel (10 116 units), Retail Mouse (13 816 units) and Windows 3 (12 231 units). Once again, PC Works is well above the budget and Project for Windows has gone over 300 units. March was the word processors month. We introduced both Word 5.5 and Word for OS/2. Our roadshow was very successful. The only problem is that we don't have the product in stock yet !

**Main Threats:** Competition is tougher : LOTUS has visited every existing hardware manufacturers in France, proposing them Lotus Works for 200 FF/unit without any commitment. They are also pushing heavily Ami to the distribution channels. Geoworks is also a danger in the OEM business.

**Key Opportunities:** Excel 3 launch will be one of our key opportunities in the next future. This is the reason why all sales and marketing forces will be committed to the success of this product.

#### OEM

- SMT-Goupil is in the red. Various rumors of take-over around. According to Goupil's GM the situation should be clarified by mid-April. Therefore, there is a great uncertainty about our OEM revenue for FY92. Without Goupil, it could go down to less than \$1M next year. on their new Notebook product range Unit price is : \$100 per system.

- BULL announced \$1.2 Billion dollar of losses for CY90. Another worrying sign is that the global turnover for the BULL group is 15% lower than last year (including ZDS figures) !

Lan Manager for Unix contract has been signed ! LAN MAN/U was a key part of their DCM announcement on March 14th. The goal is to give to the end-user from its micro-computer a complete view of the information system through a GUI (Windows or Motif).

- RCE royalty report for Q2FY91 was a good surprise : 222 units of LAN Manager shipped !

- Packaged DOS sales were quite sluggish this month : 4678 units.

- Packaged DOS+WORKS bundle with IPC on their new Notebook product range - Unit price is : \$100 per system.

- We identified a Semi conductor distributor (TEKELEC) potentially interested in distributing ROM DOS in the industrial world.

#### Support Performance

This month, PSS answered to 80% of the demanded calls (26 499 calls ; APPS and Windows Phone Support answered 22 219 or 1173 calls per day or 31 calls/day/technician).  
PSS Headcount end of March : 71 (Budget : 87).

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### Human Resources and Organization

March ended with Headcount at 233 (vs 271 budgeted) or +7 vs previous month.  
A new Retail Manager has been hired this month.

### SPAIN

Spain	Month	% Budget	YTD	% Budget
Warehouse Sales (Pst)	138286	116%	922929	116%
OEM Sales (\$)	23	18%	90	22%
Gross Profit (%)	21%	47%	34%	77%
People Expenses (Pst)	18696	91%	131300	86%
Marketing Expenses (Pst)	19036	144%	119140	136%
Total Expenses (Pst)	52654	108%	363462	103%
Operating Income (%)	-17%	n/s	-6%	Neg. Bud.

### Revenue, Financial & Operational Performance

The new prices announced to our Master Distributors for next month didn't prevent us to be over budget this month.

On the financial part, a credit note from Corp due to MNPs costs differences didn't arrive in time to be entered this month and will be entered first of April.

During the last weeks of the month the general market decreased significantly. According to our Distributors only Word Perfect was not very much affected due to their very aggressive LA policy. We hope this is just a reaction to the small lacks of information about our price decrease and that we will get back after the transitional period. We foresee a higher April than expected and perhaps a smaller May.

### Marketing & Sales - Finish Goods and Services

Hardware sales have slightly increased in Ptas but mostly due to the shift towards larger systems. Small systems sales are not going so well, both at MAC and PC level. Borland had finally open a subsidiary in Spain and they will be very aggressive at the end-user pull level with very low prices and direct marketing.

*Green flag: IBM relationship is quite good and Apple relationship is improving. IBM has bought more than 15000 WINDOWS 3 during the last 3 months being currently the major Windows supplier in Spain. After the success of their bundle with model 55 they intend to increase their closing to other machines, and possibly to Apps (but probably not ours).*

Apple is studying a small dealer bundle with Word and Excel after the pressing we submitted to them. They continue indicating that they are forbidden to bundle directly by their EHQ.

During this month we had a very important training action. More than 700 end users were trained by Microsoft Institutes over Spain, and we formed all our dealers in Madrid and Barcelona (> 60% of the market).

#### Marketing & Sales - Systems

WIN3 + Mice bundle are increasing significantly. Some financial problems are observed at our OEMs indicated us that it was preferable to get some products back than have account receivable problems. This created a month slightly under budget (94%) but we will recover during next months.

We got another Hardware manufacturer to move away from DR-DOS and they are now more confined to their initial customer Datamon.

On the NBU side, we continue with serious problems due to the non existence of OS/2 pack for LanMan. We appointed a new Distributor. Chip Electronica (DCA representative) will be our second distributor. Novell reaction to our arrival to the market made Keylan even more attached to them and they were not really pushing MS LANMAN.

#### Marketing & Sales - Portugal

Portugal begins to be each time more integrated in Microsoft Iberica. Their relation with Iberica F&A is each time more flexible and we notice a significant improvement in the relationship. Maintaining its own characteristics and developing its marketing independently we can foresee a great success to this new country.

Portugal is already over YTD budget and it will clearly overpass 10% of Iberica sales during next months. A new admin was approved. That together with the new office -that will probably be opened during September- will clearly put them definitively on the road.

#### Support Performance

*Red Flag: This month was an analysis month for this department. They were clearly in a chaotic situation (we found on-line contracts to be signed from June) and Rosa Maria will have real hard times to reorganize and remotivate all the personnel.*

Training and control will be needed at all levels that will begin during next month.

But people are very young and easy going and she is really confident that it will happen before summer.

#### Human Resources & Reorganization

*Red Flag: Due to the difficulties observed to rebuild company confidence, and even considering the person work overload or organizational problems that this would mean, I was forced to take the*

*decision to dispense 2 persons: Angel Rojo and Jose Maria Estrada. Some of the reasons can be find in examples like the PSS situation or the Microtel affair.*

*Yellow/Green Flag: Current ambiance is improving and, even if we cannot expect miracles, if no external or unexpected problems arrived the new MS Spirit will be alive again by summer time.*

A new PSS Manager joint us April 1st, and during this month she was analyzing the department situation in order to reorganize all our PSS activity and report. We have problems finding a Sales & Marketing Manager and I think that this person should be involved in reorganizing the department and make the necessary decisions. Due to that we will substitute Angel immediately.

#### BENELUX COUNTRIES

Benelux	Month	% Budget	YTD	% Budget
Warehouse Sales (Hfl)	6181	127%	45674	133%
OEM Sales (\$)	922	2095%	4074	182%
Gross Profit (%)	41%	96%	43%	101%
People Expenses (Hfl)	588	112%	5100	128%
Marketing Expenses (Hfl)	379	100%	3504	93%
Total Expenses Hfl)	1459	108%	11200	93%
Operating Income (%)	17%	116%	19%	247%

Main events this month included the visit of Bill Gates, the first round for the FY92 budget, an extended CMM and the introduction of Ballpoint. The visit of Bill resulted in good PR (TV and lots of articles) and his interventions were well received by our customers.

#### Revenue, Financial & Operational Performance

*Red Flag: Fulfillment service needed for Belgium*

*Yellow Flag: Some progress in office space planning*

In systems we faced a lower than budgeted product margin (lower than budgeted DOS margin due exchange rate differences; low margin on (DOS + Windows) product). Inventory levels decreased slightly to a level of 48 days vs 49 days in the previous month. Account receivables decreased to 55 days versus 56 days last month.

The outlook for the coming three months remains strong what concerns overall retail sales. After their large Windows order this month (6,900 units) we expect IBM to continue placing orders for Windows in the coming months. We do however not expect an immediate increase in our NBU sales; we are expanding our MNS channel and investing efforts in the enduser market.

#### Marketing & Sales - Finished Goods and Services

*Red Flag: Sales for languages & PC-Works remain poor, Sales for LANMAN remain under budget*

*Green Flag: Market share for (Windows)Word and Excel are increasing*

We had a record month for Windows with 10,497 copies sold resulting in average of 6,180 units per month this fiscal year (this average includes some 3,000 units to IBM). It is promising to see our sales of Windows Word and Excel increasing. Sales for Excel remained strong with 1,485 copies sold (1,707 copies last month when version 3 was introduced) versus a budget of 485 units. Windows Word sales are increasing with 828 copies sold (518 units last month) versus a budget of 500 units. Sales for PC-Word however are not following; only 262 units sold versus a budget of 723 units. Excel stands at 181% of unit sales on a YTD basis and Windows Word at 179% (PC-Word stands at 93%). Belgium contributed in large part to the Benelux sales for PC-Works, but not enough to reach budget on Benelux level ; actual sales were 66% of budget. We still see no improvement in the sales of our Quick languages. Mouse sales were extremely strong with unit sales at 128% of budget.

IBM: although we started our distribution activities with them with over 1 million in revenues for their first month we have not seen any order since December. The first five months of their activity have proven that IBM has not been successful in selling our application products. Both parties agreed not to continue distribution of our apps. We had a great Windows month and they will continue to order in the coming months. We plan to visit the new Director for Distribution Marketing in April.

Apple: Apple is re-evaluating their channel strategy in order to sell their lowend systems. Decisions are expected by the summer. According to Apple, their lowend systems are selling reasonably well; their Classic & LC systems currently represent some 40% of total shipments. We will participate at their System 7 introduction on May 13. Joint activities related to updating users of our products will be discussed shortly.

#### NBU Business

This month was under budget with actual sales of only 26% of budget. YTD actual stands at 72% of budget. Our distributors still have products in stock and products are still mainly sold for evaluation at dealer and customer sites.

Datelcom Nederland: After their initial 19 MNSs they are preparing for another 11 to be authorized before the end of this FY. We decided to participate in coop marketing with them on the LAN World that runs concurrently with Europe Software. Their high turn-over in personnel is not stopping as both their dealer manager and their new GM are leaving again! Hopefully they will have stable management soon.

Positronika Nederland: As Positronika had invested heavily in their LMC concept they are currently working on the smooth transition into MNS status whilst using the LMC naming convention for other products. They are looking for a new GM that they hope to find next month.

Datelcom Belgium: They organized their first training sessions recently resulting in the authorization of the first 13 MNSs in Belgium this month. We are working on joint promotion thru seminars besides the generic MS versions that we have planned.

Positronika Belgium: we visited them and had their contract signed which brings the number of signed distis to four (being direct customers). Positronika has started their proposal work for MNS authorization.

C2000 Belgium: we worked out an arrangement where C2000 will not be a direct MS customer but will purchase product through Datelcom in Belgium, rewarding them for the work they have done as 3COM



disti. In our marketing efforts we will have them participate as our "third" disti. This has already resulted in the preparation of the first end-user event.

In May we will participate in LANWorld, the first tradeshow dedicated to networking. Also we are preparing for two dealer seminars in May.

#### Marketing & Sales - OEM

*Red Flag: Tulip not yet committed to license LAN Mgr*

Tulip: we are still discussing the licensing of LAN Manager. We are in favour of an OEM agreement instead of a Packaged Goods deal. A meeting with F. Hetzenauer has been scheduled to discuss this issue at the President level. We are willing to lower our minimum commitments somewhat.

Philips: we have given a Windows presentation to the CE group in Best. All product managers and Mr. R. Hamersma attended the presentations. Result is an order for all Windows applications and their intention to use the product internally. We should do more Windows evangelism inside Philips. Philips will open an assembly plant in Tilburg for their total European PC business. They are very interested in preinstalling Windows on all 386 machines. A meeting has been scheduled with Markba and RobG to discuss a.o. Multi Media and Pen based systems.

#### Support Performance

*Red Flag: PSS service insufficient for the Belgian market*

We had a slightly higher ratio for calls/day with 139 calls this month versus 134 last month. ATB is at least 30%. Service level to endusers is low due to high ATB. High ATB causes people trying to call us outside Hotline opening hours. Abandonment is 10%. On Applications average talk time is 7 minutes. The implementation date for the ASPECT system is scheduled for June 1991. Priority service to the key accounts is under pressure due to resource shortage to support endusers.

Online customers in the Benelux have been transferred to BV. WEBS is running under Windows, but OS/2 is giving problems. As of January 2 we started to handle all incoming SRs; PRISM is active. A meeting has been scheduled with Sarl to discuss rerouting of calls from french speaking customers in Belgium to Sarl. Calls will be rerouted as of July 1.

#### Human Resources and Organization

*Red Flag: Difficult to hire support people for BV; headcount currently too low*

Headcount stands at 61 people versus an approved level of 69. Missing people are in the LAN division (Sales Rep NV; admin assistant BV hired per May 1), Retail Sales (Sales & Mktg Mgr, Sales Rep NV), PSS (Support Specialists), F&A (Personnel Mgr hired per May 1).

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## ITALY

Italy	Month	% Budget	YTD	% Budget
Warehouse Sales (MLir)	3900	111%	28979	115%
OEM Sales (\$)	3259	124%	9619	100%
Gross Profit (%)	50%	130%	46%	121%
People Expenses (MLir)	505	115%	3071	87%
Marketing Expenses(MLir)	527	136%	2741	105%
Total Expenses (MLir)	1211	120%	7319	95%
Operating Income (%)	19%	194%	21%	284%

A reasonable month, with several indications of a slow trend in the marketplace. Increased marketing activities from our side, and from some of our competitors, are stimulating the market with unusual intensity. PC market still definitely weak.

### Financial & Operational Performance

Receivables are at 82 days. Inventory is at 45 days. Backorder is down 8% at 2390 vs 2589Mlire of last month. Orders received per day were 186Mlire vs an average of 195Mlire of the last 6 months.

### Marketing & Sales - Finished Goods and Services

Several "Excelling together" events (12) and the first part of the dealers road show, a press conference to announce Word 5.5 and Ballpoint, the Public Administration Rome show, very successful in quality and importance of contacts.

As last month, we had good sales in all channels except Hardware Manufacturers. Excel had a good month at 140% of plan, Winword was at 136%, PC Word was at 70% due to the unforecasted late arrival of 5.5 Italian.

New very good high level contacts with IBM, that make us confident in a upcoming joint activities.

Met Ingram Softeurope who opened a sub here and asked to become our distri. Computer 2000 is buying EIS.

### Marketing & Sales - OEM

Olivetti: they are now shipping Windows everywhere. We never received their forecasts for manuals fulfillment. Olivetti is in ACE group, clearly in the backseat except in Italy where the press has been very generous on their role.

*Yellow Flag: no answer from Redmond PSS on LM certification. This adds to the Olivetti perception of being considered by us as a minor customer.*

MM: good meeting in Ivrea between Rob Glaser and Office people. Several promising action items for us.

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Other OEMs: Good sales of pack Dos, a new royalty contract signed with ASEM. Proliferation of DOS5 copies is hurting Pack DOS sales.

Piracy: end user raids in progress, results to be announced next month.

MSU: met with Pattr, we proposed a gradual approach to a direct involvement in MSU courses, while preserving Mondadori's role. Waiting for a decision (Bobmc/Tinapo/Bernardv) to amend our FY92 plan accordingly.

#### Support Performance

Still high abandonment rate (27%) and high delay (1.4 min), in a month with record calls per day. Hiring is a top priority, we made a good progress in the first week of April.

#### Human Resources and Organization

68 people on board vs 80 of plan (71 in original plan). We are in good shape with new hires to start in April/May.

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HIGHLY  
CONFIDENTIAL

**MONTHLY REPORT**

**OEM**

**MS-PCA 2549592**

**HIGHLY  
CONFIDENTIAL**

To:	Jeremy Butler
From:	Joachim Kempin
Date:	April 29, 1991
Subject:	March 1991 WW OEM Status Report
c:	Bill Gates, Mike Hallman, Mike Maples, Frank Gaudette, Mike Brown, Chris Smith, Bernard Vergnes, Greg Tibbetts, Richard Fade, Jeff Lum, Ron Hosogi, Tim Beard, Nell Miller

Gross Revenues (M\$)

	Actual	Plan	
US	55.1	40.3	(137%)
Intl	43.0	47.2	(91%)
Total	98.1	87.5	(112%)

US revenue profited from unexpected IBM revenue under the new agreement as well as strong OEM Mice sales. Royalty business was on target - meaning OEM units shipments were close to forecast whereby the accounts around the 100K unit range continue to grow faster than the market. Notebook demand - if it can be fulfilled - is going to pull some OEMs through summer.

Japan is the key contributor in missing budget in International. Shortfall was 8M\$ for the quarter. Some of this will be corrected in Q4, but the understaffed OEM department, the slow execution of some licenses, and the drop in export shipments are hurting us. Europe finished the quarter 2M\$ ahead of plan, whereby GmbH finally got SNI and Schneider licenses signed and backbilled. VOBIS is inhouse and signed and should be billed in Q4. Only problem child in Europe is Goupil - not meeting unit shipments. Tulip agreed on signing up for LAN Man. Business outlook for WW OEM in Q4 is to break 100M\$.

DOS 5.0

All key manufacturers in the US and Europe are signed up. The FE has more work to do. (Approx. 50% sign up rate). We are shipping OEM distribution kits to all licensees who have signed up and have signed a "not to ship before 06/11/91 agreement". Agreed with Bradsi not to license DOS-RUP to OEMs on a royalty basis. They will need to develop their own technology. This should cut down market confusion...."what package do I buy?"...

US Apps Royalty Pricing

With MS-Win Apps available at 50% off list retail and our aggressive \$129.- "upgrade" policy, we continue to have difficulties arguing about 20% of RRP royalties pricing. We have been able to close DAK at \$55/system royalty at a 50K/y commit despite Legacy being quite aggressive. Is it time to review our pricing again - after having it for only 6 months?

UPB

We are continuing to monitor the situation. In general, we have been able to stop it from growing, but there are still some customers around with unhealthy balances. IN Q4, we will therefore work with Samsung and Daiwo to reduce their balances to more desired levels. Ongoing problem customers in the US are NCR and Zenith. In the case of NCR, we will work towards a solution in latest Q1/92. Most of their problems are caused by them committing to the OS/2 platform.

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### DRI

After pursuing a "toss your DOS" strategy in the US, we believe that they are finally ramping up retail sales. We continue to see stiff competition in TC, where they are approaching Notebook and board vendors more aggressively with ROM-DOS. We will evaluate Board licensing on a case by case basis - without being too aggressive about it. CBM just complained about our ROM-DOS 5.0 being very late for their notebooks - we have to get this product done with the highest priority. We succeeded in converting their largest customer, Vobis, to ship MS-DOS 5.0 starting in Oct. 91.

### WIN 3.0

Dell and AST have agreed to substantial Win 3.0 bundles. All other US Win customers including CompuAdd will continue to bundle on most 386SX and upwards. The newest addition is ALR who is putting on a promo for their 486SX machine by bundling MS-DOS/Win FG with it. Compaq will follow - it might be Q1 to get a formal deal done but they are inching it out "by committee".

### ACCOUNT SUMMARIES

*(Reported by Account and Group Managers)*

#### USA (Richard Fade)

##### Jenkins Account Team

##### AT&T (Patty Eastern)

LM/Unix agreement is signed!! The MS Technical Exhibition at AT&T Bell Labs went very well and patty made significant progress in account penetration this month in the systems, laptop, multimedia and reseller groups of AT&T. AT&T agreed to continue its commitment to Multimedia and the \$250K contribution. I have qualified potential Ballpoint and Pen Windows business and am still working on the Windows apps promotion. DOS 5 and OS/2 1.31 are very close to closure as is the Windows Productivity Pack amendment.

##### Tandy (Ray DiCasparro)

Tandy and MS had a successful meeting regarding Tandy's plans for Windows. Tandy intends to bundle Windows with all PCs within the next two years. Tandy will introduce the first Windows in ROM PC in late Spring 1992. Tandy and MS agreed that some of Tandy's requested changes to Windows could be delivered via a cooperative effort. Tandy agreed to have a technical resource available in Redmond to implement (and test) some of Tandy's requests in the core Windows product. Such cooperation from Tandy, may warrant decreasing Windows royalties (below \$12.) on low end Tandy PCs.

At the CD ROM Conference, Tandy and MS executed the final activities involved with getting Tandy recognition for their contribution to the MPC hardware specification. Tandy's role was mentioned emphatically by Bill Gates during the key-note, Bill spoke at Tandy's press reception, and Rob Glaser allowed Howard Elias to take his place at a General Session presentation. The press may have ignored all efforts to correct the original understatement, or felt that Tandy's contribution was not news worthy, regardless, Tandy will no longer mention the situation and wants to move ahead. MS executed every possible action to correct the original understatement of Tandy's contribution.

Tandy is dissatisfied that MS will not disclose details of the MS DOS 5.0 Upgrade product de-install feature. Tandy would like to offer a de-install feature in its upgrade product, however, MS will not provide information on how the feature works. Tandy views this as an "act of a competitor not, a partner". Raydc has requested this information for Tandy and its release has been denied.

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**Packard Bell (Melvin Henderson Rubio)**

Melvin joins JJTeam. Packard Bell signs 2 1/2 year Per Processor license for MS-DOS, minimum commit per year at \$7.5m. Negotiations continue with Packard Bell to bundle: LanMgr; OS/2; Windows and Apps with the "launch" of their new network turn-key system (not yet announced).

**ALR (Melvin Henderson Rubio)**

ALR interested in bundling our "combo" MS-DOS/Windows FG with the launch of their new (not announced 486sx) PC.

**Everex (John McLauchlan)**

Completed quotation from Brad Silverburg for Everex's Windows press announcement. Met with Eli Ramirez for possible Windows promotions. Met with Diana Lowell to discuss requirements of royalty reporting. Arranged for Bob McBeem from MS to speak to Everex's sound group. Windows driver for 24 bit color card completed.

**Sun Moon Star (John McLauchlan)**

Completed account turnover to Ben Hsu on March 22. Met with Bob McDowell at SMS regarding overdue royalty report and informed marketing group about DOS campaign scheduling.

**CompuAdd (Jeff Morris)**

Bill Hayden (founder of CompuAdd) attended this years CD-ROM conf., CompuAdd participated in our booth at CD-ROM conf. showing Multimedia PC, Held successful mtg at CompuAdd (understanding Bill Hayden' future directions with Windows Bundle and CompuAdd). Have reached tentative agreement on terms to extend CompuAdd's Windows per-system agreement for another year.

**Wang (Jeff Morris)**

Worked with Wang on licensing Microsoft Mouse and Works, finalized and put the heat on Wang to sign DOS 5.0 amendment (signed by customer!), Worked with Wang and the Microsoft Pen Windows group to come up with a solution to help Wang in their quest for shipping the GUIDE in May and minimizing our exposure in regards to Wang's version of "Windows with Pen support", LAN Manager activity has perked up with USSMD trying to cut in for FNGD LM deal.

**Zenith (Tom Davis)**

Zenith Data Systems committed to Multimedia by joining the Multimedia Council and displaying at the CD ROM Conference. ZDS will also join the Gibraltar initiative and will participate in the announcement later this month. ZDS has also indicated strong interest in Pen Windows and will likely license the product in the coming months. An exec level presentation and demo on both products has been scheduled for April in Redmond. This meeting will also bring together Billg and ZDS' executive staff, including Enrico Pesatori, ZDS CEO and President. ZDS will announce five new portables at Spring Comdex next month. Three of these machines will be positioned as Windows machines. Negotiation on SSRC has largely been concluded. Our agreement with Zenith on this contract will likely be in place later this month. Bull remains interested in a worldwide OEM LAN Man agreement that would be executed thru ZDS. Bull has also indicated interest in licensing Comm Server. Bull is also considering the Systems Integrator program for distribution of LAN Man. On the down side, Bull announced losses totaling \$1.2 billion on sales of \$6.3 billion for FY 90. This has lead to yet another round of layoffs and cutbacks. ZDS was also impacted by the layoffs to some degree.

**Hannum Account Team**

**Compaq (Mark Buick)**

The JIA moved forward some in March, although not as much as we had planned. Due to not having material ready for review from Compaq until the end of the month the review cycle was extended until mid April. Additionally Mark has Ben Algaze involved from USSMD to help with planning inside that group as to how MS and Compaq will jointly market this product in the field. We have a trip planned in April to Compaq. Mark is also taking over responsibility for the Pen and MM, but have no status as yet.

MS-PCA 2549595

**Sitka (Mark Buick)**

With Sitka formally announcing a new president this account went on hold for most of March while he settled in and assessed the business. Mark has just heard back from them and expect this to heat back up in April, hopefully with a contract completion this month.

**Sun (Mark Buick)**

Even though Insignia will be picking up the DOS part of Phoenix business the relationship with the Sun DOS group will remain the same as before. Insignia has the same agreement with us that Phoenix had so Sun will continue to get the DOS from us. In a conference call with them this month they expressed some interest in DOS 5 and Windows but this will depend on Insignias direction.

**Tandem (Mark Buick)**

Although Tandem has abandoned the project to port LM to Guardian they want to keep their Source license to use as a reference document to implement named pipes to the Guardian System. This will mean that they will not be paying us the min commits that they signed up for. They had an out clause in their contract giving them this right if they so desired. These were not forecasted so will have no impact on the budget.

The Excel group is interested in developing some sort of strategic alliance with Tandem to promote Excel as the spreadsheet of choice to interface with Non Stop SQL databases. This will be a good thing for MS as long as the agreement is worded loosely enough to keep from hanging us in the future. It will allow us to seed their demo sites with Excel Working models and have their salespeople demo and promote Excel.

**Ungermann-Bass (Mark Buick)**

Activity again this month with UB focused on understanding UBs channel strategy. It is now clear that UB has the right to market a packaged product LM through the distribution channel in the US. It is not clear yet what impact this might have on our channel efforts but there is little we can or should do about it. UB has agreed to present their strategy to us to help us understand their marketing plans. Basically, UB is not in the business of selling naked LM. Thus the number of instances in which this might happen will be low.

Also Proctor and Gamble, one of UB's largest accounts paid us a visit this month via USSMD. This visit has generated much activity especially as it relates to MacIntosh connectivity. Mike Murray promised this product to them in January. They have received alpha code from us which they have running and now want to go live with the product in a production environment and are looking to UB and us to give them support. This cannot happen to any significant degree so we need to be very clear with P&G as to what we will and will not do to support this code.

UB Europe has come to agreement with MS Europe to be able to buy German LM PP and sell it direct only, not through the channel.

**Commodore (Debbie Flynn)**

The master contract still has not been signed but is reportedly on Gould's desk for signature. The entire Amiga Works proposal has been drafted and delivered. Debbieff met with Gail Wellington and Nolan Bushnell at the CD-ROM conference and learned quite a bit about their CDTV product. A meeting was also held with Laura May at this conference to further explore the opportunity for Flight Simulator on the Amiga. Changes in the Amiga Basic contract and the reassigning of Allanmc have caused rethinking on the MS strategy for this product.

**NetFRAME (Debbie Flynn)**

Carl Amdahl and Tom Glassanos came to MS for a couple of meetings at the beginning of March. The original intent of the meetings was to perform due diligence in exploring a possible acquisition. However, Carl and Tom also met with Steve Ballmer to discuss other issues, one of them being their hope for a joint support plan.

Ballmer deputized Jody's to follow up with NF and drive the issues internally. Currently there is no resolution on the support plan or NF's desire for packaged LAN Manager. NF's difficulty in getting a support plan in process has soured them on the MS relationship. Debbieff also met with several NF executives this month, all of whom expressed frustration at the inability to move issues forward.

MS-PCA 2549596



**Phoenix (Pete Peter)**

Steve Kalman visited us in Redmond on March 5 on the return leg of his trip to Asia. During his visit, we made excellent progress with negotiations surrounding the pending Publishing Agreement. Several drafts changed hands in March and we should close this Agreement in April. Claudia Robbs will be fielding questions and issues regarding Publishing Services for both Phoenix and RR Donnelley. We have chosen to budget Phoenix for the 3rd and 4th fiscal quarters of 1992 even though their license Agreement expires in December 1991. Phoenix has been hit hard in Q3FY91 by piracy and counterfeiting and will fall short of earning their minimum commitment.

**Logitech (Pete Peter)**

In March, Logitech chose to exercise an option in their Agreement which allowed them to increase their minimums and decrease their royalties for the duration of the Agreement. We accommodate their request with an amendment executed in March. Their royalty will decrease from \$27.50 to \$26.50 while the minimum commitment will increase to 9,375 units per quarter (up from 6,250). This amendment also adds three additional pointing devices to Exhibit M of the Agreement (including their new trackball for portables) and is currently in the signature process. We have budgeted Logitech for 15,000 units per quarter which they should come close to achieving throughout fiscal 1992.

**Compaq (Peter Braman)**

March was a busy month with a Compaq Executive review, the Compaq Ballpoint promotion, and preparation for the April 9TH ACE announcement. Mark Buick is now working the Compaq account and will drive the JIA as well as the Pen Windows and MM Windows opportunities.

Compaq has become serious about taking a leadership position with Windows. Rod Canion would like to see this happen before the Windows 3.1 time frame, by September or October. We are working with Compaq Systems Engineering to establish some value add for their release of Windows. Net utilities for Windows looks very promising. Also discussing Compaq's use of limited Windows shell on all setup and diagnostic disks shipped with all of their systems.

**3Com (Barry Spector)**

Shipments of LM bounced back up from February's 200 units to 440 copies in March. Additionally, 3Servers sales spiked up from 80 units in February to 220 systems in March. The company announced a 3rd quarter loss of \$40.8 million, including a \$67 million restructuring fee attributed to their withdrawal from the NOS business. Most significant in this report is the reduced sales in their traditional stronger products lines of adapters and wide area networking products; which fell 8% and 14% respectively from last quarter.

3Com is still looking for a purchaser of their DSD Group (NOS department) and have three different parties showing interest. If they cannot sell this division by May 31st, they will wind down and phase out operations. Because they are uncertain if DSD will be purchased or just closed down, 3Com is having difficulty making marketing and technical development decision concerning LM. The NBU's major concern is 3Com's ability to live up to their obligations of development of migration technologies.

**Dell (Barry Spector)**

Many issues and opportunities, of varying degrees of interest, are on the table including: a) the signing of the DOS 5.0 agreement, b) extension of the Win 3.0/Mouse license, c) building prepaids attributable to OS/2 royalties, d) factory installation of Win apps onto the hard disk of end user systems, and e) renewed interest in Ballpoint.

A major goal continues to be the bettering the relationship between the two companies. Dell still views MS as a provider of product, more than a strategic partner. Progress is being made as we have meet with their Senior Executive Staff in March, and are scheduled for an Executive Review in July.

**Digital Equipment Corporation (Kelly Wood)**

March was a busy month as Kelly conducted both several account reviews for internal MS and an Executive review with PCSG. He continued to negotiate terms and conditions for the DOS/Windows license, the LM/U

license, and an NDA. Interspersed with these activities, there continued to be further management of the All-in-1 project along with a visit to Atlanta's Desktop Services organization. This latter visit proved to be very fruitful from the standpoint of uncovering a significant and potentially profitable alliance that Digital and MS can benefit from as we look for alternative methods to selling our products.

#### Chestnut Account Team

##### **NCR (Teresa Chapman)**

The principal activity during the month of March was finalizing the DOS 5 amendment with NCR. Issues included: Exhibit M language, source code for keyboard and display drivers, and license pak distribution rights. NCR signed both the amendment and the distribution delay letter at the end of the month. MS wins in the amendment were the uplift of the royalty for localized versions from 10 to the price list 15% and including key retail and financial systems in Exhibit M per-system language. The Executive Review was finally rescheduled for June. However, it will be important to schedule a meeting with Alok Mohan and Tom Mays. Rumbblings from NCR indicate that Unix is in position to become the OS of choice at NCR and that delays in scheduling the Executive Review (caused primarily by full schedules and the AT&T takeover) have caused NCR to feel that they are not "strategic" to Microsoft. In addition, the workgroup product set continues to struggle for sales force bandwidth in the face of increasing IBM sales action regarding Extended Services. A last ditch effort to include NCR in the Multimedia PC Council was unsuccessful as NCR continues to define their goals with regard to Multimedia. Draft agreements for MM Windows and the MPC Council are at NCR. Finally, negotiations continued regarding a new Non-disclosure agreement and Pen Windows license. Major issues with Pen Windows included "per-system" pricing and MS participation in the NCR media event in June.

##### **HP (Larry Edralin)**

March has been an incredible month for activities. The Seybold conference opened the month and we had good discussions with HP on device independent color and TrueType font issues. We've come closer to understanding our two directions in these areas than ever before. Much of this was discussed in the Sub-Committee meeting held mid-month between Carnahan and Ballmer, and pre-staged by an "HP Days" event that had our mutual engineers discussing Windows printing issues for Win 3.1 and 4.0. Since then, the email traffic on windows printing issues has quadrupled from our developers. Interspersed between these sessions, I had the HP/PCG long range planning team in to review our product strategies for Windows, Pen Windows, Multimedia, and Networks. This sparked an intense interest in Multimedia that may result in an agreement before Summer. Coupled with this were several meetings on the Umbrella Minimum amendments with the contracts staff that has us on a path to finish the amendments by mid to late April. Throw in a trip to Corvallis to officially transfer this account to Darcy Ruscigno and a few billing problems with CND and you have the month finished.

##### **Tandon (Tom Henningsgard)**

Picked up Tandon from Karenhu and made two visits to begin building my relationships with them. Have DOS 5.0 amendment verbally agreed to, will have signed by 4/17/91.

##### **Northgate (Tom Henningsgard)**

Picked up Northgate from Jeffd; made account transfer visit, and arranged Mike Hallman's visit to same.

##### **Momenta (Tom Henningsgard)**

Agreed to our terms for DOS 5.0, Windows and Pen Windows, signing the LOI which commits them to signing Amendment by 4/31/91.

##### **Emerson Technologies (Tom Henningsgard)**

Emerson Technologies now ceases to exist, their receptionist answers the phone "May I help you" instead of announcing any company name. Chris Daly hasn't got all his funding yet to transition this company to his newly defined one.

MS-PCA 2549598

**AST (Jeff Daniels)**

AST signed a three year Microsoft DOS 5.0 \$16 per processor royalty license with a 250K unit per year minimum commitment. AST also signed a two year \$16 per system Windows 3.0 license and \$19.25 per system mouse license with 125K and 75K unit per year minimum commitments, respectively. The total dollar three year minimum commitment is \$18.87M.

**Printer Business (Nancy Ritzenthaler)**

Interest in Truelmage is on the rise as the idea of optimizing printing from Windows becomes more popular. A heavy concentration on customer visits this past month resulted in several near-term hot prospects. Also, discussions with longer term strategic vendors such as DEC went well.

Meanwhile, the press has been ripping us apart over Truelmage schedules and performance. We freely admit the former "yes, we have been bad". To the latter, we talk about recent code improvements which are not yet shipping. With Microtek, Everex, and LaserMaster the only vendors shipping Truelmage based products, we can't brag too much yet about our sales successes YET.

We achieved a design win with Bezier this month, who signed up for TI source code and 10,000 units a year. Olivetti has signed a LOI and will likely sign up for 5,000 units a year to start. PDP is carefully considering switching from Phoenix-Page to Truelmage for all their cartridge products. Other interested vendors include Mannesman Tally/Siemens, Autologic, Unisys, Bull Compuprint, DEC, and Computer Peripherals.

Truelmage 1.0 has gone golden!! This was done to get companies like Microtek and Newgen shipping. There is a new version, 1.1 expected in June that delivers on the Windows extension promises and fixes the performance issues. The i960 code has also shipped to Peerless and other customers in beta form; the byte order problems has been resolved.

**HP Corvallis and PCG (Darcy Ruscigno)**

HP Corvallis division is preparing for their April 23rd launch of Jaguar, an 8088 palmtop running 3.22 ROM-DOS and Lotus 1-2-3 v2.2. However, they are already actively planning and preparing for the next release of this product, "Lion", which is planned to be Windows based and running on X86 architecture. Darcyry has two meetings set for April, one to discuss ROM DOS 5, and to have the product team up to MS for discussions with MS product managers re: Pen Windows, ROM Win 3.1, and ROM Excel. The goal is to cement this GUI design win by June '91. HP PCG Work with Tom Musoff to define how MS can best support PCG is underway, and weekly status conference calls including PSS with PCG have started.

**Graves Account Team**

**Liuski (Rick Chouinard)**

This was a busy month for licenses. Liuski and MS both signed Liuski's new MS-DOS license with a minimum commitment of \$630,000.

**Model American (Rick Chouinard)**

Model American took an additional 1,000 units of the Combo product in March. Their license expired this month but I will have a new license signed during the first or second week of April.

Spent half the month handling the responsibilities of Dorism's territory. No real fires, just busy returning calls and quoting prices.

**DAK (David Bennett)**

DAK has agreed in principal to bundle Word for Windows with 100K 386sx systems over a two year period. Revenue over the period will be 5.5 million dollars. DAK has requested a few minor changes to the license. I expect to have it signed no later than April 12.

MS-PCA 2549599

#### Ziatech, Annabooks, Paravant (Ray Kanemori)

The Ziatech and Annabooks DOS royalty license agreements were signed. American Automatrix packaged DOS agreement was signed. The Paravant DOS royalty license agreement needed to be sent back to the customer for approval of changes and is back for the final approvals in our signature process. Have begun to make use of Annabooks by passing small leads to them and they will be getting the DRI DOS ROM System Builder Kit to evaluate. Visited Europe to gather more information about component distributors as well as attend CEBIT to prospect for embedded customers.

#### Soft Warehouse (Doris Medicott)

Sent them DOS 5 royalty pricing and a draft license agreement in early March. Upon initial review, they have no problems with the royalty rate (\$25 per processor) and volume mvc (85K per year), but want a decreased due on signing. Doris proposed the following: have a small due on signing (under 10%) due when the license is signed (early May estimate), and an additional payment due on the license effective date (July 1, 1991); total due on signing amount to be determined. SWHse liked that idea. They are currently reviewing the license in more detail, and want to meet with Doris end of April to go over specifics and close the deal.

#### Entertainment Marketing (Doris Medicott)

EMI's interest is to license DOS direct from MS on a per processor basis, and Windows on a per model basis. All software is pre-loaded on the hard drive. They also want apps, but Doris believes their price target is much too low to do a direct OEM apps bundle with them (for example, they recently got a price quote from Lotus for 1-2-3 for \$8.50 @ 5K/mo mvc for product and product support).

Doris sent them a price quote for DOS pricing at 50K, 75K and 100K per year, and Windows at 24K per year. There is a possible mvc opportunity of over \$3 million per year, but Doris believes they will commit to a lower number, such as 50K systems per year, bringing the overall mvc to a little over \$2 million. Doris also sent them a sample license draft and a standard apps price quote (46% off the SRP for purchasing FG product direct from MS as an OEM). After review of the pricing and license draft, EMI's president, Elias Zinn, now is considering Windows per processor, at volumes up to 100K per year.

#### New Business (Doris Medicott)

DonHar, WolfS and Doris had a demo of the ACT software we will be using for our lead tracking system last week. Doris has had the software installed, and is beginning to work with it. She is working with Don and Wolf to determine specific fields for our database.

#### Customer Service (Trish Hunt)

Trish took 545 calls this month; 35% were incoming calls and 54% were outgoing. She also met with Order Processing and Finance departments to establish a criteria for how we can work together more effectively to meet our customer's needs. The meetings were very successful. Trish is also working with Susanwr on a way to handle MS-DOS orders under 30 units.

#### Downing Account Team

##### WinLabs (Susan Diamond)

Final negotiations of the new royalty agreement have been completed and the agreement should be signed off in April. Total value of agreement is \$1,722K.

Piracy concerns: WinLabs confirmed that in November, 1990, they sublicensed 5000 units of DOS to a third company. WinLabs voluntarily reported this and said that it was due to an employee's misunderstanding of the agreement terms. Following a conference call with Microsoft's legal department and myself, WinLabs has offered to report and pay royalties on those units produced by the third party. WinLabs continues to work with Microsoft to identify possible sources of counterfeit Microsoft product.

MS-PCA 2549600

**Sysorex (Susan Diamond)**

Negotiations on the Sysorex royalty agreement have been slow. Sysorex is still in the process of obtaining government approval to sell their own brand PCs into their government contracts. Meeting with them first week in April.

**Swan (Susan Diamond)**

Swan Technologies has finally signed the combo agreement and submitted an initial order for 350 units. This is Swan's first step towards a commitment to Windows.

Have begun discussions on a royalty agreement to include DOS 3.3, 4.01, 5.0 and Windows 3.0. Total contract commitment of \$1.6M. Will visit Swan in April to present a draft agreement.

**Creative Labs (Wolf Struss)**

\$1.2 million/year Multimedia Windows license agreement in negotiation.

**Farallon Computing (Wolf Struss)**

LAN Man REDIR license agreement in negotiation.

**Headland Technology (Wolf Struss)**

\$380K/year Multimedia Windows license agreement in negotiation.

**Media Vision (Wolf Struss)**

Submitted a revised \$540K Multimedia Windows license to customer for signature.

**Positive (Wolf Struss)**

Major happenings here with Positive potentially licensing a Spinnaker Windows product that will compete with Works for Windows. Met with Donnag and them to determine a plan to keep their virgin commitment to MS products.

**Bloomberg Financial Services (Don Hardwick)**

Bloomberg signed a license for packaged Works to bundle with their financial services software on TI portables. License currently in MS signature process. Bloomberg will sell these systems to their brokerage clients for use at home. The agreement is for 1000 copies of FG Works at \$55 each. Bloomberg is a new customer for MS.

**The Complete PC (Don Hardwick)**

The Complete PC signed a license to bundle 4000 copies of Works at \$17 royalty (\$68K, all due on signing) with their Complete Commander voice mail/fax/modem card for pc's (SRP \$895). License currently in MS signature process. Expect to begin shipping in April 1991. The Complete PC is a new customer for MS.

**Insignia Solutions (Don Hardwick)**

Insignia has signed a new royalty license agreement with Insignia that will add MS-DOS 5.0. License is now in MS signature process. New agreement should begin in April 1991, and will increase their current minimum commitment of \$500K by 50% the first year (\$750K) and 100% the second year (\$1M). Insignia is also licensing their software emulation technology to MS for use with OS/2.

**Gateway 2000 (Dave Wright)**

Gateway has shipped new systems - custom color casing. They still have not resolved internally what they want to do with mouse business. Meeting with MS management for action plan.

**Texas Instruments (Dave Wright)**

MS-DOS 5.0 and CDX amendments delayed due to administrative bog down. Will receive both signed in April. Successful meeting in Redmond with TI, much closer to licensing Pen Windows, Online Agreement and Windows

3.0. Successful meetings in Temple, TX and Houston, TX with upper management at each location. Issues and relationship advanced.

**Austin Computers (Dave Wright)**

Received royalty payment (overdue due to renegotiating of agreement), new amendment signed for Dos/Win license and Mouse amendment. Both amendments were to restructure their payment schedules to extend the period of time they have to pay but not reduce their total due to MS.

**Unisys (Michele Pearson)**

Really good month. Conducted an Executive Review here that was attended by Hugh Lynch, the godfather of many PC related projects that span various account divisions. The most important outcome was an agreement to study our respective company future technologies to ascertain best future working relationship. There was also a Technology Review Meeting on the 15th which brought in six marketing and engineering people from around Unisys. The royalty report came in finally too, on the heels of a curtailment of code shipments—tough tactic, but it produced the goods. Amendment One is nearly complete as well after yet another round of changes from our legal review. Amendment Two is in the works and the DTIII business holds steady with no change. Continued learning all the accounts and related business issues.

**AMAX Engineering Corp (Ben Hsu)**

Negotiated with AMAX on a royalty DOS deal for their new government contract—an order for approx. 60,000 machines over a four years period. Royalty license to come.

**DFI (Ben Hsu)**

DFI has a very negative feeling about MS. This has been changed. We have a very good chance to get them as a DOS royalty customer.

**Eltech (Ben Hsu)**

Signed for a 3 year multi-million dollar deal for DOS and Windows. Now to collect their due on signing.

**Microstar/Infiniti Systems (Ben Hsu)**

Negotiated with Microstar/Infiniti to bundle DOS and Windows on a per processor royalty base. could be a very big royalty customer.

**Supercom (Ben Hsu)**

Negotiated with Supercom to sign up DOS and Windows for royalty. Supercom is our biggest PP DOS customer. They have a new business plan for coming year - the European market.

**EUROPE (Jeff Lum)**

**Amstrad**

Sandy arranged a productive meeting between Joachim and Malcolm Miller. Joachim was able to squash any more random ideas about DRI on the 8086s for at least another year. They signed their DOS 5.0 amendment as well as an agreement to bundle German Works on selected machines.

**Apricot**

Sandy has reached agreement with them to a new license (won't revert to Mitsubishi as earlier expected). Commitment will be 100K units over two years for all systems products.

**Aquarius**

Reached agreement with them at CeBIT to raise their unit commit from 40K to 60K per annum. We'll get DOS, Windows, and Works for about \$2M per year.

MS-PCA 2549602

#### Assem

Andreab just signed them to 2 year agreement for DOS 5.0 and OS/2 - \$650K. Other opportunities include packaged LANMAN and Works bundle.

#### BULL

Announced DCM on March 14 which aims to provide transparency and distribution in a heterogeneous environment. It is based on OSF DCE, X/OPEN, Posix, etc. Users get access through a GUI - Windows or Motif. LM/X is part of this set of products and will be implemented on their Unix DPX minicomputer. Bull engineering enthusiastic about Visual Basic. 10 people developing a product plan for it.

#### ICL

Will participate in the LANMAN Council meetings in April. Appears they will likely have SPARC workstations via Fujitsu (this was always speculation but Dalebor got more hard data about it recently). MIPS paid a visit to ICL also this month. No major actions pending from that meeting from what we can tell. Dale organized a go-karting event with ICL that worked out nicely as a social event for the companies. Windows is still a hot topic. They are committed to it, but have some concerns regarding the MS-Fujitsu-ICL contractual relationships. Dale is trying to schedule a 3-way meeting with the 3 companies.

#### Nokia

Held executive review in March. We need to pay more attention to this account. They mention this to me every time I see them. Lots of issues with this account. Lars should spend more time on campus working the issues rather than working them from Sweden where he has a hard time following up on outstanding issues. Nokia's business is feeling the pinch of the economic slump in the Nordic area; some layoffs are expected at Nokia. Their business is flat. The LAC agreement, which allows them to license MS products onto non-Nokia hardware, was signed by Jeremy and Jukka culminating a year long negotiation. Two engineers have moved to Redmond and have started work on OS/2 3.0 with us.

#### Olivetti USA

Interested in Arabic DOS for the machines they are sending into Kuwait as part of a post war cleanup plan. I am not holding my breath on this one. This is the same group that has given us the runaround on Works and Windows in the past. The Works bundle was recently shelved.

#### Olivetti - SPA

Clearly unhappy about the backseat they had to take on the ACE announcement. Threatened to pull out but they didn't anyway. MIPS owns this issue of giving them the proper attribution, but Carls is helping somehow. Good progress here by Nancyri. Source fee waived since prior Bauer customer. Awaiting final Ts&Cs to be agreed to. MMW and Penwin issues still active. Fear that Office and OSN may make independent decisions on their OS of choice and choose GO. Maurizio is on top of it. Excellent job by Maurizio in finishing up the Olivetti amendment which extended their license for another two years at \$12M per year. Good work Maurizio.

#### Peacock

GmbH squelched an aggressive Logitech push for mice and renewed the MS Mouse agreement for 25K units per year.

#### Philips

Mark continues to get good account penetration into Philips and Magnavox via the Multimedia issues. That's the good news. The bad news is that we uncovered some agreements they have been working on with Geoworks and Lotus on some of the machines on the consumer electronics side. Mark and donnag are putting together a plan to unseat these competitors on the current platform if not the next generation of products.

MS-PCA 2549603

#### Schneider Rundfunkwerke

Met with Schneider and Rusniok at CeBIT and agreed to license the Shell on non-Windows machines for \$1. These guys are trying to up their image to top quality and great support at reasonable prices. Will reduce their dealer channel from 1200 to 400 this year. Manfreds needs to work on resolving the Works unbundling issue with Quelle (same problem as Commodore).

#### Siemens-Nixdorf Informationssysteme AG (SNI)

Finally got their license agreement signed that merged Siemens and Nixdorf. This released the dam of revenue that was being held up by these agreements. The merger seems to be struggling along, and it appears they are having a long ramp time to reach their "synergy at work" slogan. SNI is on IBM's top 5 list for licensing Extended Services. You can count on IBM going after them full bore with a total OS/2 solution.

#### SMT-Goupil

Rumors still strong that either Siemens or a Japanese OEM will buy them. Everything with them has come to a halt until they know where they are going, and with whom. Minimum commitments are at risk for FY92. They are already behind in payments this year.

#### Tulip

Last month I reported that they declined the royalty LANMAN proposal. This month they were presented with a 46% discount on packaged LANMAN for all of Europe. They declined this also. We have agreed to go back with lower minimum commitments to get the royalty business. This is likely to go through.

#### Victor

Not much new to report here over last month. Appears there are some political struggles going on between Tandy and Victor as it has been like pulling teeth to get someone from Victor to attend the Tandy exec review in June. We have been told no one from Victor will be present. High probability that Tandy will take over the Victor license in July.

Magnus did a good job on finishing a very complex amendment to their agreement which includes DOS 5.0. Their recent involvement in LANMAN bids will force them to get involved with the product, but the opportunities are too small to justify right away.

#### Vobis

Joachim met with Theo Lieven reached agreement on the outstanding license. We get Windows or Works on every PC, plus DOS 5.0 when they start shipping the German version. Vobis is one of DRI's largest OEMs worldwide (largest in Europe). This was a great win for us. This is just the beginning, however. We need to stay close to this company as we know DRI is very close and they will do all they can to win these guys back (but we do have them locked up for another 1.5 years!).

#### JAPAN (Ron Hosogi)

##### Alps

Alps Amendment #3 which adds DOS 5 and Win 3 is completed and now on the way to MSHQ for signing. (Due on Signing: \$200K).

##### AST Research

Very interested in DOS/V. They will enter the license agreement to add DOS 5/V in the U.S.A.

##### Canon

We have started negotiations for Amendment #1 to add DOS 5, Win 3 and LM 2. Canon has agreed to pay an additional M/C of \$500K and plans to sign an NDA for Win 3, DOS 5, LM 2 and Pen Win.

MS-PCA 2549604



#### Casio

Casio Amendment #2 for ROM-DOS closed. It is for \$550,000 (Due on signing and first M/C).

#### Compaq-J

MSKK shipped alpha version of "V" driver source code to Compaq-J (Houston).

#### Epson

Mr. Tsuchihashi, Sr. Managing Director, committed to making Pen Win system targeting '91 Fall COMDEX. LM 2 (Kanji) \$200/server, \$30/client, Source Code \$150K; TCP/IP Source Code \$70K proposal delivered. DOS 5 deal is under negotiation. Mr. Akahane proposed \$10/sys flat for DOS 3, 4, and 5. This royalty plan is under consideration at MSHQ.

Epson announced a new model: \* PC0386G-STD (Desktop) at 750,000 yen. Release: Mid March. Specs: 386SX-, 33MHz, no wait, 64KB cache memory, 3.5" FDD type or 5.25" FDD type, 1120X750 and 640X400 modes.

#### Fujitsu

Fujitsu Amendment #4 for Win 3 is complete.

Fujitsu OnLine Agreement is completed and now on the way to SamF for signing.

Negotiating prices for MM Windows 1.0 and DOS 5. We are trying to get higher royalties to help reduce overall UPBs.

Solving TrueImage business problems. We will enter into an agreement this May.

They will produce a new very powerful machine which utilizes Intel 80486, 50MHz within CY91.

Poqet Computer will be integrated to FJ's agreement (J036-8133) in near future but ICL will not. To keep a good relationship between MS LTD and ICL, they will need to keep the existing agreement.

#### Hitachi

Hitachi signed Amendment #4 which adds an additional M/C of \$1M (scheduled June, 1991) and the term is extended for a total of 6 years). Amendment #2 of CDEX has an additional M/C of \$100K (scheduled for 5/91: \$50K and 5/92: \$50K) and the term is extended to a total of 6 years.

We are negotiating Amendment #5 with LM 2 pricing, TCP/IP protocol stack, DOS/V and OS/2 2.0 Exhibit C is 3rd Vender's Copyright and Trade Mark notice issue.

#### IBM-J

IBM-J and MSKK are still working out the licensing of DOS/V portions. MSKK R&D is cleaning up IBM's copyright from object, source code and documentation.

#### JVC

A meeting was held regarding DOS licensing. JVC is selling a dedicated PC system to the image processing market. It is supplied by Sanyo as OEM. JVC now plans to manufacture it by themselves. JVC will announce it this fall and will release it next spring according to their current plan.

#### Kobe Seiko

MSKK first attempt to license LM 2 to a systems integrator. They will adapt LM 2 server to various machines such as FJ, MEI, NEC, IBM etc. They also plan to resell the workstation LM (package product) from key OEMs. Quoted the LM 2 price as follows: 300 Units/Year, M/C: \$60,000, Server Royalty: \$180/copy, Client Royalty: \$35/copy.

Now, we are at NDA signing and will follow-up with an LOI stating that they will enter the agreement. Then KK will negotiate the license agreement and ship LM 2 Kanji evaluation OAK to them.

#### Kobe Steel

Another LM 2 to Software Integrator license. They will adapt LM 2 server to various machines, and will buy the workstation package product from other OEMs.

Goal is to obtain LOI from them and start the LM 2 porting work.

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#### **Matsushita (MEI)**

MEI decided to utilize our MS-DOS to their limited type of JWP. Quantity is about 50K units. MEI committed to ship DOS/Win on 80% of 386DX machines called CV-M750 Series. New master agreement in the works which merges three older agreements. (J005-6080, 7029, 7162). MEI is very interested in Pen Win. KK will visit MEI for another management introduction and product demonstration next month. MEI's Director, GMs are supposed to attend.

#### **Mita**

Interested in TrueImage. They received a proposal (quote) for:

- 1) Minimum Commitment Payment: \$450,000.
- 2) Source Code Fee: \$250,000.

#### **Mitsubishi (MELCO)**

MELCO finally agreed to increasing royalties of DOS 5 and Win 3. They will bundle DOS and Win for all their domestic AX-PC (Desktop, Laptop and Notebook). They have also agreed to consolidate 3 Agreements (DOS, Win and OS/2 Agreement) with an additional M/C of \$1M (scheduled June, 1991). MELCO signed Amendment #1 of OS/2 with ABIOS with a Source Code of \$25K.

#### **NEC**

A meeting among NEC, Sybase, MSHQ and MSKK was held in Tokyo regarding SQL Server DBCS enabling. This meeting was successful, but progress overall has still been slow. This issue had not been resolved for over 6 months. A detailed schedule will be fixed within April. We made 3 license drafts and sent them to NEC. Now NEC's legal department is reviewing. The first draft adds DOS 5 and Win 3 to the 386, 486 agreement. The second draft amends to add German DOS 4 and Chinese DOS 3 to the 286, Vchip agreement. The last draft adds LAN Manager to the OS/2 agreement. NEC and KK have also started business negotiation for Pen Win, MM Win, SQL and COMM.

#### **Nippon Eurotech (ALR Japan)**

Although, they are very interested in DOS/V, KK passed this opportunity to US OEM in order to provide good leverage for the overall DOS license.

#### **NTT**

MSKK started business negotiations for DOS 5, Win 3, OS/2 1.2 and LM 2. Draft to be provided in April.

#### **OkI**

LM 2 (Kanji) \$200/server, \$30/client, Source Code \$150K; TCP/IP \$25/copy, Source Code \$50K. Final approval is needed.

#### **Sanyo**

Sanyo is interested in DOS/V also and joined the OADG. However, they are really serious about compatibility with AX applications. The "DOS/V" emulator is planned to be used on Sanyo's AX model to achieve this. Sanyo will make a new AX machine based on their export model, MBC-17NB this fall. This will be i386SL note-book PC.

Sanyo joined the DD-1 Book Committee (Sony's Data Diskman) project. Other OEMs to join are: MEI, KMEI, Casio, Canon, Sega, Chinon, Ricoh, Fujitsu, and Sony.

#### **Sharp**

Dr. Nishioka, Division General Manager (to be promoted to Deputy Group General Manager of Information Systems Group from April 1, 1991), committed to make Pen Win system for '91 Fall COMDEX. He is very active toward Pen Win and requested MS for an ESP.

Sharp has a special project on i386SL based note-book PC, which will be a next generation All-in-note. Sharp and Intel are working closely on this project. Mr. Izaki, Manager, will meet SamF early next month to discuss how Sharp and MS can cooperate on this project.

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Personal Equipment Division has asked to have a strategic meeting with senior managers of MSHQ. The meeting is planned for May. Sharp intends to achieve data compatibility between Wizard and MS-DOS. They are also interested in personal accountant application. Sharp is interested in "DOS/V" and joined the OADG.

**Sony**

Finalizing the LM 2, Win 3, and DOS 5 license.

**Sun Electronics**

Very interested in Multimedia and DOS/V. They will enter the agreement when KK is ready to ship DOS 5/V OAK.

DOS 4 price quote: 10,000Unit/Year, M/C: \$350,000, Royalty: \$35/sys, /V Portion: \$15,000.

**Toshiba**

An amendment for DOS 5 and LAN Manager 2 is in the works.

Toshiba is strongly asking us to reduce DOS royalties because it has lowered the SRP price on Dyna Book series. We'd also like to keep the revenue. As a compromise plan, both companies agreed to set each DOS royalty of battery type PC and AC type PC separately. The royalties Toshiba is asking are \$10, \$11 and \$13 on 86, 286 and 386. We are asking Toshiba to commit to per system Win 3.

Toshiba announced new desktop PCs called J-3100ZS and J-3100ZX. Main features are:

**KOREA** (Ron Hosogi)

**Daewoo Electronics (DWE)**

DWE signed Amendment #2 to add DOS 5. A MS products seminar was held for DWE domestic sales team for the bundle deal of Hangeul L-DOS for their XT & Win 3 for their 386s. Due to be finalized in April.

**Daewoo Telecom (DWT)**

DWT signed new Amendment #11 expanding MS Works license to Leading Edge brand 386SX. Now Works is bundled with all their 286 and LE 386SX machines, and Win 3 for all their 386/486 PCs. Regardless, LE is in favor of GeoWorks because of the low enduser support cost.

The employees of Computer Business Division of DWE will be transferred to DWT and will be retained as a manufacturer of PCs for DWT.

One problem to fix. DWT ordered MS-DOS 4 German CRC-but 3.3 CRC was shipped from HQ. We need to fix this problem as soon as possible.

**Goldstar Co., Ltd (GS)**

GS planned to manufacture 250K PCs this year including the Zenith deal of 100K units and Intel OEM manufacturing. GS is converting their all production lines for notebook PCs, but still their manufacturing plant cannot satisfy the orders from European countries. GS is expected to ship 10K Win 3 in CY91 Q3.

**Handeung**

Their General Manager quit the company and the payment issue of \$30K is being worked out by a new GM.

**Handok (HDK)**

The Amendment #1 for adding DOS 5 was signed. They are developing a new pen based PCs using ROM-DOS. This product does not have full handwritten recognition and market acceptance is not favorable due to limited functions.

**Hyundai Electronics (HEI)**

New amendment has not been signed due to per processor issue. They are holding the signature on the amendment and remain as the last headache for the issue after Trigem's claim. They are requesting to apply the

current terms under per machine/per system condition and we rejected their request. Their amendment will be finalized in April.

#### **IBM-K**

Strategically, we agreed to cooperate in localization of the products and adoption of same standard. Had a meeting with IBM Korea staff for Hangeul MS-DOS adoption. Hangeul DOS 4 package deal was discussed for their new 386SX model. For Hangeul Win 3, they still don't commit their distributing through their sales channel. They started to develop their device drivers for Hangeul Win 3.

#### **Koryo System (KRS)**

KRS is discussing their sales plan again to amend the agreement with adding Win 3. Their US sales office requested to get Win 3 and its application information through Redmond.

#### **OPC**

Financial status of OPC is in poor shape. They need to merge with a larger company to escape bankruptcy. So far, rumor says Koryo System would buy OPC.

#### **Qnix Computer (QNX)**

The draft of CD-ROM Extension agreement was sent for their signature. Qnix will sell their CD software with the drive from May. Qnix agreed to adopt TrueImage verbally, and requested to charge the source code fee by their UPBs. Their PC business is still slow and UPB is increasing every quarter.

#### **Samsung Electronics (SEC)**

New amendment is in their management's hands. One of their managing directors is holding the amendment because of a per processor issue in Korea. The amendment will be signed in April.

They shipped Sensor 286 to US market but the sales result is poor. Samsung is anticipating the success of Sensor 386SX, but the shipment was adjourned to early May because of their manufacturing problems. Win 3 will be bundled with Sensor 386SX.

Hangeul Win 3 per system discussion has been started. With a test version evaluation, more discussions will follow.

Samsung held joint MPC consortium. IBM's plan made them watch and see the market again, and their staff couldn't find the fancy applications for MPC during the Multimedia Conference. Finally, Samsung determined to adopt MS hand-written recognition for Pen Windows.

#### **TongYang Nylon (TYN)**

New amendment for another year has been negotiated. One of their buyers requested the 286 notebook systems without MS-DOS. After checking the details, the negotiation will proceed. Their sales forecast is around 35K for this year and this figure is under their original plan of 50K. However, their sales revenue will not be decreased because they will concentrate on high priced PCs of notebook and 386 desktop.

#### **Trigem Computer (TG)**

Trigem started their Win 3 package design before executing their Win 3 agreement. They made a contract with Emerson to provide 386SX systems to be shipped around 30K units during this year.

One of their subsidiaries, Solvit, was reorganized to start Multimedia project and they requested MS MDK for their development plan. Trigem R&D requested the detailed information for Pen Windows for their new project initiation.

Trigem network division requested the terms and conditions for transferring their dealership for LAN Manager from 3COM to MS. This will be closed once CH has set up a LAN Manager business plan.

Their Chairman ordered their staff to amend the per processor agreement after meeting with SteveB and DRI relationship with Trigem is seemed to be continued silently.

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TAIWAN (Ron Hosogi)

**Acer**

According to internal sales reports, Acer America's sales is 6% over their forecast and is finally in the black. Also, Acer is quite optimistic for this year. At least for the first quarter, 1991, Acer is doing well. For the next half of 1991, Acer is introducing a new 286 system for the commodity channel that features a no screws assembly. The whole 286 system could totally disassembled in one minute. Stan Shih is also heading a 486SX project.

**Autocomputer**

Autocomputer is very much released from the CPU shortage after AMD's announcement. They also do not have to pay the very high price in the gray market to buy P9 CPU. Again, Autocomputer has cash flow problems. They just sold their Hsin Tien S&M office and moved to Chung Li.

**Chaplet**

Although they expected CPU and LCD supply will be better start from FY92 Q1, they are still suffering the shortage. This impacts MS UPB. Currently, their DOS contract will expire September 30, 1991 and we have forecasted around \$0.8M UPB for this account.

**DTK**

250K units at \$18.50 standard contract for MS-DOS was signed by them and sent to HQ for approval.

**Lyi-Cheng**

After coming back from Hannover Show, they seem to be gaining possibilities for extra orders, and are requesting additional European language kits from us.

**Mitac**

DOS 5 amendment is in their hands for signature. Own brand PC sales was not very well in the US in the past, and most of their PCs in the US were for OEMs. They had forecasted this year to be better. In the European market, their use own brand products is selling much better.

**Modern**

They have received the FCC "B" Class approval from the US. They will start to promote their Notebook with DOS into the US market soon.

**Mustek**

Another DRI conversion. They are now in the MS-DOS camp.

**Plus&Plus**

Signed a new DOS/Win contract with us. Financial strength is still questionable. FY92 forecast reflects this.

**New Accounts Development:**

**Compal**

They have received FCC "B" Class approval from US. They are changing into 100% OEM business. All their OEM prospects already licensed with Microsoft in both US and Europe.

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CANADA (Ron Hosogi)

**Budgetron**

Budgetron renewed its two year agreement for MS-DOS and OS/2. The current recession and unwillingness to commit financially made it impossible to license Windows on a per systems this year. However, the finished goods deal may be extended. Budgetron is the one account in Canada where DRI's presence was very strong. Budgetron's market is strictly the low end VAR (or dealer) who would endure DRI DOS for a lower priced machine. This new contract guarantees MS-DOS on every processor manufactured and shipped by Budgetron, therefore excluding DRI.

**Everich**

Everich wants to terminate its OS/2 agreement. They want to keep a good relationship and have committed to putting Windows on their 386 line. They have also included Windows in their recent advertisements.

**Honeywell**

Honeywell Canada is interested in moving their system offering from LAN Manager 1.0 to version 2.0. The royalty rate increase is acceptable, while the commitment volume is not. A proposal will be prepared this month which would allow them to make this move.

**Micro Tempus**

Micro Tempus is very critical of our sales record worldwide for LAN Manager. The IBM-Novell licensing issue was very damaging in their channel. Micro Tempus' lack of success with the "Router" and the apparent lack of demand for LAN Manager has left this company ambivalent about licensing LAN Manager. A high level technical meeting with Micro Tempus in Redmond will be necessary to orient the development and implementation of LAN Manager in their Enterprise server.

**Primax**

Primax started shipping MS-DOS and Shell this quarter. Their run-rate looks very good. This is a good win for Microsoft since this company was previously purchasing Phoenix DOS on demand. Now the agreement is a per processor and the royalty rate is quite high. Mark Durst, the President is interested in licensing Windows on every machine if we can exempt the machines shipped under government bids.

REDMOND FE (Ron Hosogi)

**Acer Technologies**

Applications: Acer Miami will stage a regional sales conference during the 2nd week of April. Karl Dottlinger, Product Marketing Manager, will propose several alternative MS Win application distribution promotion opportunities. He is using Win Excel and PowerPoint to build his presentation and will stress the practical application of these products to his sales force.

DOS: AT&T is buying a system from Acer which AT&T will market as a "Voice Adjunct Applications Processor". It will be necessary for AT&T to use Acer MS-DOS 3.3 with this system and they wish to ship Acer DOS without Acer label. Russ Lee is investigating the need for such amendment.

Acer America expects to ship DOS 5 in July.

LAN Manager: Four existing Altos licenses which cover MS Networks, Xenix 286/386, Xenix 286 and Xenix Multiplan are all due to expire within 30 days. We are working with the Acer/Altos purchasing director to determine which of these agreements need to be extended.

Mouse: An order for 2,300 MS Mouse was placed. This was a fill order shipped directly from Redmond to Acer America. Expect that regular Mouse fulfillment, thru the master OEM Agreement in Taiwan, will resume in April.

OS/2: At this time it is probable that Acer will ship OS/2 1.3X when available in June.

Windows: Acer will OEM a 386SX system to Canon (Canon model # C-200 M55) which will include Acer Windows.

Works: Final draft of the Smith Corona Acer Works agreement is at Acer for signature. Agreement is one year, 30K unit commitment with \$300K minimum commitment. Product shipment starts in April.

#### Canon USA

Mouse: Final copy of MS Mouse distribution agreement has been sent to Canon for signature. Expect first order to be placed against this agreement in mid April.

Windows: Windows will be distributed with each of the new C-200 M55 HD120 systems (386SX) which are OEM'd by Acer. The Windows product will be supplied by Acer to Canon as part of the OEM agreement. This model will be also bundled with MS Works in addition to Windows. Quotes have been submitted to Y. Okada, Canon US Product Manager, for the Win Entertainment Pak and also for potential Windows business application promotions. These quotes are currently under consideration and one or a combination of these MS products may also be distributed with the C-200 M55.

Works: Final MS Works agreement has been sent to Canon for signature. First product order against this agreement is expected mid April. MS Works will be distributed with each of Canon's new 386SX systems which are OEM'd by Acer.

#### Epson America

LAN Manager: Holly Cole, Manager for Product Planning, came to MSHQ to discuss LM marketing opportunities for Epson America. RuthW, OEM Marketing Manager, cleared up the confusion in regards to Epson America shipping LM in the US. Epson Japan has signed a license to distribute LM in Japan. However, Epson America does not have this ability. RuthW explained MS's "Server Partner" program where Epson can co-sponsor seminars and training sessions for LM for end users and resellers while showcasing Epson hardware. Action items are for Epson America to supply MS a list of it's dealers and resellers. RuthW will match this list against the one targeted by MS for authorized resellers of LM. Seminars will be co-sponsored with the dealers which match both lists. Holly plans to send Epson's list by the end of April.

EBU, Works: John Sage, Group Manager for Works, gave EBU's strategy for Works and other products coming out this fall which run under Windows. Another meeting is scheduled for early April to present EBU's new product line to the Marketing Managers at Epson's facility.

#### Fujitsu America

DOS: Fujitsu America is licensing MS-DOS ROM 3.22, through the master agreement in Japan, for use with their new Handheld Computer product line. They contacted me for pricing for CRC for DOS 3.2X. This quote may lead to \$4K in incremental revenue.

MM Windows: Bookshelf for Windows was presented to a group of Fujitsu executives (including Mr. Funukawa) during the CD-ROM and MM Conference. During the presentation, it became clear that Fujitsu is focusing their MPC marketing effort on the Japanese marketplace with limited emphasis on US distribution. In fact, they must first build a PC distribution channel in the US before any volume shipments can occur. This development does not appear likely in the near term.

#### Goldstar Technology

MM Windows: PamelaGo, Product Manager for MM Windows, and TomBru met with Don Son, Senior Engineer, Young-Man Park and Pil-Tae Kim at the CD-ROM Conference to discuss Goldstar joining the MPC Council. This is the fourth time PamelaGo has met with Goldstar to explain the benefits of joining the council. Unfortunately, one of the primary decision makers from Korea cancelled coming to the conference. Off the record, Don Son told us that, "If Samsung joins, Goldstar would probably join".

#### Hitachi America

LAN Manager for Unix: A meeting to discuss the latest developments with LM for Unix was scheduled for early May at MSHQ.

#### Hyundai America

Applications: Met with Song Choi, Product Planning Manager, to discuss possible software bundlings in the US with Hyundai machines. Hyundai's main distribution is through small price sensitive dealers which carry several low end clone lines. Song Choi indicated that these dealers do not want any software bundled. They receive many machines bare bones and build to order. Furthermore, these dealers will swap out hardware and replace

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with the cheapest parts to improve margins. Thus, at this time, Hyundai America is very resistant to software bundles.

#### Leading Edge Products

**Windows:** GeoWorks continues to be a threat to Windows in Leading Edge. Although DWT has licensed Windows on every 386, LE has the flexibility to not load this product. A major win for Microsoft is Works which will be loaded on the 286 and 386SX/16. However, Windows is still threatened. GeoWorks will support their product direct. With Windows, LE must support. Furthermore, GeoWorks is willing to license only their GUI shell Geos. Again, GeoWorks will support this product directly. MSCH action is to convince DWT to tell LE that they need to offer Windows over Geos. Since DWT owns LE, DWT may pressure LE to comply. TomBru informed the Windows group to address LE's support issues

**Mouse:** Closely associated with Windows is the opportunity for LE to bundle the Microsoft Mouse. However, for our pricing to be competitive, LE must ship Windows with the 386SX. The Windows License with DWT requires a \$5 royalty uplift if the OEM ships a competitor's mouse. Logitech has quoted a price of \$13 per mouse. MSHQ has quoted \$17.50 per mouse with a 50,000 unit commitment. MSHQ can win this business only if LE incurs the \$5 royalty uplift if they ship the Logitech Mouse. This is still an open issue and will require the cooperation of MSCH.

#### Matsushita (Panasonic)

**Windows:** The "Tune to Win" promotion, which included Windows 3.0 distributed with the Panasonic C-1391, was less than successful according to the Panasonic Product Manager. Late execution was cited as the chief reason for the lackluster sales. The promotion was scheduled to kick off no later than mid-December, but was not implemented until February 15. The MS Windows distribution agreement with Panasonic expires in May. No additional orders of Windows are planned against this agreement.

#### NEC Technologies

**DOS:** A new MS CD-ROM Extension license, directly between MS and NEC Tech., is currently under evaluation. This license will cover the new P 43 (386 notebook computer) and a NEC Caching SCSI Host Adapter kit. Royalty will be \$2.00/system with volume as of yet undetermined. NEC Tech. Systems Development has discovered a bug with DOS 5 and NEC's large disk partition utility. It may be necessary to acquire Source for DOS 5 to resolve. NEC Tech. will address the need for Source directly with NEC Corp. in order to initiate license negotiations.

**LAN Manager:** DrewF is communicating directly with Paul Reed regarding details of the LM Certification Program participation. Since NEC has committed to doing OS/2 1.3X, I believe they will be very receptive to the Certification Program.

**Multimedia:** NEC Tech.'s plan regarding marketing and licensing MM Windows is becoming loggy. First they are concerned about feedback from various ISVs and IHVs stating that these vendors are writing MM drivers for their products for the DOS, Windows and MM Windows platforms. NEC feels this development may obsolete the need for a specific MM Windows license. Also, their MM strategy is to make their entire product line (386 and up) MM ready. It is unrealistic to believe that NEC Corp. will commit to licensing MM Windows on per system basis for all 386 and 486 computers. But NEC Tech. will also sell components of this kit (audio board, CD-ROM drive) separately and they will not create a separate SKU, which includes MM Windows bundled, for each component sale. New discussion, directly between the MS MM Systems Group and NEC Tech., are necessary in order to ensure closure of this license.

**OS/2:** The call last month by the OS/2 development team proved productive. NEC has committed to producing a NEC OS/2 1.3X version.

**Pen Windows:** The NEC 486 based laptop designed to run Pen Windows will be release prior to availability of Pen SAW. Until Pen Win is available, they plan to bundle Win 3 with mouse emulation capability with pen.

Negotiations ongoing in Japan regarding NEC using the MS Mouse driver for their DOS-Pen system.

**Windows:** Meetings were held during February regarding Win application bundle opportunities and also NEC's sales force standardizing on Win apps. Follow-up discussions planned for March and April.

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**Okidata**

No correspondence in March. TomBru took over the printer business unit from DOEM which was handled by NancyRi.

**Samsung Information Systems of America (SISA)**

Applications, Works: Samsung is announcing the Spensor line which is made up of a 286 and a 386SX machine for distribution in the mass merchant channel. The 286 will bundle GeoWorks and the 386SX will bundle Windows. Additional software bundles on the 386SX have not been finalized. KW Jun, Director of Marketing, met with CraigB at the CD-ROM Conference to evaluate MM Bookshelf. KW Jun is planning a trip to MSHQ in early April to discuss EBU's new product line and other MM titles supplied by MS.

MM Windows: Samsung has decided not to join the MPC Council. Samsung believes there are not enough benefits to warrant the \$1,000,000 presented as funds and "in kind" contributions.

**Sanyo USA**

Works: Works evaluation copy sent to Jerry Flynn, Product Manager, at Sanyo. This is first step in qualifying Works distribution opportunities at Sanyo.

**Sharp USA**

Windows: A meeting to discuss package product Windows and MS Mouse/Ballpoint Sharp distribution opportunities will be held in April.

**Sony USA**

MM Windows: CD-Bookshelf Agreement is not yet signed. Patent acknowledgement issues have stalled final closure. Expect agreement to be signed early April.

**Toshiba America (TAI)**

Meetings with TAI's product marketing people was pushed into April. Good news, according to Steve Andler, Product Planning, TAI was above forecast for the month of March for machines shipped. However, two more people left TAI marketing. Tom Sherrard who was Director of Marketing and Marc Rubenstein in Market Planning. As of March 30th, there are only two Product Managers handling all product lines at TAI. Bill Johnson, GM of TAI, resigned April 1st. The interim GM is Mr. Nishida. TomBru will set up a meeting with Mr. Nishida and RonH to discuss how we are to work with TAI given the new relationship.

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WORLDWIDE OEM SALES

MARCH 1991

(\$000s)

	— CURRENT MONTH —			— YEAR-TO-DATE —		
	ACTUAL	PLAN	VARIANCE	ACTUAL	PLAN	VARIANCE
<b>DOMESTIC</b>						
LICENSING	\$ 6,352	\$ 1,396	\$ 4,956	\$ 109,494	\$ 97,379	\$ 12,114
PACKAGED GOODS	3,246	519	2,728	25,190	16,430	8,761
GROSS DOM REVENUE	9,598	1,914	7,684	134,684	113,809	20,875
GAAP ADJ.	1,300	0	1,300	(3,500)	0	(3,500)
OTHER ADJUSTMENTS	(3,000)	0	(3,000)	(10,000)	0	(10,000)
NET DOM REVENUE	\$ 7,898	\$ 1,914	\$ 5,984	\$ 121,184	\$ 113,809	\$ 7,375
<b>INTL SUB / AREA</b>						
<b>EUROPE</b>						
MS LTD	\$ 2,948	\$ 1,368	\$ 1,580	\$ 8,751	\$ 5,472	\$ 3,280
MS AB	1,070	550	520	5,234	5,144	89
MS GmbH	5,283	1,872	3,412	12,186	13,867	(1,681)
MS AG	0	0	0	5	0	5
MS SARL	1,089	545	544	3,932	3,104	828
MS BV	922	44	877	4,075	2,242	1,833
MS SpA	3,259	2,632	627	9,618	9,596	23
MS SRL	23	131	(108)	91	408	(317)
TOTAL EUROPE	14,594	7,142	7,452	43,893	39,832	4,061
<b>ICON</b>						
MS INC	259	45	214	992	557	435
MEXICO	355	203	153	1,352	1,234	118
BRAZIL	158	110	48	682	1,066	(184)
VENEZUELA	0	0	0	0	0	0
AIME	157	101	56	856	429	427
TOTAL ICON	929	458	471	4,082	3,285	796
<b>FAR EAST</b>						
MS CH	5,210	4,681	528	15,932	13,325	2,607
MS TC	4,808	4,251	558	16,698	16,976	(278)
ASIA PACIFIC	804	572	232	2,573	1,703	870
SINGAPORE	191	56	135	574	113	461
MS PTY	105	164	(59)	470	391	79
TOTAL FAR EAST	11,119	9,724	1,394	36,246	32,507	3,739
<b>KK</b>						
MS KK	1,686	7,910	(6,224)	31,187	44,591	(13,404)
<b>OTHER REDMOND SALES</b>						
MS HQ	708	307	401	2,249	2,100	149
TOTAL OTHER	708	307	401	2,249	2,100	149
<b>TOTAL NON-EURO</b>	14,442	18,400	(3,959)	73,763	82,484	(8,720)
<b>GROSS INTL REVENUE</b>	29,035	25,542	3,493	117,656	122,315	(4,659)
<b>ADJUSTMENTS</b>						
GAAP ADJ.	(500)	0	(500)	2,700	0	2,700
OTHER ADJUSTMENTS	(6,000)	0	(6,000)	(14,500)	0	(14,500)
TOTAL ADJUSTMENTS	(6,500)	0	(6,500)	(11,800)	0	(11,800)
<b>NET INTL REVENUE</b>	\$ 22,535	\$ 25,542	\$ (3,007)	\$ 105,856	\$ 122,315	\$ (16,459)
<b>NET WORLDWIDE TOTALS</b>	\$ 30,433	\$ 27,456	\$ 2,977	\$ 227,040	\$ 236,124	\$ (9,084)

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