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Systems Division

FY '92 was a great year!

	FY '91	FY '92	% Growth
Revenue	\$835M	\$1,206M	52%
B.O.I.	\$352M	\$476M	35%
% B.O.I.	42%	38%	

The Stars!

MS-DOS:	\$476M
Windows 3.x:	\$434M
SPAG (mouse):	\$268M
LAN Manager:	\$84M

An "Interesting" Year

- ◆ Windows 3.1 launched
- ◆ Windows application sales reach or exceed MS-DOS application sales
- ◆ IBM openly declared war on us ("It's not about opening old Windows...")
- ◆ Apple openly declared war on us ("Windows. It's only software...")
- ◆ The mainframe/minicomputer companies go from "creaks to cracks"
- ◆ The clone vendors, having eaten everyone else's lunch, started eating each other...

For The Systems Division - Major Accomplishments:

- ◆ 10M copies of Windows 3.x sold!
- ◆ Windows 3.1: a great product!
 - > Still no show stopper bug
- ◆ Launched with style:
 - > Largest ever beta site
 - > Great launch event and PR
 - > Shipments of 1M units in first week
 - > 100,000 people through technical workshops
 - > \$40M in TT Font Pack sales



MS-DOS

- ◆ Sold approx. 14M copies via OEMs
- ◆ Sold 3.6M copies of the MS-DOS 5 Upgrade
- ◆ Kept DR-DOS out of any major OEM

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Mouse

- ◆ Sold 2.6M units retail
- ◆ Sold 1.8M units via OEM
- ◆ Secured key Ballpoint OEM deal with Toshiba
- ◆ New designs for Mouse and Ballpoint in the works

LAN Manager/SQL/Comm

- ◆ Shipped 30,000 servers - approximately 0.5M nodes
- ◆ "LAN Manager" (all flavors) now approx. 25% market share
- ◆ LAN Manager 2.1 with packaged OS2 1.1 shipped
- ◆ Upgrade program for JCOM customers
- ◆ Major account wins (Nynex, British Post Office, etc.)
- ◆ LAN Manager/UNIX shipped
- ◆ SQL Server 4.2 shipped - rated "best-of-breed"

Windows For Workgroups

- ◆ Shipped to Beta users
- ◆ On track for shipment in Oct. '92

Windows NT

- ◆ Wrote and tested a lot of code (3+M lines of it)!
- ◆ Shipped PDK to ISVs in Oct. '91/Dec. '91 with excellent quality
- ◆ Demo with 50+ Win32 applications at Windows World
- ◆ Shipped to 5000+ developers at July '92 PDC

Cairo

- ◆ Pulled together an architecture and a team
- ◆ Pulled together common object model with OLE group
- ◆ Defined and met three major milestones (UI, Programming Model, Distributed File System and Security, Object File System, Unified Systems Management)
- ◆ On track to ship first kit to ISVs in H1 '93

More Achievements:

- ◆ Pen Windows shipped!
 - > Great hand-writing recognition
 - > Go slowed!
- ◆ Multimedia
 - > Multimedia extensions shipped via OEM and in Windows 3.1
 - > AVI defined and Microsoft Video running
 - > Viewer delivered to MM Pub

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More Achievements:

- ◆ Windows sound system (Foghorn) close to beta and fall shipment
- ◆ Windows printing system (Jumbo) close to beta and fall shipment

More Achievements:

- ◆ MSDN CD produced and ready for beta
- ◆ Windows "Ready-to-Run" program launched
- ◆ Open process for ISVs:
 - > User interface
 - > OLE
 - > Cairo, etc.

FY '93: The Outlook And Challenges

- ◆ Competition
- ◆ Key goals
- ◆ Product strategy
- ◆ Marketing strategy
- ◆ Challenges as a group

Competition:

- ◆ OS/2 - IBM is willing to give it away
- ◆ Novell (and DR-DOS and Univel): utilize network and system admin. benefits to promote DR-DOS and Univel on desktop
- ◆ Lotus Notes - has field to itself
- ◆ Apple - "the hard way vs. the easy way"
- ◆ UNIX - put on the defensive by Windows NT
- ◆ NeXT/Taligent - use OO to things simpler/richer

Key Goals For FY '93

- ◆ Make Windows ubiquitous in FY '93:
 - > The high volume standard for PCs (>50% of new machine sales worldwide)
 - > A scalable family of products that address all customer needs - individual, workgroup, power user, enterprise
- ◆ Protect our revenue base in MS-DOS and Mouse
- ◆ Make it clear that Windows offers the future:
 - > Simpler, easier
 - > More productive
 - > Open to new software and hardware advances

Key Actions For FY '93

- ◆ Make Windows ubiquitous in FY '93:
 - > Unrelenting marketing and focus on customer satisfaction
 - > Bring on new players: Windows for Workgroups, Windows NT
- ◆ Protect our revenue base in MS-DOS and Mouse
 - > MS-DOS 6.0 and Chicago
 - > Lower our sales, our costs
- ◆ Make it clear that Windows offers the future:
 - > "Plug-and-play"
 - > Cairo

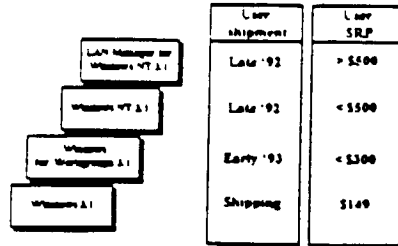
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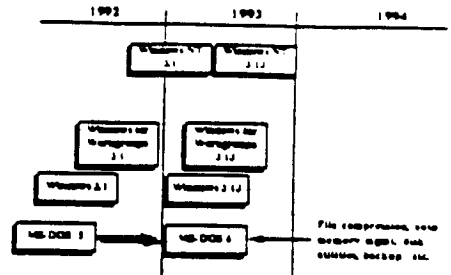
Windows Products

Availability/pricing

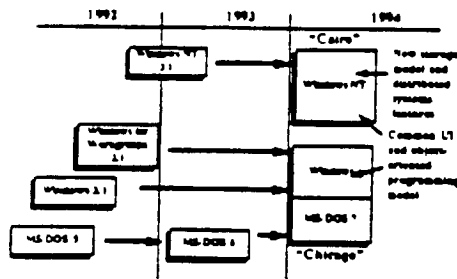


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Windows Products - The Future



Windows Products - The Future



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Cairo

- Cairo is designed to radically change (simplify and improve) how people use computers and secure our future:
 - > Document vs. application centric view
 - > Query vs. names
 - > Full distributed system operation
 - > Unified systems management
- The company is going to bet on Cairo, and align with it:
 - > Application integration (OLE)
 - > Chicago is Cairo Junior
 - > Workgroup applications will use Cairo as foundation
 - > Development environment, etc.

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"The Need To Lead"

- Plug-a-play: Make Windows systems self-configuring
 - > Automatic loading of drivers, easy to uninstall software, etc.
 - Make it possible for OEMs to innovate quickly and not be bound by unnecessary baggage
 - > Leverage Windows NT "HAL" to define new software-hardware interface standard
- We need to make these programs real and widely adopted in FY '93

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Leverage Windows Technology Into New Markets:

- Home computers connected to the TV
 - > CD title player
 - > CATV
 - > Home device control
 - Communicating personal assistant ("CIA")
 - > Windows in pocket machine
- Lots of opportunity, not clear where/what the wins will be, we want to be there to find them

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FY '93 Will Not Be So Easy!

	FY '92	FY '93 F/C	% Growth
Revenue	\$1266M	\$1,418M	12%
B O L	\$476M	\$379M	-20%
% B O L	38%	27%	

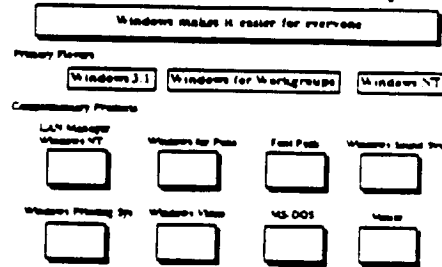
Marketing

- Company is organizing marketing and sales around four "campaigns"
 - > Windows campaign
 - > Workgroup campaign
 - > Office applications campaign
 - > Solution providers campaign

The Windows Campaign Objectives

- Sell the Windows family and complementary products
- Secure the core users and extend adoption
- Move OEMs to the Windows standard

Sell The Windows Family



Secure The Core And Extend Adoption

- Ship resource kits: Windows 3.1 (\$200K), Sports (\$50K), Windows NT (\$6k) (\$200K)
- Train 100,000 additional support coordinators at WTA (\$2,500K) and for Windows NT (\$500K)
- Deliver ten pages of technical support information \$1/year - Focus On Windows (\$3,200K)
- Promote corporate and outbound resellers "create a deal program"
- Get more assets: reg. card in OEM box
- Enhance PSS and MCS customer support programs

Move OEMs To The Windows Standard

- Training and utilities for OEMs to simplify RTR ("Ready-to-Run")
- Standardizing: Logo, HCT
- WinHEC develop great Windows machines
 - > For East, Europe and U.S. events
- Windows performance benchmark
- User advertising to promote RTR (\$1,500K)
- Train OEM support people via PSS Support Connection I



Gain The High Ground

- Establish Windows NT as the leader in the high-end:
 - > Prevent people moving to UNIX or OS/2
 - > Capture new users from minicomputer/workstation world
- Keep current LAN Manager customers happy so they will move to Windows/Windows NT
- Establish "WOSA" as the means to integrate Windows in the corporate, heterogeneous environment

Key Marketing Events And Programs In FY '93

Events:

- October: Launch of Windows for Workgroups
- Q1'93: Launch of MS-DOS 6.0
- Q1'93: Formal Launch of Windows NT
- Q2'93: Launch of new Mouse

Programs ("Buses"):

- Fall and spring Windows family advertising "Bus"
- Quarterly "Focus on" direct mailings and offers
- Windows technical workshops

Challenges:

- Making Windows the standard means more sales will be OEM units - means lower revenue per unit
- New products/markets must contribute for growth, we must ship high-quality, competitive products that yield satisfied users:
 - > Windows for Workgroup: hit October with quality
 - > Windows NT: size/performance/compatibility
 - > Windows 3.1J and Windows NTJ
 - > New Mouse
 - > Windows Printing, Windows Sound, etc.
 - > Ship our products on same schedule worldwide

Challenges:

- Must not lose the "MS-DOS" user in our effort to promote Windows, or lose focus on "MS-DOS" competition
 - > Keep MS-DOS competitive, ship MS-DOS 6.0, and get MS-DOS and Windows to reinforce each other and "merge" in Chicago

Challenges:

- Executing a Windows family strategy is expensive and hard, but it is what differentiates us
 - > Means we have to work hard at communication, commitment, and focus on making "Windows" win
 - > We need to know where we are headed ("Cairo")

FY '93: The Challenge

- We have the foundation firmly laid (Windows 3.1 and MS-DOS 5.0).
- We need to build walls (Windows for Workgroups, Windows NT, Chicago), and the roof (Cairo)
- Increase focus on customer satisfaction

EXECUTION IS THE KEY!