

Microsoft Corporation
Every Day Low Prices Analysis
MSUS: Scenario #1

BUDGET:
Street Prices*

	Office	XL	Word
FPP	\$479	\$287	\$300
C-Upgrade	\$300	\$120	\$120
V-Upgrade	\$269	\$120	\$120

Revenue/Unit*

	Office	XL	Word
FPP	\$396	\$262	\$262
C-Upgrade	\$272	\$105	\$105
V-Upgrade	\$243	\$84	\$84

Channel Markup*

	Office	XL	Word
FPP	21%	10%	15%
C-Upgrade	10%	14%	14%
V-Upgrade	11%	43%	43%

Units*

	Office	XL	Word
FPP	413,715	205,480	319,025
C-Upgrade	157,355	211,276	294,562
V-Upgrade	48,297	547,697	581,231

Revenue \$000's**

	Office	XL	Word	Total
FPP	\$173,973	\$53,781	\$83,502	\$311,256
C-Upgrade	\$45,342	\$22,240	\$31,007	\$98,588
Other New Users	\$92,501	\$27,915	\$41,466	\$161,883
Total New Users	\$311,816	\$103,936	\$155,975	\$571,727
V-Upgrade	\$11,736	\$32,738	\$49,069	\$93,543
Other Existing Users	\$30,875	\$6,966	\$6,097	\$43,938
Total Existing Users	\$42,611	\$39,704	\$55,166	\$137,481
All Other Products				\$716,851
Total Budgeted Revenue				\$1,426,059

PROPOSED:

Street Prices:

	Office	XL	Word
FPP	\$375	\$250	\$250
C-Upgrade	\$300	\$120	\$120
V-Upgrade	\$211	\$105	\$100

Revenue/Unit:

	Office	XL	Word
FPP	\$310	\$228	\$218
C-Upgrade	\$272	\$105	\$105
V-Upgrade	\$190	\$73	\$70

Channel Markup:

	Office	XL	Word
FPP	21%	10%	15%
C-Upgrade	10%	14%	14%
V-Upgrade	11%	43%	43%

Units

	Office	XL	Word
FPP	413,715	205,480	319,025
C-Upgrade	157,355	211,276	294,562
V-Upgrade	48,297	547,697	581,231

Revenue \$000's

	Office	XL	Word	Total
FPP	\$128,260	\$46,895	\$69,654	\$244,809
C-Upgrade	\$42,801	\$22,184	\$30,929	\$95,914
Other New Users	\$92,501	\$27,915	\$41,466	\$161,883
Total New Users	\$263,562	\$96,994	\$142,049	\$502,606
V-Upgrade	\$9,188	\$40,075	\$40,686	\$89,950
Other Existing Users	\$30,875	\$6,966	\$6,097	\$43,938
Total Existing Users	\$40,063	\$47,042	\$46,783	\$133,887
All Other Products				\$716,851
Total Budgeted Revenue				\$1,353,344

* Excludes Office Pro and license and academic products
 ** Includes all Office Families, excludes license and academic products
 Note: This model varies the revenue per unit associated with \$503 million of \$1,426 million MSUS budgeted revenue (35%)

Estimated volume increase needed to offset revenue loss from price decrease =	17%
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Change in Revenue \$'s

	Office	XL	Word	Total
FPP	(\$45,713)	(\$6,886)	(\$13,848)	(\$66,447)
C-Upgrade	(\$2,541)	(\$56)	(\$78)	(\$2,675)
V-Upgrade	(\$2,548)	\$7,338	(\$8,383)	(\$3,594)
	(\$50,802)	\$396	(\$22,309)	(\$72,715)
Potential additional exposure to license & academic revenue				(\$29,731)

% Change in Revenue \$'s

	Office	XL	Word	Total
FPP	(26%)	(13%)	(17%)	(21%)
C-Upgrade	(6%)	0%	0%	(3%)
V-Upgrade	(22%)	22%	(17%)	(4%)
	(22%)	0%	(14%)	(14%)

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Prepared by: Robin Bolz
Shawn Rose

Microsoft Corporation
Every Day Low Prices Analysis
MSUS: Scenario #2

BUDGET:
Street Prices*

	Office	XL	Word
FPP	\$479	\$287	\$300
C-Upgrade	\$300	\$120	\$120
V-Upgrade	\$269	\$120	\$120

Revenue/Unit*

	Office	XL	Word
FPP	\$396	\$262	\$262
C-Upgrade	\$272	\$105	\$105
V-Upgrade	\$243	\$84	\$84

Channel Markup*

	Office	XL	Word
FPP	21%	10%	15%
C-Upgrade	10%	14%	14%
V-Upgrade	11%	43%	43%

Units*

	Office	XL	Word
FPP	413,715	205,480	319,025
C-Upgrade	157,355	211,276	294,562
V-Upgrade	48,297	547,697	581,231

Revenue \$000's**

	Office	XL	Word	Total
FPP	\$173,973	\$53,781	\$83,502	\$311,256
C-Upgrade	\$45,342	\$22,240	\$31,007	\$98,588
Other New Users	\$92,501	\$27,915	\$41,466	\$161,883
Total New Users	\$311,816	\$103,936	\$155,975	\$571,727
V-Upgrade	\$11,736	\$32,738	\$49,069	\$93,543
Other Existing Users	\$30,875	\$6,966	\$6,097	\$43,938
Total Existing Users	\$42,611	\$39,704	\$55,166	\$137,481
All Other Products				\$716,851
Total Budgeted Revenue				\$1,426,059

PROPOSED:

Street Prices:			
	Office	XL	Word
FPP	\$299	\$199	\$199
C-Upgrade	\$249	\$120	\$120
V-Upgrade	\$168	\$83	\$80

Revenue/Unit:

	Office	XL	Word
FPP	\$247	\$182	\$174
C-Upgrade	\$226	\$105	\$105
V-Upgrade	\$152	\$58	\$56

Channel Markup:

	Office	XL	Word
FPP	21%	10%	15%
C-Upgrade	10%	14%	14%
V-Upgrade	11%	43%	43%

Units

	Office	XL	Word
FPP	413,715	205,480	319,025
C-Upgrade	157,355	211,276	294,562
V-Upgrade	48,297	547,697	581,231

Revenue \$000's

	Office	XL	Word	Total
FPP	\$102,266	\$37,329	\$55,444	\$195,039
C-Upgrade	\$35,524	\$22,184	\$30,929	\$88,637
Other New Users	\$92,501	\$27,915	\$41,466	\$161,883
Total New Users	\$230,292	\$87,427	\$127,840	\$445,559
V-Upgrade	\$7,326	\$31,900	\$32,386	\$71,612
Other Existing Users	\$30,875	\$6,966	\$6,097	\$43,938
Total Existing Users	\$38,201	\$38,866	\$38,483	\$115,550
All Other Products				\$716,851
Total Budgeted Revenue				\$1,277,961

* Excludes Office Pro and license and academic products
 ** Includes all Office Families, excludes license and academic products
 Note: This model varies the revenue per unit associated with \$503 million of \$1,426 million MSUS budgeted revenue (35%)

Estimated volume increase needed to offset revenue loss from price decrease =	42%
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Change in Revenue \$'s				
	Office	XL	Word	Total
FPP	(\$71,707)	(\$16,453)	(\$28,057)	(\$116,217)
C-Upgrade	(\$9,817)	(\$56)	(\$78)	(\$9,951)
V-Upgrade	(\$4,410)	(\$838)	(\$16,683)	(\$21,931)
	(\$85,934)	(\$17,346)	(\$44,818)	(\$148,099)
Potential additional exposure to license & academic revenue				(\$60,553)

% Change in Revenue \$'s				
	Office	XL	Word	Total
FPP	(41%)	(31%)	(34%)	(37%)
C-Upgrade	(22%)	0%	0%	(10%)
V-Upgrade	(38%)	(3%)	(34%)	(23%)
	(37%)	(16%)	(27%)	(29%)

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 Prepared by: Robin Bolz
 Shawn Rose

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 Every Day Low Prices Analysis - MSUS
 Scenario #3

BUDGET:
 Street Prices*

	Office	XL	Word
FPP	\$479	\$287	\$300
C-Upgrade	\$300	\$120	\$120
V-Upgrade	\$269	\$120	\$120

Revenue/Unit*

	Office	XL	Word
FPP	\$396	\$262	\$262
C-Upgrade	\$272	\$105	\$105
V-Upgrade	\$243	\$84	\$84

Channel Markup*

	Office	XL	Word
FPP	21%	10%	15%
C-Upgrade	10%	14%	14%
V-Upgrade	11%	43%	43%

Units*

	Office	XL	Word
FPP	413,715	205,480	319,025
C-Upgrade	157,355	211,276	294,562
V-Upgrade	48,297	547,697	581,231

Revenue \$000's**

	Office	XL	Word	Total
FPP	\$173,973	\$53,781	\$83,502	\$311,256
C-Upgrade	\$45,342	\$22,240	\$31,007	\$98,589
Other New Users	\$92,501	\$27,915	\$41,466	\$161,883
Total New Users	\$311,816	\$103,936	\$155,975	\$571,727
V-Upgrade	\$11,736	\$32,738	\$49,069	\$93,543
Other Existing Users	\$30,875	\$6,966	\$6,097	\$43,938
Total Existing Users	\$42,611	\$39,704	\$55,166	\$137,481
All Other Products				\$716,851
Total Budgeted Revenue				\$1,426,059

PROPOSED:

Street Prices:

	Office	XL	Word
FPP	\$299	\$120	\$120
C-Upgrade	\$299	\$120	\$120
V-Upgrade	\$168	\$50	\$48

Revenue/Unit:

	Office	XL	Word
FPP	\$247	\$110	\$105
C-Upgrade	\$271	\$105	\$105
V-Upgrade	\$152	\$35	\$34

Channel Markup:

	Office	XL	Word
FPP	21%	10%	15%
C-Upgrade	10%	14%	14%
V-Upgrade	11%	43%	43%

Units

	Office	XL	Word
FPP	413,715	205,480	319,025
C-Upgrade	157,355	211,276	294,562
V-Upgrade	48,297	547,697	581,231

Revenue \$000's

	Office	XL	Word	Total
FPP	\$102,266	\$22,510	\$33,434	\$158,210
C-Upgrade	\$42,658	\$22,184	\$30,929	\$95,771
Other New Users	\$92,501	\$27,915	\$41,466	\$161,883
Total New Users	\$237,425	\$72,609	\$105,829	\$415,863
V-Upgrade	\$7,326	\$19,236	\$19,529	\$46,091
Other Existing Users	\$30,875	\$6,966	\$6,097	\$43,938
Total Existing Users	\$38,201	\$26,202	\$25,626	\$90,029
All Other Products				\$716,851
Total Budgeted Revenue				\$1,222,744

* Excludes Office Pro and license and academic products
 ** Includes all Office Families, excludes license and academic products
 Note: This model varies the revenue per unit associated with \$503 million of \$1,426 million MSUS budgeted revenue (35%)

Change in Revenue \$'s

	Office	XL	Word	Total
FPP	(\$71,707)	(\$31,272)	(\$50,068)	(\$153,046)
C-Upgrade	(\$2,684)	(\$56)	(\$78)	(\$2,817)
V-Upgrade	(\$4,410)	(\$13,502)	(\$29,540)	(\$47,452)
	(\$78,801)	(\$44,829)	(\$79,686)	(\$203,316)
Potential additional exposure to license & academic revenue				(\$83,130)

% Change in Revenue \$'s

	Office	XL	Word	Total
FPP	(41%)	(58%)	(60%)	(49%)
C-Upgrade	(6%)	0%	0%	(3%)
V-Upgrade	(38%)	(41%)	(60%)	(51%)
	(34%)	(41%)	(49%)	(40%)

Estimated volume increase needed to offset revenue loss from price decrease =	68%
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 Prepared by: Robin Bolz
 Shawn Rose

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Every Day Low Prices Analysis - MSUS
Scenario #4

BUDGET:

Street Prices*

	Office	XL	Word
FPP	\$479	\$287	\$300
C-Upgrade	\$300	\$120	\$120
V-Upgrade	\$269	\$120	\$120

Revenue/Unit*

	Office	XL	Word
FPP	\$396	\$262	\$262
C-Upgrade	\$272	\$105	\$105
V-Upgrade	\$243	\$84	\$84

Channel Markup*

	Office	XL	Word
FPP	21%	10%	15%
C-Upgrade	10%	14%	14%
V-Upgrade	11%	43%	43%

Units*

	Office	XL	Word
FPP	413,715	205,480	319,025
C-Upgrade	157,355	211,276	294,562
V-Upgrade	48,297	547,697	581,231

Revenue \$000's**

	Office	XL	Word	Total
FPP	\$173,973	\$53,781	\$83,502	\$311,256
C-Upgrade	\$45,342	\$22,240	\$31,007	\$98,588
Other New Users	\$92,501	\$27,915	\$41,466	\$161,883
Total New Users	\$311,816	\$103,936	\$155,975	\$571,727
V-Upgrade	\$11,736	\$32,738	\$49,069	\$93,543
Other Existing Users	\$30,875	\$6,966	\$6,097	\$43,938
Total Existing Users	\$42,611	\$39,704	\$55,166	\$137,481
All Other Products				\$716,851
Total Budgeted Revenue				\$1,426,059

Excludes Office Pro and license and academic products

* Includes all Office Families, excludes license and academic products

note: This model varies the revenue per unit associated with \$503 million of \$1,426 million MSUS budgeted revenue (35%)

estimated volume increase needed to offset
revenue loss from price decrease = 154%

PROPOSED:

Street Prices:

	Office	XL	Word
FPP	\$150	\$99	\$99
C-Upgrade	\$150	\$99	\$99
V-Upgrade	\$84	\$41	\$40

Revenue/Unit:

	Office	XL	Word
FPP	\$124	\$90	\$86
C-Upgrade	\$136	\$87	\$87
V-Upgrade	\$76	\$29	\$28

Channel Markup:

	Office	XL	Word
FPP	21%	10%	15%
C-Upgrade	10%	14%	14%
V-Upgrade	11%	43%	43%

Units

	Office	XL	Word
FPP	413,715	205,480	319,025
C-Upgrade	157,355	211,276	294,562
V-Upgrade	48,297	547,697	581,231

Revenue \$000's

	Office	XL	Word	Total
FPP	\$51,304	\$18,571	\$27,583	\$97,458
C-Upgrade	\$21,400	\$18,302	\$25,516	\$65,218
Other New Users	\$92,501	\$27,915	\$41,466	\$161,883
Total New Users	\$165,205	\$64,787	\$94,566	\$324,559
V-Upgrade	\$3,675	\$15,870	\$16,112	\$35,657
Other Existing Users	\$30,875	\$6,966	\$6,097	\$43,938
Total Existing Users	\$34,550	\$22,836	\$22,208	\$79,594
All Other Products				\$716,851
Total Budgeted Revenue				\$1,121,005

Change in Revenue \$'s

	Office	XL	Word	Total
FPP	(\$122,669)	(\$35,211)	(\$55,919)	(\$213,799)
C-Upgrade	(\$23,941)	(\$3,938)	(\$5,490)	(\$33,370)
V-Upgrade	(\$8,061)	(\$16,868)	(\$32,958)	(\$57,887)
	(\$154,671)	(\$56,017)	(\$94,367)	(\$305,055)
Potential additional exposure to license & academic revenue				(\$124,728)

% Change in Revenue \$'s

	Office	XL	Word	Total
FPP	(71%)	(65%)	(67%)	(69%)
C-Upgrade	(53%)	(18%)	(18%)	(34%)
V-Upgrade	(69%)	(52%)	(67%)	(62%)
	(67%)	(52%)	(58%)	(61%)

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Prepared by: Robin Balz
Shawn Rose