Higgi103.ppt WWSMM 6/96

Applications And
Content Group
FY '97 Outlook

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## Microsoft Corporation

EXHIBIT
35
Higgins 7/24/0

Applications And Content Group

msn.
The Microsoft Network

- ◆ **Desktop Applications**
- ◆ **Desktop Finance**
- ◆ **Interactive Media**
- ◆ **Consumer Input Devices**
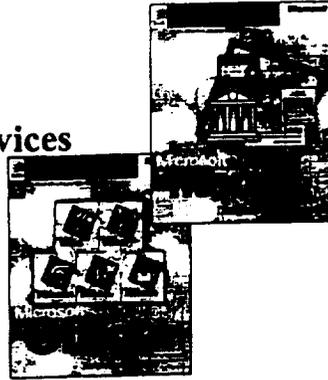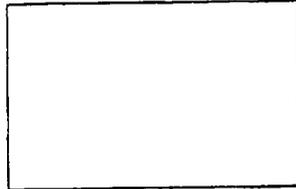
> MSN
> Consumer titles
> Online products

DAD In FY '96

◆ **Launched Office for Windows® 95 in 24 languages**

◆ **Unit share steady at 82%; revenue share up 4%**

◆ **Added new products**

◆ **$1 billion in revenue growth**

◆ **Revenue:**

FY96 has been a banner year and we are on track to surpass $4billion— that's $1Billion in growth. Much of that growth come from outside of the US and the result of shipping Office 95 in over 24 languages in short deltas than ever before. The Far East region has enjoyed tremendous growth in Japan to make it the second largest market outside of the US for DAD products up from number 6 a year ago. We have also enjoyed strong growth years in Latin America and Eastern Europe.

Market share as remained strong. Unit share held at 82% and rev share increased by 4% to 89%. Most of this has been driven by our solid sales combined with heavy OEM bundling in the US markets. Thus, rev share has grown but unit share has held flat.

Moreover we have extended the DAD Family of products in FY96 with the acquisition of FrontPage and the addition of the consumer producivity applications: Publisher, Works plus new products like Greetings Workdshop, Picture It.

Challenges; there are lots of them

Annuity, upgrading: people like our products, they don't like upgrading. We need to make it easy and communicate real value/ quantum leap

32-bit migration continues to be a road block. We need to keep focused on that today

Grow the market to make keep growing the business

On-line challenges, we must embrace our be left behind

Desperate competitors who will do anything at any cost: low price, everything in the box, OEM strategy

OEM threatens our biz. We estimate Lotus will ship 5 million units in CY 96 and 40% outside of the US. We need a smart OEM strategy to respond but not over-react

Piracy remains one of our largest revenue opportunities especially in the new markets

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DAD Three-Year Outlook

- ◆ Develop innovative products with compelling messages
- ◆ Grow upgrade business, develop annuity model
- ◆ Develop new segments in SORG and home
- ◆ Counter desperate competitors
- ◆ Reduce piracy

Winning In FY '97

- ◆ Desktop 32 migration
- ◆ Respond to competitive threats
- ◆ Launch and market innovative products
- ◆ Own the Intranet
- ◆ Drive upgrades
- ◆ Launch new segment offerings

How are we to win in fy97?

1HFY97

•Sell Win32. get people to Desktop32 now so that Office 97 is an easier upgrade.

•We cannot wait to own the Intranet message. That is being defined now. We have a great product in FrontPage to put a foot in the door, but we need Office 97 to open the door. However right now is the positioning war. We must win it.

•We also must respond accordingly to comp. threats. This means not over-reacting, but targetting them and really understand where they are hurting us if at all (e.g. OEM- how many people are really using the software?)

•We have to ship and deliver a great product to market. We have great products on tap-name them and explain Team manager, GW, Picture It. You'll get a chance to see a lot of them over today and the next two days.

•We have to make it significantly easier for orga and eu to upgrade both with products and tools

•To grow the market we will try to offer specific products to meet unique users needs in HOME and SORG.

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Office 97 End-User Positioning

New Office 97 is the best-selling suite that helps you get organized, get connected, and get results
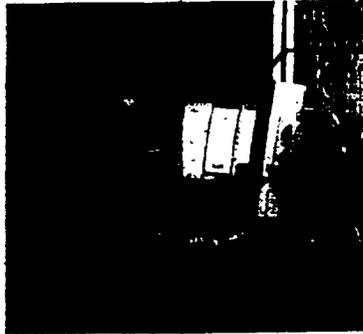
◆Get organized
  ➢Microsoft Outlook
  ➢Office Binder and integration tools
◆Get connected
  ➢OfficeWeb™ technology
  ➢Workgroup tools
◆Get results
  ➢Office Assistant
  ➢IntelliSense™ technology
  ➢IntelliMouse support

FY '97 Product Timeline

Team Manager RTM (U.S. only)	Publisher RTM	Office 97 U.S. RTM	Office 97 European Tier 1 RTMs	Office 97 Japanese RTM	Office 97 Tier 2 RTMs	Office 97 Tier 3 RTMs	US Mac Office 97 RTMs	Office 97 Tier 3 RTMs
August	August	Oct. 16th	November	Mid-December	January	Feb- March	March	March- April
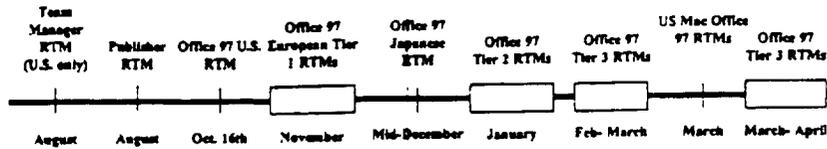
- ◆ **U.S. RTM for Office 97- Oct. 16**
- ◆ **Tier 1 European by end of November**
- ◆ **Japanese Office 97 delta 60 days**
- ◆ **Macintosh® in FY '97 Q4**

Explain that the product dates have changed

Highlight the US RTM for both Win and Mac and explain tradeoff to get the Win product out the door. We need to focus.

Tier1 european within 30 days of US

Japanese within 60 days (for Office 95 is was 90 days)

Other DB langauges will be about the same deltas as Office 95 (120 days)

Office 97 primarily a 2H FY97 product. Mac product is a FY98 product.

Microsoft® Outlook™ 97

Microsoft Outlook is the easiest way to organize your work and communicate with others

- ◆ **Desktop Information Manager**
- ◆ **Integration with Office**
- ◆ **Positioning with Microsoft Exchange client**
- ◆ **Long-term Microsoft e-mail client strategy**

Talking points:

DIM: Integrated appl to manager mail, calendar, contacts, files, tasks all in one place.

Integration with Office: Provides tight integration with all of the Office applications: WordMail, MailMerge and Task Requests

Outlook is an Exchange client upgrade

     Will ship with Office 97

     Runs on Win32-bit systems

     Interoperates with Microsoft Mail, Exchange client, and Schedule+

Exchange client and Schedule+ ship with Exchange Server

     Deploy today; then co-exist with Outlook

     Provides great cross-platform support

Future: single client based on Outlook

Outlook is an Exchange client for 32-bit systems. It is the upgrade to the Exchange/Sched+ clients and will ship with Office 97

At the time Outlook ships, Microsoft will continue shipping and maintaining the Exchange 4.x clients for users who do not have 32-bit Windows clients, or who want to phase their migration to Outlook

Outlook, Exchange client, and Schedule+ interoperate well

Future Exchange clients will be built on Outlook