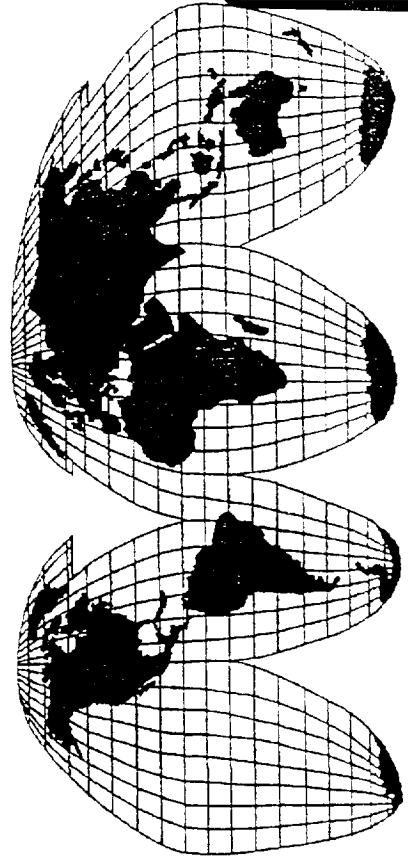


*Microsoft OEM Sales
FY'97 Budget Review
Bengt Åkerlind
Multi-national OEM
June 21, 1996*



PLAINTIFF'S
EXHIBIT
2514
Comes v. Microsoft

EXHIBIT
12
Alderlind
8-22-01

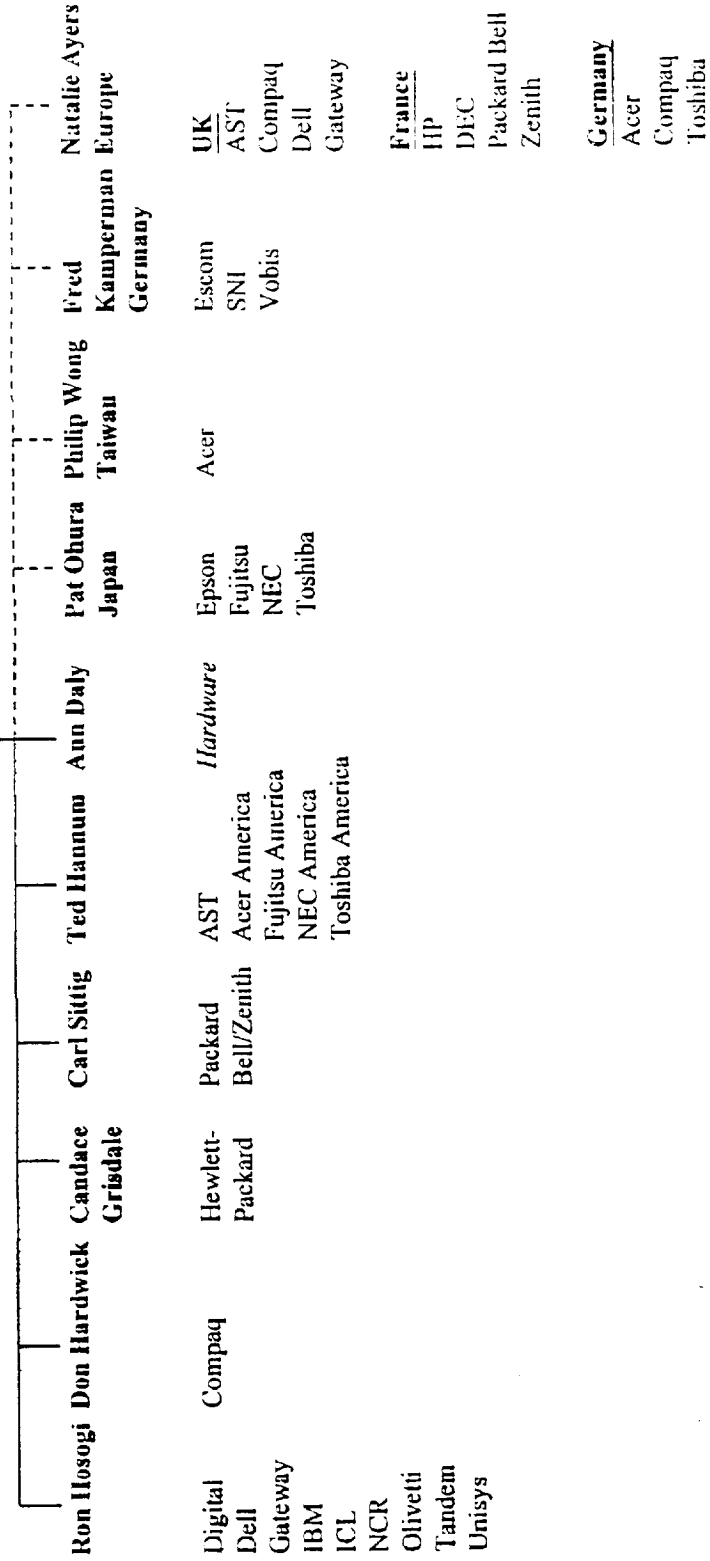
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Multi-national OEM Organization

Bengt Akerlind

Sherrie Sanders
Admin Assistant



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FY'96 Accomplishments

- ◆ **\$1.7B in gross revenue**
 - **79% growth, 42% over budget**
- ◆ **32-bit O/S at 80% penetration at FY end**
- ◆ **OEM mice business back on growth path**
- ◆ **Defended DAD market share in second half**

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What We Missed

- ◆ **Compaq and Hewlett-Packard in close relationships with Netscape**
- ◆ **Nine Multi-national OEMs shipping Navigator on some systems**
- ◆ **Not effectively protected Windows desktop from proprietary activities**
- ◆ **MS/Hewlett-Packard cross patent license not closed**
- ◆ **Ichitaro/1-2-3 still shipping in Japan**

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Market Trends

- ◆ **ISPs/Netscape offer bounties and revenue stream for Windows desktop icon**
- ◆ **Major brand OEMs target Small Business market**
 - **Pressure for Office licenses**
 - **Reengineering of distribution channels**
- ◆ **OEM commitment to Windows NT increased by market demand**
- ◆ **Tire kicking on \$500 “Network Computer”**

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FY'97 Processor and Revenue Forecast

	Intel -Type CPUs (K Units)			Revenue (\$M)		Royalty rates			
	Actual	Fest	Fest 96/97, %	Fest Budget	%	WDF (incl. MDA)	W'95 NTW4		
	FY'95	FY'96	FY'97 Growth	FY'96	FY'97 Growth				
Compaq	4,696	6,423	7,150	11.3	195.1	226.9	16.3	31.00	31.00
IBM	4,084	4,545	4,890	7.6	167.0	202.1	21.0	42.00	107.00
NEC	1,647	2,974	3,505	17.8	152.5	179.3	17.6	44.00	109.00
Hewlett-Packard	1,489	2,292	2,900	26.5	108.5	147.8	36.2	41.00	103.50
Packard Bell	2,160	2,490	2,800	12.5	116.0	127.9	10.3	41.00	106.00
Dell	1,385	1,670	2,450	46.7	132.6	209.1	57.7	43.00	108.00
Acer	1,262	1,551	2,000	28.9	65.3	82.9	27.0	44.00	109.00
Toshiba	1,544	1,556	1,950	25.3	91.5	106.9	16.8	48.00	113.00
Gateway 2000	1,096	1,393	1,860	33.5	168.0	206.0	22.6	42.50	107.50
AST	1,445	1,131	1,000	(11.6)	65.7	55.9	(14.9)	45.50	110.50
Fujitsu	434	1,700	2,100	23.6	80.5	116.3	44.4	45.00	110.00
Digital	1,197	1,082	1,146	5.9	63.3	74.3	17.3	45.50	103.50
SNI	658	708	750	5.9	34.2	43.3	26.6	44.00	109.00
Olivetti	799	748	650	(13.1)	36.1	34.6	(4.2)	45.00	110.00
Vobis	514	493	600	21.7	43.2	43.2	(0.0)	45.00	110.00
NCR	756	502	300	(40.2)	35.1	14.6	(58.5)	57.75	122.75
Zenith	482	543	650	19.6	24.1	32.7	35.8	41.00	106.00
Escom	248	539	457	(15.1)	40.2	34.6	(14.0)	46.50	111.50
ICL	213	291	538	84.6	23.9	29.1	21.8	44.00	109.00
Unisys	218	235	318	35.2	16.1	22.8	41.4	57.00	122.00
Epson	351	232	250	7.7	17.7	12.3	(30.4)	60.00	125.00
Total	26,678	33,100	38,264	15.7	1,676.6	2,002.4	19.4		

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Windows NTW/NTS 4.0

NTW (K units)	FY'95 Act	FY'96 Fest %(*)	FY'97 Bdgt %(*)
Compaq	70.2	206.0 3.2	546.6 7.6
IBM	-	1.3 0.0	263.2 5.4
NEC	2.7	18.8 0.6	107.9 3.1
HP	2.2	24.5 1.1	172.3 5.9
Dell	-	8.6 0.5	171.2 7.0
Fujitsu	2.1	14.9 0.9	72.3 3.4
Gateway	-	18.4 1.3	73.4 3.9
DEC	6.0	23.6 2.2	95.3 8.3
Other	23.2	63.3	324.7
Grand Total	106.5	379.4 1.1	1,826.8 4.8

(*) Penetration of total desktop system shipments

NTS (K units)	FY95 Act	FY96 Bdgt Fest %(*)	FY97 Bdgt %(**)
Compaq	5.1	8.8 17.0 191.9	33.7 98.6
IBM	-	0.8 -	0.4 -
NEC	0.6	5.7 13.7 241.8	13.4 (1.9)
HP	-	- 0.7	- -
Dell	-	- -	- 5.0
Fujitsu	0.4	1.9 9.1 479.1	19.5 114.2
Gateway	-	- -	- -
DEC	-	3.8 9.8 258.1	38.5 794.9
Other	7.3	11.2 7.9 70.6	14.7 85.6
Grand Total	13.4	32.2 58.2 180.3	125.2 115.6

(*) Variance over budget (***) Growth FY'97 over FY'96

- ◆ **AST, Dell, and Gateway have 3.51 to 4.0 upgrade programs in place. DEC and HP pending.**
- ◆ **Compaq will ship NTW 4.0 with all DeskPros**
- ◆ **Need: MS to position NTW as mainstream desktop O/S**
- ◆ **Allow OEMs to sell NTS CALs?**

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Internet Browser Overview

Customer	Model	Europe	N/A	Japan	WW FY'97 (K units)	Comment
Acer	Aspire	IE/NV	IE/NV	IE/NV	1,000	Default?
	Mate	IE2.0	IE2.0	IE2.0	300	
	Power	IE2.0	IE2.0	IE2.0	300	
	Basic	IE2.0	IE2.0	IE2.0	400	
AST	All	IE2.0	IE2.0	IE2.0	1,000	
Compaq	Presario	IE/NV	IE/NV	IE/NV	1,800	Default to IE from July
	Prolinea	IE2.0	IE2.0	IE2.0	2,340	
	DeskPro	IE2.0	IE2.0	IE2.0	1,560	
	Contura	IE2.0	IE2.0	IE2.0	330	
	LTE	IE2.0	IE2.0	IE2.0	770	
Dell	All	IE2.0	IE2.0	IE2.0	2,450	
Digital	Venturis	IE/NV	IE/NV	IE/NV	800	Default?
	Celebris	IE/NV	IE/NV	IE/NV	230	Default?
	HiNote	IE2.0	IE2.0	IE2.0	115	
Fujitsu/ICL	Consumer	IE/NV	-	IE/NV	790	Defaults to IE
	Corp. desktop	IE2.0	-	IE2.0	1580	FJ will do all IE3.0
	Laptops	-	-	IE2.0	268	
Gateway 2000	All	IE2.0	IE2.0	IE2.0	1,860	

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Internet Browser Overview (cont.)

Customer	Model	Europe	N/A	Japan WW FY'97 (K units)	Comment
Hewlett-Packard	All	IE2.0	IE2.0	IE2.0	2,900 Planning NV for Vectra SKU Planning NV with LaserJets
IBM	Aptiva	IE/NV	IE/NV	IE/NV	1,400 Default? NV3.0 from May
	CD/T-W95	IE2.0	IE2.0	IE2.0	1,050
	CD/T-DOS	IBM	IBM	IBM	800
	CD/T-OS/2	IBM	IBM	IBM	150
	ThinkPad	IE2.0	IE2.0	IE2.0	1,000
	ThinkPad 560	IE/NV	IE/NV	IE/NV	500 Default?
NEC	All	-	IE/NV	IE2.0	3,505 NV with Ichitaro in Japan
Olivetti	All	IE2.0	-	-	650
Packard Bell	All	IE2.0	IE2.0	-	2,800 Integrated in PB shell
SNI	All	IE2.0	-	-	750
Toshiba	All	IE2.0	IE/NV	IE2.0	1,950 NA will go IE3.0
Vobis	All	IE/NV	-	-	600 Defaults to NV NV with standalone modems
Zenith	All	IE/NV	IE/NV	-	650
Other	All	IE2.0	IE2.0	IE2.0	1,325

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FY'96 Multi-national Mice Market (K units)

	Logitech	Other	Msft	Sum	Msft Share	Comment
Compaq	4,050	450		4,500		Evaluating for Small Business Initiative
IBM	3,150	350		3,500		
NEC	2,500			2,500		Design-win, will ship 500K Msft in FY'97
Hewlett-Packard	2,020			2,020		Shipping in Small Business Initiative
Packard Bell		2,520		2,520		
Dell	346		1,194	1,540	78%	
Acer	1,260		111	1,371	8%	
Toshiba	300			300		Design-win, will ship 500K Msft in FY'97
Gateway			1,582	1,582	100%	
AST		493	502	995	50%	
Fujitsu		1,000		1,000		In-house mfg today; out-source in FY'97
Digital	805	90		895		
SNI	91		626	717	87%	
Olivetti	450	307		757		Design-win, will ship 300K MS in FY'97
Vobis		356	143	499	29%	
NCR	508			508		
Zenith		300		300		
Escom		545		545		
ICL	88	207		295		Design-win, will ship 150K MS in FY'97
Unisys		238		238		
Epson	235			235		

Other Includes: Primax, Forward, Mitsumi, Alps

M/N TOTAL	15,803	6,856	4,158	26,817
Share	60%	24%	16%	100%

OEM TOTAL	23,000	9,760	13,000	45,760
Share	50%	21%	29%	100%

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FY'97 Hardware Trends

MICE	FY'95 Act	FY'96 Bdgt	FY'96 Fest % of Bdgt	FY'97 bdgt	%, growth
K Units	2,471	3,492	4,158	6,884	66%
Revenue (\$m)	18.5	22.9	25.6	50.2	96%

- ◆ **Multi-national OEMs start to value quality of input devices**
- ◆ **Rapidly increasing demand for gaming devices**
- ◆ **Needs for FY'97:**
 - **Capacity for Intellimouse**
 - **Capacity/logistics for custom mice**
 - **Improved schedules for USB devices**

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Desktop Applications Division

DAD Revenue (\$m)	FY'95 Act	FY'96 Bdgt	FY'96 Fcst % of Bdgt	FY'97 bdgt	%, growth
	66.5	67.3	162.4	209.0	29%

- ◆ Defended DAD market share against Smartsuite at \$5 -10 at Compaq and NEC-US. Corel still invisible.
- ◆ Reworking GW and Dell Office licenses to eliminate bids
- ◆ Continue to work on turn around at AST and Acer
- ◆ Local aggressive competition
 - Ichitaro in Japan
 - StarOffice in Germany

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Compaq

Goals: Ensure success of O/S business. Cooperate on key R&D projects. Improve Consumer group relationship.

◆ FY'96 Accomplishments

- Signed Letter Of Understanding for Internet
- Reached agreement on Small Business Initiative
- Shipped first preinstalled WinNT DeskPro

◆ FY'97 Objectives

- Expand on Internet cooperation
- Make NTS 4.0/Smartstart challenge a win/win
- Develop SB Initiative while protecting corporate DAD business
- Engage in Cost-of-Ownership (CoO) initiative
- Early engagement of Compaq in Cairo program

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Hewlett-Packard

*Strategy: MS' Selective Marketing and
Comprehensive Technology Partner*

- ◆ **FY'96 Accomplishments**
 - HP/MS SB alliance & "Small Business Center"
 - Technology development: handheld, SmartCard, home imaging, SiPC, USB, ACPI, clustering
 - HP commitment to new license agreement
- ◆ **FY'97 Objectives**
 - Internet strategy definition and execution
 - Large scale HP Windows NTS/NTW shipments
 - Patent exchange execution
 - Application business growth: printers & desktops

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Packard Bell

Strategy: Key Partner in Retail Channel

◆ FY'96 Accomplishments

- First retail Win95 partner to ship 100%
- First OEM branding effort with MS-Station
- Totally MS designed Internet home page
- Received \$65M in back payments

◆ FY'97 Objectives

- Establish strong MS Internet presence in retail
- Gain financial and product compliance
- Ensure PB/ZDS/NEC WinNT 4.0 launch presence
- Explore DAD in-store upsell opportunity

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FY'97 Objectives Multi-national OEM

- ◆ **Exceed \$2.2B in revenue (110% of plan)**
- ◆ **IE 3.0 the winning browser !**
- ◆ **Sign all WDF, grow NTW desktop share**
- ◆ **Ensure successful OEM participation in key initiatives like SIPC, CoO, clustering**
- ◆ **Defend DAD market share while being sensitive to channel dynamics**
- ◆ **Win three new major OEMs for MS mouse**

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