

**From:** Allan Abram  
**Sent:** Tuesday, May 12, 1998 4:23 PM  
**To:** Distribution of Jon DeVaan; DAD Office Leads  
**Cc:** Bill Gates; Steve Ballmer; Bob Herbold; Pete Higgins; Jeff Raikes; Paul Maritz; Bob Muglia (Exchange); Rich Tong; Richard Fade; Chris Peters; Michel Lacombe; Steve Schiro; Deborah Willingham; Sam Jadallah; Rick Devenuti; Robert (Robbie) Bach; Desktop Market Planning; Jon Anderson; Bob Norton; Michael Lucarelli; LaShaun Bellamy; Arvind Bhat; Ingrid Fitzgerald; Keri Stack; Peggy Angevine; James King; Greg Maffei's Team; Platforms Finance All; James Douglas; Tim Halladay; Craig Bruya Direct Reports; Susan Rucker; Tom Bailey; Gregory Gordon; Andrew Lees; Colette Hunter; Dave LeFevre; Arnaud Fischer; Bob Vellone; Peter Boit; Liz King; Office International Product Managers; Jeremy Gittins; Mick Roberts; Thierry Fouquet; Jodi Granston; Applications Marketing Leads; Carrie Bogner; Pieter Knook; Orlando Ayala  
**Subject:** DAD - April Revenue

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**SUMMARY:**

- DAD gross revenue in April totaled \$680 million, 13% ahead of plan and 21% higher than last April. The fiscal year to date total of \$5.69 billion leads plan by 18% and is 26% higher than last year at this time. The total FY98 plan of \$5.69 billion has been achieved. (note that the revenue view in this flash is prior to the reorg of the consumer productivity apps to IMG)

**DAD April Gross Revenue Results**

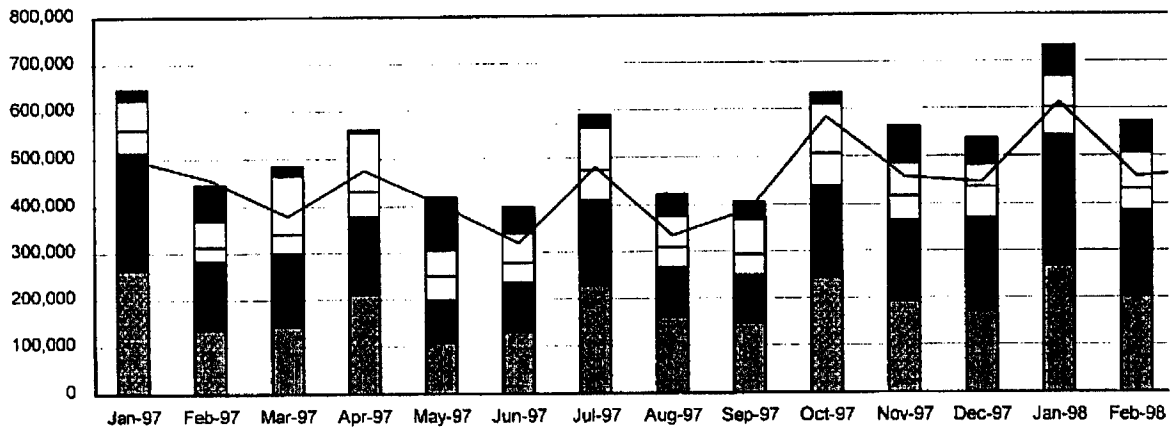
Variances and Year to Year Growth

Period	Actual	Budget	Variance		FY97	Growth	
			\$	%		\$	%
April	\$680,352	\$602,776	\$77,576	13%	\$560,754	\$119,599	21%
FYTD	\$5,690,646	\$4,841,184	\$849,462	18%	\$4,521,026	\$1,169,620	26%

The primary performance drivers in the month of April included:

- Worldwide Select and Special Agreement revenues of \$229 million vs. a plan of \$146 million for Office / Pro. This line item is up 7% from January's Select / Special Agreement revenue.
- Strength in US FG with \$232m, 14% over plan, and 32% above the trailing 12 month average.
- Strength in United Kingdom FG with \$68m, 76% ahead of Plan, and 80% greater than the trailing 12 month average.

**DAD Running Fiscal Month Revenue Budget vs. Actuals**



**DRILLDOWN**

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- **Finished Goods** revenue for March was \$635 million (11% over plan).
- Total **OEM** revenue for the month was \$45 million (46% over plan). The total includes \$33m in the OEM channel (24% over plan) and \$13 million in the **Retail OEM (DSP)** channel (168% ahead of plan). Year to date, OEM / ROEM revenue is \$487 million and 56% over the plan. April OEM revenue was 12% below its trailing 12-mo average.
- Final USFG **sell-through** revenue for March was \$183 million, this was up 11% from December which was the last equivalent month in the **Select billing cycle**.
- The following table shows USFG **sell-through** revenue by **Reseller Partner Segment** for the last six months, along with the average weekly sales amounts (January spikes for Outbound due to Select billings; October and January are five week months, the others are four week months).

USFG DAD Sell Through Revenue - Channel						
Channel Segment	Oct-97	Nov-97	Dec-97	Jan-98	Feb-98	Mar-98
Outbound	124,096	109,854	103,227	162,696	93,432	104,273
Retail	26,061	23,412	22,963	33,416	26,219	28,366
DMR	17,257	15,001	14,193	23,887	14,979	21,655
Unsegmented	16,116	13,611	12,118	18,907	12,969	15,592
Value-Add Providers	15,052	12,543	10,878	14,741	12,331	12,776
MS Direct	3,442	494	292	2,881	188	145
Other	487	808	659	2,575	1,013	42
<b>Grand Total</b>	<b>202,511</b>	<b>175,723</b>	<b>164,330</b>	<b>259,102</b>	<b>161,132</b>	<b>182,849</b>
<b>Weekly Average</b>	<b>40,502</b>	<b>43,931</b>	<b>41,083</b>	<b>51,820</b>	<b>40,283</b>	<b>45,712</b>

- Here is the sell-through revenue by **End Customer Segment**.
  - LORG is down 6% from December.
  - SMORG and End User sales increased from December by 39% and 24% respectively due to launches of Office Mac and Publisher.

USFG DAD Sell Through Revenue - Customer						
Customer Segment	Oct-97	Nov-97	Dec-97	Jan-98	Feb-98	Mar-98
Strategic	52,719	53,074	39,449	65,548	30,225	35,543
Named	32,694	26,006	30,613	43,538	24,102	30,796
Breadth	32,322	24,020	24,924	49,804	27,963	22,822
<b>Lorg Total</b>	<b>117,736</b>	<b>103,101</b>	<b>94,987</b>	<b>158,890</b>	<b>82,289</b>	<b>89,161</b>
Smorg Total	63,676	53,544	50,178	74,135	58,903	69,903
EndUser Total	21,100	19,078	19,166	26,077	19,940	23,785
<b>Grand Total</b>	<b>202,511</b>	<b>175,723</b>	<b>164,330</b>	<b>259,102</b>	<b>161,132</b>	<b>182,849</b>

**USFG Market Share** (source: PC Data): Microsoft blended Word Processor **Retail & DMR** unit share during March increased two share points to 83%. Corel lost two share points to 15% and Lotus declined one share point to 2%. The increase reflects the first full "sell-through" month for MacOffice98, offset by Corel's aggressive price reductions on WP Suite 8 Upgrade skus (Standard \$179 to \$89 and Pro \$249 to \$179). Note: Corel's pricing changes were effective mid-March. Microsoft revenue share increased four share points to 90%. Corel lost three share points to 9% and Lotus declined one share point to 1%. Please contact Robert Doi (bdoi) for further share details.

**PLATFORM:**

- **32-Bit Windows** products accounted for 88.9% of Finished Goods revenue in April. In Apr 97 Win 32 accounted for 80.1% of FG revenues. Last month, Win 16 specific products accounted for only 2.3% of FG revenue (\$15 million), with another 2.2% coming from Cross Platform skus (where the user can install either Win32, Win16 or Mac and is not required to report the specific platform).

**PRICING LEVEL:** (note: FY98 budgeting was done at the RevSum category level rather than Pricing Level. The RevSum Categories for Office and Office Pro include some pricing level detail, and are used below as budget comparisons as those products make up the great majority of DAD sales)

- Total **Full Packaged Product** sales in April were \$130 million, 5% lower than the trailing 12 month average of \$138m.
  - FPP sales were weak for North America in April declining from \$88m in March to \$46m in April. At \$27m, Office / Pro FPP sales were 14% under both the FY99 Plan and the trailing 12 month average. Overall NA FPP sales were also 14% below the trailing 12 month average. Project showed \$4.4m in revenue, down \$2.9m from March. FrontPage had \$1.3m in revenue, down \$1.5m from March. At \$6.3m, Publisher increased 28% from March.
  - European FPP revenues totaled \$52m, up 25% from \$41m in March. This was 15% above the trailing 12 month average. Most of the increase is attributed to Office and SBE. The FPP Pro mix for Europe is 43% compared to a plan of 64%.
  - FPP Sales in the Far East totaled \$18m, a 25% decrease from March and 29% below the trailing 12 month average. Of this total, Office Pro accounted for \$10.7m, down \$5.2m from March and 52% below Plan.
  - ICON FPP sales of \$14.2 million in April were down 1% from March and were 3% lower than the trailing 12 month average. Office / Pro revenue of \$11m was 32% below plan for the month. South Africa and Caribbean / C. Amer were two of the few

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- ICON subs to beat the Office / Pro FPP plan for the month, the respective surplus was \$290k (+34%) and \$238k (+96%).
- Select and Enterprise Agreement revenue.** Total Select revenue was \$281 million for the month, 5% higher than the January total. The make-up includes \$257 million from Select and \$24 million from Enterprise Agreements.
- Office / Pro Select sales of \$229 million in April were strong and exceeded the month's plan by 57%. Both Europe and North America were the primary contributors in this pricing level with \$97 million and \$85 million respectively.**
  - The North American Select total for the month was well over the plan of \$63 and it exceeded the January total by 9%.
  - The UK led European Select billings with \$30 million. The Office / Pro variance to plan was +\$19m and the UK showed 56% growth over January's revenue. Germany also had very strong Office / Pro select billings this month with \$29 million vs. a plan of \$11 million and 8% growth over January. Portugal, Sweden, and Hungary were the only European subs to fall short of their Select revenue plan for the month.
  - The Far East Select revenues for April totaled \$31 million, 11% over Plan and 80% over January. Japan Office/Pro Select revenue of \$26 million, was up 75% from January and 11% over plan. Taiwan Office / Pro was also very strong with \$3.8 million in total Select revenue for the month.
  - Office/Pro Select revenue in ICON of \$15.5 million was lead by Brazil and Australia with \$5.3 million and \$3.6 million respectively.
  - Enterprise Agreement** revenue in April of \$24 million was down from \$32 million in March and 31% under plan. With \$15 million, North America was 24% under plan. Europe booked \$8 million, 26% under plan. ICON and the Far East were under plan by 48% and 97% respectively. (All Enterprise Agreement revenue and budget amounts are stated in the RevSum report revenue view, prior to any deferrals or recognition)
- New Maintenance** revenue in April totaled \$23 million. This is 50% below plan and 13% less than the trailing 12 average. North America with \$12 million, is 60% under plan and 30% below the trailing 12 month average. Select revenue in Europe was \$6 million, 50% below January and 26% below plan.
- At \$96 million, **Open** revenues continue to show strength in April, 19% greater than the trailing 12 month average. NA and Europe were above the trailing 12 month average by \$8.2 million and \$5.2 million respectively, the most notable increase was in the Far East where Open revenues were \$7.2 million, or 56%, above the trailing 12 average. At \$14.9m, MLP revenue is down 24% from the trailing 12 average. ICON is up 67%, \$600k, from the trailing 12. NA, Europe and the Far East are down 42%, 16%, and 49% respectively.
- Worldwide **Academic** sales totaled \$39 million in April, 16% higher than the trailing 12 average. In North America, FPP accounted for 39% of total academic revenue vs. 25% in Europe.
- Sales of the **Pre-installed PC** bundle in Japan (which falls in the OEM Packaged pricing level) totaled \$9.5 million in April 35% below plan and down 47% from March.

The following table compares April results by pricing level to January (the last equivalent Select month) and to the trailing 12 month average run rate.

Pricing Level	April Revenue	January Revenue	Trailing 12 Avg	Apr /	
				Apr / Dec	Trailing 12
Full Pkg Product	\$129,999	\$144,881	\$137,507	-10%	-5%
MLP	\$14,901	\$26,253	\$19,690	-43%	-24%
Open	\$96,297	\$93,481	\$80,758	3%	19%
Select	\$257,374	\$241,849	\$135,804	6%	90%
Academic	\$38,808	\$40,596	\$33,425	-4%	16%
Other Licensing	\$4,180	\$9,544	\$7,053	-56%	-41%
OEM Packaged	\$9,448	\$18,343	\$13,904	-48%	-32%
New Maintenance	\$24,203	\$38,254	\$26,556	-37%	-9%
Recur Mnt Reversal	-\$2,536	-\$5,906	-\$6,214	-57%	-59%
Recur Mnt Recognized	\$38,527	\$33,697	\$16,011	14%	141%
Enterprise Agreement	\$23,920	\$25,095	\$16,325	-5%	47%
All OEM	\$45,231	\$73,029	\$51,400	-38%	-12%
<b>Total</b>	<b>\$680,352</b>	<b>\$739,115</b>	<b>\$532,220</b>	<b>-8%</b>	<b>28%</b>

#### GEOGRAPHY (Finished Goods only):

- Sales in the **United States** totaled \$232 million in April, \$29m or 14% ahead of plan, but \$16m or 6% lower than January. Select licensing of Office/Pro and FPP sales of Publisher accounted for most of the positive variance in April. New Maintenance fell short of April's plan by \$22m or 67%. Year to date USFG revenue is \$1.932 billion, \$268m or 16% ahead of plan and 24% larger than last year at this time. With \$18m in revenue, **Canada** was 4% under budget for the month, with weakness in FPP and Enterprise Agreements offsetting strength in Select.
- Europe** came in at \$238 million for April, \$66m or 38% ahead of plan, but \$35m or 13% below January. The general trend in the region was strong Select and MOLP sales offsetting weakness in FPP. The UK posted its strongest month of FY98 with \$68m which was 76% ahead of plan. All other large subs finished April ahead of plan except for France which fell 9% short of plan with April revenue of \$30m. On a YTD basis, Europe has grown \$354m or 24% in US\$. In local currency, the growth leaders are Sweden at 56%, Netherlands at 53% and the UK at 39%.
- April revenue in the **Far East** of \$80m was \$32m or 29% below plan, but \$13m or 20% ahead of January. Shortfalls in Office Pro, SBE & Word/Excel bundle drove most of the unfavorable variance for the month. Revenue in **Japan** of \$66 million was 36% under plan in US\$ and 30% under plan in Yen. Other **Far East** subs revenue totals for April: Taiwan \$8.0m, 210% over; Hong Kong \$1.9m, 2% under; Korea \$2.1m, 41% under plan; China \$1.2m, 5% over. YTD the Far East is \$24m or 3% below plan. Growth over YTD FY97 is \$94m or 14% in US\$.

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- FG revenue in the **ICON** region totaled \$67 million in April, \$2m or 3% ahead of budget and \$7m or 12% ahead of January. Strong sales in Australia were offset by weak April results in Mexico and South Africa. Fiscal year to date revenue of \$553m is 12% over budget and \$153m or 38% ahead of FY97 in US\$.

### DAD April Gross Revenue by Subsidiary

\$000's

	April Actual	Variance to Plan	YTD Actual	Variance to Plan	Growth vs FY97	
					US \$	Local Currency
<b>Finished Goods</b>						
United States	232,381	14%	1,932,689	16%	24%	
Canada	17,546	-4%	143,057	6%	14%	
<b>North America</b>	<b>249,927</b>	<b>13%</b>	<b>2,075,746</b>	<b>15%</b>	<b>24%</b>	
United Kingdom	68,201	76%	409,234	32%	42%	39%
Germany	44,912	43%	352,063	21%	14%	30%
France	29,502	-9%	259,221	12%	3%	17%
Italy	17,221	38%	123,700	19%	11%	24%
Sweden	12,349	27%	93,293	42%	38%	56%
Switzerland	8,142	12%	73,822	25%	15%	29%
Netherlands	11,155	92%	98,195	30%	34%	53%
Belgium	4,939	29%	54,768	17%	14%	31%
Other europe	42,488	34%	343,587	32%	42%	
<b>Europe</b>	<b>238,909</b>	<b>38%</b>	<b>1,807,882</b>	<b>25%</b>	<b>24%</b>	
Australia	11,509	21%	100,111	15%	29%	44%
Brazil	12,726	-1%	80,353	11%	43%	
Mexico	4,710	-27%	50,838	17%	45%	
South Africa	4,210	-20%	37,019	0%	19%	
Other ICON	33,497	9%	284,312	12%	42%	
<b>ICON</b>	<b>66,651</b>	<b>3%</b>	<b>552,633</b>	<b>12%</b>	<b>38%</b>	
Japan	66,332	-36%	674,343	-5%	11%	18%
other FE	13,302	43%	92,566	18%	40%	
<b>Far East</b>	<b>79,634</b>	<b>-29%</b>	<b>766,909</b>	<b>-3%</b>	<b>14%</b>	
<b>Total FG</b>	<b>635,121</b>	<b>11%</b>	<b>5,203,169</b>	<b>15%</b>	<b>24%</b>	
<b>OEM/ROEM</b>	<b>45,231</b>	<b>46%</b>	<b>487,477</b>	<b>56%</b>	<b>54%</b>	
<b>Total DAD</b>	<b>680,352</b>	<b>13%</b>	<b>5,690,646</b>	<b>18%</b>	<b>26%</b>	

#### PRODUCT:

- **FG Win Office / Pro** excluding the EA pricing level, total \$510 million for April or 16% ahead of plan. The Pro revenue mix is 53% compared to a plan of 56%. This total is 3% lower than the record month of January. The Far East is the only area that is under plan for the month of April for Office / Pro (variance -24%).
  - **Office SBE 97.2** sales remain strong in Europe, but still lag from the plan. WW FG net sales total \$10.5 million for the month; OEM sales total \$22.7 million for April. Total SBE sales fiscal year to date are \$331 million, 91% of plan.
- **Win Standalone Office Applications** for the month totaled \$31 million (Word - \$9.0m, Excel - \$8.9m, Access - \$8.0m, PowerPoint - \$2.3m). This is down 4% from March. FYTD the Standalone Apps have \$304 million and are 6% greater than plan. The US accounts for \$95 million or 31% of this total.
- **Project** revenue was strong in April at \$31.8 million, this is up 10% from last month and 15% above plan. With the exception of the Far East, all of the WW areas exceeded the April plan numbers (the Far East was 48% below plan), North America was 15% above plan.
- At \$4.7 million, **FrontPage** revenue is down 20% from March, but still 14% ahead of plan on a YTD basis.
- **Publisher** sales remain strong in both North America and in Europe. The WW April monthly total of \$12.2 million is 155% above the budget and 43% above the March total.
- With \$6.8 million, **Home Essentials** reached 82% of the month's budget (OEM accounts for 56% of this total). FYTD HE revenue totals \$63 million and accounts for 95% of the FYTD April plan.
- **Mac Office 98** WW sell in totaled \$15.8 million for April, down 47% from March. Of this total, Office accounted for \$15.3m (97%), Standalone apps were \$95k and the Gold sku was \$341k. Including older versions of Mac Office / Standalone Office applications, Mac revenue totaled \$18.7m. Year to date total Mac Office / Standalone application sales are \$133.4m, of which \$7.2m is OEM.
  - US Mac 98 revenue for the month totaled \$6.9 million, down from \$26 million in March. YTD in the US, Mac Office / Standalone revenues (all versions) now stand at \$87.4 million vs. a plan of \$47.9 million.
  - Mac Office 98 sales in Europe totaled \$7.2 million.

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RevSum Category	OS	FYTD 98 Revenue (000s)	Var to Plan	YoYr Growth	FYTD 98 Licenses	Var to Plan	YoYr Growth	FYTD 98 Rev'd	Var to Plan	YoYr Growth	
FG	Office	Win	1,831,037	20%	3%	9,712,052	12%	6%	189	7%	-3%
		Mac	90,665	133%	-53%	477,842	118%	-50%	190	8%	-7%
	<b>Office Total</b>		<b>\$1,921,702</b>	<b>23%</b>	<b>0%</b>	<b>10,189,894</b>	<b>15%</b>	<b>3%</b>	<b>\$189</b>	<b>7%</b>	<b>-3%</b>
	Office Professional / Gold	Win	2,205,636	14%	12%	11,736,406	21%	15%	188	-6%	-3%
		Mac	14,605	NA	NA	48,413	NA	NA	302	NA	NA
	<b>Office Professional Total</b>		<b>\$2,220,242</b>	<b>14%</b>	<b>12%</b>	<b>11,784,819</b>	<b>22%</b>	<b>15%</b>	<b>\$188</b>	<b>-6%</b>	<b>-3%</b>
	Small Business Edition		107,229	-40%	508%	486,862	-40%	555%	220	1%	-7%
	<b>All Office Subtotal</b>		<b>\$4,249,172</b>	<b>-2%</b>	<b>519%</b>	<b>22,461,675</b>	<b>-3%</b>	<b>573%</b>	<b>\$597</b>	<b>2%</b>	<b>-13%</b>
	Standalone Office Apps	Win	262,574	3%	-32%	2,285,018	-1%	-31%	115	4%	-3%
		Mac	20,893	132%	-61%	163,614	125%	-63%	128	3%	4%
	<b>Standalone Office Total</b>		<b>\$283,467</b>	<b>8%</b>	<b>-34%</b>	<b>2,448,632</b>	<b>3%</b>	<b>-32%</b>	<b>\$116</b>	<b>4%</b>	<b>-3%</b>
	Word/Excel Bundle		168,103	14%	38%	1,658,740	4%	29%	101	10%	7%
	Project/Team Manager		260,513	21%	21%	1,129,760	17%	24%	231	4%	-2%
	FrontPage		65,380	14%	15%	654,184	53%	12%	77	-25%	2%
	Publisher		54,880	31%	-4%	910,474	25%	-8%	60	5%	3%
	Works		33,628	49%	-38%	937,923	48%	-33%	36	1%	-8%
	GW, Pl, Other DAD		48,607	33%	28%	1,031,272	-7%	29%	48	42%	-1%
Home Essentials		33,969	-38%	112%	408,146	-38%	128%	83	1%	-7%	
Outlook		4,461	-44%	113%	86,074	-14%	126%	52	-35%	-6%	
<b>FG Total</b>		<b>\$5,203,169</b>	<b>15%</b>	<b>8%</b>	<b>31,926,780</b>	<b>14%</b>	<b>8%</b>	<b>\$183</b>	<b>1%</b>	<b>0%</b>	
OEM	Office	Win	1,551	-96%	480%	17,346	-91%	286%	89	-55%	50%
		Mac	7,260	NA	NA	48,401	NA	-100%	150	NA	NA
	<b>Office Total</b>		<b>\$8,811</b>	<b>-78%</b>	<b>102%</b>	<b>65,747</b>	<b>-68%</b>	<b>46%</b>	<b>\$134</b>	<b>-33%</b>	<b>38%</b>
	Office Professional		114,770	NA	NA	800,863	NA	NA	143	NA	NA
	Small Business Edition		175,716	20%	NM	2,498,806	23%	NM	70	-2%	-48%
	Works		50,491	34%	-42%	8,529,146	31%	-10%	5	3%	-35%
	Publisher		6,064	198%	-77%	811,432	129%	-77%	7	30%	0%
	GW, Pl, Other DAD		3,434	39%	21%	1,904,968	209%	-52%	2	-55%	154%
	Home Essentials		15,268	66%	NA	702,454	54%	NA	22	8%	NA
	Outlook		875	NA	NA	189,102	NA	NA	5	NA	NA
Standalone Office Apps		36,782	17%	-6%	2,718,352	-5%	136%	14	23%	-60%	
<b>OEM Total</b>		<b>\$412,211</b>	<b>53%</b>	<b>NA</b>	<b>19,220,870</b>	<b>39%</b>	<b>NA</b>	<b>\$21</b>	<b>10%</b>	<b>NA</b>	
ROEM	Office	933	113%	2%	3,110	94%	-1%	300	10%	3%	
	Office Professional	8,070	NA	NA	24,733	NA	NA	326	NA	NA	
	Small Business Edition	47,660	23%	NA	232,840	17%	NA	205	5%	NA	
	Home Essentials	13,852	352%	NA	207,677	239%	NA	67	33%	NA	
	Standalone Office Apps	4,752	NA	NA	80,028	NA	NA	59	NA	NA	
<b>OEM-Retail Total</b>		<b>\$75,266</b>	<b>78%</b>	<b>NA</b>	<b>548,388</b>	<b>109%</b>	<b>NA</b>	<b>\$137</b>	<b>-16%</b>	<b>NA</b>	
<b>Grand Total</b>		<b>\$5,690,646</b>	<b>18%</b>	<b>7%</b>	<b>51,696,038</b>	<b>23%</b>	<b>4%</b>	<b>\$110</b>	<b>-4%</b>	<b>3%</b>	

note: the "NA" plan variances are due to the fact that WW budgets were constructed at the RevSum category level for FY98 rather than the Product Family level

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Please feel free to contact seanp or myself if you have any questions or comments.

\* All revenue 'As Shipped', prior to inter product unit allocations, reserves, unearned revenue, etc. with the exception of the Enterprise Platform skus, which have been allocated 50% to DAD.

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