

PLAINTIFF'S
EXHIBIT
3376
tabbles
(Comes v. Microsoft)

3 YEAR OUTLOOK and Presentations

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**April
1997**

(Final as of 4/11/97)

Platforms & Applications

- Personal Operating Systems
- Personal & Business Systems - Servers
- Internet Client and Collaboration
- Developer Tools Division
- Desktop Applications Division
- Consumer Platforms Division
- SoftImage

Interactive Media Group

- Interactive Media Group: Finished Goods
- Hardware
- Interactive Media Ventures:
 - News, Slate, MSBET
- Interactive Service Media
- Microsoft Internet Gaming Zone
- Microsoft Network
- Desktop Finance Division

Research

- Advanced Technology and Research

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DAD 3 Year Business Outlook

February 14, 1997

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DAD 3 Year Business Outlook

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Agenda

- Key Objectives
- Business Overview (FY95-97)
- Competition
- Business Levers
 - LORG Segment
 - SORG & Home Segments
 - International
- Web Authoring Update
- Forecast (FY97-00)
- Summary
- Appendices

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FY97 Update

- FY97 growth; + 19% from \$4.2b to \$5b
- Gross margin +1.5 %
- Responsibility margin +4% over plan
- Market share WW 88%
- 32 bit attach FY96 18%, 1H FY97 25%

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FY97 Update

- Office 97 / Outlook
- Front Page, Publisher, GW, Picture It!
- Product leadership
- Home Essentials, Office SBE
- Re-aligned organization

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Challenges...

- Product:
 - TCO / ZAW
 - New applications model
 - Web platform
 - Collaboration
 - NC / Components
 - Home, Small Business
 - Japan / Far East
- Business:
 - Saturation
 - Upgrade frequency
 - Price erosion
 - Corel
 - Collaboration
 - Penetrate growing segments / markets

Objectives

- FY00 revenue: \$7b
- USFG \$2.4b
 - Grow LORG maintenance coverage to 40%
 - Penetration / Increase rev. per PC
 - MORG +\$32
 - SORG +\$22
 - Grow Home revenue to \$406m
- Establish annuity programs all segments
- Grow share

Business Overview FY95-97

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Worldwide Key Metrics

	United States	UK	France	Germany	Switzerland	Other Eur	Est Total	Japan	PE Total	PTV	Other EEM	Workings
2007 P&L Summary												
P&L Actual	1,197,254	226,915	226,466	288,264	85,854	288,682	1,198,042	317,811	370,772	88,881	211,288	2,143,888
P&L Budget	1,423,148	272,231	248,234	326,888	71,824	391,698	1,422,718	409,487	572,788	112,823	308,611	2,512,727
P&L Variance	(225,894)	(45,316)	(21,768)	(38,624)	(13,970)	(203,016)	(224,676)	(91,676)	(202,016)	(24,942)	(97,323)	(368,839)
2007 Growth Point	10%	7%	8%	8%	7%	8%	10%	8%	8%	8%	8%	8%
2007 Operations												
Total Revenues	128,288,889	28,428,882	24,288,226	28,827,887	3,798,271	982,887,888	128,798,888	84,177,884	361,748,883	6,888,282	288,141,888	878,228,881
Units Sold	78,188,888	14,888,882	11,288,888	18,827,887	2,288,888	47,881,888	88,874,888	23,888,888	142,888,881	4,888,888	78,888,888	481,228,888
PC per Unit Sold	1.64	1.64	1.64	1.53	1.70	1.85	1.45	3.57	2.57	1.40	3.64	1.80
Cost of Goods Sold	68,888,888	14,888,888	12,888,888	15,288,888	1,888,888	488,888,888	68,888,888	42,888,888	171,227,783	3,888,888	148,888,888	448,888,888
PC per Hour	0.42	0.17	0.14	0.15	0.27	0.88	0.11	0.13	0.44	0.34	0.84	0.18
2007 Installed Base PCs												
Revenue	84,888,888	7,888,888	4,888,888	12,288,724	1,888,188	22,878,843	48,282,874	12,878,888	25,282,481	3,288,848	18,888,888	188,188,274
Units	41,888,888	4,888,888	3,288,888	8,887,887	1,888,888	8,788,888	22,888,877	5,188,888	8,348,788	2,818,488	8,118,748	88,428,888
Growth vs FY06	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Total PCs	88,818,888	11,887,888	10,172,888	18,742,843	2,782,878	22,288,827	73,884,888	14,472,888	33,842,228	5,881,448	24,888,844	248,878,281
Growth vs FY06	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
2007 PC Shipments												
Revenue	17,288,888	2,184,888	1,748,888	2,877,228	428,888	8,188,819	12,888,819	3,224,888	6,888,881	788,888	4,888,148	48,887,228
Units	8,788,888	1,288,888	988,888	1,377,887	248,888	248,888	3,188,228	888,228	2,188,888	288,888	1,288,418	21,874,228
Growth vs FY06	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Total PC Shipments	28,888,888	3,288,888	2,888,888	4,282,228	678,888	8,488,888	14,778,878	7,888,888	12,888,881	1,314,888	6,188,888	68,228,228
Growth vs FY06	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
2007 NP Installed Base												
Total Revenue	28,728,888	5,172,888	3,822,888	6,888,888	881,748	6,888,168	21,842,822	14,228,888	18,881,472	3,848,888	4,728,488	81,888,472
Total Units	17%	20%	21%	20%	20%	20%	17%	17%	17%	17%	17%	17%
NP @ 10%	21,888,888	3,884,888	2,888,888	4,788,888	688,888	6,888,168	18,488,888	12,888,888	16,888,888	2,888,888	3,888,888	68,888,888
NP @ 10% Growth	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%
NP @ 10% Growth (Quality)	8%	4%	12%	(8.78)	12%	7%	7%	7%	22%	1%	8%	8%
2007 Penetration												
LGND	7%	8%	8%	7%	8%	8%	8%	7%	8%	8%	8%	8%
MORG	4%	8%	8%	8%	8%	8%	8%	7%	8%	8%	8%	8%
SORG	3%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
ED	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
MCM	3%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Total NP Penetration	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
2007 Rev/PC												
LGND	518	228	228	222	228	228	228	228	228	228	228	228
MORG	272	218	218	218	218	218	218	218	218	218	218	218
SORG	288	288	288	288	288	288	288	288	288	288	288	288
ED	342	342	342	342	342	342	342	342	342	342	342	342
MCM/Change (All Q&D Rev)	222	222	222	222	222	222	222	222	222	222	222	222
Total Rev/PC	222	222	222	222	222	222	222	222	222	222	222	222
2007 Rev/Unit												
LGND	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
MORG	2%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
SORG	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
ED	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
MCM/Change (All Q&D Rev)	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
2007-01 Core Apps License Mts												
Standard	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Light	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Max	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
2007-01 Core Apps User Type License Mts - All, non-AE												
Standard	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Light	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Max	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
2007-01 Core Apps User Type License Mts - All, non-AE												
Standard	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Light	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Max	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

US DAD Market Overview

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Category	US Revenue (M\$)		Market Share		Revenue Growth		Market Share		Total Market Growth		US Revenue (M\$)	
	CYS	CYS	CYS	CS	CYS	CS	CYS	CS	CYS	CS	CYS	CS
US Revenue (M\$)	1,175	1,175	1,175	100%	1,175	1,175	1,175	100%	1,175	1,175	1,175	1,175
US Revenue (M\$)	1,175	1,175	1,175	100%	1,175	1,175	1,175	100%	1,175	1,175	1,175	1,175
US Revenue (M\$)	1,175	1,175	1,175	100%	1,175	1,175	1,175	100%	1,175	1,175	1,175	1,175

Core Apps Growth and Mkt 17% 19%

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Category	US Revenue (M\$)		Market Share		Revenue Growth		Market Share		Total Market Growth		US Revenue (M\$)	
	CYS	CYS	CYS	CS	CYS	CS	CYS	CS	CYS	CS	CYS	CS
US Revenue (M\$)	1,175	1,175	1,175	100%	1,175	1,175	1,175	100%	1,175	1,175	1,175	1,175
US Revenue (M\$)	1,175	1,175	1,175	100%	1,175	1,175	1,175	100%	1,175	1,175	1,175	1,175
US Revenue (M\$)	1,175	1,175	1,175	100%	1,175	1,175	1,175	100%	1,175	1,175	1,175	1,175

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US DAD Market Overview 05.09 2013 2 28 PM

US Windows WP Market

US Windows	Candidate Licenses			Total Market Licenses			Microsoft Share			Market Share			PC Shipments			Market Share			Total Shipments			Total Shipments			Total Shipments						
	Q3	Q2	Q1	Q3	Q2	Q1	Q3	Q2	Q1	Q3	Q2	Q1	Q3	Q2	Q1	Q3	Q2	Q1	Q3	Q2	Q1	Q3	Q2	Q1	Q3	Q2	Q1				
Microsoft	1,000	900	800	1,000	900	800	1,000	900	800	1,000	900	800	1,000	900	800	1,000	900	800	1,000	900	800	1,000	900	800	1,000	900	800	1,000	900	800	
Other	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Microsoft Total	2,000	1,900	1,800	2,000	1,900	1,800	2,000	1,900	1,800	2,000	1,900	1,800	2,000	1,900	1,800	2,000	1,900	1,800	2,000	1,900	1,800	2,000	1,900	1,800	2,000	1,900	1,800	2,000	1,900	1,800	
Other Total	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Market Share %	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	
Market Share %	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	
Market Share %	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	67%	65%	63%	
Market Share %	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	33%	35%	37%	

DAD Channel Map

FY97 Forecasted U.S. Reseller MS Market Shares, Revenue and Uncaptured Business

Risk Segment	Risk Subsegment	Market Share (%)		Revenue (\$ Mil)		Uncaptured Business (\$ Mil)	
		97	98	97	98	97	98
Direct Mail Research	General Mail	68%	67%	58,240	61,250	1,725	1,725
	Specialty Mail	32%	33%	18,750	20,000	1,275	1,275
Direct Mail Research Total		100%	100%	76,990	81,250	3,000	3,000
Outbound	Hardware Outbound	89%	89%	1,000	1,000	0	0
	Software Outbound	11%	11%	1,000	1,000	0	0
Outbound Total		100%	100%	2,000	2,000	0	0
Research Total				78,990	83,250	3,000	3,000
VAR Research	Computer Superstore	70%	71%	1,000	1,000	0	0
	Consumer Electronics	30%	29%	1,000	1,000	0	0
VAR Research Total		100%	100%	2,000	2,000	0	0
Other (Direct, Other, MS)	Unassigned Reseller	100%	100%	1,000	1,000	0	0
Grand Total				81,990	86,250	3,000	3,000

FY98 U.S. Reseller MS Market Shares, Revenue and Uncaptured Business

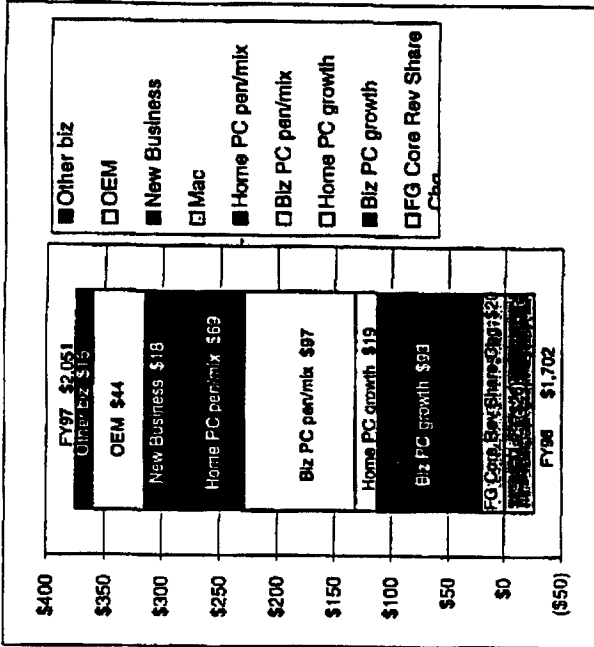
Risk Segment	Risk Subsegment	Market Share (%)		Revenue (\$ Mil)		Uncaptured Business (\$ Mil)	
		98	99	98	99	98	99
Direct Mail Research	General Mail	68%	67%	58,240	61,250	1,725	1,725
	Specialty Mail	32%	33%	18,750	20,000	1,275	1,275
Direct Mail Research Total		100%	100%	76,990	81,250	3,000	3,000
Outbound	Hardware Outbound	89%	89%	1,000	1,000	0	0
	Software Outbound	11%	11%	1,000	1,000	0	0
Outbound Total		100%	100%	2,000	2,000	0	0
Research Total				78,990	83,250	3,000	3,000
VAR Research	Computer Superstore	70%	71%	1,000	1,000	0	0
	Consumer Electronics	30%	29%	1,000	1,000	0	0
VAR Research Total		100%	100%	2,000	2,000	0	0
Other (Direct, Other, MS)	Unassigned Reseller	100%	100%	1,000	1,000	0	0
Grand Total				81,990	86,250	3,000	3,000

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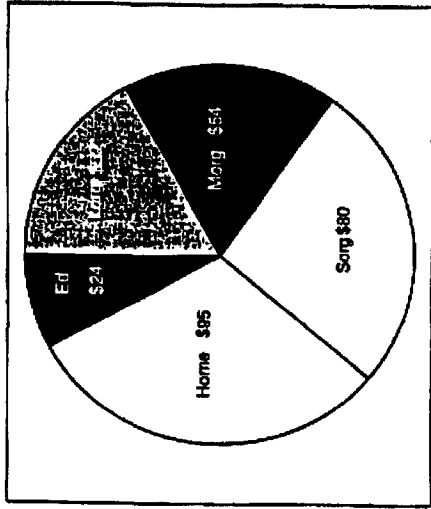
DAD 3 Year Business Outlook

How We Will Grow: FY96 - FY97

Microsoft USA Revenue Growth FY96 to FY97



FY97's \$306MM Growth over FY96 by Segment (USFG Win)



US Pricing Trends

License Type	Licenses		% of Total Tax			Revenue/License		Revenue Chg	
	FY95	FY97	FY95	FY96	FY97	FY95	FY96	FY95	FY97
Standard	320	217	29%	22%	24%	\$408	\$404	\$408	\$406
Office (Full Pkg Product)	63	81	7%	6%	6%	\$337	\$344	\$340	\$340
Office (MLP)	56	79	5%	8%	8%	\$311	\$316	\$320	\$320
Office (MOLP)	511	618	48%	49%	33%	\$192	\$192	\$218	\$218
Office (Select/Other)	81	107	7%	8%	21%	\$71	\$77	\$100	\$100
Office (AE-FPP/MLP)	59	105	5%	8%	8%	\$39	\$35	\$38	\$38
Office (AE Other)	1,108	1,263	100%	100%	100%	\$254	\$233	\$240	\$240
Office - Standard Product	167	243	28%	16%	13%	\$482	\$480	\$489	\$489
Office Pro (Full Pkg Product)	37	53	6%	4%	3%	\$404	\$402	\$414	\$414
Office Pro (MLP)	23	47	4%	3%	3%	\$373	\$380	\$364	\$364
Office Pro (MOLP)	123	459	19%	31%	20%	\$235	\$183	\$231	\$231
Office Pro (Select/Other)	172	435	27%	29%	40%	\$93	\$103	\$127	\$127
Office Pro (AE-FPP/MLP)	114	257	16%	17%	21%	\$43	\$42	\$45	\$45
Office Pro (AE Other)	835	1,483	100%	100%	100%	\$245	\$203	\$185	\$185
Office Pro - Standard Product	395	405	59%	51%	47%	\$243	\$215	\$210	\$210
Office (Full Pkg Product)	17	19	3%	2%	1%	\$227	\$214	\$204	\$204
Office (MLP)	57	76	9%	10%	11%	\$215	\$193	\$180	\$180
Office (MOLP)	192	262	29%	35%	40%	\$146	\$140	\$142	\$142
Office (Select/Other)	5	13	1%	2%	1%	\$24	\$23	\$30	\$30
Office (AE Other)	868	795	100%	100%	100%	\$211	\$183	\$178	\$178
Office - Upgrades Product	182	379	61%	55%	52%	\$324	\$274	\$295	\$295
Office Pro (Full Pkg Product)	6	17	2%	3%	1%	\$302	\$286	\$274	\$274
Office Pro (MLP)	23	41	8%	6%	10%	\$285	\$257	\$245	\$245
Office Pro (MOLP)	75	224	25%	32%	35%	\$184	\$161	\$154	\$154
Office Pro (Select/Other)	12	29	4%	4%	1%	\$30	\$34	\$35	\$35
Office Pro (AE Other)	297	681	100%	100%	100%	\$268	\$228	\$238	\$238
Office Pro - Upgrades Product									

- Significant mix shift to Office Pro
- FY97 average revenue/license similar to FY96 overall
- Increase in Office Pro Select/Other revenue/license is due to better prices on Special Agreements

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Special Agreements

Customer	DAD US Top Special Agreement Customers, FY96 Revenue	FY96 vs. FY97 Rev	FY96	FY97-HH
U S Department Of The Army	14,958	4,328	67%	86%
U S Department Of The Air Force	1,019	851	1%	1%
Arthur Andersen & Company	4,365	2,549	32%	33%
General Electric Contract expired 12/98	4,355	2,321		
U S Department Of Transportation	4,351	2,289		
Pacific Gas And Electric Company	3,657	219		
Dun & Bradstreet Corporation	3,610	1,394		
Sprint United Inc	3,429	1,421		
U S Postal Service	2,706	5,285		
Lockheed Martin Corporation	1,417	0		
U S Department Of Justice	1,336	962		
Westinghouse Savannah River	1,302	0		
U S Department Of The Treasury	1,016	892		
Intel Corporation	1,010	0		
Social Security Administration	0	8,322		
Other	4,985	2,423		
Total	64,548	31,078		

User Type	Revenue Mix	FY96	FY97-HH
Standard			
Upgrade			
Maintenance			
Revenue/Lic			
Std Office		\$88	\$189
Std Office Pro		\$104	\$142
Std. Lic. Mix	57% Office Pro in FY96, 76% in FY97		

Why has pricing increased year over year?

Pricing for the largest customers in each year is different:

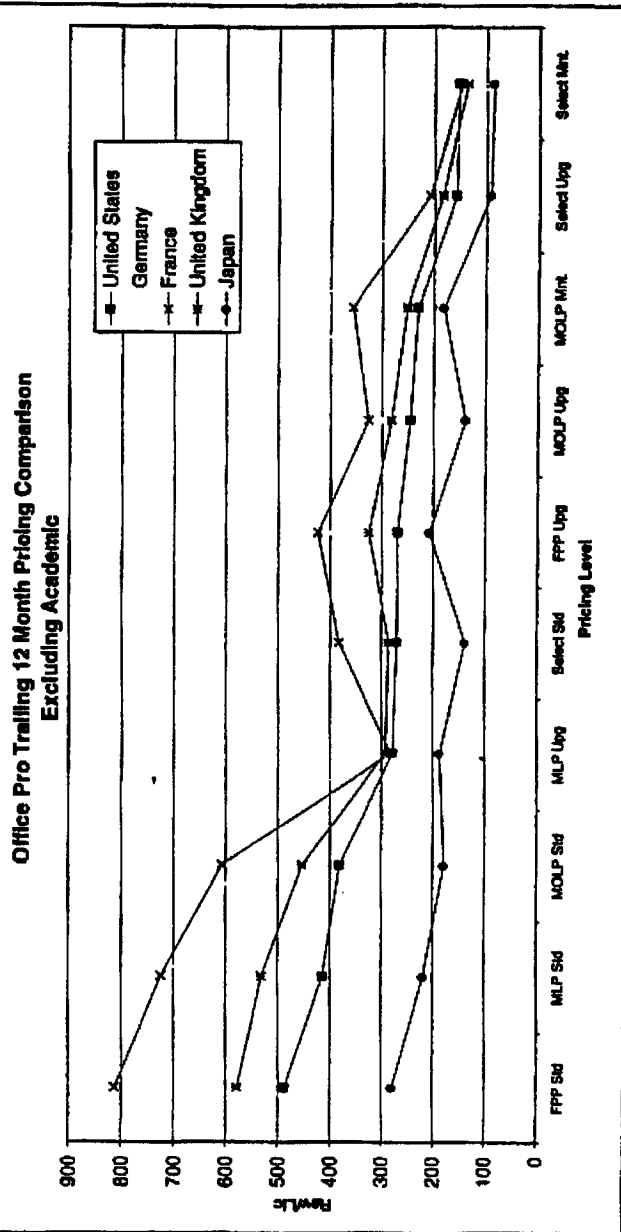
- In FY96, the Army and Air Force purchased Office and Office Pro for \$79 each
- In FY97, the Postal Service is paying \$189 for Office, and Social Security Admin. is paying \$225 for Office Pro
- Army Office Pro purchases in FY97 at \$88 are offsetting SSA price for Office Pro in FY97

Conclusions/Outlook:

- A few big government customers, but overall revenue is not that large
- More standard and less maintenance than expected
- Outside of the US and France these agreements are practically gone
- Non-government special agreements will be migrated to G500/Custom Deals as they expire.
- Government special agreements will continue and likely grow.

DAD 3 Year Business Outlook

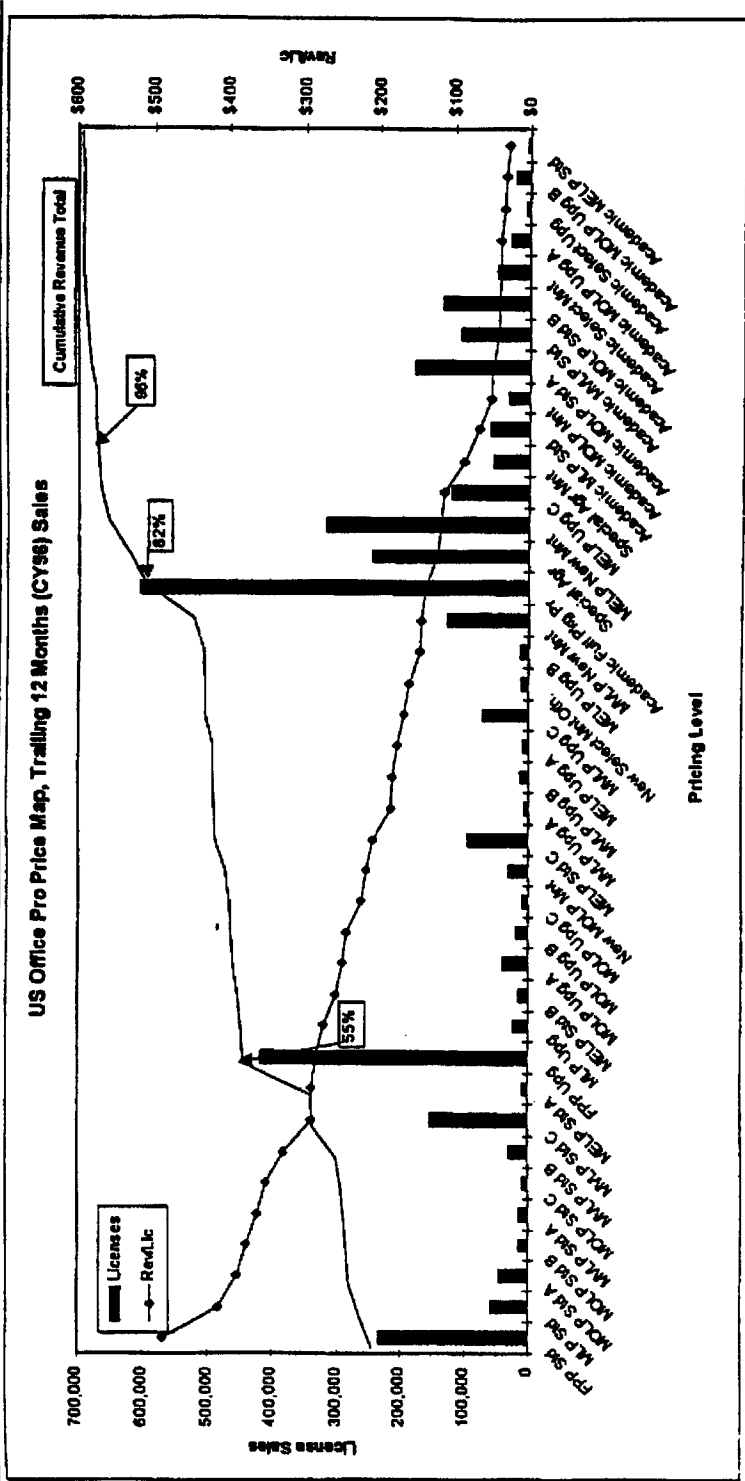
Price Map Waterfall Comparison



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Price Map



Note: OEM licenses are not included in the chart due to scale. Office Pro OEM license total for the US CY96 was 2.1 million at \$74 rev/lic

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Price Map

Implications

- US has 39 different Office price points (excluding OEM) in the last 12 months.
 - Some of these price points have already been eliminated:
 - MELP disappears with Select 4.0 (removes 7 price points)
 - New price points are being introduced
 - DSP whitebox (\$900 for a 3 pack of Office Pro)
 - Select 4.0 level D, and Custom Deals
 - VAR 'roll-your-own' (although this is not an Office Pro sku)

Recommendations:

- Pare down the 9 Academic licensing price points between \$30 and \$70
 - Reduce to three: one MOLP, one MVLP, and one Maintenance
- Consider eliminating MLPs.
 - Issue: determine if MLP customers can be migrated to FPP or MOLP.
- Eliminate either MVLP-A or MOLP-C.
 - Both are very similar. Both have very low volume.
- Consider removing volume discounts for Office & Pro Upgrades in Select & MOLP
 - Very small difference in price points. This is already the model for single apps and other MS products.

DAD 3 Year Business Outlook

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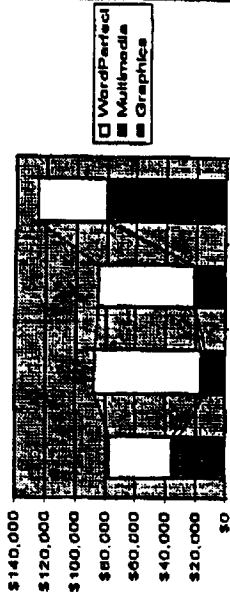
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Competition

DAD 3 Year Business Outlook

Corel Financials

Corel Revenue FY96 (Q1:Q4)



	Q1E	Q2A	Q3A	Q4A	Year E
WordPerfect	\$110,000	\$70,800	\$82,900	\$45,144	\$210,844
Multimedia	\$5,023	\$3,200	\$1,100	\$3,762	\$13,085
Graphics	\$31,400	\$13,500	\$20,842	\$78,484	\$142,336
Total Revenue	\$146,423	\$87,500	\$104,842	\$125,400	\$375,205

* Q1 excluded to include Non-WPP revenue: 27 of \$614 or 80% for all-time quarters

Geography	4Q96	3Q96
North America	71%	76%
Europe	23%	16%
Pacific Rim	3%	5%
ROW	3%	3%

Yearly

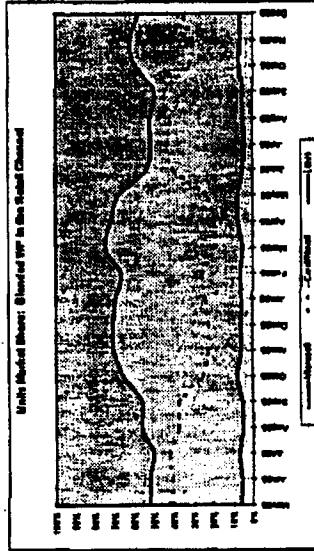
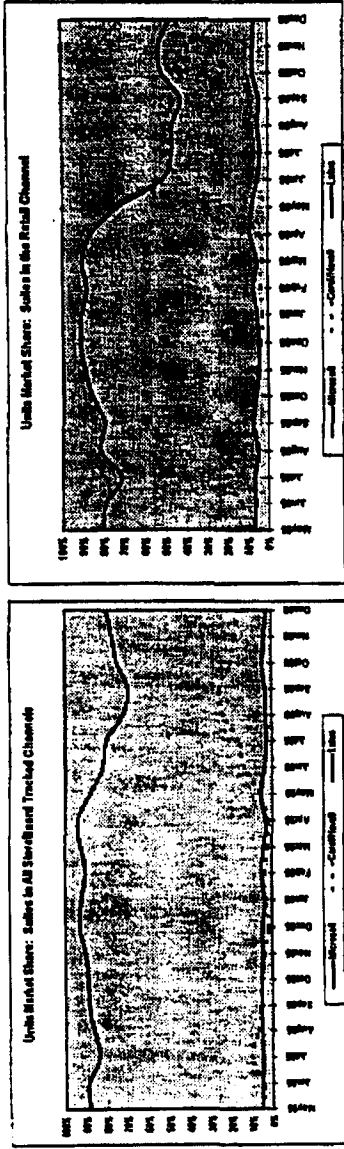
- WordPerfect sales continue to fall: \$450M in 1994, \$250M in 1995, \$219M in 1996.
- Graphics/Multimedia business declined from \$196M in 1995 to \$155M in 1996
- Net loss for the year of \$2.8M, or \$0.04, compared to 1995's net income of \$14.4M
- Cash at year end \$6.6M. Current cash as of 1/17/96 estimated at \$15.5M.

Q4

- WordPerfect sales dropped in Q4
- Graphic sales made a comeback to 61% of revenues.
- Released Draw7, Ventura7, localized versions of WordPerfect Upgrades, PrintHouse, and PhotoHouse

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Competitive Share Update - Units



D-1D 3 Year Business Outlook

Where Corel Can Hurt Us

- Capturing high growth low penetrated markets by MS - SORG/Home
 - Out marketing us at retail. WP brand rejuvenated
 - WP installed base. Slow upgrade cycles
 - Price points a predominant driver
- Partnering w/competitors (i.e. Netscape)
 - Gaining credibility by partnering - Netscape, Sun with Java
 - Corel developing NC applications.
 - Corporate licensing program push and WP NT Server pricing
- Establishing leadership marketing positions
 - Establish Internet leadership position in minds of customers.
 - Promoting low price w/advertising. Condition consumers to \$99 suites.
- Graphics will be increasingly important
 - MS has little market presence
 - Corel core competency

P&L Comparison

P&L	FY 1996		FY 1995		FY 1994		Headcount
	1996	1995	1996	1995	1996	1995	
Total Revenue	2,100,337	2,100,337	2,100,337	2,100,337	2,100,337	2,100,337	2,100,337
Adjusted COGS	51,200	51,200	51,200	51,200	51,200	51,200	51,200
Gross Margin	1,589,137	1,589,137	1,589,137	1,589,137	1,589,137	1,589,137	1,589,137
R&D							
Product Development	51,200	51,200	51,200	51,200	51,200	51,200	51,200
Localization (R&D F&E & F&E + ad \$3M enhancement)	11,370	11,370	11,370	11,370	11,370	11,370	11,370
Amort - Software Acquisition Costs	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Technology royalties	11,230	11,230	11,230	11,230	11,230	11,230	11,230
Advertising	11,230	11,230	11,230	11,230	11,230	11,230	11,230
SG&A							
Product Development	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Localization	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total Operating Expenses	113,700	113,700	113,700	113,700	113,700	113,700	113,700
Operating Income	1,475,437	1,475,437	1,475,437	1,475,437	1,475,437	1,475,437	1,475,437
R&D							
WP Product Dev. Headcount (net as of 3/31/95)	37	37	37	37	37	37	37
WebProduct Windows	11	11	11	11	11	11	11
Windows SQL	11	11	11	11	11	11	11
Operational Java	11	11	11	11	11	11	11
WP DOS, MAC/INTL	11	11	11	11	11	11	11
Product	11	11	11	11	11	11	11
Ernst Client	11	11	11	11	11	11	11
Sitebuilder (Web build)	11	11	11	11	11	11	11
Presentation	11	11	11	11	11	11	11
Quattro Pro	11	11	11	11	11	11	11
Documentation	11	11	11	11	11	11	11
Client (WP, Print, Quattro 12, Install 9, Java 21, Java 11)	11	11	11	11	11	11	11
Localization (R&D Client, 3/31/95) (60% allocation)	11	11	11	11	11	11	11
Product manager	11	11	11	11	11	11	11
Total WP Product Development	117	117	117	117	117	117	117
Midmedia	30	30	30	30	30	30	30
Video Technology	14	14	14	14	14	14	14
Client Product Development	14	14	14	14	14	14	14
Total Client Development	164	164	164	164	164	164	164
P&S							
Product (R&D and Client R&D)	164	164	164	164	164	164	164
Sales & Marketing & Administration	210	210	210	210	210	210	210
Total Client employees	374	374	374	374	374	374	374

- COGS higher (less licensing, expensive box & lower ASPs)
- Heavy marketing spend
- Low investment in Sales & GA headcount
- R&D Factors
 - License browser, mail, etc for \$7.5M year
 - Shoestring localization strategy
 - Redeploying graphics heads
 - Decreased emphasis on graphics year to year (367 FY95 to approximately 143 in FY96)

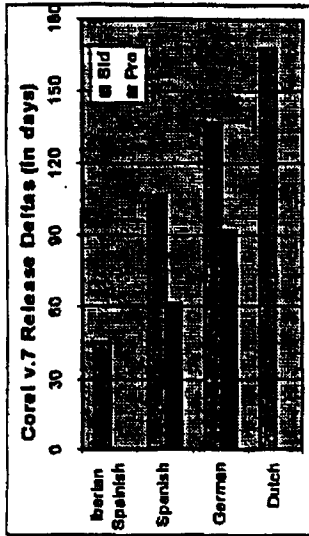
See report issued back to 6/2/95 for details. This report is confidential and should not be distributed outside the organization. It is intended for internal use only. The information contained herein is for internal use only and should not be disclosed to third parties without the prior written consent of the company. This report is confidential and should not be distributed outside the organization. It is intended for internal use only. The information contained herein is for internal use only and should not be disclosed to third parties without the prior written consent of the company.

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Corel Localization

- Inherited most of their 16-bit localizations w/Acquisition from Novell.
- Current released products thoroughly localized:
 - All major applications
 - Complete documentation
- Conclusion :
 - Extremely long deltas for localization allows lower relative cost
 - No breakthrough tools, codebase, or processes identified



32-bit Corel product not yet available (250 days & counting) in: France, Italy, The Nordics, Brazil, Eastern Europe, Far East

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DAD 3 Year Business Outlook

Corel's Marketing Approach

	FY 1995 Quarterly Detail			
	1Q95A	2Q95A	3Q95A	4Q95A
"Advertising"	\$ 15,387	\$ 22,874	\$ 22,921	\$ 31,690
as % of Revenue	42.3%	25.9%	27.0%	25.3%
				FY 1995
				\$ 92,882
				27.7%

"Advertising" - \$92.6M

- Trade Press/TV \$42M (NA) (Suites \$26M, Graphics \$9.5M, Reference/Entertainment/Kids/Games \$6.5M)
- Marketing - Suites \$25.6M, Graphics \$4M
- Events - \$2.75M
- International spend estimated at \$17.2M (22.7% of total revenue (26.5% of total))

- ### Spending
- Half spent on leveraged broad reach mechanisms; Ads/TV, PR, sponsorships
 - Exceeds MS suite sustaining spending levels
- ### Messaging
- 1) Focuses on activating existing WP customers to purchase
 - 2) Strong "we're better than MS Office" emphasis, highlighting: A. critical acclaim B. market share
 - 3) Minimal focus on product capabilities and customer benefits

- ### Headcount
- Marketing/PR heads total 81.
 - Limited use of outside agencies. Creative and PR produced internally.

	Q195		Q295		Q395		Q495	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Ad Spending (\$000)	\$0	\$2,069	\$12,087	\$12,087	\$6,325	\$22,290	Total	
Corel WP Office Suite	\$4,721	\$10,907	\$2,877	\$2,188	\$20,104			
Microsoft Name Essentials	\$0	\$0	\$1,000	\$2,000	\$2,000	\$5,000		

From Comptrend

Ad Spending by Message Type

	Direct	Indirect	Total
Trade Press			
TV			
Reference/Entertainment/Kids/Games			
Marketing - Suites			
Marketing - Graphics			
Events			
International			
Total			

Total revenue support for all Q495 products in Corel FY 1995

D-1D 3 Year Business Outlook

MS Competitive Strategy Towards Corel

- Develop appropriate spend to weaken Corel WP 8 launch
 - Level of spend by product (Office SBE, Home Essentials)
 - Allocation (PR, Ads, and channel mix)
 - Message type (awareness/consideration or purchase)
 - Media mix
- Launch MS product into graphics market
 - Acquisition decision pending
 - Release SCA in 18 months
- Increase Office sales in VAR channel
 - Specific SKUs and product offerings
- Decide on Word for WordPerfect user SKU

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Netscape Strategy

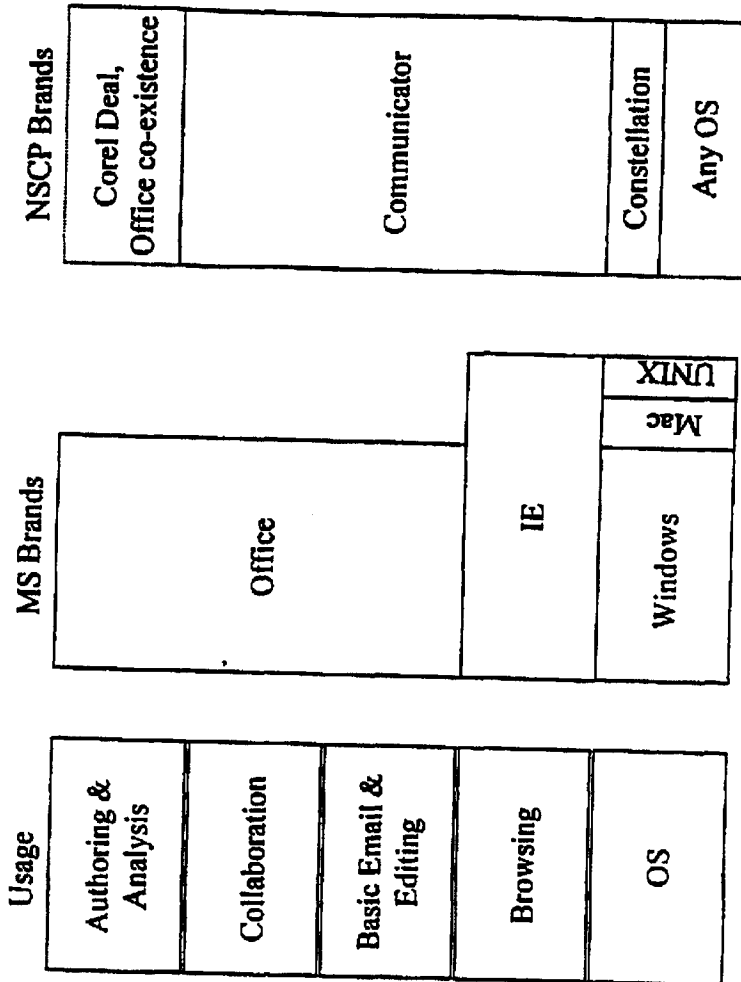
- Change the battleground from browsing to collaboration with Communicator
 - Attack the middle ground between Windows and Office
 - Neutralize IE momentum, relevance
 - Use browser as entrée into groupware space
 - Use email as the trojan horse to the authoring market
 - Co-exist and attack Office
- Beef-up Composer
- Add controls/applets
- Highlight open and cross-platform, anti-Microsoft sentiment
- Partnerships

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Netscape Strategy (cont'd)



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Microsoft Strategy

- Force Communicator, Notes to compete against IE, Outlook and Office
- Bracket as inferior internet client and inferior collaboration client
 - Position IE as the free, superior browser and basic collaboration solution for the broadest market
 - Position Outlook as superior high-end collaboration client, best used and free with Office
 - Office becomes the complete, superior collaboration tool set (Office 9)
- Make Outlook the centerpiece of Office app moving forward
- Leverage IE momentum until Outlook Web Release and Web Look (x-platform) beta in late Summer
- Surround Communicator at retail
 - Drive retail share for IESK at \$19.99 and Outlook at \$99
 - Upsell to Office

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Lotus Update

Status

- Overall share flat for the year.
- SmartSuite 97 delayed. Expected ship 3/97.

Threats

- Price erosion across all segments
 - Retail; ERP \$399, \$149 upgrade, pre-launch \$99 promotions
 - IBM giveaway, Notes bundle (~ 9 to 18 million seats)
 - OEM
- Establishing Internet leadership position
 - Domino, "Work the Web"
- Components:
 - Office bloat PR & mindshare battle - TCO/NC
 - Low cost
 - Moving to the browser - Kona as RAD tool with suite component pieces

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Product Comparison

	Microsoft		Corel		Netscape		Lotus	
	1997	2000	1997	2000	1997	2000	1997	2000
Authoring/ Analysis	Office 97 Outlook 97 E4 \$199/299	Office 9 Outlook 9 E \$199/299	WP Suite 8 w/ Communicator - 897 Java Office - \$7	WP Suite 9 w/ Communicator - 897 Java Office - \$7	Apple Strategy?		SmartSuite 97 - \$149 Notes Applet Pack - \$49	
Collaboration	Office 97 Outlook 97 E4 \$199/299	Office 9 Outlook 9 E \$199/299	WP Suite 8 w/ Communicator - 897 Java Office - \$7	WP Suite 9 w/ Communicator - 897 Java Office - \$7	Communicator Std - \$59 Communicator Pro - \$79		SmartSuite 97 - \$149 Notes Mail - \$55 Notes Desktop - \$99 Notes Applet Pack - \$49	
Basic Mail & Editing	Outlook 97 - 99 E4 - 90	Outlook 9 - 99 E - 90			Communicator Std - \$59 Communicator Pro - \$79		Notes Mail - \$55 (mail only)	
Browsing	E4 - 90	E - 90			Communicator Std - \$59 Communicator Pro - \$79			Notes Browser?

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Business Levers

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Summary of Levers

	Increase Upgrades	Penetrate Markets	Capture Lost Revenue
LORG	LORG / MORG Annuity		
MORG	LORG / MORG Annuity	VAR Office offer	Anti Piracy MKTG
SORG	Office End User Annuity	SB Offer VAR Office offer	Anti Piracy MKTG Anti Piracy Product Changes
HOME	Office End User Annuity	Home Essentials Growth IMG Annuity	Anti Piracy MKTG Anti Piracy Product Changes

DAD 3 Year Business Outlook

Office LORG / MORG Annuity

- **Objectives**
 - Maximize revenue from existing customers
 - Secure customers from competitive threat
- **Goals**
 - Increase participation Upgrade Advantage / Custom Deals: 23% of LORG PCs in FY97 to 42% in FY00
 - Improve satisfaction with Upgrade Advantage value, increase renewal rate
- **Strategy**
 - Job One: Reduce Office TCO-- admin. costs
 - Facilitate delivery of continuous stream of value to LORG customer
 - Create continuous stream of Office value
- **Challenges**
 - Current Office product cannot be "streamed" to customers
 - TCO features offered "free" to counter NC
- **Tactics**
 - Deliver stream of value available today to Upgrade Advantage via Office Resource Server
 - Deliver cumulative value in "monolithic" 18 month upgrades to non-annuity customers

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Office LOG / MORG Annuity

Stream of Value offered in Upgrade Advantage	Potential to stream Today	Potential to stream Office 9.0	Delivery to Annuity Customers	Delivery to non-annuity customers	Fall 97 Office Upgrade Advantage Offer	Office 9.0 Upgrade Advantage Offer	Target Audience Appeal
Office Product Upgrades	N	Y	Monolith until Office 9.0, then stream	Monolith	Office Upgrades, patches, main releases (Upgrade Advantage offer body)	Stream of features, components	BDM, EU
Enterprise Utilities / Server Value Add	Y	Y	Stream	Monolith	Pre-Fab LOB solutions; HTML on the fly; Corp. Intranet Wizard; INSO Views	TBD—depending on what ships with Office 9.0 product	IT Dev. BDM
Admin Tools / Product Support (TLO)	Y	Y	Stream	Stream (in ORK, Technet, Premier Service Desk)	Additions to ORK: default config; Batch converters; Views scan; Helpdesk tools; Test Suites, Knowledge Base w/ Answer Wizard; FAQ; Deployment Guide	Office 9.0 ORK; KB; FAQ etc.	IT deploy
Add-ins / Content Active X controls Templates, forms Wizards	Y	Y	Stream	Monolith	MS Draw; Outlook Rules Wizard; ActiveX Controls; add'l help files; Web Prod. Unit Solutions and content; Office Dist. Site	TBD; Web Product Unit	End-User; IT Dev.
3 rd Party Business News and Information Services; Special Offer Premier/MCS QFE	Y	Y	Stream	None	WSJ Interactive	Outlook view, search	End-User
	Y	Y	Included	Additional fee	Premier / MCS TBD; QFE support	Same	IT deploy

DAD 3 Year Business Outlook

Office LORG / MORG Annuity

- **Summary of Annuity / Upgrade Advantage Offer**
 - Upgrades: receive regular delivery of all product updates
 - Office Resource Server
 - Platform for delivery of *stream of value*: updates with Select CD
 - Tools for Administration / Product Support
 - Office Enterprise Utilities / Server Value
 - Content: Web Product Solutions / Content; News and Information
 - Included Services: Special offer Premier and MCS; QFE
 - Optional Services
 - Recommended set of services from MS and Partners for Office Upgrade Advantage Customers added to Select 4.0 Services Addendum
- **Availability**
 - Office Resource Server *stream* included in Upgrade Advantage
 - Non-Upgrade Advantage Customers receive cumulative value in 18 mo. upgrades only
 - Tools for Administration available in a stream to all customers

DAD 3 Year Business Outlook

Office LORG / MORG Annuity

Impact of driving Upgrade Advantage Penetration

LORG Base Case

(M\$)	FY96	FY97	FY98	ORIG97	FY98	FY99	ORIG98	FY99
Standard Revenue	\$ 302,603	\$ 322,205	\$ 315,842	\$ 297,615	\$ 298,653	\$ 280,194		
Upgrade Revenue	\$ 175,394	\$ 288,350	\$ 324,874	\$ 349,807	\$ 344,638	\$ 404,828		
Total Revenue	\$ 477,998	\$ 610,555	\$ 640,716	\$ 647,422	\$ 643,291	\$ 685,022		
Total PCs	10,703	12,269	13,800	14,878	15,478	16,278		
Upgrade Advantage Installed Base	633	1,788	3,068	4,323	5,776	6,881		
% of Installed Base	6%	15%	23%	29%	37%	42%		

Base Case Assumption: Includes Office Resource Server in FY98. Assumes low rate WP penetration of non-custom deal customers PC purchases.

LORG Stretch Case

(M\$)	FY96	FY97	FY98	ORIG97	FY98	FY99	ORIG98	FY99
Total Revenue	\$ 477,998	\$ 598,555	\$ 640,716	\$ 650,000	\$ 765,000	\$ 865,000		
Total PCs	10,703	12,269	13,800	14,878	15,478	16,278		
Upgrade Advantage Installed Base	633	1,788	3,068	4,323	6,000	9,000		
% of Installed Base	6%	15%	23%	41%	52%	55%		

Stretch Case Assumption: Increased upgrade advantage penetration to reflect increased customer demand and satisfaction with Office Resource Server in FY98 and the release of ORIG98 in FY98 (TCD improvements). It also reflects Customer Deal customers approval for third year PC forecast in the first year of the contract (initial FY98 coverage). Assumes normal penetration of non-custom deal customer PC purchases.

LORG Bleak Case

(M\$)	FY96	FY97	FY98	ORIG97	FY98	FY99	ORIG98	FY99
Total Revenue	\$ 477,998	\$ 588,555	\$ 640,716	\$ 620,000	\$ 575,000	\$ 520,000		
Total Installed Base	10,703	12,269	13,800	14,878	15,478	16,278		
Upgrade Advantage Installed Base	633	1,788	3,068	3,400	3,200	2,900		
% of Installed Base	6%	15%	23%	23%	21%	18%		

DAD 3 Year Business Outlook

Office LORG / MORG Annuity

- **Open Issues**
 - Development plan / schedule for Office Resource Server, content
 - Creating value exclusive to Upgrade Advantage or rely on value of stream
 - Development and distribution of content, add-ons to Office in other divisions
 - Additional services offers
- **Next Steps / Timeline**
 - Spec fall Office Resource Server (Feb / Mar)
 - Research interest in server among Office customers (Feb / Mar site visits)
 - Hire contractors / partners (Mar / April)
 - Beta (July)
 - Ship (Fall)

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SB and VAR Product Offerings

- Objectives:
 - Give SBs and VARs offerings that they can use to sell Office more effectively and aggressively
 - Give SBs and VARs an opportunity to differentiate their offerings
 - Address channel concerns, raised by aggressive Dell/Gateway activity, that we have created an unlevel playing field
 - Drive sales volume in SMORG accounts
- Strategy:
 - Create special version of Office SBE for SBs
 - Create “roll your own” offering for VARs

SB Product Offering

- Special version of Office Small Biz Edition for SBs
 - 3 pack, white box SKU
 - Technical fix enables installation only on SB version of Win 95 (NT fix will come with release of NT 5.0)
 - Priced at \$499 per 3-pack (approx. \$170 per unit for the SB)
 - PSS will not be included for end-users
 - Available April '97
- Discontinue offering Office Pro to SBs

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VAR Product Offering

Roll your own Office SKU — Available April 97

- Allows VARs to design and sell customized suite
 - Choose any four from: Word, XL, PPNT, Access, Outlook, Publisher, FrontPage, Team Manager
 - IE, Office Value Pack and SBFM are free
 - No unified setup; VAR installs and configures each app separately
- Pricing at today's Office Standard MLP level:
 - Upgrade: \$239, FPP: \$469
- PSS will be included in the product for end-users
- Not offered as a Select SKU, retail FPP or via OEM
- Next Steps:
 - Assess feasibility of creating unified setup for roll your own Office
 - Investigate NT attach program/promo

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Office SBE/SAM Offering

- Create bundle of Office SBE and SAM Server 5-pack
 - Include 1 FPP of SBE with 4 MLP licenses
- Target: small businesses (1-50 employees)
- Pricing: ~ \$2000-\$2500 for the bundle; \$180 per unit of SBE
 - Incremental units can be added via SBE MLP or MOLP
- Sold via the VAR channel
- Available June '97 (w/ launch of SAM)
- Forecast: 75,000 units of SBE in FY98
- Next Steps:
 - Work out details of offering with SAM marketing

Office End-User Annuity

- **Objectives**
 - Maximize revenue from existing customers
 - Facilitate constant contact with customers
 - Reduce piracy
 - Change purchasing behavior
- **Target Audience**
 - End-Users- SORG primary target
 - Content must also appeal to LORG / MORG
- **Goals**
 - Increase upgrade rate 27% in SORG/Home by FY00
 - Incremental revenue of at least \$250m WW by FY00
 - Reduce piracy
- **Strategy**
 - Deliver continuous stream of value to Office end user
 - Create dependency and high perceived value of annuity offer

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Office End-User Annuity

- **Tactics**
 - Create a subscription club for Office users that delivers a stream of value, creates a dependency and is only available to current Office users
- **Offer: Buy Office, subscribe to the Office Club for \$29.95 / year**
 - Initial subscription requires a current Office application (Office or indiv. App)
 - Subscriptions remain active when Office upgrades, but require upgrade to renew
- **Club Benefits**
 - Web Product
 - \$40 Office Rebate
 - Front-of-queue PSS
 - Software and Services Discounts:
 - \$10 rebate coupon for other MS products (quarterly)
 - 30 days free on MSN (additive to other promos)
 - Premium Business News and Information Services
 - Monthly free time or service from Microsoft and Partner premium subscriptions

Office End-User Annuity

- **Channel**
 - Subscription direct from Office Web Site and as a Channel SKU
 - Channel SKU: Starter CD of Web Product Content, Mktg materials
 - No direct sales of Office upgrades or cross-sell products
 - \$40 rebate for members; in Office Upgrade / New User SKUs (no AE); resellers promote lower price
 - OEM / Academic-- rebate not available
- **Registering / Rebate Redemption**
 - Buy Office, Channel Subscription SKU, then register on-line:
 - Unique ID# in Sub. SKU and PID combine to create unique Office Member ID#
 - Unique ID# allows channel buyer to by-pass paying again on-line
 - Use Member ID# on rebate coupon included in Office box; allow for on-line redemption as exception handler
 - Buy Office, Subscribe online:
 - Requires PID of current Office or individual app and credit card # to deliver Member ID#
- **Driving Demand**
 - AOL / MSN premium service for \$29.95 / year
 - Flyer w/ \$40 rebate in Office Box; Flyer in indiv. apps boxes
 - Email / direct mail to Office & WP IB; w/ Office SBE, IMG annuity mailings
 - Free sample of Web Product; links from partner sites
 - Office Registration Wizard direct link to site

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Office End-User Annuity

• Impact of Annuity Subscription at \$29.95

	FY98	FY99	FY00
	Revenue	Revenue	Revenue
	\$/Sub IB	\$/Sub IB	\$/Sub IB
Incremental P/L			
Gross Revenue	\$4,935	\$7,036	\$9,868
Program Purchases	80	\$43,876	\$44,040
Upgrades	n/a	\$29.0	\$20.3
Subscription	\$23,124	\$36,353	\$52,742
Cross-sell	\$13,701	\$23,633	\$42,882
Gross Revenue	\$41,761	\$111,168	\$150,231
Revenue Adjustments	\$4,821	\$8,634	\$13,264
Net Revenue	\$36,940	\$102,534	\$136,967
Total Operating Expenses	\$22,241	\$30,284	\$38,852
% of Net Revenue	60.2%	29.5%	28.0%
Responsibility Margin	\$14,699	\$72,250	\$98,115
% of Net Revenue	39.8%	70.5%	72.0%

- Subscriber installed base: FY98: 1m; FY99: 1.5m; FY00 2.2m
- Attach Rate to Office FPP and OEM licenses: FY98 8.7%; FY99 13.2%; FY00 17.2%
- SORG/ HOME Upgrade Rate growth of 27% in FY00
- Subscription Gross Revenue if \$49.95 and same attach: FY98 \$37m, FY99 \$58m, FY00 \$84m

DAD 3 Year Business Outlook

Office End-User Annuity

- **Open Issues**
 - Streaming value in base Office product
 - Integration with other MS Annuity Programs / Web Sites: LORG; HE; IMG; AE; Windows etc.
 - International issues
 - CD availability
 - Customer value proposition
- **Next Steps / Time Line**
 - Web Product Free Stuff (available today)
 - Research results on Web Product; Annuity business models; Club Offers (Mar.)
 - In-market test of Annuity offer (Spring)
 - Update to Web Product (June)
 - Annuity Club Offer (Q1 FY98)

DAD 3 Year Business Outlook

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Pursuing Office Lease Offer

- **Offer: Lease Office for \$119 / year (upgrade price)**
 - Includes Office upgrades during the year and Office club benefits (excl. rebate)
 - Users receive time key to unlock product for one year
 - At the end of each year users may renew for \$119 OR
 - pay a buy-out penalty of \$219 to drop the lease, but continue using Office
 - drop the lease and discontinue use of Office
- **Benefits / Risks:**
 - **MS Benefits:** Annuity based on 100% of Office value proposition; higher demand due to lower up-front payment; lease customers pay more than current behavior
 - **MS Risks:** revenue in year 1; customers drop to competitor after year 1; gaming
 - **Customer Benefits:** smaller up-front investment; upgrades-- up to date technology; Office Club; buy-out option
 - **Customer Risk:** hardware forces buy-out; more expensive long term than current purchasing behavior
- **Channel:**
 - Sells subscription-- call 1-800 number to get unlocking key
 - Pay in 3 easy installments
- **Test leasing Office SBE with hardware vendor / Channel leasing partner**

DAD 3 Year Business Outlook

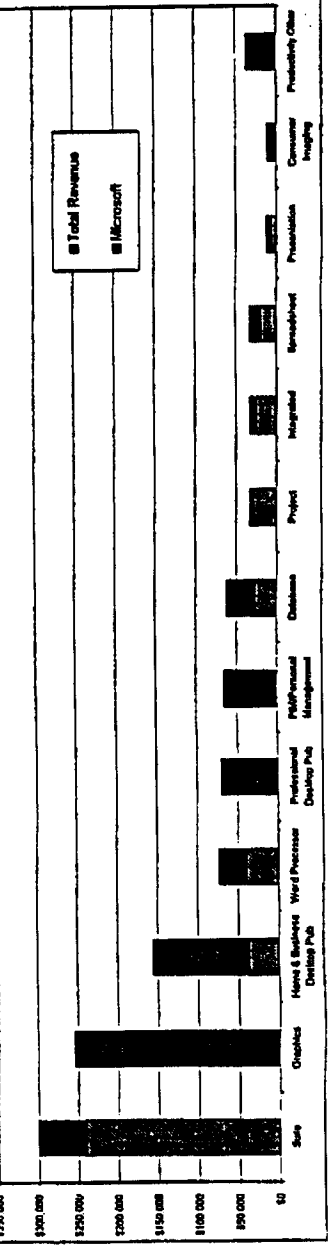
Retail Business Review for Applications Software (CY96)

Category	Subcategory	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
Applications	Productivity	1,200,000	1,300,000	1,400,000	1,500,000	5,400,000	1,250,000	1,350,000	1,450,000	1,550,000	5,600,000	1,300,000	1,400,000	1,500,000	1,600,000	5,800,000
	Business	800,000	850,000	900,000	950,000	3,500,000	820,000	870,000	920,000	970,000	3,580,000	840,000	890,000	940,000	990,000	3,660,000
	Education	200,000	220,000	240,000	260,000	920,000	210,000	230,000	250,000	270,000	960,000	220,000	240,000	260,000	280,000	1,000,000
	Other	200,000	230,000	260,000	290,000	980,000	280,000	310,000	340,000	370,000	1,300,000	350,000	380,000	410,000	440,000	1,580,000
Productivity	Word Processing	1,000,000	1,100,000	1,200,000	1,300,000	4,600,000	1,050,000	1,150,000	1,250,000	1,350,000	4,800,000	1,100,000	1,200,000	1,300,000	1,400,000	5,000,000
	Spreadsheets	500,000	550,000	600,000	650,000	2,300,000	520,000	570,000	620,000	670,000	2,380,000	540,000	590,000	640,000	690,000	2,460,000
	Database	200,000	220,000	240,000	260,000	920,000	210,000	230,000	250,000	270,000	960,000	220,000	240,000	260,000	280,000	1,000,000
	Other	100,000	130,000	160,000	190,000	580,000	180,000	210,000	240,000	270,000	700,000	200,000	230,000	260,000	290,000	980,000
Business	Accounting	300,000	320,000	340,000	360,000	1,320,000	310,000	330,000	350,000	370,000	1,360,000	320,000	340,000	360,000	380,000	1,400,000
	CRM	150,000	160,000	170,000	180,000	660,000	155,000	165,000	175,000	185,000	680,000	160,000	170,000	180,000	190,000	700,000
	ERP	100,000	110,000	120,000	130,000	460,000	105,000	115,000	125,000	135,000	480,000	110,000	120,000	130,000	140,000	500,000
	Other	50,000	60,000	70,000	80,000	260,000	55,000	65,000	75,000	85,000	275,000	60,000	70,000	80,000	90,000	295,000
Education	Classroom	100,000	110,000	120,000	130,000	460,000	105,000	115,000	125,000	135,000	480,000	110,000	120,000	130,000	140,000	500,000
	Distance Learning	50,000	55,000	60,000	65,000	230,000	52,000	57,000	62,000	67,000	238,000	54,000	59,000	64,000	69,000	246,000
	Professional Development	30,000	35,000	40,000	45,000	150,000	32,000	37,000	42,000	47,000	158,000	34,000	39,000	44,000	49,000	166,000
	Other	20,000	25,000	30,000	35,000	100,000	23,000	28,000	33,000	38,000	124,000	26,000	31,000	36,000	41,000	144,000
Other	System Software	100,000	110,000	120,000	130,000	460,000	105,000	115,000	125,000	135,000	480,000	110,000	120,000	130,000	140,000	500,000
	Utilities	50,000	55,000	60,000	65,000	230,000	52,000	57,000	62,000	67,000	238,000	54,000	59,000	64,000	69,000	246,000
	Security	30,000	35,000	40,000	45,000	150,000	32,000	37,000	42,000	47,000	158,000	34,000	39,000	44,000	49,000	166,000
	Other	20,000	25,000	30,000	35,000	100,000	23,000	28,000	33,000	38,000	124,000	26,000	31,000	36,000	41,000	144,000
Total	3,500,000	3,800,000	4,100,000	4,400,000	15,800,000	3,700,000	4,000,000	4,300,000	4,600,000	16,600,000	3,900,000	4,200,000	4,500,000	4,800,000	17,400,000	

Retail Business Review for Productivity Software (CY96)

Category	Subcategory	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
Applications	Productivity	1,200,000	1,300,000	1,400,000	1,500,000	5,400,000	1,250,000	1,350,000	1,450,000	1,550,000	5,600,000	1,300,000	1,400,000	1,500,000	1,600,000	5,800,000
	Business	800,000	850,000	900,000	950,000	3,500,000	820,000	870,000	920,000	970,000	3,580,000	840,000	890,000	940,000	990,000	3,660,000
	Education	200,000	220,000	240,000	260,000	920,000	210,000	230,000	250,000	270,000	960,000	220,000	240,000	260,000	280,000	1,000,000
	Other	200,000	230,000	260,000	290,000	980,000	280,000	310,000	340,000	370,000	1,300,000	350,000	380,000	410,000	440,000	1,580,000
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	Spreadsheets	500,000	550,000	600,000	650,000	2,300,000	520,000	570,000	620,000	670,000	2,380,000	540,000	590,000	640,000	690,000	2,460,000
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	CRM	150,000	160,000	170,000	180,000	660,000	155,000	165,000	175,000	185,000	680,000	160,000	170,000	180,000	190,000	700,000
	ERP	100,000	110,000	120,000	130,000	460,000	105,000	115,000	125,000	135,000	480,000	110,000	120,000	130,000	140,000	500,000
	Other	50,000	60,000	70,000	80,000	260,000	55,000	65,000	75,000	85,000	275,000	60,000	70,000	80,000	90,000	295,000
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	Utilities	50,000	55,000	60,000	65,000	230,000	52,000	57,000	62,000	67,000	238,000	54,000	59,000	64,000	69,000	246,000
	Security	30,000	35,000	40,000	45,000	150,000	32,000	37,000	42,000	47,000	158,000	34,000	39,000	44,000	49,000	166,000
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Total	3,500,000	3,800,000	4,100,000	4,400,000	15,800,000	3,700,000	4,000,000	4,300,000	4,600,000	16,600,000	3,900,000	4,200,000	4,500,000	4,800,000	17,400,000	

Total Revenue by Productivity Sub-Category (CY96)



Data Source: PC Data for CY96

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Home Essentials Product Plan

- HE 98 to include the following:
 - Word processor Spreadsheet lite
 - Consumer Database Greetings Workshop
 - Money Encarta Standard
 - IE + MSN time Family Contact Manager
 - Internet Information Parsing Email
- Other categories we will incorporate into the base suite:
 - Personal Interests: small categories of perishable content
 - Communication: HTML email and collaboration, IP based telephony and fax
- Increase value of HE with game(s) title
 - HE 97: Co-market HE 97 with 1st or 2nd tier family-oriented game
 - HE 98: Include trial versions of family-oriented games (if available)

DAD 3 Year Business Outlook

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Opportunities from retail market analysis

- The following are categories we should be in with a standalone product:
 - Graphics:
 - Near term: Acquisition decision pending
 - Long term: Release SCA in 18 months
 - Consumer Imaging:
 - Opportunity to grow the category
 - Invest in infrastructure building/partnerships (Kodak, HP, etc.)
 - Home/Business DTP:
 - Continue to grow our share with GW & Publisher
 - Continue to work with IMG to leverage their retail promos

Anti-Piracy Product Update

- **Objectives:**
 - Decrease piracy in Home and Small Business
 - Increase segment revenues by conversion to legal licenses
- **Goals:**
 - Prevent illegal multiple installations from CD-ROMs
 - Avoid end user install problems and costly PSS calls
- **Strategy:**
 - Add HDDI floppy to each CD-ROM version FPP (CD/HDDI)
 - Comprehensive market trials before implementation WW
- **Tactics:**
 - Office 97 marketing beta and usability lab test in US market (done)
 - Small in-market test in US through DMR channel
 - Retail tests in Asia and Europe

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Anti-Piracy Product Proposal

- **CD/HDDI Tests in Retail and DMR Channels:**
 - US: One DMR - 1,000 units of Office 97a
 - Int'l: PRC, Norway, Czech: Office 97a at Retail
- **Key Test Objectives:**
 - Test end user reactions and perceptions to tighter AP approaches
 - Measure press reactions and test MS positioning and responses
 - Estimate any likely ongoing PSS call volume increases
 - Pilot product packaging changes and gauge operational impact
- **Issues:**
 - Office 97 beta: 7.7% much stronger preference for competitive products; 9.5% somewhat stronger preference for competitive products
 - ACME setup needs development work to detect laptops w/o floppy drive
 - If tests prove effective, develop DMF1 write-back for WW roll out

DM 3 Year Business Outlook

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North American Anti-Piracy Programs

- **Open License Campaign (OCU)**
 - Create awareness within MORGs about risks of using illegal software and offer a solution (Open License)
 - BSA mailing, SW raid press clips, followed by LAR offer mailing
- **Software Management Campaign (OCU)**
 - Create awareness within MORGs about compliance, educate about licensing and piracy, and offer solutions
 - Microsoft Licensing & Software Management Guide
- **Licensing Education for Small Businesses (OCU)**
 - Create awareness about the benefits of using legal software (Open License program), educate and offer solutions
 - Licensing brochure for small businesses: "Saving time and money..."
- **PR Campaign: "Install ONE Copy none" (Corp. PR)**

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Business Levers

International

DAD 3 Year Business Outlook

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International DAD Business Drivers

W Europe/Australia

- **SORG & Home penetration**
 - Channel breadth
 - PC attachment
 - License offer to SORG
- **Piracy reductions**
 - Marketing programs
 - Technology
- **Annuity value proposition**
 - LORG migration and maintenance
 - Benefits to "regular" upgraders

FarEast

- **PC growth**
- **Share growth**
- **Piracy reduction**
 - Technology
 - Marketing programs
- **Annuity value for LORG**
- **SORG penetration**
- **Home penetration**

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DAD 3 Year Business Outlook

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International DAD Business Threats

W Europe/Australia

- High market share and saturation of WP installed base
- Declining PC growth excluding replacement
- Declining revenue/licence
 - OEM/FG mix
 - FPP -> CUP/VUP
 - Lowest saturation = highest price sensitivity
 - Rapid decline in Single Apps sales
- Competition
 - OEM share
 - StarOffice from StarDivision (Germany)

FarEast

- Competition
 - Just System with Ichitaro (Japan)
 - Frequent release plans
 - High end-user satisfaction
 - Plans to go public in Fall
 - Hangul&Computer with AreaHangul (Korea)
 - Fonts
 - Strong language support
 - SGML Internet search engine
 - Kingsun with WPS (China)
 - Dominate DOS market
 - Introducing Windows version
- PIPC/OEM cannibalizing Office
- Piracy

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International DAD Product Needs

W Europe/Australia

- TCO
 - Seamless upgrades
- Clear strategies for development of local content/solutions for
 - Small Business Edition
 - Home Essentials
 - Web
- OEM-able low end product
- Graphics product
- Trial versions

FarEast

- Investment in Word's text-processing abilities
 - Intermediate update to incorporate key local features
 - Dictionaries, IME, Fonts
- OEM-able product with realistic upsell opportunity
- Local SORG/Home strategy
- Improve interoperability
 - 16-32 bit compatibility
 - English - Far East versions
 - Single Chinese release
 - Latest read/write converters for competitive products

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Next Steps

- Decide on Q4 release of Word for Japan and Korea with specific local features
- Support trial of Anti-Piracy technology
- Finalize local product content strategies for SORG and Home
- Decide on a release schedule for trial versions for top 5 languages
- Further analysis on Eastern Europe & ICON
 - High growth potential
 - Will follow up on business and product needs

Update on SBE Localization

- Office Small Business Edition 97
 - Intl English, UK English, German, French, Italian, Spanish, Swedish, Brazilian, Dutch, Danish, Norwegian
 - RTM in March-April
 - Iberian Portuguese (TBD)
- SBE with localized Publisher 98 - Fall 97
 - Japanese, Polish

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Update on HE Localization

- Home Essentials 97
 - Intl English, UK English, German, French, Italian, Spanish, Dutch
 - Word, Works, Money, World Atlas, Soccer, IE
 - RTM in March
 - Japanese, Brazilian
 - Target: Fall 97
- Home Essentials 98
 - Intl English, Japanese, German, French, Spanish, Italian
 - Full localization
 - RTM Q2 1998
 - Swedish, Dutch, Korean, Brazilian, Norwegian, Danish, Finnish, Traditional Chinese
 - Partial localization
 - RTM Q2/Q3 1998

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Product Needs

- Near term:
 - Accelerate Office 97 upgrades
 - Outlook Web Release
 - Strong Home Product offerings
 - Small Business
 - Far East Features
- Longer term:
 - TCO / ZAW
 - Deliver on new applications model
 - Lead on email and collaboration
 - Annuity delivery enabled

DAD 3 Year Business Outlook

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Product Map

	LOG & MORG (pricing for pkg. upg.)	Small Business	Home & k-12	Education (Administration)	Education (Higher Ed. Students)
Retail	Now	Office Sid (\$199) Office Pro (\$299)	Office Sid (\$199) Office Pro (\$299) Home Essentials 97 (\$99) Works 95 (\$49)	Office Sid AE (\$159) Office Pro AE (\$199) Works 95 (\$49)	Office Sid AE (\$159) Office Pro AE (\$199) Works 95 (\$49)
			Office SBE (\$199) Office VAR RYOwN (\$239) Office VAR SBE (\$199)		
Retail	FY98	Office Sid (\$199) Office Pro (\$299) LOG Annuity	Office Sid (\$199) Office Pro (\$299) Home Essentials 98 (\$180) Office VAR Roll Your Own (\$23) Office VAR SBE (\$199) Works 95 (\$49) Office End User Annuity	Office Sid AE (\$159) Office Pro AE (\$199) Works 95 (\$49) Re-defined AE SKU7 Office End User Annuity	Office Sid AE (\$159) Office Pro AE (\$199) Works 95 (\$49) Re-defined AE SKU7 Office End User Annuity
			Office Sid (\$199) Office Pro (\$299) LOG Annuity		
OEM	FY93-00	Office Sid (\$199) Office Pro (\$299) LOG Annuity	Office Sid (\$199) Office Pro (\$299) Home Essentials 98 (\$180) Works 95 (\$49) Office End User Annuity	AE Suite (TBD)	AE Suite (TBD)
			Office SBE (\$199) Office VAR RYOwN (\$239) Office VAR SBE (\$199) Works 95 (\$49) Office End User Annuity		
OEM		Office SBE Office VAR Roll Your Own Office VAR SBE Word, Publisher, Outlook	Home Essentials Greetings Workshop Picture III Word Works	Home Essentials Greetings Workshop Picture III Word Works	

Excludes standalone Office applications (except in OEM)

☐ = New Product shown in year of Introduction

DAD 3 Year Business Outlook

Web Authoring Update

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Web Authoring & Site Management Market

- Market Size: \$75-\$80M
- Category growth: 90% for the past 6 months, fueled by FrontPage and Netscape Navigator Gold
- Key players:

Page Building	Authoring and Site Management
Netscape Navigator Gold (879)	Microsoft FrontPage (\$149)
Adobe PageMill (\$99)	NetObjects Fusion (\$99)
CorelWEBDESIGNER (\$149)	Adobe SiteMill (\$199)
Sausage Software HotDog Pro (\$99)	DeltaPoint QuickSite (\$99)
SoftQuad HoTMetalL Pro (\$199)	Backstage Designer Plus (\$99)
- Our share vs. competition (retail view):

Software Company	Web Authoring Product	Rev (000's)	Rev Share	Units	Unit Share	Price/Unit
Microsoft	Microsoft FrontPage	\$8,027	38%	59,556	28%	\$
Netscape	Netscape Navigator Gold	\$6,323	30%	80,615	40%	\$
Adobe	Adobe PageMill	\$2,514	12%	31,809	14%	\$
Corel	CorelWEBDESIGNER	\$1,308	6%	9,088	4%	\$
Sausage Software	HotDog Pro	\$1,180	5%	24,193	11%	\$
NetObjects	NetObjects Fusion	\$800	3%	1,258	1%	\$
Adobe	Adobe SiteMill	\$547	3%	3,616	2%	\$
DeltaPoint	QuickSite	\$295	1%	3,156	1%	\$
Macromedia	Backstage Designer Plus	\$311	1%	3,224	1%	\$
SoftQuad	HoTMetalL Pro	\$20	0.1%	167	0.1%	\$
Total		\$21,105	100%	226,682	100%	\$

DAD 3 Year Business Outlook

FrontPage Business Update

- FrontPage 1.1 Installed Base
 - North America: 75,000 standalone; 79,400 via NT bundle
 - ROW: 1,500 standalone; 15,200 via NT bundle
- FrontPage 97
 - Beta program reached 550,000 users in NA (1,300,000 WW)
 - Standalone launch sell-in:
 - North America: 80,000
 - ROW: 23,800
 - Estimated US retail sell-through launch-to-date: 39,000 units
- FrontPage 1.0 for the MAC
 - More than 49,000 users have acquired beta since January 6th
 - RTM'd on 2/12

DAD 3 Year Business Outlook

FrontPage Product Plan

- Continue to make FrontPage the most popular site creation tool for the broadest range of users
- FrontPage 3.0: Q1FY98
 - Improved server extension scalability and administration
 - Ease of use for common tasks
 - More automation through "Design Intelligence"
- FrontPad:
 - Limited FrontPage HTML editor to ship with IE 4.0 and deliver functionality on par with Netscape Composer
- FrontPage Forecast (NA):

Forecast (000's)	FY97	FY98	FY99	FY00
Units	213	409	663	975
Revenue	\$ 24,725	\$ 41,718	\$ 61,732	\$ 84,148

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Forecast FY97-00

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Key Assumptions in Forecast

	PCs			WW PC Shipments			Growth		
	FY87	FY88	FY89	FY87	FY88	FY89	FY87	FY88	FY89
US Home	7,820	8,750	10,854	12,786	14,883	17%	11%	22%	20%
US Workplace	15,920	17,200	19,411	19,883	20,411	12%	12%	7%	8%
US Total	23,740	25,950	29,265	32,669	35,294	12%	12%	9%	10%
Europe Home	5,807	6,008	7,858	8,907	9,979	17%	17%	16%	13%
Europe Workplace	11,487	12,829	14,147	15,319	16,281	13%	13%	10%	8%
Europe Total	17,294	18,837	22,005	24,226	26,260	13%	13%	10%	8%
Far East Home	3,001	3,969	4,888	6,064	7,389	32%	32%	23%	24%
Far East Workplace	8,829	7,638	9,828	11,803	14,028	22%	22%	28%	20%
Far East Total	11,830	11,607	14,716	17,867	21,417	20%	20%	26%	21%
ROW Home	3,025	3,623	4,612	5,377	6,284	20%	20%	26%	18%
ROW Workplace	6,468	7,173	8,173	9,283	10,390	17%	17%	14%	15%
ROW Total	9,493	10,796	12,785	14,660	16,674	17%	17%	20%	17%
WW Home	18,796	23,250	29,612	33,234	38,655	17%	17%	20%	18%
WW Workplace	32,849	46,028	51,773	57,188	62,142	15%	15%	12%	10%
WW Total	51,645	69,278	81,385	90,422	100,797	16%	16%	16%	14%

Note: ROW is ICDW Price Estimate

- Minimal cannibalization of Office by collaboration market
- Significant mix shift to upgrades & select
- Continued shift to Office Pro
- Long annuity succeeds
- Select Pricing
 - slightly lower standard & upgrade
 - 20% lower maintenance prices due to custom deals
- Uplift pressure in Europe w/o corresponding volume increases
- Morg & Sorg penetration increases
- Home penetration is low
- Level of OEM activity does not cannibalize FG

US DAD Market Forecast

\$ Billions Received by Districts

District	1955		1956		1957		1958		1959		1960		1955-60 Total	CAGR
	Est	Act	Est	Act	Est	Act	Est	Act	Est	Act	Est	Act		
USFD Windows	115	110	115	110	115	110	115	110	115	110	115	110	115	110
Manila	30	35	30	35	30	35	30	35	30	35	30	35	30	35
Philippines	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Southeast Asia	45	35	45	35	45	35	45	35	45	35	45	35	45	35
USFD Wires	110	110	110	110	110	110	110	110	110	110	110	110	110	110
Manila	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Philippines	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Southeast Asia	45	45	45	45	45	45	45	45	45	45	45	45	45	45
USFD Cables	105	105	105	105	105	105	105	105	105	105	105	105	105	105
Manila	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Philippines	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Southeast Asia	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Total USFD	435	430	435	430	435	430	435	430	435	430	435	430	435	430

USFD Growth by District

District	1955	1956	1957	1958	1959	1960
Manila	30	30	30	30	30	30
Philippines	35	35	35	35	35	35
Southeast Asia	40	40	40	40	40	40
Total USFD	105	105	105	105	105	105

USFD Growth by District

District	1955	1956	1957	1958	1959	1960
Manila	30	30	30	30	30	30
Philippines	35	35	35	35	35	35
Southeast Asia	40	40	40	40	40	40
Total USFD	105	105	105	105	105	105

USFD Growth by District

District	1955	1956	1957	1958	1959	1960
Manila	30	30	30	30	30	30
Philippines	35	35	35	35	35	35
Southeast Asia	40	40	40	40	40	40
Total USFD	105	105	105	105	105	105

USFD Growth by District

District	1955	1956	1957	1958	1959	1960
Manila	30	30	30	30	30	30
Philippines	35	35	35	35	35	35
Southeast Asia	40	40	40	40	40	40
Total USFD	105	105	105	105	105	105

USFD Growth by District

District	1955	1956	1957	1958	1959	1960
Manila	30	30	30	30	30	30
Philippines	35	35	35	35	35	35
Southeast Asia	40	40	40	40	40	40
Total USFD	105	105	105	105	105	105

USFD Growth by District

District	1955	1956	1957	1958	1959	1960
Manila	30	30	30	30	30	30
Philippines	35	35	35	35	35	35
Southeast Asia	40	40	40	40	40	40
Total USFD	105	105	105	105	105	105

USFD Growth by District

District	1955	1956	1957	1958	1959	1960
Manila	30	30	30	30	30	30
Philippines	35	35	35	35	35	35
Southeast Asia	40	40	40	40	40	40
Total USFD	105	105	105	105	105	105

USFD Growth by District

District	1955	1956	1957	1958	1959	1960
Manila	30	30	30	30	30	30
Philippines	35	35	35	35	35	35
Southeast Asia	40	40	40	40	40	40
Total USFD	105	105	105	105	105	105

Case Apps Growth by Year

Year	1955	1956	1957	1958	1959	1960
Manila	100	100	100	100	100	100
Philippines	100	100	100	100	100	100
Southeast Asia	100	100	100	100	100	100
Total USFD	300	300	300	300	300	300

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US Windows WP Market Forecast

Category	US Licenses												Competitor Licenses												Total Market Licenses												Microcod Sales												Microcod												Crowth												Total Market
	EOL				EOL				EOL				EOL				EOL				EOL				EOL				EOL				EOL				EOL				EOL				EOL																												
	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE	EXE																									
LOGO	1,198	683	611	748	141	135	65	78	1,340	1,824	676	827	67%	69%	69%	67%	67%	69%	69%	67%	67%	69%	69%	67%	67%	69%	69%	67%	67%	69%	69%	67%	67%	69%	69%	67%	67%	69%	69%	67%	67%	69%	69%	67%	67%	69%	69%	67%	1,198	683	611	748																					
Other	1,782	2,441	2,078	3,362	360	373	265	79	2,142	2,814	2,343	3,441	71%	72%	71%	71%	71%	72%	71%	71%	71%	72%	71%	71%	71%	72%	71%	71%	71%	72%	71%	71%	71%	72%	71%	71%	71%	72%	71%	71%	71%	72%	71%	71%	1,782	2,441	2,078	3,362																									
LOGO Total	2,980	3,124	2,689	4,110	501	508	320	157	3,482	4,638	3,019	4,888	69%	70%	69%	69%	69%	70%	69%	69%	69%	70%	69%	69%	69%	70%	69%	69%	69%	70%	69%	69%	69%	70%	69%	69%	69%	70%	69%	69%	69%	70%	69%	69%	2,980	3,124	2,689	4,110																									
MS-DOS	47	67	64	64	91	68	50	35	138	135	114	99	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	47	67	64	64																													
Other	77	83	107	150	202	225	224	247	279	308	348	497	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	77	83	107	150																													
MS-DOS Total	1,248	1,506	1,756	2,144	393	393	274	282	672	643	562	746	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	1,248	1,506	1,756	2,144																													
Other	311	679	610	628	173	82	25	72	484	761	585	694	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	311	679	610	628																																	
MS-DOS Total	684	1,288	1,366	1,772	366	375	299	354	868	1,452	1,170	1,790	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	684	1,288	1,366	1,772																																	
Other	192	230	297	401	208	193	114	63	401	404	429	467	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	192	230	297	401																																					
MS-DOS Total	384	460	594	802	386	386	228	126	802	808	856	934	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	384	460	594	802																																					
Other	341	429	519	671	349	349	211	117	698	698	730	784	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	341	429	519	671																																					
MS-DOS Total	682	858	1,138	1,542	697	697	422	234	1,397	1,396	1,460	1,568	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	682	858	1,138	1,542																																					
Other	1,348	1,846	2,000	2,199	403	403	249	129	1,751	1,751	1,751	1,751	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	1,348	1,846	2,000	2,199																																					
MS-DOS Total	2,736	3,692	4,000	4,398	806	806	471	263	3,542	3,542	3,542	3,542	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	2,736	3,692	4,000	4,398																																					
Other	2,156	2,947	3,143	3,406	403	403	249	129	2,559	2,559	2,559	2,559	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	2,156	2,947	3,143	3,406																																					
MS-DOS Total	4,892	6,639	7,143	7,804	1,209	1,209	720	392	6,101	6,101	6,101	6,101	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	4,892	6,639	7,143	7,804																																					
Other	1,348	1,846	2,000	2,199	403	403	249	129	1,751	1,751	1,751	1,751	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	1,348	1,846	2,000	2,199																																					
MS-DOS Total	2,736	3,692	4,000	4,398	806	806	471	263	3,542	3,542	3,542	3,542	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	2,736	3,692	4,000	4,398																																					

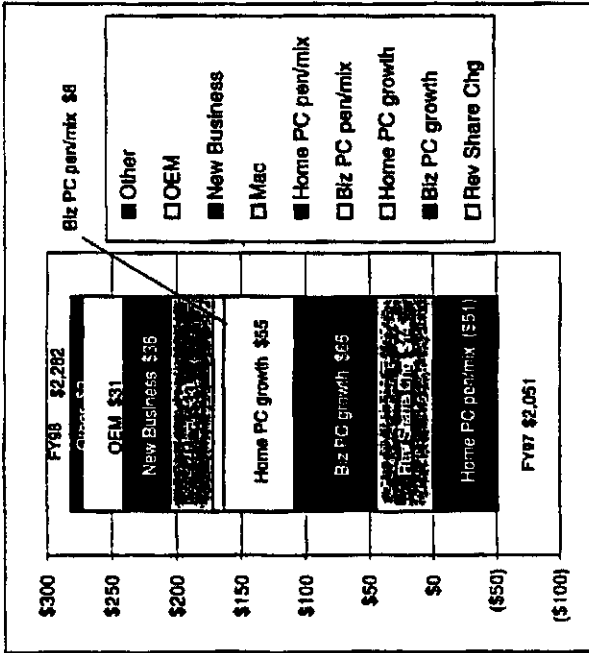
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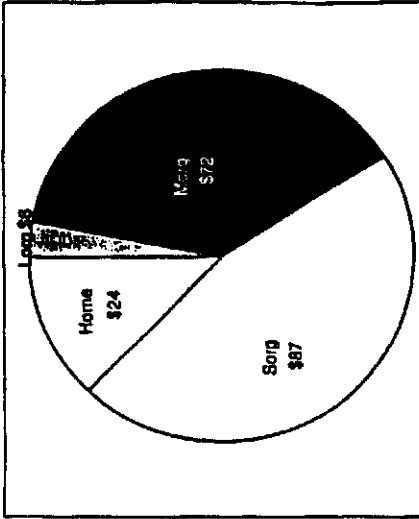
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How We Will Grow: FY97 - FY98

Microsoft USA Revenue Growth FY97 to FY98



FY98's \$184MM Growth over FY97 by Segment (USFG Win)

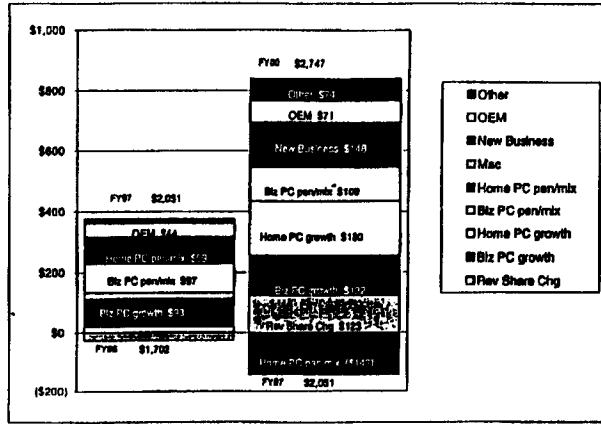


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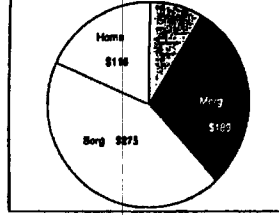
L - How We Will Grow 87-98 - FINAL.xls New Slics 2/13/97 3:32 PM

How We Will Grow: FY97 - FY00

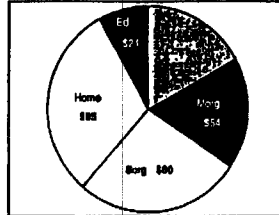
Microsoft USA Revenue Growth FY97 to FY00



FY00's \$629MM Growth over FY97 by Segment (USFG Wts)



FY97's \$208MM Growth over FY96 by Segment (USFG Wts)



3 Year International Revenue Outlook (base case)

FO	FY94 Actuals				FY95 Actuals				FY96 Actuals				FY97 Forecast				FY98 Forecast				FY99 Forecast				FY00 Forecast				
	FY94	FY95	FY96	FY97	FY94	FY95	FY96	FY97	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY94	FY95	FY96	FY97	FY98	FY99	FY00
US	946,184	1,197,324	1,423,149	1,602,062	1,802,062	2,011,346	2,160,908	2,407,367																					
Canada	76,566	105,256	112,658	124,727	139,141	150,871	166,537																						
North America's Total	1,022,750	1,302,580	1,535,807	1,726,789	1,941,203	2,161,817	2,573,904																						
Europe	1,045,546	1,168,642	1,422,719	1,580,069	1,822,472	1,752,269	1,857,405																						
Far East	153,012	370,772	573,760	669,448	803,336	1,004,170	1,205,004																						
ICGN	182,854	300,169	369,514	463,208	567,187	690,624	782,718																						
FO Total	2,404,182	3,143,184	3,912,727	4,650,430	5,143,484	5,768,640	6,418,031																						
WW OEM Total	83,822	151,213	303,484	387,116	437,733	503,376	579,824																						
Total	2,488,003	3,294,397	4,216,211	5,037,546	5,581,216	6,272,016	6,997,855																						

Key International Growth Factors:

- ALL
 - Shift from Std To Upd
 - Increased legal W/P Penetration
- Europe:
 - Uploading Pressure
 - High Installed Base Share in Large Subs
 - Piracy Progress
- Far East
 - High PC Growth
 - Share Gains
- ICGN
 - High PC Growth

3 Year Business Outlook
Desktop Applications

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BLEAK SCENARIO SUMMARY

	Microsoft Revenues			Revenue Growth			
	FY87	FY88	FY00	base	bleak	base	bleak
US Examples:							
BASE CASE	\$2,051	\$2,282	\$2,747	11%	11%	8%	8%
Not a competing upgrade		(\$256)	(\$330)				
		\$2,024	\$2,417	11%	-1%	8%	8%
		-11%	-12%				
\$199 to \$149, flow thru waterfall		(\$320)	(\$400)				
		\$1,958	\$2,338	11%	-5%	8%	8%
		-14%	-15%				
100% shift to Select in Logi/Mou.		(\$85)	(\$88)				
with constant volume		\$2,189	\$2,659	11%	7%	8%	8%
		-4%	-3%				
Asop's sale		(\$689)	(\$529)				
		\$1,613	\$1,921	11%	-21%	8%	8%
		-26%	-30%				
Collaboration Cannibalizes Office but Outlook wins		(\$153)	(\$417)				
		\$2,129	\$2,331	11%	4%	8%	8%
		-7%	-15%				
Collaboration Cannibalizes Office and Outlook fails		(\$183)	(\$524)				
		\$2,057	\$2,039	11%	0%	6%	2%
		-8%	-19%				
FPP Overbuying disappears completely		(\$103)	(\$25)				
		\$2,178	\$2,022	11%	6%	8%	8%
		-4%	-5%				
Europe:							
BASE CASE	\$1,560	\$1,822	\$1,857	4%	8%	6%	6%
Europe Uplift		(\$47)	(\$54)				
		\$1,578	\$1,804	4%	1%	6%	6%
		-3%	-3%				

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STRETCH SCENARIO SUMMARY

US Examples:	FY2000 Revenue	Growth
BASE CASE	\$2,747	8%
Long annuity/Custom Deals generate 6.8M Long desktops at \$100/desktop (as compared to \$60 Boeing deal)	<u>\$200</u> \$2,947	18%
Long annuity/Custom Deals penetration of 8M Long desktops at \$80/desktop	<u>\$180</u> \$2,937	15%
Song initiatives increase penetration from 0.19 in FY98 to 0.30 in FY2000	<u>\$100</u> \$2,847	12%
End user annuity/Home Essentials increases Home penetration to 0.25 in FY2000	<u>\$100</u> \$2,847	12%
End User Annuity Subscriptions, cross-sell	<u>\$88</u> \$2,843	12%
		3%

Our View Last Year

- Financials
 - FY99 USFG revenues up 4.6% from Aug 22 review
- Initiatives
 - Word Suite proposed. Not pursuing.
 - Enterprise & End user annuity more flushed out
 - SB programs in place
 - Retail trial happening w/Kinko's. OEM trial on hold.
 - Anti Piracy
 - HDD/CD w/Floppy not happening for Office 97a
 - Registration for PSS still under discussion

DAD 3 Year Business Outlook

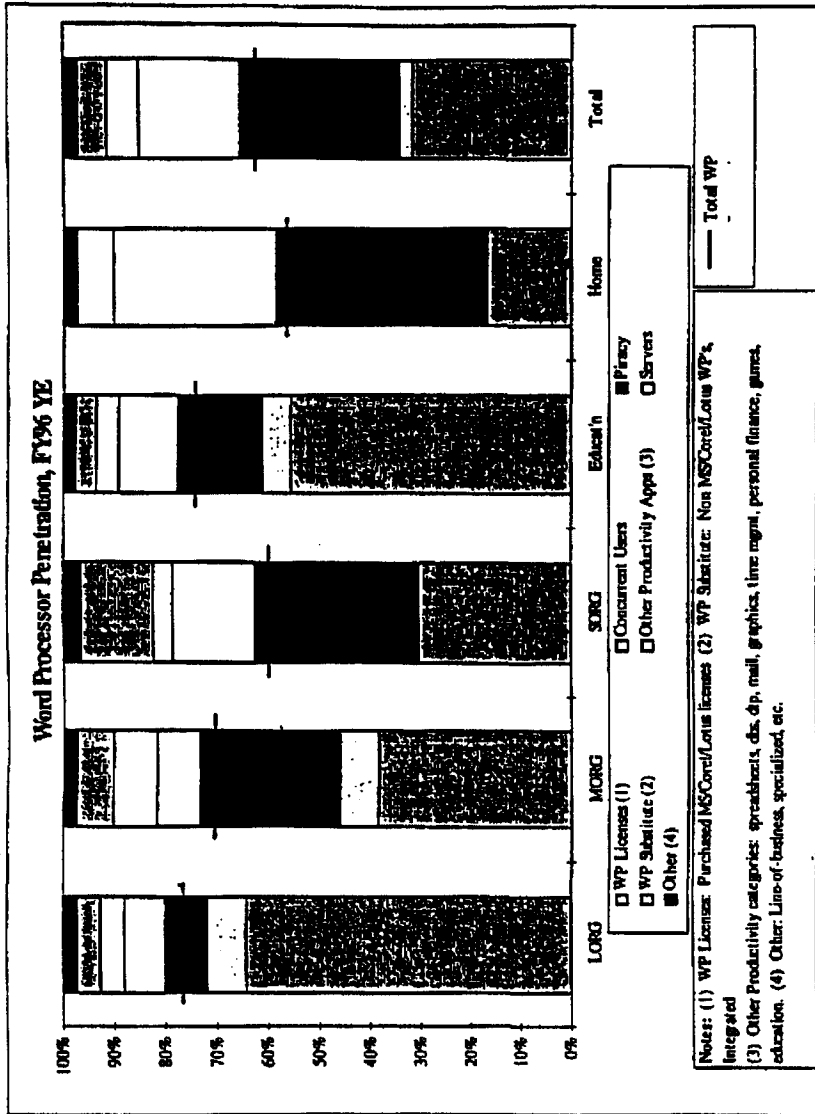
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Appendices

DAD 3 Year Business Outlook



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U.S. FEDERAL GOVERNMENT
 OFFICE OF MANAGEMENT AND BUDGET
 INFORMATION SYSTEMS
 REPORT NO. OMB-86-001
 DATE: 1986-01-01
 BY: [illegible]
 FOR: [illegible]

US REVENUE SUMMARY FORECAST FY77 - FY78

Product	FY77		FY78		FY77	FY78	FY77	FY78	FY77	FY78	FY77	FY78
	Q1	Q2	Q1	Q2								
Aluminum	100	100	100	100	100	100	100	100	100	100	100	100
Steel	200	200	200	200	200	200	200	200	200	200	200	200
Iron	300	300	300	300	300	300	300	300	300	300	300	300
Coal	400	400	400	400	400	400	400	400	400	400	400	400
Oil	500	500	500	500	500	500	500	500	500	500	500	500
Gas	600	600	600	600	600	600	600	600	600	600	600	600
Electricity	700	700	700	700	700	700	700	700	700	700	700	700
Transportation	800	800	800	800	800	800	800	800	800	800	800	800
Communication	900	900	900	900	900	900	900	900	900	900	900	900
Government	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Other	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100

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LONG-TERM MAINTENANCE OPPORTUNITY

LJRG MAINTENANCE OPPORTUNITY

Customer	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
200	164,000	163,343	152,500	144,000	130,500	114,500	102,000	92,000	84,000	77,000	71,000	66,000	62,000	59,000	57,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000		
300	141,000	140,300	129,000	118,000	107,000	98,000	91,000	85,000	80,000	76,000	73,000	71,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	
400	128,000	127,500	117,000	107,000	98,000	91,000	85,000	80,000	76,000	73,000	71,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	
500	115,000	114,500	104,000	94,000	86,000	80,000	75,000	71,000	68,000	66,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
600	102,000	101,500	92,000	83,000	76,000	71,000	67,000	64,000	62,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000
700	89,000	88,500	79,000	71,000	65,000	61,000	58,000	56,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	
800	76,000	75,500	67,000	59,000	54,000	51,000	49,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	
900	63,000	62,500	55,000	47,000	43,000	41,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	
1000	50,000	49,500	42,000	35,000	32,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	
1100	37,000	36,500	29,000	23,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	
1200	24,000	23,500	17,000	13,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	
1300	11,000	10,500	7,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
1400	2,000	1,500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
1500	1,000	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	
1600	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	

- 69% of all ECU customers have active webset agreements: 88% of Strategic, 75% of Named and 59% of Business Development
- Across all ECU customers, 21% who are purchasing license of ODKs/Pro are not buying Maintenance; likewise 31% for RTB-CAL, 39% for BackOffice CAL and 16% for Desktop OS.
- The above 2 year license potential exists by moving all non-Maintenance PC's to Upg Advantage (being limited or actual revenue in 66 percent).
- Q03 is the largest Maintenance revenue period, in the next 80 months (years) all products listed above.

* Customers who have purchased at least one license at one time of Maintenance during FY97, or who have at least one Maintenance license for the product, acquired before FY97.
 * Customers who have purchased at least one license of BackOffice, as well as a portion of MS.
 ** Customers upgrading their software through repeat ODK hardware purchases (ODH) or Version Upgrade via Solicit were not included in the calculation of 2 year revenue opportunity.
 *** A blended revenue of \$15 per PC for ODKs/Office Pro (\$1100/1750) and Word/MSI for \$600/1000), was used in calculation of revenue opportunity.

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CUSTOM DEALS IN PROCESS OR DONE

Customer	Length of Agmt (Yrs)	World Wide				United States				Last 3 year's avg rev		
		# of Deals (est)	Total Deal Revenue (in Mil.)	Est Annual Revenue (in Mil.)	\$/Deal (in Mil.)	# of Deals (est)	Total Deal Revenue (in Mil.)	Est Annual Revenue (in Mil.)	\$/Deal (in Mil.)			
General Electric	3	100,000	\$ 39.9	\$ 13.3	\$ 17.9	60	\$ 31.9	\$ 10.6	\$ 13.3	4.8	\$ 60	\$ 4.8
EDS	4	75,000	\$ 34.0	\$ 8.5	\$ 11.3	50	\$ 23.8	\$ 6.0	\$ 11.3	10.5	\$ 2.6	\$ 50
Exxon	3	57,000	\$ 31.2	\$ 10.7	\$ 16.5	96	\$ 32.2	\$ 10.7	\$ 18.8	16.5	\$ 5.5	\$ 96
Southern Bell	4	42,500	\$ 28.6	\$ 7.2	\$ 13.3	78	\$ 28.6	\$ 7.2	\$ 16.8	13.3	\$ 3.3	\$ 78
British-Myers Squibb	3	27,000	\$ 20.9	\$ 7.0	\$ 23.8	163	\$ 16.7	\$ 5.6	\$ 25.8	10.6	\$ 3.3	\$ 163
DeLia & Touche	3	45,000	\$ 21.3	\$ 7.1	\$ 14.2	105	\$ 21.3	\$ 7.1	\$ 15.8	14.2	\$ 4.7	\$ 105
ALCOA	3	15,000	\$ 10.2	\$ 3.4	\$ 23.7	147	\$ 10.2	\$ 3.4	\$ 23.7	6.6	\$ 2.2	\$ 147
Ford Motor Company	3	85,000	\$ 62.7	\$ 20.9	\$ 34.4	135	\$ 62.7	\$ 20.9	\$ 24.6	11.5	\$ 13.5	\$ 135
Boeing	3	69,230	\$ 34.2	\$ 11.4	\$ 16.7	80	\$ 27.4	\$ 9.1	\$ 16.5	13.4	\$ 4.3	\$ 80
Lockheed	3	54,000	\$ 23.7	\$ 7.6	\$ 14.0	65	\$ 20.4	\$ 6.8	\$ 14.0	9.5	\$ 3.2	\$ 65
MCI	5	1	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	-
Teledyn	3.25	6,800	\$ 3.2	\$ 1.0	\$ 14.5	41	\$ 2.9	\$ 0.9	\$ 14.5	0.8	\$ 0.2	\$ 41
AMD	3	5,500	\$ 2.7	\$ 0.9	\$ 16.4	73	\$ 2.4	\$ 0.8	\$ 16.4	1.1	\$ 0.4	\$ 73
		582,031	\$ 312.6	\$ 98.9	\$ 170	\$ 160.5	\$ 51.1	\$ 88	\$ 153	\$ 145.2	\$ 46.4	\$ 80

From Robbin Bole

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Custom Pipeline - DAD - FINAL.HS CUSTOM DEALS IN PROCESS OR DONE 2/15/87 8:22 PM 85

CUSTOM DEALS SALES HISTORY AND CONTRACTUAL TO BEAL & ASSOCIATES

Appendix - Price Map by Segment

US Office Professional Pricing Levels, by Segment

Office Pro Rev/Lic		\$100-199	\$200-299	\$300-399	\$400+
L O R G	Special Agr Mnt	Special Agr Std MELP New Mnt*	MELP Std A, B & C* MVLPL Std C, D	MVLPL Std A & B	
		MELP Upg A, B, & C* MVLPL Upg A, B, C, D MVLPL New Mnt			
M O R G		MVLPL Upg A, B MELP Upg A, B* MVLPL New Mnt	MELP Std A, B* MOLP Upg A, B, & C New MOLP Mnt	MVLPL Std A & B MOLP Std A, B, & C SB Whitebox	
S O R G			FPP Upg MLP Upg MOLP Upg A, B, & C New MOLP Mnt	MOLP Std A, B, & C SB Whitebox	FPP Std MLP Std
H O M E			FPP Upg		FPP Std
E D U C	Academic MLP Std	Academic Full Pkg Pr			
	Academic MOLP Mnt				
	Academic MOLP Std A & B				
	Academic MVLPL Std				
	Academic MOLP Upg A & B				
	Academic Select Upg Academic MELP Std* Academic Select Mnt				

* Eliminated in Select 4.0

Appendix - License Consolidation Impact

Revenue impact of Academic Licensing recommendation

- There are 9 Academic licensing price points between \$30 and \$70 Pare this down to three - one MOLP, one MVL P, and one Maintenance. If the lowest price point was used for each type, the maximum negative revenue impact on Office Pro in the US in CY96 would have been (\$7.8m)

Office Pro, US Sales, CY96

MLP/MOLP	Licenses	Revenue	Rev/Lic	One MLP/MOLP SKU Priced at:	Revenue Impact
Academic MLP Sid	59,147	\$3,993,196	\$ 67.51	\$32.55	(\$6,250,901)
Academic MOLP Sid A	178,144	\$8,838,045	\$ 49.60	\$39.87	(\$3,151,382)
Academic MOLP Sid B	134,270	\$5,353,067	\$ 39.87	\$47.31	\$0
Academic MOLP Upg A	28,577	\$1,125,857	\$ 39.08		
Academic MOLP Upg B	22,412	\$729,600	\$ 32.55		

Select	Licenses	Revenue	Rev/Lic	One Select SKU Priced at:	Revenue Impact
Academic MVLP Sid	106,116	\$4,236,774	\$ 39.95	\$28.81	(\$1,208,442)
Academic MELP Sid	3,845	\$110,774	\$ 28.81	\$33.14	(\$708,382)
Academic Select Upg	5,512	\$182,671	\$ 33.14	\$38.26	\$0

Maintenance	Licenses	Revenue	Rev/Lic	One MNT SKU Priced at:	Revenue Impact
Academic Select Mnt	48,774	\$1,935,492	\$ 39.68	\$39.88	(\$356,043)
Academic MOLP Mnt	32,667	\$1,652,363	\$ 50.58	\$44.05	\$0

Office Pro, US Sales, CY96

Pricing Level	Licenses	Revenue	Rev/Lic	Priced at MOLP A Level	Revenue Impact
MLP Sid	58,065	\$24,075,786	\$ 414.64	\$388.43	(\$1,463,460)
MLP Upg	22,787	\$6,346,036	\$ 278.49	\$250.31	(\$642,164)

Revenue impact of eliminating MLP SKUs.

- If all MLP purchases switched to MOLP A, and there was no change in unit sales, the net revenue impact for Office Pro in the US in CY96 would have been (\$2.1m). This would be revenue neutral if 26% of MLP purchases moved to FPP price, with the remainder moving to MOLP A pricing

European Uplift Analysis
 Impact of changing uplift to -1.3 for high-uplift subs w/units held constant
 FY98

Subsidiary	Product	User Type	Pricing Level	Sales	Uplift	Rev'd	Current uplift	new uplift	New Rev'd	new rev	rev less	Rev less %	Total Country
Germany	Office	Standard	Full Pkg Product	18,215,438	21,088	688	1.72	1.29	1524.11	13,061,378	(4,353,060)	(25%)	(4,353,060)
		Upgrade	Full Pkg Product	23,103,968	64,852	338	1.62	1.29	3268.44	18,482,669	(4,620,717)	(20%)	(4,620,717)
		Standard	Full Pkg Product	17,893,764	20,824	364	1.77	1.31	8300.50	13,319,095	(4,574,669)	(26%)	(4,574,669)
		Upgrade	Full Pkg Product	31,929,294	60,512	418	1.61	1.32	3341.48	27,487,561	(4,441,733)	(16%)	(4,441,733)
France	Office	Standard	Full Pkg Product	20,841,851	25,251	373	1.75	1.31	5314.39	15,331,128	(5,510,723)	(27%)	(5,510,723)
		Upgrade	Full Pkg Product	10,047,807	29,909	352	1.70	1.31	3271.39	7,298,888	(2,748,919)	(27%)	(2,748,919)
		Standard	Full Pkg Product	12,126,011	14,528	945	1.71	1.30	8454.38	9,215,788	(2,910,223)	(24%)	(2,910,223)
		Upgrade	Full Pkg Product	8,995,854	13,833	641	1.65	1.30	3336.40	4,887,098	(2,008,756)	(23%)	(2,008,756)
Switzerland	Office	Standard	Full Pkg Product	8,828,684	8,089	713	1.75	1.31	3524.82	4,867,271	(1,822,424)	(25%)	(1,822,424)
		Upgrade	Full Pkg Product	8,658,224	26,381	328	1.58	1.31	3272.30	7,188,326	(1,471,898)	(17%)	(1,471,898)
		Standard	Full Pkg Product	4,978,568	5,502	868	1.62	1.31	8536.15	3,811,128	(1,167,440)	(24%)	(1,167,440)
		Upgrade	Full Pkg Product	8,534,818	21,983	336	1.63	1.30	3336.43	7,254,425	(1,280,393)	(15%)	(1,280,393)
Sweden	Office	Standard	Full Pkg Product	6,113,068	8,821	622	1.53	1.30	3328.08	3,188,123	(2,924,945)	(47%)	(2,924,945)
		Upgrade	Full Pkg Product	5,082,132	15,910	318	1.53	1.30	3270.48	4,302,812	(779,320)	(15%)	(779,320)
		Standard	Full Pkg Product	4,228,800	5,448	178	1.58	1.30	8138.18	3,488,812	(739,988)	(17%)	(739,988)
		Upgrade	Full Pkg Product	3,822,357	10,288	122	1.43	1.28	8354.48	3,440,121	(382,236)	(10%)	(382,236)
Denmark	Office	Standard	Full Pkg Product	1,781,707	3,227	155	1.36	1.30	3328.81	1,700,330	(81,377)	(5%)	(81,377)
		Upgrade	Full Pkg Product	4,071,401	12,720	320	1.34	1.31	3272.05	3,480,438	(610,963)	(15%)	(610,963)
		Standard	Full Pkg Product	1,854,885	2,898	889	1.41	1.28	8828.58	1,778,880	(77,005)	(4%)	(77,005)
		Upgrade	Full Pkg Product	3,534,545	8,627	419	1.62	1.31	3338.74	2,882,881	(651,664)	(19%)	(651,664)
Norway	Office	Standard	Full Pkg Product	1,421,987	2,242	834	1.56	1.32	3338.88	1,208,348	(213,639)	(15%)	(213,639)
		Upgrade	Full Pkg Product	4,935,848	18,838	283	1.41	1.30	3268.88	4,540,981	(394,867)	(8%)	(394,867)
		Standard	Full Pkg Product	1,118,518	1,478	178	1.55	1.32	8643.28	850,724	(267,794)	(24%)	(267,794)
		Upgrade	Full Pkg Product	2,044,357	4,828	415	1.60	1.31	3340.17	1,878,373	(165,984)	(8%)	(165,984)
Austria	Office	Standard	Full Pkg Product	2,058,254	2,890	101	1.72	1.28	3328.83	1,572,181	(486,073)	(24%)	(486,073)
		Upgrade	Full Pkg Product	1,728,840	5,384	321	1.58	1.31	3272.47	1,488,884	(240,956)	(14%)	(240,956)
		Standard	Full Pkg Product	2,478,382	2,810	881	1.81	1.28	8430.11	1,778,888	(700,494)	(28%)	(700,494)
		Upgrade	Full Pkg Product	3,308,564	8,289	339	1.54	1.31	3339.07	2,810,978	(497,586)	(15%)	(497,586)
Finland	Office	Standard	Full Pkg Product	1,427,783	2,389	359	1.48	1.30	3339.86	1,270,708	(157,075)	(11%)	(157,075)
		Upgrade	Full Pkg Product	3,248,910	10,544	308	1.46	1.29	3281.81	2,824,812	(424,098)	(13%)	(424,098)
		Standard	Full Pkg Product	828,472	843	709	1.46	1.30	8831.44	587,581	(240,891)	(28%)	(240,891)
		Upgrade	Full Pkg Product	1,223,589	3,107	384	1.52	1.29	3334.74	1,049,050	(174,539)	(14%)	(174,539)
Grand Total:										(48,388,823)			

FY98	Total FG Office Rev for these subs	843,983,183
	Overall revenue decrease %:	-7.2%
FY98	Total Europe FG Office Rev	1,108,978,031
	Revenue decrease for ALL Europe	-4.2%

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European Uplift Analysis
 Impact of changing uplift to -1.3 for high-uplift subs w/licenses held constant
 FY97 YTD through December

Subsidiary	Product	User Type	Pricing Level	Sales	Licenses	Rev/Lc	current uplift	new uplift	New Rev/Lc	new Rev	rev loss	Rev loss %	Total Country
Germany	Office Professional	Standard	Full Pkg Product	4,569,270	8,864	\$488	1.84	1.30	\$729.22	6,532,709	(638,709)	(9.8%)	(638,709)
		Upgrade	Full Pkg Product	6,498,597	20,484	\$316	1.82	1.28	\$269.84	5,524,159	(974,446)	(15.3%)	(974,446)
		Standard	Full Pkg Product	6,201,941	8,134	\$762	1.56	1.20	\$632.85	5,147,611	(1,054,330)	(17.2%)	(1,054,330)
France	Office Professional	Standard	Full Pkg Product	8,658,848	25,475	\$339	1.36	1.20	\$288.68	8,382,107	(276,741)	(3.2%)	(276,741)
		Upgrade	Full Pkg Product	8,068,304	12,863	\$627	1.74	1.20	\$527.44	7,445,303	(623,001)	(7.7%)	(623,001)
		Standard	Full Pkg Product	7,263,098	28,120	\$258	1.33	1.25	\$209.72	7,046,303	(217,695)	(3.0%)	(217,695)
Switzerland	Office Professional	Standard	Full Pkg Product	2,422,138	6,486	\$374	1.68	1.32	\$284.96	4,183,711	(1,761,571)	(42.2%)	(1,761,571)
		Upgrade	Full Pkg Product	3,202,308	8,229	\$390	1.57	1.30	\$298.30	3,026,989	(185,319)	(5.8%)	(185,319)
		Standard	Full Pkg Product	2,371,758	3,840	\$618	1.80	1.31	\$451.89	3,555,353	(1,183,595)	(50.3%)	(1,183,595)
Sweden	Office Professional	Standard	Full Pkg Product	2,391,919	8,012	\$298	1.43	1.31	\$224.66	2,200,381	(191,538)	(8.0%)	(191,538)
		Upgrade	Full Pkg Product	1,860,344	2,448	\$760	1.68	1.31	\$572.88	1,982,848	(122,504)	(6.6%)	(122,504)
		Standard	Full Pkg Product	2,652,155	7,177	\$370	1.32	1.28	\$287.81	2,638,312	(14,843)	(0.6%)	(14,843)
Denmark	Office Professional	Standard	Full Pkg Product	2,009,175	3,875	\$518	1.81	1.32	\$385.76	1,847,535	(161,640)	(8.0%)	(161,640)
		Upgrade	Full Pkg Product	2,350,470	7,763	\$303	1.45	1.30	\$227.50	2,115,423	(235,047)	(10.2%)	(235,047)
		Standard	Full Pkg Product	1,835,937	2,977	\$617	1.61	1.31	\$467.65	1,740,759	(95,178)	(5.2%)	(95,178)
Norway	Office Professional	Standard	Full Pkg Product	1,681,732	3,872	\$434	1.53	1.30	\$321.36	1,437,978	(243,754)	(14.5%)	(243,754)
		Upgrade	Full Pkg Product	2,482,748	7,478	\$332	1.84	1.31	\$253.31	2,086,437	(396,311)	(16.0%)	(396,311)
		Standard	Full Pkg Product	865,213	1,225	\$702	0.84	0.84	\$412.42	865,213	0	0%	0
Austria	Office Professional	Standard	Full Pkg Product	2,251,543	6,091	\$370	1.55	1.32	\$273.92	1,915,812	(335,731)	(15.1%)	(335,731)
		Upgrade	Full Pkg Product	858,182	1,342	\$639	1.57	1.28	\$505.14	760,053	(98,129)	(11.4%)	(98,129)
		Standard	Full Pkg Product	2,605,139	8,777	\$298	1.42	1.30	\$227.07	2,396,723	(208,416)	(7.9%)	(208,416)
Finland	Office Professional	Standard	Full Pkg Product	367,136	499	\$734	1.51	1.31	\$540.10	319,408	(47,728)	(13.0%)	(47,728)
		Upgrade	Full Pkg Product	973,717	2,311	\$421	1.48	1.31	\$373.65	863,510	(110,207)	(11.3%)	(110,207)
		Standard	Full Pkg Product	852,412	958	\$889	1.66	1.31	\$667.19	668,891	(183,521)	(21.5%)	(183,521)
Ireland	Office Professional	Standard	Full Pkg Product	911,781	3,062	\$298	1.42	1.28	\$237.89	826,985	(84,796)	(9.3%)	(84,796)
		Upgrade	Full Pkg Product	868,262	1,123	\$774	1.59	1.32	\$582.54	721,570	(146,692)	(16.9%)	(146,692)
		Standard	Full Pkg Product	1,268,710	3,303	\$384	1.35	1.31	\$292.00	1,226,709	(42,001)	(3.3%)	(42,001)
Office Professional	Standard	Full Pkg Product	447,223	778	\$574	1.42	1.30	\$428.85	411,445	(35,778)	(8.0%)	(35,778)	
	Upgrade	Full Pkg Product	2,052,882	7,261	\$283	1.36	1.27	\$226.08	1,928,427	(124,455)	(6.1%)	(124,455)	
	Standard	Full Pkg Product	213,029	291	\$732	1.51	1.28	\$568.08	182,774	(30,255)	(14.2%)	(30,255)	
Office Professional	Standard	Full Pkg Product	667,370	1,562	\$427	1.48	1.28	\$358.97	567,264	(100,106)	(15.0%)	(100,106)	
	Upgrade	Full Pkg Product											
	Standard	Full Pkg Product											
Grand Total:										(11,374,562)			

FY97:H1	Total FO Office Rev for these subs	321,463,783
	Overall revenue decrease %:	-3.5%
FY97:H1	Total Europe FO Office Rev	588,430,047
	Revenue decrease for ALL Europe	-1.9%

US Pricing Trends Forecast

License Type	Licenses			% of Total Lic			Revenue/License			Revenue/Cvg		
	FY97	FY98	FY00	FY97	FY98	FY00	FY97	FY98	FY00	FY97	FY98	FY00
Office (Full Pkg Product)	290	238	210	24%	22%	29%	\$408	\$408	\$408	0%	0%	0%
Office (MLP)	72	17	10	6%	2%	1%	\$348	\$345	\$345	0%	0%	0%
Office (MOLP)	91	131	111	8%	12%	15%	\$320	\$316	\$316	-1%	0%	0%
Office (Select/Other)	398	382	342	33%	36%	34%	\$218	\$199	\$200	-9%	0%	0%
Office (AE-FPP/MLP)	247	153	77	21%	14%	8%	\$100	\$98	\$98	-2%	0%	0%
Office (AE Other)	97	140	103	8%	13%	14%	\$38	\$35	\$35	-3%	0%	0%
Office - Standard Product	1,193	1,061	915	100%	100%	100%	\$240	\$228	\$230	-8%	5%	5%
Office Pro (Full Pkg Product)	323	278	311	13%	13%	18%	\$489	\$488	\$488	0%	0%	0%
Office Pro (MLP)	61	27	19	3%	1%	1%	\$414	\$418	\$418	0%	0%	0%
Office Pro (MOLP)	81	205	262	3%	9%	14%	\$378	\$378	\$378	-1%	0%	0%
Office Pro (Select/Other)	475	682	719	20%	31%	38%	\$231	\$232	\$233	0%	0%	0%
Office Pro (AE-FPP/MLP)	857	507	284	40%	23%	20%	\$127	\$127	\$127	0%	0%	0%
Office Pro (AE Other)	504	505	485	21%	23%	20%	\$45	\$43	\$43	-5%	0%	0%
Office Pro - Standard Product	2,400	2,201	1,981	100%	100%	100%	\$195	\$212	\$232	9%	9%	9%
Office (Full Pkg Product)	369	255	259	47%	30%	36%	\$210	\$208	\$208	-1%	0%	0%
Office (MLP)	6	4	0	1%	1%	0%	\$204	\$200	\$200	-2%	0%	-100%
Office (MOLP)	93	218	179	11%	28%	25%	\$180	\$180	\$180	0%	0%	0%
Office (Select/Other)	333	384	271	40%	43%	38%	\$142	\$139	\$141	-2%	2%	0%
Office (AE Other)	4	5	3	1%	1%	0%	\$30	\$25	\$28	-15%	2%	0%
Office - Upgrades Product	827	845	828	100%	100%	100%	\$178	\$170	\$175	-5%	3%	0%
Office Pro (Full Pkg Product)	492	367	449	52%	38%	27%	\$295	\$283	\$283	-1%	0%	0%
Office Pro (MLP)	13	5	0	1%	0%	0%	\$274	\$250	\$250	-8%	0%	-100%
Office Pro (MOLP)	100	234	239	10%	23%	24%	\$245	\$243	\$243	-1%	0%	0%
Office Pro (Select/Other)	334	412	413	35%	40%	47%	\$154	\$152	\$154	-1%	1%	0%
Office Pro (AE Other)	13	15	17	1%	1%	2%	\$35	\$33	\$33	-5%	0%	0%
Office Pro - Upgrades Product	952	1,032	1,101	100%	100%	100%	\$238	\$211	\$218	-11%	2%	-5%

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Pricing Trends — PTY

	LIFECYCLES				% of Total BU				Revenue - License				Change in CLIP up			
	FY83	FY84	FY85	FY86-H1	FY84	FY85	FY86	FY87-H1	FY83	FY84	FY85	FY86-H1	FY83	FY84	FY85	FY86-H1
Office Standard	14,540	6,961	8,705	3,800	15%	6%	3%	5%	53%	48%	55%	52%	-8%	14%	14%	-4%
Office (M/LP)	16,819	3,770	3,271	908	16%	3%	2%	1%	13%	10%	4%	4%	13%	1%	2%	2%
Office (MOLP)	901	4,969	7,213	3,878	1%	4%	4%	5%	4%	4%	3%	3%	-10%	-2%	-17%	-17%
Office (Misc/Other)	28,372	41,424	31,307	11,040	27%	30%	17%	19%	27%	26%	22%	26%	22%	7%	-8%	-10%
Office (Academic-FP/M/LP)	6	6	6	1,543	0%	0%	0%	2%	0%	0%	0%	1%	N/A	-31%	-10%	-10%
Office (Academic-MOLP/Std/Other)	3,245	15,414	22,859	11,263	3%	13%	13%	15%	3%	6%	5%	5%	-30%	8%	-4%	-4%
Office (Full Pig Product)	61,677	23,131	68,231	32,330	84%	84%	69%	44%	84%	84%	72%	72%	10%	-31%	-27%	-27%
Office (M/LP)	25,947	12,341	48,479	19,005	27%	11%	27%	24%	27%	31%	27%	27%	10%	-31%	-27%	-27%
Office (Misc/Other)	3,827	87	66	268	4%	0%	0%	0%	4%	0%	0%	0%	35%	20%	-4%	-4%
Office (Academic)	136	8,874	17,884	7,759	0%	8%	16%	11%	0%	8%	16%	11%	-12%	-20%	2%	2%
Office - Upgrades	4,563	22,223	29,877	15,331	5%	15%	15%	21%	5%	15%	15%	21%	-24%	43%	-20%	-20%
Office Standard and Upgrades	34,237	41,825	65,206	41,301	36%	36%	36%	46%	36%	36%	36%	46%	-18%	3%	5%	5%
Total	85,844	114,858	181,433	73,831	100%	100%	100%	100%	100%	100%	100%	100%	-15%	-6%	-3%	-3%
Mkt	17,883	69,714	100,719	43,885									26%	71%	-15%	-15%
Office Pro Standard	20,961	34,655	17,826	5,871	42%	20%	0%	6%	42%	20%	0%	6%	-13%	-18%	38%	38%
Office Professional (Full Pig Product)	2,404	2,295	3,142	972	5%	3%	1%	1%	5%	3%	1%	1%	-2%	2%	0%	0%
Office Professional (MOLP)	208	1,464	5,535	4,122	0%	1%	3%	4%	0%	1%	3%	4%	11%	-20%	17%	17%
Office Professional (Std/Other)	8,978	31,706	16,250	6,347	18%	24%	7%	7%	18%	24%	7%	7%	-6%	28%	-6%	-6%
Office Professional (Academic-FP/M/LP)	0	0	17,089	3,664	0%	0%	0%	4%	0%	0%	0%	4%	N/A	N/A	-24%	-24%
Office Professional (Academic-MOLP/Std/Other)	3,413	29,269	37,173	18,712	7%	22%	17%	18%	7%	22%	17%	18%	12%	-7%	0%	0%
Office Professional - Standard Product	35,023	99,289	87,117	37,886	72%	14%	44%	41%	72%	14%	44%	41%	-34%	-20%	8%	8%
Office Professional (Full Pig Product)	8,042	18,118	86,522	23,638	18%	14%	44%	26%	18%	14%	44%	26%	5%	-11%	-2%	-2%
Office Professional (M/LP)	4,390	431	78	264	0%	0%	0%	0%	0%	0%	0%	0%	84%	50%	-3%	-3%
Office Professional (Academic)	31	3,177	10,837	8,290	0%	2%	5%	8%	0%	2%	5%	8%	18%	-32%	7%	7%
Office Professional (Std/Other)	1,375	12,189	18,324	9,988	3%	8%	7%	10%	3%	8%	7%	10%	31%	-37%	-6%	-6%
Office Professional - Upgrades	13,828	33,923	123,369	54,457	28%	25%	56%	50%	28%	25%	56%	50%	17%	-4%	-3%	-3%
Office Pro Standard and Upgrades	49,425	133,317	220,888	92,442	100%	100%	100%	100%	100%	100%	100%	100%	-25%	-12%	2%	2%
Total	351	18,254	68,263	73,048									26%	41%	-10%	-10%
Mkt	95	122	173	52									26%	41%	-10%	-10%

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Pricing Trends — Sweden

	LICENSES				LOCAL CURRENCY				PERCENT CHANGE					
	FY83	FY85	FY86	FY01-03	FY83	FY85	FY86	FY01-03	FY83	FY85	FY86	FY01-03		
Office (Full Plug Product)	19,821	20,325	9,821	9,076	31%	22%	9%	4,212	4,045	4,255	4,401	-4%	5%	3%
Office (MPLP)	4,379	4,894	4,473	1,729	7%	5%	4%	3,440	3,678	3,798	3,859	7%	3%	2%
Office (MOLP)	208	5,820	5,548	3,931	0%	0%	8%	3,125	3,275	3,417	3,245	5%	4%	-5%
Office (Select/Other)	8,824	22,300	34,300	15,745	11%	24%	30%	1,724	2,250	2,244	2,187	30%	-1%	-5%
Office (Academic-FPP/MPLP)	559	8,539	3,410	1,559	11%	9%	3%	1,272	1,290	1,238	1,373	-1%	-2%	11%
Office (Academic-MOLP/Select/Other)	356	3,715	11,103	8,622	1%	4%	10%	3,552	265	548	631	-84%	160%	68%
Office - Standard Product	37,220	65,897	63,894	32,181	81%	71%	61%	31,294	2,763	3,433	2,299	-37%	-17%	-5%
Office (Full Plug Product)	18,928	12,872	15,919	7,783	31%	14%	14%	2,083	2,548	2,207	2,029	-4%	-15%	-5%
Office (MPLP)	1,373	1,235	802	200	2%	1%	1%	1,973	1,749	1,195	1,257	-11%	24%	4%
Office (MOLP)	3,820	7,848	24,895	18,207	0%	5%	3%	2,222	2,217	1,937	2,289	0%	-1%	17%
Office (Select/Other)	23,900	26,865	44,824	29,702	39%	26%	22%	3,222	1,865	1,368	1,331	34%	-17%	-2%
Office - Upgrades	81,108	52,182	111,468	81,887	100%	100%	100%	3,848	2,697	2,135	1,843	-8%	-21%	-5%
Office Standard and Upgrades	118,236	114,064	223,356	163,774	100%	100%	100%	7,696	5,404	4,270	3,686	-25%	-34%	-2%
Office (New Maintenance)	3,148	10,827	49,010	23,123				235	753	659	704	223%	14%	-18%
Office Pro Standard	13,452	8,972	5,448	2,977	27%	28%	11%	4,770	5,057	5,294	5,304	0%	4%	0%
Office Professional (Full Plug Product)	1,782	804	1,402	815	10%	3%	2%	4,053	4,110	4,362	4,563	2%	11%	1%
Office Professional (MOLP)	0	1,000	1,185	982	0%	3%	2%	0	3,440	3,978	4,050	N/A	16%	2%
Office Professional (Select/Other)	815	4,911	10,865	5,227	4%	18%	22%	2,051	2,654	2,576	2,824	9%	-4%	2%
Office Professional (Academic-FPP/MPLP)	0	4,247	2,077	1,100	0%	14%	4%	0	1,439	1,895	1,854	N/A	17%	-2%
Office Professional (Academic-MOLP/Select/Other)	27	2,098	11,109	4,290	0%	7%	22%	839	985	994	800	100%	0%	20%
Office Professional - Standard Product	15,197	21,310	32,099	13,895	91%	68%	64%	4,832	3,267	2,200	2,520	-20%	-20%	-6%
Office Professional (Full Plug Product)	1,213	5,680	10,298	3,172	7%	10%	20%	3,512	3,532	2,115	2,163	1%	-37%	14%
Office Professional (MOLP)	69	331	284	70	0%	1%	1%	2,902	2,829	2,550	2,829	1%	-15%	19%
Office Professional (Select/Other)	234	2,252	1,091	584	2%	4%	2%	0	3,023	2,658	2,862	N/A	-16%	17%
Office Professional - Upgrades	3,370	10,104	18,420	7,850	8%	37%	30%	1,815	1,815	1,339	1,239	8%	-20%	-20%
Office Pro Standard and Upgrades	17,387	31,414	50,489	21,859	100%	100%	100%	3,159	2,997	2,182	2,219	-3%	-27%	1%
Office Professional (New Maintenance)	182	3,574	8,875	6,095				4,481	3,190	2,248	2,411	-20%	-20%	3%
Total	372	621	1,094	1,080	67%	77%	67%							

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Pricing Trends — France

	LICENSES				S. OF LICENSING				REVENUE LICENSE				REV. LIC. GROUP			
	FY84	FY85	FY86	FY87	FY84	FY85	FY86	FY87	FY84	FY85	FY86	FY87	FY85	FY86	FY87	
Office Standard	52,718	36,805	28,251	12,843	26%	15%	10%	6%	3,821	3,091	2,354	3,009	2%	19%	2%	
Office (Full Pkg Product)	23,570	15,415	15,960	8,672	14%	8%	5%	4%	2,514	2,968	3,088	3,087	18%	7%	0%	
Office (MOLP)	8,174	21,960	27,352	21,630	4%	10%	8%	10%	2,441	2,305	2,571	2,465	-4%	12%	-2%	
Office (Select/Other)	25,488	68,121	106,577	87,741	13%	35%	36%	31%	1,734	1,554	1,508	1,483	-10%	-3%	-1%	
Office (Academic-FPP/MALP)	21,153	19,418	17,216	11,387	11%	9%	8%	5%	1,695	1,370	1,410	845	-18%	3%	-40%	
Office (Academic-MOLP/Select/Other)	472	6,358	13,724	8,301	0%	3%	5%	4%	2,768	1,028	863	618	-63%	-6%	-3%	
Office (Full Pkg Product)	40,182	17,273	210,078	130,604	71%	76%	71%	61%	2,437	2,014	2,009	1,811	-17%	0%	-8%	
Office (MOLP)	7,226	3,968	28,508	28,120	31%	7%	10%	12%	1,368	1,788	1,758	1,420	38%	-2%	16%	
Office (MOLP)	5,398	13,132	15,782	23,887	4%	2%	2%	2%	1,171	1,584	1,579	1,207	36%	0%	24%	
Office (Select/Other)	2,898	18,868	34,852	30,771	3%	5%	5%	11%	1,823	1,537	1,355	1,058	1%	-12%	-22%	
Office - Upgrades	55,715	84,272	83,654	84,310	2%	8%	8%	12%	838	1,054	844	813	28%	-10%	-31%	
Office Standard and Upgrades	189,380	244,369	293,828	215,517	20%	22%	25%	28%	1,351	1,443	1,533	1,124	7%	4%	16%	
Office (New Maintenance)	4,295	24,968	43,288	58,870	100%	100%	100%	100%	2,118	1,887	1,816	1,563	-11%	-4%	-15%	
Office Pro Standard	13,182	18,832	14,528	6,486	20%	15%	13%	8%	3,435	2,286	4,182	4,128	-34%	84%	-1%	
Office Professional (Full Pkg Product)	2,959	2,741	3,821	2,227	6%	2%	3%	3%	2,840	3,478	3,723	3,628	22%	7%	-3%	
Office Professional (MOLP)	908	2,401	4,074	3,482	2%	3%	4%	5%	3,288	2,877	3,059	3,087	-6%	3%	1%	
Office Professional (Select/Other)	12,488	8,688	28,778	19,045	28%	8%	18%	21%	1,875	1,837	1,948	1,810	3%	1%	-2%	
Office Professional (Academic-FPP/MALP)	6,888	33,367	29,191	19,441	18%	30%	23%	21%	1,818	789	911	699	-81%	15%	-27%	
Office Professional (Academic-MOLP/Select/Other)	252	4,149	8,113	5,508	1%	4%	7%	8%	2,289	1,280	1,187	1,157	-57%	-9%	-3%	
Office Professional - Standard Product	30,854	89,131	86,286	82,889	81%	67%	66%	52%	2,484	1,488	2,031	1,784	-30%	30%	-12%	
Office Professional (Full Pkg Product)	8,818	28,111	13,933	8,273	1%	2%	12%	11%	1,867	1,824	2,392	1,908	3%	24%	-17%	
Office Professional (MOLP)	123	592	1,109	1,048	0%	1%	1%	1%	2,895	2,341	2,142	1,859	18%	-8%	-27%	
Office Professional (Select/Other)	382	1,268	2,578	3,981	1%	1%	2%	5%	2,264	1,789	1,832	1,572	-18%	2%	-14%	
Office Professional (Academic/Other)	61	12,803	17,783	8,212	0%	11%	15%	8%	1,888	2,497	850	1,032	-89%	27%	8%	
Office Professional - Upgrades	9,184	42,777	35,341	18,119	18%	38%	31%	27%	1,882	1,574	1,528	1,280	-18%	3%	-2%	
Office Pro Standard and Upgrades	47,742	111,923	115,847	72,158	100%	100%	100%	100%	2,352	1,527	1,805	1,737	-31%	25%	-2%	
Office Professional (New Maintenance)	81	1,852	7,888	5,830					2,009	1,884	888	870	-85%	-47%	-25%	

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Pricing Trends -- UK

	Licenses				Collected Tax				Local Currency				Rate of Change			
	FY94	FY95	FY96	FY97-H1	FY94	FY95	FY96	FY97-H1	FY94	FY95	FY96	FY97-H1	FY95	FY96	FY97	FY98
Office (Full Pig Product)	65,029	46,841	38,683	17,854	23%	14%	8%	6%	280	287	316	262	3%	6%	4%	
Office (MOLP)	42,408	27,978	20,914	8,253	18%	6%	3%	1%	215	241	263	260	12%	6%	1%	
Office (Select/Other)	8,264	23,207	23,252	11,512	3%	7%	5%	4%	214	187	212	234	-13%	13%	10%	
Office (Academic-FPP/M/LP)	52,238	114,374	162,869	64,720	19%	32%	36%	30%	134	137	154	156	2%	12%	5%	
Office (Academic-MOLP>Select/Other)	28,786	16,266	16,272	2,182	11%	5%	2%	1%	100	120	130	137	20%	16%	-2%	
Office - Standard Product	3,358	25,866	46,142	23,168	2%	7%	8%	6%	41	51	50	50	20%	-7%	6%	
Office (Full Pig Product)	203,301	255,714	284,034	147,824	73%	72%	65%	53%	189	173	172	189	-13%	-1%	-2%	
Office (MOLP)	64,680	62,328	66,162	34,537	20%	18%	15%	14%	127	131	140	142	3%	7%	1%	
Office (Select/Other)	2,021	5,298	3,429	2,008	1%	2%	1%	1%	114	115	123	122	1%	15%	-8%	
Office (Academic-FPP/M/LP)	1,303	2,310	10,370	11,936	0%	1%	2%	4%	184	156	131	123	-19%	-16%	-8%	
Office (Academic-MOLP>Select/Other)	15,869	28,078	23,428	8,9316	8%	8%	10%	28%	77	104	80	89	35%	-16%	-20%	
Office - Upgrades	23,853	69,822	155,387	130,987	27%	28%	35%	48%	17	123	115	85	5%	6%	-11%	
Office Standard and Upgrades	277,184	359,438	448,421	263,821	100%	100%	100%	100%	175	158	152	133	-6%	-5%	-15%	
Office (New Maintenance)	53,627	63,549	211,185	124,875					20	66	65	40	185%	67%	-53%	
Office Professional (Full Pig Product)	25,089	29,738	27,878	15,300	27%	19%	10%	8%	353	345	381	379	-2%	10%	-1%	
Office Professional (MOLP)	10,120	9,581	10,851	5,583	11%	6%	4%	3%	272	272	343	343	0%	20%	0%	
Office Professional (Select/Other)	1,048	7,657	6,823	5,434	1%	5%	2%	3%	254	246	282	286	-16%	18%	0%	
Office Professional (Academic-FPP/M/LP)	11,768	29,920	40,250	51,108	13%	18%	26%	31%	179	169	185	183	6%	-2%	-2%	
Office Professional (Academic-MOLP>Select/Other)	18,895	18,156	9,870	2,844	19%	11%	3%	2%	133	139	181	173	4%	30%	-4%	
Office Professional - Standard Product	5,237	29,838	57,653	41,665	6%	19%	20%	25%	48	65	65	69	30%	0%	0%	
Office Professional (Full Pig Product)	20,445	124,868	187,871	131,714	73%	75%	67%	73%	237	189	189	179	-18%	-5%	-3%	
Office Professional (MOLP)	212	1,234	4,573	20,388	22%	17%	15%	12%	198	200	209	207	1%	4%	-1%	
Office Professional (Select/Other)	277	2,363	4,724	3,965	0%	1%	1%	1%	181	134	191	185	-20%	42%	-3%	
Office Professional - Upgrades	1,873	9,843	45,897	17,254	2%	6%	16%	10%	154	170	187	188	11%	10%	-4%	
Office Pro Standard and Upgrades	22,947	47,008	95,978	43,970	24%	23%	33%	27%	88	117	98	106	33%	-15%	10%	
Office Professional (New Maintenance)	8,338	18,242	55,709	31,551	100%	100%	100%	100%	188	177	155	166	-6%	-12%	7%	
									225	184	178	176	-14%	-6%	-1%	
									20	70	74	65	250%	5%	-12%	

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Pricing Trends -- Germany

	Licenses				% of Total				Local Currency							
	FY94	FY95	FY96	FY97 HI	FY94	FY95	FY96	FY97 HI	FY94	FY95	FY96	FY97 HI	FY94	FY95	FY96	FY97
Office Standard	81,387	37,311	26,068	8,864	32%	13%	9%	3%	500	978	1,017	1,002	5%	4%	4%	-1%
Office (Full Pig Product)	41,164	15,897	13,011	4,774	16%	5%	3%	2%	781	838	862	838	6%	3%	3%	-3%
Office (MLP)	7,133	11,198	9,079	7,067	3%	4%	2%	4%	706	734	742	694	4%	1%	1%	6%
Office (Select/Other)	43,331	18,611	218,747	104,907	17%	41%	48%	52%	484	427	431	458	-12%	1%	6%	6%
Office Academic-PP(MLP)	8,630	5,990	7,088	2,058	3%	2%	2%	1%	353	343	380	337	-3%	5%	6%	6%
Office Academic-MOL/PSlect/Other	1,219	7,787	9,389	5,794	0%	3%	3%	3%	141	148	187	174	3%	14%	5%	5%
Office - Standard Product	182,884	186,562	283,378	131,864	71%	87%	83%	85%	781	868	864	867	-24%	-11%	-1%	-1%
Office (MLP)	52,074	47,658	68,843	20,464	20%	16%	15%	10%	518	482	489	478	-5%	-1%	-3%	-3%
Office (Select/Other)	13,919	4,887	9,925	2,358	5%	2%	1%	1%	248	411	430	395	65%	5%	6%	6%
Office - Upgrades	8,976	30,815	23,954	19,086	0%	4%	5%	8%	443	425	419	382	-4%	-1%	-1%	-14%
Office Standard and Upgrades	71,978	85,719	189,280	92,204	3%	10%	15%	16%	388	308	326	244	-18%	-23%	4%	4%
Total	251,843	282,301	452,198	201,184	100%	100%	100%	100%	451	420	372	343	-3%	-11%	-8%	-8%
Mtd	7,429	28,784	80,811	28,738					664	928	455	443	-22%	-12%	-3%	-3%
Office Pro Standard	48,525	28,081	20,824	8,134	14%	10%	7%	6%	85	182	86	130	127%	-6%	-6%	32%
Office Professional (Full Pig Product)	12,898	4,749	9,213	2,135	9%	3%	2%	1%	1,212	994	1,280	1,148	-18%	27%	4%	4%
Office Professional (MLP)	1,823	4,326	4,105	3,417	1%	2%	1%	2%	1,039	1,065	1,108	1,034	3%	4%	-7%	-7%
Office Professional (Select/Other)	6,811	43,807	109,240	67,895	5%	25%	38%	40%	810	782	822	834	-18%	17%	-4%	-4%
Office Professional Academic-PP(MLP)	2,740	12,453	8,229	2,832	10%	7%	3%	2%	863	598	501	531	-11%	-15%	10%	10%
Office Professional Academic-MOL/PSlect/Other	64,080	105,675	168,785	15,849	2%	37%	7%	11%	177	182	186	208	3%	8%	0%	0%
Office Professional - Standard Product	43,359	41,160	58,312	25,475	63%	80%	59%	63%	381	442	583	565	-25%	-21%	-5%	-5%
Office Professional (Full Pig Product)	3,965	3,090	3,415	1,604	3%	2%	2%	1%	791	644	608	545	-16%	-8%	-2%	-2%
Office Professional (MLP)	112	6,711	10,713	4,561	0%	4%	1%	1%	545	348	548	478	-30%	68%	-12%	-12%
Office Professional (Select/Other)	3,600	18,833	24,991	18,213	3%	6%	4%	6%	602	530	529	419	-12%	0%	-21%	-21%
Office Professional - Upgrades	51,928	70,854	119,831	53,863	38%	28%	41%	37%	334	308	313	302	-8%	1%	-3%	-3%
Office Pro Standard and Upgrades	135,116	177,729	288,418	144,123	100%	100%	100%	100%	748	541	538	480	-27%	-1%	-14%	-14%
Total	1,026	10,128	23,958	18,638					690	822	964	928	-37%	-6%	-7%	-7%
Mtd									278	228	122	175	-18%	-28%	44%	44%

Pricing Trends — Japan

	L. CEUSES				% OF TOTAL				Local Currency				R.E. L. CHANGE			
	FY84	FY85	FY86	FY87-HI	FY84	FY85	FY86	FY87-HI	FY84	FY85	FY86	FY87-HI	FY84	FY85	FY86	FY87
Office Standard	61,950	68,842	207,223	70,517	40%	19%	36%	23%	37,789	40,173	28,550	27,702	6%	-34%	4%	
Office (Full Pig Product)	12,075	30,163	31,823	23,839	6%	7%	6%	6%	26,355	28,300	20,845	18,873	11%	-28%	-10%	
Office (MOLP)	1,310	28,304	62,803	50,770	0%	0%	11%	18%	0	23,053	18,425	15,377	N/A	-20%	-17%	
Office (Select/Other)	7,322	18,105	142,904	110,112	1%	12%	24%	37%	22,491	18,341	14,001	12,025	-18%	-19%	-18%	
Office (Academic-FPP/MALP)	0	14,804	19,288	5,739	0%	3%	3%	2%	18,409	18,550	23,001	18,151	-4%	28%	-33%	
Office (Academic-MOLP/Select/Other)	0	0	0	0	0%	0%	0%	0%	0	0	0	0	N/A	N/A	N/A	
Office (Full Pig Product)	70,649	233,180	84,831	2,020	6%	4%	11%	1%	34,112	35,090	23,327	17,918	-18%	-28%	-17%	
Office (MOLP)	1,024	13,516	6,022	1,910	1%	3%	1%	1%	23,595	24,889	23,314	14,734	8%	-4%	-35%	
Office (Select/Other)	111	4,991	8,428	4,477	0%	1%	1%	1%	18,128	15,758	13,147	13,947	-16%	-4%	-4%	
Office (Academic-FPP/MALP)	71,764	257,818	101,341	21,101	6%	1%	3%	4%	17,679	11,960	10,661	9,251	N/A	-37%	5%	
Office (Academic-MOLP/Select/Other)	15,241	810,268	392,313	201,280	48%	50%	17%	7%	23,523	23,783	18,650	10,854	1%	-2%	-4%	
Office Standard and Upgrades	2,555	11,873	30,262	23,867	100%	100%	100%	100%	28,249	25,843	24,454	18,863	-11%	-11%	-10%	
Office (New Maintenance)									1,062	9,187	12,282	11,135	47%	28%	4%	
Office Pro Standard	201	32,678	380,689	200,801	81%	31%	37%	32%	62,093	47,784	31,433	29,206	-27%	-34%	-7%	
Office Professional (Full Pig Product)	24	4,185	65,961	71,002	7%	5%	9%	11%	62,018	35,843	24,799	23,128	-31%	-30%	-7%	
Office Professional (MOLP)	0	4,835	111,867	66,994	0%	4%	11%	14%	0	32,419	20,855	19,910	N/A	-33%	-10%	
Office Professional (Select/Other)	0	347	145,878	153,854	0%	0%	15%	25%	0	28,179	16,438	14,958	N/A	-42%	-4%	
Office Professional (Academic-FPP/MALP)	0	1,703	10,757	15,577	0%	2%	1%	2%	0	25,726	23,267	16,081	N/A	-10%	-31%	
Office Professional (Academic-MOLP/Select/Other)	315	67,740	783,343	549,505	65%	45%	77%	35%	81,242	61,869	45,592	43,321	-2%	-6%	-2%	
Office Professional (Full Pig Product)	0	51,428	159,027	31,584	0%	48%	16%	5%	0	35,831	23,717	21,787	-2%	-1%	-1%	
Office Professional (MOLP)	0	2,961	17,222	3,963	0%	3%	2%	1%	0	28,899	21,864	18,938	N/A	-24%	-25%	
Office Professional (Select/Other)	43	82	18,690	6,179	0%	3%	2%	1%	0	22,839	16,703	14,935	N/A	-23%	-17%	
Office Professional (Academic-FPP/MALP)	43	57,810	21,143	18,752	12%	0%	3%	6%	8,113	6,692	6,540	9,702	7%	10%	2%	
Office Professional (Academic-MOLP/Select/Other)	350	104,358	584,989	628,287	100%	85%	23%	13%	8,113	34,559	23,718	14,848	33%	-31%	-2%	
Office Pro Standard and Upgrades	0	137	28,378	30,262	0%	100%	100%	100%	54,061	37,848	24,493	20,879	-31%	-35%	-15%	
Office Professional (New Maintenance)	0	0	0	0	0	0	0	0	0	19,281	12,113	8,100	N/A	-37%	-25%	

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US WORD PROCESSING INSTALLED BASE AND UPGRADE SUMMARY - INTEL ONLY

	MICROSOFT				COMPETITION				TOTAL				
	FY98	FY97	FY98	FY01	FY98	FY97	FY98	FY00	FY98	FY97	FY98	FY00	FY01
LORG													
Gross I.B. (beg)	3,547	5,080	8,727	9,384	9,978	11,588		3,366	3,268	3,034	2,734	2,428	8,842
MNT coverage	(773)	(1,786)	(3,059)	(4,323)	(5,776)	(8,883)		0	0	0	0	0	(773)
%	22%	35%	46%	52%	59%	59%		0%	0%	0%	0%	0%	11%
Net I.B.	2,774	3,304	3,659	4,081	4,202	4,687		3,366	3,268	3,034	2,734	2,428	8,069
MS Upgrades	1,303	1,428	1,472	1,596	1,275		423	700	708	680	690	890	1,727
Upgrade Rate (net)	47%	43%	40%	39%	30%		12%	21%	23%	25%	26%	34%	26%
MORG													
Gross I.B. (beg)	1,412	2,237	3,371	4,866	6,018	7,413		3,877	3,614	3,773	3,690	3,363	5,290
MNT coverage	(151)	(501)	(917)	(1,300)	(1,848)	(2,452)		0	0	0	0	0	(151)
%	11%	23%	27%	28%	31%	33%		0%	0%	0%	0%	0%	3%
Net I.B.	1,262	1,718	2,454	3,388	4,169	4,861		3,877	3,614	3,773	3,590	3,363	5,139
MS Upgrades	417	630	664	843	927		211	274	408	403	444	444	829
Upgrade Rate (net)	33%	37%	24%	25%	22%		5%	7%	11%	11%	13%	13%	12%
SORG													
Gross I.B. (beg)	1,921	2,863	4,324	5,944	7,665	9,486		5,342	5,212	5,148	5,108	5,061	7,263
MNT coverage	0	0	0	0	0	0		0	0	0	0	0	0
%	0%	0%	0%	0%	0%	0%		0%	0%	0%	0%	0%	0%
Net I.B.	1,921	2,863	4,324	5,944	7,665	9,486		5,342	5,212	5,148	5,108	5,061	7,263
MS Upgrades	180	357	616	863	1,146		332	361	405	428	441	441	511
Upgrade Rate (net)	9%	12%	14%	15%	15%		6%	7%	8%	8%	9%	9%	7%
Home													
Gross I.B. (beg)	2,052	3,219	4,474	6,043	7,662	9,459		3,974	4,034	4,180	4,203	4,227	6,025
MNT coverage	0	0	0	0	0	0		0	0	0	0	0	0
%	0%	0%	0%	0%	0%	0%		0%	0%	0%	0%	0%	0%
Net I.B.	2,052	3,219	4,474	6,043	7,662	9,459		3,974	4,034	4,180	4,203	4,227	6,025
MS Upgrades	302	725	729	995	1,180		279	360	476	471	541	541	581
Upgrade Rate (net)	15%	23%	16%	16%	16%		7%	9%	11%	11%	13%	13%	10%
Ed													
Gross I.B. (beg)	1,000	1,533	2,262	3,036	3,733	4,314		865	914	997	1,089	1,169	1,665
MNT coverage	(85)	(80)	(217)	(387)	(376)	(393)		0	0	0	0	0	(85)
%	7%	8%	10%	12%	10%	9%		0%	0%	0%	0%	0%	3%
Net I.B.	915	1,443	2,044	2,683	3,354	3,921		865	914	997	1,089	1,169	1,789
MS Upgrades	73	134	162	42	43		12	14	15	18	17	85	147
Upgrade Rate (net)	8%	9%	6%	2%	1%		1%	2%	1%	2%	1%	5%	6%
Total													
Gross I.B. (beg)	9,931	14,941	21,158	28,085	35,076	42,240		17,453	17,242	17,142	16,712	16,248	27,384
MNT coverage	(889)	(2,377)	(4,202)	(5,990)	(8,004)	(9,728)		0	0	0	0	0	(889)
%	10%	16%	20%	21%	23%	23%		0%	0%	0%	0%	0%	4%
Net I.B.	8,842	12,505	16,956	22,096	27,072	32,514		17,453	17,242	17,142	16,712	16,248	26,395
MS Upgrades	2,276	3,273	3,565	4,338	4,580		1,257	1,749	2,012	2,011	2,132	3,532	6,022
Upgrade Rate (net)	25%	26%	21%	20%	17%		7%	10%	12%	12%	13%	13%	17%

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2/13/87 2:08 AM AG - Installed Base & Upgrade Summary - FINAL.xls Installed Base_Upgrade Summary

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OEM Strategy by Segment

Customer Segment	Programs	Target Accounts
LOG & MORG	Protect	N/A
SORG	DIRECTA - Office 97 SBE	Dell, Gateway, etc.
	SBEs: Office SBE, Oic VAR Ed	System Builders
	Brand Names: Word, Publisher, Outlook bundles	HP, Compaq, etc.
	Refals: Works, Home Essentials, Word, GW, PI	Packard Bell, Compaq, HP, etc.
Home Education	Targeted Bundles: Office SBE, Office Pro AE	Zenith/NEC Campus 2-Station, Apple, Toshiba

- Primary focus: SORG and HOME segments
- SORG: Will test the concept of dovetailing Brand Name app bundles (e.g HP with Word) into the VAR Edition program.
 - Gives VAR on additional app and allows them install the upgrade VAR addition.
- HOME: Aggressively pursue top 10 PC manufacturers with Works, Home Essentials or a combination of both.

D-ID 3 Year Business Outlook

Office AE Update

- **Objective:**
 - Determine ideal offering that appeals to higher ed students, but is not prone to leakage
- **Strategy:**
 - Change product mix: awaiting research results
- **Tactics:**
 - Include student/teacher focused content
 - Include other features to clearly identify this for “Students and Educators” only
- **Next Steps:**
 - Complete research and business analysis by mid April
 - Make final product recommendation with EdCu by end of April
 - Redo AE regbase research to assess progress on leakage in June

2010-11 3 Year Business Outlook

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Appendix: FrontPage Usage Profile

- FrontPage usage in corporate accounts/Intranet deployment:
 - Key players in the purchase process: IS Professionals and IEUs; BDMs are not key players
 - Mass deployment of web authoring tool is 12-18 months away
 - Six month release cycle is preferred
 - should slow to 12-18 months as mass deployment increases
 - Usage model: 1 in 10 employees in the next 12-36 months
 - 2-3 FP users per web will be managing the site
 - Used for creation of simple static pages, little site management

DAD 3 Year Business Outlook

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Appendix - Corel Product Ship Dates

Product	Ship Date
WordPerfect Suite 7 16-bit	3/96
WordPerfect Suite 7 for Win95	5/96
WordPerfect Suite 7 Professional	7/96
Corel Draw 8 for PowerMac	8/96
WordPerfect for the Mac	8/96
Corel Draw 7 for Windows	11/96
Java-based Corel Suite	3/97

DAD 3 Year Business Outlook

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Cash Flow - Analyst View

EBITDA Calculation				
Operating Income	\$ 10,000	\$ (15,410)	\$ 0,325	\$ 14,550
Add back: Reported Depreciation & Amortization	9,466	19,081	24,000	25,000
Add back: Software Acquisition Amortization	7,000	30,000	30,000	30,000
EBITDA/Operating Cash Flow	34,134	33,683	60,325	69,550
Free Cash Flow				
Net Income	\$ 14,404	\$ (2,751)	\$ 5,267	\$ 11,235
Reported Depreciation & Amortization	9,466	19,081	24,000	25,000
Software Acquisition Amortization	7,000	30,000	30,000	30,000
Deferred Taxes	165	(6,305)	-	-
Changes in Working capital	(24,061)	(43,544)	(47,850)	(51,700)
Net Capital Expenditures	(28,149)	(119,929)	(72,727)	(75,759)
Net Cash Flow	\$ (26,223)	\$ (123,447)	\$ (81,310)	\$ (81,223)
Financing Activities				
Net Stock Issuance	16,421	7,252	-	-
Assumption of Long Term Debt	-	39,500	-	-
Repayment of Long Term Debt	-	(5,070)	-	-
Additional Financing Required to break even on ending cash	-	-	61,859	61,223
Total Financing	16,421	41,682	61,859	61,223
Beginning Cash	65,816	61,816	(549)	-
Ending Cash	61,816	(549)	-	-

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P&L - Analyst View

	1997	1998	1999
Graphics	\$ 178,078	\$ 141,965	\$ 165,000
MultiMedia	16,300	13,750	10,000
WordPerfect	176,500	280,000	295,000
Net Revenue	370,878	435,715	470,000
Reported COGS	47,352	101,095	132,075
Less Software Acquisition Amortization in COGS	7,896	30,000	30,000
Adjusted COGS	39,456	71,095	102,075
Gross Profit	331,422	364,620	367,925
Operating Expenses	150,893	253,150	332,325
Advertising	55,099	92,662	100,000
S. G&A	40,292	71,019	87,000
R&D	27,232	65,927	85,000
Software Acquisition Amortization	7,896	30,000	30,000
Depreciation/Amortization	9,466	18,061	24,000
Loss (gain) on foreign exchange	136	(141)	-
Operating Expenses	140,893	278,568	338,000
Operating Income	190,529	86,462	29,925
Net Income	\$ 14,484	\$ (2,751)	\$ 8,247
Shares O/S	55.2	70.6	71.8
EPS	\$0.26	(\$0.04)	\$0.08

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Corel's Business Approach - Channel Management

How do they do it?

Area of Comparison	Corel Position	Reasoning
MDF	3-5%, perception is that Corel is industry highest. Very flexible, support almost all vendor initiatives	MS typically based on volume, not on per-unit profits. Should Corel increase volume substantially, MS vulnerable to a drop-off in distributor, retailer, and OEM loyalty
Policies	Sell product wherever possible, regardless of channel conflicts. Very short-sighted. If current distribution model continues into next then short-term future	Higher marketing spend of a low price point
Relationships	Strong personal relationships, but lack of on the street, mutual benefit and awareness from IBM or others	Reversing marketing \$ ratio of ~1:1 impossible for MS to match
Promotions	Biggest promotion: 30% upgrade. Retail not spending time on trade promotions for any of fig 3 due to poor ROI	Part of overall strategy to build groundwork of loyalty in distribution channels that complement Internet distribution (i.e., direct to consumer)
Business Models	Aggressive advertising, go where Microsoft isn't (Zed Tier distribution, direct mail MDF, direct-to-retail). Expenses in over-invested in Internet strategy.	Corel may attempt to concede traditional channel marketing in favor of more risky but as yet untried Internet distribution model.
Support	Not an issue. Corel support to channel is adequate, though not substantial. MS support also adequate	
Product policies	Product availability is a problem. Corel attempting to create a groundwork of support in distribution channels that complement Internet distribution	

Source: Keizan Consulting, 152 channel partner interviews

D-10 3 Year Business Outlook

Corel Product Line Detail

WordPerfect Suite Localization LANGUAGE	COREL 7.0
English	May-86
French	Jul-86
German	Aug-86
Swedish	Aug-86
Spanish	Sep-86
Czech	Oct-86
Italian	Oct-86
Japanese	Oct-86
Danish	Nov-86
Dutch	Nov-86
Finnish	Nov-86
Hungarian	Nov-86
Norwegian	Nov-86
Russian	Nov-86
Brazilian	Feb-87
Greek	WP only
Korean	WP only
Polish	WP only
Portuguese	
Romanian	
Slovakian	
Slovenian	
Thai	
Turkish	
Vietnamese	

- WordPerfect Suite 7 for Windows shipped 5/31/86, 32-bit version of WordPerfect Professional Suite which includes Paradox and more fonts shipped July 15th
 - WP available only in suites and not as a standalone product (except for DOS and Mac versions)
 - 32-bit version
 - Internet publishing features center around Web publishing and provide a new toolbar interface and menus specific to HTML conversion
 - Low COGs for WP Suite (upgrade), \$11-\$13.80 range
 - CoreDRAW 3.4.3.6.7
 - Corel's flagship, best-of-breed graphics
 - High price point/\$460/high-end usage make bundling new version unlikely
 - Could bundle cheaper, older versions to build upgrade path
 - CorelDRAW
 - New product, complementary to DRAW & Ventura. Positioned as a tool to create art for the Web.
 - High price point (\$200), narrow target
 - CorelMDEO
 - New desktop videoconferencing product. Video PBX
 - High pricepoint (\$600), new & complex
 - CorelVentura
 - Robust desktop publisher. Acquisition considered a flop
 - Corel CD Office Companion
 - Add-on suite of biz graphics, fax, PIM, clip art and bookcase content
 - Non-core, low price point, potentially broad usage
 - Corel CMX Viewer
 - Netscape Plug-in. Supports Corel graphics images on the Web. CMX files are 1/4 as big as JPEG or GIF files.
 - Free software, promotes Corel graphics products
 - CorelWEB GRAPHICS Suite
 - Complete Web site authoring suite with graphics
 - CorelWEB GALLERY
 - CorelWEB DATA
 - CorelWEB DESIGNER
 - Files with Corel's plans to make PerfectOffice an Internet authoring tool
 - Internal Manuals
 - Utilities: Web update notifier, stock ticker, Lycos, etc.
 - Low price point (\$25), broad appeal
 - Corel Learning Windows 95
 - Windows 95 training utility
 - Low price point (\$20), attractive to new PC users
 - Corel Visual CADD Plug-in for Netscape Navigator - announced 7/3/06

DAD 3 Year Business Outlook

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Used PC Market — Where They Go

1996 Retirement Estimates		
Segment	Estimated Installed Base YE 96	Estimated Retirement Rate YE 96
LORG	12.93	24%
MORG	16.06	20%
SORG	25.36	8%
EDCU	5.15	18%
HOME	39.58	7%
TOTAL	99.09	12.12

Data Sources:
 1) "Not New" Personal Computer Market Research (n = 60)
 2) Small Business Channel Research (n=400)
 3) Computer Intelligence's Consumer Technology Index (1995)
 4) Current DAD Market Planning PC Forecast

(Estimates in Millions)

Out of Market	6.26	52%
Retained in Market	5.86	48%
Total Retirement	12.12	

1996 Used Acquisition Estimates	
Segment	Estimated Used PC Acquisitions 96
LORG	
MORG	
SORG	1.78
EDCU	1.66
HOME	2.40
TOTAL	5.86

DAD 3 Year Business Outlook

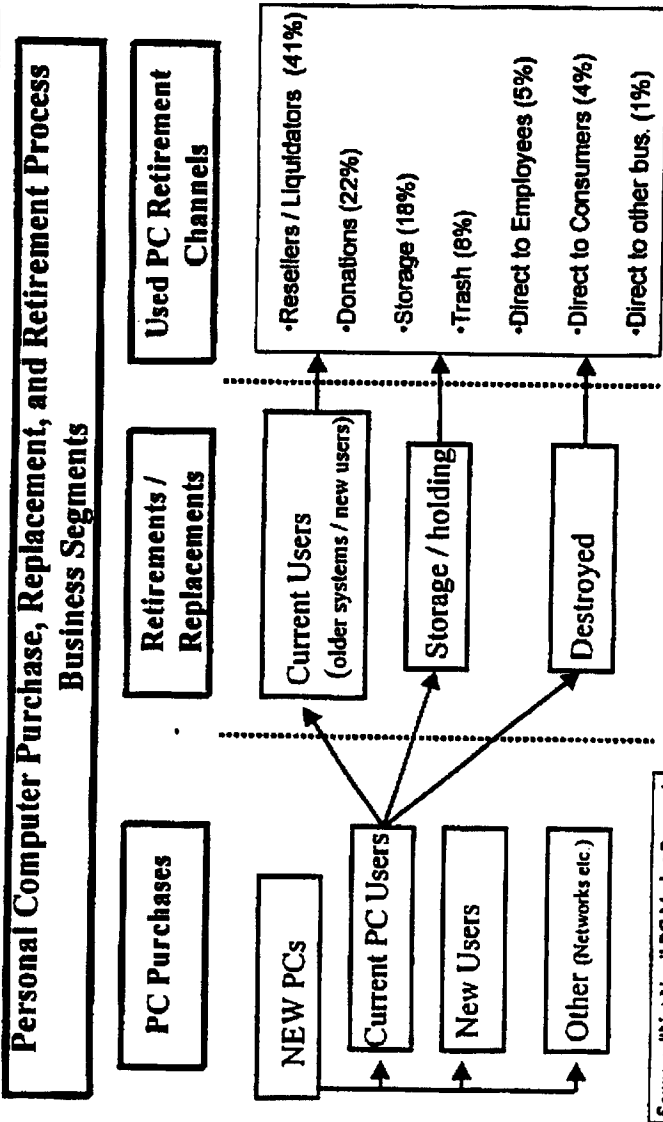
Used PC Market — composition of retirements

Data Sources:
 1) "Not New" Personal Computer Market Research (n = 60)
 2) Small Business Channel Research (n=400)



DAD 3 Year Business Outlook

Used PC Market — flow of PCs



Source: "Not New" PC Market Research

DAD 3 Year Business Outlook

Used PC Market — Notes to previous slide

- **PC Retirement Process Drivers (LORG/MORG/Higher ED)**
 - Increased hardware performance requirements due to operating systems (Windows 95), productivity apps, and communications networks (intranets & internet) compel adoption of Pentium and high-end 486 PCs
- **PC Depreciation Schedules**
 - LORG/MORG = 3 years
 - Higher Ed. = 4 years
 - PCs deemed fully depreciated after these periods and are deemed to have 0 value to the organization
- **Internal "Trickledown" PC Distribution**
 - PCs replaced by new purchases are often passed to other employees with less capable hardware.
 - "Trickledown" results in an internal used PC market

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Used PC Market — issues

- **OS & Software Application Removal**
 - Disposition of OS and software on retired PC's is a big question for LORG/MORG IS: some wipe the drives while other ignore the issue. They report being unclear about the software licensing issues.
- **Used PC Acquisition in the SORG Market**
 - High adoption rate in SORG market (1.9 million) may inhibit penetration of latest product releases
 - 60% of SORG's purchasing a used PC reported purchasing it with productivity software still installed
 - 97% reported purchasing a used computer with an OS still installed
- **Used PC Acquisition in the Home Market (CI's CTI, 1995)**
 - Adoption rate in Home market (2.39 million) may inhibit penetration of latest product releases
 - The majority of new PC buyers paid over \$2,000 for their acquisition while the majority of used PC buyers paid \$500 or less.
 - Nearly 66% of used PC buyers were first-time buyers.
 - Used computer buyers are more likely to anticipate spending virtually nothing on software than are new computer buyers.

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Key DAD Growth Factors (UK)

- Positive
 - SORG/Home penetration (today FPP is flat)
 - Channel breadth activity rates
 - LORG annuity
 - Piracy reductions
 - Grey import reductions (e.g. US academic lics)
- Negative
 - Saturation of WP installed base
 - Declining new (not replacement) PC growth
 - OEM/FG mix
 - Declining RPL (lowest saturation = highest price sensitivity)

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Product Threats (UK)

- Internet was the sea change for Office 97 - what's next?
 - ECU/Corporate migration is dependant on next sea change
 - Without a sea change migration will be dependant on the OS change
- What will the annuity value proposition be?
- No demonstrable benefit (ongoing TCO studies)
- Simpler migration - Outlook is difficult
- Online - what will email, browsers and groupware mean for the word processor?
- OEM penetration from Corel & Lotus
- Java Office - reality meets the hype
- Home market defines the standard -
 - what will be the next text input device for the masses?

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What's Required from Redmond (UK)

- Killer apps with no pain
 - (O97 UK reviews - great new features but so what)
- Annuity value proposition
 - Maintenance value is low
- Upfront and ongoing DAD TCO studies and TCO studies across product groups
- Cross product ownership of projects

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Competitive Threats (Germany)

- Star Division (Star Office)
 - Viable local competitor
 - fast, cheap, aggressive, product is MS-clone + add. Internet features
 - main potential: OEM bundling, "local hero" effect, better localization (solutions)
- Lotus (SmartSuite)
 - similar to US
 - increasingly aggressive in OEM (share driven)
 - may impact rev/lic in the future
 - strategic threat when Notes integration is improved
- Corel (WordPerfect Suite, Perfect Office)
 - similar to US
 - but small installed base of WordPerfect users in Germany
 - most of revenue and app. 75% of profit comes from CorelDraw
 - easy win as soon as we fight them in graphics
- Java (applets and controls)
 - TCO as potential threat, if we can't fulfill on our promises (e.g. ZA) within 12 months

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What's Required from Redmond (Germany)

- Product Needs
 - OEM-able low end apps (against SmartSuite and Star Office)
 - Graphics solution (against Corel)
 - Solutions
 - key to win in SORG and MORG
 - business processes and business automation
 - in-box or platform
 - Workgroup computing (against Notes/SmartSuite, Netscape)
 - Webpublishing
 - Integration of Frontpage and Office against StarOffice (StarDesktop)
 - Push technology, ZA, reduce TCO
- Other Needs
 - Component Strategy - Customization
 - Seamless file conversion - key to LORG/MORG success
 - Clear strategy on:
 - annuity program
 - Web content

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Competitive Threats (France)

- Corel
 - French sub setting up : sales force of 5 or 6 persons planned
 - better proximity support and service
 - market share increase : 6 % in retail (Nov.95 to Nov. 96)
 - Very aggressive price policy (2.5 times cheaper than Office Sid update)
 - NC/Java suite strategy : good PR and some noises in LORG
- Lotus
 - Sales = almost only through IBM bundles
 - Sales forecast (w OEM) FY 98 : 145 000 units (whose 20 000 FG)
 - FY 99 : 145 000 units (whose 25 000 FG)
 - Increase of MS Office competitive upgrades (Distributors bundle IBM+ SmartSuite + Office CUP...)

What's Required from Redmond (France)

- Intl homogenous Products :
 - HE or SBE same content for example (SBFM...)
- Localization of major marketing tools :
 - Time bombed eval version (needed for SORG)
 - Localized autodemo
- High quality localization (no drastic cut in localization costs)
- Clear speech against NC/Corel Java Office

Key Business Drivers (Australia)

- Shift from Standard to Upgrade Product (Major Issue for Australia)
 - Easy to get around qualifying upgrade product rules for FPP& Licensing.
- Piracy
- Lack of effective offering for SORGs (MLPs ineffective)
- Perceived difficulty in migrating to new versions (especially in MORG/LORG)
- Attach rate to new PC sales in Home & SORG market
 - Need to penetrate DSP Channel
- Works vs Office in Home & SORG
 - If we promote Works heavily we lose significant revenue opportunity.
- Rapid decline in Single app sales
- How to provide benefits/rewards to “regular” upgraders for both FPP and MOLP/Select customers

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Competitive Threats (Australia)

- Internal Competition, ie Ease of Migration & Why Upgrade
 - biggest competitor is perceived difficulty in upgrading from previous version and the need to upgrade. Need to demonstrate minimal risk of upgrade & business value of doing so.
 - "If it isn't broken, don't try to fix it" attitude.
- Mindshare momentum behind 'thin clients and apps'
 - perception of Office as big and feature bloated
 - promise of Java based apps/NCs etc
- Changing face of clients/where users live.
 - Impact of "Communicator" (Netscape) or "Mad Dash"(Lotus) as front ends to messaging/groupware solution.
 - Role of Office
- Mindshare momentum behind 'thin clients and apps'
 - perception of Office as big and feature bloated
- Long term threat - "It's got all the functionality I need to get my job done"
- Aggressive OEM bundling from Corel & Lotus

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What's required from Redmond (Australia)

- “Slippery” upgrades
- Product Roadmap for LORGs
- Product sell for MORG/LORG based on business value and ROI.
- Better cross divisional messaging and product integration (Solutions selling)
 - Office/Outlook/Exchange/Back Office /IE/OS/
- Resolve Works vs Office positioning for Home & SORG
- How to stem the tide of shift from Standard to Upgrade product
- Annuity programs that provide benefits/rewards for “regular” upgraders

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Competitive Threats (Japan)

- **Just System**
 - Plans to go public in Fall 1997, which would increase their capital base and ability to invest
 - Frequent release plans
 - Released Ichitaro 7.0 (1st Win95 version) in 9/96
 - Ichitaro 8.0 in 2/97
 - Premium Office, Hanako and Ichitaro 8.3 expected in 4/97
 - Ichitaro 9.0 expected by end of CY97
 - High end-user satisfaction ratings
 - 39% very satisfied vs. 25% for Word
 - Revenues slowed and costs increased in FY97
 - Decrease in PIPC share and rev/lic
 - Decreased price for FPP
 - Higher COGS from Free Upgrade
 - Aggressive hiring
- **PIPC cannibalization of Office sales**

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Competitive Threats (Korea)

- **Hangul&Computer**
 - New office (AreaHangul + Smartsuite - WordPro)
 - Strong Win95 app, with more Korean features than Word and multi-lingual support
 - New version expected in 6/97, with auto-translation, SGML Internet search engine for Korean, OCR, etc.
 - FPP supports users of all platforms (DOS, 16-bit, 32-bit)
- **OEM Bundling**
 - Market Share on Pre-Installed PCs - HIFY97
 - HMJE 37%
 - MS Word 31%
 - Area-Hangul 32%

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Competitive Threats (PRC)

- High piracy in all market segments, but opportunity in LORG/Gov't
- Kingsun WPS
 - Dominate DOS WP market; awareness and usage comparable to MS Word
 - Introducing Win95 version in 2/97
- Distribution and logistics infrastructure
- Bundling
 - Smartsuite, WPS, CCED

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What's Required from Redmond (Far East)

- FE Update for Word in CY97/E with floating cursor, web authoring, etc.
- Investment in complementing Word's text-processing abilities:
 - Dictionaries (esp. Bookshelf), IME, FE Fonts
 - Localized Publisher and FrontPage in Korean
- SBE/Home Strategy with Word as foundation for all text-processing activities
- Improved interoperability
 - English - Far East versions
 - Single Chinese release
- Ease of Use in localized versions (and better performance) over competition

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Recovery of Office Contribution by Collaboration Market

FY08 Office Licenses 14,899

Total Contribution of Office by Collaboration Industry	Units Table (000s)	Outlook Recovery of Completed Office					Net Revenue Effect (000)				
		10%	20%	30%	40%	50%	10%	20%	30%	40%	50%
		Office Loss	(1,489)	(1,489)	(1,489)	(1,489)	(1,489)	\$ (254)	\$ (254)	\$ (254)	\$ (254)
Outlook Recovery	147	284	421	558	734	\$ 12	\$ 24	\$ 37	\$ 49	\$ 61	
Net Position						\$ (222)	\$ (221)	\$ (187)	\$ (184)	\$ (174)	
Office Loss	(2,938)	(2,938)	(2,938)	(2,938)	(2,938)	\$ (476)	\$ (476)	\$ (476)	\$ (476)	\$ (476)	
Outlook Recovery	284	568	851	1,135	1,468	\$ 24	\$ 49	\$ 73	\$ 98	\$ 122	
Net Position						\$ (452)	\$ (427)	\$ (387)	\$ (372)	\$ (348)	
Office Loss	(4,407)	(4,407)	(4,407)	(4,407)	(4,407)	\$ (764)	\$ (764)	\$ (764)	\$ (764)	\$ (764)	
Outlook Recovery	441	881	1,321	1,763	2,349	\$ 37	\$ 73	\$ 110	\$ 146	\$ 183	
Net Position						\$ (727)	\$ (691)	\$ (634)	\$ (618)	\$ (581)	
Office Loss	(5,874)	(5,874)	(5,874)	(5,874)	(5,874)	\$ (1,005)	\$ (1,005)	\$ (1,005)	\$ (1,005)	\$ (1,005)	
Outlook Recovery	588	1,175	1,763	2,349	2,938	\$ 49	\$ 98	\$ 146	\$ 195	\$ 244	
Net Position						\$ (956)	\$ (907)	\$ (859)	\$ (810)	\$ (761)	
Office Loss	(7,344)	(7,344)	(7,344)	(7,344)	(7,344)	\$ (1,274)	\$ (1,274)	\$ (1,274)	\$ (1,274)	\$ (1,274)	
Outlook Recovery	734	1,468	2,202	2,938	3,672	\$ 61	\$ 122	\$ 183	\$ 244	\$ 305	
Net Position						\$ (1,143)	\$ (1,152)	\$ (1,091)	\$ (1,030)	\$ (970)	

Average Office Rev/Lc: \$ 100
Average Outlook Rev/Lc: \$ 22

FY08 Office Licenses 19,747

Total Contribution of Office by Collaboration Industry	Units Table (000s)	Outlook Market Share Collaboration Market					Net Revenue Effect (000)				
		10%	20%	30%	40%	50%	10%	20%	30%	40%	50%
		Office Loss	(1,974)	(1,974)	(1,974)	(1,974)	(1,974)	\$ (214)	\$ (214)	\$ (214)	\$ (214)
Outlook Recovery	187	374	561	748	935	\$ 16	\$ 33	\$ 49	\$ 66	\$ 83	
Net Position						\$ (198)	\$ (181)	\$ (165)	\$ (148)	\$ (131)	
Office Loss	(3,948)	(3,948)	(3,948)	(3,948)	(3,948)	\$ (428)	\$ (428)	\$ (428)	\$ (428)	\$ (428)	
Outlook Recovery	374	748	1,122	1,496	1,870	\$ 33	\$ 66	\$ 99	\$ 131	\$ 164	
Net Position						\$ (395)	\$ (362)	\$ (329)	\$ (297)	\$ (264)	
Office Loss	(5,922)	(5,922)	(5,922)	(5,922)	(5,922)	\$ (1,032)	\$ (1,032)	\$ (1,032)	\$ (1,032)	\$ (1,032)	
Outlook Recovery	562	1,124	1,736	2,315	2,894	\$ 49	\$ 98	\$ 147	\$ 197	\$ 246	
Net Position						\$ (983)	\$ (934)	\$ (885)	\$ (836)	\$ (787)	
Office Loss	(7,896)	(7,896)	(7,896)	(7,896)	(7,896)	\$ (1,368)	\$ (1,368)	\$ (1,368)	\$ (1,368)	\$ (1,368)	
Outlook Recovery	790	1,580	2,370	3,160	3,949	\$ 66	\$ 131	\$ 197	\$ 262	\$ 327	
Net Position						\$ (1,172)	\$ (1,187)	\$ (1,141)	\$ (1,077)	\$ (1,011)	
Office Loss	(9,870)	(9,870)	(9,870)	(9,870)	(9,870)	\$ (1,548)	\$ (1,548)	\$ (1,548)	\$ (1,548)	\$ (1,548)	
Outlook Recovery	887	1,774	2,662	3,549	4,437	\$ 82	\$ 164	\$ 246	\$ 328	\$ 410	
Net Position						\$ (1,466)	\$ (1,384)	\$ (1,302)	\$ (1,221)	\$ (1,139)	

Average Office Rev/Lc: \$ 107
Average Outlook Rev/Lc: \$ 23

FY08 Office Licenses 26,254

Total Contribution of Office by Collaboration Industry	Units Table (000s)	Outlook Market Share Collaboration Market					Net Revenue Effect (000)				
		10%	20%	30%	40%	50%	10%	20%	30%	40%	50%
		Office Loss	(2,625)	(2,625)	(2,625)	(2,625)	(2,625)	\$ (329)	\$ (329)	\$ (329)	\$ (329)
Outlook Recovery	266	532	798	1,064	1,342	\$ 17	\$ 35	\$ 52	\$ 69	\$ 86	
Net Position						\$ (312)	\$ (294)	\$ (277)	\$ (260)	\$ (243)	
Office Loss	(4,157)	(4,157)	(4,157)	(4,157)	(4,157)	\$ (658)	\$ (658)	\$ (658)	\$ (658)	\$ (658)	
Outlook Recovery	417	834	1,251	1,667	2,084	\$ 35	\$ 69	\$ 104	\$ 138	\$ 173	
Net Position						\$ (623)	\$ (589)	\$ (554)	\$ (520)	\$ (485)	
Office Loss	(6,239)	(6,239)	(6,239)	(6,239)	(6,239)	\$ (1,047)	\$ (1,047)	\$ (1,047)	\$ (1,047)	\$ (1,047)	
Outlook Recovery	626	1,251	1,877	2,503	3,129	\$ 52	\$ 104	\$ 156	\$ 208	\$ 259	
Net Position						\$ (995)	\$ (943)	\$ (891)	\$ (839)	\$ (787)	
Office Loss	(8,324)	(8,324)	(8,324)	(8,324)	(8,324)	\$ (1,517)	\$ (1,517)	\$ (1,517)	\$ (1,517)	\$ (1,517)	
Outlook Recovery	823	1,646	2,469	3,292	4,115	\$ 69	\$ 138	\$ 207	\$ 277	\$ 346	
Net Position						\$ (1,248)	\$ (1,179)	\$ (1,110)	\$ (1,041)	\$ (972)	
Office Loss	(10,417)	(10,417)	(10,417)	(10,417)	(10,417)	\$ (1,647)	\$ (1,647)	\$ (1,647)	\$ (1,647)	\$ (1,647)	
Outlook Recovery	1,042	2,084	3,126	4,167	5,209	\$ 86	\$ 173	\$ 259	\$ 346	\$ 432	
Net Position						\$ (1,561)	\$ (1,474)	\$ (1,387)	\$ (1,301)	\$ (1,214)	

Average Office Rev/Lc: \$ 108
Average Outlook Rev/Lc: \$ 23

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Recovery of Office Classification by Allstate Unaff Market

FY02 Office Licenses 1,529

Total Classification of Office by Collaboration Industry	Units Table (000s)	Outlook Recovery of Classified Office					Net Revenue (000s, 000s)				
		10%	20%	30%	40%	50%	10%	20%	30%	40%	50%
		Office Loss	(354)	(354)	(354)	(354)	(354)	\$ 0	\$ 0	\$ 0	\$ 0
Outlook Recovery	30	71	98	95	177	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (324)	\$ (283)	\$ (256)	\$ (259)	\$ (177)	
Office Loss	(707)	(707)	(707)	(707)	(707)	\$ (1,152)	\$ (1,052)	\$ (952)	\$ (1,024)	\$ (1,452)	
Outlook Recovery	71	141	212	283	354	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (1,081)	\$ (861)	\$ (740)	\$ (724)	\$ (1,098)	
Office Loss	(1,061)	(1,061)	(1,061)	(1,061)	(1,061)	\$ (2,047)	\$ (1,847)	\$ (1,647)	\$ (1,647)	\$ (2,047)	
Outlook Recovery	106	212	318	424	529	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (1,935)	\$ (1,635)	\$ (1,647)	\$ (1,647)	\$ (1,935)	
Office Loss	(1,414)	(1,414)	(1,414)	(1,414)	(1,414)	\$ (2,500)	\$ (2,200)	\$ (1,900)	\$ (1,900)	\$ (2,500)	
Outlook Recovery	141	283	424	565	707	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (2,363)	\$ (2,117)	\$ (1,900)	\$ (1,900)	\$ (2,363)	
Office Loss	(1,768)	(1,768)	(1,768)	(1,768)	(1,768)	\$ (4,412)	\$ (4,112)	\$ (3,812)	\$ (3,812)	\$ (4,412)	
Outlook Recovery	177	354	529	707	884	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (4,235)	\$ (3,812)	\$ (3,812)	\$ (3,812)	\$ (4,235)	

Average Office Rev/Lc: \$ 337
Average Outlook Rev/Lc: \$ 83

FY02 Office Licenses 4,512

Total Classification of Office by Collaboration Industry	Units Table (000s)	Outlook Recovery of Classified Office					Net Revenue (000s, 000s)				
		10%	20%	30%	40%	50%	10%	20%	30%	40%	50%
		Office Loss	(453)	(453)	(453)	(453)	(453)	\$ (1,112)	\$ (1,112)	\$ (1,112)	\$ (1,112)
Outlook Recovery	88	176	264	352	440	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (1,024)	\$ (1,024)	\$ (1,024)	\$ (1,024)	\$ (1,024)	
Office Loss	(906)	(906)	(906)	(906)	(906)	\$ (2,224)	\$ (2,224)	\$ (2,224)	\$ (2,224)	\$ (2,224)	
Outlook Recovery	99	198	297	396	495	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (1,825)	\$ (1,825)	\$ (1,825)	\$ (1,825)	\$ (1,825)	
Office Loss	(1,359)	(1,359)	(1,359)	(1,359)	(1,359)	\$ (3,372)	\$ (3,372)	\$ (3,372)	\$ (3,372)	\$ (3,372)	
Outlook Recovery	136	272	408	544	680	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (3,236)	\$ (3,236)	\$ (3,236)	\$ (3,236)	\$ (3,236)	
Office Loss	(1,812)	(1,812)	(1,812)	(1,812)	(1,812)	\$ (4,412)	\$ (4,412)	\$ (4,412)	\$ (4,412)	\$ (4,412)	
Outlook Recovery	191	382	573	764	955	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (3,421)	\$ (3,421)	\$ (3,421)	\$ (3,421)	\$ (3,421)	
Office Loss	(2,265)	(2,265)	(2,265)	(2,265)	(2,265)	\$ (5,662)	\$ (5,662)	\$ (5,662)	\$ (5,662)	\$ (5,662)	
Outlook Recovery	227	454	681	908	1,135	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (5,435)	\$ (5,435)	\$ (5,435)	\$ (5,435)	\$ (5,435)	

Average Office Rev/Lc: \$ 348
Average Outlook Rev/Lc: \$ 83

FY02 Office Licenses 5,275

Total Classification of Office by Collaboration Industry	Units Table (000s)	Outlook Recovery of Classified Office					Net Revenue (000s, 000s)				
		10%	20%	30%	40%	50%	10%	20%	30%	40%	50%
		Office Loss	(521)	(521)	(521)	(521)	(521)	\$ (1,303)	\$ (1,303)	\$ (1,303)	\$ (1,303)
Outlook Recovery	82	164	246	328	410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (1,221)	\$ (1,221)	\$ (1,221)	\$ (1,221)	\$ (1,221)	
Office Loss	(1,042)	(1,042)	(1,042)	(1,042)	(1,042)	\$ (2,606)	\$ (2,606)	\$ (2,606)	\$ (2,606)	\$ (2,606)	
Outlook Recovery	164	328	492	656	820	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (1,842)	\$ (1,842)	\$ (1,842)	\$ (1,842)	\$ (1,842)	
Office Loss	(1,563)	(1,563)	(1,563)	(1,563)	(1,563)	\$ (3,915)	\$ (3,915)	\$ (3,915)	\$ (3,915)	\$ (3,915)	
Outlook Recovery	196	392	588	784	980	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (3,719)	\$ (3,719)	\$ (3,719)	\$ (3,719)	\$ (3,719)	
Office Loss	(2,084)	(2,084)	(2,084)	(2,084)	(2,084)	\$ (5,208)	\$ (5,208)	\$ (5,208)	\$ (5,208)	\$ (5,208)	
Outlook Recovery	268	536	804	1,072	1,340	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (4,840)	\$ (4,840)	\$ (4,840)	\$ (4,840)	\$ (4,840)	
Office Loss	(2,605)	(2,605)	(2,605)	(2,605)	(2,605)	\$ (6,511)	\$ (6,511)	\$ (6,511)	\$ (6,511)	\$ (6,511)	
Outlook Recovery	391	782	1,173	1,564	1,955	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Net Position						\$ (6,120)	\$ (6,120)	\$ (6,120)	\$ (6,120)	\$ (6,120)	

Average Office Rev/Lc: \$ 349
Average Outlook Rev/Lc: \$ 83

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Appendix: End-User Annuity-- Free Model Details

- **Offer: Buy Office, register to get Club free for one year**
 - Free subscription expires after 1 year, purchase Office upgrade to renew
 - If no new version of Office at expiration then offered cross-sell product with free subscription or pay \$100 to renew or subscription extended for additional months
 - Non-current Office owners purchase club for \$100 / year; refund if upgrade
 - Free to Select users-- reducing impact of offering Web Product through Upgrade Adv.
- **Channel**
 - Advertises free club with sale of Office
 - \$40 rebate in Office Upgrade / Standard for registered users; resellers promote lower price
 - No direct sales of Office upgrades or cross-sell products-- driven to channel for purchase
- **Registering / Rebate Redemption**
 - 1-800 # or go to web; give PID and name to join; receive member ID; use for rebate coupon and other club benefits
- **Driving Demand**
 - flyer in Office Box
 - advertise as benefit of Office Upgrade
 - free sample of Web Product available to encourage registration

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Appendix: End-User Annuity-- \$29.95 Model P&L

	FY98		FY99		FY00		FY01		FY02	
	Revenue	Exp/Adj	Revenue	Exp/Adj	Revenue	Exp/Adj	Revenue	Exp/Adj	Revenue	Exp/Adj
Income of P&L										
Client Revenue	\$4,836	\$5.1	\$7,008	\$4.0	\$4,808	\$4.0	\$4,808	\$4.0	\$4,808	\$4.0
High Cost Practices					\$44,000	\$20.5				
Underwrite	\$23,150	\$11.5	\$24,500	\$11.5	\$24,500	\$11.5	\$24,500	\$11.5	\$24,500	\$11.5
Subcontract	\$11,701	\$5.8	\$11,701	\$5.8	\$11,701	\$5.8	\$11,701	\$5.8	\$11,701	\$5.8
Direct R/R Fee					\$11,701	\$5.8				
Revenue Adjustments										
GAO Rebate	\$4,081	\$2.0	\$4,290	\$2.1	\$4,081	\$2.0	\$4,081	\$2.0	\$4,081	\$2.0
GAO Fee	\$407	\$0.2	\$1,110	\$0.5	\$2,714	\$1.3	\$2,714	\$1.3	\$2,714	\$1.3
Other Adjustments	\$1,331	\$0.6	\$727	\$0.3	\$1,000	\$0.5	\$1,000	\$0.5	\$1,000	\$0.5
Revenue Adjustments	\$5,819	\$2.8	\$6,127	\$2.9	\$7,795	\$3.8	\$7,795	\$3.8	\$7,795	\$3.8
Total Revenue	\$38,046	\$19.3	\$102,545	\$50.7	\$118,948	\$58.3	\$118,948	\$58.3	\$118,948	\$58.3
Cost of Revenue										
High Cost Practices	\$140	\$0.2	\$211	\$0.1	\$208	\$0.1	\$208	\$0.1	\$208	\$0.1
Underwrite	\$403	\$0.2	\$1,200	\$0.6	\$1,200	\$0.6	\$1,200	\$0.6	\$1,200	\$0.6
Direct R/R Fee	\$8	\$0.0	\$8	\$0.0	\$8	\$0.0	\$8	\$0.0	\$8	\$0.0
Subcontract	\$200	\$0.1	\$200	\$0.1	\$200	\$0.1	\$200	\$0.1	\$200	\$0.1
GAO Rebate	\$4,081	\$2.0	\$4,290	\$2.1	\$4,081	\$2.0	\$4,081	\$2.0	\$4,081	\$2.0
GAO Fee	\$407	\$0.2	\$1,110	\$0.5	\$2,714	\$1.3	\$2,714	\$1.3	\$2,714	\$1.3
Other Adjustments	\$1,331	\$0.6	\$727	\$0.3	\$1,000	\$0.5	\$1,000	\$0.5	\$1,000	\$0.5
Total Cost of Revenue	\$7,369	\$3.7	\$18,556	\$9.3	\$16,213	\$7.9	\$16,213	\$7.9	\$16,213	\$7.9
Net Revenue	\$30,677	\$15.6	\$83,989	\$41.4	\$102,735	\$50.4	\$102,735	\$50.4	\$102,735	\$50.4
% of Net Revenue										
Client Revenue	84.1%		84.1%		84.1%		84.1%		84.1%	
High Cost Practices										
Underwrite	23.1%		23.1%		23.1%		23.1%		23.1%	
Subcontract	30.4%		30.4%		30.4%		30.4%		30.4%	
Direct R/R Fee										
Revenue Adjustments										
GAO Rebate	10.3%		10.3%		10.3%		10.3%		10.3%	
GAO Fee	2.6%		2.6%		2.6%		2.6%		2.6%	
Other Adjustments	2.6%		2.6%		2.6%		2.6%		2.6%	
Cost of Revenue	21.3%		21.3%		21.3%		21.3%		21.3%	
High Cost Practices	0.2%		0.2%		0.2%		0.2%		0.2%	
Underwrite	1.4%		1.4%		1.4%		1.4%		1.4%	
Direct R/R Fee	0.0%		0.0%		0.0%		0.0%		0.0%	
Subcontract	1.4%		1.4%		1.4%		1.4%		1.4%	
GAO Rebate	10.3%		10.3%		10.3%		10.3%		10.3%	
GAO Fee	2.6%		2.6%		2.6%		2.6%		2.6%	
Other Adjustments	2.6%		2.6%		2.6%		2.6%		2.6%	
Net Revenue	78.7%		78.7%		78.7%		78.7%		78.7%	

	FY98	FY99	FY00	FY01	FY02
Client P&L	\$4,836	\$7,008	\$4,808	\$4,808	\$4,808
High Cost Practices			\$44,000		
Underwrite	\$23,150	\$24,500	\$24,500	\$24,500	\$24,500
Subcontract	\$11,701	\$11,701	\$11,701	\$11,701	\$11,701
Direct R/R Fee			\$11,701		
Revenue Adjustments					
GAO Rebate	\$4,081	\$4,290	\$4,081	\$4,081	\$4,081
GAO Fee	\$407	\$1,110	\$2,714	\$2,714	\$2,714
Other Adjustments	\$1,331	\$727	\$1,000	\$1,000	\$1,000
Revenue Adjustments	\$5,819	\$6,127	\$7,795	\$7,795	\$7,795
Total Revenue	\$38,046	\$102,545	\$118,948	\$118,948	\$118,948
Cost of Revenue	\$7,369	\$18,556	\$16,213	\$16,213	\$16,213
Net Revenue	\$30,677	\$83,989	\$102,735	\$102,735	\$102,735
% of Net Revenue					
Client P&L	84.1%		84.1%		84.1%
High Cost Practices					
Underwrite	23.1%		23.1%		23.1%
Subcontract	30.4%		30.4%		30.4%
Direct R/R Fee					
Revenue Adjustments					
GAO Rebate	10.3%		10.3%		10.3%
GAO Fee	2.6%		2.6%		2.6%
Other Adjustments	2.6%		2.6%		2.6%
Cost of Revenue	21.3%		21.3%		21.3%
High Cost Practices	0.2%		0.2%		0.2%
Underwrite	1.4%		1.4%		1.4%
Direct R/R Fee	0.0%		0.0%		0.0%
Subcontract	1.4%		1.4%		1.4%
GAO Rebate	10.3%		10.3%		10.3%
GAO Fee	2.6%		2.6%		2.6%
Other Adjustments	2.6%		2.6%		2.6%
Net Revenue	78.7%		78.7%		78.7%

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Appendix: End-User Annuity-- Free Pros and Cons

- **Pros**

- Free to customer instead of paid
- Larger IB for database marketing: cross-sell, upsell, upgrade / larger pool of regular upgraders
- Simplified Tier structure on the Web site-- sneak preview, area for registered users
- Subscription is benefit of upgrade-- increase upgrade rates
- Simpler to execute--Free with Office, instead of requiring current version of Office to subscribe
- Easier to implement internationally
- Competitive advantage in comparison with Corel packaged product
- Could offer free PSS / Charge for PSS outside of club (non-current users)

- **Cons**

- Lower commitment, lower use, weaker relationship
- Dependent on upgrade revenue, no subscription revenue (metrics)
- Does not build expectation to pay for additional value
- Difficult to move base Office product to subscription fee
- Difficult to market as having value
- Cannot market as additive to other MS clubs
- Higher redemption of the \$40 rebate coupon, and other club benefits for lower upgrade rate customers
- Select customers can register for benefits--weakens Upgrade Advantage

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Appendix: End-User Annuity-- Fee \$ Pros and Cons

- **Pros**

- Higher perceived value; higher commitment; stronger relationship; resulting in higher upgrade rate
- Establishes expectation of paying for additional value
- Sets precedent for moving value to a subscription model: lease
- Additional subscription revenue (\$29.95 or \$49.95 / member)
- Recognized subscription revenue helps cover cost of membership / acquisition
- Ability to add club to IMG—additive club offering
- Similar in strategy to other subscriptions / add-ons Windows Plus Pack; Encarta
- Ability to market w/ partners: add-on to MSN/AOL; other partners

- **Cons**

- Smaller IB of subscribers
- Results in lower incremental upgrade rate / lower regular upgrade IB
- Additional cash outlay for customer
- Confusing requirement of current product
- Drives subscription revenue from regular upgraders only? Free gets others to upgrade?
- Backend infrastructure costs
- Complexity of tier structure on Web-- Sneak preview free to all; Free stuff for Office registered users as a sample of subscription; Members only area

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Appendix: End-User Annuity-- Web Product Unit

- **Web Product Today: Free Stuff on Office web site for registered users**
 - 2/3 Office Sell-through 170K; Office Seeding / Betas / EAP 90K; Free Staff registrations 48K; 19% attach
 - Testing foundation content and solutions concepts with customers
- **Web Product Plans to coincide with Annuity Launch**
 - **Foundation Content: provides value across segments**
 - Office Product Enhancements
 - Office "How-To" Center (Product Assistance, Support & Training)
 - Business News Service
 - Office Marketplace
 - Business data
 - Business and Technical Services
 - **Segment Highlights: provide value to specific target audience**
 - Ready-to-Run Business Solutions (SORGS): Financial Mgmt 6/1; Direct Mail / Customer Mgmt 9/1
 - Pre-Fabricated Business Solutions (LMORGS) Collaboration / Web-based Doc Mgmt 12/1
 - Articles, Columns and Existing Assets related to the monthly highlights
 - **Technology Platform: tech required to deliver OWPU content**
 - Registration, AnswerWizard-like UI for NLP search; site personalization, billing and more.
 - **Viewing Paradigms**
 - Activity Based Browsing, Monthly Highlights, Answer Wizard Search

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Appendix: End-User Annuity-- Web Product

• Matrix of Web Product Value by Segment

	LONG	MID	SHORT	PRIME
Foundation Funded				
Product Updates	X			
New Features	X			
Maintenance updates	X			
Additional help topics	X			
Office "How-to" Content	X			
ED of How-to Mail from DMO, MFR, DJ, etc.	X			
Knowledge base	X			
Research Kit, Getting Results	X			
Help topics	X			
How to make a loan table, CharComp...	X			
How to make tables we get emailed	X			
Specialized for articles related to other tools	X			
Translators, returns, examples	X			
Test files	X			
MFR Product updates	X			
On-line training and bulletin	X			
Business Services	X			
On-line pricing information	X			
Business to business directory	X			
Making credit decisions	X			
Buying tools when to buy job	X			
Technical Services	X			
System File and Help Screens	X			
Training & Home in print guides	X			
Segment Content	X			
Ready-to-Run Software	X			
SPN	X			
Customer Support (MFR)	X			
Doc Mgmt	X			
Collaboration	X			
Business listing page development	X			

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Appendix: End-User Annuity-- Web Product Unit

- **Localization Plans and Cost**
 - Tier Totals: based on Internet penetration
 - Tier 1 Proposal: UK, Australia, Canada, German, Japanese
 - Tier 2 Proposal: Spanish, French, Swedish, Dutch, Italian, Korean, Brazilian
 - Core Content:
 - requires text and tokens localization; no software adaptation
 - primarily Office "How To" content
 - Segment Specific Solutions and / How To Solutions
 - Tier 1: 3 of 4 solutions without adaptation
 - Tier 2: 2 of 4 solutions without adaptation
 - Market Specific Budget
 - solutions adaptation; partnerships; content; services
 - Web Site localization
 - Site Infrastructure-- COGs
- **International Issues**
 - Internet access; CD availability-- impacts which countries are Tier 1
 - Local resources for content management; biz. dev.; subscription management
 - Local Mktg. budget-- acquisition; membership; COGs-- fulfillment, infrastructure
 - Need goal for % of US development efforts that are WW applicable / easily localized

Localization Cost	Tier 1 English UK, AUS; Canada	Tier 1 Other German, Japanese	Tier 2 Spanish, French, Swedish, Dutch, Italian, Korean, Brazilian
Proposed Languages based on Internet Penetration			
Core Content	\$ -	\$ 160	\$ 150
Segment Specific	\$ 50	\$ 140	\$ 80
Market Specific Budget	\$ 50	\$ 100	\$ 30
Web Site Localization	\$ -	\$ 10	\$ 10
Total / Country	\$ 100	\$ 400	\$ 270
Total per Tier	\$ 300	\$ 600	\$ 1,880
Total Localization	\$ 2,980		

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Appendix: Annuity-- Other MS Annuity Programs

- **IMD Home Annuity Plans**
 - Conjoint testing results
 - \$79-\$99 for Word + 1 product or three home products
 - Annual \$79-\$99 negative option; upgrades or choose other MS product
 - Club Services (3 of following): money-back guarantee, discount pricing; priority support, free game trial CDs; tutorials
 - OfficePro / Office SBE only interesting to Home Biz. owners-- 16% sample
 - 200K person in-market test spring
 - Issues:
 - continued inclusion of Office in IMD offerings
 - not using Home Essentials as core Home offering
 - Word FPP price of \$299
 - direct only-- no channel
 - value proposition to keep members / consumable content
- **Other Annuities: Home Essentials; Windows; Ed; BackOffice; MSDN**

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