



Technology: Computer  
Software and Services

# U.S. Research

PLAINTIFF'S  
EXHIBIT

1996  
Comes v. Microsoft

## Lotus Development Corporation (LOTS)

Notes From Our Morning Research Conference Call January 26, 1994	Current Price	\$55.50	Ind. Dividend	NM
	52-Week Range	19-61	Yield	--
	EPS		P/E on	
	1993	\$1.69	1994E	24.1X
Rick G. Sherlund (212) 902-6790	1994	2.30	1995E	20.6
	1995E	2.70	1994 P/E Rel(a)	1.5
	Book Value(b)	9.47	Shares Outs (MM)	46.4

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(a)Relative to the S&P 500 multiple.

(b)As of December 31, 1993.

- Notes Fuels Strong Fourth Quarter Earnings Growth
- Spreadsheet Revenues Down From a Year Ago, But Communications Products Now 25% of Total and Profitable
- Raised 1994 Estimate to \$2.30 from \$2.20
- Shares Rated Moderate Outperformers

### Investment Summary

Lotus' fourth-quarter earnings of 64¢ per share were slightly better than our 60¢ estimate on revenue growth of 13%, which was in line. We have raised our 1994 estimate to \$2.30 per share from \$2.20, reflecting strong sales of the company's communication products (Notes, related cc:Mail electronic mail product, and consulting servers). These products now account for about \$200 million (21% of Lotus' overall 1993 revenues and

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25% in the fourth quarter). Revenues from these products doubled during 1993 (see Tables 1 and 2).

We note that management has expressed comfort with an earnings level of up to \$2.15 per share. We believe that management is being conservative, and we are more optimistic based on several factors. First, spreadsheet prices appear likely to be more stable over the next year as an oligopoly structure emerges between Lotus and Microsoft. Second, the communications products should grow at about 70% in 1994 versus 100% in 1993. Third, Lotus is benefiting from cost controls, which should provide for additional operating margin expansion. Some additional upside in the stock is likely, following encouraging growth of Notes and communications products in the recent quarter and a positive growth outlook for 1994. The stock is rated moderate outperformer.

### Outlook

The company's communications business accounted for 25% of overall company revenues in the quarter and has finally ramped up to sufficient revenue scale to produce a profit for the first time in the fourth quarter. We believe that this is a strong driver to Lotus' business with little competition. Oracle and Microsoft are currently developing products to compete with the Notes text database workgroup product, but neither is likely to be an effective competitor in 1994. The pricing environment appears stable for now in the spreadsheet market (Borland's \$49 pricing appears to be having little impact on Lotus and Microsoft), and Microsoft has not reduced uplift prices in Europe and is not expected to do so in 1994.

Lotus is maintaining tight cost controls, providing positive operating leverage. We estimate that Lotus can generate earnings growth of 35% in 1994 on revenue growth of about 16%. Our 1995 estimate of \$2.70 per share assumes continued good growth from Notes (up about 50% versus our 70% growth estimate for 1994 and the 100% growth reported in 1993). We have assumed more conservative growth of about 20% for cc:Mail, given that Microsoft is expected to include electronic mail in its upcoming new version of DOS (Chicago), potentially creating a more difficult environment for mail packages.

Stability of pricing in the spreadsheet market is perhaps the biggest risk to our 1995 estimate. We are more comfortable with our projections of Notes and related communication revenues, which will account for about 28% of 1994 revenues and 33% of 1995, up from 21% in 1993. The increasing mix of revenues from these products is beneficial to margins. The communications products group turned profitable in the fourth quarter of 1993.

Lotus' spreadsheet business declined an estimated 5% in 1993, resulting from the net effect of a 50% decline in DOS character mode revenues and the robust growth in the Windows-based product revenues. Windows-based product revenues now account for about 70% of total Desktop application revenues at

Table 1  
 Lotus Development Corporation, Quarterly Operating Results  
 (millions)

	1993				1994				% Chg	
	Mar-93	Jun-93	Sep-93	Dec-93	Mar-94	Jun-94	Sep-94	Dec-94		
Revenues	\$227.0	\$235.0	\$240.1	\$278.3	\$258.0	\$278.0	\$275.0	\$323.0	\$1,136.0	15.8%
Operating expenses	\$50.4	\$51.0	\$46.8	\$54.2	\$50.5	\$54.4	\$53.0	\$61.7	\$220.2	8.8%
Cost of sales	22.2%	21.8%	19.5%	19.5%	19.5%	18.5%	19.5%	19.1%	19.4%	
% of revenues										
R&D	\$31.8	\$30.1	\$32.6	\$32.4	\$35.0	\$36.0	\$37.0	\$38.0	\$148.0	15.1%
% of revenues	14.0%	12.8%	13.6%	11.6%	13.5%	12.9%	13.5%	11.8%	12.8%	
Sales and marketing	\$108.1	\$112.1	\$115.1	\$129.4	\$121.7	\$128.3	\$126.5	\$148.8	\$255.2	13.5%
% of revenues	48.7%	47.6%	47.9%	46.5%	47.0%	46.0%	46.0%	46.0%	46.2%	
G&A	\$18.0	\$17.2	\$17.6	\$17.3	\$17.8	\$18.1	\$18.7	\$19.4	\$73.8	5.4%
% of revenues	7.9%	7.3%	7.3%	6.2%	6.8%	6.5%	6.8%	6.0%	6.5%	
Operating income	\$20.7	\$25.3	\$28.1	\$45.0	\$34.2	\$42.1	\$39.2	\$55.3	\$170.8	43.4%
Operating margin	9.1%	10.7%	11.7%	16.2%	13.2%	15.1%	14.2%	17.1%	15.0%	
Interest and other, net	\$0.1	\$0.5	\$0.5	\$1.5	\$1.0	\$1.0	\$1.0	\$1.0	\$4.0	57.3%
% of revenues	0.0%	0.2%	0.2%	0.5%	0.4%	0.4%	0.4%	0.3%	0.4%	
Pretax income	\$20.8	\$25.8	\$28.6	\$46.4	\$35.2	\$43.1	\$40.2	\$56.3	\$174.8	43.7%
Pretax margin	9.2%	11.0%	11.9%	16.7%	13.6%	15.5%	14.6%	17.4%	15.4%	
Taxes	\$8.5	\$10.8	\$10.3	\$16.8	\$13.4	\$18.4	\$14.9	\$20.8	\$65.5	41.6%
Tax rate	41.0%	41.0%	38.0%	36.2%	38.0%	38.0%	37.0%	37.0%	37.4%	
Net income	\$12.3	\$15.3	\$18.3	\$29.6	\$21.8	\$28.7	\$25.3	\$35.5	\$108.3	44.9%
Net margin	5.4%	6.5%	7.6%	10.6%	8.4%	9.6%	9.2%	11.0%	9.6%	
Earnings per share	\$0.29	\$0.35	\$0.41	\$0.64	\$0.46	\$0.57	\$0.53	\$0.74	\$2.30	35.8%
Avg. shares outstanding	42.6	44.0	45.1	46.4	47.0	47.0	48.0	48.0	47.5	6.7%

(a) 1990 fourth quarter and full year results exclude a pretax and aftertax charge of \$53 million, or \$1.23 per share, for the writedoff of intangible assets associated with the fourth quarter acquisition of Samat.  
 (b) 1991 fourth quarter and full year results exclude pretax restructuring charge of \$23 million, or \$0.42 per share.  
 (c) Excludes pretax gain of \$34.7 million (\$0.54 per share) from sale of Sybase stock.  
 (d) Excludes pretax gain of \$15 million from sale of Sybase stock and \$16 million restructuring charge.  
 (e) Excludes \$18.8 million charge relating to acquisition of Approach Software Corp.



Lotus, suggesting the worst may be over for Lotus' sharp decline in market share. Spreadsheet revenues accounted for an estimated 56% of Lotus' business in 1993.

Our market-share analysis for 1993 shows Lotus with overall PC spreadsheet revenues accounting for 42% of the market versus 52% for Microsoft (see Table 3). We allocate suite revenues between the respective product categories, and Microsoft's strong suite business tends to pull through demand for Microsoft's spreadsheet, wordprocessor, and presentation graphics packages. Lotus' suite revenues are building momentum following the release of a significant new version of 1-2-3 (release 4.0 for Windows) in June 1993. Lotus and Microsoft are likely to continue to increase market share as demand for their suites fuels further consolidation in the market.

Lotus has new versions of Notes for UNIX and NetWare NLM shipping over the next two quarters, continuing to broaden the cross platform base of this product. A significant new version of Notes (4.0) is expected in late 1994 or early 1995. A new version of 1-2-3 and the Lotus Smart Suite is also expected late in 1994 or early 1995.

The upgrade revenues from 1-2-3 for Windows 4.0 that began to fuel earnings growth beginning in June 1993 will create more difficult year-over-year earnings comparisons by the September quarter, but we are hopeful that Lotus' Notes business has ramped up to sufficient size that the underlying communications business growth will allow the company to break out of its historical pattern of new product cycle-based earnings volatility.

Investors are already benefiting from the rebirth of Lotus following the release of 1-2-3 for Windows 4.0 in June, the relative stability in spreadsheet pricing, and the strong growth of the communications business, which has finally become more material to the overall growth of Lotus. Management deserves credit for its perseverance with Notes through years of losses. The communications business is now driving the company's business, and Lotus is showing strong earnings momentum despite further declines in spreadsheet revenues in 1993. Although there are still competitive and pricing issues confronting the company, we do not anticipate competitive factors upsetting this renaissance in 1994. Lotus's balance sheet remains strong as shown in Table 4.

Goldman, Sachs & Co. or an affiliate makes an over-the-counter market in the common stock of: Lotus.



Table 2 (cont'd)  
Lotus Development Corporation Product Line Revenue Analysis

Product line	1983			1984			1985			1986							
	Mar-83	Jun-83	Sep-83	Dec-83	Mar-84	Jun-84	Sep-84	Dec-84	Mar-85	Jun-85	Sep-85	Dec-85	Mar-86	Jun-86	Sep-86	Dec-86	
Lotus.com, millions																	
1-2-3	\$107.3	\$106.7	\$101.5	\$110.2	\$486.7	\$104.4	\$107.3	\$101.5	\$110.2	\$423.4	\$110.2	\$113.1	\$110.2	\$121.8	\$455.3	\$100.0	\$100.0
1-2-3 upgrades	\$115.0	\$20.0	\$30.0	\$30.0	\$85.0	\$25.0	\$22.0	\$22.0	\$20.0	\$80.0	\$25.0	\$25.0	\$25.0	\$25.0	\$100.0	\$100.0	\$100.0
Symphony	\$3.5	\$2.8	\$1.8	\$2.1	\$10.2	\$1.8	\$1.8	\$1.8	\$1.8	\$7.0	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8
Symphony upgrades	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Graphics	\$28.0	\$23.8	\$23.8	\$30.8	\$108.4	\$30.8	\$33.8	\$33.8	\$38.4	\$134.4	\$33.8	\$38.4	\$38.2	\$42.0	\$151.2	\$151.2	\$151.2
Jazz/Mac/Improv	\$11.2	\$10.8	\$7.2	\$3.2	\$2.4	\$3.2	\$3.2	\$3.2	\$3.2	\$12.8	\$3.2	\$3.2	\$3.2	\$1.8	\$1.8	\$1.8	\$8.4
Wordprocessing	\$12.0	\$18.5	\$14.8	\$21.8	\$85.0	\$23.3	\$24.8	\$23.5	\$28.5	\$99.0	\$23.5	\$31.0	\$29.5	\$33.5	\$119.5	\$119.5	\$119.5
1-2-3 Math/Frame	\$0.1	\$0.1	\$0.1	\$0.1	\$0.4	...	...	...	...	...	...	...	...	...	...	...	...
1-2-3 FAX	\$0.1	\$0.1	\$0.1	\$0.1	\$0.4	...	...	...	...	...	...	...	...	...	...	...	...
1-2-3 Link	\$4.1	\$4.1	\$4.1	\$4.1	\$18.2	\$3.0	\$3.0	\$3.0	\$3.0	\$12.0	\$4.1	\$4.1	\$4.1	\$4.1	\$18.2	\$18.2	\$18.2
Notes	\$14.8	\$19.5	\$19.5	\$32.5	\$86.1	\$24.4	\$32.5	\$34.1	\$55.3	\$148.3	\$37.4	\$52.0	\$55.3	\$78.0	\$222.8	\$222.8	\$222.8
Approach DBMS	...	...	\$5.0	\$8.0	\$11.0	\$8.0	\$8.0	\$8.0	\$10.0	\$34.0	\$10.0	\$12.0	\$12.0	\$16.0	\$40.0	\$40.0	\$40.0
Information services	\$8.0	\$8.0	\$8.0	...	\$18.0	...	...	...	...	...	...	...	...	...	...	...	...
Publishing	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Consulting	\$8.1	\$8.4	\$5.4	\$8.0	\$25.9	\$8.0	\$10.0	\$10.0	\$12.0	\$41.0	\$12.0	\$13.0	\$14.0	\$15.0	\$54.0	\$54.0	\$54.0
Electronic mail	\$18.0	\$20.0	\$21.0	\$28.5	\$88.5	\$27.0	\$33.0	\$34.0	\$43.0	\$137.0	\$34.0	\$40.0	\$40.0	\$45.0	\$165.0	\$165.0	\$165.0
Total	\$227.0	\$235.8	\$240.1	\$278.3	\$981.1	\$258.8	\$278.1	\$274.7	\$323.3	\$1,135.9	\$287.3	\$328.2	\$328.8	\$381.0	\$1,238.2	\$1,238.2	\$1,238.2

Table 2 (cont'd)  
Lotus Development Corporation Product Line Revenue Analysis

REVENUE LINE	1992			1991			1990			1989			1988			1987										
	Mar-92	Jun-92	Sep-92	Dec-92	Mar-91	Jun-91	Sep-91	Dec-91	Mar-90	Jun-90	Sep-90	Dec-90	Mar-89	Jun-89	Sep-89	Dec-89	Mar-88	Jun-88	Sep-88	Dec-88	Mar-87	Jun-87	Sep-87	Dec-87		
1-2-3	47.3%	45.3%	42.3%	39.8%	43.4%	40.3%	38.4%	37.0%	34.1%	37.3%	37.1%	34.5%	33.4%	32.0%	34.1%	34.1%	32.0%	32.0%	34.1%	34.1%	34.1%	34.1%	34.1%	34.1%	34.1%	34.1%
Symphony	1.5%	1.2%	0.7%	0.8%	1.0%	0.7%	0.8%	0.8%	0.5%	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Upgrades	6.6%	8.5%	12.5%	10.8%	9.7%	9.7%	7.9%	8.0%	8.2%	7.8%	8.4%	7.8%	7.8%	8.8%	7.8%	8.4%	8.8%	8.8%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Graphics	12.3%	10.1%	9.8%	11.1%	10.8%	11.8%	12.0%	12.2%	11.3%	11.8%	11.3%	11.1%	11.9%	11.0%	11.3%	11.1%	11.9%	11.0%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%
Jazz/MacEmpov	4.9%	4.6%	3.0%	1.1%	3.3%	1.2%	1.1%	1.2%	1.0%	1.1%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Wordprocessing	5.7%	6.6%	6.1%	7.8%	6.8%	6.6%	6.9%	6.8%	6.8%	6.7%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
1-2-3 Mainframe	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1-2-3 VAX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1-2-3 Unk	1.8%	1.7%	1.7%	1.5%	1.7%	1.2%	1.1%	1.1%	0.8%	1.1%	1.1%	1.1%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Notes	6.4%	8.2%	6.1%	11.7%	8.8%	9.4%	11.8%	12.4%	17.1%	12.8%	12.8%	15.8%	16.8%	20.5%	16.7%	16.8%	20.5%	20.5%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Approach DBMS	0.0%	0.0%	2.1%	2.2%	1.1%	3.1%	2.9%	2.9%	3.1%	3.0%	3.0%	3.7%	3.6%	3.9%	3.7%	3.6%	3.9%	3.9%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Information services	2.6%	2.5%	2.5%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Publishing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consulting	2.7%	2.7%	2.2%	2.9%	2.6%	3.5%	3.6%	3.6%	3.7%	3.6%	3.6%	4.0%	4.2%	3.9%	4.0%	4.2%	3.9%	3.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Electronic mail	7.8%	8.5%	8.2%	10.3%	8.2%	10.5%	11.8%	12.4%	13.1%	12.1%	12.5%	12.2%	12.1%	11.8%	12.3%	12.1%	11.8%	11.8%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



Table 3

Market-Share Analysis

Word Processing

	1991		1992		1993	
	Rev	Mrkt Share	Rev	Mrkt Share	Rev	Mrkt Share
Microsoft	\$350	33%	\$550	44%	\$710	50%
Word Perfect	550	52%	550	44%	600	42%
Lotus	35	3%	50	4%	80	6%
Word Star	40	4%	30	2%	10	1%
IBM Display Write	40	4%	30	2%	10	1%
Software Publishing	10	1%	15	1%	10	1%
Ashton-Tate/Borland	10	1%	5	0%	0	0%
Other	25	2%	20	2%	10	1%
	\$1,060	100%	\$1,250	100%	\$1,430	100%

Spreadsheets - Revenues

	1991		1992		1993	
	Rev	Mrkt Share	Rev	Mrkt Share	Rev	Mrkt Share
Microsoft	\$335	33%	\$490	42%	\$675	52%
Lotus	580	57%	560	48%	540	42%
Borland	85	8%	85	7%	75	6%
Other	25	2%	20	2%	5	0%
	\$1,025	100%	\$1,155	100%	\$1,295	100%

PC Data Base Management

	1991		1992		1993	
	Rev	Mrkt Share	Rev	Mrkt Share	Rev	Mrkt Share
Borland - dBase	\$160	38%	\$150	30%	\$130	25%
Borland - Paradox	80	19%	95	19%	130	25%
Microsoft - Access	—	0%	40	8%	90	17%
Microsoft - FoxPro	40	10%	60	12%	65	13%
Nantucket	30	7%	30	6%	15	3%
Data Ease	15	4%	15	3%	15	3%
Software Publishing	6	1%	13	3%	8	2%
Micro Rim	15	4%	10	2%	5	1%
Other	70	17%	90	18%	60	12%
Total	\$416	100%	\$503	100%	\$518	100%

Presentation Graphics and Drawing

	1991		1992		1993	
	Rev	Mrkt Share	Rev	Mrkt Share	Rev	Mrkt Share
Corel	\$50	14%	\$90	19%	\$130	24%
Microsoft	18	5%	70	15%	125	23%
Lotus	70	20%	85	18%	110	20%
Software Publishing	115	32%	125	26%	80	14%
Micrograb	39	11%	49	10%	67	12%
Other	65	18%	60	13%	40	7%
	\$357	100%	\$479	100%	\$552	100%

\* Borland and Ashton-Tate merged in October 1991.

Source: Goldman, Sachs & Co. estimates and IDC.

Table 3 (cont'd)

## Market-Share Analysis

	Languages					
	1991		1992		1993	
	Rev	Mrkt Share	Rev	Mrkt Share	Rev	Mrkt Share
MicroFocus	\$50	20%	\$100	32%	\$110	32%
Microsoft	70	27%	85	27%	105	30%
Borland	95	37%	100	32%	100	29%
Symantec	20	8%	10	3%	13	4%
Other	20	8%	20	6%	20	6%
	<u>\$255</u>	<u>100%</u>	<u>\$315</u>	<u>100%</u>	<u>\$348</u>	<u>100%</u>

	Network Oper. Syst.					
	1991		1992		1993	
	Rev	Mrkt Share	Rev	Mrkt Share	Rev	Mrkt Share
Novell	\$445	64%	\$680	67%	\$745	65%
Banyan	50	7%	75	7%	100	9%
IBM	45	7%	60	6%	75	7%
Microsoft	35	5%	45	4%	60	5%
DEC	25	4%	38	4%	45	4%
Artisoft	25	4%	45	4%	40	3%
Other	65	9%	75	7%	80	7%
	<u>\$691</u>	<u>100%</u>	<u>\$1,018</u>	<u>100%</u>	<u>\$1,145</u>	<u>100%</u>

	Operating Systems					
	1991		1992		1993	
	Rev	Mrkt Share	Rev	Mrkt Share	Rev	Mrkt Share
MSFT (DOS & NT)	\$395	43%	\$465	38%	\$700	43%
MSFT Windows	360	40%	575	47%	675	42%
SCO UNIX	95	10%	125	10%	130	8%
IBM OS/2	0	0%	30	2%	100	6%
Novell DR-DOS	60	7%	40	3%	15	1%
	<u>\$910</u>	<u>100%</u>	<u>\$1,235</u>	<u>100%</u>	<u>\$1,620</u>	<u>100%</u>

	Integrated Products					
	1991		1992		1993	
	Rev	Mrkt Share	Rev	Mrkt Share	Rev	Mrkt Share
Microsoft	\$65	32%	\$65	38%	\$65	53%
Lotus	50	24%	30	18%	15	12%
Enable	25	12%	20	12%	12	10%
Software Products	20	10%	20	12%	10	8%
Spinnaker	15	7%	15	9%	10	8%
Ashton-Tate/Borland	10	5%	5	3%	0	0%
Informix	10	5%	5	3%	0	0%
Other	10	5%	10	6%	10	8%
	<u>\$205</u>	<u>100%</u>	<u>\$170</u>	<u>100%</u>	<u>\$122</u>	<u>100%</u>

Source: Goldman, Sachs &amp; Co. estimates and IDC.

Table 3 (cont'd)

## Market-Share Analysis

	<u>Utilities</u>					
	1991		1992		1993	
	<u>Rev</u>	<u>Mrkt Share</u>	<u>Rev</u>	<u>Mrkt Share</u>	<u>Rev</u>	<u>Mrkt Share</u>
Symantec/Fifth Generation	\$140	57%	\$150	52%	\$155	53%
Central Point	65	27%	100	34%	100	34%
Other	40	16%	40	14%	35	12%
	<u>\$245</u>	<u>100%</u>	<u>\$290</u>	<u>100%</u>	<u>\$290</u>	<u>100%</u>

	<u>Desktop Publishing</u>					
	1991		1992		1993	
	<u>Rev</u>	<u>Mrkt Share</u>	<u>Rev</u>	<u>Mrkt Share</u>	<u>Rev</u>	<u>Mrkt Share</u>
Aldus	\$70	52%	\$45	38%	\$70	49%
Ventura	28	21%	28	24%	25	17%
Microsoft	10	7%	20	17%	20	14%
Frame Technology	—	0%	10	8%	10	7%
Splinnaker First Publisher	5	4%	5	4%	7	5%
Interleaf	10	7%	6	5%	6	4%
Other	12	9%	5	4%	5	3%
	<u>\$135</u>	<u>100%</u>	<u>\$119</u>	<u>100%</u>	<u>\$143</u>	<u>100%</u>

	<u>Project Managers</u>					
	1991		1992		1993	
	<u>Rev</u>	<u>Mrkt Share</u>	<u>Rev</u>	<u>Mrkt Share</u>	<u>Rev</u>	<u>Mrkt Share</u>
Microsoft	\$35	60%	\$50	65%	\$90	80%
Symantec	17	29%	25	27%	15	13%
Computer Associates	3	5%	5	5%	5	4%
Software Publishing	1	2%	—	0%	—	0%
Other	2	3%	2	2%	2	2%
	<u>\$58</u>	<u>100%</u>	<u>\$92</u>	<u>100%</u>	<u>\$112</u>	<u>100%</u>

	<u>Nonprogrammable Databases</u>					
	1991		1992		1993	
	<u>Rev</u>	<u>Mrkt Share</u>	<u>Rev</u>	<u>Mrkt Share</u>	<u>Rev</u>	<u>Mrkt Share</u>
Symantec Q&A	\$37	63%	\$30	50%	\$25	38%
Lotus Approach	—	0%	10	17%	20	31%
Software Publishing Pro File	7	12%	—	0%	—	0%
Ashton-Tate/Borland	3	5%	—	0%	—	0%
Other	12	20%	20	33%	20	31%
	<u>\$59</u>	<u>100%</u>	<u>\$60</u>	<u>100%</u>	<u>\$65</u>	<u>100%</u>

Source: Goldman, Sachs &amp; Co. estimates and IDC.

Table 4  
 Lotus Development Corporation Financial Position and Key Ratios  
 (millions)

	1989	1990	1991	1992	1993
Cash and equivalents	\$275.0	\$245.4	\$224.8	\$203.1	\$418.7
Receivables	97.7	120.3	172.2	178.3	217.3
Inventory	23.2	21.7	30.9	23.8	21.2
Prepays	19.8	12.0	13.4	18.0	20.8
Total Current Assets	\$405.6	\$399.5	\$441.3	\$514.0	\$678.1
Property, plant, and equipment, net	129.7	147.8	146.5	135.7	137.4
Software and intangibles	27.1	62.1	94.2	99.3	88.6
Investments and others	37.7	47.5	53.8	14.4	13.2
Total Assets	\$604.3	\$656.8	\$725.5	\$763.4	\$905.3
Payables	\$63.1	\$34.0	\$40.3	-	-
Accrued expenses and wages	17.7	78.4	109.1	-	-
Deferred revenue	15.8	16.4	24.2	-	-
Income taxes payable	10.3	40.1	35.8	-	-
Deferred taxes	-	-	-	-	-
Loans payable and other	3.0	5.7	24.8	-	-
Total Current Liabilities	\$109.8	\$172.5	\$238.8	\$245.3	\$298.5
Bank loans	20.4	180.0	139.0	108.7	78.5
Deferred taxes & other	13.7	14.9	19.8	-	-
Stockholders' equity	278.3	309.4	\$31.1	\$69.4	\$28.4
Total Liabilities and Stockholders' Equity	\$604.3	\$656.8	\$725.5	\$763.4	\$905.3
Current ratio	3.7	2.3	1.9	2.1	2.3
Aged accounts receivable, days	64	58	65	67	68
Days Inventory	66	53	49	40	37
Long-term debt/capitalization	42.1%	34.1%	28.4%	21.0%	12.8%
Return on average Equity	28.6%	25.9%	(a) 18.2%	(b) 15.4%	(c) 16.1%
Assets	13.2%	12.1%	(a) 8.9%	(b) 7.7%	(c) 9.0%
Net tangible book value per share	\$5.87	\$5.81	\$5.64	\$7.42	\$9.47

(a) Excludes \$63 million net gain on intangibles associated with the acquisition of Summa.  
 (b) Excludes \$23 million restructuring charge.  
 (c) Excludes \$50 million gain on sale of equity stock and \$15 million restructuring charge.