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**PLAINTIFF'S
EXHIBIT**
2578
Comes v. Microsoft

From: Don Hardwick
Sent: Thursday, November 07, 1996 5:35 PM
To: Joe Williams
Cc: Peta Peter
Subject: FW: cpq map

From: Don Hardwick
Sent: Friday, November 01, 1996 1:59 PM
To: Carl Sittig
Subject: cpq map


CPQmap1

PERICID-Bryenne, N. J.
EXHIBIT
33 *8/2/01*
Hardwick

MS-PCA 1462027
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COMPAQ

Mini Account Plan
Q1FY97

Don Hardwick

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BUSINESS

BUSINESS OVERVIEW

Compaq Computer Corporation, founded in 1982, designs, develops, manufactures, and markets personal computers, PC systems, and related products for sale primarily to business, home, government, and education customers. Compaq sells 97% of its products to independent, full-service computer specialty dealers worldwide for resale and 3% through their Direct Plus channel.

PRODUCTS

Consumer Products Division - Multimedia PCs that provide home theater-like experience; scanner keyboards; rewritable optical PC-CD drives; interactive computer toys and software for preschoolers.

- Presario - Desktop and portable consumer PCs

Desktop PC Division - Commercial desktop PCs; Intelligent Manageability; workstations; monitors; memory; storage.

- Deskpro 6000 - high-performance and advanced features for the corporate and business user
- Deskpro 2000 and Deskpro 4000 - business value line products (which lead sales in 1994) include graphic performance improvements and power conservation choices.

Portable PC Division - High performance, no compromise portable PCs; leader in Plug n' Play and PC Card development.

- LTE Elite and Armada - high performance notebooks marketed toward the commercial market.

Systems Division - Mainstream and high end, high-availability servers; integration and management; internetworking products.

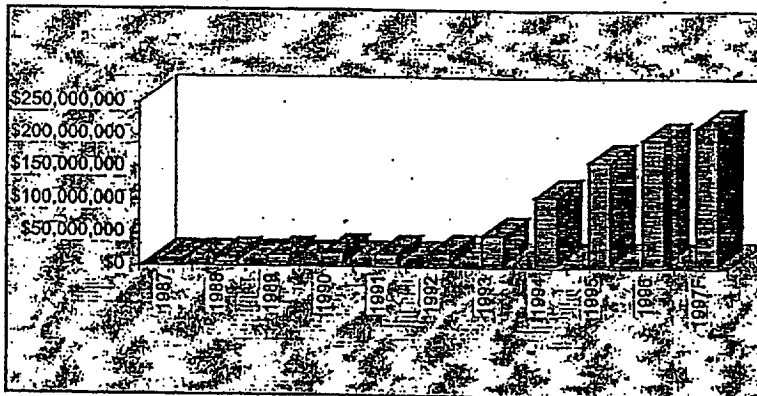
- ProSignia - Low-end file and print single processor server
- ProLiant 1500 - High end single processor system used as application as well as File and Print server
- ProLiant 4500 - High end, 1-4 processor system, rack mount and desktop; used mainly as application server

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ROYALTIES SUMMARY

Year	Royalties Paid
1987	\$4,000,000
1988	\$9,000,000
1989	\$11,000,000
1990	\$15,500,000
1991	\$14,500,000
1992	\$16,000,000
1993	\$43,500,000
1994	\$102,000,000
1995	\$155,500,000
1996	\$193,000,000
1997(F)	\$232,000,000

Compaq Royalties



COMPAQ REVENUE SUMMARY

Year	Sales	Gross Profit	Net Income
CY92	4.1B	1.2B	213M
CY93	7.2B	1.7B	450M
CY94	10.9B	2.7B	867M
CY95	14.75B	3.3B	1,030M

BY GEOGRAPHIC LOCATION

	Americas	Europe	Other Intl.
CY92	49%	50%	1%
CY93	53%	41%	8%
CY94	50%	38%	12%
CY95	47%	40%	13%
CY96(F)	47%	37%	16%

SALES BY ACCOUNT TYPE

	Corp., Govt. and Ed	Small Bus and Individuals
CY94	80%	20%
CY95	75%	25%
CY96(F)	70%	30%

REVENUE DISTRIBUTION BY PRODUCT TYPE

	CY94	CY95	CY96(F)
Desktops	58%	60%	53%
Portable	25%	21%	20%
Servers	17%	19%	27%

UNITS SHIPPED

CY92	CY93	CY94	CY95	CY96(F)
1.5M	3.1M	4.5M	5.8M	6.8M

PROCESSOR SHIPMENTS

	CY94	CY95	CY96(F)
486	98%	39%	0%
Pentium	2%	60%	80%
P6	0%	1%	20%

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EMPLOYEES

17,000 Worldwide
43 Subsidiaries

COMPETITORS

DESKTOP COMPETITORS

All major OEMs including Packard Bell, HP, DEC, IBM, Dell, Gateway

SERVER COMPETITORS

HP, DEC, IBM, Sun

LICENSED PRODUCTS FROM MICROSOFT

<u>Operating System Products</u>	<u>Shipping</u>	<u>Consumer Applications</u>	<u>Shipping</u>
MS-DOS	Yes	Works for Win	Yes
Windows 3.1	Yes	Encarta	Yes
Windows for Workgroups	No	Publisher	Yes
Windows 95	Yes	Money	No
Video for Windows Runtime	Yes	Word	Yes
Windows NT Workstation	Yes	Powerpoint	Yes
Windows NT Server	Yes	MS Office Pro	Yes (Europe)
BackOffice	Yes (Europe)		
Mail	No		
Windows Schedule+	No		

ACCOMPLISHMENTS

- Design Wins: Works, Encarta, Word, Powerpoint, MS Office Test
- Redefined FLP terms and commitments to more of an MDA-like program
 - Initiative driven (Home, Small Business, Enterprise/Total Cost of Ownership)
 - Internet component in all activities
 - Include Antipiracy messaging; preinstallation of software
- Strong support of WinNT at launch; will be bundled on all high end desktops and many portables
- Excellent architectural roadmap exchanges with Compaq Consumer Division; increasing overall roadmap engagement from all Compaq product divisions

MARKETING PROGRAMS

- Frontline Partnership:
 - over 150 joint corporate marketing programs; 35 joint small/medium business programs; and 25 joint consumer marketing programs worldwide
 - Improved joint sales and training in NA (GM, Smith-Barney wins; 150 SE's trained on both product lines)
- BackOffice Europe joint marketing program

NEW BUSINESS CHARACTERISTICS

- Targeting the Internet/Intranet through servers and consumer devices
- Aggressively targeting desktop and portables market with Windows NTW 4.0.
- Compaq just entered the technical workstation market with NTW based systems
- Server business under strong competitive pressures; Compaq expects to grow their server business by leveraging SmartStart as a differentiator
- NT Server becoming a strong focus for their server strategy
- Working to regain leading portable sales position with new portables team

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ISSUES

- Netscape Server Announcement and Partnership appears to be diminishing as MS gains share
- Consumer Software Division relationship still strained—they are tasked with making a profit through publishing software, revenue sharing, and aftermarket sales
- Compaq's recent reorganization stalled several efforts until new organization settles
- Compaq has become even more divisionalized—difficult to gain corporate commitment and vision
- Canceled BackOffice promotion in North American due to poor Compaq marketing cooperation
- Compaq obsessed with getting an MS Office agreement to compete with Gateway, Dell

LONG TERM OBJECTIVES

Drive O/S Business

- Assure Compaq is an architecture partner
 - Achieve Pegasus design win
 - Avoid lock-out, leverage Compaq R&D
- Increase O/S Share
 - Seeks ways to mutually grow NTW market
 - Find alternative to SmartStart for NTS
 - Increase NTS share with Compaq's low end server business

Protect DAD Share

- Small Business Initiative
- Single apps bundles wherever possible

Develop Internet Partnership

- Drive Internet Letter of Understanding to completion
- IE, IIS design wins and premier positioning on all systems

Use FLP/Marketing to help accomplish goals

- FLP activities now focused on MDA-like format
- Incorporate key initiatives (Home, Internet, Small Business, Enterprise) into marketing efforts

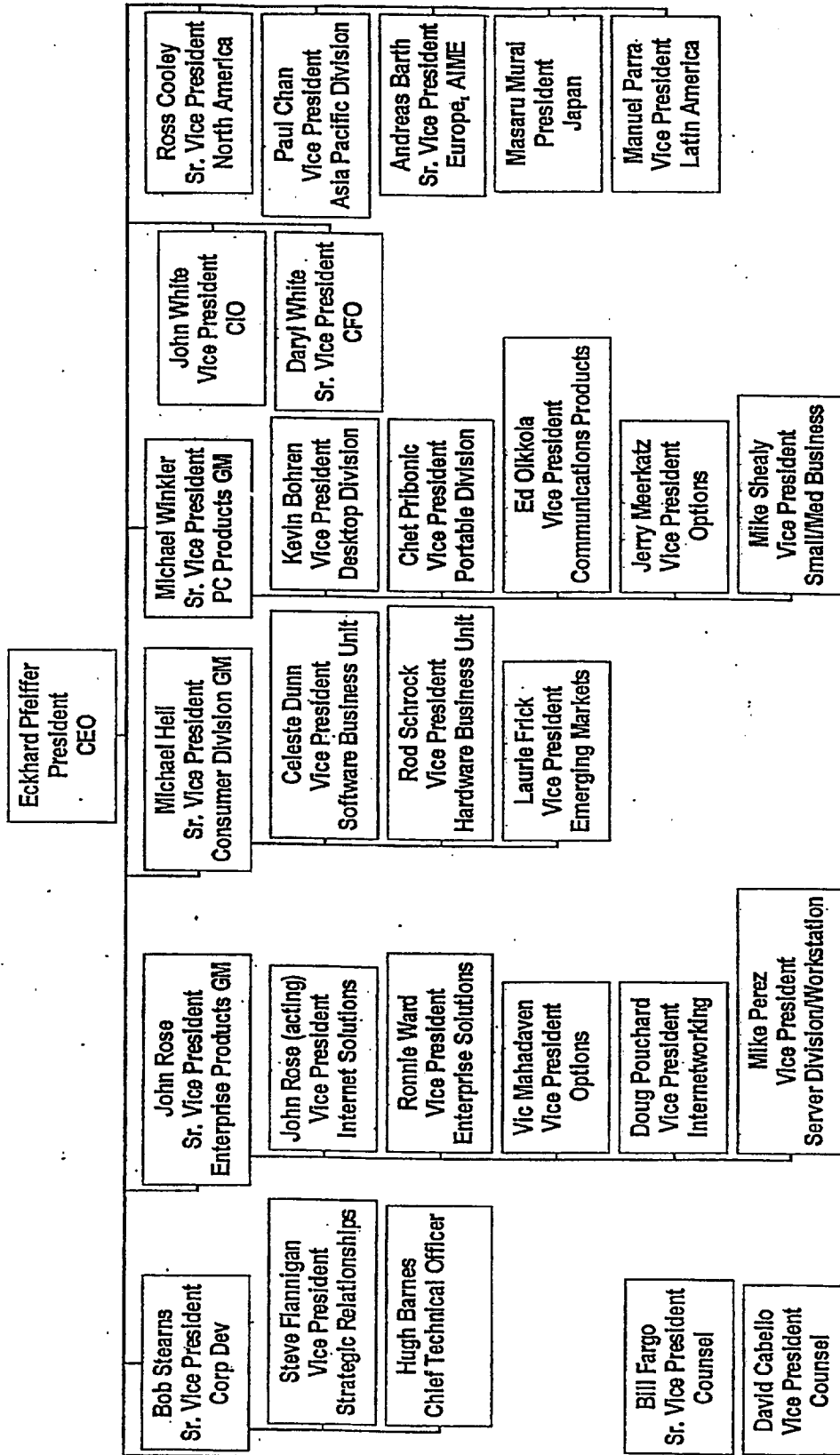
Increase Revenue per PC

- Design wins for consumer apps, Plus, hardware, Nashville
- Royalty increase for NTS 4.0
- Leverage marketing to achieve design wins

Resolve IP issues by pursuing broad cross license agreement

Bring Compaq agreements to more standard terms

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