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WW OEM SALES
SEPTEMBER STATUS REPORT
Joachim Kempin

Even after adjusting for the GAAP, we exceeded the quarter by 2M$ in revenue until we took another 9.5M$ reserve for prepaids. This made us come in short by 7.5M$, still paying for the sins of the past or just being ultraconservative is the question - my judgement: It is enough for now knowing that prepaids are not increasing anymore and the key problem cases like 3COM, Compaq, Zenith and even Acer are under control or actively being worked on.

Key problem areas: KK and Gmbh in Q1. KK please see RonH report. GmbH was unable to complete AEG Olympia, Robotron and Aquarius contracts. AM and secretary manpower was spread too thin.

<u>PRODUCTS</u>

<u>OAKs</u>
According to SteveB, these should have been eliminated by now, but instead of that they are getting more complex. To release an OAK we need to wait for the DDK and the SDK as just demonstrated by the final Win 3.0 release. Even if we initiate early shipper programs, OEMs tend to wait for a final OAK release before they start shipping. This means a 2 months delay for most products. Recent examples, LAN Man and WIN 3.0. At the same time, we are shipping retail product and leaving OEMs unable to serve their customers. I question that System product marketing understands the value of the OEM channel anymore. Or is it time to agree on a policy which enables OEMs in general to be successful with us instead of just paying royalties up front to fund advanced retail releases. This is even more pathetic in the case of LAN Man, where we asked the OEMs to provide the market with OS/2 to help us sell the retail version. Most LAN Man OEMs and some of the Win licensees clearly expressed to me that they do not believe we treat them fairly.

<u>CRC/Documentation/Intl. Releases.</u>
As much as MS has developed into an international company, most of our OEMs have as well. A lot of internal work is necessary to recognize that and make it easier for them to release international products. Three issues have surfaced:

1) In particular for European distribution, OEMs would like to distribute multilingual products by preloading code on harddisks. We need to design products with this in mind. Ideally, only text files and drivers need to be added to facilitate that and not like in the case of Win 3.10, all different language versions. Could we make this a design goal for all system products and WORKS?

2) Device Drivers seem to be done in remote locations without any understanding in Product Marketing what is available. This makes it very hard for OEMs to make their versions identical to ours like in the case of WORKS. At the same time, I am hearing complaints that the quality of some locally released drivers are not tested thorough enough. Product Marketing needs to take a more active role in making the driver info available and ensure quality. (Philips is the most current example of complaints)

3) CRCs
Over the last 6-9 months, OEMs have massively complained about late deliveries. As long as we need CRCs, these problems will not go away. Caused by product managers not

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understanding what to deliver and when, and an even worse situation for most IPG released products. CRCs are expensive, take up to two weeks to reproduce and are hard to customize. Why don't we change our release policy?

All newly developed products will be delivered only on Ventura format (we know how to dupe disk, don't we?). This might mean some discipline for some people who like to make last minute changes on film - but otherwise, it could mean smooth sailing. At the same time, increase CRCs charges byan additional 100% or discourage customers from ordering them. This will only work if we can agree on one format, company-wide - an issue for the Strategy Committee?

Forecasting Model
We are redesigning and hope to be code complete by end of Dec. The US OEM group will begin to debug the system and we expect international to use the new system beginning of February. We will teach the OEM managers during their meeting in Jan and will then start installing the system in the subs to do the final budget pass.

ACCOUNT SUMMARIES
(Reported by Account and Group Managers)

USA (Richard Fade)

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(Jenkins Account Team)

AT&T
The LAN Manager/Unix LOI was signed but several open issues still remain after conference calls and meetings galore. Excellent executive review held on September 17th generating new opportunities and relationships. Four AT&T attendees went to the OEM Briefing. AT&T presented their Mac Server product to several NBU attendees, and the business issues for Multimedia were conveyed to AT&T. Pike patent remains an issue.

COMPUADD
CompuAdd jumps on the Microsoft Multimedia Windows bandwagon and signs LOI: pre-installing all Windows Working Models on all 80386sx machines and up (4500 units/mo): signed up three people for the OEM Briefing: meeting set up to qualify CompuAdd as FNGD LM reseller; CompuAdd shipped OS/2 1.21 September 15th Invited to train CompuAdd sales personnel on Windows 3.0 and MS System Strategy at CompuAdd annual sales meeting.

EVEREX
Had conference call with Raymond Yu, VP of Business Development regarding new license. Proposed new arrangement for Master license. Concern over minimum commitment due to outstanding prepaid situation. Both Raymond Yu and Tom Ryan attended the OEM briefing. Completed Everex account plan. Learned of information regarding GEOWorks and MS. Obtained information regarding Everex' product release of a 386sx laptop.

TANDY
Significant progress made in the Deskmate > Windows transition. A very productive meeting was held with John Patterson, Ballmer, and others at the OEM briefing where we were for the first time able to show Patterson that ROM Windows is real. Patterson came away from the meeting concerned that Tandy needs to move more quickly with their apps conversion work (they need to convert some 74 apps). Patterson & Elias met with Roach following the meeting, and I am told it went well. Tandy is interested in licensing FG LAN Manager. Ray is qualifying.

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(Hannum Account Team)

DEC
The All in 1 Windows client is progressing well, with no technical show stoppers and a business proposal from Microsoft to DEC that includes royalty for every copy of the Windows client and minimum penetration of Windows apps on top of these clients. John Rose visited MS this month. The meeting went well from a tactical/marketing standpoint, but the key issue of how the companies work together or compete is still not resolved. Key DEC concerns are our involvement around OSF/DEC network services. Shipments of LAN Man clients by DEC continue to be outstanding. 30,000 units for Q4 FY90, up from 25,000 in Q3 1990. Expect 35,000 units for Q1 FY91. Wow!

DELL
Dell seems ready to sign up to a Windows six-month promotion but the details are dragging on. The point of particular disagreement is the min commit issue. They say that after the promo, should they decide to license Windows, they should NOT have to add to their min commit. We say they do. Tactical solution is to say we will come to terms with this AFTER the promo. First determine if Windows actually helps Dell sell hardware. If Dell determines they do want to license Windows (and I think they'll come to that conclusion as Windows momentum continues to build), I intend to add a "LOW" min commit to their existing min commit. They are building a prepaid balance again and I want to use the Windows license as a means of helping Dell exceed min commits.

NETFRAME
We have had several conference calls with them trying to work out an acceptable OS/2 min commit and royalty schedule. They're very nervous about our IBM announcement. Our taking LAN Manager to the channel and this announcement has combined to make them very conservative in their willingness to commit dollars to MS. They have signed a deal with Olivetti and project that Olivetti will account for 50% of their unit sales. They have also signed with Sigma Data in Australia and Singapore Computer systems. They feel they will do between $15-20M this year and expect to be profitable by Q4 CY90. Profitability means $50M annually in sales. Currently their average selling price for a NetFrame system is $50K and entry price is $25K. We will be having a support meeting for them here next week to lay the foundation for working together in supporting our common end users. They expect to ship OS/2 with their hardware sometime in November. MS has given its final proposal for OS/2 pricing.

PHOENIX
Amendment #4 which adds DOS 5.0- and $1.8M in additional commitments to their license has not been executed due to questions about Exhibit B. A meeting with Matt Katzer, et all the week of 10/8 should generate a resolution. Three key individuals attended OEM briefing. Intel shipped OS/2 1.21 on September 17.

UB
This month was again very active with UB issues. Most of Markbu's time was spent on three major areas. The first was in organizing the executive review at Microsoft on October 12th. This is now firm and in place with the pre-meeting briefing also scheduled and confirmed. The second issue has been the ongoing saga of the TCP/IP contract. This has been an area of much frustration and threatens the success of the executive review do to our lack of action. It now appears we will either be using HP's or 3Com's TCP. The third area of activity has focused around the Rules of Engagement. In response to UB's request for more information and the lack of push I was seeing in DOEM for this project. I have assigned to Markbu responsibility for all of DOEM and he has spent a fair amount of time getting that going. In

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the midst of all of this activity, UB went golden with LM 2.0 and is staring to install in key accounts.

(Lum Account Team)

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AST
Joachim, Richard and Jeffd to meet with AST's President, Safi Quershey, Tom Yuen, Greg Young and Larry Fortmueller. Jeff met with Brian Anderson and agreed on AST producing an AST/Windows exclusive video in exchange for $15K reduction in one quarterly royalty payment. AST agreed to demo Windows software and LAN Manager 2.0 in their Comdex booth. Discussions are under way with Larry Fortmueller on including Windows 3.0 and the Productivity pack with other systems. AST has increased their Windows 3.0/Mouse/Bravo forecast and submitted more PO's for October.

ATARI
Atari is positioned to sign for ROM-DOS and Works for the Portfolio, Works for the ST/TT, and DOS 5.0 for the desktop. We just need Ditek (third party developer) to give Antonio their time-line for development, so that he can sign our agreement which has minimum commits starting the earlier of first customer shipment or one year from the receipt of MS code.

COMPAQ
Paulina has been delegated by Steveb to head the RISC discussions with Compaq, which has had very positive affect on Compaq. It looks like there might be a way for MS and Compaq to put together a mutual strategy. Compaq has pushed very hard on the Strategic Alliance, and Billg and Steveb have bought off in principal on the program. We have revived a Ballpoint promotion for early next year, which might include Windows. The MMV group had a good technical meeting with Perez's developers. USSMD will provide a CAP discount to Compaq for MS software Compaq buys for internal use.

HEWLETT -PACKARD

PCG
Quiet month after releasing 1.21 to manufacturing. Larry still needs to resolve the amendment and min commit issue prior to their shipping of the product. This could be a heated issue as we try to get this finalized along with a proposed uplift of the DOS royalties when we go to amend the contract for 5.0. HP is deciding on a possible source purchase to complete their DOS adaptation. They have asked us for modules of source in order to avoid this, but we have not yet agreed to this request. The delay has given this more time to be decided. HP has changed their estimate to complete 5.0 to 4-5 months after receipt of the OAK.

NPR
ELI is going well and still close to schedule. We need to evaluate the impact of the IBM deal on LM 2.x release and what's included since were depending on some of this to occur in close relationship to OS/2 2.0 and now this seems to be beyond a date that makes sense for ELI.

New Wave
We have decided to change the amendment to just include Excel 3.0 and not press the start of mins to when we ship product into the channel. This means that HP will test the product before deciding to distribute and begin paying mins. Larry believes they will be pressured to ship the product to their customers and will pay. This avoids a lengthy negotiation on testing of the Excel release for NW connectability. One final issue remains a problem, the shipping of the shell. They have tried to get us to ship it in our box and we refuse, meaning NW customer will need to contact HP to get the shell or HP will have to do a rolling release of 3.0. BTW, now

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that we've seen the "Windows 3.0 and Beyond" Larry thinks there's not a chance that we would agree to work with them.

CND
Four major issues are open here. TCP/IP. LM/X 2.0 and the AT&T move, finished good distribution of LM/X by HP. SCO and AT&T. and finally a possible proposal to HP for LM 2.0 direct from MS for OEM or finished good distribution. Larry had several meetings with Pete Hamilton on these issues and will try to conclude some of them in October.

Boise
They liked the translator work and the TrueType results both on the screen and printed. This is promising and sets the stage for the November steering committee meeting with Hackborn and Gates. We will try to accelerate the Windows in a printer concept during October and will make some decisions on drivers for the Win 3.1 release with San Diego and Vancouver.

Vancouver
As part of our "Windows in a printer" concept, we are anxious to see the results of the sleek engine approach and how it is accepted by the market. Aristotle is in beta now and will be announced soon, probably Comdex.

NCR
NCR finished the quarter 107% of plan due to unanticipated DOS shell royalties. It was a milestone when NCR announced their System 3000 "Seven Levels of Computing" series of machines on September 18. Unfortunately, our OS/2 announcement had quite a negative impact at NCR and their current sales motions, due to their head-to-head competition with IBM. We will work to combat it with a jointly-issued Q&A to NCR's sales force. 1.21 was delayed further as NCR tried to finish up the LADDR pieces. LM was also delayed while NCR waited for the CDS from MS. The good news for the month was that NCR signed their Win 3.0 per copy agreement and also that they finally received their final Comm Server code.

PRINTER BUSINESS
This month was capped off by a productive Seybold session. LaserMaster and Microtek both announced their TrueImage based products at the show. Meetings with Linotype, Graphic Edge, Tektronix, Qume, AMD, Pacific Data Products, Lanquest, Peerless, and Mannesmann Tally, among others, resulted in rekindling a few flames (and lighting some new ones) that should result in some near-term business. In the contracts area, both LaserMaster and Linotype have signed agreements.

(Downing Account Team)

AWARD COMPUTER
Don is working with Sergio Pineda and Mark Chestnut to sign new ROM DOS customer for embedded systems. License agreement should be signed by next week. A joint press release will be sent out after the agreement is signed. Royalty commitment of $100K for 1 year.

UNISYS
Met with Unisys contacts responsible for DT3 marketing. In addition, input was gained from MS Federal on how to improve MS portion of DT3 business. As a result of discussions at MS Federal, and Unisys it was reveled that Unisys does not have a marketing plan, has a very low MS Office penetration rate, was not cooperating with MS to increase that rate and was late in sales out reporting. Littleton agreed that a marketing plan for DT3 should be put in place and that Sales-out reporting would be available in a more timely manner. Additional DT3 mice orders received/new pricing quoted. Unix group taking another look at LM/X - has problems with AT&T price

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POQET
Don went with me to meet with their CFO and Marketing people to discuss new license agreement amendment, based on them receiving more venture capital from Fujitsu. New amendment should be signed next week.

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JAPAN (Ron Hosogi)

NEC
- KK closed the PC-Works packaged product deal at NEC. The terms are scaled prices of Y7,500 ($50) for 1-100K copies; Y6,500 ($43) for 100K-200K copies; Y5,500 ($37) for over 200K copies.
- NEC's Windows Runtime version is in final stage of release. The version is subset of NEC's retail version and has more functionality than our standard runtime.
- NEC 2Nd OA committed to Multimedia Windows for its new MM PC-9800 and entered into further technical discussion. NEC wants to support SQL and Comm Servers on the PC-9800 series next year. We have been asked to report the latest product status for Kanji versions.
- We also provided input to NEC on MS's new direction on DOS, Win, OS/2, and relationship with IBM.

EPSON
- MS (PradeepS/MarlinE) presented Stylus Windows to Epson's Computer & Office Machine Div. (export and domestic PC's), Artificial Intelligent Div. (AI software), and SI Div. (makes personal organizers). They showed interest in the product, especially the handwriting recognition.
- Epson's PC group reported inaccurate royalty count for DOS 3 and 4 agreements over the last 3 quarters. They claim to have overpaid us $400K by mistake. Details will be reported by IchiF after a meeting is set up to specifically discuss this problem. An account review is also planned for Q2 (November) in Redmond.
- Epson is shifting from a low-end model strategy to more profit-oriented high-end DOS 4 models. Softness in the export market show that Epson DOS 3 unit shipments went from 234K units (2Nd half of CY89) to 165K units (1st half of CY90).

Epson Printers
PBU (Dan Steele) team had a meeting with Mr. Seki, Manager of New Business Development who does the planning for future printers. Mr. Seki was surprised to hear MS's dumb printer strategy even though he anticipated the possibility that PC includes PDL feature in future. During the PBU meeting, we learned that Epson is not keen on making low-end dumb printers because it is so hard to product differentiate. The low-end LBP strategy also eats into their dot-matrix printer share.

FUJITSU
- Rob Glaser gave a Multimedia Windows status update to Fujitsu. MarkAn will follow up with Multimedia Windows demo at MSKK. Fujitsu remains committed to this project.
- Fujitsu will demonstrate a new ROM-DOS based notebook PC at November's DataShow. The notebook is capable of running 8 hours with two 3AA batteries and weighs only 990 grams.

IBM-J
- We are pushing IBM-J to bundle PC-Works onto their new Note PC but we are in competition with Lotus Works. We will win this business.
- IBM-J is licensing OnLine both in the U.S. and Japan. Now they are preparing agreement draft.

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MATSUSHITA (MEI)
- The Kay Nishi/DR-DOS saga continues. MEI still has not made any decisions. We convinced them we should meet and discuss the MS ROM-DOS business terms. SamF will meet with MEI brass in early Oct.
- MEI bought MCA for future Multimedia business. Interestingly, there is no Multimedia group at MEI.
- They will release i386SX-based notebook PCs, which is compatible with their desktop "PanacomM" series models.

MELCO
- They are in deep trouble with LM 1.01 bugs at the Chubu Electric Utility account. MSKK R&D is still struggling to support them. Since Chubu is one of the prime Kanji OS/2 and LM showcase accounts, we need to help and maintain good teamwork with MELCO.
- Export PC sales are shrinking due to increasing price competition from Japanese, Taiwanese and Korean PC makers. MELCO is also revamping its marketing plans. In FY90 Q4, (Apr.-Jun.) MELCO shipped 9,000 export units. Today, they are shipping almost nothing.

OKI ELECTRIC
We made a PBU presentation to PC and Printer groups. We have to clarify Kanji TrueType fonts strategy in order to sell TrueImage to Oki corporate. The Printer group is swaying. They will license TrueImage if it becomes a standard. Although the OkiData U.S. sub has a license today, the Oki parent may not move the contract over for a larger commitment as quickly as we anticipate.

RICOH
We made a presentation to I/O system Div. and System development Div. The I/O Div. is in charge of export printers. The System Div. is in charge of Japan domestic printers. TrueImage licensing has been given the Go-ahead by Ricoh's vice president and will license TrueImage soon.

SANYO
- MS did the Multimedia presentation to Sanyo's Gunma plant and found that its computer division will handle MPC planning and development. Sanyo is very interested in MPC and seems open to the MDF (Market Development Fund) plan.
- Sanyo is now trying to get into new OEM businesses and secured a contract to supply its new notebook PC to Commodore. Sanyo will use its own DOS license to cover all notebook machines business. Commodore committed to buying 12K units over the contract period.

SEIKO INSTRUMENTS
Sales call at Seiko-I revealed that they are studying feasibility of ROM-DOS for a new i286 based handy terminal. In addition, as an LCD touch panel manufacturer, they showed interest in Stylus Windows.

SHARP
MS did a Stylus Windows presentation at Sharp. Over 29 Sharp people attended.
Sharp is still having trouble in manufacturing the All-in-Note for the Japanese market due to HDD defects.

SONY
- We made a successful presentation to the PalmTop group in the Interactive Div. This machine is currently targeted at the dedicated personal market only in Japan. Sony does plan to integrate an AV system and market the product in the U.S.
- There is interest for Stylus Windows for this machine.

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TOSHIBA
- We did a Stylus Windows presentation to the PC marketing, PC development and Lab groups. Toshiba, as a whole, is interested in Stylus Windows but also interested in Go as well. MS succeeded in porting Stylus Windows to their stylus machine. Next steps are to meet with Toshiba America for a top level presentation and for BillG to meet with Mr. Mizoguchi in October.
- The amendment for Win 3 Kanji source codes and Exhibit B is in negotiation stage.

KOREA (Ron Hosogi)

DAEWOO TELECOM (DWT)
- The Win 3 CRC delivered to DWT on Aug. 30 had quality problems. We shipped the CRC again in September. DWT expects Win 3 to ship from the end of October.
- The DOS 4 CRCs are not shipped yet due to a L/C problem.
Leading Edge shipments appear to be going very smoothly. DWT is on its path to recovery. In September, DWT joined Japan's AX committee. DWT requested an eval copy of Kanji MS-DOS for AX but still don't have any sales plan for Japan.

HYUNDAI ELECTRONICS INC. (HEI)
- The Win 3 deal is almost final but the decision making slipped into October. The DR threat still lives, especially in the export section which needs a low priced DOS for XTs to be shipped to Eastern Block. We will maintain and utilize HEI's UPB situation to keep out DRI.
- OS/2 1.21 ABIOS supplement kit was requested but not available yet from HQ.

GOLDSTAR (GS)
- GS is trying to set up Win 3 strategy with its PCs.
- Win 3 compatibility problem was solved by CH's OEM tech support and HQ's help.

TRIGEM (TG)
- Our relationship with Trigem is getting better. Their royalty reports show good numbers. Win 3 and commitment upgrade discussion was initiated during the month.
- A TrueImage meeting was made with TG and HCI (TG's subsidiary.) They are interested in a Hangeul version and also are looking for a possibility to supply Hangeul fonts to MS.

SAMSUNG ELECTRONICS INC (SEI)
- Samsung/Emerson issue is still unclear, but recent update indicates that Samsung will cover Emerson machines from Oct/Nov time frame. Prior PCs should be covered by Emerson agreement as Emerson/Samsung claimed.
- We enrolled them on the ESP program for DOS 5 on its new Lap-top.

TAIWAN (Ron Hosogi)

ACER
- We continue to negotiate DOS UPB reduction plan with Acer and all should be clear next month. The Mouse contract issues were settled in September. Two remaining open items are DOS 5 licensing policy (carry over of DOS 3.x ROM-DOS royalties) and DOS OnLine manual policy.
- Acer is in the final planning stage for Win 3 upgrades. Acer will provide MS with a detailed action plan based on our input.
- Acer is interested in Catalan DOS for a contract with Spain education department. They believe this is a 100K units order within five years.

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CAF (Fontex)
We already have verbal commitment for Win 3. A contract has been prepared and sent to them.

COPAM
- The 386 machines were removed from Works contract. Copam promises they will increase 88/86 and 286 so the M/Cs remain the same.
- They are now very interested in OS/2 and LAN Manager. Copam is very committed to Intel on high end machines (486, i860) in their future H/W platform. Most of the major development work is taking place in the R&D office in America.

CHAPLET
DOS UPB reduction plan was completed. Since the quantity they committed on Works was not big, we will do more to discuss with Chaplet how they could use UPBs.

LYI-CHENG
The Win 3 contract for 6K units/year at $40/sys was signed. They have some payment questions and Scott Chiu, Executive Assistant will arrange a meeting with MS accounting people in Redmond after the OEM Briefing.

MITAC
Mitac's Turkish disti has been selling Mitac's OEM Windows package on a standalone basis. We sent a warning shot to Mitac to cease this disti activity.

TATUNG
- Tatung is making good progress in their low end SPARC station. They are now leading the Taiwan SPARC clone maker and plan to introduce a machine at COMDEX. The price point is under $5,000.
- Tatung is also closely monitoring our courtship with Packard Bell. They are worried that PB will ask Microsoft for a direct DOS license.

TWINHEAD
We are discussing an increase in the commitment level of DOS from 75K to 100K. They want to up the Win 3 level from 10K to 24K per year. Twinhead continues to do quite well in shipments.

<u>CANADA</u> (Ron Hosogi)

PHILIPS ELECTRONICS
- Philips revenue in September was $707,840 against a budget of $700,000. The account was transferred to Redmond (Mark Baber, Account Manager) in late September. The announcement was very well received by Philips. BertL and GaryPe completed the update to the Philips UPB plan. The Windows licensing was concluded at US$23/sys for all SX machines with a commitment of 50K units per year. Mark Baber will prepare the agreement. The prepaids from the Headstart licenses will apply to Windows royalties as per the Philips UPB reduction plan.
- The proposed Windows Application Sampler distribution deal was mutually dropped. It was agreed that Philips could use the Windows self-running demo on their SX computer since fulfillment by Philips is done via coupons. While Q1 goals to complete Philips' amendments slipped, we will be able to resolve all Philips contractual issues by end of Q2.

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OGIVAR
We were able to get agreement to sign a standard language DOS and Win 3 contract without modification. The UPB reduction plan was implemented in the contract. This agreement will be signed by Ogivar on October 15. The credit language is a 50-50 deal, where 50% of the minimum commitment is paid by Ogivar and 50% is transferred from the UPB until exhausted.

MATROX
We concluded an extension to the current MS-DOS license for two extra quarters. The volume commitment is reduced to match the outstanding units owed to the US government. The royalty rate was increased for a resulting quarterly commitment of $31,500. There is strong Multimedia Windows interest.

MICRO TEMPUS
The Micro Tempus amendment has been signed by MTI; we should have MS signature by end of October.

PRIMAX
New account signed up in September for DOS and OS/2. They are an ex-Phoenix account (?). Primax is owned and managed by Business World people in Toronto. This account is expected to ship DOS in early October.

EUROPE (Jeff Lum)

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MS SPA
(Maurizio Bedina)

OLIVETTI
General - Franco Tato, CEO of Olivetti Office, has been fired after his attempt to gain for Office a predominance over OS&N in the group. Ettore Morezzi, former CEO of Olivetti Technology Group, is new CEO. He is far less aggressive than Tato in the commercial area. This, together with Bonetti, Mktg Director (Tato was acting Mktg VP) being allegedly not so good, puts Office in bad shape for their business and MS in better shape for doing business with them.

Agreements - Office signed the LOI for Works. This is additional $1M for the next 13 months.

Windows 3 - Not great news from the bundle front. Some MS subs appear to be late in finalizing their MLP programs, thus conflicting with Olivetti's plans (start max November). On the HCT front, Davidcol agreed to release the patch and make it available via Online, via PSS, etc. Will give Olivetti release date ASAP (still unknown) and the patch itself once ready.

MS SARL
(Christophe Aulnette)

BULL/ZDS
The situation is now completely clear. All Bull machines will be reported under ZDS contract with an effective date of July 1st, 1990, which means that we'll reinstate the June invoice that had been held off as they initially planned to merge the contract effective date to April 1st. This will generate a $700K extra billing next month!

As expected, Bull's royalty report for Q4 FY90 has been low with only 15K units sold. This is mainly explained by the difficulties that they have to merge the sales channel of both companies in Europe. The global report amounts so that Bull's UPB is now $886K.

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GOUPIL
Their new OEM contract (including per system Win 3) has been signed just in time this month to enable us to start the new min commits schedule. This contract will generate $2.4M this FY91 instead of $1.8M which were planned pursuant to their previous one.

They have launched an ads campaign including radio spots which mention that their new product range includes Windows 3 as a standard part of the offer. I'm also preparing a new joint MS/Goupil press release on this bundle.

MS LTD
(Sandy Duncan)

AMSTRAD
The meeting with Jeremy Butler was successful. Amstrad was unusually open and cooperative. Opportunities for Windows 3.0 design ins have appeared. Follow through suggest that this may be a hard sale. We are facing competition-from a relatively unknown company (GeoVision) with their GeoWorks product.

Piracy continues to threaten our FG DOS business. David Bradley is doing a good job at every opportunity, however the number of "incidents" is rising. Speed of response from Euro HQ and Corp is very disappointing.

MS GMBH
(Manfred Schindler)

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SIEMENS-NIXDORF INFORMATIONSSYSTEME AG
The 2 new license agreements effective Oct 1st with a minimum volume of more that $5M p.a. have not been closed. Although there is agreement on the basic conditions and terms, there are still minor issues to be solved.

SCHNEIDER RUNDFUNKWERKE
They were sent a termination letter because of infringing with the marketing rules. works was sold separately by distributors. Schneider changed works so that it installs on Schneider systems only. Transfer of prepaid balance is solved now, the new license agreement can be prepared for signature.

VOBIS
Signed the license agreement for WORKS. Delivery of CRC was later than expected, however, everything goes towards shipping the Works computer systems (PS/1, VOBIS' Highscreen).

MS AB
(Bengt Akerlind)

NOKIA
Nokia agreement was signed resulting in an all time high for MS AB OEM. For FY90 Victor only has an annual commitment. A UPB of about $400K results in no minimum commit this quarter and a big recoup of all $400k next quarter, leaving Victor around the $100K mark for next quarter.

$12M agreement signed by mike Hallman. First $3M invoiced.

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Steve Ballmer has stated that he will "fix the Sytos" problem in LAN Manager. Nokia has demanded compensation for the $88 Sytos wanted for the backup software.

Jeremy and Joachim have worked with us on a new policy for licensed products on non Nokia hardware. There are some details to work out in the light of Nokia changing outfit from a clean OEM to something more like a VAR. Another complication is that Nokia will introduce indirect sales in Sweden and Finland. discussions will continue in October.

VICTOR
We are under considerable pressure with the OEM Bulk Mice. Victor has quotes for $15-16 for a mouse including packaging where the cost for a comparable package based on the MS Mouse is $35. It turns out that Tandy's Asian purchasing organization TT owns parts of Microsoft's Mouse supplier, Mitsumi. Tandy is pushing Victor to take their (Mitsumi) Mouse and will in that case give Victor access to the Microsoft Driver that Tandy has licensed for $.50 a copy. This license will soon expire. OEM in Redmond is trying to raise the price to $1.50 but unless Tandy can keep the $.50 rate, they will write their own driver.

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WORLDWIDE OEM SALES
SEPTEMBER 1990
($000's)

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	CURRENT MONTH			YEAR-TO-DATE		
DOMESTIC	ACTUAL	PLAN	VARIANCE	ACTUAL	PLAN	VARIANCE
LICENSING	$ 5,347	$ 1,490	$ 3,857	$ 32,024	$ 30,250	$ 1,774
PACKAGED GOODS	2,400	448	1,952	6,788	4,815	1,973
GROSS DOM REVENUE --->	7,747	1,937	5,810	38,812	35,066	3,747
GAAP ADJ.	(4,100)	0	(4,100)	(4,100)	0	(4,100)
OTHER ADJUSTMENTS	(5,000)	0	(5,000)	(5,000)	0	(5,000)
NET DOM REVENUE --->	$ (1,353)	$ 1,937	$ (3,290)	$ 29,712	$ 35,066	$ (5,353)
INTL SUB / AREA						
EUROPE						
MS LTD	$ 2,336	$ 1,242	$ 1,094	$ 3,551	$ 1,633	$ 1,918
MS AB	3,047	550	2,497	3,086	1,759	1,328
MS GmbH	1,150	2,339	(1,190)	2,227	3,936	(1,709)
MS AG	3	0	3	3	0	3
MS SARL	628	559	69	643	876	(232)
MS BV	1,997	44	1,953	2,039	569	1,470
MS SpA	3,010	1,961	1,049	3,164	3,132	32
MS SRL	36	115	(79)	41	131	(91)
TOTAL EUROPE	12,205	6,810	5,395	14,754	12,036	2,718
ICON						
MS INC	197	98	100	208	227	(20)
MEXICO	285	319	(34)	383	379	4
BRAZIL	276	248	28	434	391	43
VENEZUELA	0	0	0	0	0	0
AIME	91	99	(8)	226	145	81
TOTAL ICON	849	763	85	1,250	1,143	107
FAR EAST						
MS CH	5,556	4,812	744	5,663	4,812	851
MS TC	3,216	3,217	(1)	4,239	4,414	(175)
ASIA PACIFIC	578	538	41	705	562	143
SINGAPORE	191	56	135	191	56	135
MS PTY	45	102	(57)	45	111	(66)
TOTAL FAR EAST	9,587	8,725	861	10,844	9,956	888
KK						
MS KK	1,579	8,132	(6,552)	8,723	14,363	(5,639)
OTHER REDMOND SALES						
MS HO	708	686	22	833	700	133
TOTAL OTHER	708	686	22	833	700	133
TOTAL NON-EURO	12,723	18,307	(5,584)	21,650	26,162	(4,511)
GROSS INTL REVENUE --->	24,928	25,117	(189)	36,404	38,196	(1,793)
ADJUSTMENTS						
GAAP ADJ.	4,100	0	4,100	4,100	0	4,100
OTHER ADJUSTMENTS	(2,500)	0	(2,500)	(2,500)	0	(2,500)
TOTAL ADJUSTMENTS	1,600	0	1,600	1,600	0	1,600
NET INTL REVENUE --->	$ 26,528	$ 25,117	$ 1,411	$ 38,004	$ 38,196	$ (193)
NET WORLDWIDE TOTALS --->	$ 25,175	$ 27,054	$ (1,879)	$ 67,717	$ 73,263	$ (5,546)

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