

Bill Gates

From: Joachim Kempin
To: Bill Gates
Cc: Bob Herbold; Steve Ballmer
Subject: RE: Oem price guidelines
Date: Friday, January 06, 1995 7:06AM

The goal You set was 20% average above current prices , I am very confident we will achieve this. Let's take a global look of what has changed:

1. we will get reports monthly and paid monthly. this will improve our cashflow.
 2. we will gain some more by having progressive pricing.
 3. we modelled the new PGL based on effective prices which are below the current PGL- as I showed You in our price discussion. these increases leave should yield 25% increases in average thus leaving some room for negotiation.
 4. I do not expect all companies to fulfill their MDA targets giving us better prices.
 5. The current plan call for volume pricing of the WIN 95 units only, without combining total volume. This again leads to higher prices.
- All in all we have enough room to achieve the 20% target.

From: Bill Gates
To: Joachim Kempin
Cc: Bob Herbold; Steve Ballmer
Subject: Oem price guidelines
Date: Tuesday, January 03, 1995 9:12PM

I have been studying this thing a little bit.

I am sure you understand how it relates to your goal of raising our revenue per PC.

On the surface I see the following: (I am excluding here international markup \$6.50 => \$6 and hard disk install discount (\$1.50) => (\$1))

Volume level:	Lowest	480-600	Highest
Dos6.22 + tools	27	20.25	18.25
Windows + Wfw	50	34	28.50
All 4 old prdcts	77	54.25	46.75
W95 w/oMDA	75	58	53.25
W95 w/fullMDA	55	45.65	41.80

Without knowing whether we will be charging closer to list price than we have in the past and expecting that a lot of people will get the full MDA it looks on the surface like not only will we not get our goal of 20% or so per unit increase with the incredible innovation of Win95 but we will actually get less. For a customer who didnt buy Wfw this would be true but a high percentage did buy it.

Are we going to achieve our goal of increasing revenue as we hope? Of course Compaq will not have to pay anything new but I think they are the only ones who get a carry over.

On the surface it looks like prices are going down!

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Plaintiff's Exhibit

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Comes V. Microsoft

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