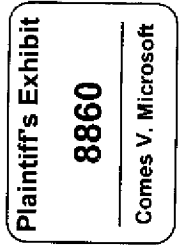
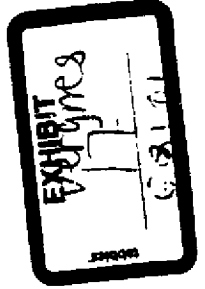


Board of Directors

Worldwide OEM & International Finished Goods Businesses

Jeremy Butler, Tokyo, May 9, 1991



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Agenda

OEM

Status in the Market

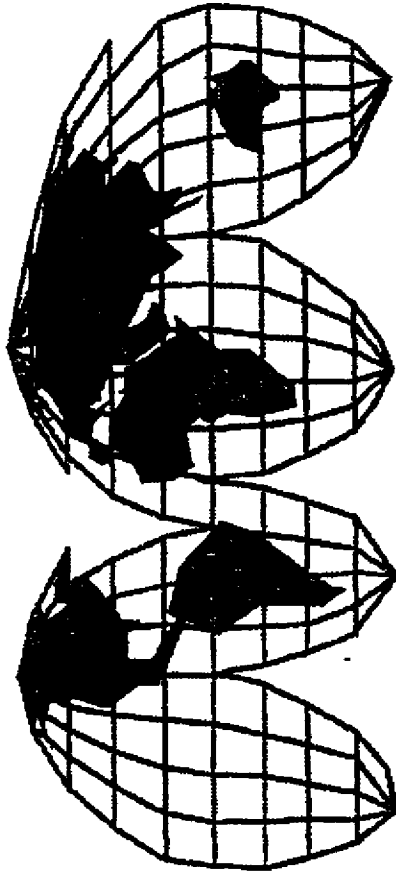
Challenges

International Finished Goods

Status in the Markets

Challenges

OEM Business



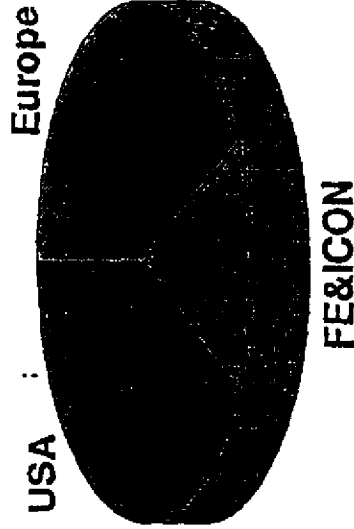
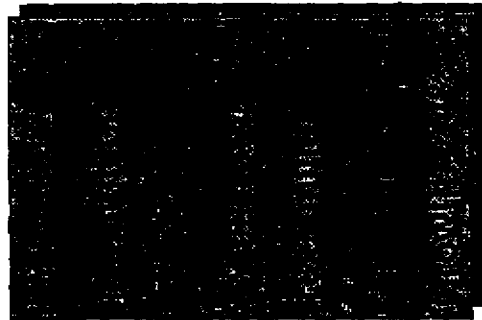
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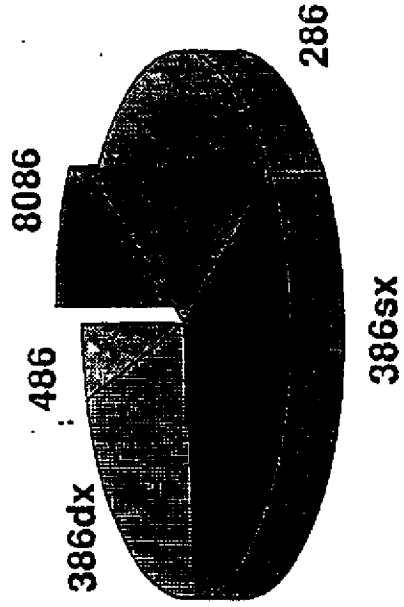
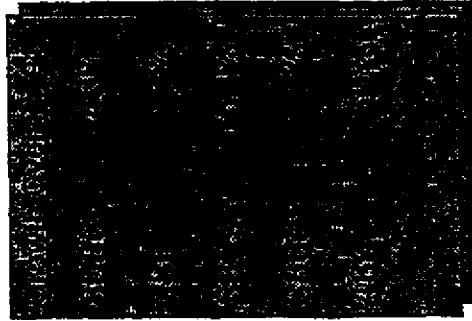
OEM Trends

- **No Consolidation**
- **Worldwide Market View by OEMs**
- **DOS Larger Percent of OEMs' COG**
- **Many *still* shipping MS-DOS 3.3**
- **Lack of distribution for OS/2**
- **"Windows Sells Machines"**

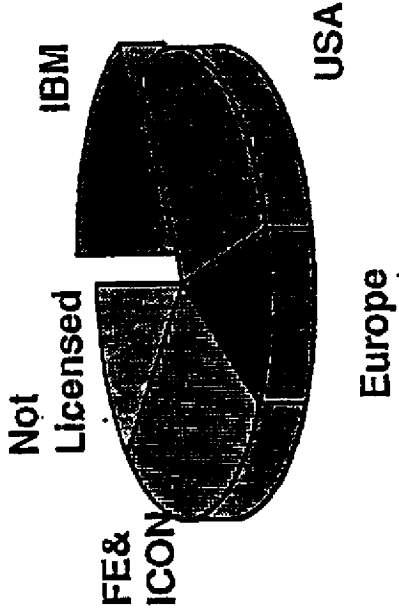
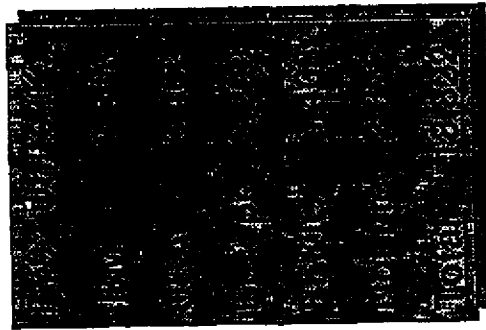
Forecast Machines Consumption FY 92



Forecast CPUS FY 92



Where Licensed? FY92



Top Shipper OEMs

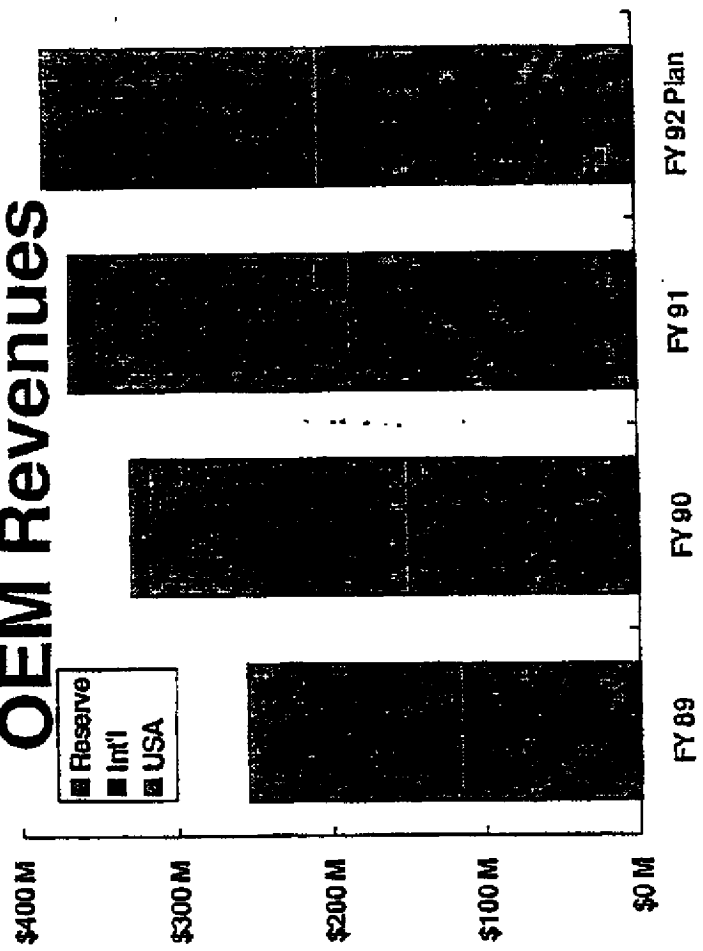
(Thousands of Machines Forecast for FY92)

NEC	1,213	Epson	370
Compaq	1,013	Samsung	333
Olivetti	643	Zenith	332
Toshiba	594	AST	320
Tandy	500	Amstrad	282

Top Ten OEMs Account for 42% of Licensed Units

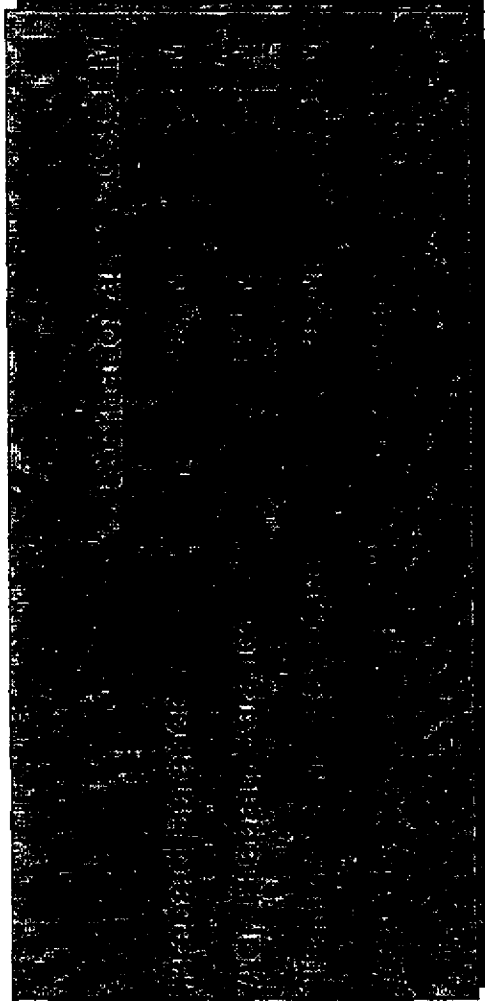
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OEM Revenues



OEM Prepaid Balances

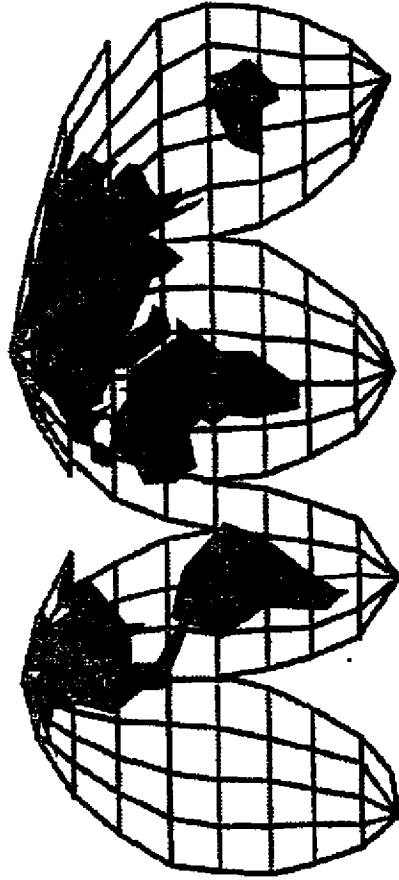
Prepaid Balances vs. Annual Revenue



OEM Key Goals for FY 92

- \$400 M revenue; no PPB problems
- 65% of all PCs ship DOS 5 by Q3 end
- > 50% licensed 386 machines, also shipping with Windows; > 20% preinstalled
- Get NT QS/2 designed into & shipping with 80% MIPS machines, and into high end Intel machines.

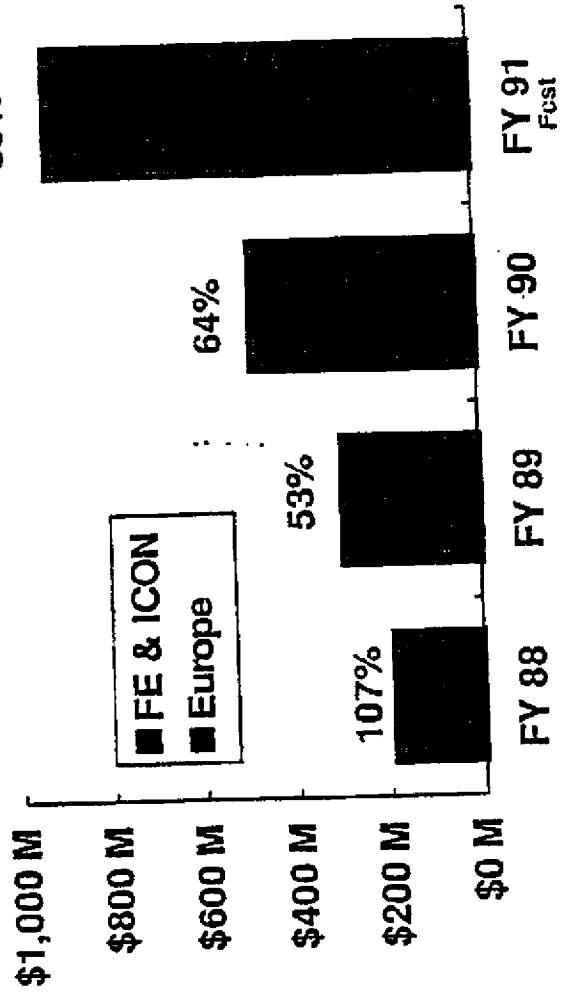
International Finished Goods



Revenue Growth

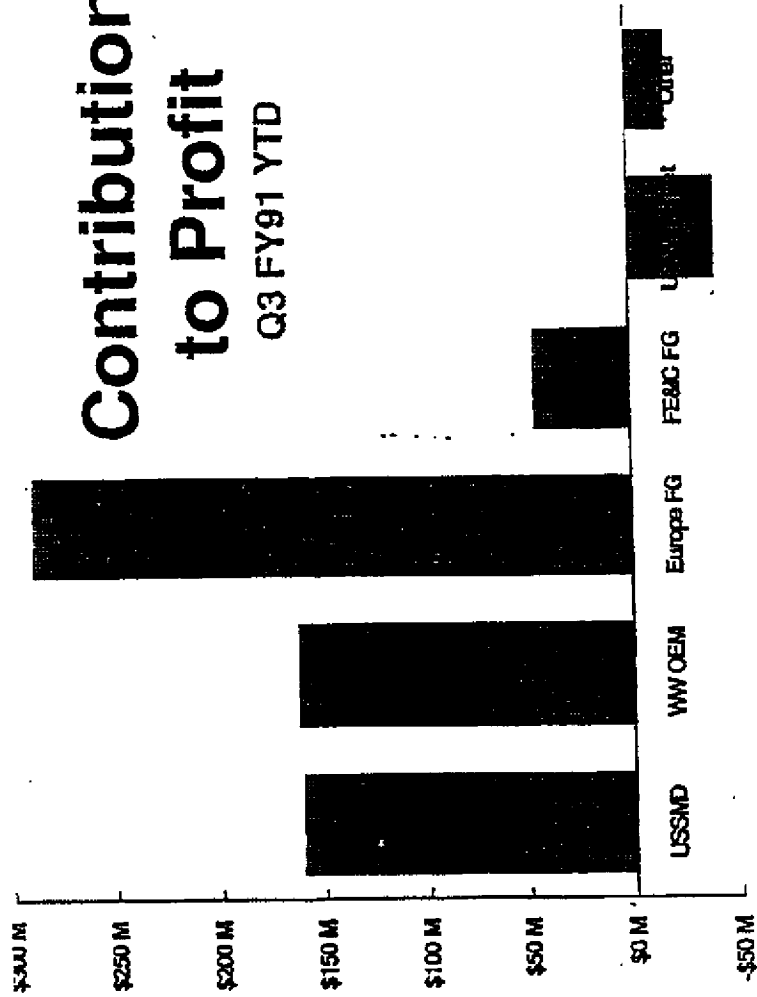
International Finished Goods

89%

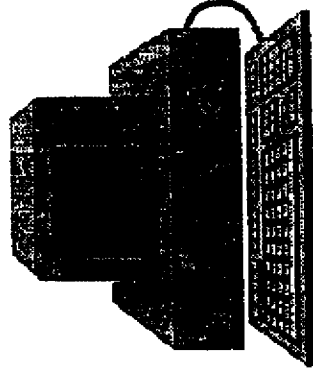


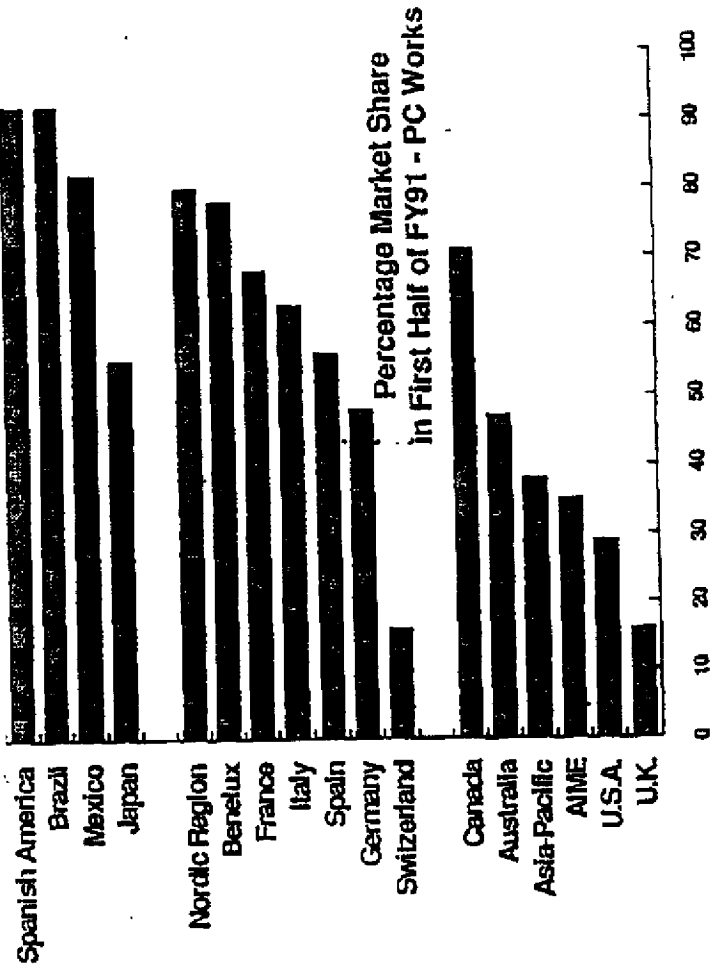
Contribution to Profit

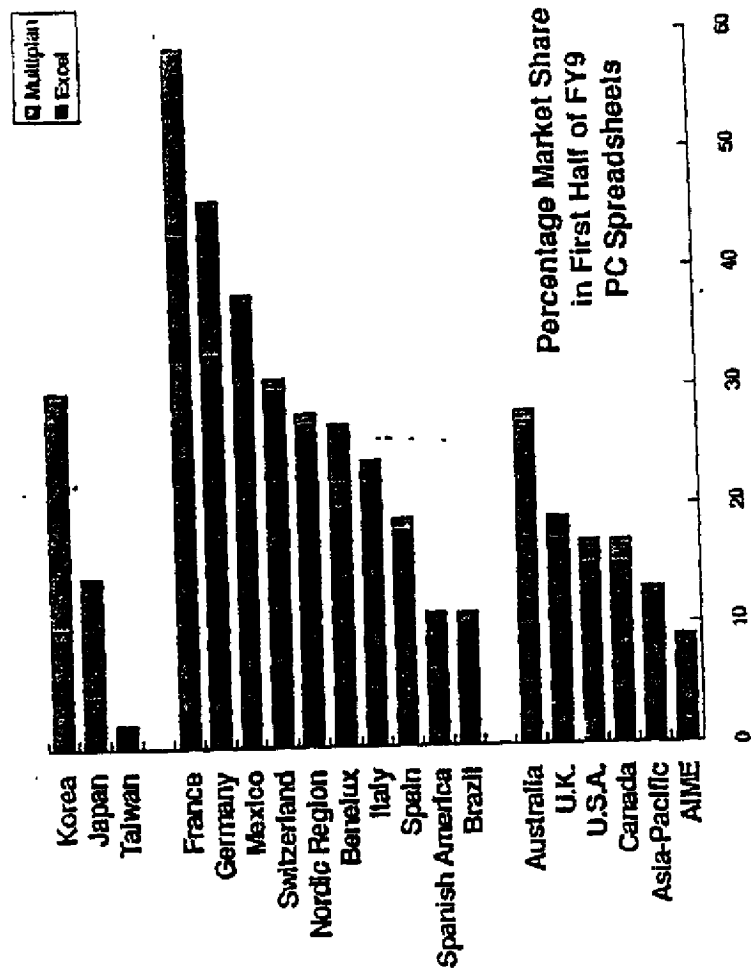
Q3 FY91 YTD

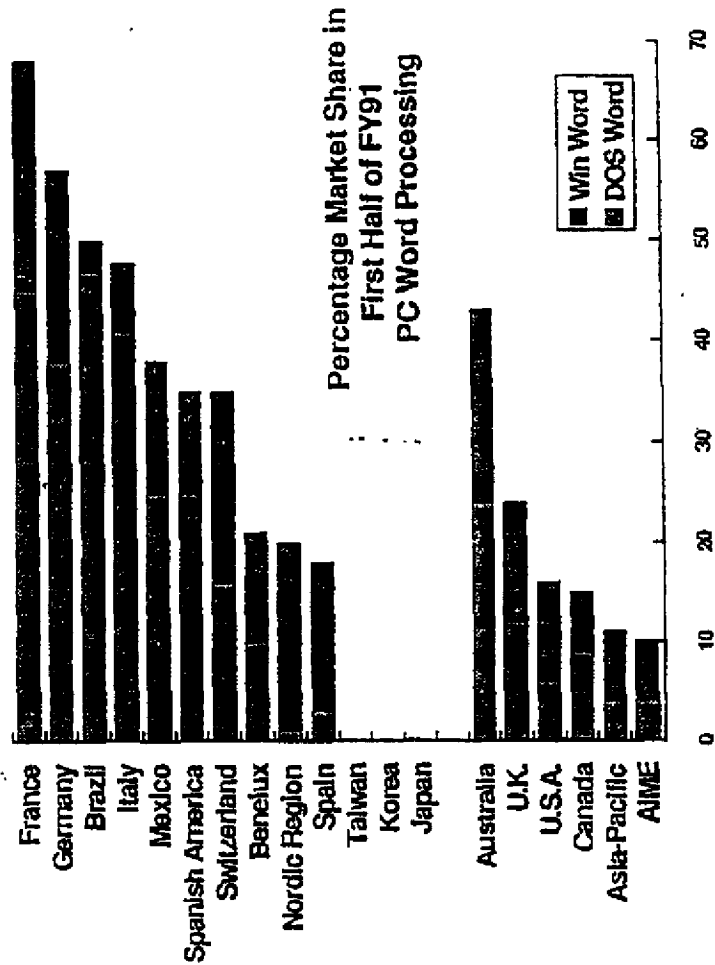


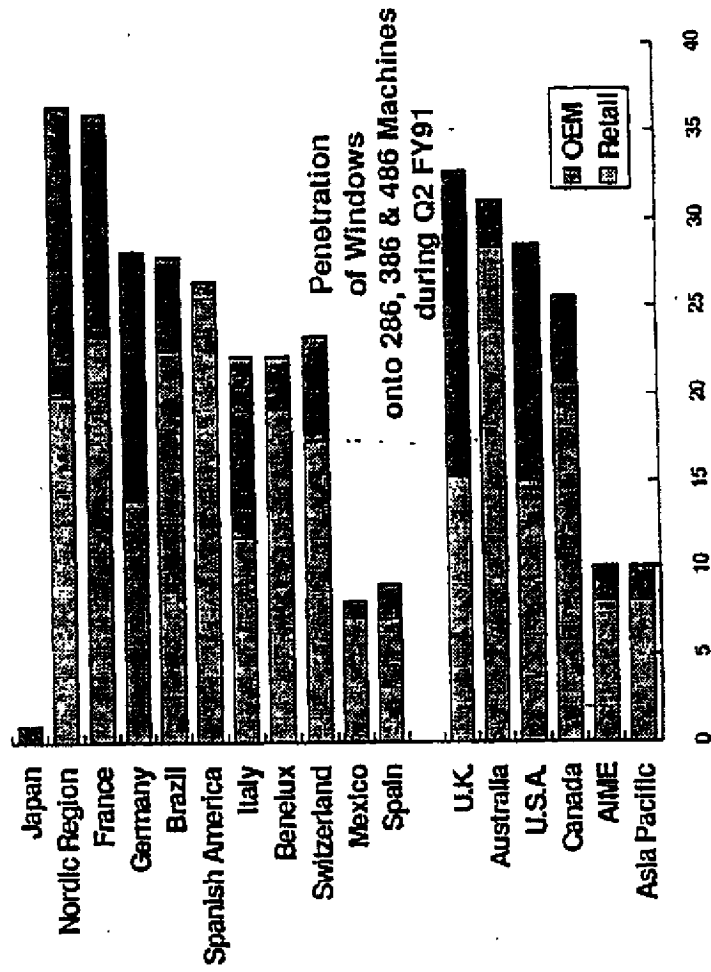
Marketing Data Intel Based PCs

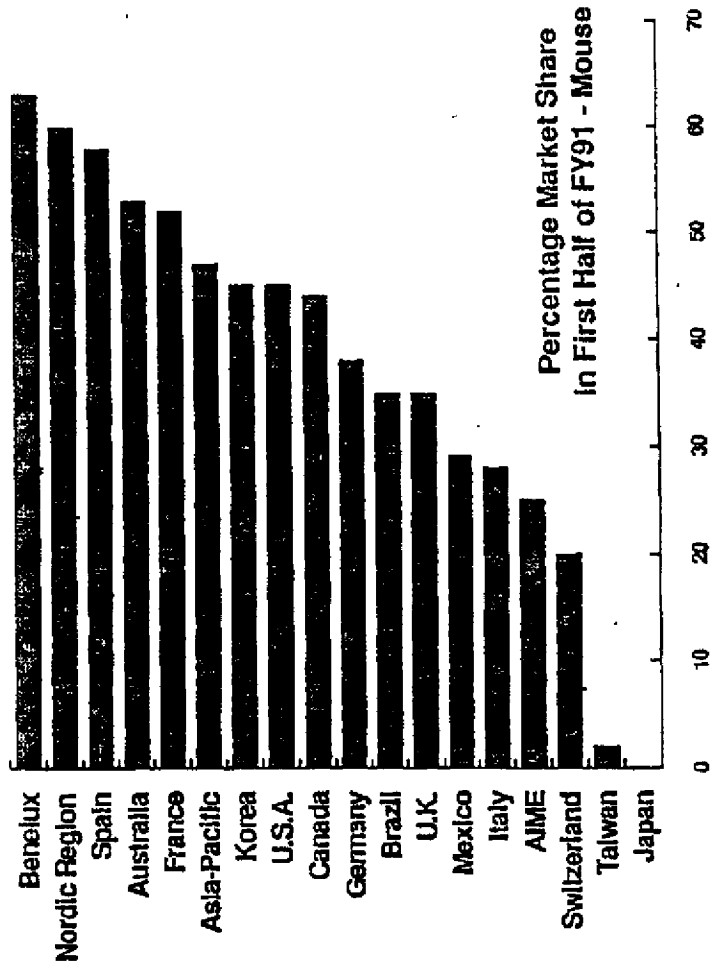


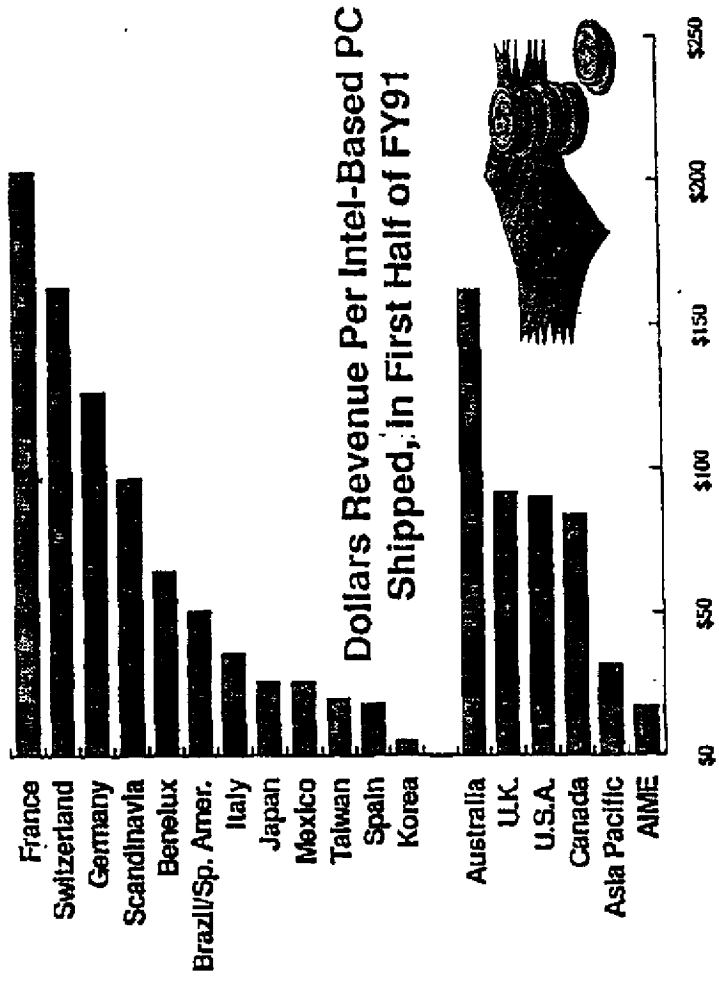




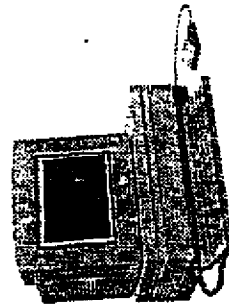


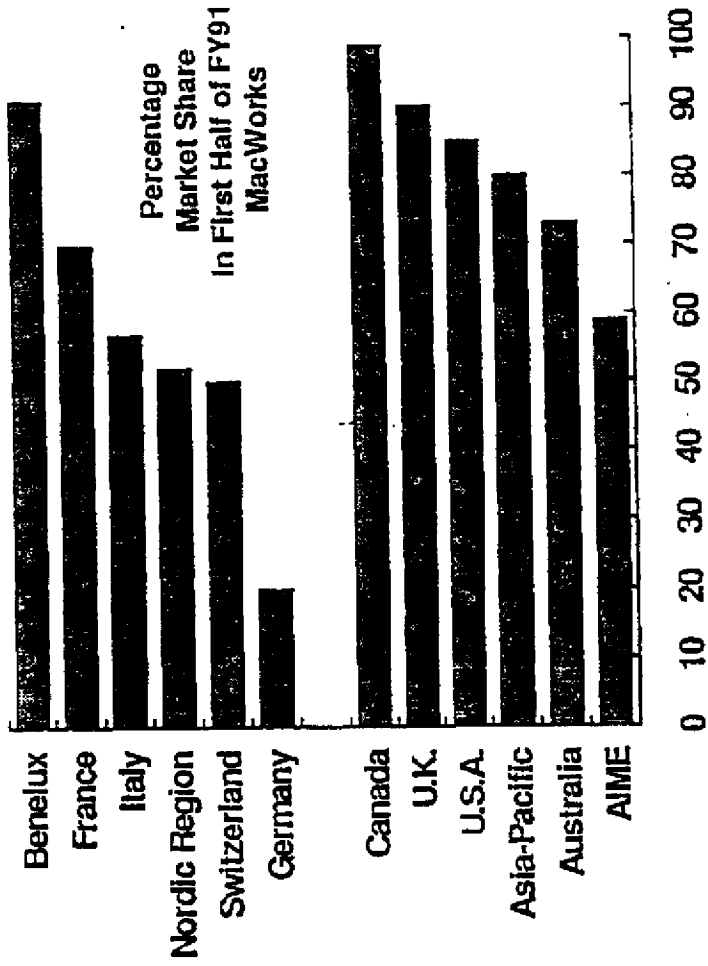


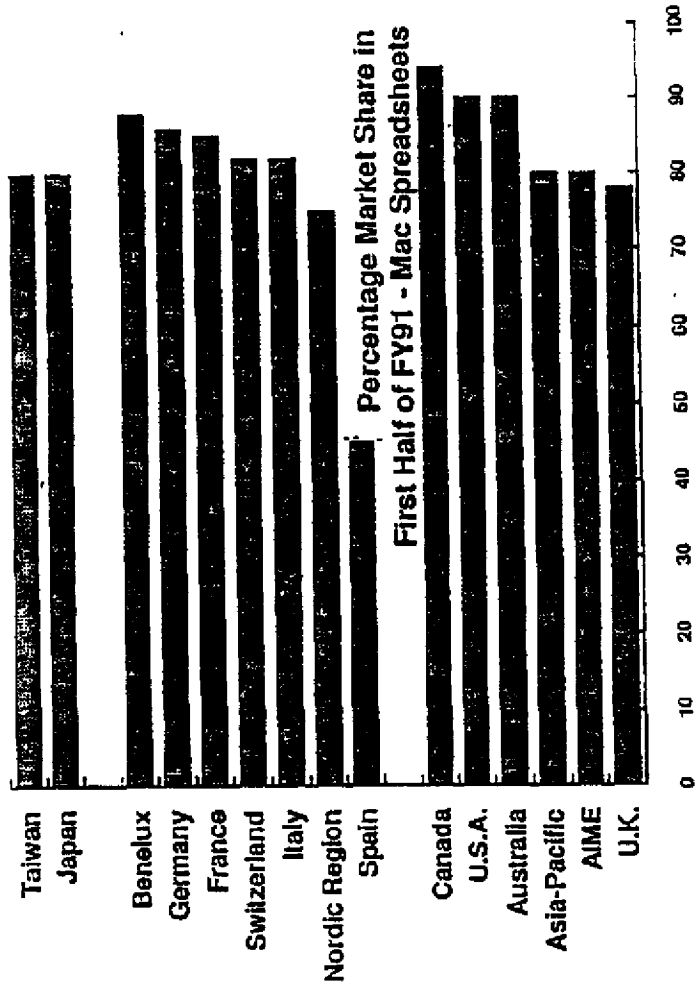


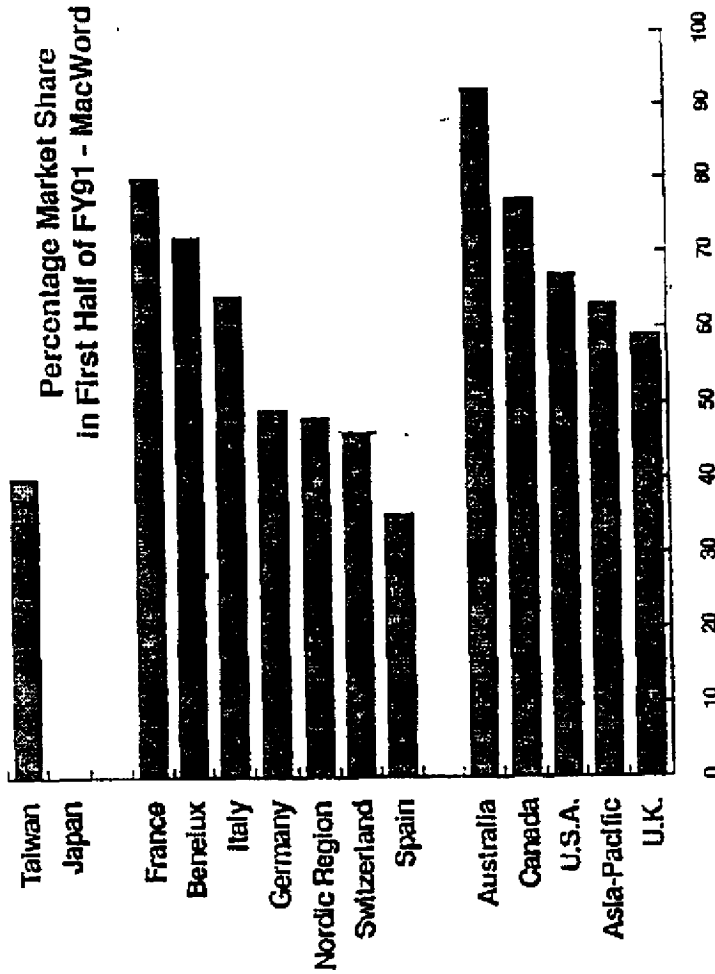


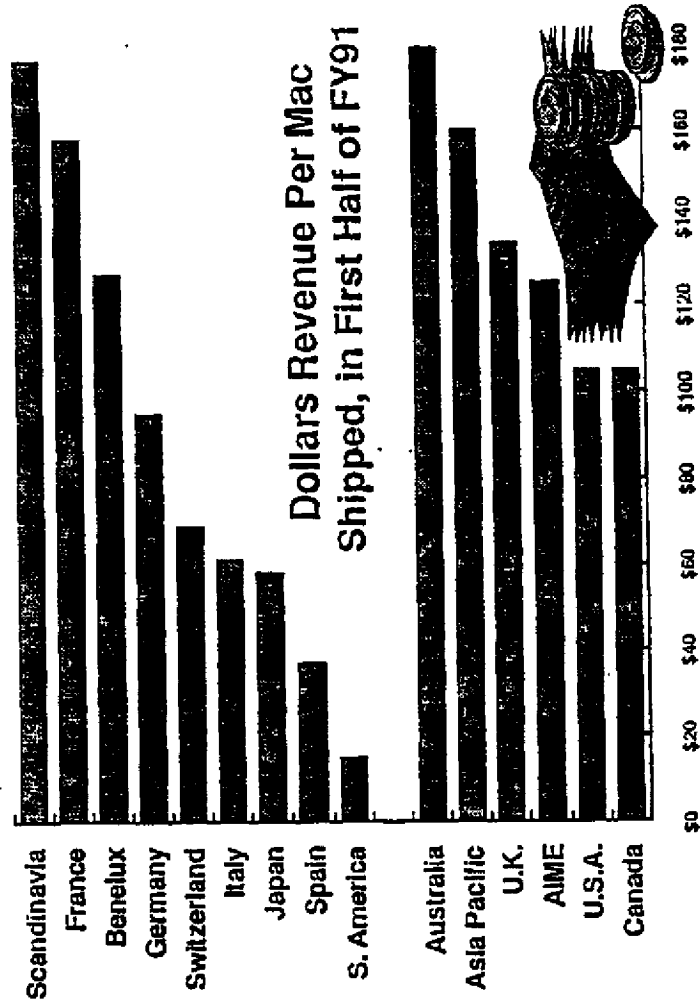
Marketing Data Macintosh











Worldwide Issues

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Finished Goods
Lan Manager & SQL

<u>FY91 YTD Apr 91</u>		
(\$ millions)		
<u>Channel</u>	<u>Actual</u>	<u>Budget</u>
US Net	\$5.127	\$20.607
Int'l Net	\$6.674	\$8.641

- Organization
- Sales cycle
- Client server
- Novell strength
- Loc. product
- MS reputation

R&D and Localization

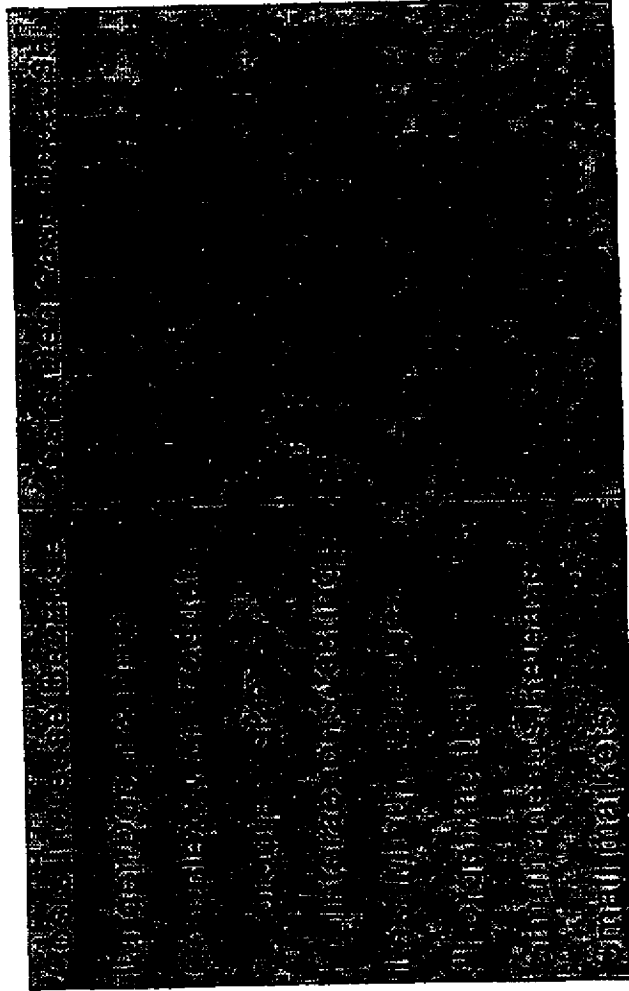
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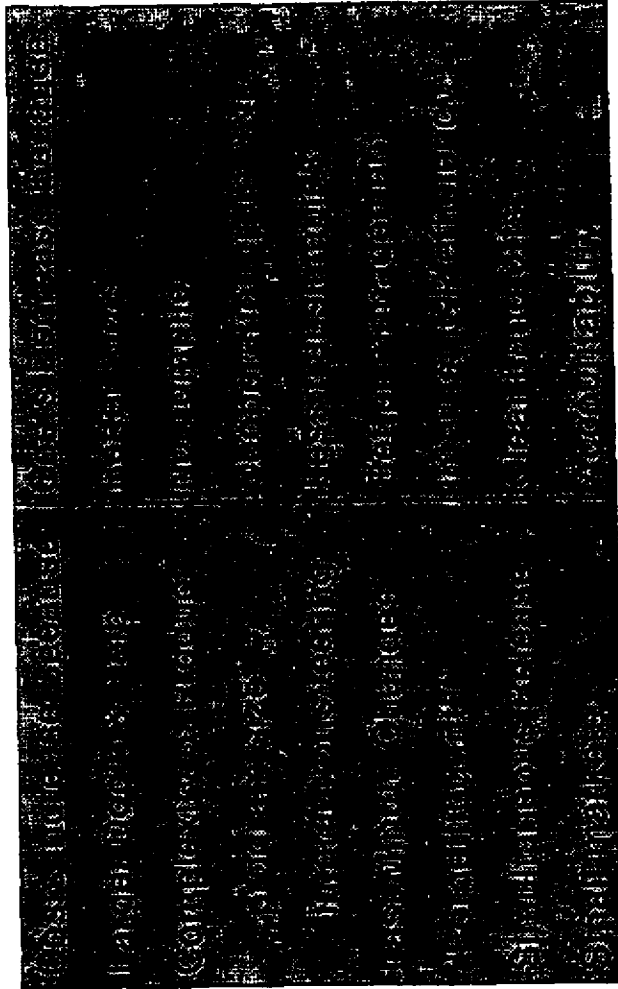
**Gross Products Revenue
FY91 YTD End March 91**

Channel	English	Localized
Europe FG	\$146 M	\$387 M
Japan FG	\$10 M	\$29 M
Other Int'l FG	\$91 M	\$15
US FG	\$411 M	-
WW OEM	\$202 M	* \$43 M
Other	\$21 M	* \$1 M
Total Company	\$881 M	\$475 M

R&D and Localization



R&D and Localization

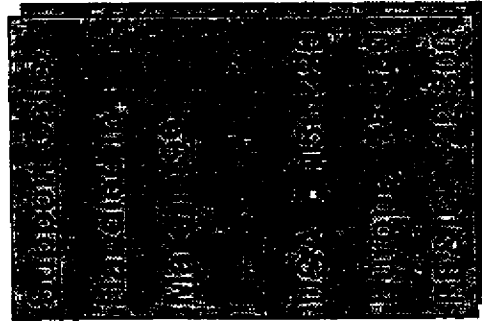


Large Accounts

- Stronger focus needed in International
 - heads growth large accounts sales and SE
 - lower heads growth in distribution sales
 - learn how to be a Strategic Vendor
- Multinationals who standardize on Microsoft
 - they see large pricing differences
 - we need an effective program for handling

Product Support

- Build support into product
- Large subs may have cost recovery programs
- Focus on customer satisfaction
- PSS phone heads to grow faster than revenue FY92
- One minute wait times by end FY92



Services

- MS University is now profitable in USA
 - Should be expanded to International
- MCS is an asset, and can be a business at 20% profit in FY93.
- We should run MCS as profit center; use Consulting to win large software deals, with internal cost recovery.
- We must be seen to value MCS, PSS and International engineers as highly as R&D engineers.

Systems and Controls

- Stronger leadership being installed
- Closer oversight
- Need MIS Strategy
- More delegation needed once controls are in place

Management Development

- We must sacrifice a little revenue growth for investment in management development.
- Strong corporate leadership needed



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Eastern Europe

USSR: Confusion, little opportunity for 7 years.

Poland: Wait and see. :

Hungary: Rapid Development.

Czechoslovakia: Moderate Development

Others: Hopeless for years

Germany: Market expansion over 3 years

European Organization

A billion dollar
business!

- BernardV needs strong voice In Redmond
- Regional Directors

European Distribution

- Distribution Management Post-1992

European Price Reductions

Walt Disney Co.
Disney's Animal Kingdom
Disney's Hollywood Studios
Disney's Islands
Disney's Magic Kingdom
Disney's MGM Studios
Disney's Typhoon Lagoon
Disney's WaterWorks

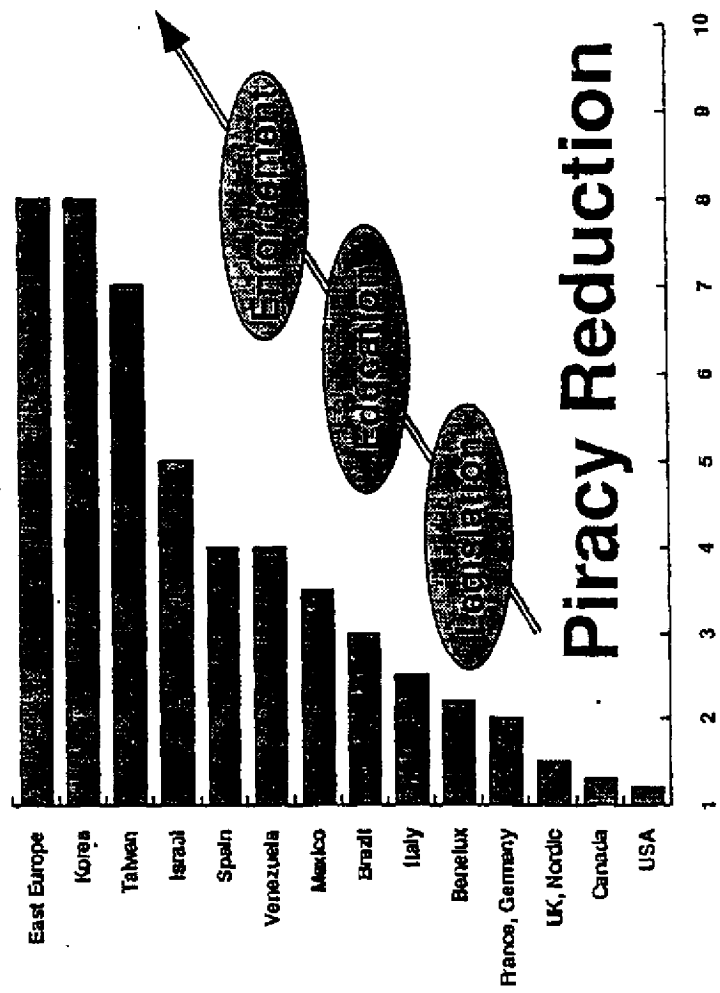
Disney's Animal Kingdom
Disney's Animal Kingdom
Disney's Animal Kingdom
Disney's Animal Kingdom
Disney's Animal Kingdom
Disney's Animal Kingdom
Disney's Animal Kingdom
Disney's Animal Kingdom

*Large price reductions could
have huge impact on profits!*



Growth vs. Profitability

- Small markets; high piracy; high localization cost
- Now entering Windows world in Japan and FE
- All countries except Canada and Australia will continue to require investment for some time



Outlook for Future

Continued growth greater than 75% per year, if we:

- have the products, including for Japan & dbcs
- develop cheap-to-localize products
- develop cheap localization tools & techniques
- establish or maintain best customer support
- fight piracy effectively
- grow the management team to keep pace

Thank You!

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