

April Status Report
European OEM Division
Jeff Lum

Table of Contents

Revenue.....	3
New Business Signed.....	3
New Business Pending.....	3
News.....	3
People.....	4
Issues.....	4
DOS 5.0 Watch.....	4
Packaged DOS.....	4
RISC Watch.....	5
Product Marketing Feedback.....	5
Product Support Services.....	6
Account Summaries.....	6
Attachment A - Revenue Performance Statistics.....	9
Attachment B - DOS 5.0 Watch.....	11
Attachment C - Windows 3.0 License Status.....	12
Attachment D - OS/2 1.21 Shipment Status.....	13
Attachment E - European OEM Sales Organization.....	14

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Revenue (see attachment A for details)

We had the usual first month deficit in April - \$1M vs. a budget of \$4.3M. This quarter will be strong like FYQ3 - I expect to finish FYQ4 with \$16M against a budget of \$15.2M. This will give us a yearly total of \$62M vs. budget of \$57.2M.

New Business Signed

Account	Product	Comments
Amstrad	DOS 5.0	Amendment
Amstrad	Works 2.0	German bundle
Audio Development	OS/2 1.3	Amends Version 1.3 of OS/2
Banzai	OS/2 1.3	Amends Version 1.3 of OS/2
Jet Data	OS/2 1.3	Amends Version 1.3 of OS/2
Tiki Data	DOS 5.0	Amendment
Philips Electronics Ltd.	Windows 3.0/DOS 5.0	Amendment
Nokia Data	DOS 5.0	Amendment
Schmitt Computer	DOS 5.0; Shell; Win; Works	Convert from FGDOS: \$2M/yr
BEC Computer	DOS 5.0; Shell	
Sander Computer	DOS 5.0; Shell; Windows	
Vobie Data	DOS 5.0/Win 3/Works	Biggest DFI conversion this decade!
Olivetti Office	Truimage	LOI signed
Unidata	DOS 5.0	License amendment signed

New Business Pending

Account	Product	Royalty	Commit	Close	Chance
Phillips	MM Windows	\$37.00	50,000	5/20	90%
Olivetti - U.S.	Arabic DOS	\$55.00	5,000	6/1	30%
ICL	Windows 3.0	Guideline	50,000	6/31	80%
Amstrad	Windows 3.0	\$7.50	\$400K/Annum	6/31	90%
Apricot	New Contract	Various	\$1.8M/Annum	5/31	100%
Viglen	Shell/Prod. Pack	Various	\$105K/yr	6/1	90%
Data Pool	DOS 5; Win 3;	Guideline	6K per year	5/31	60%
Digitronica	DOS 5; Win 3;	Guideline	2K per year	5/31	60%
Softcom	DOS 5 Royalty	Guideline	10K units/yr	5/31	80%
Executive	DOS 5; Win 3	Guideline	20K units/yr	5/31	80%
Tulip	LANMAN/COM	Guideline	\$250K/yr	6/31	75%

News

Amstrad fired 37 managers in keeping with their "Sugarlump" lean and mean strategy. Unfortunately, they fired Peter Roback, one of our few allies in the account.
 JCL awarded The Queen's Industry Award for Export.
 EC President Jacques Delors chaired a meeting with 5 heads of EC companies - Philips, SNI, Bull, Olivetti, and SGS Thompson. Basic purpose was to investigate ways to prevent the Japanese from taking over Europe.
 Siemens to invest in 20% of Goupil in an "industrial agreement".

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People

Ellen Taylor joined LTD as OEM Sales Associate responsible for FG DOS sales.
Maurizio making good progress on hiring an Olivetti account manager. Has narrowed decision down to 2 candidates.

Issues

We need to develop an OEM policy on distribution of multiple language versions of Windows (or other products for that matter) on CDROM. I am seeing more and more interest by OEMs in this. We need legal as well as a clear OEM pricing policy in order to handle this.

I am seeing more and more pressure by OEMs with low end 286 platforms to reduce DOS royalties in order to compete with DRI. DRI has demonstrated that they are an acceptable choice for machines below the SX, and are slowly convincing OEMs that they are paying MS too much money for 8088 and 286 machines where DOS 5.0 has no real compelling features over DR DOS for the first time user.

Dr. Bodo, VP of Product Planning - SNI, visited JK in April. He confirmed IBM's hostility against anything other than OS/2 on the desktop. Says IBM using the usual FUD keep their customers on their platforms. Unfortunately, IBM's German customers are listening to this. He sees them building great PC to mainframe features into OS/2 over time to keep it in the corporate environment. Bodo's response is to go along with it on a demand basis, but is very defensive about it. He even sees UNIX disappearing. YES, this man was "the" MR. UNIX guy for years. He will put his money for future development into WIN, a "winning segment" as he calls it. They can't make money on UNIX or OS/2 developments. Last, but not least, IBM has not only offered to license OS/2, but a R6000 license as well to produce the chip and systems. Looks like they are trying desperately to torpedo ACE.

DOS 5.0 Watch

Great progress in the last month for DOS 5.0 licenses - see attached list.

Packaged DOS

Subsidiary	April Actual	April Budget	FYQ4 Forecast	FYQ4 Budget
MSAB	2,896	2,300		
MSBV	4,406	1,821	4,406	2,283
MSGMBH	25,489	15,569	79,948	46,831
MSLTD	5,279	2,500	10,900	6,800
MSSARL	5,819	3,297	14,842	9,895
MSSPA	2,182	1,607	5,382	4,981
MSSRL	3,284	1,800	8,500	6,800
TOTAL	49,323	28,884		

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Strong month all the way around for Europe - 171% of budget. Only GmbH disappointed with results as they expected 30K units for the month. Can probably attribute some of the slowdown to inventory reductions of 4.01 as well as good conversions to royalty business (Schmitt a good example). AB says customers are buying FG Windows with their FG DOS 50% of the time; LTD reports 27% penetration of FG Windows (down from 32% last month). Strong sales volume in LTD attributed to new price structure which is incenting some OEMs to include DOS for free with their systems as well

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as reaching a broader base of smaller OEMs who previously could not afford to buy DOS for their systems.

Piracy and grey market continue to be greatest competitor - especially from the far east.

SARL putting on a big push to increase awareness of FG market in France. They have talked to close to 80% of the companies that advertise in the computer magazines.

SPA says they need radical price decreases at entry level volumes to win business of price conscious OEMs in his area. Maybe a stripped version of DOS at lower prices? This has come up before.

SRL reported record month in new orders for April. 19 new contracts. Great job by Beatriz.

RISC Watch

OEM reaction to ACE announcement ranged from nothing to an Apricot press release after the ACE announcement supporting Intel. ICL also showing interest in ACE group, but their role with MIPS is still unclear.

Product Marketing Feedback

DOS 5.0

OAK documentation for English came in US Ventura; could not be read by NL Ventura. Seems like a good time to switch to Winword!

Davebr has an interesting conversation with a DRI employee at a recent computer show. DRI said they felt they had a 20% market share of a 275K unit packaged DOS market in the UK. DRI also expects to ship 150K units throughout Europe with most of the volume in Germany (Vobis?). The Vobis numbers sound reasonable without knowing about the MSDOS license, but the UK numbers are much too high. Davebr estimates UK market size to be closer to 125K units/yr. Also, DR DOS 6.0 scheduled to ship "late" this year, but no one has seen the beta yet.

Windows

Victor Switzerland is bundling Windows, and all four working models on all 386 hard disk machines. They will aggressively advertise and educate resellers. Contact magnus! for more details.

Multimedia Windows

ICL, Research Machines and Apricot have expressed interest in joining the council as a European affiliate. With English titles not being much of an issue here, we should focus on these customers up front, and worry about getting the right hardware design in other countries right now.

Robg met with Olivetti. Maurb said everything came together on the strategy and technical side. Good foundation to start the contract negotiations for licensing.

Pen Windows

Lloyd's demo of Perwin was so good at Amstrad that Alan Sugar asked to see it. Apparently he liked it. Question is: Will he pay us anything for it??

Husky Computers in the UK attended Windows Developer's Conference in the UK and are interested in this product. Contact Davebr for more details.

Olivetti still waiting for SDKs - long overdue and holding up progress of papyrus consortium.

OS/2

Manfreds was involved in a press round table at IBM Germany. They stated that they are approaching the top-ten OEMs with OS/2 SE. However this is not an OAK but just the binary. OEMs

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5

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will have to go through pain in order to adapt it, but may still be attracted to it via a low price. We will keep our ears to the ground.

Why are we having such a hard time getting LADDR kits delivered overseas? LTD reports they have been waiting for weeks for their copies.

LANMAN

Nokia shipped 1,100 units of LANMAN (50% version 1.0) in FYQ3.

LANMAN Council participation was high and the feedback I have received was positive. OEMs felt they learned a lot, presentations were interactive, speakers open minded, and open and honest about the product. Many looking forward to next meeting. Participants from Europe: Nokia, Bull, Tulip, Philips, ICL, and SNI.

COM Server

Atlantis shipped COM Workstation in FYQ3. In addition, they are working on a bid jointly with DEC for a French bank for 1,500 COM Servers. Contact Chrisa for more details.

Works

Maurb reports Olivetti looking to put GeoWorks on a future palmtop machine. We need to stop this effort now. Donna, can you email maurb and get a dialog going about this.

Product Support Services

Nokia feeling better about the \$150K annual support fee they are paying for their SE. A presentation made by Andersk to Nokia addressed their concerns to their satisfaction, and they feel they know what they are going to get for their money. Bengta reports that Andersk feels more management and direction needed in this group; tensions are high. Arnej has been alerted by Bengta about this. Olivetti SE agreement not resolved yet, but Maurb and Lorim made good progress with the new management in place to decide this.

Olivetti certification program progressing slower than necessary - lack of coordination within seems to be the factor. We need to focus Lorim on this when she gets back from vacation.

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6

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ICL

Dalebor fears ICL's interest in New Wave for their UNIX based departmental systems may interfere with his Windows GUI efforts. Nevertheless, Dale is doing a good job of keeping Windows in ICL's face by arranging conferences for their developers, and sales and marketing groups.

Nokia

In spite of the economic slump in the nordic area, they reported record sales for FYQ3 shipments. FYQ4 is looking strong, too. LANMAN shipments reached 1,100 units for the quarter indicating their ongoing commitment to the product. They must be one of our biggest OEMs if not the biggest. Some MMW activity with Glaser's visit last month, but Nokia likely to move slow in this area. Hildreth and Martz visited them last month and discussed our Tiger plans. This program has their interest if they can reduce resources while distributing a "standard" OS/2. The pan-European FG Apps agreement bogged down in EHQ. Larsahl working the issue.

Olivetti USA

Markba and Donnag pursuing an opportunity here on notebook PCs distributed through Warehouse Stores and NOMDA dealers. More talks scheduled for Spring COMDEX.

Olivetti - SPA

Signed an LOI for Truelmage (what timing). I am skeptical that we will be able to support them responsibly given the state of PBU. We will have to pay particular attention to this if we want it to succeed.

They are evaluating a Winword bundle on their specialized ETV machine (document processor). We are fighting against Lotus Ami. This will be a 100% hard core bundle and price will be a major factor. Lotus is being super aggressive.

Olivetti S&N confirmed their intention to bundle FG version of either WinWord, Excel or Powerpoint on their M380-40 (386-33mhz) machine from June to December. This will be a pan-European bundle and estimates are in the range of 10K units.

Philips

Mark and Hansra working together well on more account penetration by visiting some very high level players in Eindhoven. Glaser joined them to present a proposal on merging DV-I and CD-I technologies into a single standard ala MM PC II. Philips is considering the implications of Rob's offer to convert from 68000 to Intel while standardizing on CDROM XA. Uncovered a design win opportunity at Philips with Pen Windows. More discussions planned at the EOEM Briefing 5/31 in Cannes.

Schmitt Computers

Great job by GmbH in converting a large FG DOS customer to royalty DOS as well as Windows and Works. These guys go head to head with the likes of Schneider and Vobis, and expect to ship over 70K units over the next year.

Schneider Rundfunkwerke

They want to be able to ship DOS 5.0 German version on 6/11. We are doing everything we can to make this happen, e.g. putting the ODK files on the network for GmbH to unload onto tape and deliver to them nearly a day or two after release - this will save them 2-3 weeks in time to market. We expect these guys to announce new line of low priced pcs along with DOS 5.0 to try to win back lost market share over the last year.

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Siemens-Nixdorf Informationssysteme AG (SNI)

Still struggling with the merger. PC sales have not recovered from huge dip in FYQ2. IBM has approached them to license OS/2. SNI so far is refusing due to the need for adaptation materials and support they get from MS. There should be lots more account management activity in this account. I'll have to talk to Manfreds about this.

SMT-Goupil

Rumors still strong that either Siemens or a Japanese OEM will buy them. Everything with them has come to a halt until they know where they are going, and with whom. Minimum commitments are at risk for FY92. They are already behind in payments this year.

Tulip

Further discussions on LANMAN with reduced minimum commitment requirements has induced them to license LANMAN and COM. Hansra is working this.

Victor

The license agreement ownership issue seems to bounce back and forth between Victor and Tandy. Victor says they will keep the license; Tandy says they will own all operating system licensing including Victor. Time will put pressure on this decision as Victor's license agreement expires June 30. Magnus is working hard on the renewal license. We will incorporate as much of Tandy's license into Victor's license that makes sense, and we will also maintain consistent pricing with Tandy's agreement and Victor's existing license agreement. The Windows license presents an opportunity to obtain minimum commitments and a separate license for Victor as Tandy is not likely to reach agreement with MS prior to 6/30. Victor wants to continue shipping Windows on 7/1. Victor has won a piece of the Swedish government's business over the next three years. This will force Victor to license LANMAN on a royalty basis from us.

Vobis

We are focusing on getting these guys to ship DOS 5.0 ASAP. If we can do this quickly, this will have a huge influence on other DRI OEMS that look to Vobis and think it is okay and competitive to ship DR DOS. Leven was invited to attend Gemmel's market/channel review in Munich. It would be interesting to hear his feedback.

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8

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