

DOJ - Legal

From: Mark Baber
To: Mary Jo Culliton (Newton)
Subject: FW: Confidential: MS OS/2 Royalty #s - Quick Analysis
Date: Friday, August 12, 1994 12:11PM

Here we go...

From: Joachim Kempin
To: Nell Miller
Cc: Jeff Lum; Mark Baber
Subject: FW: Confidential: MS OS/2 Royalty #s - Quick Analysis
Date: Friday, August 12, 1994 12:01PM

Let's do it. AUDIT THEM.
I know Mark might say it is bad timing, I actually don't think so:
The PC company will not be effected because this is really PSP turf and bad things to them are OK.
Reason to say when auditing them: according to their bragging in the press we do not believe they are reporting correct OS/2 numbers and we do not believe their last win report. When?

From: Mark Baber
To: Jeff Lum; Joachim Kempin
Subject: FW: Confidential: MS OS/2 Royalty #s - Quick Analysis
Date: Friday, August 12, 1994 11:18AM

FYI

From: Jeff Price
To: Brad Chase; Brad Silverberg; Richard Freedman
Cc: Bill Pope; Mark Baber
Subject: Confidential: MS OS/2 Royalty #s - Quick Analysis
Date: Friday, August 12, 1994 11:09AM

ALL DATA IS CONFIDENTIAL - NEED TO KNOW ONLY per Mark Baber
(I need to check with Mark on the classification of some #s as upgrade or full prod, and there appears to be a small err in the OEM spreadsheet, so these numbers could change a bit after review - just wanted to give you a look for comments)

NET:
When IBM was claiming in Dec. of '93 that there were 4+ million OS/2 2.x users, they were overstating, but not by a huge amount (3.5 actual vs 4 claimed). However more than 3/4 of these were version 2.0 units and it can be argued that 318K of these should be subtracted so as not to double-count 2.0 -> 2.1 upgraders.

As of end of Q1 '94, (subtracting 1.x and 2.0 -> 2.1 upgrades) 3.7 million units of OS/2 2.x had been sold. 2/3 of this number is still 2.0 users (or non-users who had likely given up on the product long before having the chance to upgrade).

Throughout Q1 '94, IBM sold 488,641 units of 2.x upgrades and full product of which 231,645 units were the OS/2 for Windows product.

** So, IBM can be accused of double counting upgrades and being over optimistic.

** If their run rate holds through Q3 '94, they should have approx 5 million units of 2.x out there (still lots of 2.0) by Oct.. Assuming launch of Warp in early Q4, they'd have to get 4-5 million net units of upgrades and new sales (after subtracting 2.0 and 2.1, and for Windows upgraders) in the last 3 mo of the year to hit their 9-10 million mark that people are talking about. This will be very tough given the predicted high upgrade rate - they'll get lots of current active users to upgrade - but not lots of new sales via OEM or switchers from Win 3.1 and/or MS-DOS.

-Jeff

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**HIGHLY
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Plaintiff's Exhibit

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Comes V. Microsoft

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DETAILS:

Mark Baber provided a spreadsheet (all of this data is need to know only according to Mark - can't be communicated) with detailed OS/2 sales by quarter by part number. I classified these by version and came up with the following showing sales from Q1 '92 thru Q1 '94.

OS/2 Royalty (units) Q1 '92 thru Q1 '94		
Ver 1.x	911,700	19%
Ver 2.0	2,777,488	57%
Full 2.1	629,918	13%
Upg 2.1	318,342	6%
For Win	273,207	6%
Misc	201	0%
Total:	4,910,856	100%

Around the 1st of the year, IBM was claiming 4 plus million OS/2 2.x sales:

"By the end of 1993, ... IBM had shipped over 4 million copies of OS/2 2.x. Moreover, IBM's decision to release an inexpensive version of OS/2, its \$38 OS/2 2.1 for Windows, is fueling increased sales activity. By the end of 1994, there could be almost 10 million users for OS/2 applications."
Surprise! OS/2 is taking off. Datamation: Apr 15, 1994

Now, if you subtract the 1.x sales and the Q1 '94 sales you get:

4,910,856 - 1,400,341 = 3,510,515 units of OS/2 2.0, 2.1 and for Windows sold by the end of 1993.

Not quite 4 million - but the bigger issue is that of that figure, more than 3/4 was still version 2.0 (which was so buggy and slow I have to believe that many people tossed it before getting the chance to move to ver 2.1 which is at least useable). These people are probably not active users.

Less 1.x and subtract 2.0 -> 2.1 upgrades from 2.0		
Ver 1.x	0	0%
Ver 2.0	2,459,148	67%
Full 2.1	629,918	17%
Upg 2.1	318,342	9%
For Win	273,207	7%
Misc	201	0%
Total:	3,680,814	100%

Looking at the data thru Q1 '94, minus 1.x sales and subtracting 2.0 -> 2.1 upgrades from 2.0's base (so we don't double count) , we get 3.7 million units of OS/2 2.0, 2.1, and for Win as of end of Q1 '94.

Version 2.0 still represents 67% of the installed base. They have upgraded 11% of their installed base of 2.0 users in less than a year - which is good for them - but anybody who really was an active user of 2.0 had to upgrade to get a useable system. Lots of other people had already given up and used Windows and/or MS-DOS.