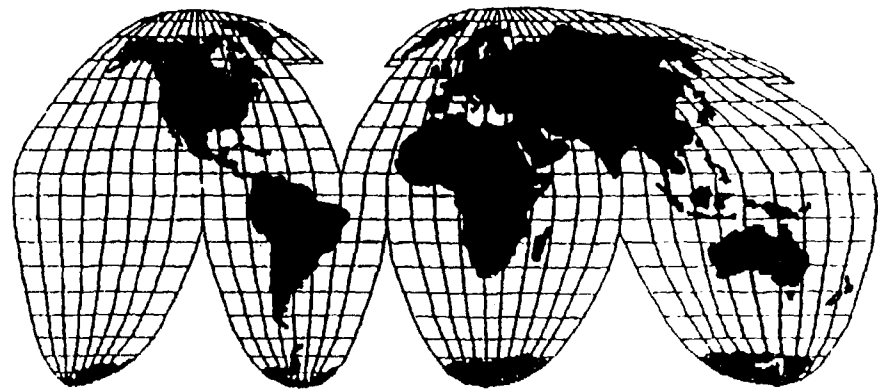


FBI/DOJ-Approved, N.J.  
**GOVERNMENT  
EXHIBIT**  
338

*Microsoft OEM Sales  
FY'96 Midyear Review  
Joachim Kempin  
January 22, 1996*



tabbles  
**PLAINTIFF'S  
EXHIBIT**  
2468  
Comes v. Microsoft

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# 1st Half FY'96 Accomplishments

- ◆ Exceeded budget by \$288.6 M (61% growth rate!)
- ◆ Super OEM participation in Win95 launch
- ◆ Run rate for Win95 penetration >60%
- ◆ DSP business at \$ 137 M (190% growth rate!)
- ◆ DT OS monthly billing progress: <80%

# Reasons for Growth

- ◆ MS-DOS → Win 3.x or Win95
- ◆ Win 3.x → Win95
- ◆ > NT WS
- ◆ > PC units
- ◆ > DAD and Consumer SW sales
- ◆ More naked systems covered
- ◆ Monthly billing

# MS-DOS & Win3.x vs. Win95 AR Shipments-1st Half FY'96

in M units\*

	MS-DOS & Win 3.1	Win95	Ratio	Total
Multi-National	8.2	8.0	48.7%	16.2
Named Accounts	2.8	2.1	42.5%	4.9
DSP	1.7	1.7	50.0%	3.4
<b>Total</b>	12.7	11.8	48.1%	24.5
Win 95 OEM upgrades	—	1.5	—	1.5
<b>Grand Total</b>	12.7	13.3	—	26.0

\* corrected by .9M dual boot units (DEC, Compaq, HP, Toshiba)

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## Win95 Penetration vs. MS-DOS & Win Units by Segment - 1st Half FY'96

AR Shipments in %\*

	July	Aug	Sept	Oct	Nov	Dec	Average
<b>Multi-Nationals</b>	6	35	41	58	62	73	49
<b>Named Accounts</b>	0	48	45	44	50	56	43
<b>DSP</b>	0	70	71	30	35	45	50
<b>Average</b>	4	44	47	53	57	65	48

\* corrected by .9M dual boot units (DEC, Compaq, HP, Toshiba)

## **What We Missed in 1st Half FY'96**

- ◆ **Win OPK and PPK deliveries and quality were not optimal**
- ◆ **Control over start-up screens, MSN and IE placement**
- ◆ **Mice sales is on budget, but might miss 15M total units for FY'96**
- ◆ **Keyboard sales are low and need to be accelerated**
- ◆ **Still too far apart with Compaq consumer division**

# Trends in Market Share

- ◆ **Market share shifts in Q4**

US: PB ↓ HP ↗ NEC ↑ Compaq ↑ IBM ↗

Europe: SNI ↑ Vobis → E'scom → HP ↗ Acer ↗

- ◆ **Compaq still leads in servers (>50%);  
HP and IBM to catch up**
- ◆ **US Named Accounts are gaining ground  
(e.g., Fountain, Micron, TI)**

# x86 PC Consumption Forecast by Region

in M units\*

	<b>% 94</b>	<b>FY'94</b>	<b>FY'95</b>	<b>FY'96</b>	<b>FY'97</b>	<b>FY'98</b>	<b>% 98</b>
<b>NA</b>	<b>42.8%</b>	<b>16.4</b>	<b>20.0</b>	<b>23.0</b>	<b>25.7</b>	<b>28.3</b>	<b>38.3%</b>
<b>EU</b>	<b>29.8%</b>	<b>11.4</b>	<b>13.7</b>	<b>16.2</b>	<b>18.8</b>	<b>21.3</b>	<b>28.9%</b>
<b>ROW</b>	<b>27.4%</b>	<b>10.5</b>	<b>13.1</b>	<b>16.6</b>	<b>20.3</b>	<b>24.2</b>	<b>32.8%</b>
<b>Total</b>	<b>100.0%</b>	<b>38.3</b>	<b>46.8</b>	<b>55.8</b>	<b>64.8</b>	<b>73.8</b>	<b>100.0%</b>
<b>Growth%</b>	<b>_</b>	<b>23%</b>	<b>22%</b>	<b>19%</b>	<b>16%</b>	<b>14%</b>	<b>_</b>

\* Source Curtisf

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# x86 OS Analysis for FY'96

- ◆ All other competitive licenses <5%
- ◆ Largest competition continues to be
  - Piracy
- ◆ OS/2 is still alive

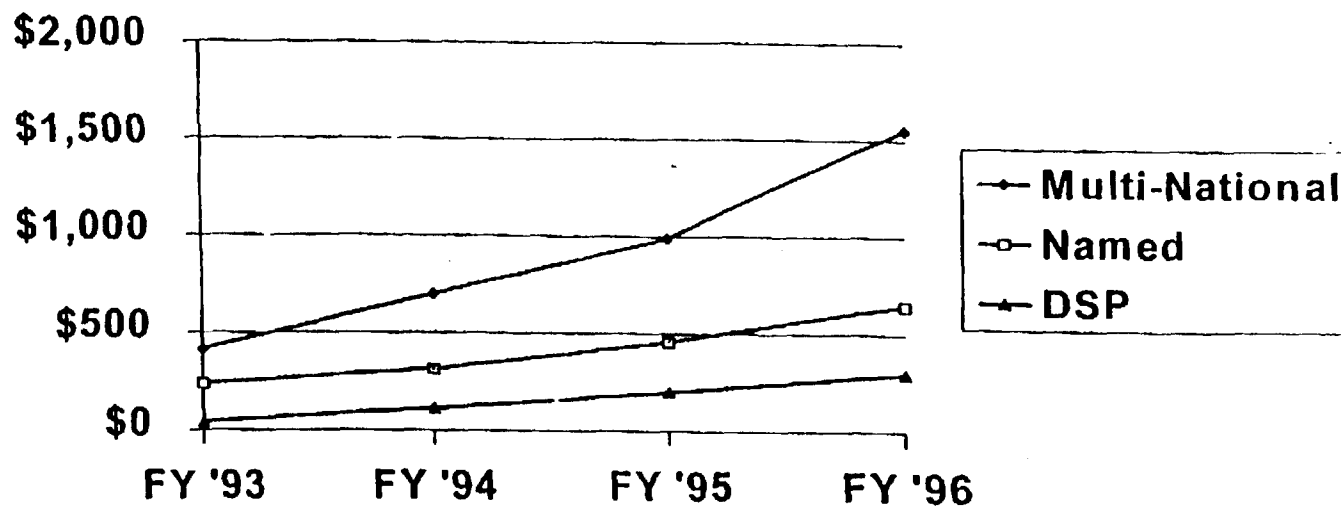
# Revised 2nd Half FY'96 Goals

- ◆ Exceed \$2.5 B in revenue
- ◆ Ensure solid OEM support for NTWS 4.0 launch
- ◆ Implement phase #1 of doing OEM business via the Internet
- ◆ Broaden scope of MDA and have 100% sign-off by April '96
- ◆ Make OEMs support our Internet efforts

# **Exceed \$2.5 B in Revenue**

- ◆ **Sales incentives to reach original mouse and keyboard sales goals**
- ◆ **Increase Win95 penetration to 80%+ run rate by end of FY'96**
- ◆ **Encourage bundling of NTWS**
- ◆ **Continue Partnership programs**
- ◆ **Ensure even higher DSP growth**

# Recap of OEM Revenue by Segment (*\$ millions*)



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# Implement Phase #1 of Doing OEM Business via the Internet

- Goals:**
1. Increase OEM business
  2. Get closer to DSP customers
  3. Run business more efficiently

<b>Months</b>	<b>Phase</b>	<b>Action</b>
<b>3-4</b>	<b>#1</b>	<b>Establish presence and learn how to operate</b>
<b>2-3</b>	<b>#2</b>	<b>Organize and tune for success</b>
<b>12-18</b>	<b>#3</b>	<b>Bring business online</b>
<b>Ongoing</b>	<b>#4</b>	<b>Tune and grow</b>

# **Broaden Scope of MDA**

- ◆ **Encourages shipping of Windows family**
- ◆ **Ensures the following:**
  - **building of “PC96” systems**
  - **preinstallation of up-to-date and localized versions**
  - **promotion of Windows family by OEMs**
- ◆ **Support each other when working Internet issues**
- ◆ **Improves customer support for Windows-based systems**
- ◆ **Engages OEM in anti-piracy campaign**

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# **Make OEMs Support our Internet Efforts**

- ◆ **AMs to take initiative with OEMs**
- ◆ **OEM & MS seamless integration (MDA)**
  - **Universal Resource Locator links and updates**
  - **Display IE logo on OEM page**
  - **Enduser support info links**
- ◆ **We will challenge the AMs!**

# 2nd Half FY'96 Summary

- ◆ **> \$ 2.5 B is the target**
- ◆ **The momentum exists to get there, as long as Win95 adoption continues to increase**