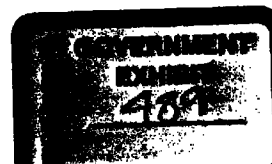


Key Near/Medium Challenges

- New platform challenge - Navigator, Java, & NC
- Differentiating our products through customer value
- Growing revenues

Sub Challenges

- What is our cross platform position:
 - Office apps
 - IE & tools runtime
- Delivering on home/consumer OS improvements
- Non-PC challenges:
 - Web TV strategy
 - WinCE
 - avoiding HPC excess expectations
 - keeping consumer electronics mindshare



Key Platform Challenge

- Navigator/NetOne provides new API set
 - in near/medium term, Navigator provides the volume platform for ISVs & Corps to target
- Sun AWT provides additional API's
- NC
 - provides additional instance of platform
- A standard Java runtime emerges as key platform for ISVs & Corps

Responses: increase IE share

- Situation:
 - approx 15-20% market share, most of it on W95 platform
- Key strategies in place:
 - Competitive product:
 - IE3 good, but missing Mac, W3.1 (being filled in next 2 months), UNIX slipping
 - Differentiate thru Windows integration: IE4 late
 - Get Websites to target:
 - Sitebuilders/logo program starting to work
 - little compelling unique content, MSN exception
 - Content offers (WSJ, ESPN):
 - good (250K sign ups, logo on sites), but not decisive

Responses: increase IE share

- Key strategies, contd.:
 - Channels:
 - ISP's: have signed most up, but conversion only starting to happen:
 - AOL 650K downloads to date
 - predict 5m users by 3/97
 - OEM: missed June deadline, OSR2 not shipping on majority of machines yet
 - Corporate: mixed results
 - still large Nscp momentum
 - threat from Communicator

IE share issues

- Converting existing Nscp users
 - ISP bounty program
 - what is the compelling reason for W32 users?
- Shipping IE4
 - Does it go into next W95 release?
- Corporate share:
 - IE4 benefit
 - Communicator response
 - how to position combination of IE & Outlook as response
 - how to actually manage future evolution of IE & Outlook
 - how to use / position "Web connector" feature of Exch 5.0
 - Renewed major corporate campaign?

IE share issues

- Support from ISP's & Web sites
 - Active Desktop support from content providers:
 - does it generate unique content?
 - Exclusivity arrangements
- Getting hosting partners using NT/BackOffice/Normandy/Merchant
 - does MS need to fund in some way?

Java runtime as a Platform

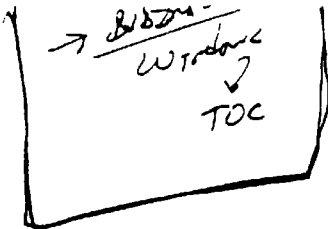
- Key strategy:
 - Keep (extended) HTML as the lingua franca of the broad Web
 - keep Web content people viewing HTML (plus scripts) as safest LCD
 - Java:
 - Offer "standard" Java runtime to be competitive,
 - basically redistribute whatever Sun gives us in near term
 - Expose as much of Windows as we can to Java developers via extensions to AWT
 - Ship the best Java RAD tool(s)
 - with extensions to language where we can

Java Issues

- IE share
- Getting extended runtime & RAD tools shipped
- Mac/Unix support for IE & extended HTML (Trident)
- Getting our VM/runtime to work with Navigator
- Relationship with Sun
- "HTML as LCD" impacts strategy to position Outlook as client for collaboration:
 - ie. safest way to develop forms/groupware is to do it as Exchange server side script ?

TCO/Simplicity & NC

- ZAW / NetPC is our platform response
- Issues:
 - Delivering on ZAW
 - ZAW is delivered on NT5.0
 - requires upgrade first
 - lack of Win95 story
 - NetPC:
 - possible divergence of objectives with Intel/OEMs
 - Applications participation
 - Field still not in position to effectively articulate/sell



Delivering on customer value - challenges

- How does MS help me better lower costs and improve deliver business solutions?



- Why use:
 - Windows vs. Java RT/NC
 - NTS vs. UNIX
 - BackOffice vs. IBM/Oracle/Nscp
 - Office vs. Browser/Email/Java, Corel, Communicator, Notes
- Why give up "cross-platform"
 - on server mainly
- Why is whole greater than sum of parts
- What to do - which MS products/tools to use, when.

Make Windows better

- **Make Windows better than combination of Windows + Browser for end-user & developer**
 - need storage strategy - client & server
 - need multimedia / (inter)personal communications strategy
 - need unified paradigm for UI
- **Issue:**
 - lack of client / server storage strategy
 - multimedia strategy needs work
 - UI unification late / danger of ceding to Nscp

Enabling business value

- Make it easier to automate business processes:
 - common infrastructure for email, groupware, workflow, Internet, custom & ISV client-server apps
 - BackOffice is platform, not just a collection of apps
 - Integrated storage, scripting, transactions, security, query, linking, navigation, indexing, etc. \ \
 - Intranet++ features:
 - better link handling, collection handling, etc.
 - Office as customizable, end-user front-end & authoring environment
 - Seamless integration with Internet as network
 - networking
 - security

Issues

- current products confusing:
 - overlap
 - products not suitable
- only partial strategy in place to remedy above
- how to balance with other priorities:
 - overall bandwidth
 - competing in category
- no "thought" leadership / articulation

Office Value Issues

- Problems:
 - “Forest and Trees”, customer excitement problem
 - Client resource requirements (for upgrades)
- Is Office best client for:
 - Email/Web-based communication/collaboration
 - Data-analysis, report generation
 - Workflow
 - Document Management
- Relationship of Office to IE:
 - technical
 - business
- Relationship of Office to BackOffice

Growing Revenues

- Increasing net yield per PC for Windows
- Increasing yield per server sale
- Office/Apps:
 - Sustaining yield per business PC
 - Increasing yield per home PC

Increasing yield per PC

- Shifting mix to NT-based products:
 - what is NT-C and what is price (ie Win99)?
- Going to great annuity yield:
 - use elements of ZAW as feature only available as with purchase of maintenance?

Increasing yield per server - issues

- BackOffice as “platform” vs. lots of products
 - how to package/price Normandy, Transactions, etc.
- Oppty for specific customer configurations:
 - small business
 - intranet
- Strategy for server scalability
 - how to price for high-end servers
 - need CAL strategy for case of non-persistent connections

Office/Apps revenue issues

- Avoid losing the "anchor tenant"
 - relationship of Word/Outlook to "free" Email/Web client
 - business
 - technical
- Getting upgrades:
 - TCO
 - resources
 - compelling value
- Increasing per PC yield in Home PC's
 - what is our strategy
 - how to avoid cannibalizing business sales