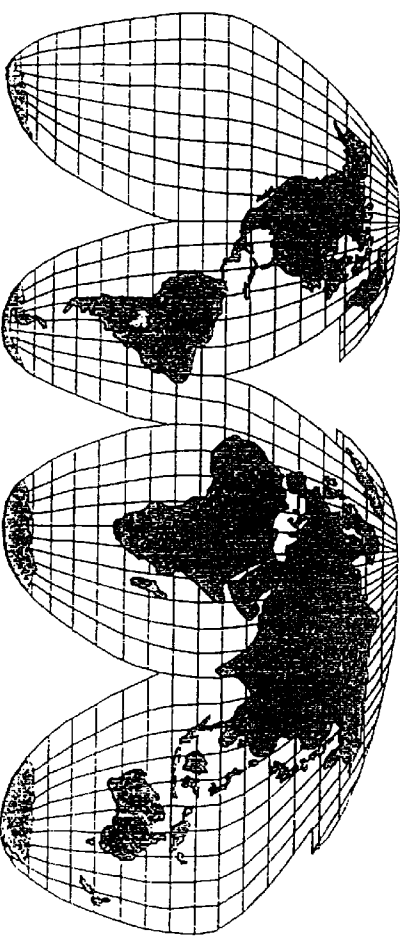


*Microsoft OEM Sales
FY'96 Midyear Review
Joachim Kempin
January 22, 1996*



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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		Ratio	Total
	Win 3.1	Win95		
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
Total	12.7	11.8	48.1%	24.5
Win 95 OEM upgrades	—	1.5	—	1.5
Grand Total	12.7	13.3	—	26.0

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

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

AR Shipments in %*

	July	Aug	Sept	Oct	Nov	Dec	Average
Multi-Nationals	6	35	41	58	62	73	49
Named Accounts	0	48	45	44	50	56	43
DSP	0	70	71	30	35	45	50
Average	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 → Escom → 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*

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

* Source Curtisf

x86 OS Analysis for FY'96

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

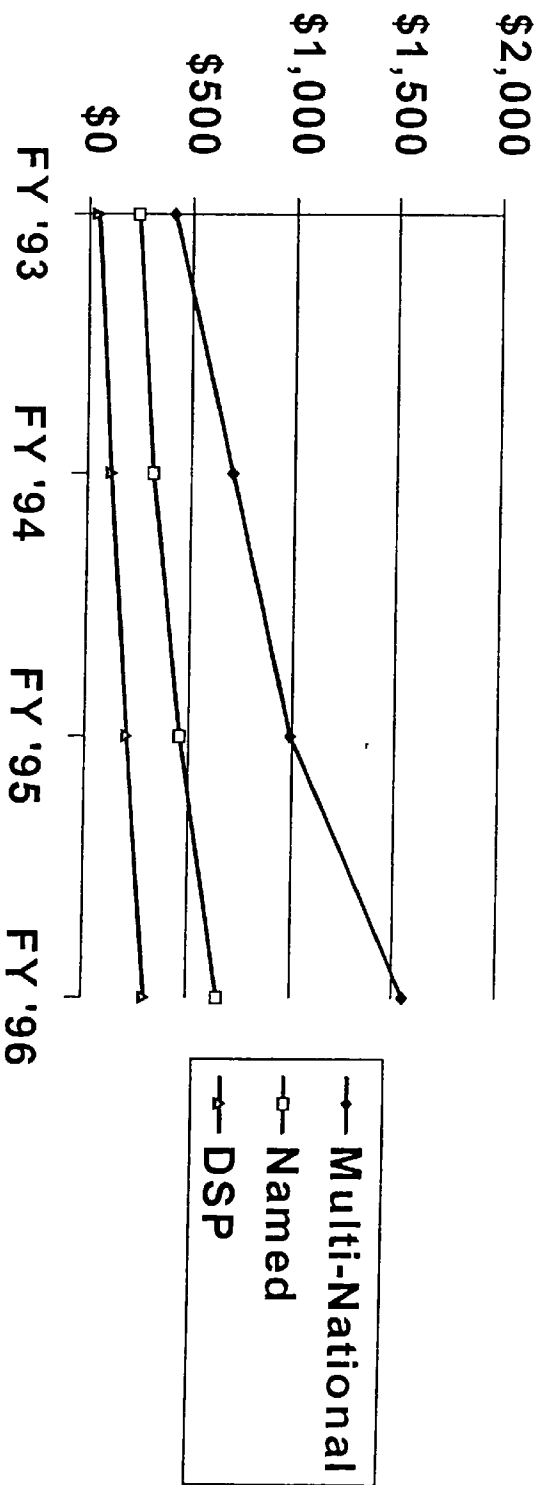
Revised 2nd Half FY'96 Goals

- ◆ 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)



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

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

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**

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