Below is the corporate Q&A from the press and analyst strategy day, with add'l client-specific information added. Major points can be pulled from Tom Tsao'd Silver Bullet on IE4.

Last updated: 9/25 by david bottoms

I. BROAD STRATEGY QUESTIONS

Netscape seems to be losing momentum/market share?

- Not true still have 70%+ browser market share (per latest figures from Intelliquest and CIC)
- leading vendor in server market Netscape SuiteSpot commands 85% share of the combined
 Internet and Intranet server markets based on revenue, making Netscape the leading commercial
 supplier of Internet server software (Zona)
- Netscape leading Internet email server vendor in 1996 estimated market share of 50% v Microsoft 18 %, Lotus 4 % (Zona) doing extremely well in enterprise market
- Netscape Navigator gained more business users in 1996 than any other email client software product (IDC). Total number of Netscape email users surpassed 12 million in 1996 (Recognizing major gains in '97 with release of Communicator 4.0 in June)
- 200 Design wins, 2 million enterprise seats: JB/Homer set goal of 500 by end of '97

Is the continued battle to maintain browser share diverting resources from enterprise efforts?

- No the browser battle is more perceived than real
- our share remains steady 70+ %
- Computer Intelligence = 72% of corporate browser share: IntelliQuest cites 73% across business. home, and education market segments
- and our success in enterprise market is growing sales over \$500k growing as % of our business
- just launched our "Netscape Everywhere" campaign to take advantage of reach we have through partners ISPs, Telcos, OEMs will distribute 100M copies of Communicator/Navigator

Aren't we seeing a renewal of the browser wars with the advent of IE 4.0 and Windows 98

- the browser wars are being fought in the press NOT in the marketplace
- Netscape market share remains consistent at 70%
- Netscape Everywhere campaign is providing mass distribution of Netscape client Communicator very popular in enterprise market
- · Facts speak for themselves:
 - MSFT is preparing to spend several 100MS to try to market a free product that has been
 available for 2 years and still has not gained significant market share
 - MS IE has been bundled with Win95 for more than a year and that has not impacted our marketshare
 - Netscape committed to deliver products across 16 different computing-platforms which better reflects the ture heterogeneous make-up of Fortune 1000 enterprise customers
- Windows 98 is not an enterprise product MSFT themselves are marketing to consumer
- Netscape gains 80%+ of revenue from enterprise

Who cares about cross-platform when MS and Apple make up 100% of the desktops?

- The mix of Apple & MS = cross platform without even taking account of Unix
- Bigger issue to consider is that Windows is now highly fragmented and will continue (Win3.1, Win 95. Win 98, NT4.0, NT5.0. Windows CE, etc)
- In Apr 97 despite 20mths of availability only 13% of corp desktops were running Win95 (10%)

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using NTW 4.0) according to Forrester Windows 3.1 is still dominant. It still runs on 74 percent of corporate PCs.

Customers also need cross DB - which our products address

Of Note: IE director of marketing Yusur Mehdi wouldn't estimate when IE for Macintosh would reach feature parity with Win32 but said parity wasn't necessarily Microsoft's goal.

"We don't think you have to have the same desktop look across all operating systems. It's fine if those things at the interface level look different. We believe in optimizing for each OS."

ADD COMMUNICATOR SPECIFICS

Microsoft is driving the notion that integrating IE4 with the OS gives them a massive advantage that may ultimately kill Netscape. How can Netscape compete with Desktop integration?

- MS has bundled IE with Windows95 since 1995; bundling with Win95 has had little impact on Netscape's ability to deploy Navigator / Communicator
- IE4 is optimized for Win98, a consumer-targeted OS platform that won't arrive until mid-98; Communicator is available across 16 platoforms Enterprise customers have today
- Microsoft's "OS integration" strategy has been so complicated and is already so unsuccessful that
 they even were forced to turn it off for the IE 4 launch b/c it created huge deployment problems
- Begs the question: Is desktop integration a good thing? -- security; new user model: etc
 Desktop integration = desktop-centric view of the world, driven by MS business model for
 continuous OS upgrades: Netscape sees network-centric future that is OS-agnostic (OS becomes
 middleware) with the continuing rise of Internet/Intranets/Extranets

What advantages does Netcaster offer the Active Channels?

- Netscape first to deliver push technology based on existing standards with numerous content providers.
- Ubiquitous market distribution with support for multiple platforms.
- Pushed content and applications.
- Scalable architecture. Netcaster enables anyone to easily publish a channel with their existing Web server
- Castanet Transmitter used with Netcaster provides dedicated content and application distribution server to add increased efficiency and scalability.
- Centralized IT control. Using Mission Control. IT managers can:
 - push to information to users.
 - manage bandwidth by controlling update intervals.
 - · lock down the channels that users subscribe to,
 - · centrally administer other Netcaster preferences throughout the enterprise.

Does Netcaster's approach match the functionality that CDF promises?

- Yes-with existing standards, HTML, Java, and Javascript Netcaster is delivering today what CDF
 promises but has yet to deliver
- CDF is far from being a standard—W3C never formed a working group on CDF and now has
 rolled into RDF working group
- Maintaining a separate CDF file makes the content provider's job more difficult and causes

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- additional download time because the CDF file must be downloaded every time a channel is updated.
- By contrast. Netcaster allows content providers to use JavaScript to specify topics that make up a channel.

III. CORPORATE FOCUS

How will you compete with Microsoft's market power?

- · We have competed with Microsoft for several years and done very well competition not new
- key is customer choice, open standards, vendor independence
- · low cost of ownership no "rip and replace" of legacy systems
- Netscape's business model is not built around continual OS upgrade cycle -- this has lead to a
 greater fragmentation of enterprise market (What Andreessen refers to as the "Unixification of
 Windows" Windows 3.1, Win95.

Don't Microsoft & IBM have more/better resources in place to serve enterprise market - service support etc

- · have been very successful in enterprise market to date
- % of sales over \$500K rising, 200 Design wins 2M seats
- have expanded service/support/professional services
- relationships with major partners in enterprise market remember IBM is a partner

Don't recent losses such as KPMG/Andersen reflect change of heart among enterprise customers

- · Facts are that we have made significant inroads into enterprise market and continue to do well
- % of sales over \$500K rising, 200 Design wins 2M seats
- KPMG actually continues to use our products because at this point MSFT can't supply the open
- system soin they need in areas such as global directory
- · people have not predicted our success why assume they can predict any demise

Doesn't Netcenter defocus you from your core SW business?

- On the contrary, Netcenter complements our core SW business
- · builds on our corp strategy of bringing millions of people to Netscape business partners
- · highly innovative ways of leveraging the Internet to feature our products and highlight our services
- potential market S6B in Internet advertising/transactions (Morgan Stanley)

What was revenue from Web site last quarter - what do you expect in Q3?

- We don't split out revenue for our Web site or predict future revenues
- services revenue which includes professional services in addition to the Web site was 27% Q2, 25% prior Q

Are you looking to Web revenue/Netcenter to bolster lower SW revenues?

- Netcenter is highly complementary to our core business
- Is revenue opportunity based on highly successful Web site we're proud of that

Netscape has significant OEM/channel partnerships (ie IBM) with vendors who have competing

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products, how can this work longer term?

- Coopetition model has been working in our industry for many years
- IBM is large company with many divisions opportunities are manifold
- Have close relationship with IBM on many fronts Java/CORBA on stage together often

How do you overcome the overwhelming influence Microsoft has in the developer community?

- Developers follow opportunity Internet/Intranet opportunity is huge
- Dev base is now 26K grown to that in 3 years up from 15K 9 mths ago
- 15K visitors to the DevEdge daily (125K pages viewed daily)
- · capacity attendance at DevCon III highest %ever of inhouse IT developers
- key is building crossware, non-desktop centric apps
- · open systems, cross-everything, cross OS and OS-version
- · enterprise is a heterogeneous environment

Recent Aberdeen Report was very daming - what do you have to say in response?

Aberdeen stated there were 3 barriers to NSCP selling solns to F1000 - here's our response

- Aberdeen NSCP is finding it hard to establish presence in larg corp accts
 - just announced 200 Design Wins representing 2M seats
 - o companies using NSCP SW include Shell, Dresdner Bank, Eastman Kodak, FedEx
 - · Prudential Healthcare. Chubb Insurance etc.
 - sales of over 500KS representing an increasing % of NSCP sales
 - to date most have been directly thru NSCP sales force
- Aberdeen Success of Java is challenge to NSCP Java will usurp NSCP developers
 - NSCP has been supporter of Java 1st licensee
 - Java momentum is good for NSCP/ partners closely with Sun recent 100% pure Java initiative
 - Many of our Design Wins were using Java/JavaScript applications
 - Sun/NSCP working together to help developers
 - Support JFCs have team working with Sun on JFCs
 - NSCP, Sun, IBM, Oracle all support JavaBeans architecture
- Aberdeen NSCP failed to create effective programs for developers
 - We have 26K developers in our developer program up from 15K 9 mths ago
 - 15K visitors to the DevEdge daily (125K pages viewed daily)
 - · capacity attendance at DevCon III highest %ever of inhouse IT developers .
 - Tremendous momentum with major enterprise SW vendors relationships with P'soft, Forte, OLAP, Help Desk vendors, Legacy Access

Other Issues to Explore here:

Free is not really free = IE4 is optimized for Win98/new Intel chip

UI - Netscape has a fundamentally different vision: "Integrate with the User and not the Operating System."

This explains why Netscape supports multiple platforms and focuses development dollars on server and platform technology, in addition to clients. We believe in a network-centric future, not a desktop-centric future. Desktop integration in Microsoft's world means tying a user to 32-Bit Windows/NT, making the user dependent on their OS and the specific machine that runs it. Netscape's vision of a network-centric

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future, as described in MarcA's Networked Enterprise Vision Paper, relies on information and applications hosted on the network, using the client (Communicator/Navigator) as the portal window to the Web.

Ask an IS Manager. "Where do you want to go today? His response would not be to surf your hard drive -- you already know how to do that....

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