



To: Joachim Kempin, Distribution
From: Jeff Lum
Date: February 25, 1992
Re: January Europe OEM Sales Status Report

Attached is the European OEM Sales status report and US OEM sales status reports for January. Please provide me with any feedback that you deem appropriate. Copies of more detailed reports from each subsidiary or account managers are available upon request.

Distribution:

Rolf Skoglund	MSAB
Bengt Alkerling	MSAB
Peter Blum	MSAG
Perleik De Smedt	MSBV
Hans Renselaar	MSBV
Jochen Meink	MSGMBH
Juergen Muehl	MSGMBH
Egon Ealmutter	MSGESMBH
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David Britton	MS Europe
Rebbie Bach	MS Europe
Hans Apel	MS Europe
Bernard Vergnes	MS Europe
Tim Beard	10N/1261
Peter Brannen	10N/1314
Brad Chase	3/2045
Mark Chestnut	10N/1286
Douglas Jackson	85/1077
Arne Josefsberg	8F/1161
Dwight Krosse	1/1080
Paul Maritz	2/2045
Neil Miller	8N/2258
Lori Morrison	10N/1249
Sergio Pinado	3/2056
Fritz Rau	85/2122
Bruce Ruppberg	85/2122
Carl Stark	2/2100
Adam Taylor	3/2053
John Williams	6/2061

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1

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January Status Report
Europe OEM Sales
Jeff Lum, Director

Revenue (see attachment for details)					
Area	January Actual	January Budget	FYQ3 Forecast	FYQ3 Budget	Gr. % of Budget
Europe OEMs	1,126,781	0	17,500,000	16,692,125	105%
US OEMs	7,067,782	6,776,780	30,000,000	18,194,844	104%
Europe Sales	8,194,573	6,776,780	37,500,000	35,887,069	104%

Comments on revenue: Europe OEM: Over a million dollars in pure miscellaneous revenue throughout the subs on a budget of \$0 for the first month will give us a nice boost for the quarter. I expect to finish close to \$1M over budget for the quarter as we do some catch up billings as well as invoice several due-on-signings for license renewals. US OEM: Braman Team Revenue for January was \$2.7 million against a plan of \$2.6 million; 104% of plan. This includes all the new accounts now assigned to Peter's group. Tandon came in at \$1.9 million against a plan of \$1 million which more than offset the \$700,00 in lost revenue, because of the Tandon/Positive merger. Compaq had a decent quarter in FYQ2 shipping over 250K units, and we should be at or near plan for February revenue. Chestnut Team Revenue for January was \$4.3 million vs. plan of \$4.3 million. NCR had a surprisingly strong second quarter, and also reported some previously unreported net revenues, which resulted in \$1.9 million in January revenue. The revenue outlook for Q3 is looking much better - \$11.4 million vs. budget of \$10.5 million. The addition of Logitech to the group is a major reason for this as they are expected to finish \$1 million over budget in Q3. AST shipped a record 120K systems in Q2 and is also expected to finish well above budget for Q3.

New Business Signed		
Account	Product	Comments
European OEMs		
Fecit AB	DOS 5.0; Win 3.0	New M/C = \$260,000/year
Datsavarshuset A.S.	DOS 5.0; Win 3.0; OS/2 1.X	New M/C = \$562,500/\$562,500
Phil Computer GmbH	DOS 5.0; Win 3.0	New M/C = \$116,000/year.
BSC Computer GmbH	DOS 5.0; Win 3.0	Amendment. M/C = \$125,400/\$169,800
Sander Computer Systeme GmbH	DOS 5.0; Win 3.0	Amendment. M/C = \$113,300/year.
C & S Comp & Service Vertriebs GmbH	DOS 5.0; Win 3.0	New M/C = \$97,500/year.
J S Spoth Software Systeme GmbH	DOS 5.0; Win 3.0	New M/C = \$64,800/year.
Geosoft Brander & Kraft GmbH	DOS 5.0; Win 3.0	New M/C = \$42,500/year.
Pyramid Computers GmbH	DOS 5.0; Win 3.0; OS/2 1.X	Amendment. M/C = \$54,000/year.
Lehmann und Partner	Win 3.0	Amendment. M/C = \$240,000/year.
Rein Elektronik GmbH	DOS ROM; Win ROM; Flash	New M/C = \$22,000/year.
Ti'Ke Computer Corporation Ltd.	DOS 5.0; Win 3.0; PPack	New M/C = \$383,900/year.
Palon PLC	DOS 3.21; Flash 1.0	Amendment. M/C = \$87,500/year.
Metawideater S.A.	DOS 5.0; DOS ROM 5.0	New M/C = \$67,500.
Unidata SRL	DOS 5.0; Win 3.0; MMW	New M/C - \$182,000/\$200,000
Microsys Electronics SRL	DOS 5.0	New M/C - \$720,000/year.
US OEMs		
NCR	OEM Premier Support	\$15,000/year
HP Corvallis	MS-DOS 5/Windows 3.X	Per processor for 2 additional years
HP Corvallis	Excel; Word; Mail; Schedule +	LOI for Lion Project

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General Issues

AS ICL will start working with Novell. The market demand for Novell is there, and with the general reorientation from a pure technical company to a more market oriented, ICL appears to have taken a decision to complement LAN Manager with Novell. ICL is very upset because we did not carry out what was promised at the LM Open Council in September regarding one upgrade price to 2.1. Instead they have at least 5 different PR depending on the customer situation. This is in contrast to Retail side. This is really a general problem that the Retail offering and OEM offering generally don't overlap on work group products, creating situations of discrimination against the OEM.

IBM is very active selling OS/2 2.0. Victor remains cool, but ICL is leaning over to IBM. The major issue is that Microsoft is not really interested in supporting OS/2 (as Steve Ballmer made very clear). GmbH The situation with Schneider is still unclear. We proposed a solution where Schneider has to write off half of their \$3.4m PPB. Schneider may step out totally of the PC-business. For IPC we couldn't find a solution up to now, because they felt blackmailed by our proposal, to terminate the contract within the new agreement. ObS is threatening us by several proposals from their side were they want to deduct a high amount from their invoices because of losses the made caused by not getting the delivery partner contract. Escom and Peacock started a negotiation with us to combine their purchasing. They even told us that it is possible that both companies merge.

Robotron Ascots and Robotron Soemtron are liquidated. Open invoices will be paid. LTD News that we are cutting a deal with Phoenix to allow them to sell ROM DOS with their BIOS and motherboard design is BAD ! We've been working hard in the UK to establish a ROM DOS "distribution" channel. Contracts will be signed in early Feb. The development of this opportunity is a delicate one that has already taken up a lot of our time and effort. The distributor needs a clear run at the market - the Phoenix deal will provide totally unnecessary competition.

Apricot have asked to re-negotiate their agreement. They're over committed by at least 50%. We've tentatively agreed to reduce their second year's min. commit to \$1.3M from \$2.2M in return for adding a third year to the agreement.

The FG DOS business is an area for growing concern. In December we sent out 26 licenses and only saw 7 of these returned. In January we sent out 38 new agreements and only saw four of these returned !!!! In addition five of December's agreements appeared in January bringing our total for the two months to less than 30%. It's becoming a critical issue as we need to look for new business to replace existing pack DOS OEMs as we sign the top guys up to royalty. We desperately need two FG-DOS account managers.

We are also suffering from an explosion of pirate DOS. Products bearing the Minta and AcBEL labels are foremost, but at the end of Jan. we saw the worst yet, with our US EZ DOS appearing on the open market at less than £25 per copy. Our strategy is ideally to put this to bed at source (typically these "pirate" products are rogue products produced under valid MS agreements but shipped without Hardware). If we can't do this then we have been attempting to get to the UK distributor and simply sell him our genuine package product at price list. As I write we have received an order for 1,000 units from one of these "distributors" in Stonehaven, Scotland. SPA the "old" OEMs are twisting our arms to lower their numbers to match those of new deals. Trying to reach good tradeoffs, and not to make enemies out of old friends. Andreab is pushing CDC to cover all their systems, eliminating the risk of a DR revamping.

Compaq marketing group continues to grapple with tactical issues on Windows opportunity. Compaq concerned with number of corporate agreements MS has closed for Windows business. IBU division closed to further discussion of EBU and Mouse products. Compaq requests per-system pricing for DOS license.

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Ungermann-Bass: UB is concerned about our presenting a clear strategy for LM to the marketplace as we approach NT implementation and move away from OS/2. This strategy needs to be put into a format that the UB sales force can sell into their large accounts. We continue to release deals to the retail channel without considering the OEM channel. UB would like to be able to compete on a level ground with the resellers (i.e., if we give the channel a free or reduced royalty for upgrades we should offer the same deal to our OEM's).

Positive wants to bundle applications on their hard drives. This would enable the user to evaluate the applications on their own system in their own home for a fixed number of uses. They would then have to call Positive with their credit card number to purchase the key code which would unlock the applications so that they could run. Mike Maples does not buy into this.

Philips: We are attempting to license the rights to PhotoCD from Philips to be used on all Windows based Products.

ZDS - has informed us that our best price for Ballpoint is over \$11 higher than Trackman. ZDS is very likely to choose Trackman over Ballpoint.

ZDS - informs us that Spinnaker is offering lower pricing, free documentation and no foreign uplift. We are uncompetitive from a price standpoint.

AST - AST's Tammy Watanabe is recommending IBM's JDOS and even DR's JDOS over MS's product due mostly to MS Japan's expressed attitude towards AST. AST is angry because they believe MS Japan is continuously quoting misleading delivery dates and AST is watching MS Japan "court Compaq" while MS Japan basically ignored AST's efforts to enter the Japan market.

General News

AB Tandy will open a superstore in Copenhagen, selling Victor, IBM, and Compaq. It is the familiar Computer City concept from the US. Observe that it is Tandy that is opening, not Victor. Preparations are in full swing. Victor will continue operations as before. Both Computer City and Victor will source from Victor's newly opened factory in Scotland. It is expected that certain changes in the management structure will occur, but this is not confirmed publicly.

BV At a seminar organized by Intel IBM was giving a presentation on OS/2 2.0. The product looked very stable, they used the latest build, and the presenters were very confident that IBM was going to make the target date of end march. At the presentation they positioned OS/2 as the DOS task switcher. Windows compatibility was shown. IBM states that they have full ODE between OS/2 apps and Windows apps that was not shown. The system performance (a P75) was very acceptable in DOS, Windows and OS/2. At the demo they explicitly showed also DR-DOS in the OS/2 DOS box. The story was that users are using Windows and OS/2 that is indispensable for IBM mainframe communication. The Apple/IBM deal will not generate products within five years(!) And in the mean time OS/2 is the best solution.

GmbH started a Win3.1 program together with 52 OEM's for CeBit. Almost all of them agreed to show Windows 3.1 on their machines at CeBit. The program is very well accepted. We started to work on this together with the local systems business unit. All OEM's were informed about our plans for the Windows 3.1 launch and all OEMs answered a questionnaire about their plans for Windows 3.1.

SPA Good MYR, no change to OEM dept. Retail (in lira) at 69% MTD, 88% YTD. SW market worsened in January. Clone market healthy. Super deal closed with Microsys, see Other OEMs section.

SRL 2 finalists for the LA Rep position are ready for final interview with you. Other highlights of the month were the MYR and Systems Strategy Briefing to 3 OEMs and 3 LAs.

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4

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Account News

Compaq announces sales of \$873 million for Q4CY91 showing improvement over Q2 and Q3. Net income was \$131 million. Compaq announces agreement to resell Novell Netware. Compaq ends SGI joint venture agreement.

Sofbourne has fired their president and laid off 30% of their employees within this last month.

Philips: Rob Hamersma, the Managing Director of Philips Consumer Electronics, has been replaced by Lars Nyberg. Mr. Nyberg comes from Philips Information Systems.

CompUSA: Artisoft shipping free software, disks, and documentation. Introducing new Slim line machines in March.

Creative Labs: Will introduce a 16 bit sound card in June.

Media Vision: Will introduce new portable sound board that plugs into printer port in March.

Headland Technology: Getting out of the sound board business.

NCR - The WPD reorganization is complete and Clemson now handles all software management.

Representatives from all of the key NCR organizations will be in Redmond on February 10th to learn about MS' OS/2 to NT Migration plan so they can assist their ISVs and customers in the transition.

NCR - Received good news from 3140 group via Steve's conversation with Tom Mays that the 3140 will not be Hobbitt (RISC) but will be most likely SL based architecture.

ZDS - ZDS will offer 7 out of the 49 bids for DT4. During the first round of bidding, ZDS bid MS on all Windows bids. However ZDS bid Windows on fewer than half of their 7 bids. We are working to convince ZDS to bid MS and Windows on all bids.

ZDS - announces further layoffs and a restructuring of field sales. Over 60 sales and support people are cut.

ZDS - will reportedly be supplying IBM with a large quantity of portable machines for IBM resale via Bull. Rumor has it that ZDS will supply 150k machines per year to IBM. If this is true, it will double the number of portables shipped by ZDS.

AST - Genelle Trader, Director of AST notebook products, resigned and accepted a job as Everex's VP of Marketing.

AST - MS made significant progress with AST on DTIV. After our meeting with AST's Bob Becker, AST is expected to ship MS products only and abide by the Option 3 terms.

HP - HP Vancouver's DeskJet 500C, announced last Fall at \$1095 SRP, is getting good reviews from the PC press. Nearly every review notes the product's fundamental flaw of being modal (either good monochrome or good color, but not both at the same time) while endorsing this product as the best low cost color option available today.

DG - DG announced that they started fiscal year 1992 in the black, but just barely. DG earned \$4M on sales of \$294.8M in Q1 of fiscal year '92. This represents the fifth consecutive profitable quarter for DG after sustaining two and one-half years of losses.

DG - DG announced that Robert Mara has assumed the position of VP of the PC Business Unit. Mara comes to DG from Tandon where he was VP of Sales. Mara fills the position vacated by David Ruberg, who left in August.

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5

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Area Summaries

Finished Goods DOS - Europe

Subsidiary	January Actual	January Budget	FY03 Forecast	FY03 Budget
MSAB	8,497	1,983	13,792	6,792
MSAG	2,038	1,744	8,000	5,323
MSBV	4,033	3,100	8,873	7,200
MSGESMBH	429	984	1,300	3,002
MSGMBH	44,889	29,343	102,668	88,477
MSLTD	16,110	8,500	44,078	38,500
MSNV	1,074	1,842	4,993	5,628
MSSARL	8,473	10,800	69,141	60,100
MSSPA	4,285	2,200	8,274	5,900
MSSRL	2,528	3,248	9,500	10,600
TOTAL	82,033	62,444	268,636	217,523

January was the strongest month for PackDOS in the history of MSAB. The figures speak for themselves. In reality January was a super month because of shipment problems in December. This has triggered several PackDOS accounts to consider licensing.

BV The pessimistic outlook we had for this month did not come through. Despite the fact that Sydec signed a licensed agreement they still placed an order for FG MS-DOS. So this month BV is on 180% of budget. The Belgium sale continues below budget, however the application sales in Belgium is at record levels. Clearly this indicates that the dedicated FG-DOS sales person is urgently required.

GmbH Revenues are far over budget. With \$5.9M we are at 153% of budget. The forecast for January was 41,800 units of package MS-DOS incl. DOS/Windows combo packages. Actually we achieved 44,100 units which is 155% of our budget with 28,400 units. According our February forecast we expect to ship in total 29,000 units. Mice business went well, too. We delivered 9,000 units as forecasted. D+S raised their forecast for the rest of the FY'92 to 12,000 units each month.

LTD ANOTHER RECORD MONTH !!!!! The subsidiary beat £10M for the first time ever and our FG DOS sales contributed by beating the 16,000 barrier for the first time. We almost doubled our revised budget of 8,500 units. This is even better news when you take into account the "loss" of Ti'Ko to a royalty contract. They were ordering at least 1,000 units per month previously. Our windows penetration has continued above the 50% mark for the third month in a row. However, this is slightly worrying as we try to move these customers to full royalty licenses due to the high cost of producing DOS and Windows manuals. Clearly EZ DOS isn't enough without EZ Windows. Meantime we've persuaded Phoenix to do OEM manuals at under \$35 which will help but it isn't perfect. This combo needs to cost the OEM less than \$20 to be effective. The news that we will be bring the EZ packages to Europe was very encouraging but I have serious reservations regarding Ireland's ability to deliver small quantities in good time to multiple delivery points. We should do a local deal for the UK/Europe. I will be investigating the possibility of using Amstrad's printer who are based in England and provide VERY competitive pricing for Amstrad. The outlook for Pack DOS sales is extremely positive. Feb. looks quieter than January but we'll still easily exceed our revised budget of 11,000 units. March, which is year end for the majority of UK companies, looks like being a MASSIVE month.

SPA Sales of PackDOS keep great, at 194% YTD. In units, 21,726, we have beaten this FY budget. Revised budget is 31,000. Doing more active prospecting, and planned a new edition of the packDOS ad we did in November.

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6

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SRL Pack DOS sales were 76% vs. MTD budget (98% vs. YTD budget). CSEI and Comelta were the first customers converted to royalty business and several others like ADL (5K units) and Siessa (10K units) may go straight to royalty business next month. Expectation is we will be way over royalty business budget (\$800K vs. \$150K budgeted) and somewhat short on Pack DOS budget (35K vs. 40K units).

Market Trends

MS AB (Bengt Akerlind)

Interest for Win 3.1 is gearing up. It is common knowledge when it will be released. We will ride this wave and convert as many PackDOS accounts as possible from "naked MS-DOS" over to MS-DOS/Win. Rumor has it that IBM will launch OS/2 2.0 on March 25, a few days after our local Win3.1 introduction.

MS GMBH (Juergen Huels)

MultiMedia is taking off in Germany. Escom and Vobis are advertising MM machines on their front pages of the "Extrablatt" and "Denkzettel".

We see a high demand for hard disks which is currently not satisfied by any hard disk vendor. This is especially slowing down the notebook business.

MS LTD (Sandy Duncan)

Prices of new machines is getting sillier and sillier. Latest record breaker of note is from Opus. 386SX/20, 40MB HD, 1MB memory, color monitor, VGA and DR-DOS at a list price of £599. Viglen and Elonex have pledged to follow! This compares with the PC World (superstore) price of £1,599 for a similarly configured Dell machine and £999 for an Amstrad with the same spec. Lotus have appointed a full-time "Director of Copyright Protection" to defeat piracy. Lotus believe that 50% of all software in US is illegally copied.

IBM UK announced that they lost £124M in FY '91. This compares with a profit of £420M in FY '90. Total UK employees is down by 2,639 to 14,909 and turnover declined by 14%. Total UK IT market in 1991 was estimated at £27 Billion, up 5.1% on 1990. Projections for 1992 predict similar growth to £28.5 Billion. Largest sector is Finance, followed by manufacturing. Construction was the smallest sector with Telecom showing fastest growth.

Novell is reported to be signing Merisel-Softsat as a disty on a pan-European basis. Could be the start of a significant trend?

The only superstore in the UK "PC World" hasn't had a lot of press recently but they are reported to be running a "mass demo" of OS/2 2.0 on Feb. 15. They either believe that there's a significant home/hobbyist market for OS/2 or that corporates make purchasing decisions on Saturdays! - Very strange.

February looks like being a VERY busy month. Highlight will be the Windows Show in London. OEM people are heavily involved with a total of 12 man days. We've helped create a separate technology stand with OEMs including Victor, Zenith, Compaq, NCR and Apricot showcasing their various windows based technologies including NT, 3.1, Pen and MultiMedia.

Key Account Summaries

European OEMs

Actebis Computer GmbH

On January 16th, we had a meeting and with Herr Urban and Herr Puhrsch to discuss the final details for an amendment to their contract. Agreed upon was a two year amendment to their contract for 100K units of MS-DOS per system at \$16.00 with Shell (and this would be for the German version and the \$2.00 uplift for all other versions), and \$25.00 for 50K Windows (also for German version). We are also working with them on getting approval for their packaging of MS-DOS and Windows.

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Amstrad (Richard Barrie)

Amstrad have been reasonably quiet after threatening to erupt last month ! Major incident took place in the Amstrad car park. Richard Barrie was last seen traveling out of Brentwood on the M25 at 150mph after bashing Sugar's Rolls Royce in the Amstrad car park. Apparently he left his name, address and Digital Research's phone number on the windscreen.

Apricot (Dale Borland)

Dale and I met with Mike Jordan , who is responsible for the contract. Put simply - they're massively over-committed. From April their min. commits go up to 550K per quarter and they're currently only forecasting half of this. We have agreed tentatively with them to extend the contract by one more year at a commit of \$1.3M rather than one year at \$2.2M. Currently we're waiting for Apricot to confirm this is OK. Meantime Peter Horne will be meeting with Paul Maritz and Pam Goldschmidt when he visits Redmond on Feb. 18. Dale will attend. Horne has some notion that Multi Processing is fundamentally flawed - hopefully Paul can convince him otherwise.

Brother

They have started talking about putting DOS in their typewriters. This is the pot of gold that we've always been looking out for ! - they build 10,000 typewriters every week !!! - We have a LONG way to go but this could be very lucrative business for us.

ESCOM (Michael John)

The meetings with our marketing BU'S have been successfully finished. ESCOM will advertise Works for Windows stand alone on one page of his April magazine issue. They still want Microsoft to take over a part of the advertisement cost for that issue, but we won't. ESCOM finally agreed on the application deal. They will hard bundle Excel 3.0 and Word for Windows 2.0. They get a discount of 60% and DM 150,000.00 for advertisement which they will use for their magazine issue. ESCOM will preinstall all application demo's and test software from Microsoft on every PC.

G2 (Hans Ranselaar)

We finally agreed on the new amendment for G2. Peter Breedijk will sign it on short notice. This amendment will be effective Oct., 1, 1992 and will include Works for Windows. Where is the Dutch version of Work for Windows anyway? Susan Boeschen told G2 that they could expect this early December 1991.

ICL/Nokia LTD (Lars Ahlgren/Dale Borland)

ICL came in with a very strong Q4 report. The Nordic figures showed over 27,000 units shipped, and from the UK we hear that they shipped over 20,000. This indicates that ICL is getting close to a 50,000 units quarter.

License negotiation is closed. We sidestepped Norokorpi and went straight to Mills who gave a verbal OK on (DOS+Windows) \$32 PP/PI/3Yrs + \$3 for localization. This was a good win for us.

Microsys

Excellent deal closed with Microsys, in a rush to cut off DR from negotiations. A nice royalty for DOS, and a commitment of \$720k/year, and most of all a bad wound for DR. This gives us almost free way to try and attack Olidata, the last big customer of DR in Italy.

Olivetti (Maurizio Bedina)

General. Olivetti slowly starting up back again, people is still quite de motivated, in spite of a very good quarterly shipments result: 221,000 systems. Too bad, this only means they pushed a lot down in the channel in December, that implies, Q3 will be bad. IBM approached Olivetti with an offer similar to Bull's, which Olivetti politely turned down.

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LM2. The news they got re our mktg. plans for LM CTP are no big deals, and -worse- we know there is practically no plans. Trying to push Mktg. to endorse this program & push it. If this won't happen, CTP will be a flop and LM will be even more at risk in Olivetti. They are seriously talking to Novell.

Comms server for NT. Lots of activity in this area (this is one of the hot banking topics, together with NT). They met us, then DCL, conf called us again, and will meet DCL again. Basically we are trying to sell them the 1.1 for OS/2 as a product now, and its evolution to NT as a perspective. Quoted std royalty rates (incl. commitments) and \$100k for the source down from \$250k (as they will do significant enhancements that in turn they'll license to us for free). We may be able to close this nice deal, prob. at 50% now. Bad news is Dondolini accepted a job for Olivetti Italy and will be gone in one month.

MultiMedia. Olivetti is whining for the \$15 royalty with no commit, which they consider high, and still messing up with Mediavision.

NT-OS/2. This issue is becoming hotter and hotter. On the banking front, Brandi, Mensi, and developers just had a mtg. with Davidwo, Partir etc. in Redmond about the issue of porting Olivetti offer to NT. According to a preliminary report by Lorim & Maurz (who was there too) the mtg. went well and bad. Well because anyway Olivetti is convinced that it's worth the effort to consider NT the target platform for the PB system, and therefore a cooperation will start with us to ensure tools and apps are ported smoothly. Bad because Olivetti made clear that they don't consider Win 3.1 a viable intermediate step between OS/2 1.3 and NT as a replacement of OS/2 2.0. They confirmed instead that if a customer asks/needs OS/2 2.0 they will make this possible, not only shipping OS/2 2.0 per se, but also investing to "dress" OS/2 with suitable apps. This means they will spend energy in porting (or ready up to port) their apps, and even LM if we don't do it. This obviously implies Olivetti widening up their contacts with IBM. On a different front, during an interesting mtg. with Piol (that Umberto called up), he requested officially that MS accepts to sponsor the Olivetti R4000 machine launch in Paris in April. This sponsorship is letting them show NT to the audience (only Olivetti top VARs w/wide), having a MS executive give a speech, and extending the NT for ISV program to Europe, pushing Olivetti MIPS machines. Waiting for answers from the US.

OPUS (David Bradley)

Bradley and I met with Adam Harris in late January. Basically a great meeting. We're sure that we can get the DR DOS issue resolved and a Windows deal signed before mid-March. (Their contract expires end March).

One of the issues that has arisen from this is an issue which effects all of our channels at MS Ltd. Opus' biggest customer (British Rail) want to put Windows on all of their new and existing PC's. The new ones are fairly straightforward, but the existing base of c. 8,000 windows capable machines is more of an issue as our large accounts guys as well as one of our dealers are bidding for this business. The situation has been resolved - we will make a proposal to allow Opus to upgrade BR using White Box windows. We'll also give the same proposal to the dealer involved (MSL) and they can make their pitch against Opus on a fair and equal basis. MS retail, large accounts, Opus, the dealer and ultimately the customer are all happy with this.

Schneider Rundfunkwerke AG (Andreas Niegel)

We proposed a solution to Schneider Rundfunkwerke AG to write off 50 % of their prepaids. Mr. Rusniok will present this proposal to the board of directors. We assume that a decision will be taken until February 15th. In this new amendment they want to commit to 50k units a year for the period from Jan. 1 to Dec. 31, 1992. Given that we take standard pricing on this deal it will be a \$2.65m commitment. We assume that we have to take part of their prepaids into that contract.

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Siemens Nixdorf Informationssysteme AG (SNI) (Jaap VanArkel)

Meeting with Decision Makers in Redmond date Feb. 20th. In preparation. Objective: Convince SNI that NT is on schedule and the complete NT platform can be offered within our promised time frame.

Windows. Working to get the documentation at SNI before their deadline: February 14th. They received the documentation files without artwork. SNI wants to co-operate at the WIN 3.1 Launch. Will work with Windows Business Unit to get maximum involvement.

Windows/CeBIT. SNI will show Windows 3.1 at the CeBIT. About 80 notebook (introduced at CeBIT) with Windows installed will be on several places at the CeBIT. The Windows Business Unit will get one or more SNI NT systems in our Booths. Their first pre-installed Windows machine will be introduced at the CeBIT. 386sx price 3000DM.

NT: SNI is pushing NT strategy to their Large Accounts. In all presentation slides NT is positioned as a strategic product. SNI has postponed the multi processor development due to technical problems with Intel.

NT-SNA/COM Server - System Management This month Vesa Suomalainen (MS) and Clive Partridge (DCL) presented SNI Open Systems development department the MS Comm Server status and strategy and possible co-operation between MS and DCL. SNI was not willing to give out requirements and status on their SNA product for UNIX and OS/2. This due to a bad experience this group had with Microsoft in co-operation on these themes more than a year ago. We agreed on a new start. February 21 we will have a meeting in Redmond about co-operation on system management and get SNI committed to SNA server for NT.

LANMAN: SNI received the LAN Manager for UNIX source code this month and started porting. Expected release date shortly after the CeBIT (April 92). The LAN Manager amendment is approved by both LAN Manager for OS/2 and LM for UNIX planning departments at Siemens and is approved. Amendments are now to the SNI management to be signed. Waiting for language for the TCP/IP utilities.

Mouse: SNI is selling the COMFO package (Logitech Mouse (12\$) MS Windows and Comfodesk) as a retail product. They signed up for 10.000 units of Windows (finished goods) for the coming year. MultiMedia: No change, the system is in development and will be introduced at the CeBIT

Tulip (Hans Ranselaar)

The BUN group is working on the LM 2.1. Tulip is offering a free upgrade to customers who purchased after 1 dec. 91. The LM 2.1 package will be made up with the Microsoft manuals and the FG OS/2 1.3 package. This package is much cheaper than the license and the manuals. Our technical people are working with Tulip R&D to fix some LM bugs. We have the attention from Redmond now and this is helping. However there is not much progress in solving the problem, but there is nothing we can do more.

Tulip had an excellent Q2FY92, they sold about 30K units which 80% more than the previous quarter, making this the best ever. Our royalties amount to over \$1000K. The processor split for this quarter is 32% 286, 63% 386Sx 5% others. In particular the sales of Window machines are up.

Roland Diets Marketing manager of TCI will leave April 1, he has accepted a position as marketing manager with the Elsevier publishers.

Tulip is further delaying payments of our latest invoice until all amendments are processed. There is a PPB of about \$150K, but the royalties in the last quarter are much higher than the MC. This means that after processing all the amendments Tulip will have to pay us an additional \$100K on the old contract. So after the two years of the contract, the difference between the MC and the actual royalty is less than 2%.

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10

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Victor (Magnus Larsson)

During the spring Victor will launch the new series of Grid Pen Computers. The development is handled by Grid.

Tandy will establish the Computer City concept in Europe. The first store will be located in Glostrup outside Copenhagen. It will be a 3,000 square meters superstore containing hardware from IBM, Apple, HP, Compaq and Victor. *There are plans to establish three more stores in Sweden and one in Norway during 1992. Info in Italic is NOT OFFICIAL information yet, even if there has been a flash about it in a Danish newspaper.*

Vobis (Stefanie Reichel)

During the Mid-Year Review, Bill Gates visited the Vobis store in the Arabella-center in Munich. Bill has now seen their efforts for DR-DOS, unfortunately, but we are working on a long term plan to dramatically improve the presence of MS-DOS in Vobis stores.

On January 28th, we had a meeting with Vobis together with Dahmen to discuss the relationship and to officially introduce Stefanie as their contact. Issues that were discussed were whether they would be interested in licensing Win Works and they said they might be interested in talking to us more about it, especially at a price of \$15.00 or \$30.00 bundled with Windows. He is also interested in discussing possible PCWorks 2.0 to WinWorks updates. We think that once he starts feeling stiffer competition from Escom that he will want to talk more to us about this subject of WinWorks.

In this meeting we were also informed that they shipped 103,000 systems in Q2FY92 and we will be getting signed and finalized royalty reports from them in the next meeting on February 6, 1992. 68K units went out with MS-DOS 5.0, and about 50% of all units went out with Windows.

US OEMs

Compaq

(teresach)

The primary activity this month was Windows 3.1 negotiations. Jeff and Teresach traveled to Houston to begin negotiations. This was followed up by numerous conference calls and a written proposal, counter-proposal, and response. The current status is that Compaq will license Windows for products due out in the June time frame. While Teresach continues to push for the April time frame, Compaq has been unable to move quickly enough to take advantage of the launch opportunity. Peterbra visited the top three Compaq subs in Europe to discuss joint marketing opportunities between the MS and Compaq subs. Bill and Eckhard Pfeiffer spoke briefly regarding Compaq announcements and Windows licensing status. Additional activities were a Pen Windows briefing, NBU and printer meetings.

Ungermann-Bass, Inc. (markbul)

UB is still dedicated to a LM strategy and is interested in raising the level of the strategic relationship between our two companies. We met with UB to understand the new organization there and to present the MS strategy to them. It is still unclear on how the new relationship will eventually be structured. It is clear that it will change over the next months as UB's new organization settles in.

tomhen

Commodore: Negotiations for the per-system Windows and Works for Windows license is going very slowly, although we did receive a \$42,000 PO. for Works for Windows document films. Tomhen made MS DOS 5.0 Portable Computing Initiative Presentation to their technical staff, which was well received. This is the continuation of our effort to replace DR DOS on their palmtop machine. Tomhen spoke with Lou Egglebrecht (their palmtop architect), he agrees MS DOS belongs on the palmtop.

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11

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Tandon: Tomhen attended their biyearly executive level Product Planning meeting with Joachimk, and Peterbra. They presented the MS System Software Strategy and Trends in the Intel PC Market.

markba

Philips: Most of January was spent obtaining final signature for the new Master Contract and pushing the contract through the channels at MS. Additionally, Markba spent a great deal of time preparing for the Executive Briefing which is scheduled for February 12th. Philips is presently establishing a factory in Europe that will receive basic PC configurations from Montreal and prepare these PC's for distribution in Europe. Most of the Montreal staff has been in Europe helping to setup this new organization.

We have also had a great deal of activity surrounding the licensing of PhotoCD directly from Philips to MS. This license issue is very complex and requires the cooperation of the highest levels of management from both our companies. It appears that we will be successful with this license and thus MS will be able to support PhotoCD on all Windows based devices. Part of the Feb. 12th agenda will be to come to agreement on this issue.

Northgate: NG was involved in the budgeting process for almost the entire month of January. As a result things were fairly quiet. We did accomplish the reconciliation of the outstanding moneys MS owed to NG and that did take quite a bit of time. Resolution to this issue was greatly appreciated by NG management. NG is also in the process of re-evaluating its marketing strategies and considering vertical marketing approach to bundling software.

debbief

CompUSA: CompUSA has agreed to add a third year to their MS-DOS license and commit to 100,000 units. They have also agreed to license 50,000 copies of Windows for three years. They will preinstall Windows on their machines. They would not commit to a per-processor deal, as they do not want their costs burdened at the low end where they have so few margin dollars. They will be attending WinHEC and using our logos. They have completed the HCT. There is substantial opportunity for both high and low end applications business.

Creative Labs: The Bookshelf license was finally completed. There had been several snags, as MS had told them originally that they could sub license Bookshelf. Our agreements with the third parties, like Houghton Mifflin, do not allow us to sub license. Unfortunately, MM Pub wasn't aware of that. We also found out that CL cannot distribute Bookshelf in the UK because of a naming dispute MS is having with another company. An amendment allowing them to act as a replicator for OEM's with MMWin license was drafted and delivered. Pamela and Debbie visited them this month to discuss MM marketing plans and the testing procedure we are implementing for MPC compliant components and systems. CL is extremely interested in being our supplier for Foghorn.

Media Vision: The issue that has been open this month is whether or not we can license them for Windows 3.1 to bundle with their Thunderport board at a price they find acceptable. They have been very unhappy with what we have quoted them. There are several issues we are pursuing from a legal standpoint, so we can understand exactly what we have to provide them under their current contract. They have an amendment in their hands for signature that will extend their ability to upgrade their installed base until March 30, 1992 and allow them to act as a replicator for OEM's who have MMWin licenses with MS.

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12

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Patty

NCR - NCR signed up for OEM Premier Online support for \$15,000, which went into effect on Monday, February 3rd. The new Mouse Distribution Agreement and the Master License Amendment are on Alok's desk for signature and will be signed when he returns from Germany. Introduced Mark Buick as the new NCR Account Manager via the MS-DOS and Windows road show meeting at E&M Dayton. Steve Ballmer and Tom Mays had an excellent (last) call regarding Windows NT and Steve has been invited to Dayton for a strategy update meeting this Spring (Paulina will probably attend). E&M Atlanta came to Redmond on January 9th to understand our plans for MS-DOS 6 and it looks like we'll be able to accommodate their needs before MS-DOS 6 is available. E&M Columbia has been on site porting NT to the 386 and there are plans to work out a program to ship NCR MP systems and NT code to selected (important) ISVs. The E&M Clemson NT engineers were in Redmond for a meeting with Carls and Mackm to discuss potential joint development of "Win32 on DOS" (Panther) for their high-end workstations.

Johnmc

AST - Account turnover from Jeffd began. Traveled to AST and presented to 12 manager and director level personnel a presentation on MS-DOS and Windows plans for launch and future directions. Met with engineering group and listened to concerns of NT development, getting a better communication network up and running (direct email via gateway). Discussed AST's custom Configuration program for direct sales through the resellers. Met with Jim Schraith, VP of channel marketing, Julie Irving, Marketing manager of mass merchant channel and had Mike Negrin present and outline MS marketing channels and strategies.

AT&T/NCR - Came to verbal agreement with Safari systems group to amend the Rhapsody agreement for MS-Office to utilize existing pre-paid from Rhapsody agreement for Safari systems. Met with Naperville MultiMedia group and provided information on Win 3.1 and MultiMedia extensions. Naperville group outlined new product plans for a MultiMedia system due in Q193. Confirmed the Naperville group is now responsible for the upgrade MultiMedia kit developed by AT&T. Began formulation of royalty pricing for the PC mail groups Easy link project. Finally scheduled technical review meeting with 3140 group to review MS and NCR future products. Account turn over to markbu began and will be completed in February

Wyse Technology - Met with Rich Wesson and Jim Munro to address outstanding issues. The meeting was very encouraging. Discussed alternative arrangements for EBU products for the Wyse Decision laptop. Wyse will most likely license Works for Windows and Money on a Per System basis for a 6 month period. Discussed the license for Windows and came to a verbal agreement for Windows Per processor if issues surrounding corporate licensing programs can be resolved. Wyse also wants to present to MS executives the business case for the Windows NT Terminal proposal. Wyse sent a programmer and system to NT development group to begin the porting process of NT to the Wyse 700i. Met with NT technical staff to outline projected milestones for SMP port of NT.

Tomda

Zenith - This has been another month of high activity in the ZDS account. ZDS entered the mass market at the January '92's CES show and announced that Spinnaker Works will be shipped with all mass market machines. We have lost this business. ZDS is soon to announce a portable pointing device available for all ZDS portables. Logitech's Trackman is the likely winner. ZDS will ship in excess of 100k units of this product per year. We also met with ZDS and gained closure on Winball. Upon availability of Winball, ZDS will ship this product with all ZDS network ready machines. Groupe Bull and IBM announced that IBM will purchase a stake in Groupe Bull and that IBM will resell ZDS portable machines.

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13

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Jeffd

AST - AST's VP of Channel Marketing, Jim Schraith, visited MS's Mike Negrin, Alex Nader, and John Williams to discuss co-marketing activities for Windows World, the mass-market channel, and MS's Fall Promotions. These discussions went well and will be followed up with Mike Negrin visiting Tom Yuen on March 4th. AST announced its new AST Office Advantage product line at the CES show in Las Vegas. Their press announcement stated that Lotus was on Office Advantage PCs which was not true (see issues). AST's account transition began. Johnmc introduced himself well presenting MS's system software update on MS DOS 5's APM and Windows 3.0 momentum. John and I will work together on the outstanding issues and the transition will be complete by February 13th.

AST continues to grow selling 120K systems in Q2.

Darcyh

HP Corvallis - Signed the LOI for Lion. Additionally, signed the MS-DOS 5.0 and Windows 3.X Amendment per processor. Remaining issues are what will be used for the PIM on Lion. MS Mail group presented a spec. for Address Book, as part of Schedule Plus, but did not fully meet HP's requirements. Chrisp has assigned Robert full time as Project Mgr. replacing Josephr. Robert will work to define best PIM solution for HP and to be key technical interface for Lion for MS. Delivered first draft of the Agreement for Lion.

HP Grenoble

Met with Jacques Clay, GM, Grenoble, at dinner with HP Sunnyvale to discuss proposed Windows bundling proposal. Discussed Windows bundling options and how Windows could benefit Grenoble's planned network ready/capable desktops, planned for release this spring and Fall. Grenoble is interested in pursuing an exclusive bundling option similar to Corvallis' Lion. Would like to investigate joint development opportunities. Will be meeting with Jacques in February to investigate how Grenoble/MS can work together. Jimko, TAM, will be visiting Grenoble in Feb./Mar. to review support for HP, and how MS can better support Grenoble.

HP Sunnyvale

Held a meeting with Sunnyvale to hear about plans for "Edison" a pen-based 386 PC, with email and fax capabilities. Planned release Q1 '93. Key opportunities for MS are Pen Win, MS Mail and Schedule Plus. Met with Duane Zitzner, GM, Sunnyvale, at dinner to discuss Windows bundling proposal. Discussed Windows bundling options and how Windows and Window applications could benefit Sunnyvale's planned 486/25 CPU upgrade able machine planned for spring '92. Submitted revised Windows proposal, and will review with Sunnyvale in effort to name Windows system by 2/28, which is required in contract in order to recover \$100K of current PPB.

HP Colorado Networks Division (CND)/Information Networks Division (IND)

Bobkr and Darcyh met with Information Networks Division (IND) and Colorado Networks Division (CND) in joint meeting on 1/30. IND is now responsible for all mktg. of LM for UNIX Systems. Discussed ways to promote joint networking strategy and reviewed strategy for LM for UNIX Systems. IND continues to defend Novell announcement as a simple "balancing" message, as they have been leaning too far towards LM. Darcyh will be scheduling meeting with mktg. groups from MS and IND to further educate IND on LM strategy and to investigate joint PR opportunities.

Richab

Hewlett - Packard - The new year brought with it some good progress on the HP front. Highlighting the month was a successful executive meeting where HP gave us their final commitment to build TrueType into the Payette printer. In addition, agreements were drafted to put to rest concerns relating to ownership and disclosure plans for two interface standards.

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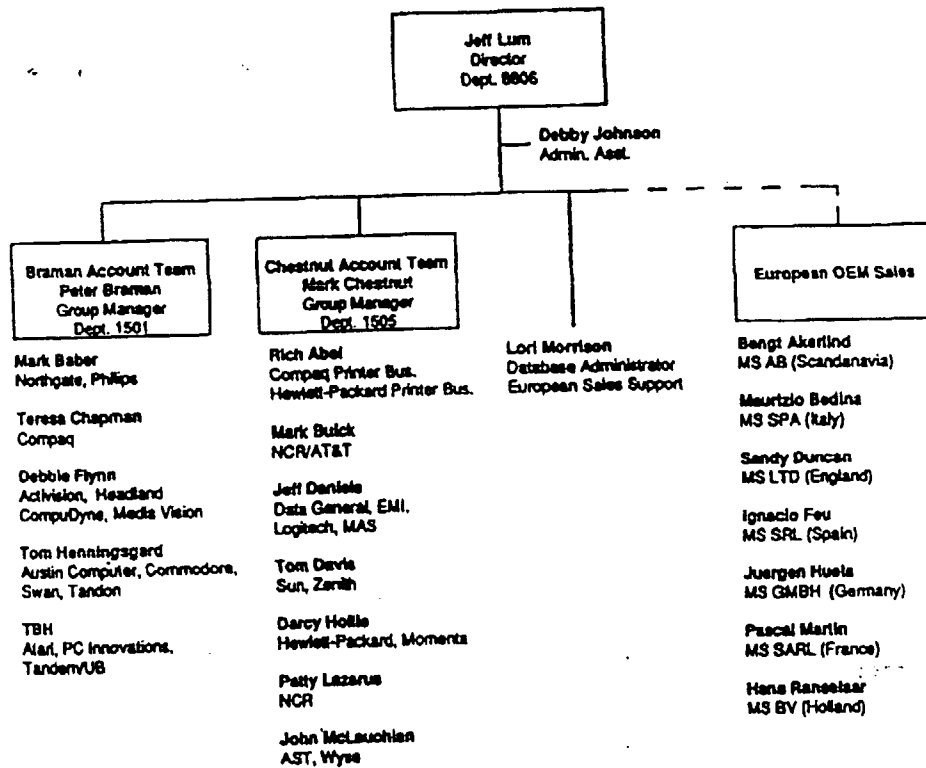
14

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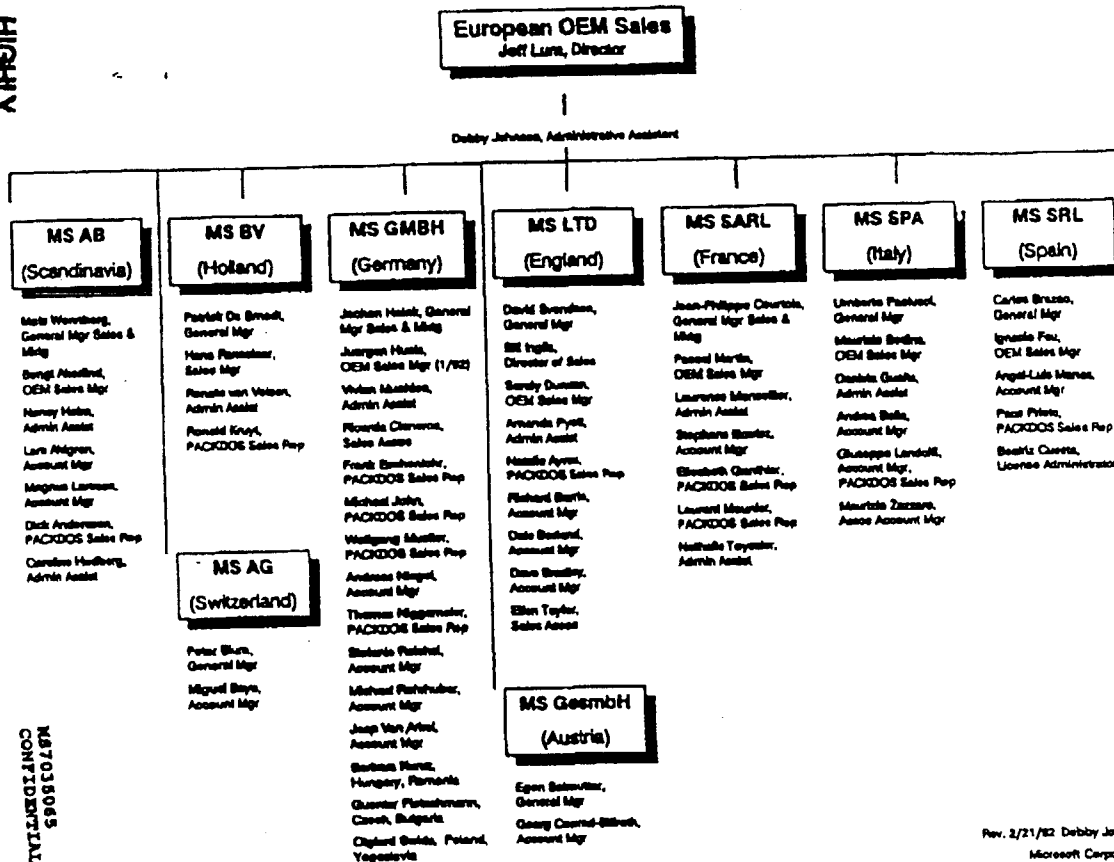
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