

7/17/89

USSMD PROFIT MODELS  
FISCAL 1990  
(in Thousands)

	LANGUAGES MODEL		LANGUAGES BUDGET		WINDOWS MODEL		WINDOWS BUDGET		HARDWARE MODEL		HARDWARE BUDGET	
GROSS REVENUE	105.3%	\$32,262	103.5%	\$30,505	105.3%	\$29,962	100.2%	\$25,556	105.3%	\$51,945	103.3%	\$53,445
ADJUSTMENTS	5.3%	\$1,710	3.5%	\$1,016	5.3%	\$1,588	0.2%	\$40	5.3%	\$2,753	3.3%	\$1,713
NET REVENUE	100.0%	\$30,552	100.0%	\$29,487	100.0%	\$28,374	100.0%	\$25,516	100.0%	\$49,192	100.0%	\$51,732
COST OF GOODS SOLD												
PRODUCT COST	17.0%	\$5,187	17.4%	\$5,133	25.1%	\$7,521	30.9%	\$7,897	37.8%	\$18,615	38.9%	\$20,122
OTHER COGS	12.0%	\$3,871	6.0%	\$1,755	6.1%	\$1,828	4.8%	\$1,167	12.0%	\$6,233	7.4%	\$3,828
TOTAL COGS	29.0%	\$9,058	23.4%	\$6,888	31.2%	\$9,348	35.5%	\$9,064	49.8%	\$24,849	46.3%	\$23,950
GROSS MARGIN	71.0%	\$21,494	76.6%	\$22,599	68.8%	\$19,026	64.5%	\$16,452	50.2%	\$24,343	53.7%	\$27,782
OPERATING EXPENSES												
RAID	19.5%	\$5,958	20.4%	\$6,001	10.0%	\$2,837	11.4%	\$2,909	4.4%	\$2,164	4.2%	\$2,157
PRODUCT MARKETING	7.0%	\$2,198	6.8%	\$2,004	7.0%	\$1,983	7.5%	\$1,914	3.5%	\$1,719	3.9%	\$2,006
MARKETING FUNDS		\$0	0.8%	\$186		\$0	0.7%	\$171		\$0	0.3%	\$166
ALLOCATED CORP PROG.	2.0%	\$622	2.5%	\$750	2.0%	\$578	1.5%	\$392	1.0%	\$501	0.8%	\$405
BAD DEBIT/TAXES, LIC.			0.9%	\$263			1.4%	\$351			0.8%	\$417
TOTAL EXPENSES	28.5%	\$8,715	31.2%	\$9,204	19.0%	\$5,398	22.5%	\$5,737	8.9%	\$4,384	10.0%	\$5,151
CONTRIBUTION	42.5%	\$12,778	45.4%	\$13,395	49.8%	\$13,628	42.0%	\$10,715	41.2%	\$19,959	43.7%	\$22,631
SALES ALLOCATION			23.7%	\$6,982			23.1%	\$5,689			23.8%	\$12,218
OTHER ALLOCATIONS			4.7%	\$1,399			2.8%	\$721			1.7%	\$685
TOTAL ALLOCATIONS	28.5%	\$8,707	28.4%	\$8,381	28.5%	\$8,087	25.9%	\$6,610	24.9%	\$12,249	25.3%	\$13,103
PROFIT BEFORE TAX	14.0%	\$4,071	17.0%	\$5,014	21.3%	\$5,541	18.1%	\$4,105	18.3%	\$7,710	18.4%	\$9,528

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INTERNATIONAL RETAIL / USSMD BUDGET COMPARISON  
FISCAL 1990  
(In Thousands)

	LANGUAGES		LANGUAGES		WINDOWS		WINDOWS		HARDWARE		HARDWARE	
	USSMD	BUDGET	INTL RETAIL	BUDGET	USSMD	BUDGET	INTL RETAIL	BUDGET	USSMD	BUDGET	INTL RETAIL	BUDGET
GROSS REVENUE	103.5%	\$30,505	103.5%	\$31,311	100.2%	\$25,556	102.5%	\$28,448	103.3%	\$53,445	103.3%	\$60,240
ADJUSTMENTS	3.5%	\$1,018	3.5%	\$1,045	0.2%	\$40	2.5%	\$681	3.3%	\$1,713	3.3%	\$1,931
NET REVENUE	100.0%	\$29,487	100.0%	\$30,266	100.0%	\$25,516	100.0%	\$27,767	100.0%	\$51,732	100.0%	\$58,309
COST OF GOODS SOLD												
PRODUCT COST	17.4%	\$5,133	20.6%	\$6,238	30.9%	\$7,897	25.1%	\$6,956	38.9%	\$20,122	41.6%	\$24,283
OTHER COGS	8.0%	\$1,755	7.8%	\$2,372	4.6%	\$1,167	4.2%	\$1,157	7.4%	\$3,828	3.8%	\$2,239
TOTAL COGS	23.4%	\$6,888	28.4%	\$8,610	35.5%	\$9,064	29.2%	\$8,113	46.3%	\$23,950	45.5%	\$26,522
GROSS MARGIN	76.6%	\$22,599	71.6%	\$21,656	64.5%	\$16,452	70.8%	\$19,654	53.7%	\$27,782	54.5%	\$31,787
OPERATING EXPENSES												
R&D	20.4%	\$6,001	26.3%	\$7,949	11.4%	\$2,909	14.1%	\$3,923	4.2%	\$2,157	4.2%	\$2,459
MARKETING EXPENSE	10.0%	\$2,940	9.9%	\$2,993	9.7%	\$2,477	9.7%	\$2,691	5.0%	\$2,577	4.2%	\$2,438
BAD DEBT/TAXES, L.I.C.	0.9%	\$263	0.9%	\$270	1.4%	\$351	1.4%	\$390	0.8%	\$417	0.8%	\$470
INTL R&D ALLOCATION			5.5%	\$1,650			11.1%	\$3,073			1.4%	\$838
TOTAL EXPENSES	31.2%	\$9,204	42.5%	\$12,862	22.5%	\$5,737	36.3%	\$10,077	10.0%	\$5,151	10.6%	\$6,205
CONTRIBUTION	45.4%	\$13,385	29.1%	\$8,794	42.0%	\$10,715	34.5%	\$9,577	43.7%	\$22,631	43.9%	\$25,581
SALES ALLOCATION	23.7%	\$6,982	17.7%	\$5,354	23.1%	\$5,889	17.1%	\$4,746	23.6%	\$12,218	17.3%	\$10,085
OTHER ALLOCATIONS	4.7%	\$1,399	4.7%	\$1,438	2.8%	\$721	2.9%	\$803	1.7%	\$885	1.7%	\$998
TOTAL ALLOCATIONS	28.4%	\$8,381	22.4%	\$6,790	25.9%	\$6,610	20.0%	\$5,549	25.3%	\$13,103	19.0%	\$11,083
PROFIT BEFORE TAX	17.0%	\$5,014	6.6%	\$2,004	16.1%	\$4,105	14.5%	\$4,028	18.4%	\$8,528	24.9%	\$14,498

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## Microsoft Memo

TO: Steve Ballmer  
FROM: Len Willoughby *Ln*  
DATE: July 17, 1989  
CC: See Distribution  
RE: Systems Division FY 90 Budget Analysis

Enclosed are three spreadsheets. The first is a summary of our operating expenses by commodity. The second enclosure compares the USSMD budgeted P&L for Languages, Windows and SPAG with our models. The third compares the USSMD budgeted P&L for those commodities with the respective International Retail P&L.

Operating expenses and international R&D allocations are rolled up per your request, which is slightly different than the standard corporate financial reports.

Encl.

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DEFENDANT'S  
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SYSTEMS DIVISION ROLLUP  
Fiscal '80 Budget  
(in thousands)

P.L. FY 80 Oper. Exp.	Ming Fund Incent.	Ming			Ming Exp. = Expense	Bad Debt	Taxes		PG Est Local Tribes +	Don Prod Devel. +	Fed Est		Total Prod Devel.	Other Oper Expense	IRG Internal Alloc.	TOTAL F&D	Other Oper	
		Prod	Corp	Int. = Expense			License	Etc.			Devel.	Devel.					Average Mkt	Expense Per Avg Mkt
OS/2	57,461	73	1,700	88	1,143	2,028	387	287	1,286	1,653	488	3,707	30,289	2,802	38,008	316	\$88	
DOCS	8,090	83	921	387	984	1,882	3,071	2,344	112	162	88	572	1,518	1,429	3,119	12	\$170	
WINDOWS	18,422	171	2,346	427	2,891	5,544	598	413	288	1,143	418	1,828	7,949	3,073	12,150	71	\$102	
NETWORKS	21,427	8	1,400	73	103	1,078	303	273	1,429	1,600	384	2,024	17,248	1,647	20,817	178	\$88	
LANGUAGES	20,572	188	2,020	750	2,893	5,793	518	221	8	1,186	384	2,898	11,129	1,600	15,734	134	\$83	
SP4G	10,628	188	2,008	408	2,438	4,848	595	310		2,148	22	2,177	2,828	838	6,544	26	\$87	
87/3 PRINTER BUL.	7,778					0	150	120		4,000		4,000	3,400		7,400	84	\$80	
SYSTEMS JOURNAL	1,178		311			311	122	8		136		136	722		857	8	\$130	
XENIX	882		700			0	(4)	121		80		80	2,200		350	2	\$138	
SYSTEMS Group	3,473					700									2,777	18		
TOTAL	127,890	684	10,904	2,128	10,382	23,382	6,620	4,097	3,165	12,908	1,785	17,868	78,449	11,229	105,656	783	\$117	

Note: Total F&D equals Total Prod Devel. plus Other Oper Expense plus IRG Internal Alloc.

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