

Microsoft Confidential

APPENDIX E. FINANCIAL PROJECTIONS

MICROSOFT SERVER REVENUES					
(In \$000 - Office sales listed separately, includes Select & Maintenance)					
	FY94	FY95	FY96	FY97	CAGR
NT/AS	\$89,555	\$137,348	\$213,241	\$327,260	38%
SQL	\$67,682	\$81,642	\$144,704	\$236,095	37%
EMS (used for mail & groupware)	\$0	\$54,395	\$93,411	\$161,350	-1%
SFS	\$114,323	\$115,542	\$116,824	\$117,529	1%
SNA	\$4,134	\$3,968	\$8,606	\$12,390	32%
Hermes	\$0	\$12,073	\$18,884	\$29,489	35%
Backoffice (ships in Q3 of FY95)	\$0	\$45,290	\$78,952	\$136,493	-4%
Total Revenue	\$275,693	\$439,328	\$673,421	\$1,238,306	39%
MICROSOFT SERVER APP UNIT SHIPMENTS					
(All products, office sales listed separately and excludes maintenance)					
	FY94	FY95	FY96	FY97	CAGR
NT/AS	62,411	99,398	154,829	240,958	40%
SQL	17,110	22,536	37,045	60,960	37%
EMS (used for mail & groupware)	0	16,482	28,923	50,577	-3%
SFS	44,975	45,713	46,462	47,224	1%
SNA	4,250	6,171	8,960	13,010	32%
Hermes	0	1,227	1,933	3,044	35%
Total Server Shipments (incl. Office)	124,746	191,527	278,253	415,775	34%
Backoffice Units	0	3,997	10,516	18,336	-3%
Backoffice - # of Server Applications & NT/AS	0	29,953	52,579	91,679	-
Total Server Shipments	124,746	221,480	336,732	507,454	37%
MICROSOFT SERVER APP UNIT SHIPMENTS					
(All products, office sales listed by APP, excludes maintenance)					
	FY94	FY95	FY96	FY97	
NT/AS	62,411	99,398	154,829	240,958	
Office Sales	0	5,991	10,516	18,336	
Total NT/AS	62,411	105,389	165,345	259,294	
SQL	17,110	22,536	37,045	60,960	
Office Sales	0	5,991	10,516	18,336	
Total NT/AS	17,110	28,527	47,561	79,296	
EMS (used for mail & groupware)	0	16,482	28,923	50,577	
Office Sales	0	5,991	10,516	18,336	
Total NT/AS	0	22,473	39,439	68,913	
SFS	44,975	45,713	46,462	47,224	
SNA	4,250	6,171	8,960	13,010	
Office Sales	0	5,991	10,516	18,336	
Total NT/AS	4,250	12,162	19,476	31,346	
Hermes	0	1,227	1,933	3,044	
Office Sales	0	5,991	10,516	18,336	
Total NT/AS	0	7,218	12,449	21,380	
Total Server Shipments	124,746	221,480	336,732	507,454	
AVERAGE REVENUE TO MICROSOFT					
(Office sales listed separately, includes maintenance and select)					
	FY94	FY95	FY96	FY97	CAGR
NT/AS	\$1,435	\$1,382	\$1,371	\$1,338	-1%
SQL	\$3,956	\$3,993	\$3,906	\$3,873	-1%
EMS (used for mail & groupware)	n/a	\$3,261	\$3,230	\$3,194	-1%
SFS	\$2,542	\$2,528	\$2,510	\$2,489	-1%
SNA	\$973	\$967	\$960	\$952	-1%
Hermes	n/a	\$9,838	\$9,770	\$9,686	-1%
Backoffice	n/a	\$7,560	\$7,508	\$7,444	-1%

HIGHLY CONFIDENTIAL

Microsoft Confidential

APPENDIX E. FINANCIAL PROJECTIONS (CONT'D)

WORLDWIDE SERVER HARDWARE, OPERATING SYSTEM AND APPLICATION MARKET SIZE (Per IDC, in units - absolute %)					
	FY94	FY95	FY96	FY97	CAGR
NOS/File & Print Servers	734,344	765,061	794,859	825,900	3%
Application servers (Primarily Unix-class hardware)	384,506	516,691	624,334	745,560	18%
Server Hardware shipments	1,128,850	1,281,751	1,419,233	1,571,460	9%
Database Applications	342,200	422,617	521,932	644,586	17%
Mail & Groupware (News today) Applications	273,107	339,398	420,906	525,363	18%
SNA Applications	50,000	55,000	60,500	66,550	7%
Management Applications	4,909	6,136	7,670	9,588	18%
Total Server Applications w/o NOS/F&P	672,216	823,151	1,011,008	1,246,087	17%
Server Applications (as F&P) / Hardware shipments	0.6	0.6	0.7	0.8	7%

MICROSOFT SERVER APP MARKET SHARE (incl. Office Sales)				
	FY94	FY95	FY96	FY97
NOS/F&P Servers	5%	6%	9%	13%
Application Servers	3%	2%	3%	4%
Total NTIAS	8%	8%	12%	17%
Database Applications	5%	7%	9%	12%
Mail & Groupware Applications	16%	20%	20%	22%
SNA	9%	11%	15%	20%
Management Applications	0%	20%	25%	32%
Weighted Avg Server App. Mkt Share (excl. NOS/F&P)	19%	27%	33%	41%

MICROSOFT STREET PRICES (excl. Select and Miscellaneous)			
	FY95 Naked Server	FY95 Per User	FY95 Starter Pack (10 Users) *
NTIAS	\$995	\$50	\$1,353
SQL	\$1,494	\$187	\$2,841
EMS (used for mail & groupware)	\$1,494	\$120	\$2,357
SFS	\$371	\$120	\$1,234
SNA	\$446	\$56	\$850
Hermes	\$1,869	\$37	\$2,128
Backoffice	\$2,992	\$315	\$5,257

* Assumes 10 clients at MLP Prices

MICROSOFT RELEVANT METRICS					
	FY94	FY95	FY96	FY97	CAGR
MS App. per total Servers shipped (incl. SFS & assuming 2 Apps/Office unit) (Jump in FY95 is due to release of EMS, Hermes & Office)	0.3	0.6	0.6	0.6	17%
MS Rev / New Hardware Unit Shipped (Total Market)	\$246	\$358	\$474	\$650	27%

SERVER HARDWARE MARKET (Includes Peer-to-Peer, Fiscal Years per IDC through FY96 + extrapolation of growth rates thereafter)							
	Actual FY92	Actual FY93	Forecast FY94	Forecast FY95	Forecast FY96	Forecast FY97	CAGR
PC desktop server	579,871	642,597	691,334	712,829	699,545	774,578	3%
PC Server	167,500	271,580	384,082	508,211	633,741	701,716	27%
Super Server (high-end micro/SMP)	21,850	27,007	35,684	48,713	63,223	76,647	23%
Other small-scale server (microcomputer)	4,860	6,960	8,750	13,000	18,725	18,519	23%
Total	774,081	948,214	1,120,850	1,281,752	1,419,233	1,571,460	11%
%growth	36.4%	22.5%	18.2%	14.4%	10.7%	10.7%	

HIGHLY CONFIDENTIAL

Microsoft Confidential

APPENDIX F NOVELL P&L (RESTATED IN MSFT FY93)

	Q1	Q2	Q3	Q4	Total
Netware Products Groups					
NetWare 3.11	\$174.5	\$162.0	\$137.7	\$146.7	\$620.9
NetWare 3.11/SFTIII	\$0.0	\$12.0	\$12.0	\$13.0	\$37.0
NetWare 4.0	\$0.0	\$0.0	\$40.0	\$25.0	\$65.0
NetWare royalties	\$0.0	\$10.0	\$10.0	\$5.0	\$25.0
NetWare 2.2	\$12.0	\$13.0	\$2.0	\$2.0	\$29.0
Subtotal NetWare Products	\$186.5	\$197.0	\$201.7	\$191.7	\$776.9
Portable NetWare /UNIX	\$6.0	\$1.0	\$1.0	\$2.0	\$10.0
Sub-total NetWare Product Group	\$192.5	\$198.0	\$202.7	\$193.7	\$786.9
NetWork Product Group					
Desktop Product Group					
DR/DR-DOS	\$9.0	\$4.2	\$4.3	\$1.0	\$18.5
NetWare Lite and Others	\$2.0	\$4.8	\$5.0	\$1.0	\$12.8
TCP/IP Products	\$12.8	\$13.0	\$14.0	\$9.0	\$48.8
Total Desktop Systems Group	\$23.8	\$22.0	\$23.3	\$11.0	\$80.1
Interoperability System Group					
Multiprotocol router, , Mesaging					
NetWare NFS/Access Server	\$10.2	\$17.0	\$18.0	\$15.0	\$60.2
LANalyzer	\$6.0	\$8.0	\$12.0	\$13.0	\$39.0
NetWare for SAA and other	\$6.8	\$0.0	\$8.7	\$6.0	\$21.5
Total Interop Systems Group	\$23.0	\$25.0	\$38.7	\$34.0	\$120.7
Other/Remainder					
Hardware royalties	\$5.8	\$2.5	\$3.0	\$9.0	\$20.3
Taining	\$12.0	\$12.7	\$13.0	\$13.0	\$50.7
Other	\$3.0	\$0.0	\$0.0	\$1.1	\$4.1
Total Remainder	\$20.8	\$15.2	\$16.0	\$23.1	\$75.1
Total Novell NetRevenues	\$260.1	\$260.2	\$280.7	\$261.8	\$1,062.8
USL	\$0.0	\$0.0	\$0.0	\$11.0	\$11.0
Novell/USL Net Revenues	\$260.1	\$260.2	\$280.7	\$272.8	\$1,073.8
Cost of Revenues	\$53.3	\$50.5	\$49.4	\$56.7	\$209.9
Sales & Marketing	\$59.6	\$53.6	\$61.5	\$71.7	\$246.4
Research and Development	\$32.9	\$34.2	\$37.1	\$42.3	\$146.5
General and Admin	\$14.7	\$21.0	\$18.4	\$17.8	\$71.9
USL	\$0.0	\$0.0	\$0.0	\$320.5	\$320.5
Total Marketing Expense	\$160.5	\$159.3	\$166.4	\$188.5	\$995.2
Operating Income	\$99.6	\$100.9	\$114.3	\$84.3	\$78.6
Net Interest Income	\$4.5	\$6.9	\$6.0	\$6.5	\$23.9
Net Other Income	\$1.3	(\$0.4)	\$1.3	\$0.7	\$2.9
Pre-tax Income	\$105.4	\$107.4	\$121.6	\$91.5	\$105.4
Tax Rate	34%	34%	34%	29%	131%
Net Income	\$69.8	\$70.9	\$80.3	\$65.2	(\$32.1)

HIGHLY
CONFIDENTIAL

Microsoft Confidential

APPENDIX G. LOTUS INCOME STATEMENT (RESTATED TO MSFT'S FY93)*

	FY93				Total
	Q1	Q2	Q3	Q4	
Spreadsheet Products					
PC-DOS, 1-2-3/2.x, 3.x	\$81.3	\$80.0	\$70.0	\$51.0	\$282.3
Windows spreadsheets					
3.x	\$40.0	\$55.0	\$51.6	\$30.8	\$177.4
4.0 and est Smart Suite	\$0.0	\$0.0	\$0.0	\$17.0	\$17.0
Upgrades	\$0.0	\$0.0	\$0.0	\$28.0	\$28.0
Total Windows Spreadsheets	\$40.0	\$55.0	\$51.6	\$75.8	\$222.4
Other Spreadsheets	\$11	\$15	\$12	\$5	\$44
Total Spreadsheets Products	\$132.3	\$150.1	\$134.0	\$131.8	\$548.2
Communications Products Division					
Notes	\$17.0	\$20.0	\$14.0	\$16.0	\$67.0
cc:Mail	\$15.0	\$18.0	\$14.0	\$17.0	\$64.0
Consulting	\$1.0	\$1.5	\$4.0	\$2.5	\$9.0
Total Communications Products	\$33.0	\$39.5	\$32.0	\$35.5	\$140.0
Acquired Applications	\$0	\$0	\$0	\$0	\$0
Graphic/Free Lance	\$20.0	\$27.0	\$33.0	\$35.0	\$115.0
Word Processing/AMI Pro	\$15.0	\$21.0	\$20.0	\$23.0	\$79.0
Database/Approach	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sub Total Acquired Apps	\$35.0	\$48.0	\$53.0	\$58.0	\$194.0
Organizer	\$6.4	\$8.4	\$8.0	\$10.5	\$33.3
Total Lotus Revenues	\$206.7	\$246.0	\$227.0	\$235.8	\$915.5
Total Costs and Expenses					
Costs of Sales	\$47.4	\$54.1	\$50.4	\$51.0	\$202.9
Research and Development	\$27.5	\$33.2	\$31.8	\$30.1	\$122.6
Sales and Marketing	\$103.6	\$119.6	\$106.1	\$112.1	\$441.4
General and Administrative	\$16.9	\$17.6	\$18.0	\$17.2	\$69.7
Samna/Approach R&D	\$0.0	\$0.0	\$0.0	\$19.9	\$19.9
Layoff/Restructuring	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Operating Expense	\$195.4	\$224.5	\$206.3	\$230.3	\$856.5
Operating Income	\$11.3	\$21.5	\$20.7	\$5.5	\$59.0
Int/Other Income (net)	\$33.6	\$0.2	\$0.1	\$0.5	\$34.4
Pretax Income	\$44.9	\$21.7	\$20.8	\$6.0	\$93.4
Effective Tax Rate	33%	33%	41%	178%	285%
Net Income	\$30.1	\$14.5	\$12.3	(\$4.7)	\$52.2

HIGHLY
CONFIDENTIAL

* Source Lehman Brothers

ORGCMP.DOC

- 19 -

02/03/94 09:04 AM

MS7059695
CONFIDENTIAL

Microsoft Confidential

APPENDIX H. ORACLE INCOME STATEMENT (RESTATED TO MSFT'S FY93)*

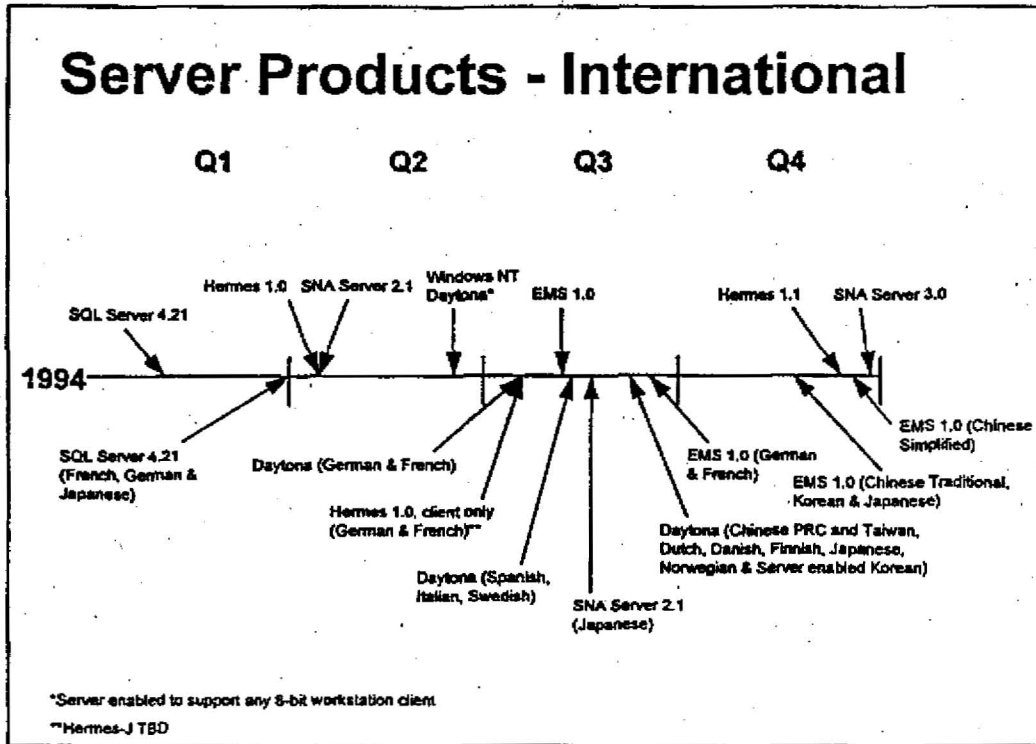
	Fiscal 1993				
	Q1	Q2	Q3	Q4	Total
Revenues					
License Revenues					
UNIX	\$102.0	\$128.0	\$139.0	\$190.0	\$559.0
Desktop	\$19.0	\$26.0	\$27.0	\$38.0	\$110.0
Proprietary Systems	\$30.0	\$31.0	\$37.0	\$48.0	\$146.0
Sub-total NetWare Product Group	\$151.0	\$185.0	\$203.0	\$276.0	\$815.0
Service Revenues					
Support	\$69.0	\$66.0	\$70.0	\$79.0	\$284.0
Consulting and Education	\$67.0	\$81.0	\$78.0	\$97.0	\$323.0
Other (1)	\$20.0	\$21.0	\$19.0	\$21.0	\$81.0
Total Service Revenues	\$156.0	\$168.0	\$167.0	\$197.0	\$688.0
Total Revenue	\$307.0	\$353.0	\$370.0	\$473.0	\$1,503.0
Operating Expenses					
Sales & marketing	\$151.4	\$153.9	\$150.0	\$191.0	\$646.3
Cost of services	\$79.7	\$84.6	\$83.8	\$98.5	\$346.6
Research & development	\$30.4	\$34.0	\$38.1	\$43.7	\$146.2
General and administrative	\$29.6	\$29.0	\$30.2	\$33.9	\$122.7
Restructuring costs	\$0.0	\$0.0	\$24.0	\$0.0	\$24.0
Total operating expenses	\$291.1	\$301.5	\$326.1	\$367.1	\$1,285.8
Operating income	\$15.9	\$51.5	\$43.9	\$105.9	\$217.2
Other Income (Expense)	(\$0.7)	(\$0.1)	\$1.0	\$0.8	\$1.0
Income before income taxes	\$15.2	\$51.4	\$44.9	\$106.7	\$218.2
Provision for income taxes	\$5.4	\$18.0	\$15.7	\$37.1	\$76.2
Net Income	\$9.8	\$33.4	\$29.2	\$69.6	\$142.0
Extraordinary Charges	(\$43.5)	\$0.0	\$0.0	\$0.0	(\$43.5)
Net income net of charges	(\$33.7)	\$33.4	\$29.2	\$69.6	\$98.5

**HIGHLY
CONFIDENTIAL**

* Source Lehman Brothers

Microsoft Confidential

APPENDIX I. INTERNATIONAL RELEASE SCHEDULES

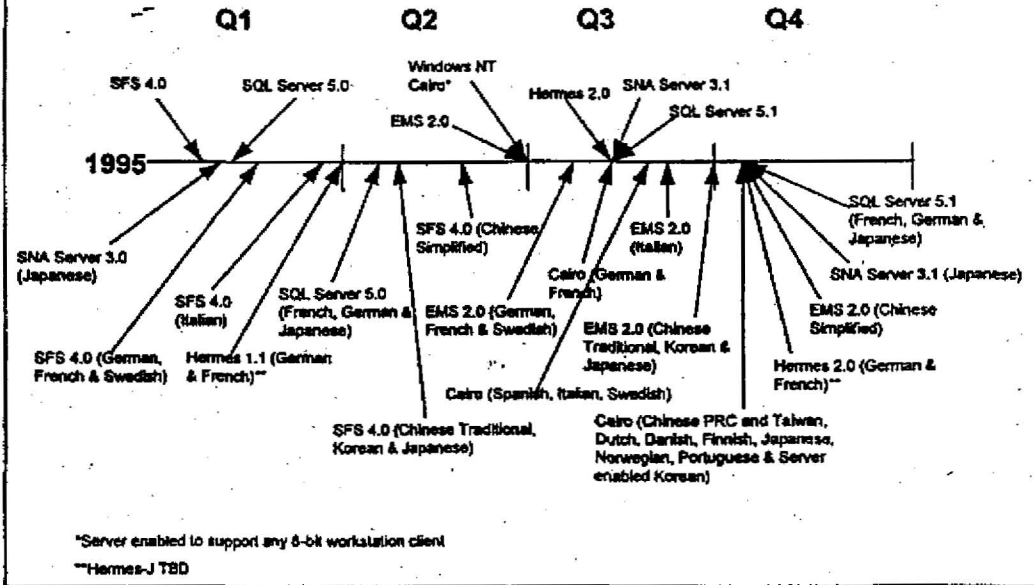


HIGHLY CONFIDENTIAL

MS7059697
CONFIDENTIAL

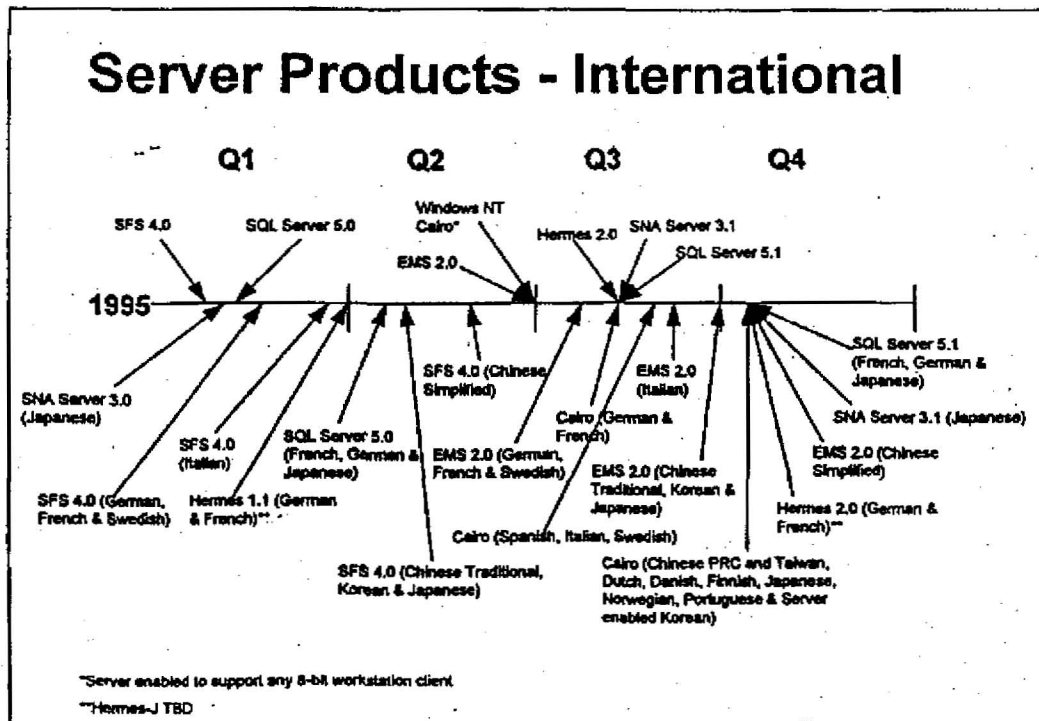
Microsoft Confidential

Server Products - International



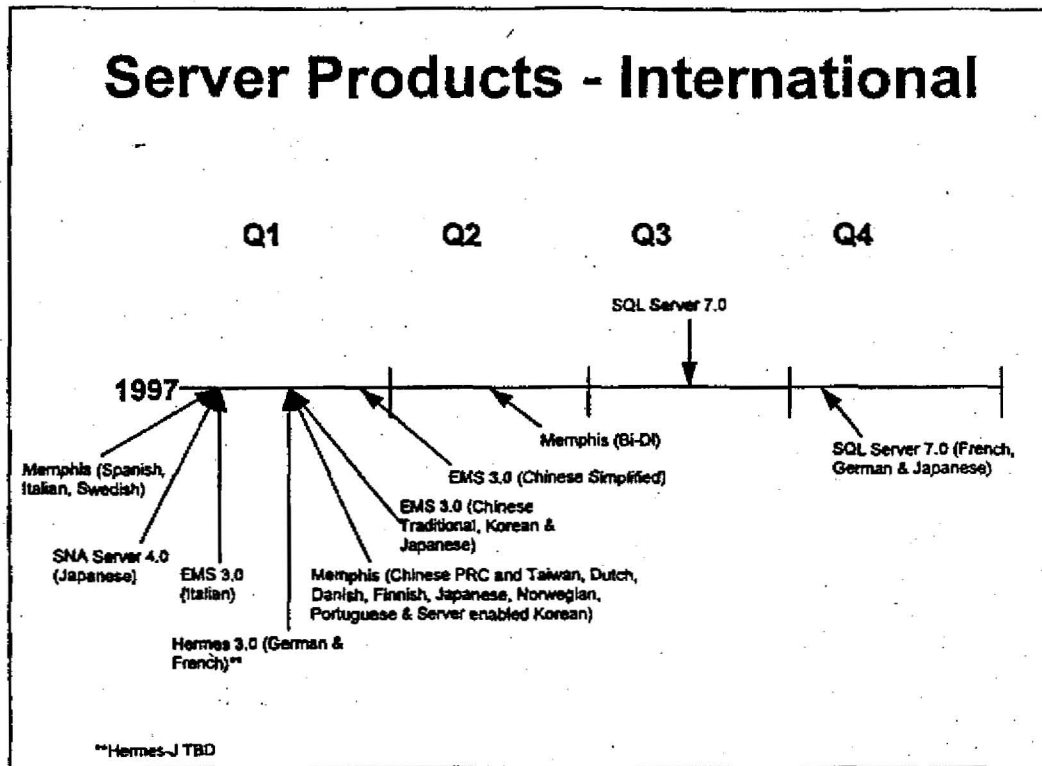
**HIGHLY
CONFIDENTIAL**

Microsoft Confidential



HIGHLY CONFIDENTIAL

Microsoft Confidential



**HIGHLY
CONFIDENTIAL**

Microsoft Confidential

APPENDIX J. PRICING AND PACKAGING PROPOSAL DETAILS

This is a brief summary of the pricing and packaging proposal.

Server SKUs. This SKU will allow a customer to install a single copy of a server software (Windows NT AS, Hermes, SNA Server, SQL Server or Exchange) on a single machine. Unlike our current scheme, this does not include the right to connect any users to that server. This is handled in the second SKU.

User Capacity SKUs. There will be a user capacity SKU for each server application that will give a user in a Windows NT AS domain the right to use any server in the network with that application. For example, if ITG buys richt@redmond an SQL Server user capacity SKU, he will be able to access any SQL Server in the Redmond domain (or domains that trust Redmond).

We would use the existing MMLP mechanism to allow customers to install a number of user capacity SKUs at a time. We are also thinking about a software enforcement scheme where the Windows NT AS domain controllers would keep track of user rights to access server applications. There would be a floppy disk that would allow customers to increase the number of users who could access a server.

When we ship Exchange, we are considering a "BackOffice" product. Its server SKU would allow a customer to install Windows NT AS, SQL Server, SNA Server, Hermes and Exchange on a single machine. There would also be User Capacity SKU that will allow a user access to all Microsoft server applications. This means he can use any number of SQL Server, SNA Server applications, have his machine managed by Hermes and use the Exchange backend as well. This again needs to be studied carefully.

**HIGHLY
CONFIDENTIAL**