Microsoft Platform Group Opportunities & Challenges for FY'97

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GOVERNMENT EXHIBIT
490

Platforms in FY'97 - goals

- Overcome the greatest challenge ever to our market position
  - The Internet/Intranet
  - Turn it to our advantage
- Add $1+B in revenue in FY'97
  - $0.5+B in Windows
  - $0.5+B in BackOffice
- Lay the foundation to grow Platforms to "$10B" by year 2000
  - Windows growth & price
  - BackOffice share gain & growth

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Three Key Challenges/Opportunities

- The Internet/Intranet
  - strategic
- Windows Desktop
  - strategic & revenue (mainly OEM)
- Windows NT Server & BackOffice
  - strategic & revenue

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The Competition

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- New "platforms"
  - Netscape
  - Java
  - The "Network Computer"
- "Old" platforms
  - Notes
  - Oracle
  - UNIX

Challenge #1:
The Intranet & Internet

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The Internet - why does it matter?

- Important paradigms introduced by Web:
  - User: pages/hyperlinks
  - Developers: "Interactive pages"
    - a new way of doing client-server apps
- They solve real problems
- Competitors are leading us in exploiting them:
  - Netscape: majority browser share
  - Java: mindshare

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Netscape

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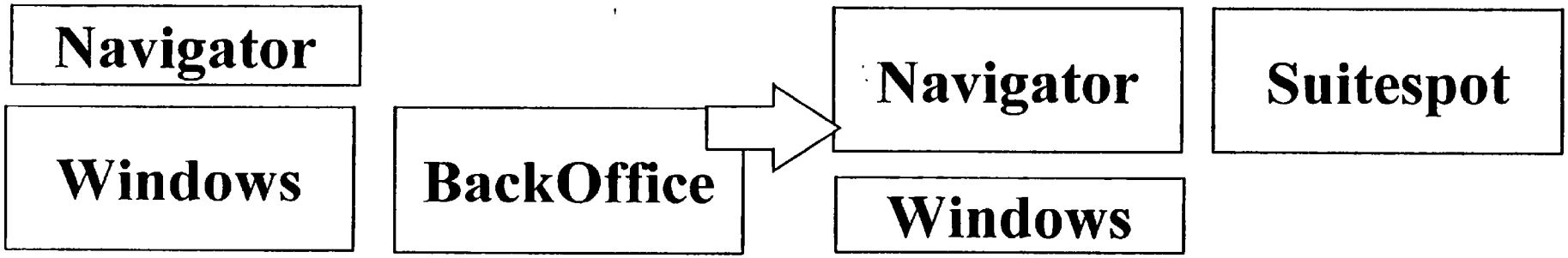
- The first "middleware" layer to have end-user momentum
  - "Our goal is to reduce Windows to a partially debugged set of device drivers" Marc Andreesen
- Focused on client and server:
  - Navigator = Windows
  - Suitespot = BackOffice
- See near term revenue in the "Intranet"



Demonstration

- Netscape 2.0

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Java

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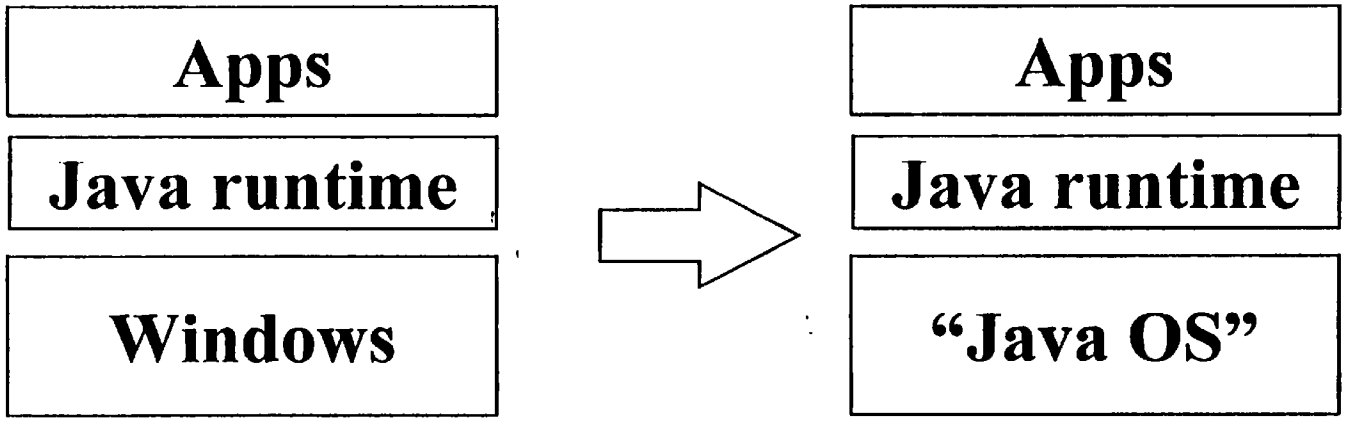
- **Sun's goal is:**
  - Java class library/runtime = new OS API
  - leverage this new API to replace Windows by JavaOS



The "Network Computer"

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- **World hunger:**
  - corporations are fed up with cost of ownership of PC's
- **The cure:**
  - a "$500 network computer"
- **The reality:**
  - functionality very limited
  - no application base
  - X-terminals all over again
- **But the hunger is real!**
  - giving Sun, Oracle, IBM a new respectability
  - customers are listening

The Internet/Intranet: our strategy

1. Win & retain Browser Share

   current shares: IE 5-10%, Netscape ~40%, AOL ~25%

2. Offer users, developers, business a better synthesis: "best of PC, best of Web"
3. Own the Intranet with Office, Windows, BackOffice
4. Evangelize Webmasters to utilize our extensions & technology
5. Win Network Operator/ISP ("Internet Service Provider") client & server design wins

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Win & Retain Browser Share - embrace & extend

- Implement all important Netscape features (IE3.0)
- Offer new differentiated features (ActiveX on IE3.0) on Windows & Mac
- Integrate with Windows (Nashville)
- Bootstrap share via Network Operators - eg. AOL
- Evangelize content providers and developers to exploit features
- FREE

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Synthesis - best of PC, best of Web

The PC revolution:

Standalone apps

The Internet revolution:

Static pages

Interactive distributed applications: Common paradigm for client/server computing

Interactive multimedia: Richer communications between *people*

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A better synthesis for:

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- Developer:
  - ActiveX - common way to develop client-server apps for PC LAN & Internet worlds
  - Full set of tools
- User:
  - Integrated paradigm & tool for finding & viewing information: local, LAN, online
- Business:
  - common, upward compatible infrastructure for LAN, "Intranet", Internet

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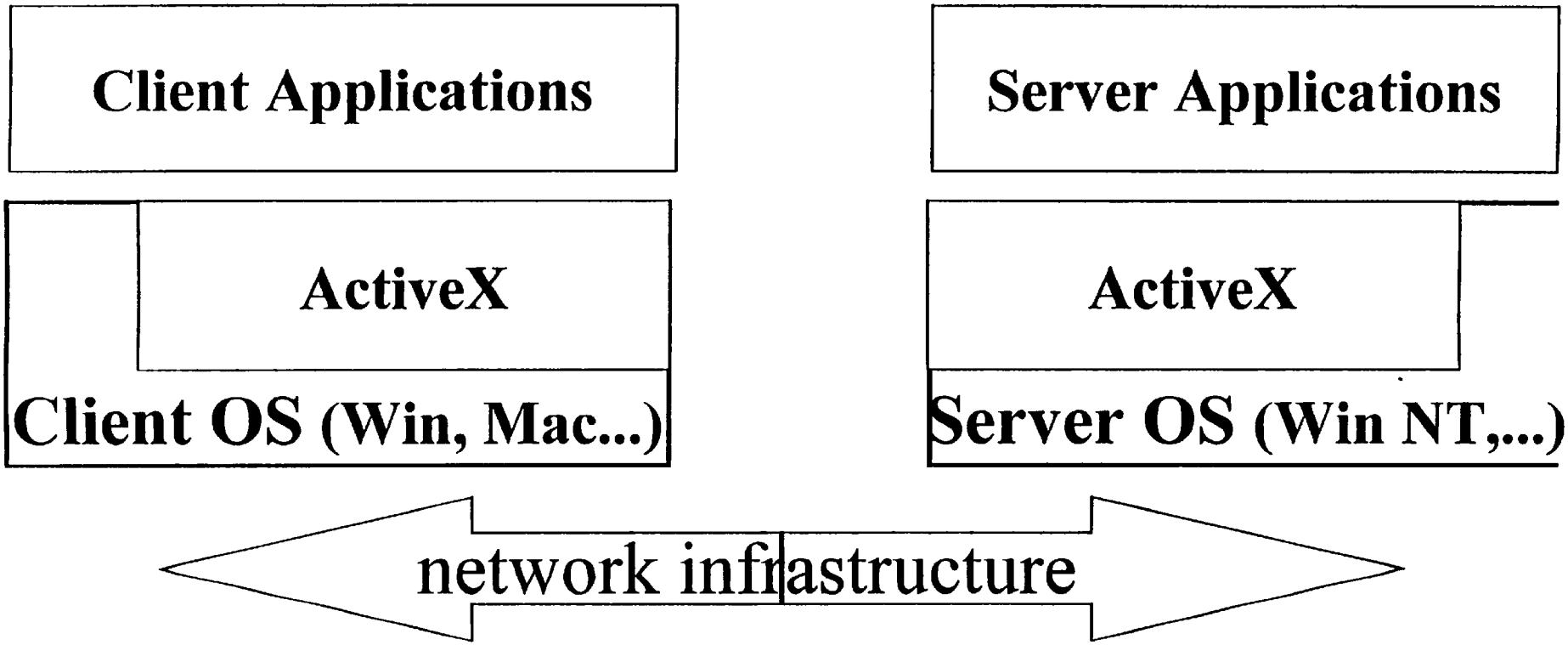
Developer view: ActiveX



- Works for Internet and PC apps
- Leverage existing investment

- Open, extensible
- Cross-platform (Win,Mac, etc.)
- Language neutral (C++, VB, Java, etc.)

Tools Family

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Less coding, more like a "document"

More coding, more like an "application"

ActiveX platform

What About Java?

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- Remove Java as confrontational issue
- Make Java part of ActiveX:
  - MS license from Sun
  - MS extensions to Java implementation for IE & Windows
  - Java applets appear automatically as ActiveX controls and vice versa
  - Encourage Java applet writers to make full use of Windows

Embracing & extending for business: the Intranet

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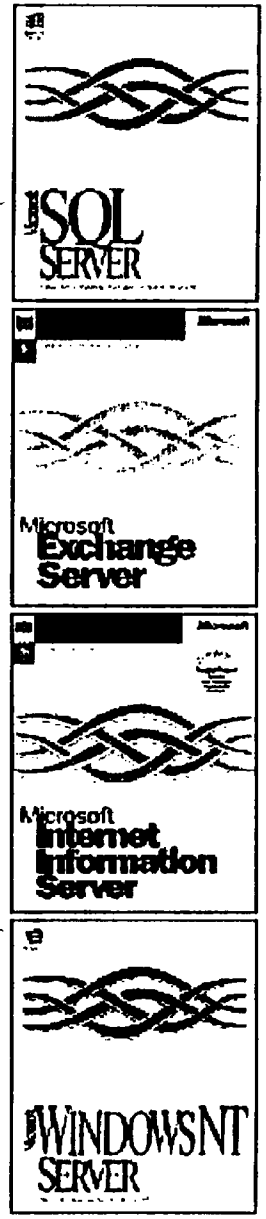
Windows:

Integrated Explorer, one tool for viewing information



Structured data

Messages

WebPages

Existing files, documents

Microsoft BackOffice:

- Integrated platform
  - Administration
  - Security
  - Scaleable
  - Complete
  - Extensible

Extending Out To The World:

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Integrated Client

Microsoft BackOffice™

Searching Content Mngmt.

Proxy Server

Merchant Server

SQL SERVER — Structured data

Microsoft Exchange Server — Messages

Microsoft Internet Information Server — WebPages

WINDOWS NT SERVER — Existing files, documents

Integrated Services

Demonstration

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- ActiveX, Nashville, IIS/Web Connectors:
  - Integrated User View
  - Integrated Infrastructure for Business

Standards & Partnership Announcements

- Internet client s/w: America Online
- Working with IETF, W3C on:
  - security, HTML extensions, parental control, digital code signing, etc.
- Real-time communications:
  - Intel, Progressive Networks, major telco's
  - support of 100 others
- ActiveX architecture: over 60 companies
- Java language: Sun
- Business Application Integration: SAP
- etc.

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Internet Actions needed

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- Communicate "best of PC, best of Web"
  - to users, developers, businesses
  - Windows/BackOffice/Office = Intranet
- Get Internet Explorer used everywhere
  - our is free
  - integrated into Windows
- Get premium regional web sites to use ActiveX

Challenge #2: Windows Desktop

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- Move the desktop to Win32
  - Office & Internet/Intranet thrusts depend on it
  - Move accounts from evaluation to deployment (less than 15% of Win95 capable machines have moved to Win95/NTW)
- Grow $3.2B (FY'96) to ~$3.8B (FY'97)
  - mainly OEM ($2.8B in FY'97)
  - but $1B in retail/maintenance
- Make Windows a $6B business in FY'99
  - persuade more customers to choose higher priced version of Windows
    - (Win NTW price = 2x Win95)

Windows Family Strategy

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Windows for Server →

Windows for business workstation →

Windows for general user →

- Common UI
- Common 32bit API

Win95/NTW evolution

- Major investment in both Win95 & NT in FY'97 & FY'98
- Increased sharing of technology
  - device drivers ("WDM")
  - multimedia (DirectX)
  - Internet (UI, ActiveX)
  - Networking
  - etc.
- Goal of building Win9x & NT from common NT-derived kernel in future (FY'99+)

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Windows NTW - realities

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- Windows NT 4.0 gets common UI,
- But Windows NTW still has major caveats in FY'97:
  - smaller device coverage
  - no plug & play
  - no easy upgrade from Win95
- Windows NT "Cairo" will provide easy upgrade over Win95

Windows 95/NTW positioning

- 32bits is strategic:
  - focus of all ISV's is now on Win32 API
  - Internet activity
- CY1996/1997:
  - Windows 95 is the easiest way to get to 32bits
    - compatibility
    - smaller footprint
  - Windows NTW is the most powerful
    - security, robustness, scalability
- CY1998+:
  - Windows NTW for all business users

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Upcoming Windows Releases

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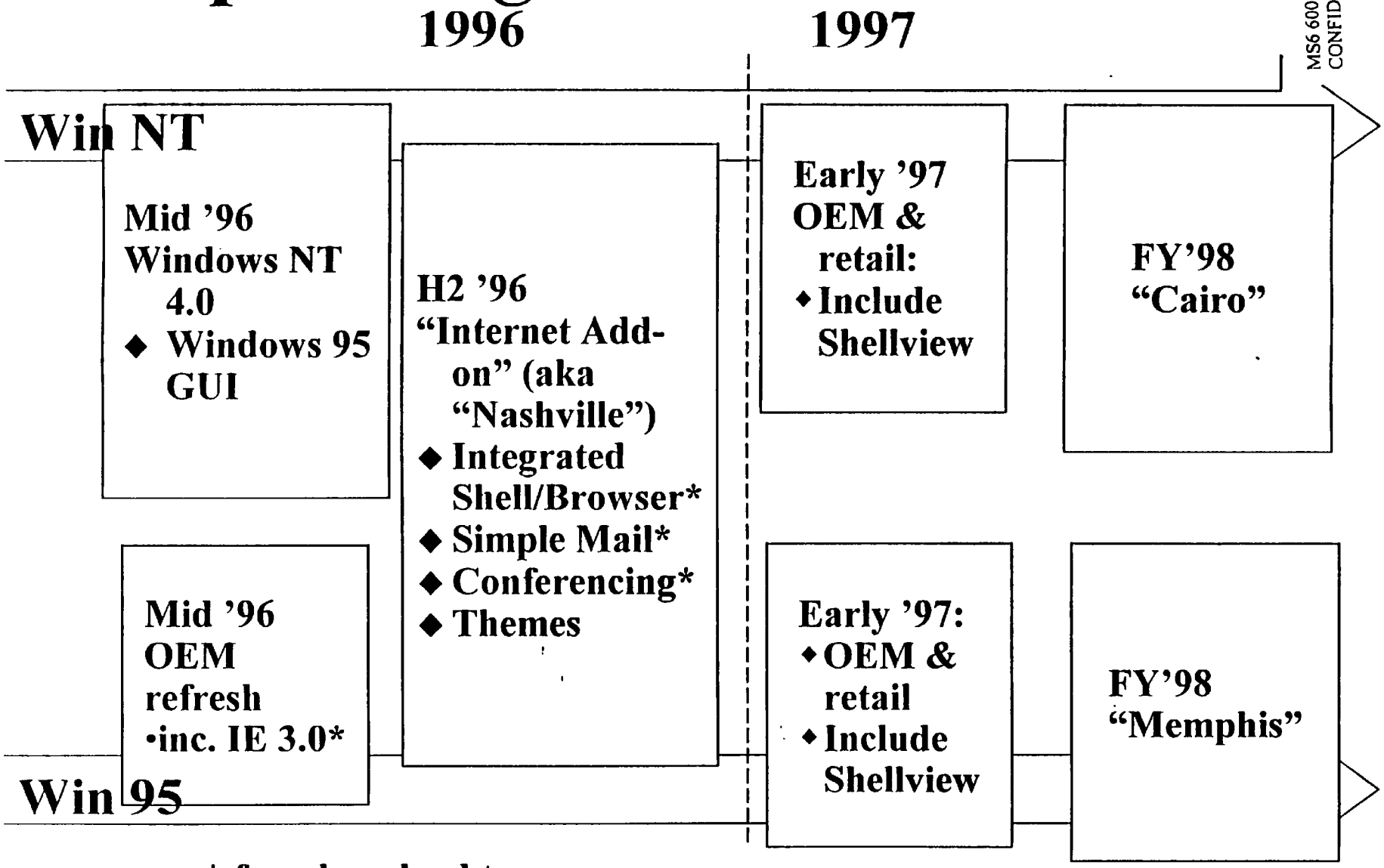

* free download too

Cairo Technologies

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- Pulled forward to Windows NT 4.0
  - Distributed COM
- Windows NT Cairo
  - Distributed Security and Directory
  - Distributed Object File System built into NTFS

Key Challenge #3: Windows NT Server & BackOffice

- Grow to $1.3+B business in FY'97 from $0.8B in FY'96
- Increase share in:
  - server OS:
    - new application servers
    - file/print share from Novell
  - messaging
  - database
- Penetrate the small business market

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Competition

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- UNIX's: HP-UX, AIX, etc.
  - Unix becoming a safe choice as a mainframe replacement
  - Offers higher margins on proprietary architectures
- Oracle
  - Leveraging their sales model against us
  - taking NT more seriously
- Lotus Notes/IBM:
  - Notes 4.0 good product
  - will talk the Internet talk

Windows NT Server

- Ride the new generation of PC-based server platforms:
  - Pentium Pro & Alpha
  - Disk & Storage advances
  - Improving partnerships: Compaq, Digital, HP, SAP, Baan
- Advances in FY'97:
  - Increased scaleability & perf. in Win NT4.0
  - SMP:
    - linear scaling with SQL 6.5 to 8 processors,
    - run on up to 32 processors
- Cluster initiative started:
  - failover in FY97, large scaling in FY98

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BackOffice

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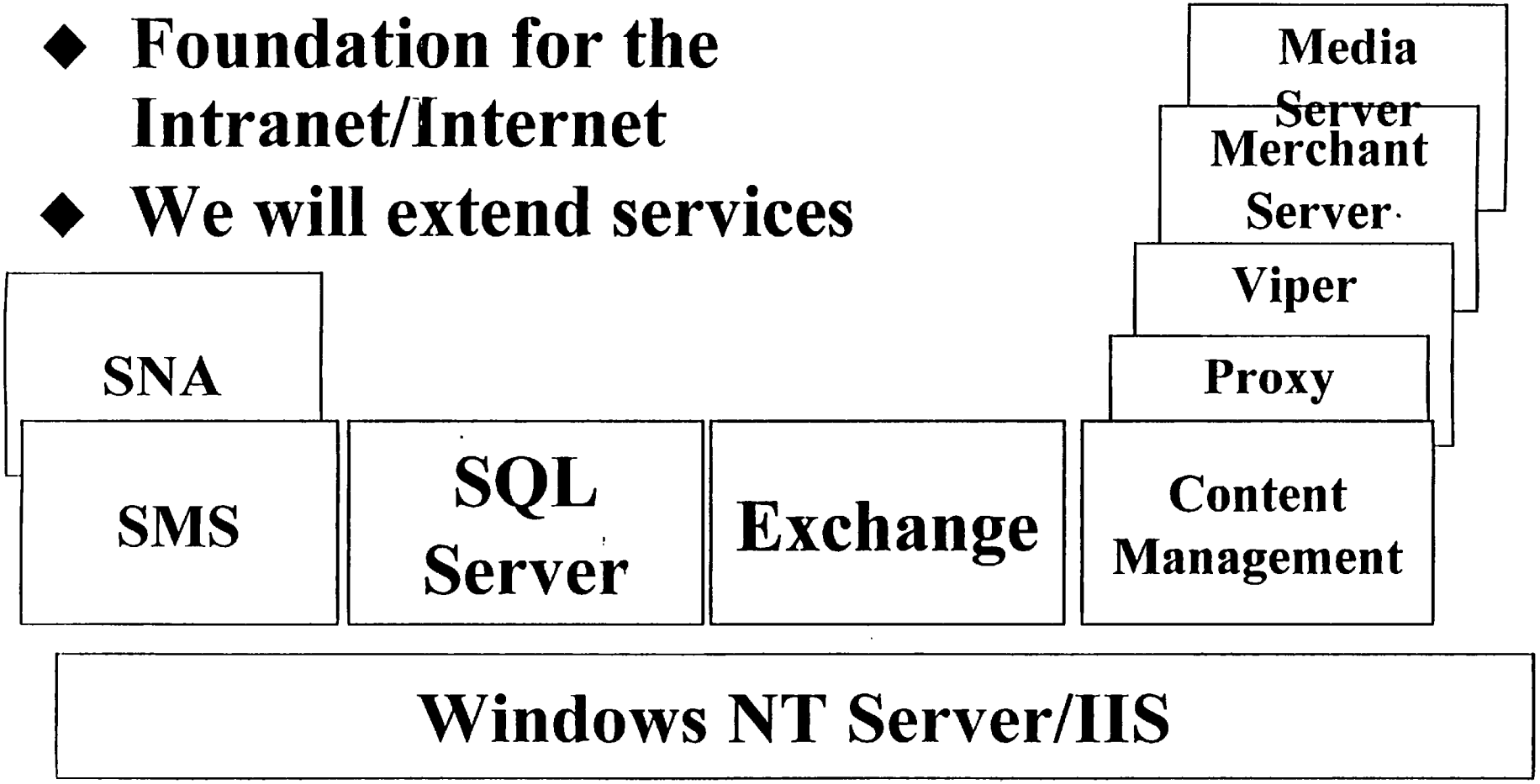
- We now have world class server applications in SQL Server & Exchange
- Foundation for the Intranet/Internet
- We will extend services



Exchange

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- Exchange 4.0
  - Scaleable, industrial-strength messaging
  - Workgroup support: scheduling, public folders, forms
- Exchange 4.1
  - Internet client protocol support (SMTP/POP3/NNTP)
  - Web connector
- Exchange 5.0
  - native HTML forms

SQL Server

- SQL 6.5
  - Ongoing investment
  - World class raw performance & price/performance
    - Scalability evidence
      - More benchmarks
      - 8 processor scalability
      - Customer references (customer council)
    - Distributed Transaction Coordinator

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SQL Server

- Channel development
  - more specialists in the field
- ISV recruitment
- Cost of Ownership study

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"SAM" - small business server suite

- Easy to use small business platform
  - "Administratorless"
  - Easy setup
- Everything in one box
  - Mail
  - FAX
  - Modem Pooling
  - RAS
  - Web
- Low H/W footprint
  - Pentium with 32 MB
  - Everything on ONE server
- Available: H2'FY97

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Three Key Challenges/Opportunities

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- **The Internet/Intranet**
  - strategic
  - overcome platform challenge, & use it to grow
- **Windows Desktop**
  - strategic & revenue (mainly OEM)
  - move client to 32bit
- **Windows NT Server & BackOffice**
  - grow & gain share with NTS & BackOffice apps
  - strategic & revenue

Backup Slides

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Renewed Focus

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New organization:

- ***Desktop and Business Systems - Jim Allchin***
  - **Windows - client and server**
  - **Microsoft BackOffice**
- ***Internet Platform and Tools - Brad Silverberg***
  - **Browser, Shell, Multimedia**
  - **Tools**
  - **Commerce Services**
- ***Consumer Platforms - Craig Mundie***
  - **Non-PC (handheld, settop, etc)**
  - **Solutions for network operators**

Road Map: Internet Client

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Now

- **Internet Explorer line**
  - Win32, Mac, and Windows 3.1 support
  - Rapid releases

Start FY97

- **Internet 3.0**
  - "Componentized": extensible, services available to other apps
  - Full ActiveX support: controls, scripting, multimedia
  - Netscape superset

H1'FY97

- **Internet add-on ("Nashville") for Windows 95, Windows NT**
  - Integrated Windows and Internet Explorer
  - Communications: phone, conferencing

Road Map: Internet Server

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Now

- Microsoft BackOffice
  - Internet Information Server in Windows NT Server
    - Highest Performance Server
    - Extensible via ISAPI, ActiveX
  - Database connector for SQL Server

H1'FY97

- Additional services coming in H2 '96
  - Proxy
  - Content management
  - Microsoft Exchange connector
  - Merchant services

Microsoft BackOffice Roadmap

H2 FY96

BackOffice 2.0

- Windows NT Server 3.51
- SNA Server 2.11
- SQL 6.5
- SMS 1.1
- Exchange 4.0
- Internet Information Server 1.0

H1 FY97

BackOffice "Shell Update"

- Windows NT Server 4.0
- SNA Server 2.11
- SQL 6.5
- SMS 1.2
- Exchange 4.1
- Internet Information Server 2.0
- Content Management

H2 FY97

BackOffice

- Windows NT Server 4.0
- SNA Server 3.0
- SQL 6.5
- SMS "Opal"
- Exchange 5.0
- Internet Information Server 3.0
- Proxy
- Merchant
- Small Business

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SQL Server vs Oracle - Lower Cost

Oracle total costs 42% higher than SQL Server

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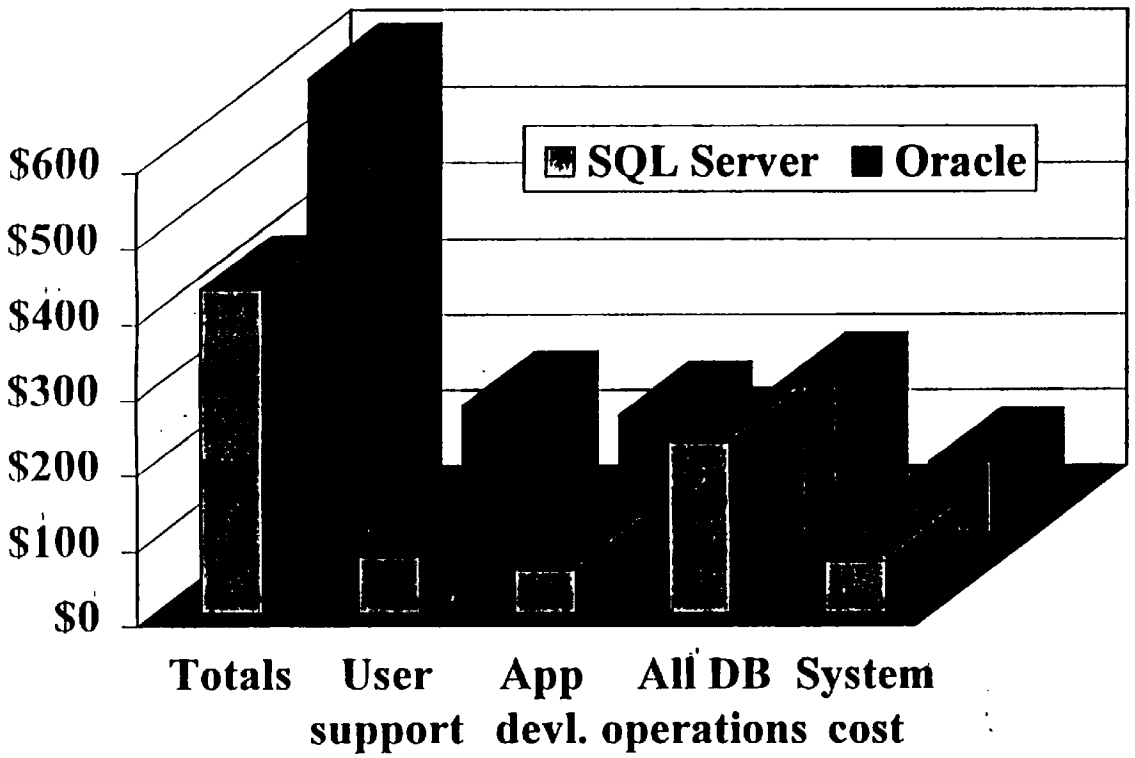
Cost-to-Use (per month, per user over five years)



- User support costs 123% higher for Oracle
- Development costs 167% higher for Oracle
- DB operations costs 15% higher for SQL
- System costs 37% higher for Oracle

Oracle costs $2,172 more per year, per user

Other things to know about

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- **Network Operator Platform:**
  - **Winning Network Operator and Internet Service Providers server infrastructure is key**
  - **MS will have focused product and sales effort on this segment**

Other things to know about

- "Pegasus" client
  - MS in conjunction with 3-4 key OEMs will release handhold client in H1'FY97
  - Features:
    - "Windows Companion"
      - similar UI, API's
      - easy exchange of information with desktop
    - Small form factor (pocket size)
    - Web browser
- Will yield technology base (with assets from ITV) to address other non-PC opportunities

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