Orlando,

A cross-group team has been working for the last two weeks on a proposal to have a more planned response process to defend against Linux and other low-cost/no-cost competitors in large education/government deals in both developed and developing subs. Input has been provided by the Windows group, OEM, WWLP, LCA, EdSG, SLG, the international RVP's and AlainC. Attached are the slides that will be included in the Windows BPR and the proposal itself is included for background. SherriB will be there for this portion of the BPR to represent EdSG. Please let me know if you have any feedback or changes that you would like to see incorporated into the proposal or if you have any questions that we can address prior to the Friday meeting.

Also, I just received a call from Pat Fox in the Windows group and based on a conversation that he had with JimAll, Jim is going to recommend that we focus this initiative initially on the education market, with an eye towards expanding to the government sector if it makes sense later.

Thanks,

Dave

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9/12/2003
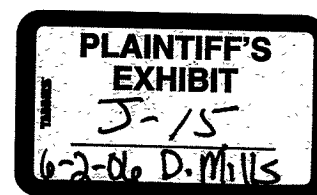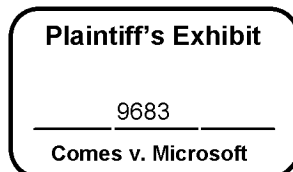
Winning Government and Education

"EDGI" (Education & Government Incentive) Program

Executive Summary

In order to more effectively win in the large education/government deals where we compete against low/no-cost offerings, Microsoft will introduce a predictable and replicable process to engage in and win these deals. A common current scenario is one where a government wants to provide for a common technology platform across all schools in the country/province/state. They are either seriously considering open source due to cost and political pressures or are using Linux and StarOffice as levers to negotiate price with Microsoft. This scenario is closely tied to, but not limited to, the challenges seen in developing countries where economic pressures often force governments to seek low-cost/no-cost solutions (see Appendix for recent examples.)

Just as we are focused on delivering end-to-end solutions to our commercial customers, we will endeavor to approach these deals with an end-to-end approach at addressing the underlying needs of the community and/or educational institution. A plan similar to the Enterprise Agreement Services Incentive [EASI] will be put in place to help address these issues.

Goals

There are two major goals of the Education and Government Incentive program:
- Ensure government and education customers can experience the value of Windows, Office and other Microsoft products
- Address affordability, application compatibility, teacher training and curriculum, additional software needs

It is important to note that there are two major issues that need to be solved.
1. How to best help developing countries jumpstart the establishment of an effective educational infrastructure that can leverage the benefits of technology
2. How to effectively win against the no-cost/low-cost competitor in large government deals (i.e. "Don't lose to Linux").

This proposal is squarely aimed at the second issue, although there is considerable overlap between the two. There are deals (primarily large government deals in developed countries) that fall outside of the first issue but are still included in the second. However, the majority of instances where Microsoft finds itself addressing the first issue, it will be addressing the second at the same time. *Consequently, providing assistance to developing subs is a subset of the larger problem of responding to the large deals.*

Assumptions

This proposal is shaped by some underlying assumptions about the business environment:

- A completely 'free' model for education is not desirable for the following reasons:

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- o Approx. $1B annual revenue stream currently being realized through sales to academic institutions
  - o The current pricing (deeply discounted) helps ensure that a healthy eco-system exists where MS and its partners continue to innovate and deploy a sales force to work with customers to define and realize the full value of the software.
- Customer concessions cannot impact OEM royalties or rely on an OEM delivering "naked" PCs without an OS (i.e. no reduced price full OS offering or in academic space)
- Many subs do not have sufficient dedicated resources to drive the fully-integrated vertical ISS sales process needed to re-engineer the large customers' vision of needs
- We cannot and will not compete with Linux/StarOffice solely on price, however the price allure of 'free' must be addressed as part of competitive response.
- Scenarios not limited to Linux/StarOffice, nor are they limited to developing subs, although these are our current primary areas of urgency
- We do not want to develop a standard 'offering' as this becomes not only our new price point, but also invites large customers to create new tenders which we may not be competitive with on price.

Plan

Taxonomy

In order to better analyze the opportunity, the following taxonomy is proposed:
- Developed country (e.g. US, Japan, Belgium) These countries typically have per capita GDP's greater than USD$3,500.
- Developing country [Large, High Potential] (e.g. Brazil, India, China, Russia) These countries typically have lower GDP's (< $3,500 per capita), large populations with the potential to support a considerable IT infrastructure in the next 3-5 years
- Developing country [Large, Low Potential] (e.g. Indonesia, Bangladesh). Same as above but with little potential for real IT infrastructure in the near term.
- Developing country [Small and Medium] (e.g. Eastern Caribbean, Philippines, Ecuador) Countries with low GDP and potential that is limited by their size.

Note: A revenue report is attached in the Appendix that shows countries currently generating revenue and their status according to the taxonomy above.

Funding

Since these opportunities are largely tied back to winning in a specific competitive environment (Linux and StarOffice) we are proposing a $50MM (approx. 5% of WW Education revenue) fund that is allocated from the Windows and Office P&L's (30MM Windows, 20MM Office). This funding would be allocated out to the regions using the following percentages: Americas 25%, EMEA 35%, and Asia 40%, based on the majority of funds being targeted at developing countries. The regional funds would then be used

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to support large deals by providing monies on the customer's behalf for value-add products and services (incentives) instead of offering low or no-cost software.

It is also important to note that in many countries, there exist untapped funding sources, especially in developing regions. Close cooperation between business groups and LCA will be needed to identify initiatives and programs from sources such as the World Bank, IDB, IMF, etc that can potentially be used to help fund the community development portion of large government deals.

Response

A process will be put in place whereby the following occurs:

1) Using the Global Education Leadership Team currently being established by EdSG, a global pipeline management process will be refined where top opportunities in education are surfaced and regularly reviewed with regional and sub management to ensure proactive support is provided where needed. If desired, EdSG will work with the government vertical to put a similar process in place for non-education deals.

2) Empowerment guidelines for subsidiary and regional pricing in education will be put in place, similar to those in force in the Enterprise segment

3) When local management determines that local empowerment will not provide the flexibility needed to win a deal, they will escalate to a regional response team. An example of potential members of the regional response team:
- Regional Education Director (or Government Director in the case of a non-Education deal)
- Regional Linux Competitive lead / Product Management
- Regional WWLP resource
- Regional LCA

4) The regional response team will engage with the local account team and the customer to provide a full-integrated solutions sales effort, in order to re-engineer what the customer sees as their needs so that they can understand how the MS platform will *uniquely* address their needs.

5) EdSG will work with LCA to produce a consolidated view of all Microsoft's efforts in the academic space to ensure that customers understand the value of what we have already provided and can provide in the future. This would include initiatives by EdSG, LCA, MSR University Relations, Recruiting, CDDG, Developer Evangelism, Product Marketing Group, etc.

6) If needed, the regional response team will work with the Regional VP to draw upon the regional fund to provide additional value-add services and/or products in order to balance the investment the customer is making in the software (whether obtained through a School or Campus Agreement or through OEM PC's)
    Services and products may include:

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- Integration services
- Application Migration
- Training
- Curriculum content
- ...

7) New PC sales will be made as usual from OEMs to entity, though we may add some requirements on the OEMs as pre-requisite for participation in the program (i.e., meet certain system specs for education, or meet education specific training or channel needs)

8) It is recognized that there will be times when software donations are part of the overall solution presented to a customer. In these instances we need to work closely with LCA to ensure these are managed and tracked in order to ensure that we receive the benefit and mitigate the impact on other deals. It may also be appropriate to institute a process whereby the product group funding provided through the special fund gets returned when donations are made, as it represents monies that do not end up flowing back through the product revenue stream.

Program Structure

MS HQ

Global reporting
And tracking to
Corp HQ

$50MM
EDGI Fund

$ $ $

Regional Allocation
RVP discretion

Biz
Desk

•Criteria defn

•Opportunity
 Qualification

Leverage regional
Funds when needed

$

Qualified Opps

Custom sales effort
Using edu/gov't specialists
from region

$

OEM
(requirements for program
participation)

•New PCs
(WinXP)

$

Regional Sales
Response team

•Training (IT, Teacher, etc)
•Other Svcs (App migration, curriculum development, etc)
•MS software

Benefits

There are several benefits to implementing such a program. First and foremost, it will enable more customers to obtain the benefit of using our technology. Additionally, the following are expected benefits of the proposal:

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- Increase our win percentage against competition
- Improve our partnership with governments
- Improve Microsoft image
- Protect our product price points by removing discounts below empowerment guidelines
- Have a process that is reactive, but predictable and controllable
- Ensure optimum use of resources (current one-off negotiations resource-intensive and painful)
- Centrally track use of resources enabling us to match both with business value received, instead of suffering hard-to-track revenue erosion due to one-off discounts.

Process

In order to ensure the most effective use of resources, it is proposed that we leverage much of the framework used by the EASI program   The process will be largely duplicated and modified only where necessary to accommodate the differences in the target customer markets   The same fulfillment and administrative vendor can be used, leveraging the known cost model.

Donations

It is recognized that there will still be a significant portion of these deals where software donations may be appropriate as part of the overall offering. The intention is not to limit a subsidiaries ability to do this, but to work cooperatively with LCA to insure the customer and Microsoft both receive the full benefit of the donation and that the donation is part of a larger partnership with the customer and partners to create a self-sustaining infrastructure. This will also help us track and recognize the investment we are making world-wide.

Community Affairs

Community Affairs will continue to play a key role in large education and government deals, especially in the developing countries. LCA has committed to working with the business to define a set of offerings that will provide end-to-end community development approaches and are responsible for the related economic development issues. These offerings may be tactical in nature and can be used as a component in a large negotiation, or may be a proactive and comprehensive plan that we offer to those countries in greatest need.

It is important that we recognize the role of timing in providing community affairs leadership. Presenting community development initiatives at the same time as a response to a large deal can often be viewed negatively by our customers. It is critical, therefore, that GM's ensure that long-range community affairs approaches are synchronized with the business needs in the sub. This may also mean that we make community development offers that are *not* contingent upon the customer making related purchase commitments. An exception would be deals where we decide to donate a portion of the

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licenses being purchased in lieu of discounting the overall price, thereby preserving our unit price point and delivering the same overall cost to the customer.

The proposed investment funds are therefore not targeted at community development, but at ensuring we do not lose to low-cost/no-cost competitors. If there are needs for broader free programs, these should still be identified by the sub leadership and addressed with their LCA teams.

Qualification

One of the key issues raised during the solicitation of executive feedback is the need to ensure that specific guidelines are put in place to ensure that monies are used appropriately and this does not simply become another source of BIF for the subs. In order to address these issues, the following is proposed:

- Since each RVP will have a finite amount of funds, their use should be prioritized at the regional level.
- Initially, top current and projected opportunities should be reviewed and a prioritized list provided to the RVP by the regional education and government teams Based on the size of this pipeline, it may be determined that a portion of the fund should be left uncommitted for future opportunities during the fiscal year. After this initial prioritization, emerging opportunities will be compared to current opportunities to determine if they meet the same standard for investment, with appropriate trade-off decisions being made, if the funds are already fully committed.
- Opportunities will be divided between developed subs and developing subs according to a pre-determined taxonomy. Developed subs will normally benefit primarily from the consistent and streamlined sales approach of the response team, while the developing subs will most likely need the investment funds in order to be viable.
- Funds will be centrally tracked and reported (as in the EASI initiative), providing a high degree of visibility (and therefore accountability) for the funds usage.

Next Steps

Owner	Virtual Team	Action	Date
EdSG (US)	Regional EdSG teams, SLG	Publish Global Pipeline Tracking process	07JUN02
ALL		Provide go-ahead for BPR	29MAY02
Richard Fade		Obtain Exec approval at BPR	31MAY02
AlainC	EdSG/OEM/Product Groups	Determine funding flow and controls	07JUN02

RVP's	EdSG (US)	Designate regional response teams	14JUN02
JimAll/JeffR		Allocate funding in P&L's	14JUN02
EdSG (US)	SLG	Detail sales tools and strategies for regional response teams	MGB 2002

Appendix

Recent Deals

- BRIC Project – China education PCs
- Czech (School Internet Project) – 25,000 PCs
- Saudi Arabia (King Abdul Aziz Univ) – 4,500 PCs
- Saudi Arabia (President's Girls School) – 25,000 PCs
- South Africa (Learning Bridge - education) – country-wide; EMEA proposal for all low-GDP countries
- Pakistan – 50,000 PCs
- Other MENA (academic, east med) – 64,000 (?) PCs
- US K-12 Access Device – up to 1MM laptops
- Michigan (K-12) - $10MM state program funded
- Colombia government – 200K PCs over 3 years

Anatomy of a Deal

Name: Girls Schools in Saudi Arabia
Desktops: 20,000 (1200+ servers)
Revenue: $4MM (50% OEM)
Competitor Linux/StarOffice
Product Mix: Windows2000 Server, Windows 2000/XP Pro, Office XP Pro, Front Page 2002, VB 6.0
Microsoft Investments to win:
- Create special package including media and guidance
- Highlight customer accomplishments (shared PR)
- Commitment to invest in E-Ministry ($450,000)
  - SE and two admin for a year (Contingent Staff)
  - Train 220 FTE's on Office Tools
  - Initial implementation services
  - Minimal application development

Story: The local team created a special 3 CD kit that included CD's for Tools, Teachers, and Students with appropriate content and products They also agreed to fund a special ministry of education training pilot. This investment ($450k) was funded through the additional margin on the per desktop price.

Name: Hungary Higher Education
Desktops: 235,000 students, 18,000 teachers
Revenue: $2.2M over 3 years
Competitor. Linux/IBM
Product Mix: Windows XP, Office XP, Front Page, Visual Studio, BackOffice CAL

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Microsoft Investments to win:
66% discount = $4 4MM off of normal Campus Agreement pricing
Story: In this deal, the total amount of the deal represented the maximum amount of money that the customer had to spend. If we did not do the deal for this price, then IBM was ready to execute. As a higher ed customer, there was requisite technical knowledge to support a successful implementation, so additional services were not imperative. The sub also had a successful evangelism and knowledge transfer program in place with the technical universities.

Linux Account Wins/Threats/Losses

Account	Country	Date	No. of PCs	Industry	Linux Drivers	Reasons: Win/Loss
Wins						
Vassa Finland Gov't	Finland	11/1/2001	?	Public Sector	TCO, Standardization	Proven better TCO vs current environment and Linux.
Lappeenranta Finland Gov't	Finland	11/1/2001	?	Public Sector	TCO, Standardization	Proven better TCO vs current environment and Linux

Losses						
Account Name	Country	Customer Segment	No. of PCs	Industry	Reasons for Loss	Other reasons for Loss
Corporate Express	Australia	MORG	400	Services	Cost	
Dept of Education - Northern Territory	Australia	Academic	10,000	Public Sector	Cost	
Beijing Local Govt.	China	Major	2,000	Public Sector	Govt Endorsement	
Central Excise & Customs	India	Major	900	Public Sector	Cost	
Tata Institute of Fundamental Research	India	Academic	300	Education	Anti-MS	
Government Procurement Agency	Korea	Corporate	1,000	Public Sector	Govt Endorsement	
Department of General Education	Thailand	MORG	1,500	Public Sector	Cost	
University Systems	Thailand	Major	1,000	Public Sector	Performance	
Department of Local Administration	Thailand	MORG	3,000	Public Sector	Govt Endorsement	
Columbia Sportswear	US	MORG	182	Public Sector	Cost	

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Advantage Sales & Marketing	US	MORG	8,000	Public Sector	Cost	MS- Disastisfaction
Mastertrade	New Zealand	MORG	400	Manufacturing	Cost	
Kachingo	New Zealand	MORG	800	Retail & Hospitality	H/W Vendor Recommend	
Southern Cross	New Zealand	Corporate	300	Health Care	Cost	
Coffee Bean & Tea Leaf	Singapore	SORG	20	Retail & Hospitality	Cost	
Total:			29,802			

Threats

Account Name	Country	Customer Segment	No of PCs	Vertical Industry	Reasons for threat	Other reasons for Threat
Department of Defence	Australia	Corporate	40,000	Public Sector	Cost	
Department of Education of WA	Australia	Academic	52,000	Education	Cost	Linux / StarOffice
Department of Health WA	Australia	Corporate	11,000	Public Sector	Cost	StarOffice
Catholic Education Office of WA	Australia	Academic	2,265	Education	Cost	Linux / StarOffice
Association of Independent Schools of WA	Australia	Academic	2,460	Education	Cost	StarOffice
Dept of Education - Western Australia	Australia	Academic	45,000	Education	Other (Please specify)	Sun offering partnership with the dept to develop their vision
29 of 39 Universities in Australia	Australia	Academic	60,000	Education	Cost	

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Dept of Education - South Aust	Australia	Academic	25,000	Education	Govt Endorsement	Political statement that says the dept will supply every student with a SS/Word Processor and database.
Belgian Ministry of Finance	Belgium	Major	28,000	Public Sector	Cost	
Brazil Gov't	Brazil	Major	220,000	Public Sector	Cost	
Alcadia Mayor	Venezuela		38,000	Education	Cost	
ANEP - K12	Uruguay		11,000	Education	Cost	
SED	Columbia		8,500	Education	Cost	
Ministry of Education	Chile		100,000	Education	Cost	Think com
Govt of He Nan	China	Other	10,000	Public Sector	Other (Please specify)	Linux and Redoffice(StarOffice China Partner) will offer source code to them
all China gov. in provices	China	SORG	1,000,000	Public Sector	Govt Endorsement	
Lower Saxony - Germany	Choose from List	Major	13,500	Public Sector	Cost	
Stock Exchange	Hong Kong	Major	1,300	Public Sector	Other (Please specify)	They are testing out to use Linux as the dumb terminal
Hong Kong Government	Hong Kong	Strategic	80,000	Public Sector	Govt Endorsement	
Primary and Secondary Schools	Hong Kong	Academic	3,600	Education	Cost	
Pico World	Hong Kong	MORG	200	Public Sector	Cost	
Ministry of Urban Development	India	Corporate	400	Public Sector		
Govt. of Goa	India	Academic	800	Education	Cost	
MIT	India	Major	6,000	Public Sector	Cost	
Haryana Govt	India	Academic	2,000	Education	Cost	

Ministry of Surface Transport	India	Corporate		Public Sector		
Ministry of Finance	India	Major	4,000	Public Sector		
Ministry of HRD	India	Major	8,000	Public Sector		
Govt. of TN	India	Major	1,000	Public Sector		
Govt. of Maharashtra	India	Academic	10,000	Education		
Govt. of Karnataka	India	Academic	10,000	Education	Other (Please specify)	Staroffice (AE)
Govt. of Kerala	India	Academic	4,500	Education	Other (Please specify)	Staroffice (AE)
Govt. of Gujarat	India	Academic	5,000	Education		
Govt. of West Bengal	India	Academic	5,000	Education		
Govt. of Uttar Pradesh	India	Academic	5,000	Education		
Govt. of Dehli	India	Academic	5,000	Education		
Govt. of Tamilnadu	India	Academic	30,000	Education		
Punjab	India	Academic	200	Education		
Rajasthan	India	Academic	1,000	Education		
Uttaranchal	India	Academic	2,000	Education		
Andhra Pradesh	India	Academic	10,000	Education		
Madhya Pradesh	India	Academic	2,500	Education		
Chattisgarh	India	Academic	5,000	Education		
Ministry of Defence	India	Other	500	Unknown	Security	Linux / StarOffice
iFlex	India	Corporate	500	Financial Services	Cost	StarOffice
Planetasia	India	Corporate	200	Services	Cost	StarOffice
IDBI Bank	India	Corporate	500	Financial Services	Cost	Linux / StarOffice
Adani Group	India	Corporate	200	Manufacturing	Cost	Linux / StarOffice
Hiranandani Group	India	Corporate	300	Unknown	Cost	Linux / StarOffice
Zandu Pharma	India	MORG	150	Health Care	Cost	Linux / StarOffice
Nimbus Communications	India	MORG	150	Services	Cost	StarOffice
Ace Hardware	Indonesia	Corporate	1,000	Retail & Hospitality	Cost	
Department of Finance	Indonesia	Major	1,000	Public Sector	Cost	
Department of Internal Affair	Indonesia	Major	2,000	Public Sector	Cost	

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Department of Transportation	Indonesia	Major	1,500	Public Sector	Cost	
Bank of Ireland	Ireland	MORG	10,000	Public Sector	Cost	
Ministry of Education and 8,500 schools	Malaysia	Academic	120,000	Education	Govt Endorsement	
Ministry of Finance - Treasury	Malaysia	Corporate	600	Public Sector	Govt Endorsement	
Hong Leong Finance	Malaysia	Corporate	800	Financial Services	Other (Please Specify)	
EPF Destop Financing Scheme	Malaysia	Other		Public Sector	Cost	
Holland Railconsult	Netherlands	Major		Public Sector	Cost	
NZ Government (G2000 'all of govt' agreement)	New Zealand	Corporate	20,000	Public Sector	Cost	StarOffice
Urban Redevelopment Autority	Singapore	Corporate	600	Public Sector	Govt Endorsement	
National Library Board	Singapore	Corporate	900	Public Sector	Govt Endorsement	
SMRT	Singapore	Corporate	3,000	Public Sector	Govt Endorsement	
MINDEF	Singapore	Major	22,000	Public Sector	Govt Endorsement	
iDA - HQ	Singapore	Corporate	40,000	Public Sector	Govt Endorsement	
Singtel	Singapore	Corporate	15,000	Telecommunications	Govt Endorsement	
ITRI	Taiwan	Major	6,000	Public Sector	Cost	
Bangkok Metropolitan Administration	Thailand	Major	7,000	Public Sector	Cost	
Electricity Generating Authority of Thailand	Thailand	Major	3,000	Public Sector	Other (Please specify)	Strong Enterpnse Training
MIMOS	Thailand	Corporate	600	Public Sector	Other (Please specify)	closing digital divide positioning
Bank of Ayudhaya	Thailand	Corporate	400	Financial Services	Cost	
Safeway	US	LORG	23,000	Public Sector	Cost	
Advantist Healthcare	US	MORG	50,000	Public Sector	Cost	
Goldman Sachs	US	MORG	1,000	Public Sector	Cost	
Eckerd	US	MORG	24,000	Public Sector	Cost	

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CSK Auto	US	MORG	12,650	Public Sector	Cost	
General Motors	US	LORG	15,000	Public Sector	Cost	
CVS	US	MORG	12,300	Public Sector	Anti-MS	
Southern Methodist Univ.	US	Academic	200	Education	Cost, Anti-MS	StarOffice deployed
Sherwin-Williams	US	MORG	7,500	Retail & Hospitality	Cost	Unix Migration
BMC Software	US	Other	8,500	Services	Other (Please specify)	Think Linux is cool
Dallas School District	US	Academic	4,000	Education	Cost	StarOffice deployed
Total.			2,285,275			

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WW Education Revenue Report - Revenue Shown in As Billed View

Region	WW Sales Location	Developing?	Large?	High Potential?	YTD Apr 01	YTD Apr 02	Growth %	% of Total Edu Revenue	% of Total Sub Revenue
Japan	Japan				81,749,088	97,143,650	19%	12.1%	6%
Japan Total					**81,749,088**	**97,143,650**	**19%**	**12.1%**	**6%**
Asia Pacific	Australia				15,106,731	21,204,613	40%	2.6%	9%
	Hong Kong				10,527,979	8,267,253	-21%	1.0%	10%
	Korea				14,238,717	16,372,635	15%	2.0%	10%
	Taiwan				8,502,050	7,571,206	-11%	0.9%	9%
	China	*y*	*y*	*y*	*1,217,014*	*2,416,230*	*99%*	*0.3%*	*3%*
	New Zealand				3,341,284	4,346,072	30%	0 5%	10%
	India SC	*y*	*y*	*y*	*4,329,125*	*3,853,311*	*-11%*	*0.5%*	*4%*
	Malaysia	y			4,728,483	3,334,464	-29%	0 4%	8%
	Philippines	y	y		1,088,315	1,729,083	59%	0 2%	10%
	Singapore				5,039,823	5,734,554	14%	0.7%	11%
	Thailand	y	y		382,519	524,414	37%	0 1%	2%
	Indonesia	y	y		126,715	177,300	40%	0.0%	1%
	Vietnam	y	y		22,013	46,631	112%	0 0%	1%
Asia Pacific Total					**68,650,769**	**75,577,766**	**10%**	**9.4%**	**8%**
EMEA	United Kingdom				66,054,918	76,142,986	15%	9.5%	8%
	Germany				23,965,508	30,600,645	28%	3.8%	4%
	France				23,247,045	22,970,375	-1%	2.9%	5%
	Italy				10,470,680	10,466,659	0%	1.3%	4%
	Sweden				9,042,520	9,167,473	1%	1.1%	5%
	Spain				7,518,684	7,591,318	1%	0.9%	6%
	Denmark				6,387,096	6,670,505	4%	0 8%	5%
	Belgium				5,845,661	4,620,865	-21%	0.6%	4%
	Finland				5,821,034	6,659,865	14%	0 8%	8%
	Norway				4,080,113	5,049,245	24%	0.6%	6%
	Russia	*y*	*y*	*y*	*1,608,526*	*5,755,319*	*258%*	*0.7%*	*14%*
	Poland	y			4,929,483	2,456,965	-50%	0 3%	3%

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Region	Country								
	Switzerland				3,772,464	4,634,758	**23%**	0.6%	2%
	Israel				3,312,443	2,956,033	**-11%**	0 4%	5%
	Turkey	y	y		2,266,102	3,261,813	**44%**	0 4%	6%
	South Africa	y			2,238,501	2,629,929	**17%**	0 3%	3%
	Ireland				2,207,607	3,579,558	**62%**	0.4%	9%
	Portugal				2,241,635	3,209,184	**43%**	0 4%	6%
	Austria				2,548,052	3,954,086	**55%**	0.5%	3%
	Saudi Arabia				1,541,516	3,028,268	**96%**	0.4%	10%
	Greece				2,510,254	3,343,376	**33%**	0.4%	13%
	Netherlands				2,668,312	7,420,838	**178%**	0.9%	3%
	Czech Republic				1,686,670	2,119,862	**26%**	0.3%	5%
	Egypt	y	y		1,300,962	1,653,856	**27%**	0.2%	9%
	Lebanon	y			2,610,719	704,729	**-73%**	0.1%	4%
	Hungary	y			1,442,131	3,975,372	**176%**	0.5%	11%
	Morocco	y			857,446	1,676,623	**96%**	0.2%	14%
	UAE	?			947,867	1,286,666	**36%**	0.2%	7%
	Baltics	y			816,027	721,170	**-12%**	0.1%	6%
	Kuwait				837,731	1,187,363	**42%**	0 1%	8%
	Indian Ocean Islands	y			382,296	408,958	**7%**	0 1%	9%
	Romania	y			282,830	577,173	**104%**	0 1%	5%
	Oman	?			252,142	385,674	**53%**	0 0%	4%
	Slovakia	y			115,896	287,282	**148%**	0 0%	3%
	Ivory Coast	y			196,234	118,970	**-39%**	0.0%	3%
	Croatia	y			194,339	85,053	**-56%**	0.0%	1%
	Tunisia	y			240,338	227,192	**-5%**	0.0%	16%
	Namibia	y			133,899	64,614	**-52%**	0.0%	2%
	Slovenia				111,060	190,060	**71%**	0.0%	1%
	Kenya	y			50,990	277,228	**444%**	0.0%	9%
	Bulgaria	y			37,504	24,051	**-36%**	0.0%	1%
	Zimbabwe	y			63,692	121,242	**90%**	0.0%	4%
	Nigeria	y	y		2,046	16,909	**726%**	0.0%	0%
EMEA Total					**206,840,971**	**242,280,110**	**17%**	**30.2%**	**5%**
Americas	United States HQ				259,946,023	328,841,591	**27%**	41.0%	6%
	Canada				17,782,467	22,137,247	**24%**	2.8%	5%
	Mexico	y	y	y	11,763,053	13,089,484	**11%**	1 6%	11%

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Brazil	y	y	y	8,099,938	8,414,211	4%	1.0%	6%
Colombia	y			3,209,920	3,406,378	6%	0.4%	11%
Caribbean	y			3,677,975	3,170,374	-14%	0.4%	7%
Chile	y			1,141,984	907,500	-21%	0.1%	5%
Central America	y			1,468,518	1,979,634	35%	0.2%	6%
Peru	y			1,227,054	1,249,111	2%	0.2%	10%
Uruguay	y			556,675	791,212	42%	0.1%	7%
Argentina	y			1,463,612	892,338	-39%	0.1%	3%
Venezuela	y			791,735	992,855	25%	0.1%	4%
Ecuador	y			240,186	513,335	114%	0 1%	8%
Caribbean & CA HQ				-	-	N/A	0.0%	0%
Americas Total				**311,369,141**	**386,385,269**	**24%**	**48.2%**	**6%**
Grand Total				**668,609,969**	**801,386,795**	**20%**	**100.0%**	**6%**

Updated 5/2/2002

Small Developing Subs	3.9%
Large Developing Subs (low)	0.9%
Large Developing Subs (high)	4.2%
Total from Developing Subs	**9.1%**

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Education & Govt Incentive Program (EDGI) Proposal

Goal

- Ensure primarily education (and secondarily government) customers can experience the value of Windows, Office and other Microsoft products
- Address affordability, application compatibility, teacher training and curriculum, additional software and services needs

Opportunity

- Increase our win percentage against competition in education and govt accounts, especially in developing countries
- Protect our product price points by removing discounts below empowerment guidelines
- Have a process that is reactive, but predictable and controllable
- Ensure optimum use of resources (current one-off negotiations resource-intensive and painful)
- Centrally track use of resources and $$, enabling us to match both with business value received, instead of suffering hard-to-track revenue erosion due to one-off discounts.

Strategy

- "EDGI" – Education & Govt Incentive program, similar to "EA Services Incentive" program
- Proposed $50MM fund allocated to RVPs for discretionary use to win education and government competitive deals (30:20 Windows:Office split)
- Deal guidelines and escalation process being developed
- Will address both developing and developed subs through same infrastructure, but developing subs will be the emphasis and will also be targeted w/special funding and partnership models (being developed with LCA)

Proposed Tactics

- Setup a predictable pipeline process where opportunities that exceed local empowerment are identified and escalated via regionally identified mgrs
- Minimize OEM tracking/reporting complexities via program to enable educ or govt entity to build solutions with MS products
- Incentive program $ can be applied to qualified PC purchases or services (training, curriculum development, app migration, etc)
- New PC sales will be made as usual from OEMs to entity, though we may add some requirements on the OEMs as pre-req for participation in the program
    - i.e., meet certain system specs for education, or meet education specific training or channel needs
- Develop umbrella business value collateral on benefits of choosing a solution built with Microsoft Windows (ie productivity, cost, ecosystem, etc)