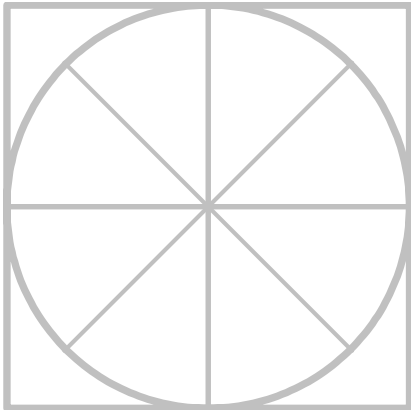


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Microsoft Exchange Market Share Statistics, 2006



A White Paper
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SCOPE

This study provides an analysis of Microsoft Exchange from 2000 through 2009. We examine revenue and installed base market share data for Microsoft Exchange in the following segments:

1. *Corporate Messaging Software*: CPE messaging software that is deployed within an organization.
2. *Messaging Software for Service Providers*: Messaging server software designed for service provider customers (xSPs), including ISPs, ASPs, telecom operators, portals, wireless providers, and more.

We also examine the market share of MS Outlook Web Access in the corporate webmail market.

Installed base statistics measure the number of *active* mailboxes. We define an *active* mailbox as a mailbox that has been used at least once within the past three months.

A single corporate user may have multiple mailboxes, and access these mailboxes through several e-mail clients, including web and desktop clients.

Similarly, a single corporate mailbox may be used by multiple users.

This market share and market size statistics included in this study are based on figures previously published by The Radicati Group, Inc.

All market numbers, such as market size, forecasts, installed base, revenue information, and any financial information presented in this study represent *worldwide* figures, unless otherwise indicated. All revenue numbers are expressed in \$USD.

METHODOLOGY

The information and analysis in this report is based on primary research conducted by The Radicati Group, Inc. It consists of information collected from vendors, service providers and users within global corporations via interviews and surveys.

Secondary research sources have also been used, where appropriate, to cross-check the information collected. These include company annual reports and market size information from various market segments of the computer industry.

In 2005, we implemented several changes to our methodology which impacted installed base, revenue and market share figures for the messaging software market. These changes are noted throughout this document, and are detailed in the addendum.

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1.0 WORLDWIDE E-MAIL STATISTICS

1.1 Worldwide E-mail and Spam Traffic, 2005 – 2009

- Table 1, shows worldwide e-mail and spam traffic from 2005 through 2009.
- All figures are in billions of messages per day.
- Traffic includes messages sent and received.
- Worldwide spam sent includes all spam messages that are sent to an active e-mail mailbox, worldwide spam delivered includes only spam that actually reach a mailbox (i.e. they are not filtered by anti-spam solutions on the e-mail server, network perimeter, or by service providers.)

	2005	2006	2007	2008	2009
Worldwide E-mail Traffic per Day	135	171	214	266	331
Worldwide Spam Traffic per Day - Sent	90	120	156	202	256
% Spam	67%	70%	73%	76%	77%
Worldwide Spam Traffic per Day - Delivered	52	68	85	105	124
% Spam Delivered	58%	57%	54%	52%	48%

Table 1: Worldwide Message and Spam Traffic, 2005 – 2009

- Figure 1, illustrates legitimate e-mail traffic versus spam sent, from 2005 through 2009.

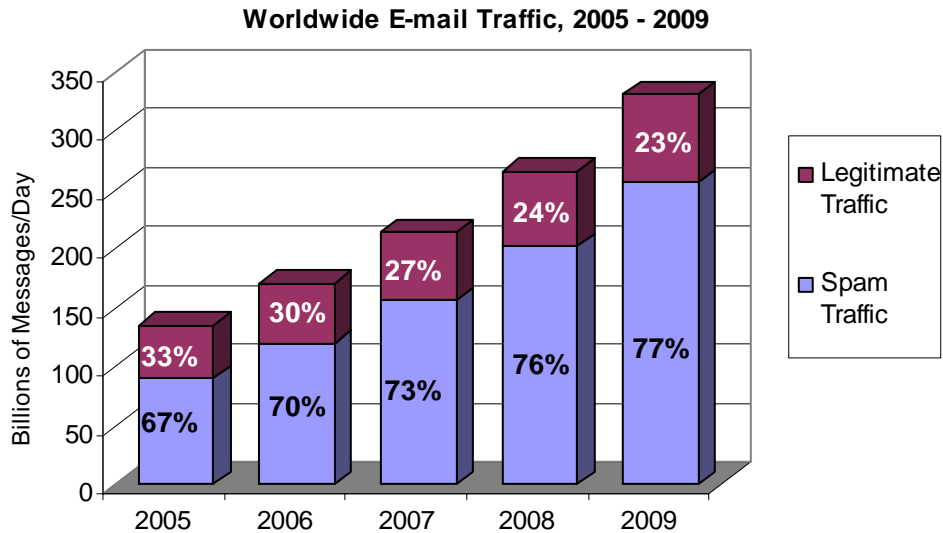


Figure 1: Legitimate E-mail Traffic vs. Total Spam Traffic, 2005 - 2009

1.2 Worldwide Corporate Mailboxes by Business Size

- Table 2, shows the installed base of corporate mailboxes (both insourced and outsourced corporate mailboxes), by businesses size, from 2005 through 2009.
- We define businesses size as follows:
 - Small: 1 to 100 Employees,
 - Medium: 100 – 1,000 Employees,
 - Large: 1,000 to 10,000 Employees,
 - Very Large: 10,000 + Employees.

	2005	2006	2007	2008	2009
Insourced Corporate Mailboxes (M)	357	377	401	431	465
<i>All Numbers in Millions of Mailboxes</i>					
Small (1 - 100 Employees)	68	72	80	86	98
Medium (100 - 1,000 Employees)	54	57	60	69	74
Large (1,000 - 10,000 Employees)	96	102	104	112	116
Very Large (10,000+ Employees)	139	147	156	164	177

Table 2: Worldwide Corporate Mailboxes by Business Size, 2005 – 2009

- Figure 2, illustrates the installed base of corporate mailboxes by business size, in 2005.

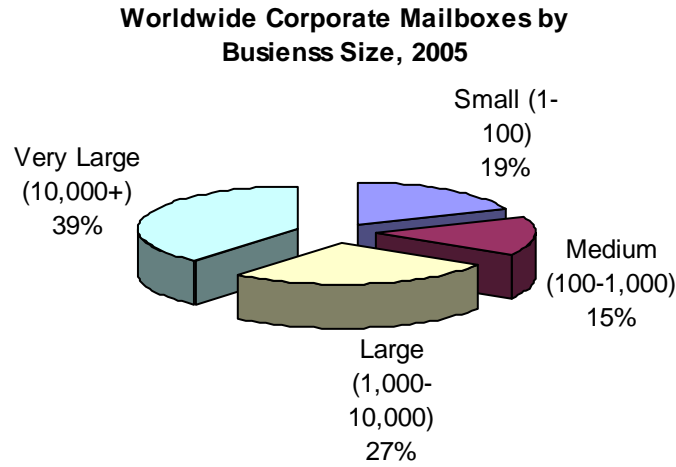


Figure 2: Corporate Mailboxes by Business Size, 2005

1.3 Worldwide Insourced Mailboxes by Industry, 2005 - 2009

- Table 3, shows the worldwide installed base of insourced mailboxes by industry, from 2005 through 2009.
- All figures are in millions of mailboxes.

	2005	2006	2007	2008	2009
Insourced Mailboxes (M)	357	377	401	431	465
Finance (M)	46	49	52	56	64
Health Care (M)	36	41	44	52	57
Service (M)	54	57	60	69	74
Retail (M)	18	19	24	26	28
Manufacturing (M)	25	23	24	22	23
Government (M)	64	68	68	73	79
Education (M)	61	64	68	71	74
Entertainment (M)	7	8	8	8	8
Transportation (M)	11	11	12	13	14
Other (M)	36	38	40	42	43

Table 3: Insourced Mailboxes by Industry, 2005 - 2009

- Figure 3, illustrates the worldwide installed base of insourced mailboxes by industry, in 2005.

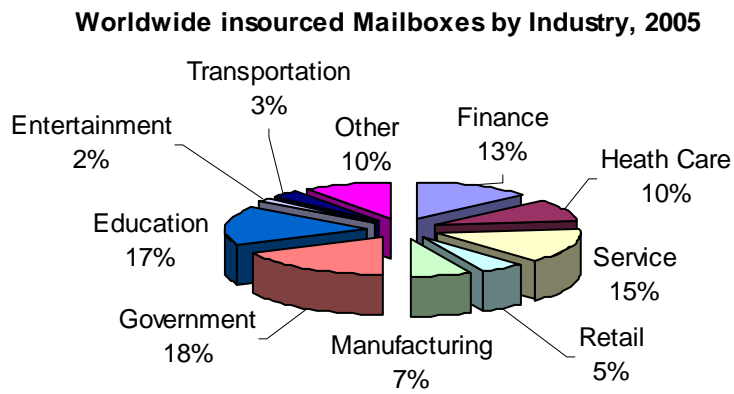


Figure 3: Worldwide Insourced Mailboxes by Industry, 2005

2.0 CORPORATE MESSAGING SOFTWARE MARKET NUMBERS

2.1 Corporate Messaging Software, Installed Base Market Share, 2000 – 2009

	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Worldwide Installed Base (M)	123	170	263	321	352	357	377	401	431	465
MS Exchange IB (M)	42	73	84	97	115	103	118	135	156	180
IB Market Share %	34%	43%	32%	30%	33%	29%	31%	34%	36%	39%
IBM Lotus Domino/Notes IB (M)	45	68	73	82	85	80	75	72	69	65
IB Market Share %	37%	40%	28%	26%	24%	22%	20%	18%	16%	14%
IBM Lotus Workplace IB (M)				0.1	1.6	1.2	3.0	5.2	7.8	11
IB Market Share %				0%	0.5%	0.3%	0.8%	1.3%	1.8%	2.3%
Others (M)	36	29	106	142	150	173	181	188	198	209
IB Market Share %	29%	17%	40%	44%	43%	48%	48%	47%	46%	45%

Table 4: Corporate Messaging Software, IB Market Share, 2000 - 2009

***Note:** In 2005, we revised our estimates for worldwide messaging technology penetration to reflect slower technology adoption rates in Asia/Pacific and RoW. This change in turn affected the market share and revenues of all market players. See Appendix A (“Notes on Methodology”) at the end of this study for more detailed information on methodology.

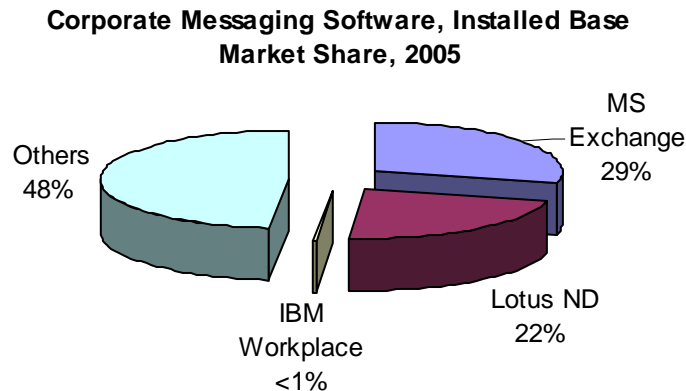


Figure 4: Corporate Messaging Software, IB Market Share, 2005

2.2 Corporate Messaging Software, Revenue Market Share, 2000 – 2009

	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Worldwide Revenue (\$M)	\$1,985	\$2,035	\$2,104	\$2,421	\$2,650	\$2,310	\$2,510	\$2,735	\$2,995	\$3,300
MS Exchange Revenue (\$M)	\$925	\$1,000	\$1,100	\$1,254	\$1,450	\$1,155	\$1,314	\$1,559	\$1,856	\$2,173
Reveue Market Share %	47%	49%	52%	52%	55%	50%	52%	57%	62%	66%
IBM Lotus Domino/Notes Rev. (\$M)	\$845	\$865	\$900	\$1,048	\$1,050	\$970	\$941	\$815	\$680	\$569
Reveue Market Share %	43%	43%	43%	43%	40%	42%	37%	30%	22.7%	17.3%
IBM Lotus Workplace Rev. (\$M)				\$1.0	\$8.0	\$15	\$61	\$144	\$200	\$265
Reveue Market Share %				0%	0%	1%	2%	5%	7%	8%
Others (\$M)	\$215	\$170	\$104	\$118	\$142	\$170	\$193	\$218	\$259	\$293
Reveue Market Share %	11%	8%	5%	5%	5%	7%	8%	8%	9%	9%

Table 5: Corporate Messaging Software, Revenue Market Share, 2000 - 2009

***Note:** In 2005, we revised our estimates for worldwide messaging technology penetration to reflect slower technology adoption rates in Asia/Pacific and RoW. This change in turn affected the market share and revenues of all market players. See Appendix A (“Notes on Methodology”) at the end of this study for more detailed information on methodology.

Corporate Messaging Software, Revenue Market Share, 2005

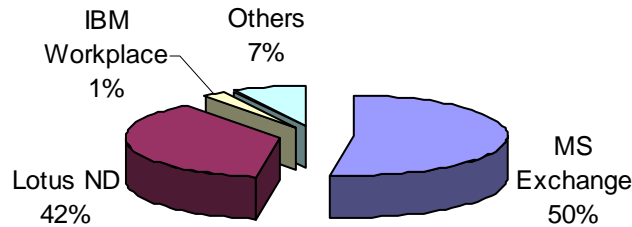


Figure 5: Corporate Messaging Software, Revenue Market Share, 2005

2.3 Corporate Messaging Software, Regional Distribution of Revenue, 2005 – 2009

	2005	2006	2007	2008	2009
Corp. Messaging SW Revenue (\$M)	\$2,310	\$2,510	\$2,735	\$2,995	\$3,300
North America	29%	28%	28%	27%	26%
Europe	32%	31%	30%	28%	27%
Asia/Pacific	31%	32%	32%	34%	36%
Rest of World	7%	9%	10%	11%	12%

Table 6: Corporate Messaging Software, Regional Distribution of Revenue, 2005 - 2009

Corporate Messaging Software, Regional Distribution of Revenue, 2005 - 2009

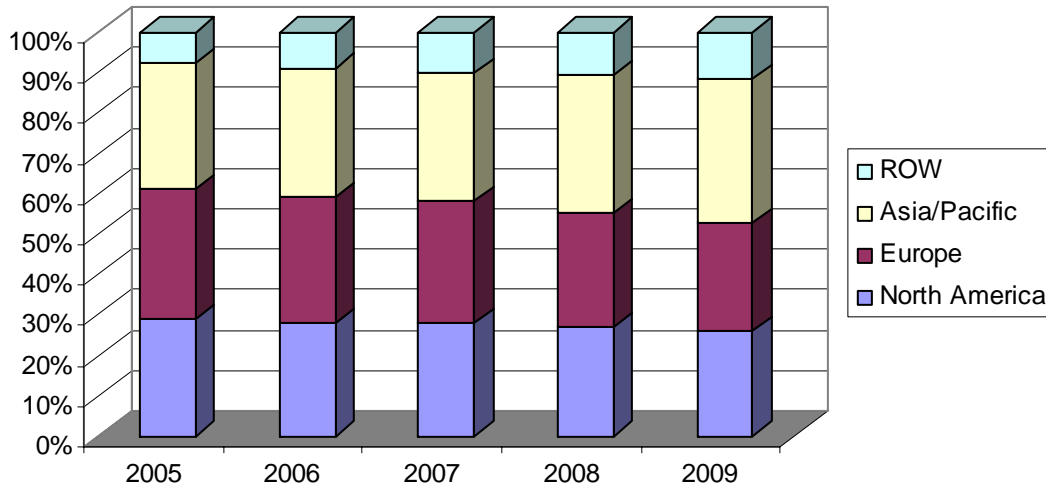


Figure 6: Corporate Messaging Software, Regional Distribution of Revenue, 2005 - 2009

3.0 MESSAGING SOFTWARE FOR SERVICE PROVIDERS MARKET NUMBERS

3.1 Messaging Software for Service Providers Market – Revenue and Installed Base, 2000 – 2009

- Table 7, shows the installed base and revenue of the Messaging Software for Service Providers market from 2000 through 2009.
- From 2000 to 2003, the Messaging Software for Service Providers market experienced year-over-year *declines* in revenue, due to poor economic conditions and dramatically reduced spending in the service provider market.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Installed Base (M)	296	377	468	581	754	856	1,019	1,223	1,453	1,719
IB Growth %		27%	24%	24%	30%	14%	19%	20%	19%	18%
Revenue (\$M)	\$263	\$225	\$203	\$177	\$200	\$201	\$213	\$229	\$253	\$280
Revenue Growth %		-14%	-10%	-13%	13%	1%	6%	8%	10%	11%

Table 7: Messaging Software for SPs – Revenue and Installed Base, 2000 - 2009

- Figure 7, shows illustrates the installed base of the Messaging Software for Service Providers market, from 2000 through 2009.

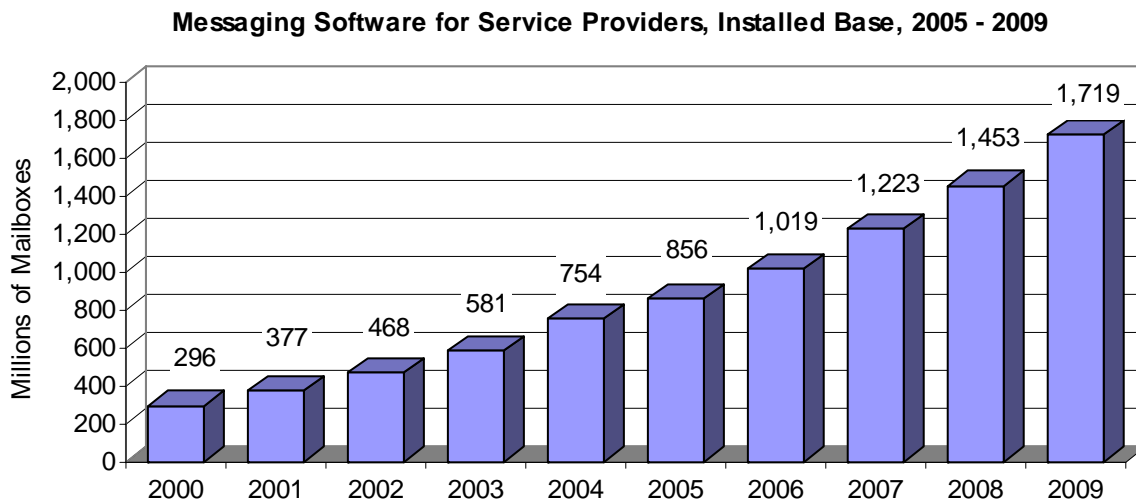


Figure 7: Messaging Software for Service Providers, Installed Base, 2000 - 2009

- Figure 8, shows the revenue of the Messaging Software for Service Providers market from 2000 through 2009.

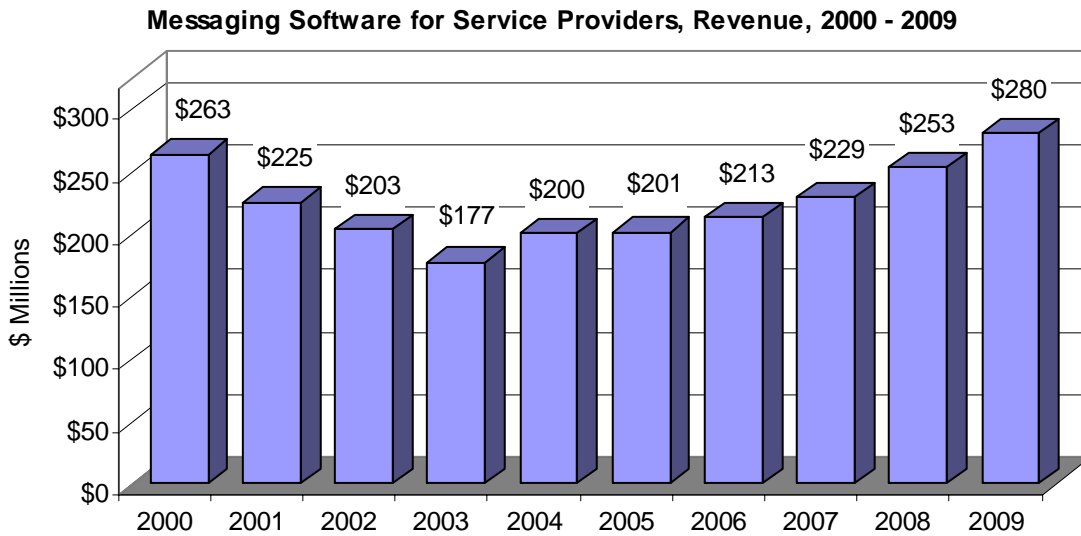


Figure 8: Messaging Software for Service Providers, Market Revenue, 2000 – 2009

3.2 MS Exchange Installed Base Growth in Service Provider Market, 2001 – 2009

- Table 8, shows the installed base growth of MS Exchange in the Messaging Software for Service Providers market.

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Service Provider Market IB Growth (%)	27%	24%	24%	30%	14%	19%	20%	19%	18%
Hosted Exchange IB Growth (%)	24%	26%	72%	82%	52%	22%	26%	25%	25%

Table 8: MS Exchange vs. Service Provider Market, IB Growth, 2001 - 2009

- Figure 9, compares the installed base growth of Microsoft Exchange vs. the worldwide Messaging Software for Service Providers market, from 2001 through 2009.

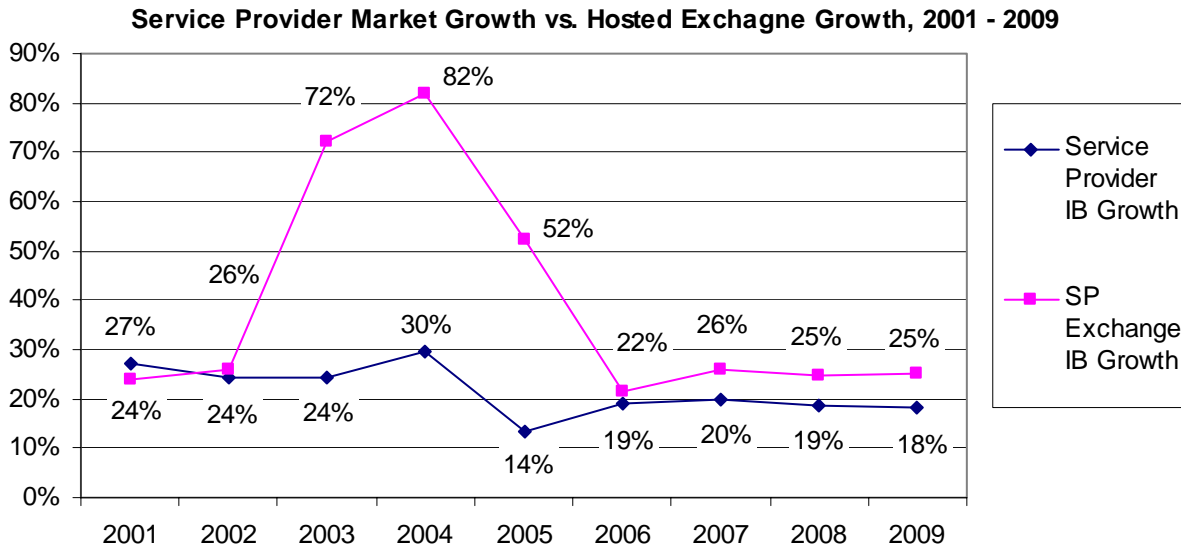


Figure 9: Microsoft Exchange vs. Service Provider Market, IB Growth, 2001 - 2009

Note: The installed base growth of Microsoft Exchange in the service provider market increased significantly during 2003 and 2004, following the introduction of MS Exchange 2003. Highly scalable, this version of Exchange is well suited for service providers, and Microsoft also offers a ‘hosted’ version of the software for hosted Exchange service providers.

4.0 WORLDWIDE CORPORATE WEBMAIL CLIENT MARKET SHARE DATA

4.1 Corporate Webmail Client Installed Base, 2006

- Table 10, shows the installed base of leading corporate webmail clients in 2006.
- We define a corporate webmail client as any web-based e-mail application that is used to access a corporate e-mail mailbox.

Corporate Webmail Clients		IB	%
IBM Lotus	Lotus Domino WebMail/Access	25	14.7%
	IBM Workplace	0.6	0.4%
Microsoft	MS Outlook Web Access	98	57.5%
Novell	GroupWise	7.2	4.2%
Others		40	23.3%
Total		170.5	100.0%

Table 9: Corporate Webmail Client IB, 2006

- Figure 11, illustrates the installed base market share of corporate webmail clients in 2006.

Corporate Webmail Clients, Installed Base Market Share, 2006

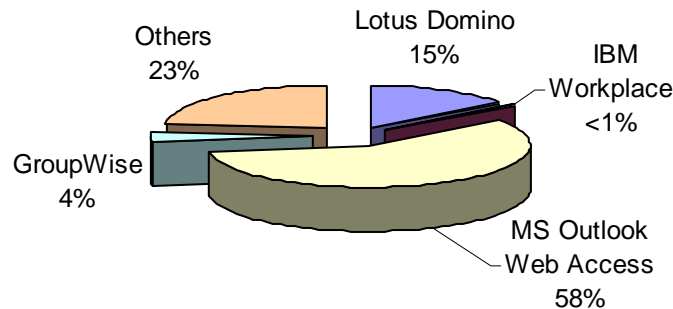


Figure 10: Corporate Webmail Client, IB Market Share, 2006

5.0 MICROSOFT EXCHANGE 2003 ADOPTION

5.1 MS Exchange 2003 Installed Base Growth

- Between 2005 and 2006, we expect that the installed base of Exchange 2003 will grow by 38%.

6.0 COMPLIANCE AND POLICY MANAGEMENT

6.1 Key Compliance and Policy Management Statistics

- In 2005, compliance and policy management solutions were deployed by 62 million users worldwide.
- By 2009, we expect that 299 million users will use a policy and compliance management solution.
- The worldwide market for policy and compliance management solutions totaled about \$369 million in revenue in 2005.
- By 2009, we expect that the worldwide policy and compliance management market will exceed \$1.2 billion in revenue.

APPENDIX A: NOTES ON METHODOLOGY

- The Radicati Group, Inc.'s estimates for installed base, market size, revenues and growth forecasts are based on a triangulation of different methodologies and sources which combine the following input data (among others):
 - Worldwide population, business user, Internet user statistics.
 - Growth from our own historical databases.
 - Inputs from vendors for IB, sales, etc.
 - Surveys we conduct throughout the year on a worldwide basis to ascertain penetration of various products and technologies.
- These different inputs are constantly validated and revised. In 2005, we felt that overall market growth for the messaging market had not been as fast or as linear as originally projected. We therefore revised our overall sizing of the messaging software market to show an overall market growth of only 5 million seats, from 352M in 2004 to 357M in 2005. This relatively small growth reflects lower worldwide business user population growth and slower penetration of messaging technologies into the workforce particularly in Asia/Pacific and Rest of World (RoW) regions.
- This more conservative view of overall worldwide messaging technology penetration in turn affected the installed base, market share and projected revenues of all market players in the space, as reflected in Table 4 of this report.
- We revised our methodology for counting MS Exchange seats delivered through Windows Small Business Server and the average number of Exchange users we attribute to each Device CAL (Client Access License). The new methodology provides a more realistic and conservative measure of market penetration. Going forward we forecast that the MS Exchange installed base will grow at an average annual rate of 15% over the next four years, which is significantly higher than any of its competitors.
- We also revised our estimates for the average, per seat Exchange revenue, and our method of accounting for multi-year licensing agreements such as Software Assurance. This provides a more realistic financial measure. Going forward we expect that Microsoft Exchange revenue will grow at an average annual rate of 17% over the next four years.