Microsoft

Second Quarter
Fiscal Year 2022 Results

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January 25, 2022

This presentation contains forward-looking statements, which are any predictions, projections, or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in today's earnings press release, in the comments made during the conference call, and in the Risk Factors section and other sections of our Form 10-K, Forms 10-Q, and other reports and filings with the Securities and Exchange Commission. We do not undertake any duty to update forward-looking statements.

Agenda

Financial Summary and Highlights

Quarterly Business Highlights

Segment Financial Overview

Appendix

FY22 Q2 Financial Summary

($ in billions, except per share amounts)	FY22 Q2	Growth	CC Growth*
Productivity and Business Processes	$15.9	19%	19%
Intelligent Cloud	$18.3	26%	26%
More Personal Computing	$17.5	15%	15%
Revenue	**$51.7**	**20%**	**20%**
Gross margin	**$34.8**	**20%**	**20%**
Gross margin percentage	67%	-	
Operating income	**$22.2**	**24%**	**24%**
Operating income percentage	43%	1 pt	
Net income	**$18.8**	**21%**	**21%**
Diluted earnings per share	**$2.48**	**22%**	**22%**

** See Appendix for reconciliation of GAAP and non-GAAP measures, including constant currency ("CC").*

All growth comparisons in this presentation relate to the corresponding period of last fiscal year unless otherwise noted. Numbers may not foot due to rounding.

Quarterly Commercial Highlights

Investor Metrics	FY21 Q2	FY21 Q3	FY21 Q4	FY22 Q1	FY22 Q2
Commercial bookings growth *(y/y)*	19% / 11%	39% / 38%	30% / 25%	11% / 14%	32% / 37%
Commercial remaining performance obligation *(in billions)*	$112	$117	$141	$137	$147
Commercial revenue annuity mix	93%	94%	95%	95%	94%
Microsoft Cloud revenue *(in billions)*	$16.7	$17.7	$19.5	$20.7	$22.1
Microsoft Cloud gross margin percentage	71%	70%	70%	71%	70%

Growth rates include non-GAAP CC growth (GAAP % / CC %).

Commercial business

- Commercial bookings grew 32% (up 37% CC) year-over-year, driven by an increase in the number of larger, long-term Azure contracts and strong execution across our core annuity sales motions
- Commercial remaining performance obligation of $147 billion, up 31% (up 32% CC) year-over-year
- Commercial revenue annuity mix of 94%, up 1 point year-over-year with continued shift to cloud

Microsoft Cloud

- Microsoft Cloud revenue of $22.1 billion, up 32% year-over-year
- Microsoft Cloud gross margin percentage decreased slightly year-over-year to 70%. Excluding the impact of the change in accounting estimate for the useful life of server and network equipment, gross margin percentage increased roughly 3 points driven by improvement across our cloud services, partially offset by sales mix shift to Azure and other cloud services.

Microsoft Cloud includes Azure and other cloud services, Office 365 Commercial, the commercial portion of LinkedIn, Dynamics 365, and other cloud properties.

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

FY22 Q2 Other Financial Highlights

Cash returned to shareholders	• Returned $10.9 billion to shareholders up 9% year-over-year, with $6.2 billion in share repurchases and $4.7 billion in dividends
Operating expenses	• Operating expenses were $12.5 billion, up 14% year-over-year, driven by investments in cloud engineering, Gaming, LinkedIn, and commercial sales
Other income and expense	• Other income was $268 million driven by net gains on investments as interest income was offset by interest expense
Effective tax rate	• Effective tax rate of 17%
Capital expenditures	• Capital expenditures including assets acquired under finance leases were $6.8 billion to support growth in our cloud offerings. Cash paid for property and equipment was $5.9 billion.
Cash flow	• Cash flow from operations was $14.5 billion, up 16% year-over-year, driven by strong cloud billings and collections, partially offset by higher supplier payments relating to hardware inventory build • Free cash flow was $8.6 billion, up 3% year-over-year, reflecting higher capital expenditures to support our cloud business

Includes non-GAAP constant currency ("CC") growth and cash flow. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

FY22 Q2 Business Highlights

Productivity and Business Processes

- Office Commercial products and cloud services revenue increased 14% driven by Office 365 Commercial revenue growth of 19%
- Office Consumer products and cloud services revenue increased 15% and Microsoft 365 Consumer subscribers grew to 56.4 million
- LinkedIn revenue increased 37% (up 36% CC)
- Dynamics products and cloud services revenue increased 29% driven by Dynamics 365 revenue growth of 45% (up 44% CC)

Intelligent Cloud

- Server products and cloud services revenue increased 29% driven by Azure and other cloud services revenue growth of 46%

More Personal Computing

- Windows OEM revenue increased 25%
- Windows Commercial products and cloud services revenue increased 13% (up 14% CC)
- Xbox content and services revenue increased 10%
- Search and news advertising revenue excluding traffic acquisition costs increased 32%
- Surface revenue increased 8%

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

Productivity and Business Processes

Overview

Investor Metrics	FY21 Q2	FY21 Q3	FY21 Q4	FY22 Q1	FY22 Q2
Office Commercial products and cloud services revenue growth *(y/y)*	11% / 9%	14% / 10%	20% / 15%	18% / 16%	14%
Office Consumer products and cloud services revenue growth *(y/y)*	7% / 6%	5% / 3%	18% / 15%	10% / 8%	15%
Office 365 Commercial seat growth *(y/y)*	15%	15%	17%	17%	16%
Microsoft 365 Consumer subscribers *(in millions)*	47.5	50.2	51.9	54.1	56.4
Dynamics products and cloud services revenue growth *(y/y)*	21% / 18%	26% / 22%	33% / 26%	31% / 29%	29%
LinkedIn revenue growth *(y/y)*	23% / 22%	25% / 23%	46% / 42%	42% / 39%	37% / 36%

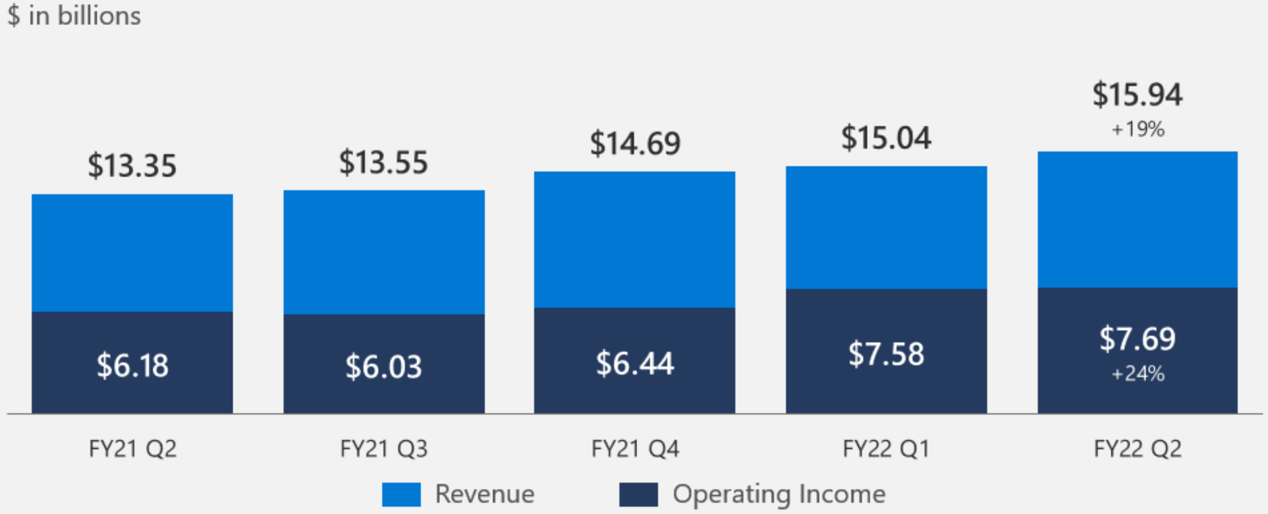
Growth rates include non-GAAP CC growth (GAAP % / CC %).

Total Revenue

- Revenue grew 19% driven by Office 365 and LinkedIn

Operating Income

- Gross margin dollars increased 20% (up 19% CC) and gross margin percentage was relatively unchanged. Excluding the impact of the change in accounting estimate for the useful life of server and network equipment, gross margin percentage increased roughly 2 points driven by improvement across all cloud services.
- Operating expenses grew 13% driven by investments in cloud engineering and LinkedIn
- Operating income grew 24%



Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

Productivity and Business Processes

Highlights

Office Commercial

- Office Commercial products and cloud services revenue grew 14%
- Office 365 Commercial revenue grew 19% driven by Office 365 Commercial seat growth of 16%, with continued momentum in small and medium business and frontline worker offerings, and growth in revenue per user
- Office Commercial products revenue declined 17% reflecting continued customer shift to cloud offerings, as well as a low prior year comparable impacted by a slowdown in transactional licensing

LinkedIn

- LinkedIn revenue grew 37% (up 36% CC) driven by strong advertising demand in our Marketing Solutions business and an improving job market in our Talent Solutions business
- LinkedIn sessions grew 22% with record engagement

Office Consumer

- Office Consumer products and cloud services revenue grew 15% driven by Microsoft 365 Consumer subscription revenue
- Microsoft 365 Consumer subscribers grew 19% to 56.4 million

Dynamics

- Dynamics products and cloud services revenue grew 29%
- Dynamics 365 revenue grew 45% (up 44% CC), including strong growth from Power Apps of 161%

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

Intelligent Cloud
Overview

Investor Metrics	FY21 Q2	FY21 Q3	FY21 Q4	FY22 Q1	FY22 Q2
Server products and cloud services revenue growth *(y/y)*	26% / 24%	26% / 23%	34% / 29%	35% / 33%	29%

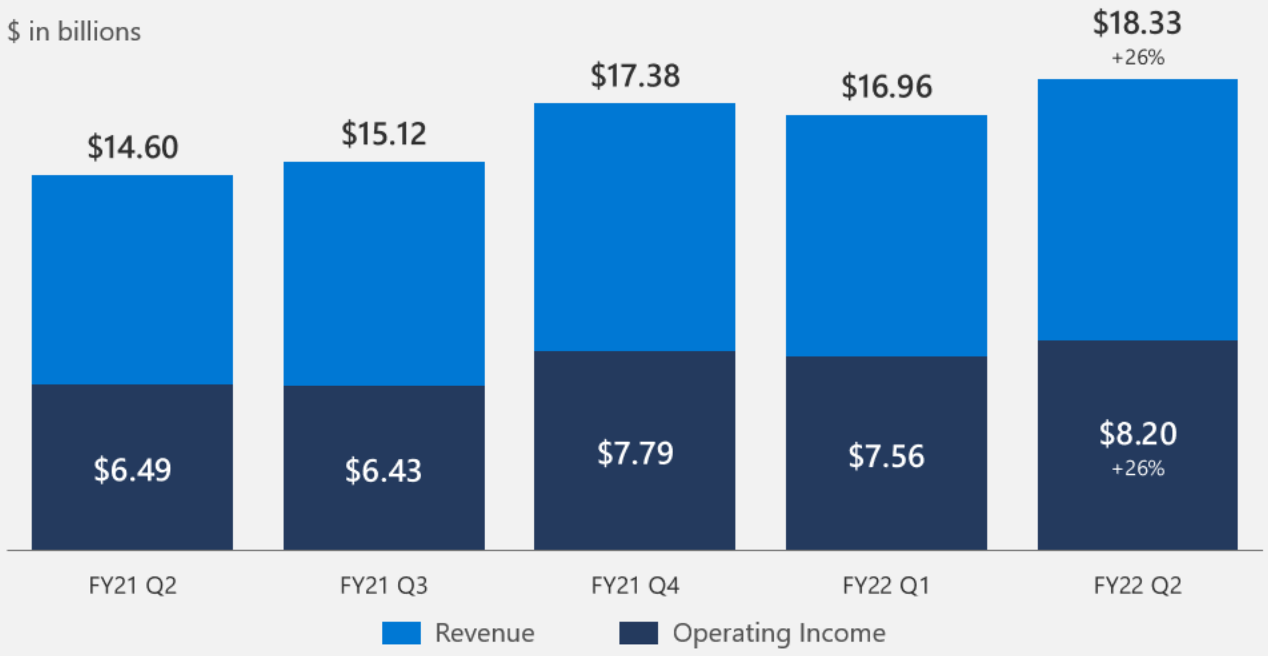
Growth rates include non-GAAP CC growth (GAAP % / CC %).

Total Revenue

- Revenue grew 26% driven by Azure and other cloud services

Operating Income

- Gross margin dollars grew 21% (up 22% CC) and gross margin percentage decreased. Excluding the impact of the change in accounting estimate for the useful life of server and network equipment, gross margin percentage increased slightly driven by improvement in Azure and other cloud services, mostly offset by sales mix shift to Azure and other cloud services.
- Operating expenses grew 14% driven by investments in Azure and other cloud services
- Operating income grew 26%



Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

Intelligent Cloud
Highlights

Server Products and Cloud Services

- Server products and cloud services revenue grew 29%
- Azure and other cloud services revenue grew 46% driven by strong demand for our consumption-based services
- Server products revenue grew 6% driven by demand for our hybrid solutions, including Windows Server and SQL Server running in multi-cloud environments
- Enterprise Mobility installed base grew 28% to over 209 million seats

Trended Revenue Growth

	FY21 Q2	FY21 Q3	FY21 Q4	FY22 Q1	FY22 Q2
Azure and other cloud services *(y/y)*	50% / 48%	50% / 46%	51% / 45%	50% / 48%	46%
Server products *(y/y)*	4% / 3%	3% / 0%	16% / 12%	14% / 13%	6%

Growth rates include non-GAAP CC growth (GAAP % / CC %).

Enterprise Services

- Enterprise Services revenue grew 8% (up 7% CC) driven by growth in Enterprise Support Services and Microsoft Consulting Services

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

More Personal Computing

Overview

Investor Metrics	FY21 Q2	FY21 Q3	FY21 Q4	FY22 Q1	FY22 Q2
Windows OEM revenue growth *(y/y)*	1%	10%	(3)%	10%	25%
Windows Commercial products and cloud services revenue growth *(y/y)*	10% / 8%	10% / 7%	20% / 14%	12% / 10%	13% / 14%
Surface revenue growth *(y/y)*	3% / 1%	12% / 7%	(20)% / (23)%	(17)% / (19)%	8%
Xbox content and services revenue growth *(y/y)*	40% / 38%	34% / 32%	(4)% / (7)%	2% / 0%	10%
Search and news advertising revenue (ex TAC) growth *(y/y)*	0% / (1)%	13% / 11%	48% / 45%	40% / 39%	32%

Growth rates include non-GAAP CC growth (GAAP % / CC %).

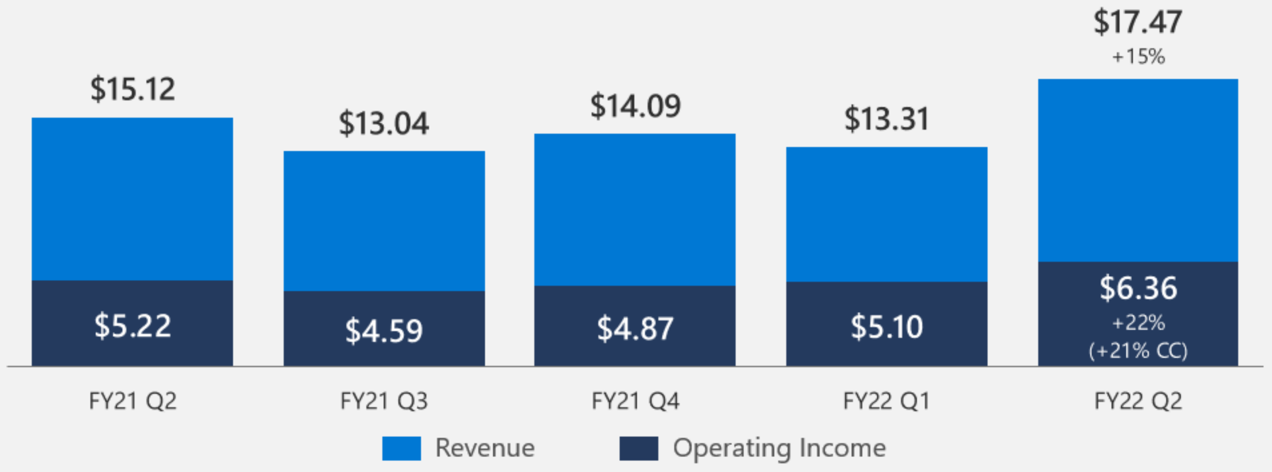
Total Revenue

- Revenue grew 15% driven by Windows, Search and news advertising, and Gaming

Operating Income

- Gross margin dollars grew 20%. Gross margin percentage increased driven by sales mix shift to higher margin businesses and improvement in Search and news advertising.
- Operating expenses increased 17% driven by Gaming, Search and news advertising, and Windows marketing
- Operating income grew 22% (up 21% CC)

$ in billions



Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

More Personal Computing

Highlights

Windows

- Windows OEM revenue grew 25%, including 6 points of positive impact from the Windows 11 revenue deferral, driven by continued growth in the PC market, particularly in commercial with higher revenue per license
- Windows Commercial products and cloud services revenue grew 13% (up 14% CC) driven by demand for Microsoft 365

Gaming

- Gaming revenue grew 8%
- Xbox content and services revenue grew 10% on a strong prior year comparable, with growth in first-party titles and Xbox Game Pass subscriptions partially offset by declines from third-party titles
- Xbox hardware revenue grew 4% (up 3% CC) driven by continued demand for Xbox Series X|S

Devices

- Surface revenue grew 8% driven by Surface Laptop

Search and news advertising

- Search and news advertising revenue excluding traffic acquisition costs grew 32% with improved customer advertising spend

Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

Our presentation of second-quarter performance includes non-GAAP financial measures. The following slides provide reconciliations between the GAAP and non-GAAP financial measures presented:

- Constant currency reconciliations
- Cash flow reconciliation

Constant Currency Reconciliation

	Three Months Ended December 31,					
($ in millions, except per share amounts)	Revenue	Gross Margin	Operating Expenses	Operating Income	Net Income	Diluted Earnings per Share
2020 As Reported (GAAP)	**$43,076**	**$28,882**	**$10,985**	**$17,897**	**$15,463**	**$2.03**
2021 As Reported (GAAP)	**$51,728**	**$34,768**	**$12,521**	**$22,247**	**$18,765**	**$2.48**
Percentage Change Y/Y (GAAP)	20%	20%	14%	24%	21%	22%
Constant Currency Impact	**$(4)**	**$11**	**$(33)**	**$44**	**$(10)**	**$0.00**
Percentage Change Y/Y (non-GAAP) Constant Currency	20%	20%	14%	24%	21%	22%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Segment Revenue	Three Months Ended December 31,		
($ in millions)	Productivity and Business Processes	Intelligent Cloud	More Personal Computing
2020 As Reported (GAAP)	**$13,353**	**$14,601**	**$15,122**
2021 As Reported (GAAP)	**$15,936**	**$18,327**	**$17,465**
Percentage Change Y/Y (GAAP)	19%	26%	15%
Constant Currency Impact	**$14**	**$(32)**	**$14**
Percentage Change Y/Y (non-GAAP) Constant Currency	19%	26%	15%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Segment Gross Margin	Three Months Ended December 31, 2021		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (non-GAAP) Constant Currency
Productivity and Business Processes	20%	(1)%	19%
Intelligent Cloud	21%	1%	22%
More Personal Computing	20%	0%	20%

Segment Operating Expense	Three Months Ended December 31, 2021		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (non-GAAP) Constant Currency
Productivity and Business Processes	13%	0%	13%
Intelligent Cloud	14%	0%	14%
More Personal Computing	17%	0%	17%

Segment Operating Income	Three Months Ended December 31, 2021		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (non-GAAP) Constant Currency
Productivity and Business Processes	24%	0%	24%
Intelligent Cloud	26%	0%	26%
More Personal Computing	22%	(1)%	21%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Constant Currency Reconciliation

Selected Product and Service Information	Three Months Ended December 31, 2021		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (non-GAAP) Constant Currency
Commercial bookings	32%	5%	37%
Commercial remaining performance obligation	31%	1%	32%
Microsoft Cloud revenue	32%	0%	32%
Office Commercial products and cloud services revenue	14%	0%	14%
Office 365 Commercial revenue	19%	0%	19%
Office Commercial products revenue	(17)%	0%	(17)%
Office Consumer products and cloud services revenue	15%	0%	15%
LinkedIn revenue	37%	(1)%	36%
Dynamics products and cloud services revenue	29%	0%	29%
Dynamics 365 revenue	45%	(1)%	44%
Power Apps revenue	161%	0%	161%
Server products and cloud services revenue	29%	0%	29%
Azure and other cloud services revenue	46%	0%	46%
Server products revenue	6%	0%	6%
Enterprise Services revenue	8%	(1)%	7%
Windows OEM revenue	25%	0%	25%
Windows Commercial products and cloud services revenue	13%	1%	14%
Gaming revenue	8%	0%	8%
Xbox content and services revenue	10%	0%	10%
Xbox hardware revenue	4%	(1)%	3%
Search and news advertising revenue excluding traffic acquisition costs	32%	0%	32%
Surface revenue	8%	0%	8%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Cash Flow Reconciliation

	Three Months Ended December 31,		
($ in millions)	2021	2020	Percentage Change Y/Y
Net Cash from Operations (GAAP)	**$14,480**	**$12,516**	**16%**
Additions to Property and Equipment	$(5,865)	$(4,174)	*
Free Cash Flow (non-GAAP)	**$8,615**	**$8,342**	**3%**

**Not meaningful.*

Free cash flow is included as an additional clarifying item to aid investors by providing additional insight into our operational performance and help clarify trends affecting our business. This non-GAAP financial measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

Microsoft