

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 23, 2003

MICROSOFT CORPORATION

(Exact name of registrant as specified in charter)

Washington

0-14278

91-1144442

(State or other jurisdiction
of incorporation)

(Commission File Number)

(I.R.S. Employer
Identification No.)

One Microsoft Way, Redmond, Washington

98052-6399

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (425) 882-8080

N/A

(Former name or former address, if changed since last report)

Item 12. Results of Operations and Financial Condition

On October 23, 2003, Microsoft Corporation issued a press release announcing its financial results for the fiscal quarter ended September 30, 2003. A copy of the press release is furnished as Exhibit 99.1 to this report.

The information in this report shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MICROSOFT CORPORATION

(Registrant)

Date: October 23, 2003

/s/ JOHN G. CONNORS

John G. Connors
Senior Vice President; Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.

Description

99.1

Press release, dated October 23, 2003, issued by Microsoft Corporation

Microsoft Reports First Quarter Earnings*Strong Demand for Consumer and Server Products Drives Revenue*

Redmond, Wash. – Oct. 23, 2003 – Microsoft Corp. today announced revenue of \$8.22 billion for the quarter ended Sept. 30, 2003, a six percent increase over \$7.75 billion in the prior year. Operating income for the first quarter was \$3.15 billion, compared to \$3.03 billion reported in the prior year. Net income and diluted earnings per share for the first quarter of fiscal year 2004 were \$2.61 billion and \$0.24, which included equity compensation expense of approximately \$680 million (after-tax) or \$0.06 per share. For the previous year, net income and diluted earnings per share were \$2.04 billion and \$0.19, which included a charge for investment impairments of \$291 million (after-tax) or \$0.03 per share and equity compensation expense of approximately \$702 million (after-tax) or \$0.06 per share. Prior year operating income, net income, and earnings per share have been retroactively adjusted to reflect the adoption of fair value expense accounting for equity based compensation under SFAS 123.

“While corporate IT spending was slow to improve this quarter, we saw strength across all of our consumer businesses, driving higher than expected revenue for the company,” said John Connors, chief financial officer at Microsoft. “Delivering value to our customers with innovative software like the new Office System, Exchange Server 2003, and Small Business Server and executing on our plan to better help protect customers from a growing number of security attacks are our top priorities for the rest of the year.”

Robust consumer demand for PCs during the back to school shopping season fueled better than expected Client revenue during the quarter. In addition, MSN® had another strong quarter with over 50% advertising revenue growth, and Home and Entertainment revenue grew by 20%, driven by the successful launch of the Xbox® holiday offering. Mobile and Embedded Devices also demonstrated momentum this quarter with revenue growing to \$53 million on strong results from our Windows Mobile™, MapPoint®, and Windows® Embedded products. Additionally, this week AT&T Wireless announced the availability of the Motorola MPx200, the first Windows Mobile-based Smartphone in North America.

Server and Tools grew a solid 15% over last year to \$1.87 billion this quarter. Windows Server™, Microsoft® SQL Server™ and Microsoft Exchange all experienced double digit revenue growth, driven by a growing number of customers acquiring high-end enterprise editions. Windows Server 2003 has sold over two times as many licenses as Windows 2000 Server over the same period of time since launch. In addition, with over 120 million seats sold worldwide, Exchange continues to be a leading messaging solution for companies.

This week, Microsoft launched the new Office System, with a pioneering new version of Outlook®, built-in XML capabilities and several new applications including Microsoft Office InfoPath™, Microsoft Office OneNote™, and Microsoft Office Live Communications Server. “The new Microsoft Office System presents a clear opportunity for both small and large organizations to increase employee productivity and the value of business information. In addition, by introducing new editions of Office such as the Microsoft Office Small Business Edition 2003 and Microsoft Office Student & Teacher Edition 2003, we are answering customers’ requests for products customized specifically for their needs,” said Jeff Raikes, group vice president, Productivity and Business Services. Customers acquiring Office during the quarter included Accenture, Ace Hardware Corp., and Gold Kist, Inc.

Business Outlook

Management offers the following guidance for the quarter ending December 31, 2003, which includes equity compensation expenses in accordance with SFAS 123:

- Revenue is expected to be in the range of \$9.7 billion and \$9.8 billion.
- Operating income is expected to be in the range of \$3.2 billion and \$3.3 billion, including equity compensation expense of approximately \$1.0 billion.
- Diluted earnings per share are expected to be in the range of \$0.23 and \$0.24, including equity compensation expense of approximately \$0.06.

Management offers the following guidance for the full fiscal year ending June 30, 2004, which includes equity compensation expenses in accordance with SFAS 123:

- Revenue is expected to be in the range of \$34.8 billion and \$35.3 billion.
- Operating income is expected to be in the range of \$11.4 billion and \$11.7 billion, including equity compensation expense of approximately \$4.0 billion.
- Diluted earnings per share are expected to be in the range of \$0.86 and \$0.88, including equity compensation expense of approximately \$0.24.

The equity compensation estimates for the December quarter and the full fiscal year do not include any potential equity compensation expense impact from our stock option transfer program.

Webcast Details

Microsoft will hold an audio webcast at 2:30 p.m. PDT (5:30 p.m. EDT) today with John Connors and Scott Di Valerio to discuss details regarding the company's performance for the quarter and other forward-looking information. The session may be accessed at <http://www.microsoft.com/msft>. The webcast will be available for replay through the close of business on October 23, 2004.

Forward-Looking Statements

Statements in this release that are "forward-looking statements" are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as: entry into markets with vigorous competition, market acceptance of new products and services, continued acceptance of existing products and services, changes in licensing programs, product price discounts, delays in product development and related product release schedules, and reliance on sole source suppliers for key components of Xbox that could result in component shortages and delays in product delivery, any of which may cause revenues and income to fall short of anticipated levels; obsolete inventory or product returns by distributors, resellers and retailers; warranty and other claims on hardware products such as Xbox; changes in the rate of PC shipments; technological shifts; the support of third party software developers for new or existing platforms; the availability of competitive products or services such as the Linux operating system at prices below our prices or for no charge; the ability to have access to MSN service distribution channels controlled by third parties; the risk of unanticipated increased costs for network services; the continued ability to protect the company's intellectual property rights; the ability to obtain on acceptable terms the right to incorporate in the company's products and services technology patented by others; changes in product and service mix; maturing product life cycles; product sale terms and conditions; the risk that actual or perceived security vulnerabilities in our products could adversely affect our revenues; the company's ability to efficiently integrate acquired businesses such as Navision a/s; implementation of operating cost structures that align with revenue growth; the financial condition of our customers and vendors; variations in equity compensation expenses under FAS 123, which will fluctuate based on factors such as the actual number of stock awards issued and the market

value of the awards on the dates of grant; unavailability of insurance; uninsured losses; adverse results in litigation; the effects of terrorist activity and armed conflict such as disruptions in general economic activity and changes in our operations and security arrangements; continued softness in corporate information technology spending or other changes in general economic conditions that affect demand for computer hardware or software; currency fluctuations; trade sanctions or changes to U.S. tax law resulting from the World Trade Organization decision with respect to the extraterritorial income provisions of U.S. tax law; and financial market volatility or other changes affecting the value of our investments that may result in a reduction in carrying value and recognition of losses including impairment charges.

For further information regarding risks and uncertainties associated with Microsoft's business, please refer to the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Issues and Uncertainties" sections of Microsoft's SEC filings, including, but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by contacting Microsoft's investor relations department at (800) 285-7772 or at Microsoft's investor relations website at <http://www.microsoft.com/msft>.

All information in this release is as of October 23, 2003. The company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the company's expectations.

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and Internet technologies for personal and business computing. The company offers a wide range of products and services designed to empower people through great software – any time, any place and on any device.

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Microsoft, MSN, Xbox, Windows Mobile, MapPoint, Windows, Windows Server, Outlook, InfoPath and OneNote are either registered trademarks or trademarks of Microsoft Corp. in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

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Note to editors: If you are interested in viewing additional information on Microsoft, please visit the Microsoft Web page at <http://www.microsoft.com/presspass/> on Microsoft's corporate information pages. Shareholder and financial information, as well as today's 2:30 p.m. PDT conference call with investors and analysts, is available at <http://www.microsoft.com/msft>.

Microsoft Corporation

Income Statements

(In millions, except earnings per share)

	Three Months Ended September 30	
	2002 ⁽¹⁾	2003
Revenue	\$ 7,746	\$ 8,215
Operating expenses:		
Cost of revenue	1,344	1,480
Research and development	1,707	1,611
Sales and marketing	1,415	1,505
General and administrative	252	471
Total operating expenses	4,718	5,067
Operating income	3,028	3,148
Losses on equity investees and other	(22)	(10)
Investment income	41	763
Income before income taxes	3,047	3,901
Provision for income taxes	1,006	1,287
Net income	\$ 2,041	\$ 2,614
Earnings per share:		
Basic	\$ 0.19	\$ 0.24
Diluted	\$ 0.19	\$ 0.24
Weighted average shares outstanding:		
Basic	10,739	10,811
Diluted	10,933	10,885

⁽¹⁾ The three months ended September 30, 2002 results have been restated to reflect a two-for-one stock split in February 2003 and for the retroactive adoption of SFAS 123, Accounting for Stock Based Compensation.

Microsoft Corporation
Balance Sheets

(In millions)

	June 30, 2003 ⁽¹⁾	Sept. 30, 2003
Assets		
Current assets:		
Cash and equivalents	\$ 6,438	\$ 5,768
Short-term investments	42,610	45,854
Total cash and short-term investments	49,048	51,622
Accounts receivable, net	5,196	4,533
Inventories	640	1,099
Deferred income taxes	2,506	2,206
Other	1,583	1,450
Total current assets	58,973	60,910
Property and equipment, net	2,223	2,193
Equity and other investments	13,692	13,962
Goodwill	3,128	3,128
Intangible assets, net	384	378
Deferred income taxes	2,161	2,507
Other long-term assets	1,171	1,203
Total assets	\$ 81,732	\$ 84,281
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,573	\$ 1,341
Accrued compensation	1,416	869
Income taxes	2,044	2,600
Short-term unearned revenue	7,225	6,620
Other	1,716	3,668
Total current liabilities	13,974	15,098
Long-term unearned revenue	1,790	1,627
Other long-term liabilities	1,056	876
Stockholders' equity:		
Common stock and paid-in capital—shares authorized 24,000;		
Shares issued and outstanding 10,771 and 10,805	49,234	51,298
Retained earnings, including accumulated other comprehensive income of \$1,840 and \$1,719	15,678	15,382
Total stockholders' equity	64,912	66,680
Total liabilities and stockholders' equity	\$ 81,732	\$ 84,281

⁽¹⁾ June 30, 2003 balance sheet has been restated for the retroactive adoption of SFAS 123.

Microsoft Corporation
Cash Flows Statements

(In millions)

	Three Months Ended Sept. 30	
	2002	2003
Operations		
Net income	\$ 2,041	\$ 2,614
Depreciation, amortization, and other non-cash items	273	328
Stock based compensation	1,048	1,015
Net recognized (gains)/losses on investments	475	(279)
Stock option income tax benefits	365	489
Deferred income taxes	(939)	6
Unearned revenue	4,093	2,214
Recognition of unearned revenue	(2,743)	(2,983)
Accounts receivable	751	676
Other current assets	(37)	(314)
Other long-term assets	28	(14)
Other current liabilities	797	(276)
Other long-term liabilities	20	(52)
Net cash from operations	<u>\$ 6,172</u>	<u>\$ 3,424</u>
Financing		
Common stock issued	539	695
Common stock repurchased	(3,497)	(1,045)
Net cash used for financing	<u>(\$ 2,958)</u>	<u>(\$ 350)</u>
Investing		
Additions to property and equipment	(160)	(167)
Acquisition of companies, net of cash acquired	(870)	(4)
Purchases of investments	(26,685)	(24,598)
Maturities of investments	3,230	2,650
Sales of investments	23,588	18,371
Net cash used for investing	<u>(\$ 897)</u>	<u>(\$ 3,748)</u>
Net change in cash and equivalents	2,317	(674)
Effect of exchange rates on cash and equivalents	5	4
Cash and equivalents, beginning of year	3,016	6,438
Cash and equivalents, end of year	<u>\$ 5,338</u>	<u>\$ 5,768</u>

Microsoft Corporation

Segment Revenue

(In millions)

	Three Months Ended Sept. 30	
	2002	2003
Segments		
Client	\$ 2,807	\$ 2,809
Server and Tools	1,625	1,866
Information Worker	2,268	2,287
Microsoft Business Solutions	106	128
MSN	427	491
Mobile and Embedded Devices	28	53
Home and Entertainment	485	581
Total revenue	\$ 7,746	\$ 8,215

Microsoft Corporation
Financial Highlights
First Quarter 2004

*(All growth percentages are comparisons
to the comparable quarter of fiscal year 2003)*

Revenue

Revenue for the first quarter of fiscal year 2004 was \$8.22 billion, an increase of 6% over the first quarter of fiscal year 2003. The revenue growth was driven primarily by licensing for Server and Tools products along with 20% growth in Home and Entertainment revenue and 15% growth in MSN revenue.

Consolidated Operating Income

Operating income of \$3.15 billion grew 4% for the first quarter of fiscal year 2004. The growth in operating income reflected an increase of \$469 million in revenue, partially offset by an increase of \$349 million in operating expenses, primarily related to Home and Entertainment product costs, employee-related costs associated with additional headcount, and increased legal costs including certain settlement expenses.

Product Revenue

Microsoft's seven segments are: Client; Server and Tools; Information Worker; Microsoft Business Solutions; MSN; Mobile and Embedded Devices; and Home and Entertainment.

Client includes revenue from Windows XP Professional and Home, Windows 2000 Professional, and other standard Windows operating systems. Client revenue was \$2.81 billion in the first quarter, flat with revenue from the first quarter of the prior year, reflecting flat reported license growth. In the first quarter of fiscal 2003, the Company completed its transition to new licensing terms under which OEMs are billed for products when Certificates of Authentication (COAs) are acquired rather than upon PC shipment, resulting in reported licenses related to inventory accumulation.

Server and Tools consists of server software licenses and client access licenses (CALs) for Windows Server, SQL Server, Exchange Server, and other servers. It also includes developer tools, training, certification, Microsoft Press, Premier product support services, and Microsoft consulting services. Total Server and Tools revenue grew 15% to \$1.87 billion in the first quarter, driven in part by an increase in Windows-based server shipments and in part by growth in SQL Server and Exchange revenue. Server revenue, including CALs, grew \$214 million or 18% from the prior year's first quarter as a result of revenue earned from previously billed multi-year licensing agreements and new server shipment sales. Consulting and Premier product support services increased \$37 million or 16% compared to the prior year's first quarter. Revenue from developer tools, training, certification, Microsoft Press and other services declined \$10 million or 5%.

Information Worker includes revenue from Microsoft Office, Microsoft Project, Visio, LiveMeeting, other information worker products, SharePoint Portal Server CALs, and professional product support services. Revenue from Information Worker was \$2.29 billion in the first quarter of fiscal 2004, increasing 1% from the prior year's first quarter. Revenue for the quarter excluded \$137 million of revenue deferred for technology guarantees provided to customers who purchased Office in first quarter of fiscal 2004. Revenue from OEM licensing of Office products grew 30% from the first quarter of fiscal 2003.

Microsoft Business Solutions includes Microsoft Great Plains; Navision; and bCentral. Microsoft Business Solutions revenue for the first quarter was \$128 million, a 21% increase compared to \$106 million in the prior year's first quarter. The revenue increase of \$22 million was primarily attributable to continued growth in licensing of Navision products.

MSN includes MSN subscriptions and the MSN network of Internet products and services. MSN revenue totaled \$491 million in the first quarter compared to \$427 million in the prior year's first quarter. MSN Subscription revenue declined \$17 million or 6% reflecting a decrease in the number of subscribers. MSN Network services revenue grew \$81 million or 51% as a result of growth in paid search and strong general advertising sales across all geographic regions.

Mobile and Embedded Devices includes Windows Mobile software, Windows Embedded device operating systems, MapPoint, and Windows Automotive. First quarter revenue totaled \$53 million, compared to \$28 million in the prior year's first quarter. The increase in revenue was driven by increased Pocket PC shipments and MapPoint licensing.

Home and Entertainment includes the Xbox video game system, PC games, consumer software and hardware, and TV platform. Home and Entertainment revenue was \$581 million in the first quarter of fiscal 2004, increasing 20% from \$485 million in the prior year's first quarter. Xbox revenue increased \$53 million or 20% from the prior year's first quarter, with \$85 million related to higher volumes of Xbox consoles, peripherals, and games offset by a \$32 million decrease related to price changes. Revenue from consumer hardware and software and PC games increased \$43 million or 19% compared to a year ago.

Foreign Currencies Impact

Translated international revenue is affected by foreign exchange rates. The net impact of foreign exchange rates on revenue was positive in the first quarter compared to a year ago, primarily due to a stronger Euro and Japanese yen versus the U.S. dollar. Had the rates from the prior year's comparable quarter been in effect in the first quarter of fiscal 2004, translated international revenue billed in local currencies would have been approximately \$165 million lower. Certain manufacturing, selling, distribution, and support costs are disbursed in local currencies, and a portion of international revenue is hedged, thus offsetting a portion of the translation exposure.

Operating Expenses

The Company adopted the fair value recognition provisions of SFAS 123 on July 1, 2003 and restated prior periods to reflect compensation cost under the recognition provisions of SFAS 123 for all awards granted to employees after July 1, 1995. Headcount-related costs in operating expenses include equity compensation. At September 30, 2003, 1.48 billion vested and unvested options were outstanding, compared to 10.81 billion common shares outstanding. In the first quarter of fiscal 2004, the Company granted stock awards for 57 million shares of stock, a significant portion of which are performance-based awards. The award of 57 million shares of stock under these awards is subject to vesting and, in the case of the performance-based stock awards, achievement of target performance over a three year period. Total equity compensation costs included in operating expenses for the first quarter of fiscal 2004 was \$1.02 billion, compared to \$1.05 billion in the prior year's comparable quarter.

Cost of revenue was \$1.48 billion, or 18.0% of revenue, in the first quarter, compared to \$1.34 billion, or 17.4% of revenue, in the first quarter of the prior year. The increase in absolute dollars, as well as percentage of revenue, resulted primarily from a 27% increase in Home & Entertainment costs, due to increased Xbox console units sold partially offset by lower costs of producing the Xbox console and an 11% increase in product support and consulting services.

Research and development expenses in the first quarter of fiscal 2004 were \$1.61 billion, 19.6% of revenue, a decrease of 6% in absolute dollar terms over the first quarter of the prior year. The decrease was primarily due to a \$62 million or 4% decrease in headcount-related costs, \$20 million or 32% decrease in intellectual property rights amortization, and a \$16 million or 14% decrease in third party product development costs.

Sales and marketing expenses were \$1.51 billion in the first quarter, or 18.3% of revenue, compared to \$1.42 billion in the first quarter of the prior year, or 18.3% of revenue. Sales and marketing costs increased in absolute dollars due to a 22% increase in headcount-related expenses, primarily from additions to the Enterprise and Small/Medium sales forces, partially offset by lower other sales expenses.

General and administrative costs were \$471 million in the first quarter compared to \$252 million in the comparable quarter of the prior year. General and administrative costs increased in the first quarter primarily from higher legal costs including certain settlement costs and headcount-related expenses.

Non-operating Items, Investment Income, and Income Taxes

Losses on equity investees and other consists of Microsoft's share of income or loss from equity method investments and income or loss attributable to minority interests. Losses on equity investees and other decreased to \$10 million in the first quarter of fiscal 2004, from \$22 million in the comparable quarter of fiscal 2003. The components of investment income are as follows:

<i>(In millions)</i>	Three Months Ended Sept. 30	
	2002	2003
Dividends and interest	\$ 516	\$ 484
Net gains/(losses) on sales of investments	(128)	245
Net gains/(losses) attributable to derivative instruments	(347)	34
Investment income	\$ 41	\$ 763

Dividends and interest declined moderately, mainly due to the \$62 million AT&T dividend earned in the prior comparable quarter and offset somewhat by higher interest income earned on investments.

Net gains (losses) on sales of investments includes other-than-temporary impairments of \$18 million in the first quarter of fiscal 2004, compared to \$434 million in the first quarter of the prior year, which accounted for the majority of the increase to investment income.

Net gains attributable to derivative instruments were \$34 million in the first quarter of fiscal 2004, compared to losses of \$347 million in the first quarter of fiscal 2003 which were driven mainly by the impact of decreasing interest rates on interest rate sensitive instruments.

The effective tax rate for the first quarter was 33%. The effective tax rate for fiscal 2003 was 32%, reflecting a one-time benefit in the second quarter of \$126 million from the reversal of previously accrued taxes. Excluding this reversal, the effective tax rate would have been 33%.

Unearned Revenue

Unearned revenue from volume licensing programs represents customer billings, paid either upfront or annually at the beginning of each billing coverage period, which are accounted for as subscriptions with revenue recognized ratably over the billing coverage period. For certain other licensing arrangements revenue attributable to undelivered elements, including free post-delivery telephone support and the right to receive unspecified upgrades/enhancements of Microsoft Internet Explorer on a when-and-if-available basis, is based on the sales price of those elements when sold separately and is recognized ratably on a straight-line basis over the related product's life cycle. The percentage of revenue recorded as unearned due to undelivered elements ranges from approximately 15% to 25% of the sales price for Windows XP Home, approximately 5% to 15% of the sales price for Windows XP Professional, and approximately 5% to 15% of the sales price for desktop applications, depending on the terms and conditions of the license and prices of the elements. Product life cycles are currently estimated at three and a half years for Windows operating systems and two years for desktop applications. Unearned revenue also includes payments for online advertising for which the advertisement has yet to be displayed and payments for post-delivery support services to be performed in the future.

The components of unearned revenue were as follows:

<i>(In millions)</i>	June 30 2003	Sept. 30 2003
Volume licensing programs	\$ 5,472	\$ 4,789
Undelivered elements	2,847	2,700
Other	696	758
Unearned revenue	\$ 9,015	\$ 8,247

Unearned revenue by segment was as follows:

<i>(In millions)</i>	June 30 2003	Sept. 30 2003
Client	\$ 3,165	\$ 3,013
Server and Tools	2,185	1,917
Information Worker	3,305	3,009
Other segments	360	308
Unearned revenue	\$ 9,015	\$ 8,247

Unearned revenue as of September 30, 2003 decreased \$768 million from June 30, 2003 reflecting a sequential decrease in new and recurring multi-year licensing agreements, deferral of revenue associated with technology guarantees for Office System 2003, and recognition of unearned revenue from multi-year licensing in prior periods. Of the \$8.25 billion of unearned revenue at September 30, 2003, \$2.62 billion is expected to be recognized in the second quarter of fiscal 2004, \$1.95 billion in the third quarter of fiscal 2004, \$1.38 billion in the fourth quarter of fiscal 2004, \$665 million in the first quarter of fiscal 2005, and \$1.63 billion thereafter.

Cash Flow

Cash and short-term investments totaled \$51.62 billion as of September 30, 2003. Cash flow from operations for the first quarter of fiscal 2004 was \$3.42 billion, compared to \$6.17 billion in the comparable quarter of the prior year. The decrease reflects a \$2.12 billion decline in cash flow from unearned revenue resulting from a decline in multi-year contract billings. Cash used for financing was \$350 million in the first quarter of fiscal 2004, compared to \$2.96 billion in the comparable quarter of the prior year. This decrease in cash used from the prior year primarily reflected a \$2.45 billion decrease in cash used for stock repurchases. The Company repurchased 43.3 million shares of common stock under its share repurchase program in the first quarter, compared to 120.6 million shares repurchased in the prior year. Cash used for investing was \$3.75 billion in the first quarter, an increase of \$2.85 billion from the prior year due to greater sales of investments in the first quarter of fiscal 2003.

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For More Information:

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