Microsoft

Fourth Quarter Fiscal Year 2026 Results

July 29, 2026

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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

Business Highlights

Segment Overview and Highlights

Appendix

FY26 Q4 Financial Summary

($ in billions, except per share amounts)	FY26 Q4	Growth	CC Growth*
	GAAP and CC results		
Productivity and Business Processes	$37.8	14%	14%
Intelligent Cloud	$39.3	32%	31%
More Personal Computing	$12.9	(4)%	(5)%
Revenue	**$90.0**	**18%**	**17%**
Cost of revenue	$29.5	23%	22%
Gross margin	**$60.5**	**15%**	**15%**
Gross margin percentage	*67%*	*(1) pt*	–
Operating expense	$19.9	10%	10%
Operating income	**$40.6**	**18%**	**18%**
Operating income percentage	*45%*	*0 pts*	–
Other income and expense	**$3.4**	–	–
Net income	**$35.8**	**31%**	**31%**
Diluted earnings per share	**$4.81**	**32%**	**32%**

Summary of Results

- Revenue increased 18% (up 17% CC) driven by Microsoft Cloud growth of 27%
- Cost of revenue increased 23% (up 22% CC) driven by growth in Microsoft Cloud
- Gross margin increased 15%. Gross margin percentage decreased driven by sales mix shift to Azure as well as continued investments in AI infrastructure and growing product usage, partially offset by efficiency gains across the Microsoft Cloud.
- Operating expenses were $19.9 billion and increased 10% primarily driven by continued investments in R&D compute capacity, talent, and data to support product development that benefits the entire portfolio
- Total company headcount decreased 2% year-over-year
- Operating income increased 18%
- Other income and expense was $3.4 billion driven by a gain of $3.2 billion from our investment in Anthropic
- Effective tax rate was 19%
- Diluted earnings per share was $4.81, up 32%

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

FY26 Q4 Impact to Financial Results

Impact from Investments in OpenAI

The following table adjusts for the impact from investments in OpenAI and reconciles our financial results reported in accordance with generally accepted accounting principles (GAAP) to non-GAAP financial results

	FY26 Q4			FY25 Q4			Growth		
($ in billions, except per share amounts)	As Reported (GAAP)	Impact from OpenAI*	As Adjusted (non-GAAP)	As Reported (GAAP)	Impact from OpenAI*	As Adjusted (non-GAAP)	% Y/Y GAAP	Net Impact from OpenAI*	% Y/Y Non-GAAP
Other income and expense	$3.4	$(0.6)	$2.8	$(1.7)	$2.1	$0.4	–	$(2.7)	–
Net income	**$35.8**	**$(0.5)**	**$35.3**	**$27.2**	**$1.6**	**$28.8**	**31%**	**$(2.1)**	**22%**
Diluted earnings per share	**$4.81**	**$(0.07)**	**$4.74**	**$3.65**	**$0.21**	**$3.86**	**32%**	**$(0.28)**	**23%**

Impact from Discrete Items

Several discrete items impacted our financial results in the quarter when compared to our forward-looking guidance provided on April 29, 2026, resulting in a benefit of $0.27 on diluted earnings per share

Operating Income	• Severance expense and impairment charges in XBOX, partially offset by lower-than-expected expenses related to the Voluntary Retirement Program, negatively impacted operating income by $(0.5) billion and diluted earnings per share by $(0.06)
Other Income and Expense	• A gain of $3.2 billion from our investment in Anthropic positively impacted diluted earnings per share by $0.33
Net Income	• The discrete items noted above had a positive impact of $2.0 billion on net income inclusive of tax impact
Diluted EPS	• The discrete items noted above had a positive impact of $0.27 on diluted earnings per share

**Impact from OpenAI adjusts for the impact from investments in OpenAI. See Appendix for reconciliation of GAAP and non-GAAP measures.*

FY26 Q4 Financial Highlights

Cash Returned to Shareholders

- Returned $10.2 billion to shareholders with $6.8 billion in dividends and $3.4 billion in share repurchases

Capital Expenditures

- Capital expenditures, including assets acquired under finance leases, increased 70% to $41.0 billion to support customer demand for our cloud and AI offerings and included the impact from higher component pricing. Roughly two-thirds of capital expenditures were for short-lived assets, primarily CPUs and GPUs, which support Azure demand, growing first-party apps, R&D by our product teams, as well as continued replacement for end-of-life server and networking equipment. The remainder was for long-lived assets which will support long-term monetization.
- Cash paid for property and equipment was $35.8 billion, up 110%, primarily for spend on short-lived assets as well as timing differences between receipt of goods and payment
- Finance leases, primarily for large datacenter sites, were $5.6 billion and are recognized at the time of lease commencement

Cash Flow

- Cash flow from operations was $55.4 billion, up 30%, driven by strong cloud billings and collections, partially offset by an increase in operating lease payments
- Free cash flow was $19.6 billion, down 23%, reflecting higher capital expenditures as we invest against strong demand

Trended Financial Highlights	FY25 Q4	FY26 Q1	FY26 Q2	FY26 Q3	FY26 Q4
Capital expenditures *(in billions)*	$24.2	$34.9	$37.5	$31.9	$41.0
Cash paid for property and equipment *(in billions)*	$17.1	$19.4	$29.9	$30.9	$35.8
Finance leases *(in billions)*	$6.5	$11.1	$6.7	$4.7	$5.6
Short-lived asset mix of capital expenditures	<half	~half	~2/3's	~2/3's	~2/3's

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

FY26 Q4 Business Highlights

Commercial Business

- Commercial bookings grew 18%, driven by strong execution in our core annuity sales motions, when excluding the impact from OpenAI. Commercial bookings increased 10% (up 11% CC) when including Azure commitments from OpenAI.
- Commercial remaining performance obligation (RPO) of $678 billion grew 84%, with all sequential growth driven by commitments from customers outside of frontier model companies. RPO increased 25% when excluding OpenAI.
- RPO, including OpenAI, has a weighted average duration of 2.3 years. Roughly 30% will be recognized in revenue in the next 12 months, up 37%. The remaining portion, recognized beyond the next 12 months, increased 112%.

Microsoft Cloud

- Microsoft Cloud revenue of $59.3 billion increased 27%, reflecting strong demand across Azure and first-party AI applications and services
- Microsoft Cloud gross margin percentage decreased year-over-year to 65% driven by sales mix shift to Azure, as well as continued investments in AI infrastructure and growing product usage, partially offset by efficiency gains in Azure and Microsoft 365 Commercial cloud

Investor Metrics	FY25 Q4	FY26 Q1	FY26 Q2	FY26 Q3	FY26 Q4
Commercial bookings growth *(y/y)*	37% / 30%	112% / 111%	230% / 228%	(4)% / (6)%	10% / 11%
Commercial remaining performance obligation *(in billions)*	$368	$392	$625	$627	$678
Microsoft Cloud revenue *(in billions)*	$46.7	$49.1	$51.5	$54.5	$59.3
Microsoft Cloud revenue growth *(y/y)*	27% / 25%	26% / 25%	26% / 24%	29% / 25%	27%
Microsoft Cloud gross margin percentage	68%	68%	67%	66%	65%

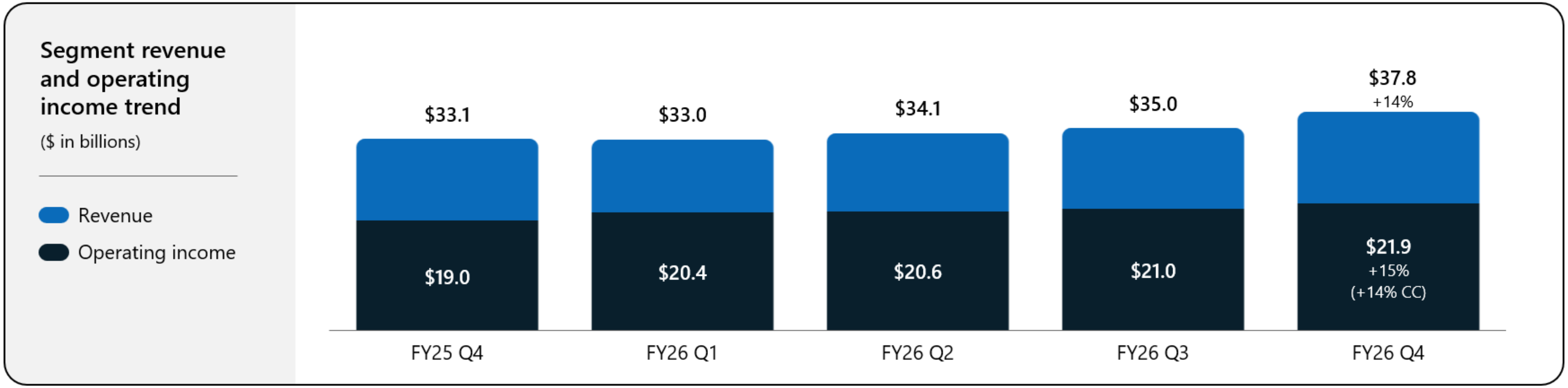
Growth rates include non-GAAP CC growth (GAAP % / CC %).

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

FY26 Q4 Segment Overview: Productivity and Business Processes

Results

- Revenue grew 14% driven by Microsoft 365 Commercial cloud
- Cost of revenue grew 16% driven by investments in AI infrastructure to support M365 Copilot seat and usage growth
- Gross margin dollars grew 14% (up 13% CC) and gross margin percentage decreased slightly with increased M365 Copilot usage as we continue to invest in product quality and drive further efficiency gains in Microsoft 365 Commercial cloud
- Operating expenses grew 11% primarily driven by continued investments in R&D compute capacity, talent, and data to support product development that benefits the entire portfolio
- Operating income grew 15% (up 14% CC) and operating margins increased slightly driven by operating leverage



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.

FY26 Q4 Segment Highlights: Productivity and Business Processes

Microsoft 365 Commercial

- Microsoft 365 Commercial cloud revenue grew 16% on an adjusted basis, normalized for the prior year comparable that benefited from 2 points of in-period revenue recognition, and grew 14% on a reported basis. Results were driven by growth in revenue per user from premium offerings, including M365 Copilot, which surpassed 30 million paid seats. Microsoft 365 Commercial seats grew 6% driven by small and medium business and frontline worker offerings.
- Microsoft 365 Commercial products revenue grew 19% driven by a higher mix of large, long-duration Microsoft 365 contracts that carry higher in-period revenue recognition from the Windows Commercial on-premises component

Microsoft 365 Consumer

- Microsoft 365 Consumer cloud revenue grew 24% (up 22% CC) driven by growth in revenue per user and Microsoft 365 Consumer subscriber growth of 7%

LinkedIn

- LinkedIn revenue grew 12% (up 10% CC) primarily driven by growth in Marketing Solutions

Dynamics

- Dynamics 365 revenue grew 13% (up 12% CC) against a strong prior-year comparable, with continued moderation in bookings

Investor Metrics	FY25 Q4	FY26 Q1	FY26 Q2	FY26 Q3	FY26 Q4
Microsoft 365 Commercial cloud revenue growth *(y/y)*	18% / 16%	17% / 15%	17% / 14%	19% / 15%	14%
Microsoft 365 Commercial seat growth *(y/y)*	6%	6%	6%	6%	6%
Microsoft 365 Consumer cloud revenue growth *(y/y)*	20%	26% / 25%	29% / 27%	33% / 29%	24% / 22%
LinkedIn revenue growth *(y/y)*	9% / 8%	10% / 9%	11% / 10%	12% / 9%	12% / 10%
Dynamics 365 revenue growth *(y/y)*	23% / 21%	18% / 16%	19% / 17%	22% / 17%	13% / 12%

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

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.

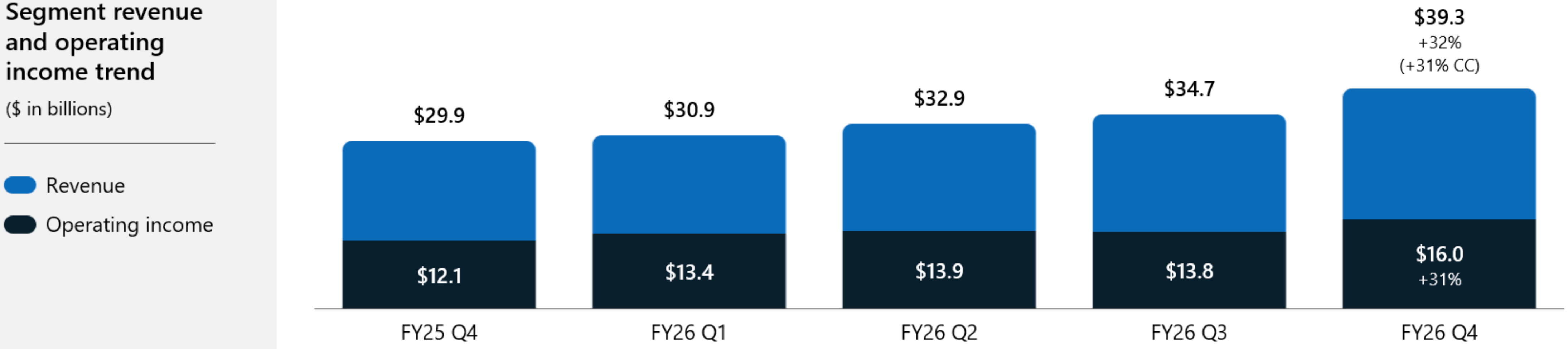
FY26 Q4 Segment Overview: Intelligent Cloud

Results

- Revenue grew 32% (up 31% CC) driven by Azure
- Cost of revenue grew 42% driven by investments in AI infrastructure to support growing customer demand and increased GitHub Copilot usage
- Gross margin dollars grew 24% and gross margin percentage decreased primarily driven by sales mix shift to Azure, as well as the continued scaling of our AI infrastructure ahead of growing demand, partially offset by efficiency gains in Azure
- Operating expenses grew 10% primarily driven by continued investments in R&D compute capacity, talent, and data to support product development that benefits the entire portfolio
- Operating income grew 31% and operating margins were relatively unchanged as mix shift to Azure and the impact from scaling our AI infrastructure were offset by improved operating leverage

Segment revenue and operating income trend

($ 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.

FY26 Q4 Segment Highlights: Intelligent Cloud

Server Products and Cloud Services

- Azure and other cloud services revenue grew 43% driven by strong demand for services across the platform with continued growth across all workloads
- Server products revenue was relatively unchanged (down 1% CC) driven by continued customer shift to cloud, partially offset by higher purchasing of licenses running in multi-cloud environments

Enterprise and Partner Services

- Enterprise and partner services revenue grew 6% (up 5% CC) driven by Enterprise Support Services

Investor Metrics	**FY25 Q4**	**FY26 Q1**	**FY26 Q2**	**FY26 Q3**	**FY26 Q4**
Azure and other cloud services revenue growth *(y/y)*	39%	40% / 39%	39% / 38%	40% / 39%	43%
Trended Revenue Growth					
Server products revenue growth *(y/y)*	(2)% / (3)%	1% / 0%	2% / 1%	1% / (3)%	0% / (1)%
Enterprise and partner services revenue growth *(y/y)*	7% / 6%	5% / 3%	8% / 7%	7% / 4%	6% / 5%

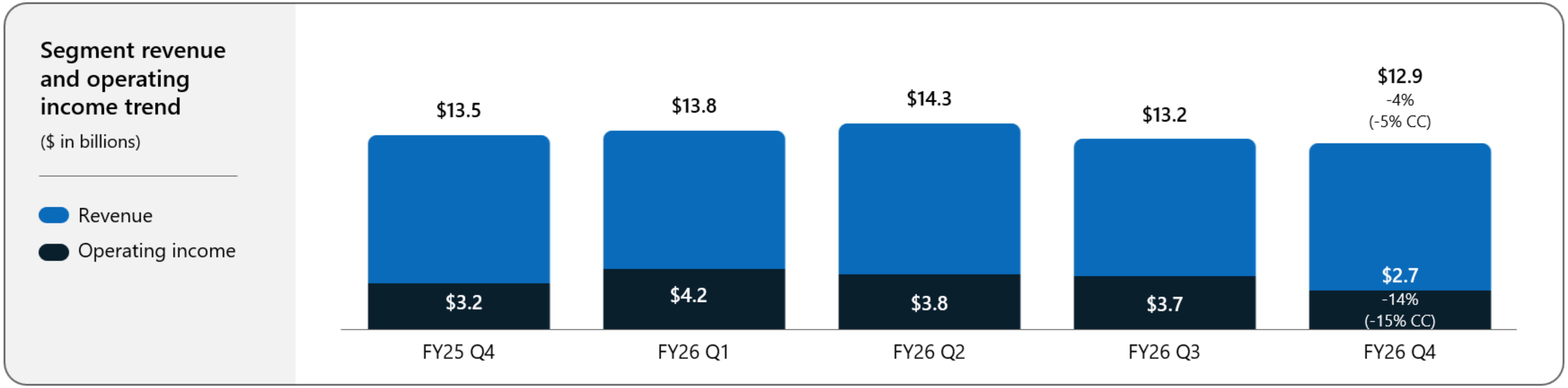
Growth rates include non-GAAP CC growth (GAAP % / CC %).

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.

FY26 Q4 Segment Overview: More Personal Computing

Results

- Revenue declined 4% (down 5% CC) driven by XBOX and Windows OEM and Devices, partially offset by growth in Search advertising
- Cost of revenue declined 8% driven by lower amortization of acquired intangible assets from the Activision acquisition
- Gross margin dollars declined 2% and gross margin percentage increased, driven by lower amortization of acquired intangible assets from the Activision acquisition
- Operating expenses grew 8% (up 7% CC) driven by continued investments in R&D compute capacity, talent, and data to support product development that benefits the entire portfolio, as well as impairment charges in XBOX
- Operating income declined 14% (down 15% CC) and operating margins decreased driven by R&D investments, partially offset by higher gross margins



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.

FY26 Q4 Segment Highlights: More Personal Computing

Windows OEM and Devices

- Windows OEM and Devices declined 7% driven by lower PC market demand and a high prior year comparable from Windows 10 end of support, partially offset by inventory builds

XBOX

- XBOX content and services revenue declined 10% on a prior year comparable that benefited from strong first-party content performance
- XBOX hardware revenue declined 13% (down 14% CC)

Search

- Search advertising revenue excluding traffic acquisition costs grew 10% (up 9% CC) driven by higher revenue per search and search volume

Investor Metrics	FY25 Q4	FY26 Q1	FY26 Q2	FY26 Q3	FY26 Q4
Windows OEM and Devices revenue growth *(y/y)*	3%	6%	1% / 0%	(2)% / (3)%	(7)%
XBOX content and services revenue growth *(y/y)*	13% / 12%	1% / 0%	(5)% / (6)%	(5)% / (7)%	(10)%
Search advertising revenue (ex TAC) growth *(y/y)*	21% / 20%	16% / 15%	10% / 9%	12% / 9%	10% / 9%

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

Appendix

Reconciliation of GAAP and Non-GAAP Financial Measures

Our presentation of fourth-quarter performance includes non-GAAP financial measures.

The following slides provide reconciliations between the GAAP and non-GAAP financial measures presented:

- Impact from investments in OpenAI
- Constant currency reconciliations
- Cash flow reconciliation

Impact from investments in OpenAI

Three Months Ended June 30,

($ in millions, except per share amounts)	2026			2025			Percentage Change Y/Y			
	As Reported (GAAP)	Adjustment*	As Adjusted (non-GAAP)	As Reported (GAAP)	Adjustment*	As Adjusted (non-GAAP)	GAAP	Constant Currency	Non-GAAP	Non-GAAP Constant Currency
Other Income and Expense	**$3,444**	$(632)	**$2,812**	**($1,707)**	$2,071	**$364**	–	–	–	–
Effective Tax Rate	19%	0 pts	19%	17%	0 pts	17%	2 pts	–	2 pts	–
Net Income	**$35,766**	$(480)	**$35,286**	**$27,233**	$1,575	**$28,808**	31%	31%	22%	22%
Diluted Earnings per Share	**$4.81**	$(0.07)	**$4.74**	**$3.65**	$0.21	**$3.86**	32%	32%	23%	23%

*Adjustment is the impact from investments in OpenAI

The non-GAAP measures adjust for the impact from investments in OpenAI. We believe these non-GAAP measures aid investors by providing additional insight into our operational performance and help clarify trends affecting our business. For comparability of reporting, management considers non-GAAP measures in conjunction with GAAP financial results when evaluating business performance. The non-GAAP financial measures should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

Constant Currency Reconciliation

($ in millions, except per share amounts)	Three Months Ended June 30, 2026		2025		Percentage Change Y/Y			Percentage Change Y/Y	
	As Reported (GAAP)	As Adjusted (non-GAAP)	As Reported (GAAP)	As Adjusted (non-GAAP)	GAAP	Non-GAAP	Constant Currency Impact	Constant Currency	Non-GAAP Constant Currency
Revenue	**$90,007**	–	**$76,441**	–	18%	–	**$391**	17%	–
Cost of Revenue	**$29,525**	–	**$24,014**	–	23%	–	**$125**	22%	–
Gross Margin	**$60,482**	–	**$52,427**	–	15%	–	**$266**	15%	–
Operating Expenses	**$19,879**	–	**$18,104**	–	10%	–	**$(3)**	10%	–
Operating Income	**$40,603**	–	**$34,323**	–	18%	–	**$269**	18%	–
Net Income	**$35,766**	**$35,286**	**$27,233**	**$28,808**	31%	22%	**$40**	31%	22%
Diluted Earnings per Share	**$4.81**	**$4.74**	**$3.65**	**$3.86**	32%	23%	**$0.01**	32%	23%

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

	2026	2025	Percentage Change Y/Y		Percentage Change Y/Y
Three Months Ended June 30,					
($ in millions)	As Reported (GAAP)	As Reported (GAAP)	GAAP	Constant Currency Impact	Constant Currency
Productivity and Business Processes	**$37,847**	**$33,112**	14%	**$244**	14%
Intelligent Cloud	**$39,306**	**$29,878**	32%	**$80**	31%
More Personal Computing	**$12,854**	**$13,451**	(4)%	**$67**	(5)%

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Constant Currency Reconciliation

Segment Cost of Revenue

	Three Months Ended June 30, 2026		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	16%	0%	16%
Intelligent Cloud	42%	0%	42%
More Personal Computing	(8)%	0%	(8)%

Segment Gross Margin

	Three Months Ended June 30, 2026		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	14%	(1)%	13%
Intelligent Cloud	24%	0%	24%
More Personal Computing	(2)%	0%	(2)%

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Constant Currency Reconciliation

Segment Operating Expense

Three Months Ended June 30, 2026	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	11%	0%	11%
Intelligent Cloud	10%	0%	10%
More Personal Computing	8%	(1)%	7%

Segment Operating Income

Three Months Ended June 30, 2026	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	15%	(1)%	14%
Intelligent Cloud	31%	0%	31%
More Personal Computing	(14)%	(1)%	(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

Selected Product and Service Information

	Three Months Ended June 30, 2026		
	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Commercial bookings	10%	1%	11%
Commercial remaining performance obligation	84%	0%	84%
Microsoft Cloud revenue	27%	0%	27%
Microsoft 365 Commercial cloud revenue	14%	0%	14%
Microsoft 365 Commercial products revenue	19%	0%	19%
Microsoft 365 Consumer cloud revenue	24%	(2)%	22%
LinkedIn revenue	12%	(2)%	10%
Dynamics 365 revenue	13%	(1)%	12%
Azure and other cloud services revenue	43%	0%	43%
Server products revenue	0%	(1)%	(1)%
Enterprise and partner services revenue	6%	(1)%	5%
Windows OEM and Devices revenue	(7)%	0%	(7)%
XBOX content and services revenue	(10)%	0%	(10)%
XBOX hardware revenue	(13)%	(1)%	(14)%
Search advertising revenue excluding traffic acquisition costs	10%	(1)%	9%

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 June 30,		
($ in millions)	2026	2025	Percentage Change Y/Y
Net Cash from Operations (GAAP)	**$55,441**	**$42,647**	**30%**
Additions to Property and Equipment	$(35,802)	$(17,079)	110%
Free Cash Flow	**$19,639**	**$25,568**	**(23)%**

Free cash flow is included as an additional clarifying item to aid investors by providing additional insight into our operational performance and helping 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