



Microsoft Corporation
One Microsoft Way
Redmond, Washington 98052, U.S.A.

**MICROSOFT CORPORATION 2003 EMPLOYEE STOCK PURCHASE PLAN,
AS AMENDED, EFFECTIVE JANUARY 1, 2013 (THE "ESPP")**

**Prospectus for the employees of certain European Economic Area ("EEA") subsidiaries
of Microsoft Corporation, subject to the applicable legislation in each country**



Pursuant to articles L. 412-1 and L. 621-8 of the *Code Monétaire et Financier* and its General Regulation, in particular articles 211-1 to 216-1 thereof, the *Autorité des marchés financiers* has attached visa number 14-333 dated June 26, 2014 onto this prospectus. This prospectus was established by the issuer and incurs the responsibility of its signatories. The visa, pursuant to the provisions of Article L. 621-8-1-I of the *Code Monétaire et Financier*, was granted after the AMF has verified that the document is complete and comprehensible, and that the information it contains is consistent. The visa represents neither the approval of the worthiness of the operation nor the authentication of the financial and accounting information presented.

This prospectus will be made available in printed form to employees of the EEA subsidiaries of Microsoft Corporation based in states in which offerings under the plan listed above are considered public offerings, subject to the applicable legislation in each country, at the respective head offices of their employers. In addition, this prospectus along with summary translations (as applicable) will be posted on Microsoft Corporation's intranet, and free copies will be available to the employees upon request by contacting the human resources department of their employer. This prospectus, together with the French translation of its summary, will also be available on the website of the AMF, www.amf-france.org.

NOTE TO THE PROSPECTUS

This prospectus, which contains material information concerning Microsoft Corporation, was established pursuant to articles 211-1 to 216-1 of the AMF General Regulation. Pursuant to Article 25 of Commission Regulation (EC) No 809/2004 of 29 April 2004 as amended by Commission Delegated Regulations (EU) No 486/2012 of 30 March 2012, No 862/2012 of 4 June 2012 and No 759/2013 of 30 April 2013 (as so amended, the “Prospectus Regulation”), this prospectus is composed of the following parts in the following order:

- (1) a table of contents,
- (2) the summary provided for in Article 5(2) of Directive 2003/71/EC of the European Parliament and of the European Council of 4 November 2003, as amended by Directive 2010/73/EU and Directive 2014/51/EU (as so amended, the “Prospectus Directive”) (Part I constitutes the prospectus summary),
- (3) the risk factors linked to the issuer and the type of security covered by the issue, and
- (4) excerpts from Annexes I and III of the Prospectus Regulation which, by application of Articles 3, 4, and 6 of the Prospectus Regulation and question 71 of the European Securities and Markets Authority (“ESMA”) Q&A,¹ are required for this offering of equity securities to employees of Microsoft Corporation and its affiliates.

This prospectus also contains supplemental information concerning the ESPP (Part II - Section B) as well as the following documents (Exhibits):

- Microsoft Corporation 2003 Employee Stock Purchase Plan, as amended, effective January 1, 2013; and
- Current Report on Form 8-K furnished by Microsoft Corporation to the U.S. Securities and Exchange Commission (the “SEC”) on April 24, 2014.

When used in this prospectus, the terms “we,” “us,” “our” and “the Company” mean Microsoft Corporation and its subsidiaries.

All references to “\$” in this prospectus refer to U.S. dollars.

¹ Frequently Asked Questions, Prospectuses: Common positions agreed by ESMA Members 21st updated version – January 2014 (14 January 2014 | ESMA/2014/35).

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COMPANY REPRESENTATIVE FOR PROSPECTUS

- 1.1** Amy E. Hood, Chief Financial Officer, acting for and on behalf of Microsoft Corporation.
- 1.2** To my knowledge, after having taken all reasonable measures for this purpose, the information contained in this prospectus fairly reflects the current situation and no material omission has been made.
- 1.3** Microsoft Corporation has obtained a letter from its independent registered public accounting firm in relation to this prospectus. The independent registered public accounting firm has, in accordance with the professional standards and interpretations applicable in the United States of America pursuant to PCAOB Interim Auditing Standard, AU Section 550 – *Other Information in Documents Containing Audited Financial Statements*, read the prospectus, including the information pertaining to the financial position and consolidated financial statements of Microsoft Corporation contained in this prospectus.

/s/ Amy E. Hood
Amy E. Hood
Chief Financial Officer of Microsoft Corporation

Redmond, Washington, U.S.A., June 25, 2014

PART I — PROSPECTUS SUMMARY

VISA NUMBER 14-333 DATED JUNE 26, 2014 OF THE AMF

Summaries are made up of disclosure requirements known as "Elements." These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable."

SECTION A — INTRODUCTION AND WARNINGS		
A.1	Warning to the reader	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Union or States party to the European Economic Area Agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have presented the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent to use of the prospectus	Not applicable. There is no subsequent resale or final placement of securities by financial intermediaries.

SECTION B — ISSUER		
B.1	Legal and commercial name of the issuer	Microsoft Corporation ("Microsoft" or the "Company").
B.2	Domicile and legal form of Microsoft, the legislation under which it operates and its country of incorporation	Microsoft's headquarters are located at One Microsoft Way, Redmond, Washington 98052-6399, U.S.A. The Company is a corporation incorporated under the laws of the State of Washington, U.S.A.

<p>B.3</p>	<p>Description of the nature of Microsoft's current operations and its principal activities</p>	<p>Microsoft is a technology leader focused on helping people and businesses throughout the world realize their full potential. Microsoft creates technology that transforms the way people work, play, and communicate across a wide range of computing devices.</p> <p>Microsoft generates revenue by developing, licensing, and supporting a wide range of software products, by offering an array of services, including cloud-based services to consumers and businesses, by designing and selling devices that integrate with its cloud-based services, and by delivering relevant online advertising to a global audience. Its most significant expenses are related to compensating employees, designing, manufacturing, marketing, and selling its products and services, and income taxes.</p> <p>During the first quarter of fiscal year 2014, Microsoft changed its organizational structure as part of its transformation to a devices and services company. Therefore, beginning in fiscal year 2014, Microsoft is reporting its financial performance based on its new segments; Devices and Consumer ("D&C") Licensing, D&C Hardware, D&C Other, Commercial Licensing, and Commercial Other. Microsoft has recast certain prior period amounts to conform to the way the Company internally manages and monitors segment performance during fiscal year 2014. The table below reflects such recast.</p> <p>The following table sets forth segment revenue for the fiscal years ended June 30, 2013, 2012 and 2011, as recast to reflect the changes in segment reporting as described above:</p> <p>(In millions)</p> <table border="1" data-bbox="557 1115 1432 1608"> <thead> <tr> <th colspan="2">Year Ended June 30,</th> <th>2013</th> <th>2012</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td colspan="5">Revenue</td> </tr> <tr> <td rowspan="3">D&C</td> <td>Licensing</td> <td>\$ 19,021</td> <td>\$ 19,495</td> <td>\$ 19,422</td> </tr> <tr> <td>Hardware</td> <td>6,461</td> <td>6,740</td> <td>6,941</td> </tr> <tr> <td>Other</td> <td>6,618</td> <td>6,203</td> <td>5,846</td> </tr> <tr> <td colspan="2">Total D&C</td> <td>\$ 32,100</td> <td>\$ 32,438</td> <td>\$ 32,209</td> </tr> <tr> <td rowspan="2">Commercial</td> <td>Licensing</td> <td>\$ 39,686</td> <td>\$ 37,126</td> <td>\$ 33,607</td> </tr> <tr> <td>Other</td> <td>5,660</td> <td>4,644</td> <td>3,747</td> </tr> <tr> <td colspan="2">Total Commercial</td> <td>\$ 45,346</td> <td>\$ 41,770</td> <td>\$ 37,354</td> </tr> <tr> <td colspan="2">Corporate and Other</td> <td>403</td> <td>(485)</td> <td>380</td> </tr> <tr> <td colspan="2">Total revenue</td> <td>\$ 77,849</td> <td>\$ 73,723</td> <td>\$ 69,943</td> </tr> </tbody> </table>	Year Ended June 30,		2013	2012	2011	Revenue					D&C	Licensing	\$ 19,021	\$ 19,495	\$ 19,422	Hardware	6,461	6,740	6,941	Other	6,618	6,203	5,846	Total D&C		\$ 32,100	\$ 32,438	\$ 32,209	Commercial	Licensing	\$ 39,686	\$ 37,126	\$ 33,607	Other	5,660	4,644	3,747	Total Commercial		\$ 45,346	\$ 41,770	\$ 37,354	Corporate and Other		403	(485)	380	Total revenue		\$ 77,849	\$ 73,723	\$ 69,943
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<p>B.4a</p>	<p>Recent trends</p>	<p>On April 24, 2014, Microsoft announced revenue of \$20.40 billion for the quarter ended March 31, 2014. Gross margin, operating income, net income, and diluted earnings per share for the quarter were \$14.46 billion, \$6.97 billion, \$5.66 billion, and \$0.68 per share, respectively.</p> <p>On April 25, 2014, Microsoft announced it has completed its approximately \$7.2 billion cash acquisition of the Nokia Devices and Services business. The acquisition has been approved by Nokia shareholders and by governmental regulatory agencies around the world.</p>																																																				

		The completion of the acquisition marks the first step in bringing these two organizations together as one team.
B.5	Organizational structure	Microsoft is the parent company of the Microsoft group. Microsoft holds, directly or indirectly, the capital and voting rights of each of its subsidiaries. As of the close of its fiscal year ended June 30, 2013, there were 11 subsidiaries of the Company, omitting subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.
B.6	Interests in Microsoft's capital or voting rights	Not applicable. Pursuant to its Q&A, ESMA considers that Item 18 of Annex I of the Prospectus Regulation is generally not pertinent for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.
B.7	Financial information concerning Microsoft for the fiscal years ended June 30, 2013, 2012 and 2011, and for the quarters ended March 31, 2014 and 2013	

The selected financial data of Microsoft set out in this prospectus have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). They are derived from Microsoft's audited consolidated financial statements for the fiscal years ended June 30, 2013, 2012 and 2011, and from Microsoft's unaudited consolidated financial statements for the quarters ended March 31, 2014 and 2013.

SELECTED THREE-YEAR FINANCIAL DATA

(In millions, except per share data)

Year Ended June 30,	2013	2012	2011
Revenue	\$ 77,849	\$ 73,723	\$ 69,943
Operating income	\$ 26,764(a)	\$ 21,763(b)	\$ 27,161
Net income	\$ 21,863(a)	\$ 16,978(b)	\$ 23,150
Diluted earnings per share	\$ 2.58(a)	\$ 2.00(b)	\$ 2.69
Cash dividends declared per share	\$ 0.92	\$ 0.80	\$ 0.64
Cash, cash equivalents, and short-term investments	\$ 77,022	\$ 63,040	\$ 52,772
Total assets	\$ 142,431	\$ 121,271	\$ 108,704
Long-term obligations	\$ 26,070	\$ 22,220	\$ 22,847
Stockholders' equity	\$ 78,944	\$ 66,363	\$ 57,083

(a) Includes a charge related to a fine imposed by the European Commission in March 2013 which decreased operating income and net income by \$733 million (€561 million) and diluted earnings per share by \$0.09. Also includes a charge for Surface RT inventory adjustments recorded in the fourth quarter of fiscal year 2013, which decreased operating income by \$900 million, net income by \$596 million, and diluted earnings per share by \$0.07.

(b) Includes a goodwill impairment charge related to Microsoft's previous Online Services Division business segment (related to D&C Other under Microsoft's current segment structure) which decreased operating income and net income by \$6.2 billion and diluted earnings per share by \$0.73.

SELECTED QUARTERLY FINANCIAL DATA				
Income Statements Data				
(In millions, except per share amounts) (Unaudited)				
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Revenue	\$ 20,403	\$ 20,489	\$ 63,451	\$ 57,953
Gross margin	\$ 14,462	\$ 15,702	\$ 44,112	\$ 43,306
Total operating expenses	\$ 7,488	\$ 8,090	\$ 22,835	\$ 22,615
Operating income	\$ 6,974	\$ 7,612	\$ 21,277	\$ 20,691
Net income	\$ 5,660	\$ 6,055	\$ 17,462	\$ 16,898
Earnings per share:				
Basic	\$ 0.68	\$ 0.72	\$ 2.10	\$ 2.02
Diluted	\$ 0.68	\$ 0.72	\$ 2.08	\$ 1.99
Cash dividends declared per common share	\$ 0.28	\$ 0.23	\$ 0.84	\$ 0.69
Balance Sheets Data				
(In millions) (Unaudited)				
	March 31, 2014		June 30, 2013	
Cash and cash equivalents	\$ 11,572	\$	3,804	
Short-term investments (including securities loaned of \$707 and \$579)	\$ 76,853	\$	73,218	
Total assets	\$ 156,119	\$	142,431	
Long-term obligations	\$ 34,792	\$	26,070	
Total stockholders' equity	\$ 87,424	\$	78,944	
B.8	Pro forma financial information	Not applicable. Pursuant to its Q&A, ESMA considers that Item 20.2 of Annex I of the Prospectus Regulation is generally not pertinent for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.		
B.9	Profit forecast or estimate	Not applicable. This prospectus does not contain any profit forecast or estimate.		
B.10	Qualifications in the audit report on the historical financial information	Not applicable. There are no such qualifications in the auditors' report.		
B.11	Working capital statement	Not applicable. Microsoft's working capital is sufficient for its present requirements.		

SECTION C — SECURITIES		
C.1	Type and class of the securities being offered, including the security identification code	<p>Microsoft's shares of common stock, par value \$0.00000625 ("Microsoft Shares") offered pursuant to this prospectus will be newly issued shares.</p> <p>The Microsoft Shares are or will, after their issuance, be listed on Nasdaq Global Select Market ("NASDAQ") under the symbol "MSFT." The CUSIP number for the Microsoft Shares is 594918104.</p>
C.2	Currency of the securities issue	The United States Dollar is the currency of the securities issue.
C.3	Number of shares issued	As of March 31, 2014, Microsoft was authorized to issue 24,000,000,000 Microsoft Shares, par value \$0.00000625 per share. As of April 17, 2014, there were 8,260,411,967 Microsoft Shares issued and outstanding. There have been no material changes in the number of Microsoft Shares issued and outstanding since that date.
C.4	Rights attached to the securities	<p>No Participating Employee (as defined in Element E.3 below) shall have any voting, dividend, or other shareholder rights with respect to any offering under the ESPP until the Microsoft Shares have been purchased and delivered to the Participating Employee. Following such purchase and delivery, the Participating Employee shall be entitled to the rights attached to the Microsoft Shares, as further described below:</p> <p>Dividend Rights. Pursuant to the Washington Business Corporation Act ("WBCA"), the Company's Board of Directors (the "Board") may authorize and Microsoft may make distributions to its shareholders subject to restriction by the articles of incorporation and the limitation set forth in Chapter 23B.06 of the WBCA as summarized below.</p> <p>No distribution may be made if, after giving it effect, (i) the corporation would not be able to pay its liabilities as they become due in the usual course of business; or (ii) the corporation's total assets would be less than the sum of its total liabilities plus, unless the articles of incorporation permit otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.</p> <p>Voting Rights. Except as may be otherwise provided in the Restated Articles of Incorporation, each stockholder shall be entitled to one vote for each Microsoft Share held by such stockholder. There are currently no contrary provisions in the Restated Articles of Incorporation.</p> <p>Right to Receive Liquidation Distributions. Except as otherwise provided in accordance with the Restated Articles of Incorporation of Microsoft, each Microsoft Share is entitled to the right to receive the net assets of Microsoft upon dissolution, with each Microsoft Share participating on a pro rata basis.</p> <p>No Preemptive, Redemptive or Conversion Provisions. Shareholders of Microsoft have no preemptive rights to acquire additional Microsoft Shares or securities convertible into Microsoft Shares.</p>

C.5	Transferability restrictions	Not applicable. The Microsoft Shares in this offering are registered on Form S-8 with the SEC and are generally freely transferable.		
C.6	Admission to trading on a regulated market	Not applicable. As noted in Element C.1 above, the Microsoft Shares are listed on NASDAQ.		
C.7	Dividend policy	The following table sets forth cash dividend for fiscal years 2014 (to date) (unaudited), 2013 and 2012:		
Declaration Date	Dividend Per Share	Record Date	Total Amount	Payment Date
(in millions)				
Fiscal Year 2014				
September 16, 2013	\$ 0.28	November 21, 2013	\$ 2,332	December 12, 2013
November 19, 2013	\$ 0.28	February 20, 2014	\$ 2,322	March 13, 2014
March 11, 2014	\$ 0.28	May 15, 2014	\$ 2,313	June 12, 2014
June 10, 2014	\$ 0.28	August 21, 2014	\$ 2,307	September 11, 2014
Fiscal Year 2013				
September 18, 2012	\$ 0.23	November 15, 2012	\$ 1,933	December 13, 2012
November 28, 2012	\$ 0.23	February 21, 2013	\$ 1,925	March 14, 2013
March 11, 2013	\$ 0.23	May 16, 2013	\$ 1,921	June 13, 2013
June 12, 2013	\$ 0.23	August 15, 2013	\$ 1,916	September 12, 2013
Fiscal Year 2012				
September 20, 2011	\$ 0.20	November 17, 2011	\$ 1,683	December 8, 2011
December 14, 2011	\$ 0.20	February 16, 2012	\$ 1,683	March 8, 2012
March 13, 2012	\$ 0.20	May 17, 2012	\$ 1,678	June 14, 2012
June 13, 2012	\$ 0.20	August 16, 2012	\$ 1,676	September 13, 2012

SECTION D — RISKS

D.1	Key risks related to Microsoft or its industry	<p>Set forth below are summaries of the key risks, uncertainties and other factors that may affect Microsoft's future results. The risks and uncertainties described below are not the only ones facing Microsoft.</p> <ul style="list-style-type: none"> • Microsoft faces intense competition across all markets for its products and services, which may lead to lower revenue or operating margins. • Microsoft's increasing focus on services presents execution and competitive risks. • Microsoft makes significant investments in new products and services that may not be profitable. • Acquisitions, joint ventures, and strategic alliances may have an adverse effect on Microsoft's business. • Microsoft may not be able to adequately protect its intellectual property rights.
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		<ul style="list-style-type: none"> • Cyber-attacks and security vulnerabilities could lead to reduced revenue, increased costs, liability claims, or harm to Microsoft's competitive position. • Disclosure of personal data could result in liability and harm Microsoft's reputation. • Government litigation and regulatory activity may limit how Microsoft designs and markets its products. • Microsoft has claims and lawsuits against it that may result in adverse outcomes. • Microsoft operates a global business that exposes it to additional risks. • Catastrophic events or geo-political conditions may disrupt Microsoft's business.
D.3	Key risks related to the shares	Participating Employees assume the risk of any currency fluctuations at the time of (i) their contribution to the ESPP by payroll deductions and (ii) the selling of their Microsoft Shares.

SECTION E — OFFER

E.1	Net proceeds	Assuming that each of the 19,746 eligible employees in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Sweden and the United Kingdom would purchase the maximum amount of Microsoft Shares under the ESPP offered pursuant to this prospectus, that is, a total of \$44,998.42 each, then the gross proceeds of Microsoft in connection with the offer under the ESPP pursuant to this prospectus would be \$888,538,801.32. After deducting legal and accounting expenses in connection with the offer, the net proceeds would be \$888,363,801.32.
E.2a	Reasons for the offer and use of proceeds	<p>The purpose of the ESPP is to provide eligible employees of the Company and its participating subsidiaries ("Participating Subsidiaries") who wish to become shareholders in the Company a convenient method of doing so.</p> <p>The net proceeds will be used for general corporate purposes.</p>
E.3	Description of the terms and conditions of the offer	<p>Microsoft is offering eligible employees of Microsoft and its Participating Subsidiaries the right to purchase Microsoft Shares under the ESPP.</p> <p>The offering of the ESPP may be considered a public offering of securities to the public pursuant to the Prospectus Directive in the following EEA countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Sweden and the United Kingdom (the "Prospectus Directive Countries"). The offering of the ESPP also may be made in the following EEA countries: Bulgaria, Cyprus, Greece, Latvia, Lithuania, Luxembourg, Malta, Slovakia, Slovenia and Spain. However, such offering is not</p>

	<p>considered a public offering of securities and/or the obligation to publish a prospectus does not apply to the offering under the legislation implementing the Prospectus Directive in such countries. The total amount of the offering of the ESPP in the EEA is more than €5 million over a 12-month period.</p> <p>This prospectus will be made available in printed form to employees of the subsidiaries of Microsoft based in the above-named countries where the offering of the ESPP may be considered a public offering of securities at the respective head offices of their employers.</p> <p>The ESPP is administered by the Board or a committee appointed by the Board (the “Committee”). The ESPP is offered to eligible employees of the companies that are, directly or indirectly, subsidiaries of Microsoft, some of which are located in the EEA (“Designated EEA Subsidiaries”). Employees who are in the employ of any Participating Subsidiary (including the Designated EEA Subsidiaries) on the last business day preceding an Offering Date (as defined below) and whose customary employment is for more than five months in any calendar year shall be eligible to participate in that offering under the ESPP, provided that the employee does not, after the first date of each month, own 5% or more of the total combined voting power or value of all classes of stock of Microsoft or of a subsidiary within its group. Participation is limited to (i) \$25,000 of the Fair Market Value of Microsoft Shares (at the time of the Offering Date) per calendar year in which rights under the ESPP are outstanding and (ii) 5% of Microsoft voting or capital shares.</p> <p>Eligible employees are offered participation in the ESPP and may decide to enroll in the ESPP (“Participating Employees”). Once enrolled, Participating Employees may purchase Microsoft Shares at a discount during successive purchase periods. The ESPP operates with four three-month offerings per calendar year (“Purchase Periods”), which commence on January 1, April 1, July 1 and October 1 (“Offering Date”) and expire on March 31, June 30, September 30 and December 31. Microsoft Shares are purchased on the last regular business day of each Purchase Period. Participation in the ESPP is valid during the current Purchase Period and during the subsequent Purchase Periods. No Participating Employee may purchase more than 2,000 Microsoft Shares during any single Purchase Period.</p> <p>During each three-month Purchase Period, Participating Employees contribute to the ESPP by payroll deductions of up to 15% of their salary (i.e., the employer automatically deducts this amount from the employee’s salary). The accumulated payroll deductions are used to purchase the Microsoft Shares on the last regular business day of each Purchase Period (“Date of Exercise”). The purchase price per Microsoft Share is 90% of the Fair Market Value of a Microsoft Share on the Date of Exercise (“Purchase Price”). “Fair Market Value” means the closing bid price as reported on NASDAQ.</p> <p>Eligible employees who wish to participate in the ESPP complete an enrollment agreement (the “Form”) provided by Microsoft and submit it to Microsoft, or to such other entity designated by Microsoft for this purpose, prior to the commencement of the relevant Purchase Period, to contribute to the ESPP. In order to participate in the Purchase Period beginning July 1, 2014, eligible employees must enroll by June 30, and in order to participate in the Purchase Period beginning October 1, 2014, eligible</p>
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		<p>employees must enroll by September 30. Employees may authorize payroll deductions in an amount between 1% and 15% of their compensation for participation in the ESPP. The Participating Employee specifies in the Form the percentage (in whole percentages) which he/she authorizes for deductions from his/her compensation for the ESPP. The Participating Employee may at any time during a Purchase Period change the percentage of authorized deductions, but only with respect to the next Purchase Period. There is no charge to Participating Employees for the acquisition or holding of the Microsoft Shares under the ESPP.</p> <p>Rights under the ESPP may not be transferred in any way by Participating Employees other than by will or the laws of descent and distribution.</p> <p>On June 13, 2012, the ESPP was amended and restated by the Board and approved by the shareholders of the Company at the Annual Meeting of Shareholders of Microsoft held on November 28, 2012. The primary purpose of the amendments was to extend the term of the ESPP until December 31, 2022. In practice, there were no significant changes that directly impacted Participating Employees in the EEA.</p> <p>As of June 1, 2014, there were 176,966,400 Microsoft Shares remaining available for issuance under the ESPP on a worldwide basis (out of a maximum of 200,000,000 Microsoft Shares authorized for the duration of the ESPP).</p>									
E.4	Description of material interest to the offer including conflict of interests	Not applicable. There are no such interests.									
E.5	Name of the entity offering to sell the security	Microsoft Corporation.									
E.6	Maximum dilution	<p>The holdings of a shareholder of Microsoft currently holding 1% of the total outstanding share capital of Microsoft as of April 17, 2014, i.e., 82,604,120 Microsoft Shares, and who is not an eligible employee participating in the offer, would be diluted as indicated in the following table:</p> <table border="1"> <thead> <tr> <th></th> <th>Percentage of the total outstanding Microsoft Shares</th> <th>Total number of outstanding Microsoft Shares</th> </tr> </thead> <tbody> <tr> <td>Before the issuance of Microsoft Shares under the ESPP (as of April 17, 2014)</td> <td>1.00%</td> <td>8,260,411,967</td> </tr> <tr> <td>After issuance of 24,086,170.8 Microsoft Shares under the ESPP</td> <td>0.997%</td> <td>8,284,498,137.8</td> </tr> </tbody> </table>		Percentage of the total outstanding Microsoft Shares	Total number of outstanding Microsoft Shares	Before the issuance of Microsoft Shares under the ESPP (as of April 17, 2014)	1.00%	8,260,411,967	After issuance of 24,086,170.8 Microsoft Shares under the ESPP	0.997%	8,284,498,137.8
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E.7	Estimated expenses charged to the investor	Not applicable. There are no such expenses.									

THE FOLLOWING INFORMATION IS NOT PART OF THE PROSPECTUS SUMMARY

PART II — PROSPECTUS

SECTION A — RISK FACTORS**I. RISKS RELATED TO MICROSOFT'S BUSINESS AND INDUSTRY**

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock.

We face intense competition across all markets for our products and services, which may lead to lower revenue or operating margins.

Competition in the technology sector

Our competitors range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product lines may let them be more effective in deploying technical, marketing, and financial resources. Barriers to entry in our businesses generally are low and software products can be distributed broadly and quickly at relatively low cost. Many of the areas in which we compete evolve rapidly with changing and disruptive technologies, shifting user needs, and frequent introductions of new products and services. Our ability to remain competitive depends on our success in making innovative products, devices, and services that appeal to businesses and consumers.

Competition among platforms, ecosystems, and devices

An important element of our business model has been to create platform-based ecosystems on which many participants can build diverse solutions. A well-established ecosystem creates beneficial network effects among users, application developers, and the platform provider that can accelerate growth. Establishing significant scale in the marketplace is necessary to achieve and maintain attractive margins. The strategic importance of developing and maintaining a vibrant ecosystem increased with the launch of the Windows 8 operating system, Surface, Windows Phone, Xbox, and associated cloud-based services. We face significant competition from firms that provide competing platforms, applications, and services.

- A competing vertically-integrated model, in which a single firm controls the software and hardware elements of a product and related services, has been successful with some consumer products such as personal computers, tablets, mobile phones, gaming consoles, and digital music players. Competitors pursuing this model also earn revenue from services that are integrated with the hardware and software platform. We also offer some vertically-integrated hardware and software products and services; however, our competitors in smartphones and tablets have established significantly larger user bases. Efforts to compete with the vertically integrated model will increase our cost of revenue and reduce our operating margins.
- We derive substantial revenue from licenses of Windows operating systems on personal computers. We face substantial competitive challenges from competing platforms developed for new devices and form factors such as smartphones and tablet computers. These devices compete on multiple bases including price and the perceived utility of the device and its platform. Users are increasingly turning to these devices to perform functions that in the past would have been performed by personal computers. Even if many users view these devices as

complementary to a personal computer, the prevalence of these devices may make it more difficult to attract applications developers to our platforms. In addition, Surface competes with products made by our original equipment manufacturer ("OEM") partners, which may affect their commitment to our platform.

- Competing platforms have applications marketplaces (sometimes referred to as "stores") with scale and significant installed bases on mobile devices. These applications leverage free and user-paid services that over time result in disincentives for users to switch to competing platforms. In order to compete, we must successfully enlist developers to write applications for our marketplace and ensure that these applications have high quality, customer appeal, and value. Efforts to compete with these application marketplaces may increase our cost of revenue and lower our operating margins.

Business model competition

Companies compete with us based on a growing variety of business models.

- Under the license-based proprietary software model that generates most of our revenue, we bear the costs of converting original ideas into software products through investments in research and development, offsetting these costs with the revenue received from licensing our products. Many of our competitors also develop and sell software to businesses and consumers under this model and we expect this competition to continue.
- Other competitors develop and offer free applications, online services and content, and make money by selling third-party advertising. Advertising revenue funds development of products and services these competitors provide to users at no or little cost, competing directly with our revenue-generating products.
- Some companies compete with us using an open source business model by modifying and then distributing open source software at nominal cost to end-users and earning revenue on advertising or complementary services and products. These firms do not bear the full costs of research and development for the software. Some open source software vendors develop software that mimics the features and functionality of our products.

The competitive pressures described above may result in decreased sales volumes, price reductions, and/or increased operating costs, such as for marketing and sales incentives. This may lead to lower revenue, gross margins, and operating income.

Our increasing focus on services presents execution and competitive risks. A growing part of our strategy involves cloud-based services used with smart devices. Our competitors are rapidly developing and deploying cloud-based services for consumers and business customers. Pricing and delivery models are evolving. Devices and form factors influence how users access services in the cloud and in some cases the user's choice of which suite of cloud-based services to use. We are devoting significant resources to develop and deploy our own competing cloud-based strategies. The Windows ecosystem must continue to evolve with this changing environment. While we believe our expertise, investments in infrastructure, and the breadth of our cloud-based services provide us with a strong foundation to compete, it is uncertain whether our strategies will attract the users or generate the revenue required to be successful. In addition to software development costs, we are incurring costs to build and maintain infrastructure to support cloud computing services. These costs may reduce the operating margins we have previously achieved. Whether we are successful in this new business model depends on our execution in a number of areas, including:

- continuing to bring to market compelling cloud-based experiences that generate increasing traffic and market share;

- maintaining the utility, compatibility, and performance of our cloud-based services on the growing array of computing devices, including PCs, smartphones, tablets, and television-related devices including gaming consoles;
- continuing to enhance the attractiveness of our cloud platforms to third-party developers; and
- ensuring that our cloud-based services meet the reliability expectations of our customers and maintain the security of their data.

In July 2013, we announced a change in organizational structure as part of our transformation to a devices and services company. This change in structure is designed to enable us to innovate with greater speed, efficiency, and capability in the fast-changing competitive environment. We expect this change to alter the way we plan, develop, and market our products and services, as we pursue a single strategy to offer a family of devices and services designed to empower our customers for the activities they value most. It is uncertain whether our “One Microsoft” strategy will yield the anticipated efficiencies or competitive benefits.

As we increasingly license cloud-based versions of our products and services, such as Office 365, rather than licensing transaction-based products and services, the associated revenue will shift from being recognized at the time of the transaction to being recognized over the period of the subscription.

We make significant investments in new products and services that may not be profitable. We will continue to make significant investments in research, development, and marketing for existing products, services, and technologies, including the Windows operating system, the Microsoft Office system, Bing, Windows Phone, Windows Server, the Windows Store, the Microsoft Azure Services platform, Office 365, other cloud-based services offerings, and the Xbox entertainment platform. We will continue to invest in new software and hardware products, services, and technologies, such as the Microsoft-designed and manufactured Surface devices. Investments in new technology are speculative. Commercial success depends on many factors, including innovativeness, developer support, and effective distribution and marketing. If customers do not perceive our latest offerings as providing significant new functionality or other value, they may reduce their purchases of new software products or upgrades, unfavorably impacting revenue. We may not achieve significant revenue from new product, service, and distribution channel investments for a number of years, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for some new products and businesses will not be as high as the margins we have experienced historically.

In 2012, we launched Windows 8, a major new release of our operating system, which seeks to deliver a unique user experience through well-integrated software, hardware, and services. In 2013, we released the Windows 8.1 update. The success of Windows 8 depends on a number of factors including the extent to which customers embrace the new user interface and functionality, successfully coordinating with our OEM partners in releasing a variety of hardware devices that take advantage of new features, pricing Windows 8-based devices competitively, and attracting developers at scale to ensure a competitive array of quality applications. The marketing costs we are incurring to promote Windows 8 and associated services and devices may reduce our operating margins.

Acquisitions, joint ventures, and strategic alliances may have an adverse effect on our business.

We expect to continue making acquisitions or entering into joint ventures and strategic alliances as part of our long-term business strategy. These transactions involve significant challenges and risks including that the transaction does not advance our business strategy, that we do not get a satisfactory return on our investment, that we have difficulty integrating new employees, business systems, and technology, or that the transaction distracts management from our other businesses. In September 2013, we announced an agreement with Nokia Corporation to acquire substantially all its Devices and Services business, including patent licensing and financing agreements. Factors that may prevent us from realizing the financial and other benefits from this transaction include: the response to the acquisition by the customers, employees, and strategic and business partners of Nokia’s Devices and Services business;

the extent to which we achieve anticipated operating efficiencies and cost savings, and anticipated smart device and mobile phone market share targets; the overall growth rates for the smart device and mobile phone markets; ongoing downward pressure on prices for mobile devices; unanticipated restructuring expenses; any restrictions or limitations imposed by regulatory authorities; our management and organizational changes resulting from acquisition of Nokia's Devices and Services business; the ability to retain key Nokia personnel; our effectiveness in integrating the Nokia Devices and Services business with Microsoft's businesses; the response of existing Microsoft smart devices original equipment manufacturers; and risks related to the Nokia Devices and Services international operations. These transactions provide opportunities to enhance our existing products and services; their success will depend in part on our ability to provide compelling experiences that distinguish us from our competitors in consumer and business markets. It may take longer than expected to realize the full benefits from these transactions, such as increased revenue, enhanced efficiencies, or increased market share, or the benefits may ultimately be smaller than we expected. These events could adversely affect our operating results or financial condition.

We may not be able to adequately protect our intellectual property rights. Protecting our global intellectual property rights and combating unlicensed copying and use of our software and other intellectual property is difficult. While piracy adversely affects U.S. revenue, the impact on revenue from outside the U.S. is more significant, particularly in countries where laws are less protective of intellectual property rights. As a result, our revenue in these markets may grow slower than the underlying PC market. Similarly, the absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights. Throughout the world, we educate consumers about the benefits of licensing genuine products and obtaining indemnification benefits for intellectual property risks, and we educate lawmakers about the advantages of a business climate where intellectual property rights are protected. However, continued educational and enforcement efforts may fail to enhance revenue. Reductions in the legal protection for software intellectual property rights could adversely affect revenue.

Third parties may claim we infringe their intellectual property rights. From time to time, others claim we infringe their intellectual property rights. The number of these claims may grow because of constant technological change in the markets in which we compete, the extensive patent coverage of existing technologies, the rapid rate of issuance of new patents, and our offering of Microsoft-branded services and hardware devices, such as Surface. To resolve these claims we may enter into royalty and licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products or services, or pay damages to satisfy indemnification commitments with our customers. These outcomes may cause operating margins to decline. In addition to money damages, in some jurisdictions plaintiffs can seek injunctive relief that may limit or prevent importing, marketing, and selling our products or services that have infringing technologies. In some countries, such as Germany, an injunction can be issued before the parties have fully litigated the validity of the underlying patents. We have paid significant amounts to settle claims related to the use of technology and intellectual property rights and to procure intellectual property rights as part of our strategy to manage this risk, and may continue to do so in the future.

We may not be able to protect our source code from copying if there is an unauthorized disclosure of source code. Source code, the detailed program commands for our operating systems and other software programs, is critical to our business. Although we license portions of our application and operating system source code to a number of licensees, we take significant measures to protect the secrecy of large portions of our source code. If a significant portion of our source code leaks, we could potentially lose future trade secret protection for that source code. It may become easier for third parties to compete with our products by copying functionality, which could adversely affect our revenue and operating margins. Unauthorized disclosure of source code also could increase the security risks described in the next paragraph.

Cyber-attacks and security vulnerabilities could lead to reduced revenue, increased costs, liability claims, or harm to our competitive position.

Security of Microsoft's information technology

Threats to information technology ("IT") security can take a variety of forms. Individual and groups of hackers, as well as sophisticated organizations including state-sponsored organizations, may take steps that pose threats to our customers and our IT. They may develop and deploy malicious software to attack our products and services and gain access to our networks and datacenters, or act in a coordinated manner to launch distributed denial of service or other coordinated attacks. Breaches of our network or data security could disrupt the security of our internal systems and business applications, impair our ability to provide services to our customers and protect the privacy of their data, result in product development delays, compromise confidential or technical business information harming our competitive position, result in theft or misuse of our intellectual property, or otherwise adversely affect our business.

In addition, our internal IT environment continues to evolve. Often we are early adopters of new devices and technologies. We embrace new ways of sharing data and communicating internally and with partners and customers using methods such as social networking and other consumer-oriented technologies. These practices can enhance efficiency and business insight, but they also present risks that our business policies and internal security controls may not keep pace with the speed of these changes.

Security of our customers' products and services

Security threats are a particular challenge to companies like us whose business is technology products and services. Threats to our own IT infrastructure also affect our customers. Customers using our cloud-based services rely on the security of our infrastructure to ensure the reliability of our services and the protection of their data. Hackers tend to focus their efforts on the most popular operating systems, programs, and services, including many of ours, and we expect that to continue. The security of our products and services is important in our customers' purchasing decisions.

We devote significant resources to defend against security threats, both to our internal IT systems and those of our customers. These include:

- engineering more secure products and services;
- enhancing security and reliability features in our products and services, and continuously evaluating and updating those security and reliability features;
- improving the deployment of software updates to address security vulnerabilities;
- investing in mitigation technologies that help to secure customers from attacks even when software updates are not deployed;
- protecting the digital security infrastructure that ensures the integrity of our products and services;
- helping our customers make the best use of our products and services to protect against computer viruses and other attacks; and
- providing customers online automated security tools, published security guidance, and security software such as firewalls and anti-virus software.

The cost of these steps could reduce our operating margins. Despite these efforts, actual or perceived security vulnerabilities in our products and services could harm our reputation and lead some customers to reduce or delay future purchases of products or subscriptions to services, or to use competing products or services. Customers may also spend more on protecting their existing computer systems from attack,

which could delay adoption of additional products or services. Any of these actions by customers could adversely affect our revenue. Actual or perceived vulnerabilities may lead to claims against us. Although our license agreements typically contain provisions that eliminate or limit our exposure to liability, there is no assurance these provisions will withstand legal challenges. Legislative or regulatory action in these areas may increase the costs to develop or implement our products and services.

Disclosure of personal data could result in liability and harm our reputation. As we continue to grow the number and scale of our cloud-based offerings, we store and process increasingly large amounts of personally identifiable information of our customers. At the same time, the continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to information security. Despite our efforts to improve the security controls across our business groups and geographies, it is possible our security controls over personal data, our training of employees and vendors on data security, and other practices we follow may not prevent the improper disclosure of personally identifiable information that we or our vendors store and manage. Improper disclosure could harm our reputation, lead to legal exposure to customers, or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue. Our software products and services also enable our customers to store and process personal data on premise or, increasingly, in a cloud-based environment we host. We believe consumers using our email, messaging, storage, sharing, and social networking services will increasingly want efficient, centralized methods of choosing their privacy preferences and controlling their data. Like all providers of communications services, government authorities can sometimes require us to produce customer data in response to valid legal orders. In the U.S. and elsewhere, we advocate for transparency concerning these requests and appropriate limitations on government authority to compel disclosure. Despite our efforts to protect customer data, perceptions that the privacy of personal information is not satisfactorily protected could inhibit sales of our products or services, and could limit adoption of our cloud-based solutions by consumers, businesses, and government entities. Additional security measures we may take to address customer concerns, or constraints on our flexibility to determine where and how to operate datacenters, may result in higher operating expenses.

We may have outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure. Our increasing user traffic and the complexity of our products and services demand more computing power. We spend substantial amounts to purchase or lease datacenters and equipment and to upgrade our technology and network infrastructure to handle more traffic on our websites and in our datacenters, and to introduce new products and services and support existing services such as Bing, Exchange Online, Office 365, SharePoint Online, OneDrive, Skype, Xbox Live, Microsoft Azure, Outlook.com, and Microsoft Office Web Apps. We also are growing our business of providing a platform and back-end hosting for services provided by third-parties to their end users. Maintaining and expanding this infrastructure is expensive and complex. Inefficiencies or operational failures, including temporary or permanent loss of customer data, could diminish the quality of our products, services, and user experience resulting in contractual liability, claims by customers and other third parties, damage to our reputation and loss of current and potential users, subscribers, and advertisers, each of which may harm our operating results and financial condition.

Government litigation and regulatory activity may limit how we design and market our products. As a leading global software maker, we are closely scrutinized by government agencies under U.S. and foreign competition laws. Some jurisdictions also allow competitors or consumers to assert claims of anti-competitive conduct. For example, we were sued on competition law grounds by the U.S. Department of Justice, 18 states, and the District of Columbia in the late 1990s. The resolution of the government lawsuits imposed various constraints on our Windows operating system businesses. Although these constraints expired in May 2011, we expect that federal and state antitrust authorities will continue to closely scrutinize our business.

The European Commission closely scrutinizes the design of high-volume Microsoft products and the terms on which we make certain technologies used in these products, such as file formats, programming interfaces, and protocols, available to other companies. In 2004, the Commission ordered us to create new versions of Windows that do not include certain multimedia technologies and to provide our

competitors with specifications for how to implement certain proprietary Windows communications protocols in their own products. In 2009, the Commission accepted a set of commitments offered by Microsoft to address the Commission's concerns relating to competition in Web browsing software, including an undertaking to address Commission concerns relating to interoperability. These obligations may limit our ability to innovate in Windows or other products in the future, diminish the developer appeal of the Windows platform, and increase our product development costs. The availability of licenses related to protocols and file formats may enable competitors to develop software products that better mimic the functionality of our products, which could hamper sales of our products.

Government regulatory actions and court decisions such as these may hinder our ability to provide the benefits of our software to consumers and businesses, reducing the attractiveness of our products and the revenue that come from them. New competition law actions could be initiated at any time. The outcome of such actions, or steps taken to avoid them, could adversely affect us in a variety of ways, including:

- We may have to choose between withdrawing products from certain geographies to avoid fines or designing and developing alternative versions of those products to comply with government rulings, which may entail a delay in a product release and removing functionality that customers want or on which developers rely.
- We may be required to make available licenses to our proprietary technologies on terms that do not reflect their fair market value or do not protect our associated intellectual property.
- The rulings described above may be used as precedent in other competition law proceedings.
- We are subject to a variety of ongoing commitments as a result of court or administrative orders, consent decrees or other voluntary actions we have taken. If we fail to comply with these commitments we may incur litigation costs and be subject to substantial fines or other remedial actions. For example, in July 2012, we announced that, for some PCs sold in Europe, we were not in compliance with our 2009 agreement to display a "Browser Choice Screen" on Windows PCs where Internet Explorer is the default browser. As a result, the European Commission imposed a fine of €561 million (approximately \$733 million).

Our products and online services offerings, including new technologies we develop or acquire such as Skype, are subject to government regulation in some jurisdictions, including in areas of user privacy, telecommunications, data protection, and online content. The application of these laws and regulations to our business is often unclear, subject to change over time, and sometimes may conflict from jurisdiction to jurisdiction. Additionally these laws and governments' approach to their enforcement, as well as our products and services, are continuing to evolve. Compliance with these types of regulation may involve significant costs or require changes in products or business practices that result in reduced revenue. Noncompliance could result in penalties being imposed on us or orders that we stop the alleged noncompliant activity.

Our business depends on our ability to attract and retain talented employees. Our business is based on successfully attracting and retaining talented employees. The market for highly skilled workers and leaders in our industry is extremely competitive. We are limited in our ability to recruit internationally by restrictive domestic immigration laws. If we are less successful in our recruiting efforts, or if we are unable to retain key employees, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution.

Delays in product development schedules may adversely affect our revenue. The development of software products is a complex and time-consuming process. New products and enhancements to existing products can require long development and testing periods. Our increasing focus on devices and

cloud-based services also presents new and complex development issues. Significant delays in new product or service releases or significant problems in creating new products or services could adversely affect our revenue.

Adverse economic or market conditions may harm our business. Worsening economic conditions, including inflation, recession, or other changes in economic conditions, may result in lower IT spending and adversely affect our revenue. If demand for PCs, servers, and other computing devices declines, or consumer or business spending for those products declines, our revenue will be adversely affected. A substantial amount of our revenue comes from U.S. government contracts. An extended federal government shutdown resulting from the failure to pass budget appropriations, adopt continuing funding resolutions or raise the debt ceiling, as well as other budgetary decisions limiting or delaying federal government spending generally, could reduce government IT spending on our products and services and adversely affect our revenues. Our product distribution system also relies on an extensive partner and retail network. OEMs building devices that run our software have also been a significant means of distribution. The impact of economic conditions on our partners, such as the bankruptcy of a major distributor, OEM, or retailer, could result in sales channel disruption. Challenging economic conditions also may impair the ability of our customers to pay for products and services they have purchased. As a result, allowances for doubtful accounts and write-offs of accounts receivable may increase. We maintain an investment portfolio of various holdings, types, and maturities. These investments are subject to general credit, liquidity, market, and interest rate risks, which may be exacerbated by unusual events that affect global financial markets. A significant part of our investment portfolio consists of U.S. government securities. If global credit and equity markets decline for long periods, or if there is a downgrade of the U.S. government credit rating due to an actual or threatened default on government debt, our investment portfolio may be adversely impacted and we could determine that more of our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely affect our financial results.

We have claims and lawsuits against us that may result in adverse outcomes. We are subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

We may have additional tax liabilities. We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We regularly are under audit by tax authorities. Economic and political pressures to increase tax revenues in various jurisdictions may make resolving tax disputes more difficult. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our financial statements in the period or periods for which that determination is made.

We earn a significant amount of our operating income from outside the U.S., and any repatriation of funds currently held in foreign jurisdictions to the U.S. may result in higher effective tax rates for the company. In addition, there have been proposals from Congress to change U.S. tax laws that would significantly impact how U.S. multinational corporations are taxed on foreign earnings. Although we cannot predict whether or in what form any proposed legislation may pass, if enacted it could have a material adverse impact on our tax expense and cash flows.

Our hardware and software products may experience quality or supply problems. Our vertically-integrated hardware products such as the Xbox console, Surface, and other hardware devices we design and market are highly complex and can have defects in design, manufacture, or associated software. We could incur significant expenses, lost revenue, and reputational harm if we fail to detect or effectively address such issues through design, testing, or warranty repairs. We get some device components from

sole suppliers. Our competitors use some of the same suppliers and their demand for hardware components can affect the capacity available to us. If a component from a sole-source supplier is delayed or becomes unavailable, whether because of supplier capacity constraint or industry shortages, we may be unable to obtain timely replacement supplies, resulting in reduced sales. Component shortages, excess or obsolete inventory, or price reductions resulting in inventory adjustments may increase our cost of revenue. Xbox consoles and Surface are assembled in Asia; disruptions in the supply chain may result in shortages that would affect our revenue and operating margins. These same risks would apply to any other vertically-integrated hardware and software products we may offer.

Our stand-alone software products also may experience quality or reliability problems. The highly sophisticated software products we develop may contain bugs and other defects that interfere with their intended operation. Any defects we do not detect and fix in pre-release testing could result in reduced sales and revenue, damage to our reputation, repair or remediation costs, delays in the release of new products or versions, or legal liability. Although our license agreements typically contain provisions that eliminate or limit our exposure to liability, there is no assurance these provisions will withstand legal challenge.

If our goodwill or amortizable intangible assets become impaired we may be required to record a significant charge to earnings. We acquire other companies and intangible assets and may not realize all the economic benefit from those acquisitions, which could result in an impairment of goodwill or intangibles. Under U.S. GAAP, we review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable, include a decline in our stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in our industry. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, negatively impacting our results of operations. For example, in the fourth quarter of fiscal year 2012, we recorded a \$6.2 billion charge for the impairment of goodwill in our previous Online Services Division business (D&C Other under our current segment structure).

We operate a global business that exposes us to additional risks. We operate in over 100 countries and a significant part of our revenue comes from international sales. Competitive or regulatory pressure to make our pricing structure uniform might require that we reduce the sales price of our software in the U.S. and other countries. Operations outside the U.S. may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment. The Foreign Corrupt Practices Act and local laws (“Anti-Corruption Laws”) prohibit corrupt payments by our employees, vendors, or agents. While we devote substantial resources to our global compliance programs and have implemented policies, training, and internal controls designed to reduce the risk of corrupt payments, if we fail to comply with Anti-Corruption Laws, we may be exposed to significant fines and penalties. Emerging markets are a significant focus of our international growth strategy. The developing nature of these markets presents a number of risks, including deterioration of social, political, labor, or economic conditions in a specific country or region, and difficulties in staffing and managing foreign operations. Although we hedge a portion of our international currency exposure, significant fluctuations in exchange rates between the U.S. dollar and foreign currencies may adversely affect our revenue.

Catastrophic events or geo-political conditions may disrupt our business. A disruption or failure of our systems or operations because of a major earthquake, weather event, cyber-attack, terrorist attack, or other catastrophic event could cause delays in completing sales, providing services, or performing other mission-critical functions. Our corporate headquarters, a significant portion of our research and development activities, and certain other critical business operations are located in the Seattle, Washington area, and we have other business operations in the Silicon Valley area of California, both of which are near major earthquake faults. A catastrophic event that results in the destruction or disruption of any of our critical business or IT systems could harm our ability to conduct normal business operations. Our move toward providing our customers with more services and solutions in the cloud puts a premium

on the resilience of our systems and strength of our business continuity management plans, and magnifies the potential impact of prolonged service outages on our operating results.

Abrupt political change, terrorist activity, and armed conflict pose a risk of general economic disruption in affected countries, which may increase our operating costs. These conditions also may add uncertainty to the timing and budget for technology investment decisions by our customers, and may result in supply chain disruptions for hardware manufacturers, either of which may adversely affect our revenue. The long-term effects of climate change on the global economy in general or the IT industry in particular are unclear. Environmental regulations or changes in the supply, demand or available sources of energy may affect the availability or cost of goods and services, including natural resources, necessary to run our business. Changes in weather where we operate may increase the costs of powering and cooling computer hardware we use to develop software and provide cloud-based services.

II. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

2.1 Risk

We are exposed to economic risk from foreign currency exchange rates, interest rates, credit risk, equity prices, and commodity prices. A portion of these risks is hedged, but they may impact our financial statements.

Foreign Currency

Certain forecasted transactions, assets, and liabilities are exposed to foreign currency risk. We monitor our foreign currency exposures daily and use hedges where practicable to offset the risks and maximize the economic effectiveness of our foreign currency positions. Principal currencies hedged include the euro, Japanese yen, British pound, and Canadian dollar.

Interest Rate

Our fixed-income portfolio is diversified across credit sectors and maturities, consisting primarily of investment-grade securities. The credit risk and average maturity of the fixed-income portfolio is managed to achieve economic returns that correlate to certain global and domestic fixed-income indices. In addition, we use “To Be Announced” forward purchase commitments of mortgage-backed assets to gain exposure to agency and mortgage-backed securities.

Equity

Our equity portfolio consists of global, developed, and emerging market securities that are subject to market price risk. We manage the securities relative to certain global and domestic indices and expect their economic risk and return to correlate with these indices.

Commodity

We use broad-based commodity exposures to enhance portfolio returns and facilitate portfolio diversification. Our investment portfolio has exposure to a variety of commodities, including precious metals, energy, and grain. We manage these exposures relative to global commodity indices and expect their economic risk and return to correlate with these indices.

2.2 Value-at-Risk

We use a value-at-risk (“VaR”) model to estimate and quantify our market risks. VaR is the expected loss, for a given confidence level, in the fair value of our portfolio due to adverse market movements over a defined time horizon. The VaR model is not intended to represent actual losses in fair value, including

determinations of other-than-temporary losses in fair value in accordance with U.S GAAP, but is used as a risk estimation and management tool. The distribution of the potential changes in total market value of all holdings is computed based on the historical volatilities and correlations among foreign currency exchange rates, interest rates, equity prices, and commodity prices, assuming normal market conditions.

The VaR is calculated as the total loss that will not be exceeded at the 97.5 percentile confidence level or, alternatively stated, the losses could exceed the VaR in 25 out of 1,000 cases. Several risk factors are not captured in the model, including liquidity risk, operational risk, and legal risk. The following table sets forth the one-day VaR for substantially all of our positions as of March 31, 2014 and June 30, 2013 and for the three months ended March 31, 2014:

(In millions)

Risk Categories	March 31, 2014	June 30, 2013	Three Months Ended March 31, 2014		
			Average	High	Low
Foreign currency	\$ 199	\$ 199	\$ 244	\$ 287	\$ 199
Interest rate	\$ 81	\$ 85	\$ 80	\$ 82	\$ 78
Equity	\$ 215	\$ 181	\$ 217	\$ 226	\$ 208
Commodity	\$ 18	\$ 19	\$ 18	\$ 19	\$ 18

Total one-day VaR for the combined risk categories was \$391 million at March 31, 2014 and \$350 million at June 30, 2013. The total VaR is 24% less at March 31, 2014 and 28% less at June 30, 2013 than the sum of the separate risk categories in the table above due to the diversification benefit of the combination of risks.

SECTION B — SUPPLEMENTAL INFORMATION CONCERNING THE ESPP

I. THE OUTLINE

1.1 Purpose of the ESPP

The purpose of the ESPP is to provide a convenient method for eligible employees to become shareholders in Microsoft, as it is believed that employee participation in the ownership of Microsoft will be to the mutual benefit of both the employees and Microsoft.

1.2 Microsoft Shares Offered Under the ESPP

Subject to the provisions described below relating to adjustments upon change in the stock, the maximum number of Microsoft Shares offered for purchase or subscription under the ESPP is 200,000,000, representing approximately 2.42% of the 8,260,411,967 Microsoft Shares outstanding as of April 17, 2014. There have been no material changes in the number of Microsoft Shares issued and outstanding since that date. Each Microsoft Share has a par value of \$0.00000625.

With respect to each Purchase Period, each Participating Employee will be granted a right to purchase the number of Microsoft Shares with payroll deductions accumulated in an account maintained on behalf of such employee (the "Account") during each Purchase Period at the Purchase Price specified in Section

1.4 below, subject to the limitations imposed by the ESPP. The purchase of Microsoft Shares may include fractional shares. Notwithstanding any other provision of the ESPP to the contrary, no Participating Employee in the ESPP shall be granted a right to purchase Microsoft Shares under the ESPP or any other employee stock purchase plans of Microsoft and its subsidiaries at a rate which exceeds \$25,000 of the Fair Market Value of such Microsoft Shares (determined at the time such right to purchase is granted). Moreover, no Participating Employee may purchase more than 2,000 Microsoft Shares during any single Purchase Period.

In the event of reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, offerings of rights, or any other change in the structure of the Microsoft Shares, the Committee may make such adjustment, if any, as it may deem appropriate in the number, kind, and the price of shares available for purchase under the ESPP, and in the number of shares which an eligible employee is entitled to purchase including, without limitation, closing a Purchase Period early and permitting purchase on the last business day of such reduced Purchase Period, or terminating a Purchase Period and refunding Participating Employees' Account balances.

1.3 Purchase Period

The ESPP operates with four three-month Purchase Periods per calendar year, which commence on January 1, April 1, July 1, and October 1 and expire on March 31, June 30, September 30, and December 31. Microsoft Shares are purchased on the last regular business day of each Purchase Period (the Date of Exercise).

Participation in the ESPP is valid during the current Purchase Period and during the subsequent Purchase Periods unless any event triggering termination of the ESPP, as provided in the ESPP, occurs. Microsoft may require Participating Employees to complete a new Form at any time it deems necessary or desirable to facilitate ESPP administration or for any other reason.

1.4 Purchase Price

The Purchase Price per share shall be 90% of the Fair Market Value of a Microsoft Share on the Date of Exercise. "Fair Market Value" means the closing bid price as reported on NASDAQ or the other primary trading market for the Microsoft Shares.

1.5 Purchase of Stock

Each Participating Employee who continues to be a participant in a Purchase Period on the Date of Exercise is deemed to have exercised his/her option on such date and will be deemed to have purchased from the Company the number of Microsoft Shares (which may include a fractional share) that his/her accumulated payroll deductions on such date will pay for at the Purchase Price.

1.6 Term of the ESPP

The ESPP will continue in effect until the earlier of: (a) December 31, 2022; (b) the dissolution of the Company or of the effective date of a merger or consolidation wherein the Company is not to be the surviving corporation; (c) its termination by the Board; or (d) the date on which all of the Microsoft Shares reserved under the ESPP have been purchased.

1.7 Amendment or Discontinuance of the ESPP

The Committee has the right at any time and without notice to amend or modify the ESPP except to the extent the Board has reserved such authority to itself with respect to any aspect of the ESPP, and the Board has the right at any time and without notice to amend, modify or terminate the ESPP; provided that no Participating Employee's existing rights under any Purchase Period may be adversely affected thereby, and provided further that no such amendment of the ESPP will, except as provided in case of

changes in capitalization, increase above 200,000,000 Microsoft Shares the total number of Microsoft Shares to be offered unless shareholders' approval is obtained therefore.

II. ELIGIBILITY

2.1 Eligible Employees

Employees who are in the employ of any Participating Subsidiary (including the Designated EEA Subsidiaries) on the last business day preceding an Offering Date are eligible to participate in that offering under the ESPP, provided that the employee does not, after the first date of each month, own 5% or more of the total combined voting power or value of all classes of stock of Microsoft or of a subsidiary within its group. There are no conditions of seniority or length of employment contract.

Any employee of a Participating Company who is in the employ of any Participating Company on the last business day preceding the Offering Date for an offering is eligible to participate in that Purchase Period, except employees whose customary employment is for not more than five months in any calendar year.

2.2 Participation of Eligible Employees

Eligible employees who wish to participate in the ESPP must complete the Form provided by Microsoft and submit it to Microsoft, or to such other entity designated by Microsoft for this purpose, prior to the commencement of the relevant Purchase Period, to contribute to the ESPP.

At the end of each Purchase Period, each Participating Employee who continues to be eligible to participate in the ESPP will be automatically re-enrolled in the next Purchase Period, unless the Participating Employee has advised the Company otherwise. Upon termination of the ESPP, any balance in each Participating Employee's Account will be refunded to him/her.

2.3 Payroll Deductions

Employees may authorize payroll deductions in an amount between 1% and 15% of their compensation for participation in the ESPP. The Participating Employee must specify in the Form the percentage (in whole percentages) which he/she authorizes for deductions from his/her compensation for the ESPP. The Participating Employee may at any time during a Purchase Period change the percentage of authorized deductions, but only with respect to the next Purchase Period.

All payroll deductions made for a Participating Employee will be credited to his/her Account under the ESPP. No interest will be paid or credited to the Account of any Participating Employee with respect to such payroll deductions (except to the extent payment of interest on such amount is required by the laws of any applicable jurisdiction).

Payroll deductions commence on the Offering Date and continue through subsequent Purchase Periods until the Participating Employee's termination of employment, subject to modification by the Participating Employee and unless participation is earlier withdrawn or suspended by the Participating Employee.

2.4 Discontinuance of Participation of Participating Employees

A Participating Employee may withdraw from a Purchase Period, in whole but not in part, at any time prior to the first day of the last calendar month of such Purchase Period by submitting a Withdrawal Notice to the Company, in which event the Company will refund the entire balance of his/her deductions as soon as practicable thereafter.

A Participating Employee may, at any time prior to the first day of the last calendar month of a Purchase Period, reduce to zero the percentage by which he has elected to have his/her compensation reduced,

thereby suspending participation in the ESPP. Such reduction will be effective as soon as administratively feasible after receipt of the Participating Employee's election. Microsoft Shares will be purchased in accordance with Section 1.5 above based on the amounts accumulated in the Participating Employee's Account prior to the suspension of payroll deductions.

If a Participating Employee withdraws or suspends his/her participation pursuant to this Section, he/she will not participate in a subsequent Purchase Period unless and until he/she re-enters the ESPP. To re-enter the ESPP, an eligible employee who has previously withdrawn or suspended participation by reducing payroll deductions to zero must file a new Form. The eligible employee's re-entry into the ESPP will not become effective before the beginning of the next Purchase Period following his/her withdrawal or suspension, and if the eligible employee is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), he/she may not re-enter the ESPP before the beginning of the second Purchase Period following his/her withdrawal.

The suspension or withdrawal of a Participating Employee from the ESPP pursuant to this Section is free of charge for the Participating Employee.

2.5 Termination of Employment of Eligible Employees

Upon termination of employment for any reason whatsoever, including but not limited to death or retirement, the balance in the Account of a Participating Employee will be paid to the Participating Employee or his/her estate.

III. DELIVERY AND SALE OF THE SHARES

Following the end of each Purchase Period, the number of Microsoft Shares purchased by each Participating Employee will be deposited into an account established in the Participating Employee's name at the ESPP broker.

No Participating Employee is permitted to sell, assign, transfer, pledge or otherwise dispose of or encumber either the payroll deductions credited to his/her Account or any rights with regards to the purchase rights or rights to receive Microsoft Shares under the ESPP other than by will or the laws of descent and distribution, and such rights and interest will not be liable for, or subject to, the debts, contracts, or liabilities of the Participating Employee. If any such action is taken by the Participating Employee, or any claim is asserted by any other party in respect of such rights and interest whether by garnishment, levy, attachment or otherwise, such action or claim will be treated as an election to withdraw funds and participation from the ESPP. During the Participating Employee's lifetime, only the Participating Employee can make decisions regarding the participation or withdrawal from a Purchase Period under the ESPP.

IV. RIGHTS RELATED TO THE MICROSOFT SHARES

4.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code

As of March 31, 2014, Microsoft was authorized to issue 24,000,000,000 Microsoft Shares, par value \$0.00000625 per share. As of April 17, 2014, there were 8,260,411,967 Microsoft Shares issued and outstanding. There have been no material changes in the number of Microsoft Shares issued and outstanding since that date.

The Microsoft Shares are listed on NASDAQ under the symbol "MSFT." The CUSIP number for the Microsoft Shares is 594918104.

4.2 Legislation Under Which the Securities Have Been Created

The Microsoft Shares were created under the WBCA. Except as otherwise expressly required under the laws of a country, the ESPP and all rights thereunder shall be governed by and construed in accordance with the laws of the State of Washington, United States of America.

4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

In general, stockholders may hold Microsoft Shares either in certificated, uncertificated or street name form. The records are kept by Microsoft's transfer agent, American Stock Transfer and Trust Company LLC.

American Stock Transfer and Trust Company LLC can be contacted through the web at <http://www.amstock.com>, by telephone at 800-285-7772, Option 1 or 425-706-4400, Option 1 for those located outside of the U.S. or by mail at: American Stock Transfer and Trust Company, P.O. Box 2362, New York, NY 10272-2362, USA.

The Company's designated ESPP broker is currently Fidelity Investments. The address and telephone number of Fidelity Investments is:

Fidelity Investments
 P.O. Box 5000
 Cincinnati, OH 45273-8077 USA
 U.S. Telephone – 888-810-6738
 Non U.S. Telephone – International Access Code + 800-544-0275
<http://netbenefits.fidelity.com>

Participating Employees in Denmark are restricted to using Danske Bank as their designated broker. The address and telephone number of Danske Bank are:

Danske Bank
 Holmens Kanal Afdeling
 Holmens Kanal 2
 DK-1090 København K
 Telephone – +45 33 44 00 00

At Fidelity, Participating Employees are informed of the number of Microsoft Shares purchased via a confirmation of share purchase (either online or sent via mail, whichever the Participating Employee elects) and also a quarterly account statement.

At Danske Bank, Participating Employees are informed of the number of Microsoft Shares purchased via an annual account statement.

Commissions

There is no charge to Participating Employees for the acquisition or holding of the Microsoft Shares under the ESPP. Commissions related to the sale of Microsoft Shares are described below.

As of the date of this prospectus, the commission charged by Fidelity on sales of Microsoft Shares acquired under the ESPP is as follows:

Trade method	Commission (flat rate)
Online	US\$7.95
Fidelity Automated Service Telephone (FAST)	US\$12.95

Trade method	Commission (flat rate)
Fidelity Stock Plan service representative	US\$32.95

Participating Employees in Denmark may obtain a schedule of the sales commission charged by Danske Bank by contacting their local human resources department.

In addition, the SEC imposes a fee on the transfer of shares. This fee is paid to the SEC at the time of sale and is required for all equity trades. Upon selling the Microsoft Shares, Participating Employees will be charged a fee equal to \$0.0000221 multiplied by the total principal amount of the sale proceeds. The SEC will publish a revised fee rate 30 days after the SEC's regular appropriation for fiscal year 2015 is enacted, and this new fee rate will become effective 60 days after the appropriation is enacted.

4.4 Currency of the Securities Issue

The United States Dollar is the currency of the securities issue. Participating Employees assume the risk of any currency fluctuations at the time of (i) their contribution to the ESPP by payroll deductions and (ii) the selling of their Microsoft Shares.

4.5 Rights Attached to the Securities

No Participating Employee shall have any voting, dividend, or other shareholder rights with respect to any offering under the ESPP until the Microsoft Shares have been purchased and delivered to the Participating Employee as provided in Section III above. Following such purchase and delivery, the Participating Employee shall be entitled to the rights attached to the Microsoft Shares, as further described below:

Dividend Rights. Pursuant to the WBCA, the Board may authorize and Microsoft may make distributions to its shareholders subject to restriction by the articles of incorporation and the limitation set forth in Chapter 23B.06 of the WBCA as summarized below.

No distribution may be made if, after giving it effect, (i) the corporation would not be able to pay its liabilities as they become due in the usual course of business; or (ii) the corporation's total assets would be less than the sum of its total liabilities plus, unless the articles of incorporation permit otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

The following table sets forth cash dividend for fiscal years 2014 (to date) (unaudited), 2013 and 2012:

Declaration Date	Dividend Per Share	Record Date	Total Amount	Payment Date
(in millions)				
Fiscal Year 2014				
September 16, 2013	\$ 0.28	November 21, 2013	\$ 2,332	December 12, 2013
November 19, 2013	\$ 0.28	February 20, 2014	\$ 2,322	March 13, 2014
March 11, 2014	\$ 0.28	May 15, 2014	\$ 2,313	June 12, 2014
June 10, 2014	\$ 0.28	August 21, 2014	\$ 2,307	September 11, 2014
Fiscal Year 2013				
September 18, 2012	\$ 0.23	November 15, 2012	\$ 1,933	December 13, 2012
November 28, 2012	\$ 0.23	February 21, 2013	\$ 1,925	March 14, 2013
March 11, 2013	\$ 0.23	May 16, 2013	\$ 1,921	June 13, 2013
June 12, 2013	\$ 0.23	August 15, 2013	\$ 1,916	September 12, 2013

Declaration Date	Dividend Per Share	Record Date	Total Amount	Payment Date
			(in millions)	
Fiscal Year 2012				
September 20, 2011	\$ 0.20	November 17, 2011	\$ 1,683	December 8, 2011
December 14, 2011	\$ 0.20	February 16, 2012	\$ 1,683	March 8, 2012
March 13, 2012	\$ 0.20	May 17, 2012	\$ 1,678	June 14, 2012
June 13, 2012	\$ 0.20	August 16, 2012	\$ 1,676	September 13, 2012

Voting Rights. Except as may be otherwise provided in the Restated Articles of Incorporation, each stockholder shall be entitled to one vote for each Microsoft Share held by such stockholder. There are currently no contrary provisions in the Restated Articles of Incorporation.

Shareholders of Microsoft shall not have the right to cumulative votes in the election of directors (see Article VII of the Restated Articles of Incorporation of Microsoft).

The annual meeting of the shareholders of Microsoft for the election of directors and for the transaction of such other business as properly may be submitted to such annual meeting, shall be held at the hour and on the date designated by the Board or an authorized committee of the Board (see Article 1.1 of the Bylaws of Microsoft).

Following an amendment to the Restated Articles of Incorporation approved by Microsoft's shareholders at their annual meeting held on November 19, 2009, special meetings of the shareholders of Microsoft, for any purpose or purposes, may be called at any time by the Board, an authorized committee of the Board, or one or more shareholders holding 25% of the then outstanding Microsoft Shares (see Section 1.2 of the Bylaws of Microsoft).

No business may be transacted at an annual or special meeting of shareholders other than business that is:

- (a) specified in a notice of meeting given by or at the direction of the Board or an authorized committee thereof,
- (b) otherwise brought before the meeting by or at the direction of the Board or an authorized committee thereof,
- (c) specified in a notice of meeting stated in a shareholder special meeting request pursuant to Section 1.2 of the Bylaws, or
- (d) otherwise brought before an annual meeting:
 - (i) by (1) a shareholder that holds of record stock of the Company entitled to vote at the meeting on such business (including any election of a director) (a "Record Holder") or (2) a person (a "Nominee Holder") that holds such stock through a nominee or "street name" holder of record of such stock and can demonstrate to the Company such indirect ownership of such stock and such Nominee Holder's entitlement to vote such stock on such business, and
 - (ii) who complies with the notice procedures set forth in Section 1.13 (Record Holders and Nominee Holders are referred to as "Noticing Shareholders").

Clauses (c) and (d) of Section 1.3 shall be the exclusive means for a Noticing Shareholder to make director nominations or submit other business before a meeting of shareholders (other than proposals brought under Rule 14a-8 under the Exchange Act and included in Microsoft's notice of meeting, which proposals are not governed by the Bylaws). (see Section 1.3 of the Bylaws of Microsoft)

Meetings of shareholders shall be held at such place within or outside the State of Washington as determined by the Board, or the authorized committee of the Board, pursuant to proper notice (see Section 1.4 of the Bylaws of Microsoft).

At any meeting of the shareholders, a majority in interest of all the shares entitled to vote on a matter, represented by shareholders of record in person or by proxy, shall constitute a quorum of that voting group for action on that matter. A shareholder who abstains from voting on any or all proposals will be included in the number of shareholders present at the meeting for the purpose of determining the presence of a quorum. Abstentions and broker non-votes will not be counted either in favor of or against the election of the nominees or other proposals.

Once a share is represented at a meeting, other than to object to holding the meeting or transacting business, it is deemed to be present for quorum purposes for the remainder of the meeting and for any adjournment to a new date, time, or place unless a new record date is or must be set for the adjourned meeting.

If a quorum exists, action on a matter is approved by a voting group if the votes cast within the voting group favoring the action exceed the votes cast within the voting group opposing the action, unless the question is one upon which by express provision of the WBCA, or of the Amended and Restated Articles of Incorporation or of the Bylaws a different vote is required.

The shareholders may amend or repeal the Bylaws of Microsoft, or adopt new bylaws, even though the bylaws also may be amended or repealed, or new bylaws also may be adopted, by the Board, by action taken in the manner provided by the WBCA and the Amended and Restated Articles of Incorporation of Microsoft.

Pursuant to Chapter 23B.10 of the WBCA, a corporation may amend its articles of incorporation at any time to add or change a provision that is required or permitted in the articles of incorporation or to delete a provision not required in the articles of incorporation. Whether a provision is required or permitted in the articles of incorporation is determined as of the effective date of the amendment.

Pursuant to Chapter 23B.10.030 of the WBCA:

- (1) A corporation's board of directors may propose one or more amendments to the articles of incorporation for submission to the shareholders.
- (2) For the amendment to be adopted:
 - (i) The board of directors must recommend the amendment to the shareholders unless the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the shareholders with the amendment; and
 - (ii) The shareholders entitled to vote on the amendment must approve the amendment.
- (3) The board of directors may condition its submission of the proposed amendment on any basis, including the affirmative vote of holders of a specified percentage of shares held by any group of shareholders not otherwise entitled under this title or the articles of incorporation to vote as a separate voting group on the proposed amendment.
- (4) The corporation shall notify each shareholder, whether or not entitled to vote, of the proposed shareholders' meeting. The notice of meeting must also state that the purpose, or one of the purposes, of the meeting is to consider the proposed amendment and contain or be accompanied by a copy of the amendment.

- (5) In addition to any other voting conditions imposed by the board of directors under subsection (3) of Chapter 23B.10.030 of the WBCA, the amendment to be adopted must be approved by two-thirds, or, in the case of a public company, a majority, of the voting group comprising all the votes entitled to be cast on the proposed amendment, and of each other voting group entitled or the articles of incorporation to vote separately on the proposed amendment. The articles of incorporation may require a greater vote than that provided for in this subsection. The articles of incorporation of a corporation other than a public company may require a lesser vote than that provided for in this subsection, or may require a lesser vote by separate voting groups, so long as the required vote is not less than a majority of all the votes entitled to be cast on the proposed amendment and of each other voting group entitled to vote separately on the proposed amendment. Separate voting by additional voting groups is required on a proposed amendment.

In furtherance and not in limitation of the powers conferred by statute, the Board is expressly authorized to make, adopt, repeal, alter, amend, and rescind the bylaws of Microsoft by a resolution adopted by a majority of the directors (see Article IX of the Restated Articles of Incorporation of Microsoft).

Right to Receive Liquidation Distributions. Except as otherwise provided in accordance with the Restated Articles of Incorporation of Microsoft, each Microsoft Share is entitled to the right to receive the net assets of Microsoft upon dissolution, with each Microsoft Share participating on a pro rata basis.

No Preemptive, Redemptive or Conversion Provisions. Shareholders of Microsoft have no preemptive rights to acquire additional Microsoft Shares or securities convertible into Shares (See Article V of the Restated Articles of Incorporation of Microsoft).

4.6 Transferability

The Microsoft Shares in this offering under the ESPP are registered on a registration statement on Form S-8 with the SEC and are generally freely transferable.

The ESPP is intended to provide Microsoft Shares for investment and not for resale. Microsoft does not, however, intend to restrict or influence any Participating Employee in the conduct of his or her own affairs. A Participating Employee, therefore, may sell Microsoft Shares purchased under the ESPP at any time he or she chooses, subject to compliance with any applicable securities laws. THE PARTICIPATING EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE MICROSOFT SHARES.

4.7 General Provisions Applying to Business Combinations

Washington law imposes restrictions on certain transactions between a corporation and significant shareholders. Chapter 23B.19 of the WBCA prohibits a target corporation, with some exceptions from engaging in particular significant business transactions with an acquiring person, which is defined as a person or group of persons that beneficially owns 10% or more of the voting securities of the target corporation, for a period of five years after the acquisition, unless the transaction or acquisition of shares is approved by a majority of the members of the target corporation's board of directors prior to the acquisition. Prohibited transactions include, among other things: (i) a merger or consolidation with, disposition of assets to, or issuance or redemption of stock to or from the acquiring person; termination of 5% or more of the employees of the target corporation; or (ii) receipt by the acquiring person of any disproportionate benefit as a shareholder. A corporation may not opt out of this statute. These provisions may have the effect of delaying, deterring or preventing a change of control of Microsoft, even if this change would be beneficial to the shareholders. These provisions may also discourage potential bids for the common stock at a premium over the market price and may adversely affect the market price of, and the voting and other rights of the holders of, Microsoft's common stock. In addition, these provisions could make it more difficult to replace or remove any current directors and management in the event Microsoft's shareholders believe this would be in the best interest of the corporation and its shareholders.

V. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS (AS OF MARCH 31, 2014)**5.1 Capitalization and Indebtedness (unaudited, in millions of US\$ - consolidated)**

Total Current debt	\$	2,000
- Guaranteed		-
- Secured		-
- Unguaranteed / Unsecured	\$	2,000
Total Non-Current debt (excluding current portion of long-term debt)	\$	20,679
- Guaranteed		-
- Secured		-
- Unguaranteed / Unsecured	\$	20,679
Stockholders' equity		
a. Share Capital and Additional Paid-in Capital	\$	67,803
b. Legal Reserve		-
c. Other Reserves (Retained earnings, including accumulated other comprehensive income of \$3,322)	\$	19,621
Total stockholders' equity	\$	87,424

5.2 Net Indebtedness (unaudited, in millions of US\$ - consolidated)

A.+B.	Cash and cash equivalents	\$	11,572
C.	Short-term investments (including securities loaned of \$707)	\$	76,853
D.	Liquidity (A) + (B) + (C)	\$	88,425
E.	Current Financial Receivable		-
F.	Current Bank debt		-
G.	Current portion of non-current debt	\$	2,000
H.	Other current financial debt		-
I.	Current Financial Debt (F) + (G) + (H)	\$	2,000
J.	Net Current Financial Indebtedness (I) – (E) – (D)	\$	(86,425)
K.	Non-current Bank loans		-
L.	Bonds Issued	\$	20,679
M.	Other non-current loans		-
N.	Non-current Financial Indebtedness (K) + (L) + (M)	\$	20,679
O.	Net Financial Indebtedness (J) + (N)	\$	(65,746)

On December 3, 2013, Microsoft entered into (i) an Underwriting Agreement with the several underwriters named therein, for which Barclays Bank PLC, HSBC Bank plc, J.P. Morgan Securities plc and Wells Fargo Securities International Limited acted as representatives, for the issuance and sale by the Company of €1,750,000,000 aggregate principal amount of its 2.125% Notes due 2021 (the "2021 Euro Notes") and €1,750,000,000 aggregate principal amount of its 3.125% Notes due 2028 (the "2028 Euro Notes" and, together with the 2021 Euro Notes, the "Euro Notes") and (ii) an Underwriting Agreement with the several underwriters named therein, for which Barclays Capital Inc., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC and Wells Fargo Securities, LLC acted as representatives, for the issuance and sale by the Company of \$1,250,000,000 aggregate principal amount of its 1.625% Notes due 2018 (the "2018 Notes"), \$1,500,000,000 aggregate principal amount of its 3.625% Notes due 2023 (the "2023 Notes") and \$500,000,000 aggregate principal amount of its 4.875% Notes due 2043 (the "2043 Notes")

and, together with the 2018 Notes and the 2023 Notes, the “USD Notes” and, collectively with the Euro Notes, the “Notes”).

The Notes are the Company’s senior unsecured obligations and rank equally with the Company’s other unsecured and unsubordinated debt from time to time outstanding.

Microsoft has a \$5.0 billion credit facility that expires on November 14, 2018 which serves as a back-up for our commercial paper program. As of March 31, 2014, Microsoft was in compliance with the only financial covenant in the credit agreement, which requires it to maintain a coverage ratio of at least three times earnings before interest, taxes, depreciation, and amortization to interest expense, as defined in the credit agreement. No commercial paper was outstanding as of March 31, 2014 or June 30, 2013, and no amounts were drawn against the credit facility during any of the periods presented.

5.3 Indirect and Contingent Indebtedness

Construction and Operating Leases

We have committed \$694 million for constructing new buildings, building improvements, and leasehold improvements as of June 30, 2013.

We have operating leases for most U.S. and international sales and support offices and certain equipment. Rental expense for facilities operating leases was \$711 million, \$639 million, and \$525 million, in fiscal years 2013, 2012, and 2011, respectively. Future minimum rental commitments under non-cancellable facilities operating leases in place as of June 30, 2013 are as follows:

(In millions)

Year Ending June 30,	
2014	\$ 572
2015	451
2016	349
2017	281
2018	204
Thereafter	605
<hr/>	
Total	\$ 2,462

Indemnifications

We provide indemnifications of varying scope and size to certain customers against claims of intellectual property infringement made by third parties arising from the use of our products and certain other matters. We evaluate estimated losses for these indemnifications, and we consider such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. To date, we have not encountered significant costs as a result of these obligations and have not accrued any liabilities related to these indemnifications in our financial statements.

Antitrust, Unfair Competition, and Overcharge Class Actions

A large number of antitrust and unfair competition class action lawsuits were filed against us in various state, federal, and Canadian courts on behalf of various classes of direct and indirect purchasers of our PC operating system and certain other software products between 1999 and 2005.

We obtained dismissals or reached settlements of all claims made in the United States. Under the settlements, generally class members can obtain vouchers that entitle them to be reimbursed for purchases of a wide variety of platform-neutral computer hardware and software. The total value of vouchers that we may issue varies by state. We will make available to certain schools a percentage of those vouchers that are not issued or claimed (one-half to two-thirds depending on the state). The total value of vouchers we ultimately issue will depend on the number of class members who make claims and are issued vouchers. We estimate the total remaining cost of the settlements is approximately \$400 million, all of which had been accrued as of March 31, 2014.

Three similar cases pending in British Columbia, Ontario, and Quebec, Canada have not been settled. In March 2010, the court in the British Columbia case certified it as a class action. In April 2011, the British Columbia Court of Appeal reversed the class certification ruling and dismissed the case. The plaintiffs appealed the decision to the Canadian Supreme Court. In October 2013, the Supreme Court reversed and reinstated part of the British Columbia case, which is now scheduled for trial in September 2015. The other two cases were inactive pending action by the Supreme Court on the British Columbia case.

Other Antitrust Litigation and Claims

In November 2004, Novell, Inc. (“Novell”) filed a complaint in U.S. District Court for the District of Utah (later transferred to federal court in Maryland), asserting antitrust and unfair competition claims against us related to Novell’s ownership of WordPerfect and other productivity applications during the period between June 1994 and March 1996. After the trial court dismissed or granted summary judgment on a number of Novell’s claims, trial of the one remaining claim took place in late 2011 and resulted in a mistrial. In July 2012, the trial court granted Microsoft’s motion for judgment as a matter of law. Novell appealed this decision to the U.S. Court of Appeals for the Tenth Circuit, which affirmed the trial court’s decision in September 2013. The Court of Appeals denied Novell’s request for rehearing and en banc review. Novell filed a petition seeking review by the U.S. Supreme Court, which was denied on April 28, 2014.

Patent and Intellectual Property Claims

Motorola litigation

In October 2010, Microsoft filed patent infringement complaints against Motorola Mobility (“Motorola”) with the International Trade Commission (“ITC”) and in U.S. District Court in Seattle for infringement of nine Microsoft patents by Motorola’s Android devices. Since then, Microsoft and Motorola have filed additional claims against each other with the ITC, in federal district courts in Seattle, Wisconsin, Florida, and California, and in courts in Germany and the United Kingdom. The nature of the claims asserted and status of individual matters are summarized below.

International Trade Commission

In May 2012, the ITC issued a limited exclusion order against Motorola on one Microsoft patent, which became effective in July 2012 and was affirmed on appeal in December 2013.

In July 2013, Microsoft filed an action in U.S. District Court in Washington, D.C. seeking an order to compel enforcement of the ITC’s May 2012 import ban against infringing Motorola products by the Bureau of Customs and Border Protection (“CBP”), after learning that CBP had failed to fully enforce the order.

In November 2010, Motorola filed an action against Microsoft with the ITC alleging infringement of five Motorola patents by Xbox consoles and accessories and seeking an exclusion order to prohibit importation of the allegedly infringing Xbox products. At Motorola’s request, the ITC terminated its investigation of four Motorola patents. In March 2013, the ITC affirmed there was no violation of the remaining Motorola patent. Motorola appealed the ITC’s decision to the U.S. Court of Appeals for the Federal Circuit.

U.S. District Court

The Seattle District Court case filed in October 2010 by Microsoft as a companion to Microsoft's ITC case against Motorola has been stayed pending the outcome of the ITC case.

In November 2010, Microsoft sued Motorola for breach of contract in U.S. District Court in Seattle, alleging that Motorola breached its commitments to standards-setting organizations to license to Microsoft certain patents on reasonable and non-discriminatory ("RAND") terms and conditions. Motorola has declared these patents essential to the implementation of the H.264 video standard and the 802.11 Wi-Fi standard. In the Motorola ITC case described above and in suits described below, Motorola or a Motorola affiliate subsequently sued Microsoft on those patents in U.S. District Courts, in the ITC, and in Germany. In February 2012, the Seattle District Court granted a partial summary judgment in favor of Microsoft ruling that (1) Motorola had committed to standards organizations to license its declared-essential patents on RAND terms and conditions; and (2) Microsoft is a third-party beneficiary of those commitments. After trial, the Seattle District Court set per unit royalties for Motorola's H.264 and 802.11 patents, which resulted in an immaterial Microsoft liability. In September 2013, following trial of Microsoft's breach of contract claim, a jury awarded \$14.5 million in damages to Microsoft. Motorola has appealed.

Cases filed by Motorola in Wisconsin, California, and Florida, with the exception of one currently stayed case in Wisconsin (a companion case to Motorola's ITC action), have been transferred to the U.S District Court in Seattle. Motorola and Microsoft both seek damages as well as injunctive relief. No trial dates have been set in any of the transferred cases, and the court has stayed these cases on agreement of the parties.

- In the transferred cases, Motorola asserts 15 patents are infringed by many Microsoft products including Windows Mobile 6.5 and Windows Phone 7, Windows Marketplace, Silverlight, Windows Vista and Windows 7, Exchange Server 2003 and later, Exchange ActiveSync, Windows Live Messenger, Lync Server 2010, Outlook 2010, Office 365, SQL Server, Internet Explorer 9, Xbox, and Kinect.
- In the Motorola action originally filed in California, Motorola asserts that Microsoft violated antitrust laws in connection with Microsoft's assertion of patents against Motorola that Microsoft has agreed to license to certain qualifying entities on RAND terms and conditions.
- In counterclaims, Microsoft asserts 14 patents are infringed by Motorola Android devices and certain Motorola digital video recorders.

Germany

In July 2011, Motorola filed patent infringement actions in Germany against Microsoft and several Microsoft subsidiaries.

- Motorola asserts two patents (one now expired) are essential to implementation of the H.264 video standard, and Motorola alleges that H.264 capable products including Xbox 360, Windows 7, Media Player, and Internet Explorer infringe those patents. In May 2012, the court issued an injunction relating to all H.264 capable Microsoft products in Germany. However, orders in the litigation pending in Seattle, Washington described above enjoin Motorola from enforcing the German injunction. Microsoft has appealed the rulings of the first instance court.
- Motorola asserts that one patent covers certain syncing functionality in the ActiveSync protocol employed by Windows Phone 7, Outlook Mobile, Hotmail Mobile, Exchange Online, Exchange Server, and Hotmail Server. In April 2013, the court stayed the case pending the outcome of parallel proceedings in which Microsoft is seeking to invalidate the patent. In November 2013, the Federal Patent Court invalidated the patent in relevant part. Motorola has appealed.

- Microsoft may be able to mitigate the adverse impact of any injunction issued and enforced by altering its products to avoid Motorola's infringement claims.
- Any damages would be determined in separate proceedings.

In lawsuits Microsoft filed in Germany in 2011 and 2012, Microsoft asserts that Motorola Android devices infringe Microsoft patents and is seeking damages and injunctions. In 2012, regional courts in Germany issued injunctions on three of the patents Microsoft asserts. Motorola has appealed. One judgment has been affirmed on appeal (and Motorola has further appealed), and the other two appeals are pending. In actions filed separately by Motorola to invalidate these patents, the Federal Patent court in November and December 2013 held invalid two of the Microsoft patents. Microsoft has appealed. One of Microsoft's cases seeking an injunction is still pending in the first instance court. For the cases in which Microsoft obtained injunctions, if Motorola were to prevail following all appeals, Motorola could have a claim against Microsoft for damages caused by an erroneously granted injunction.

United Kingdom

In December 2011, Microsoft filed an action against Motorola in the High Court of Justice, Chancery Division, Patents Court, in London, England, seeking to revoke the UK part of the European patent asserted by Motorola in Germany against the ActiveSync protocol. In February 2012, Motorola counterclaimed alleging infringement of the patent and seeking damages and an injunction. In December 2012, the court ruled that Motorola's patent is invalid. The court also ruled that the patent, even if valid, would be licensed under the grant-back clause in Google's ActiveSync license. Motorola appealed and the appeals court affirmed the lower court's ruling in Microsoft's favor in November 2013. Motorola has sought to appeal that decision.

Other patent and intellectual property claims

In addition to these cases, there are approximately 70 other patent infringement cases pending against Microsoft.

Other

We also are subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. Although management currently believes that resolving claims against us, individually or in aggregate, will not have a material adverse impact on our financial statements, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

As of March 31, 2014, we had accrued aggregate liabilities of \$406 million in other current liabilities and \$103 million in other long-term liabilities for all of our legal matters that were contingencies as of that date. While we intend to defend these matters vigorously, adverse outcomes that we estimate could reach approximately \$600 million in aggregate beyond recorded amounts are reasonably possible. Were unfavorable final outcomes to occur, there exists the possibility of a material adverse impact on our financial statements for the period in which the effects become reasonably estimable.

VI. MAXIMUM DILUTION AND NET PROCEEDS

6.1 Maximum Dilution

The Microsoft Shares under the ESPP currently are offered pursuant to this prospectus to 19,746 eligible employees as of May 16, 2014. As indicated in Section 1.2 above, the maximum rate at which employees may purchase Microsoft Shares may not exceed \$25,000 of the Fair Market Value of Microsoft Shares (at the time of the Offering Date) in each calendar year in which the right is outstanding (i.e., 2014 and 2015).

However, as noted above, there are other limitations on Microsoft Share purchases (such as no more than 15% of eligible compensation may be contributed to ESPP purchases), which may result in employees not being able to purchase \$25,000 worth of Microsoft Shares in a calendar year.

The Fair Market Value of the Microsoft Shares on the March 31, 2014 Date of Exercise was \$40.99. Assuming Participating Employees would purchase Microsoft Shares throughout the period covered by this prospectus at the purchase price applicable on March 31, 2014 (i.e., \$36.89), each Participating Employee would be entitled to purchase a maximum of approximately 1,219.8 (609.9 in 2014 and 609.9 in 2015) whole Microsoft Shares under the ESPP assuming no other ESPP limitations are exceeded. Assuming that all of the eligible employees would each purchase approximately 1,219.8 Microsoft Shares in the offer, the maximum number of Microsoft Shares offered pursuant to this prospectus amounts to approximately 24,086,170.8 Microsoft Shares.

Based on the above assumptions, the holdings of a shareholder of Microsoft currently holding 1% of the total outstanding share capital of Microsoft as of April 17, 2014, i.e., 82,604,120 Microsoft Shares, and who is not an eligible employee participating in the offer, would be diluted as indicated in the following table:

	Percentage of the total outstanding Microsoft Shares	Total number of outstanding Microsoft Shares
Before the issuance of Microsoft Shares under the ESPP (as of April 17, 2014)	1.00%	8,260,411,967
After issuance of 24,086,170.8 Microsoft Shares under the ESPP	0.997%	8,284,498,137.8

6.2 Net Proceeds

Assuming, using the example above, that each of the 19,746 eligible employees in the Prospectus Directive Countries would purchase the maximum amount of Microsoft Shares under the ESPP offered pursuant to this prospectus, that is, a total of \$44,998.42 each, then the gross proceeds of Microsoft in connection with the offer under the ESPP pursuant to this prospectus would be \$888,538,801.32. After deducting legal and accounting expenses in connection with the offer, the net proceeds, based on the above assumptions, would be \$888,363,801.32.

VII. DIRECTORS AND EXECUTIVE OFFICERS

7.1. Board of Directors as of March 17, 2014

<u>Name</u>	<u>Age*</u>	<u>Director Since</u>
Steven A. Ballmer	57	2000
Dina Dublon	60	2005
William H. Gates III	57	1981
Maria M. Klawe	62	2009
David F. Marquardt	64	1981
G. Mason Morfit	38	2014
Satya Nadella	46	2014

<u>Name</u>	<u>Age*</u>	<u>Director Since</u>
Charles H. Noski	61	2003
Helmut Panke	67	2003
John W. Thompson	64	2012

* The ages and bios are as of October 3, 2013, except for Mr. Nadella for who the age and bio are as of February 4, 2014, and Mr. Morfit for who the age and bio are as of March 11, 2014.

Mr. Ballmer has led several Microsoft divisions during the past 33 years, including operations, operating systems development, and sales and support. In July 1998, he was promoted to President, a role that gave him day-to-day responsibility for running Microsoft. He was named Microsoft's Chief Executive Officer in January 2000, assuming full management responsibility for the Company. On February 4, 2014 Microsoft announced that Mr. Ballmer retired as Chief Executive Officer of Microsoft.

Public company directorships in the last five years:

- Microsoft Corporation

Ms. Dublon served on the faculty of the Harvard Business School during the 2011-12 academic year. From December 1998 until her retirement in September 2004, Ms. Dublon served as Executive Vice President and Chief Financial Officer of JPMorgan Chase & Co. Prior to being named Chief Financial Officer, she held numerous positions at JPMorgan Chase & Co., including Corporate Treasurer, Managing Director of the Financial Institutions Division, and head of asset liability management. Ms. Dublon joined Chemical Bank's capital markets group as a trainee on the trading floor in 1981. Before joining Chemical Bank, Ms. Dublon worked for the Harvard Business School and Bank Hapoalim in Israel. Born in Brazil, Ms. Dublon holds a B.A. in economics and mathematics from the Hebrew University in Jerusalem and an M.S. from the Business School at Carnegie Mellon University.

Public company directorships in the last five years:

- Microsoft Corporation
- PepsiCo, Inc.
- Accenture Ltd

Mr. Gates, a cofounder of Microsoft, has served as Chairman since our incorporation in 1981. Mr. Gates retired as an employee in July 2008, but continues to serve as an advisor on key development projects. Mr. Gates served as Chief Software Architect from January 2000 until June 2006, when he announced his two-year plan for transition out of a day-to-day full-time employee role. Mr. Gates served as our Chief Executive Officer from 1981 until January 2000, when he resigned as Chief Executive Officer and assumed the position of Chief Software Architect. As co-chair of the Bill & Melinda Gates Foundation, Mr. Gates shapes and approves grant-making strategies, advocates for the foundation's issues, and helps set the overall direction of the organization.

Public company directorships in the last five years:

- Microsoft Corporation
- Berkshire Hathaway Inc

Since 2006, **Dr. Klawe** has been President of Harvey Mudd College, a private liberal arts college in Claremont, California that focuses on engineering, science, and mathematics. Dr. Klawe served as Dean of Engineering and a Professor of Computer Science at Princeton University from 2003 to 2006, and held several positions at the University of British Columbia from 1988 to 2002 including Dean of Science, Vice President of Student and Academic Services, and head of the Department of Computer Science. She has also worked at IBM Research in California, the University of Toronto, and Oakland University.

Public company directorships in the last five years:

- Microsoft Corporation
- Broadcom Corporation

Mr. Marquardt is a founding general partner of August Capital, a venture capital firm formed in 1995, and has been a general partner of various Technology Venture Investors entities, which are private venture capital limited partnerships, since 1980. These partnerships have invested in a wide range of startup and growth technology companies. In addition to his public company board service, Mr. Marquardt also serves on the boards of various privately-held companies.

Public company directorships in the last five years:

- Microsoft Corporation
- Openlane, Inc. (former)
- Seagate Technology PLC (former)

Mr. Morfit is the president of ValueAct Capital, a San Francisco-based investment firm with more than \$14 billion in assets under management. Before joining ValueAct Capital in January 2001, Mr. Morfit worked in equity research for Credit Suisse First Boston. Mr. Morfit is a CFA charterholder.

Public company directorships in the last five years:

- Microsoft Corporation
- Valeant Pharmaceuticals International
- C.R. Bard, Inc. (former)
- Immucor, Inc. (former)

M. Nadella. For information regarding Mr. Nadella, please refer to Section 7.2 below.

Mr. Noski served as Vice Chairman of Bank of America Corporation from June 2011 until September 2012. From May 2010 through June 2011, he served as Executive Vice President and Chief Financial Officer of Bank of America Corporation. From 2003 to 2005, Mr. Noski served as Corporate Vice President and Chief Financial Officer of Northrop Grumman Corporation and served as a director from 2002 to 2005. Mr. Noski joined AT&T in 1999 as Senior Executive Vice President and Chief Financial Officer and was named Vice Chairman of AT&T's board of directors in 2002. Mr. Noski retired from AT&T upon completion of its restructuring in November 2002. Prior to joining AT&T, Mr. Noski was President, Chief Operating Officer, and a member of the board of directors of Hughes Electronics Corporation, a publicly traded subsidiary of General Motors Corporation in the satellite and wireless communications business. He is Chairman of the Financial Accounting Standards Advisory Council of the FASB, a member of the AICPA and FEI, and a past member of the Standing Advisory Group of the Public Company Accounting Oversight Board.

Public company directorships in the last five years:

- Microsoft Corporation
- Avery Dennison Corporation
- Avon Products, Inc.
- Morgan Stanley (former)
- Air Products and Chemicals, Inc. (former)
- Automatic Data Processing, Inc. (former)
- Merrill Lynch & Co. (wholly-owned subsidiary of Bank of America Corporation) (former)

Dr. Panke served as Chairman of the Board of Management of BMW Bayerische Motoren Werke AG from 2002 through 2006. From 1999 to 2002, he served as a member of the Board of Management for Finance. From 1996 to 1999, Dr. Panke was a member of the Board of Management for Human Resources and Information Technology. In his role as Chairman and Chief Executive Officer of BMW (US) Holding Corp. from 1993 to 1996, he was responsible for the company's North American activities. He joined BMW in 1982.

Public company directorships in the last five years:

- Microsoft Corporation
- Singapore Airlines Limited
- UBS AG
- Bayer AG (supervisory board)

Mr. Thompson currently serves as Chief Executive Officer of Virtual Instruments, a privately held company whose products are designed to ensure the performance and availability of applications deployed in virtualized and private cloud computing environments. Since 2009, Mr. Thompson has been an active investor in early-stage technology companies in Silicon Valley. Mr. Thompson served as Chairman and Chief Executive Officer of Symantec Corp. beginning in 1999, helping transform Symantec into a leader in security, storage, and systems management solutions. Mr. Thompson stepped down as Chief Executive Officer of Symantec in 2009, and stepped down from Symantec's board of directors in 2011. Previously, Mr. Thompson held a number of leadership positions at IBM, including sales, marketing, software development, and general manager of IBM Americas. He was a member of IBM's Worldwide Management Council.

Public company directorships in the last five years:

- Microsoft Corporation
- United Parcel Service (former)
- Seagate Technology PLC (former)
- Symantec Corporation (former)

7.2. Executive Officers as of February 4, 2014

<u>Name</u>	<u>Age*</u>	<u>Position with the Company</u>
Anthony J. Bates	46	Executive Vice President, Business Development and Evangelism
Lisa E. Brummel	53	Executive Vice President, Human Resources
Amy E. Hood	41	Executive Vice President, Chief Financial Officer
Satya Nadella	46	Chief Executive Officer
Tami Reller	49	Executive Vice President, Marketing
Eric D. Rudder	46	Executive Vice President, Advanced Strategy and Research
Bradford L. Smith	54	Executive Vice President, General Counsel; Secretary
B. Kevin Turner	48	Chief Operating Officer

* Except for M. Nadella, the ages and bios are as of July 30, 2013.

Mr. Bates was named Executive Vice President, Business Development and Evangelism in July 2013. He had been President of Microsoft's Skype Division since its acquisition by Microsoft in 2011. Mr. Bates had been Chief Executive Officer of Skype since 2010. Before joining Skype, Mr. Bates spent nearly 15 years at Cisco Systems, Inc. where he had been Senior Vice President and General Manager of several

business groups, including Enterprise, Commercial and Small Business, and Cisco's core high-end router business.

Ms. Brummel, Executive Vice President, Human Resources, has served as Microsoft's senior human resources executive since 2005. From 2000 to 2005, she had been Corporate Vice President of the Home and Retail Division. Since joining Microsoft in 1989, Ms. Brummel has held a number of management positions at Microsoft, including General Manager of Consumer Productivity Business, Product Unit Manager of the Kids Business, and Product Unit Manager of Desktop and Decision Reference Products.

Ms. Hood, Executive Vice President, Chief Financial Officer, was appointed Chief Financial Officer in May 2013. Beginning in 2010, Ms. Hood was Chief Financial Officer of the Microsoft Business Division. From 2006 through 2009, Ms. Hood was General Manager, Microsoft Business Division Strategy. Since joining Microsoft in 2002, Ms. Hood has also held finance-related positions in the Server and Tools Business and the corporate finance organization.

Mr. Nadella was appointed Chief Executive Officer and director of the Company on February 4, 2014. Mr. Nadella served as the Company's Executive Vice President, Cloud and Enterprise from July 2013 until his appointment as Chief Executive Officer. From 2011 to 2013, Mr. Nadella served as President, Server and Tools. Prior to that, he was Senior Vice President, Online Services Division from 2009 to 2011, and Senior Vice President, Search, Portal and Advertising from 2008 to 2009. Since joining Microsoft in 1992, Mr. Nadella's roles have also included Vice President of the Business Division. Mr. Nadella holds a bachelor's degree in electrical engineering from Mangalore University, a master's degree in computer science from the University of Wisconsin-Milwaukee and a master's degree in business administration from the University of Chicago.

Ms. Reller was named Executive Vice President, Marketing in July 2013. From 2011 to 2013 Ms. Reller was Chief Marketing Officer and Chief Financial Officer for Windows. Ms. Reller served as Corporate Vice President, Windows Division Marketing and Finance from 2009 to 2011 and as Corporate Vice President, Business Solutions beginning in 2002. Ms. Reller joined Microsoft with its acquisition of Great Plains Software, where she was Chief Financial Officer, in 2001.

Mr. Rudder was named Executive Vice President, Advanced Strategy and Research in July 2013. Mr. Rudder had been Chief Technical Strategy Officer since 2005. Since joining Microsoft in 1988, Mr. Rudder held several positions in networking and operating systems and developer tools, and was Senior Vice President, Server and Tools from 2003 to 2005 and Senior Vice President, Developer and Platform Evangelism from 2001 to 2003.

Mr. Smith, Executive Vice President, General Counsel, and Secretary, has served in that role since November 2001. Mr. Smith was also named Chief Compliance Officer in 2002. He had been Deputy General Counsel for Worldwide Sales and previously was responsible for managing the European Law and Corporate Affairs Group, based in Paris. Mr. Smith joined Microsoft in 1993.

Mr. Turner was named Chief Operating Officer in September 2005. Before joining Microsoft, he was Executive Vice President of Wal-Mart Stores, Inc. and President and Chief Executive Officer of the Sam's Club division. From 2001 to 2002, he served as Executive Vice President and Chief Information Officer of Wal-Mart's Information Systems Division. From 2000 to 2001, he served as its Senior Vice President and Chief Information Officer of the Information Systems Division. Mr. Turner also serves on the Board of Directors of Nordstrom, Inc.

7.3 Fraudulent Offences and Bankruptcy, Etc.

For at least the previous five years, none of the directors or executive officers of Microsoft has:

- (a) been convicted in relation to fraudulent offenses;

- (b) been associated with any bankruptcies, receiverships or liquidations when acting in their capacity of directors or executive officers of Microsoft; or
- (c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the executive officers and directors listed above.

7.4 Conflicts of Interest

Board Independence

- Seven of our nine directors are independent of the Company and management. We are committed to maintaining a substantial majority of independent directors.
- At each quarterly meeting, time is set aside for the independent directors to meet in executive session without Company management present. Additional executive sessions may be held as needed.
- Per the policy of the Compensation Committee, the compensation consultant retained by the Committee is independent of the Company and management.

Director Independence

Our Corporate Governance Guidelines provide that a substantial majority of our directors will be independent. Our Board has adopted director independence guidelines to assist in determining each director's independence. These guidelines are available on our website at www.microsoft.com/investor/independenceguidelines. The guidelines either meet or exceed the independence requirements of NASDAQ. The guidelines identify categories of relationships the Board has determined would not affect a director's independence, and therefore are not considered by the Board in determining director independence.

Under the director independence guidelines, the Board must affirmatively determine a director has no relationship that would interfere with the exercise of independent judgment in carrying out his or her responsibilities as a director. To facilitate this determination, annually each director completes a questionnaire that provides information about relationships that might affect the determination of independence. Management provides the Governance and Nominating Committee and our Board with relevant facts and circumstances of any relationship bearing on the independence of a director or nominee that is outside the categories permitted under the director independence guidelines.

Based on the review and recommendation by the Governance and Nominating Committee, the Board analyzed the independence of each director and determined that Messrs. Luczo, Marquardt, Noski, and Thompson, Ms. Dublon, and Drs. Panke and Klawe meet the standards of independence under our Corporate Governance Guidelines, the director independence guidelines, and applicable NASDAQ listing standards, including that each member is free of any relationship that would interfere with his or her individual exercise of independent judgment. In making this determination, our Board considered that certain Board members have in the past and may in the future invest in investment funds of which Mr. Marquardt is a general partner or that are managed directly or indirectly by the firm of which Mr. Marquardt is a partner and that the Company may at times invest in businesses in which such funds have invested. The Board also considered the transactions in which the Company purchased software licenses and hardware devices for technology from Virtual Instruments, Inc. that enhances the performance and reliability of the Company's storage area network resources. The Virtual Instruments solution offers unique functionality which we believe will provide a better return on investment compared to other

alternatives evaluated by the Company. Mr. Thompson is the chief executive officer of and has a less-than-10% beneficial interest in Virtual Instruments. In fiscal year 2013, the Company made payments for this technology that were less than 5% of Virtual Instruments' annual gross revenue. The purchases were negotiated at arms-length between the Virtual Instruments sales account team and the Microsoft business groups that sought to implement the technology. The process for evaluating the Virtual Instruments technology included a technical review by senior management independent of the affected business groups, which concluded that the technology provides unique diagnostic value for optimizing the performance of the storage area networks on which it is being deployed. The Company expects to purchase technology from Virtual Instruments in the future.

Certain relationships and related transactions

We are a global devices and services company with extensive operations in the United States and many foreign countries. Every year we spend tens of billions of dollars for goods and services from third parties. We have approximately 99,000 employees and the authority to purchase goods and services is widely dispersed. Because of these far-reaching activities, there are transactions and business arrangements with businesses and other organizations in which one of our directors, executive officers, or nominees for director, or their immediate families, or a greater than 5% owner of our stock, may also be a director, executive officer, or investor, or have some other direct or indirect material interest. We will refer to these relationships generally as related-party transactions.

Related-party transactions have the potential to create actual or perceived conflicts of interest between Microsoft and its directors and executive officers or their immediate family members. The Audit Committee has established a written policy and procedures for review and approval of related-party transactions. If a related-party transaction subject to review directly or indirectly involves a member of the Audit Committee (or an immediate family member or domestic partner), the remaining Committee members will conduct the review. In evaluating a related-party transaction involving a director, executive officer, or their immediate family members, the Audit Committee considers, among other factors:

- the goods or services provided by or to the related party,
- the nature of the transaction and the costs to be incurred by Microsoft or payments to Microsoft,
- the benefits associated with the transaction and whether comparable or alternative goods or services are available to Microsoft from unrelated parties,
- the business advantage Microsoft would gain by engaging in the transaction,
- the significance of the transaction to Microsoft and to the related party, and
- management's determination that the transaction is in the best interests of the Company.

To receive Audit Committee approval, a related-party transaction must have a Microsoft business purpose and be on terms that are fair and reasonable to Microsoft, and as favorable to the Company as would be available from non-related entities in comparable transactions. The Audit Committee also requires that the transaction meet the same Company standards that apply to comparable transactions with unaffiliated entities.

As in prior years, during fiscal year 2013 the Company engaged in business transactions with Corbis Corporation, a company that provides digitized images and production services. Mr. Gates is the sole shareholder of Corbis. Microsoft paid Corbis approximately \$345,000 in fiscal year 2013 as licensing fees for digital images to be used in Microsoft's products, services, and marketing materials. Those licenses were entered into at arm's length, and are similar to license agreements Microsoft enters into from time to time with other providers of digital images. The terms of the Corbis transactions were established by Corbis and the business group at Microsoft seeking to use the digital images. We believe the terms were

no less favorable to Microsoft than those offered by Corbis to other large customers. Corbis uses Microsoft software in its business, and paid approximately \$288,000 in fiscal year 2013 for software and support under our standard licensing programs. Mr. Gates was not involved in negotiating these agreements or setting price or other terms, either on behalf of Microsoft or Corbis.

As described above under "Director Independence," in fiscal year 2013 the Company paid Virtual Instruments approximately \$2.3 million for software licenses and hardware devices for technology that enhances the performance and reliability of the Company's storage area network resources. The purchases were negotiated at arms-length between the Virtual Instruments sales account team assigned to Microsoft and the business groups that wished to implement the technology. The technology was acquired on terms we believe are at least as favorable to Microsoft as those offered by Virtual Instruments to other large customers. The purchases were initiated before being submitted for Committee review but were reviewed before substantial performance proceeded. The policy contemplates advance notice of the transaction being given.

The Audit Committee has reviewed and approved these arrangements.

In addition, Mr. Gates has extensive personal holdings in private and public companies where he is not involved in management or daily operations. Microsoft may do business with these companies in the ordinary course.

Mr. Gates also owns several business entities that purchase technology consulting services from Microsoft. The business described in this paragraph is conducted at arm's length on terms that are available to unrelated parties. The business is not material to Microsoft or Mr. Gates.

Executive benefits and perquisites

Our fiscal year 2013 Named Executive Officers (as listed on page 24 of Microsoft's Definitive Proxy Statement, filed with the SEC on October 3, 2013 ("Microsoft's Proxy Statement")) are eligible for the same benefits available to our other U.S.-based full-time employees, including our Section 401(k) plan, employee stock purchase plan, health care plan, life insurance plans, and other welfare benefit programs. In addition to the standard benefits offered to all employees, we maintain a non-qualified deferred compensation plan for our executives and senior managers. The deferred compensation plan is unfunded, and participation is voluntary. The deferred compensation plan allows our Named Executive Officers to defer their base salary, the cash portion of their Incentive Plan awards, and certain on-hire bonuses. We do not contribute to the non-qualified deferred compensation plan.

During fiscal year 2013, we did not provide any perquisites to any of our Named Executive Officers.

During fiscal year 2012, we did not provide any perquisites to any of our Named Executive Officers.

Post-employment compensation

Our Named Executive Officers do not have employment contracts, and they are not entitled to any payments or benefits following a change in control of Microsoft. They may be eligible for the following payments or benefits upon termination of their employment:

- All employees who retire from Microsoft in the United States after (a) age 65 or (b) age 55 with 15 years of service are eligible for the continuation of vesting of stock awards granted at hire or at performance review, if they were granted more than one year before retirement.
- Generally, all employees whose employment with Microsoft terminates due to death or total and permanent disability will fully vest in their outstanding stock awards.

- In September 2013, the Compensation Committee implemented a Senior Executive Severance Benefit Plan that is described in “Fiscal year 2014 compensation changes” in Microsoft’s Proxy Statement.
- Pursuant to Mr. Turner’s employment offer letter, 160,000 Microsoft Shares of his on-hire stock award will vest upon his retirement from Microsoft at age 60 or older.
- In connection with Mr. Klein’s resignation from his position as chief financial officer, Mr. Klein agreed to continue in that position until his successor was appointed and he remained an employee of the Company through June 30, 2013. The Company paid Mr. Klein \$1,000,000 on January 15, 2014 and will pay him \$1,000,000 on June 30, 2014 as compensation for his services during fiscal year 2013 and performance of his obligations under his resignation agreement.

In connection with his appointment, Mr. Nadella received a one-time stock award in the form of Long-Term Performance Stock Awards (“LTPSAs”). One-third of the LTPSAs will be earned based on the Company’s total shareholder return relative to the S&P 500 (“Relative TSR”) over each of three overlapping, five-year performance periods beginning on the grant date and the first and second anniversaries thereof. The number of LTPSAs that will vest at the end of the applicable performance period will be determined according to the schedule set forth in the offer letter to Mr. Nadella, with a relative total shareholder return at the sixtieth (60th) percentile required for a target level earn-out of 600,000 LTPSAs per performance period.

Mr. Nadella will continue to participate in the Company’s Senior Executive Severance Benefit Plan (“SESBP”) (except that, for the first 24 months of his new role, vesting of “eligible stock awards” under the SESBP that would otherwise vest in the 12 months following the Covered Termination (as defined in the SESBP) will be determined without proration). In addition, if Mr. Nadella’s employment is terminated by the Company without Cause (as defined in the SESBP), his LTPSAs for which the performance period has begun but has not been completed will be prorated and continue to vest without regard to any employment or performance condition (other than satisfaction of a threshold goal set forth in the applicable award agreement), based on deemed Relative TSR at the 30th percentile level for the performance period and the ratio of the number of full and partial months from the beginning of the performance period to the date his employment terminates and the number of full months in the performance period.

VIII. EMPLOYEES

8.1 Directors’ and Executive Officers’ Holdings of Shares and Options

The following table describes, as of September 13, 2013, the beneficial ownership of Microsoft Shares by all directors as of such date, our former chief executive officer, our chief financial officer, our former chief financial officer, and the three other highest paid executive officers for fiscal year 2013, and our directors and all executive officers as of such date, as a group.

In computing the number and percentage of Microsoft Shares beneficially owned by each person, we include any Microsoft Shares that could be acquired within 60 days of September 13, 2013 by the exercise of options or the vesting of stock awards. These Microsoft Shares, however, are not counted in computing the percentage ownership of any other person. Except as noted otherwise, the address of each person named in the table is c/o Microsoft Corporation, One Microsoft Way, Redmond, Washington 98052-6399, U.S.A.

Name	Amount and nature of beneficial ownership of common shares as of 9/13/2013 ¹	Percent of class
William H. Gates III	377,989,165 ²	4.52%

Name	Amount and nature of beneficial ownership of common shares as of 9/13/2013 ¹	Percent of class
Steven A. Ballmer	333,252,990	3.99%
Dina Dublon	38,609 ³	*
Maria M. Klawe	22,336	*
Stephen J. Luczo	145,082 ⁴	*
David F. Marquardt	677,612 ⁵	*
Charles H. Noski	81,292 ⁶	*
Helmut Panke	41,840	*
John W. Thompson	5,151	*
Peter S. Klein	400	*
Amy E. Hood	71,113 ⁷	*
Kurt D. DelBene	13,921	*
Satya Nadella	113,666	*
B. Kevin Turner	218,520	*
Executive Officers and Directors as a group (19 persons)	714,362,908 ⁸	8.54%

* Less than 1%.

- (1) Beneficial ownership represents sole voting and investment power.
- (2) Excludes 424,816 Microsoft Shares held by Mr. Gates' spouse, as to which he disclaims beneficial ownership. Based on a Schedule 13G/A filed with the SEC on February 14, 2014, Mr. Gates beneficially owned 357,990,173 Microsoft Shares, representing 4.3% of Microsoft Shares (based on 8,300,723,725 Microsoft Shares outstanding as of January 17, 2014 as reported in Microsoft's Form 10-Q for the quarter ended December 31, 2013 filed with the SEC on January 23, 2014).
- (3) Includes 16,738 Microsoft Shares representing deferred stock.
- (4) Includes 11,582 Microsoft Shares representing deferred stock.
- (5) Includes an aggregate of 3,975 Microsoft Shares held in trusts for three of Mr. Marquardt's children.
- (6) Includes 69,112 Microsoft Shares representing deferred stock.
- (7) Includes restricted stock units for 44,779 Microsoft Shares that will vest within 60 days of September 13, 2013 ("RSU shares").
- (8) Includes 97,432 Microsoft Shares representing deferred stock, 228,738 RSU shares, and 161,460 options to purchase Microsoft Shares exercisable within 60 days of September 13, 2013.

8.2 Employee Stock and Savings Plans

We grant stock-based compensation to directors and employees. At June 30, 2013, an aggregate of 425 million Microsoft Shares were authorized for future grant under our stock plans, covering stock options, stock awards, and leadership stock awards. Awards that expire or are canceled without delivery of Microsoft Shares generally become available for issuance under the plans. We issue new Microsoft Shares to satisfy exercises and vesting of awards granted under all of our stock plans.

Stock-based compensation expense and related income tax benefits were as follows:

(In millions)

Year Ended June 30,	2013	2012	2011
Stock-based compensation expense	\$ 2,406	\$ 2,244	\$ 2,166
Income tax benefits related to stock-based compensation	\$ 842	\$ 785	\$ 758

Stock Plans (Excluding Stock Options)*Stock awards*

Stock awards (“SAs”) are grants that entitle the holder to Microsoft Shares as the award vests. SAs generally vest over a five-year period.

Leadership stock awards

Leadership stock awards (“LSAs”) are a form of SAs in which the number of Microsoft Shares ultimately received depends on our business performance against specified performance metrics. LSAs replaced shared performance stock awards (“SPSA”) in fiscal year 2013. Microsoft Shares previously issued under the SPSA program will continue to vest ratably under their original term, generally with a three-year remaining service period.

A base number of LSAs are granted in each fiscal year, which represents the performance period for the awards. Following the end of the performance period, the number of Microsoft Shares can be increased by 25% if certain performance metrics are met. One quarter of the awarded shares will vest one year after the grant date. The remaining Microsoft Shares will vest semi-annually during the following three years.

Executive incentive plan

Under the Executive Incentive Plan (“EIP”), the Compensation Committee awards performance-based compensation comprising both cash and SAs to executive officers and certain senior executives. For executive officers, their awards are based on an aggregate incentive pool equal to a percentage of consolidated operating income. For fiscal years 2013, 2012, and 2011, the pool was 0.35%, 0.3%, and 0.25% of operating income, respectively. The SAs vest ratably in August of each of the four years following the grant date. The final cash awards will be determined after each performance period based on individual and business performance.

Activity for all stock plans

The fair value of each award was estimated on the date of grant using the following assumptions:

Year Ended June 30,	2013	2012	2011
Dividends per share (quarterly amounts)	\$ 0.20 - \$ 0.23	0.16 - \$ 0.20	0.13 - \$ 0.16
Interest rates range	0.6% - 1.1%	0.7% - 1.7%	1.1% - 2.4%

During fiscal year 2013, the following activity occurred under our stock plans:

	Shares	Weighted Average Grant-Date Fair Value
(In millions)		
Stock Awards		
Nonvested balance, beginning of year	281	\$ 23.91
Granted	104	\$ 28.37
Vested	(90)	\$ 24.49
Forfeited	(22)	\$ 25.10

	Shares	Weighted Average Grant-Date Fair Value
(In millions)		
Nonvested balance, end of year	273	\$ 25.50

As of June 30, 2013, there was approximately \$5.0 billion of total unrecognized compensation costs related to stock awards. These costs are expected to be recognized over a weighted average period of 3 years.

During fiscal year 2012 and 2011, the following activity occurred under our stock plans:

(In millions, except fair values)	2012	2011
Stock Awards		
Awards granted	110	132
Weighted average grant-date fair value	\$ 24.60	\$ 22.22

Total vest-date fair value of stock awards vested was \$2.8 billion, \$2.4 billion, and \$1.8 billion, for fiscal years 2013, 2012, and 2011, respectively.

Stock Options

Currently, we grant stock options primarily in conjunction with business acquisitions. We granted two million, six million, and zero stock options in conjunction with business acquisitions during fiscal years 2013, 2012, and 2011, respectively.

Employee stock options activity during 2013 was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In millions)		(Years)	(In millions)
Balance, July 1, 2012	22	\$ 18.69		
Granted	2	\$ 2.08		
Exercised	(19)	\$ 19.26		
Canceled	(1)	\$ 14.71		
Balance, June 30, 2013	4	\$ 6.88	6.74	\$ 98
Exercisable, June 30, 2013	2	\$ 8.47	5.79	\$ 50

As of June 30, 2013, approximately four million options that were granted in conjunction with business acquisitions were outstanding. These options have an exercise price range of \$0.01 to \$29.24 and a weighted average exercise price of \$7.33.

During the periods reported, the following stock option exercise activity occurred:

(In millions)

	2013	2012	2011
Total intrinsic value of stock options exercised	\$ 197\$	456\$	222
Cash received from stock option exercises	\$ 382\$	1,410\$	1,954
Tax benefit realized from stock option exercises	\$ 69\$	160\$	77

Employee Stock Purchase Plan

We have an ESPP for all eligible employees. Microsoft Shares may be purchased by employees at three-month intervals at 90% of the fair market value on the last trading day of each three-month period. Employees may purchase Microsoft Shares having a value not exceeding 15% of their gross compensation during an offering period. Employees purchased the following Microsoft Shares during the periods presented:

(Shares in millions)

Year Ended June 30,	2013	2012	2011
Shares purchased	20	20	20
Average price per share	\$ 26.81\$	25.03\$	22.98

At June 30, 2013, 191 million Microsoft Shares were reserved for future issuance through the ESPP.

Savings Plan

We have a savings plan in the U.S. that qualifies under Section 401(k) of the Internal Revenue Code, and a number of savings plans in international locations. Participating U.S. employees may contribute up to 75% of their salary, but not more than statutory limits. We contribute fifty cents for each dollar a participant contributes in this plan, with a maximum contribution of 3% of a participant's earnings. Matching contributions for all plans were \$393 million, \$373 million, and \$282 million in fiscal years 2013, 2012, and 2011, respectively, and were expensed as contributed. Matching contributions are invested proportionate to each participant's voluntary contributions in the investment options provided under the plan. Investment options in the U.S. plan include Microsoft Shares, but neither participant nor our matching contributions are required to be invested in Microsoft Shares.

IX. WORKING CAPITAL STATEMENT

Microsoft expects existing domestic cash, cash equivalents, short-term investments, and cash flows from operations to continue to be sufficient to fund its domestic operating activities and cash commitments for investing and financing activities, such as regular quarterly dividends, debt repayment schedules, and material capital expenditures, for at least the next 12 months and thereafter for the foreseeable future. In addition, Microsoft expects existing foreign cash, cash equivalents, short-term investments, and cash flows from operations to continue to be sufficient to fund its foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next 12 months and thereafter for the foreseeable future.

X. SELECTED FINANCIAL INFORMATION**10.1 Selected Financial Data**

The selected financial data of Microsoft set out in this prospectus have been prepared in accordance with U.S. GAAP. They are derived in part from and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and Microsoft's audited consolidated financial statements and notes thereto appearing respectively in Exhibit 99.2 and Exhibit 99.3 of Microsoft's Current Report on Form 8-K filed with the SEC on November 26, 2013 ("Microsoft's Form 8-K"), and its consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing respectively on pages 3 – 29 and 31 – 49 of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed with the SEC on April 24, 2014 ("Microsoft's Form 10-Q").

SELECTED THREE-YEAR FINANCIAL DATA

(In millions, except per share data)

Year Ended June 30,	2013	2012	2011
Revenue	\$ 77,849	\$ 73,723	\$ 69,943
Operating income	\$ 26,764(a)	\$ 21,763(b)	\$ 27,161
Net income	\$ 21,863(a)	\$ 16,978(b)	\$ 23,150
Diluted earnings per share	\$ 2.58(a)	\$ 2.00(b)	\$ 2.69
Cash dividends declared per share	\$ 0.92	\$ 0.80	\$ 0.64
Cash, cash equivalents, and short-term investments	\$ 77,022	\$ 63,040	\$ 52,772
Total assets	\$ 142,431	\$ 121,271	\$ 108,704
Long-term obligations	\$ 26,070	\$ 22,220	\$ 22,847
Stockholders' equity	\$ 78,944	\$ 66,363	\$ 57,083

(a) Includes a charge related to a fine imposed by the European Commission in March 2013 which decreased operating income and net income by \$733 million (€561 million) and diluted earnings per Microsoft Share by \$0.09. Also includes a charge for Surface RT inventory adjustments recorded in the fourth quarter of fiscal year 2013, which decreased operating income by \$900 million, net income by \$596 million, and diluted earnings per Microsoft Share by \$0.07.

(b) Includes a goodwill impairment charge related to Microsoft's previous Online Services Division business segment (related to D&C Other under Microsoft's current segment structure) which decreased operating income and net income by \$6.2 billion and diluted earnings per Microsoft Share by \$0.73.

SELECTED QUARTERLY FINANCIAL DATA**Income Statements Data**

(In millions, except per share amounts) (Unaudited)	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Revenue	\$ 20,403	\$ 20,489	\$ 63,451	\$ 57,953
Gross margin	\$ 14,462	\$ 15,702	\$ 44,112	\$ 43,306
Total operating expenses	\$ 7,488	\$ 8,090	\$ 22,835	\$ 22,615
Operating income	\$ 6,974	\$ 7,612	\$ 21,277	\$ 20,691
Net income	\$ 5,660	\$ 6,055	\$ 17,462	\$ 16,898
Earnings per share:				
Basic	\$ 0.68	\$ 0.72	\$ 2.10	\$ 2.02

(In millions, except per share amounts) (Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Diluted	\$ 0.68	\$ 0.72	\$ 2.08	\$ 1.99
Cash dividends declared per common share	\$ 0.28	\$ 0.23	\$ 0.84	\$ 0.69

Balance Sheets Data

(In millions) (Unaudited)

	March 31, 2014	June 30, 2013
Cash and cash equivalents	\$ 11,572	\$ 3,804
Short-term investments (including securities loaned of \$707 and \$579)	\$ 76,853	\$ 73,218
Total assets	\$ 156,119	\$ 142,431
Long-term obligations	\$ 34,792	\$ 26,070
Total stockholders' equity	\$ 87,424	\$ 78,944

10.2 Independent Registered Public Accounting Firm

The independent registered public accounting firm of Microsoft is Deloitte & Touche LLP, Seattle, Washington, U.S.A. Deloitte & Touche LLP is registered with the Public Company Accounting Oversight Board (United States) and a member of the American Institute of Certified Public Accountants.

XI. DOCUMENTS ON DISPLAY

Microsoft's Internet address is www.microsoft.com. At its Investor Relations website, www.microsoft.com/investor, Microsoft makes available free of charge a variety of information for investors, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after Microsoft electronically files such material with or furnishes it to the SEC (www.sec.gov).

Microsoft's Form 8-K, Microsoft's Form 10-Q and Microsoft's Proxy Statement, referred to in this prospectus, may be obtained free of charge upon request by an employee.

Microsoft expects to issue, after market close on July 22, 2014, its earnings release for the quarter and fiscal year ended June 30, 2014. The annual report on Form 10-K for the fiscal year ended June 30, 2014, will be filed with the SEC no later than August 29, 2014. These documents will be available on the web sites of Microsoft and the SEC indicated above.

XII. TAX CONSEQUENCES

12.1 Austrian Tax Consequences

The following summary is based on the income and social tax laws in effect in Austria as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Austrian tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The Participating Employee also will be subject to social insurance contributions on this amount, provided the Participating Employee has not already exceeded his/her applicable contribution ceiling. The Participating Employee may be entitled to a tax exemption and/or reduced tax rate if certain requirements are met.

Dividends

Where Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to these shares if Microsoft, in its discretion, declares a dividend. The Participating Employee will be subject to tax in Austria on any dividends received, provided the Participating Employee exceeds the tax exemption available for dividends and other forms of income not subject to wage tax withholding. The Participating Employee also will be subject to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

For Microsoft Shares acquired after January 1, 2011 (and sold on or after April 1, 2012), the Participating Employee will be subject to capital gains tax at a flat rate on the difference between the sale proceeds and the Fair Market Value of the Microsoft Shares on the Date of Exercise. Different rules apply to Microsoft Shares acquired prior to January 1, 2011.

Withholding and Reporting

The Participating Employee's employer is required to withhold and report income tax and social insurance contributions (to the extent the Participating Employee has not already exceeded his/her applicable contribution ceiling) at the time he/she purchases Microsoft Shares, unless a tax exemption (which also applies to social insurance contributions) applies. It is the Participating Employee's responsibility to report and pay any taxes resulting from the sale of the Microsoft Shares or the receipt of any dividends.

12.2 Belgian Tax Consequences

The following summary is based on the income and social tax laws in effect in Belgium as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Belgian tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee generally will be subject to income tax (at the normal progressive income tax rates) on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. As Microsoft currently does not directly or indirectly charge the costs related to the ESPP to the Participating Employee's local employer and because the Participating Employee has no recourse against his/her local employer in case he/she does not receive the benefit, the Participating Employee normally should not be subject to social security contributions.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Belgium and to U.S. federal tax withheld at source. The U.S. federal tax withheld is deductible from the basis on which Belgian tax is calculated but cannot be credited against the Belgian tax.

Sale of Shares

The Participating Employee typically should not be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP.

Withholding and Reporting

Because the grant is made by Microsoft and not by the Participating Employee's local employer (the latter thus not being involved in the grant), and provided Microsoft does not charge the costs related to the ESPP to the Participating Employee's local employer, the local employer should not be obliged to withhold tax when Microsoft Shares are purchased under the ESPP and should not be obliged to report the remuneration on the Participating Employee's salary forms relating to the year of purchase. The Participating Employee will be solely responsible for reporting the employment income personally and directly in his/her personal income tax return and for paying any taxes due upon purchase of the Microsoft Shares, the sale of Microsoft Shares or the receipt of any dividends.

12.3 Czech Republic Tax Consequences

The following summary is based on the income and social tax laws in effect in the Czech Republic as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Czech tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax (and solidarity surcharge, if applicable) on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The Participating Employee likely will not be subject to social insurance or health insurance contributions on this amount.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in the Czech Republic and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will not be subject to tax when the Participating Employee subsequently sells the Microsoft Shares provided the Participating Employee has held the Microsoft Shares for more than three years or the gross annual income from the sale of shares does not exceed a certain amount. If the Participating Employee holds the Microsoft Shares for three years or less (and does not exceed the annual income threshold), the Participating Employee will be taxed on the difference between the sale price of the Microsoft Shares and the Fair Market Value of the Microsoft Shares on the Date of Exercise. Different rules apply to Microsoft Shares acquired prior to December 31, 2013.

Withholding and Reporting

The Participating Employee's employer is not required to withhold or report income tax when the Microsoft Shares are purchased under the ESPP. It is the Participating Employee's responsibility to report in his/her annual tax return and pay taxes resulting from the purchase of Microsoft Shares, the subsequent sale of Microsoft Shares or the receipt of any dividends.

12.4 Danish Tax Consequences

The following summary is based on the income and social tax laws in effect in Denmark as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Danish tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax and social insurance contributions on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Denmark and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares acquired upon purchase at a gain. The taxable amount will be the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The Participating Employee's employer likely is not required to withhold income tax or social insurance contributions at the time the Microsoft Shares are purchased or sold. However, the employer will report the taxable amount at purchase to the Danish tax administration. It is the Participating Employee's responsibility to pay any taxes (including social insurance contributions) resulting from the purchase and the sale of the Microsoft Shares, or receipt of any dividends.

12.5 Finnish Tax Consequences

The following summary is based on the income and social tax laws in effect in Finland as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Finnish tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws,

rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax, health insurance contributions, municipal income tax (if applicable), and church tax (if applicable) on the difference between the fair market value of the Microsoft Shares on the Date of Exercise and the Purchase Price.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Finland and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to capital gains tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP on the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The Participating Employee's employer is required to withhold income tax, health insurance contributions municipal income tax (if applicable), and church tax (if applicable) due on the taxable amount. It is the Participating Employee's responsibility to report and pay any taxes resulting from the sale of the Microsoft Shares or receipt of any dividends.

12.6 French Tax and Social Security Consequences

The following summary is based on the income tax and social security laws in effect in France as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who qualify as French tax residents and are subject to the French social security regime. If the Participating Employee is a citizen or resident of another country for local law purposes or is not subject to the French social security regime or transfers employment to another country after a Purchase Period begins, the income tax and social security information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. This may not apply to each Participating Employee's particular tax or financial situation and Microsoft is not in a position to assure them of any particular tax results.

The Participating Employees should address any particular questions to a specialized advisor.

Enrollment in the ESPP

The Participating Employee is not subject to tax or social security contributions when he/she enrolls in the ESPP or in new Purchase Period begins.

Payroll Deductions

Payroll deductions are after-tax contributions and, as such, they remain subject to social security contributions (including general insurance contribution, “CSG” and contribution for the reimbursement of social insurance debt, “CRDS”) and are not deductible from the total taxable salary subject to personal income tax.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax (and additional surtax, if applicable) on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The Participating Employee also will be subject to social security contributions (paid by the employer and the employee), including CSG and CRDS.

The Microsoft Shares acquired under the ESPP have to be included in the Participating Employee’s personal estate for wealth tax purposes, unless a full or partial wealth tax exemption applies.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those Microsoft Shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in France, to additional social taxes in France and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld, provided formalities are fulfilled. In addition, dividends received from 2013 are subject to a mandatory prepayment of French income tax and social taxes at a certain amount due on the gross amount of the dividends paid. The Participating Employee is required to pay the income tax and additional social taxes directly to the tax office.

The Participating Employee is strongly advised to consult with his or her personal tax advisor regarding the tax consequences of the Participating Employee’s receipt of dividends.

Sale of Shares

When the Participating Employee subsequently sells the Microsoft Shares acquired under the ESPP, the net sale gain calculated as the difference between the net sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise, will be subject to personal income tax at progressive rates (and additional surtax, if applicable), and will be subject to additional social taxes. For shares sold from 2013, the CSG component of the additional social taxes is deductible from the taxable income in the year following the year in which the CSG is paid. Further, for shares sold from 2013, the capital gain basis for personal income tax purposes (but not additional social taxes) may be reduced if the Participating Employee holds the shares for certain periods of time prior to sale.

Withholding and Reporting

The Participating Employee’s employer is not required to withhold personal income tax (or additional surtax) when Microsoft Shares are purchased under the ESPP, provided the Participating Employee is a French resident for tax purposes. However, because the income realized upon the purchase of Microsoft Shares qualifies as additional salary under French law, the Participating Employee’s employer is required

to report this income on its annual declaration of salaries which is filed with the tax and social security authorities and on the Participating Employee's monthly pay slip. Also, the Participating Employee's employer will withhold the employee's portion of social security contributions due at purchase. The additional salary also will be included in the taxable income that the Participating Employee must report on his/her personal income tax return to be filed with the French tax administration in the year following the year of purchase. It is the Participating Employee's responsibility to report and pay any taxes (including any wealth tax or additional surtax, if applicable) resulting from the purchase of the Microsoft Shares, the sale of Microsoft Shares or the receipt of any dividends. If the Participating Employee may be subject to the additional surtax, he/she should contact his/her own personal advisor or tax office regarding the availability of a surtax reduction.

12.7 German Tax Consequences

The following summary is based on the income and social tax laws in effect in Germany as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are German tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax at his/her marginal rate on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The Participating Employee also will be subject to social insurance contributions on this amount to the extent he/she has not already exceeded his/her applicable contribution ceiling, solidarity surcharge on the income tax liability and church tax if he/she is a member of a recognized church in Germany.

The German Income Tax Act provides favorable tax treatment if certain conditions are met.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Germany (subject to an annual threshold exempt amount) and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

If the Participating Employee sells Microsoft Shares that were acquired on or after January 1, 2009 at a gain, the Participating Employee will be subject to capital gains tax at a flat rate plus a solidarity surcharge and church tax, if applicable, provided the Participating Employee does not own 1% or more of Microsoft's stated capital (and has not owned 1% or more at any time in the last five years) and the Microsoft Shares are not held as business assets, subject to an annual threshold exempt amount. The taxable gain will be the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise.

Withholding and Reporting

The income recognized when the Microsoft Shares are purchased will be compensation to the Participating Employee and his/her employer is required to report and withhold income tax, solidarity surcharge, church tax (if applicable) and social insurance contributions (to the extent he/she has not exceeded his/her applicable ceiling for social insurance contributions) on the taxable amount. It is the Participating Employee's responsibility to report and pay taxes resulting from the sale of Microsoft Shares or receipt of any dividends.

12.8 Irish Tax Consequences

The following summary is based on the income and social tax laws in effect in Ireland as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Irish tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax and Universal Social Charge ("USC") on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The Participating Employee also will be subject to Pay Related Social Insurance ("PRSI") on the taxable amount.

The Participating Employee must report and pay income tax, USC and PRSI under the self-assessment system which will generally involve the Participating Employee making a report and payment directly to the Revenue Commissioners within 30 days of the Date of Exercise. However, the Participating Employee should also take account of this benefit as part of his/her preliminary tax obligations for the year of purchase. Tax will be payable at the higher rate of income tax, unless the Participating Employee

has obtained prior permission from the Revenue Commissioners to pay tax at the standard rate of income tax.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Ireland and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares acquired under the ESPP at a gain. The taxable amount will be the difference between the sale proceeds and Fair Market Value of the Microsoft Shares on the Date of Exercise, less any expenses incidental to the sale (e.g., broker fees). The resulting amount is subject to capital gains tax to the extent it exceeds the Participating Employee's annual exemption. The capital gains tax rules in Ireland can be quite complex due to the need to identify the shares that are sold (matching them with those acquired). The Participating Employee should consult his/her personal tax advisor for further advice on how best to calculate and report the gains realized upon the sale of his/her Microsoft Shares.

Withholding and Reporting

The Participating Employee's employer is not required to withhold income tax, USC or PRSI at the time the Microsoft Shares are purchased. However, the employer will report the grant of purchase rights and the purchase of Microsoft Shares under the ESPP to the Revenue Commissioners. As noted above, it is the Participating Employee's responsibility to report and pay any taxes resulting from the purchase of Microsoft Shares. In addition, the Participating Employee must report the purchase of the Microsoft Shares on his/her annual tax return and to report and pay any taxes from the sale of Microsoft Shares or receipt of any dividends.

12.9 Italian Tax Consequences

The following summary is based on the income and social tax laws in effect in Italy as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Italian tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

The Participating Employee will be subject to income tax, social insurance contributions, municipal and regional surcharge and an extraordinary surcharge (in certain circumstances) when Microsoft Shares are purchased under the ESPP on the difference between the Purchase Price and the average price of the Microsoft Shares in the month preceding and including the Date of Exercise. Tax will be due on this amount unless a tax exemption applies.

The Participating Employee may also be subject to a foreign financial assets tax if the value of his/her financial assets held outside of Italy (including any Microsoft Shares acquired under the ESPP) exceeds a certain threshold. The taxable amount will be the fair market value of the financial assets, assessed at the end of the calendar year in the place where the financial assets are held, using documentation issued by the local broker. The Participating Employee is solely responsible for paying any foreign financial assets tax for the year concerned.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Italy and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP at a gain. The gain will be calculated as the difference between the sale price and the Purchase Price, or if the Microsoft Shares have already been subject to tax as employment income, the difference between the sale price and the sum of the Purchase Price and the amount already subject to taxation at purchase.

Withholding and Reporting

The Participating Employee's employer is required to withhold and report income tax and social insurance contributions (including applicable surcharges) when the Microsoft Shares are purchased, unless a tax exemption applies. It is the Participating Employee's responsibility to report and pay any taxes resulting from the sale of Microsoft Shares or receipt of any dividends.

12.10 Netherlands Tax Consequences

The following summary is based on the income and social tax laws in effect in the Netherlands as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Dutch tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

The Participating Employee will be subject to tax when the right to purchase Microsoft Shares under the ESPP becomes unconditional. This will likely occur at the time of purchase. The Participating Employee will be subject to income tax/wage withholding tax and social insurance contributions (to the extent the Participating Employee has not already exceeded the applicable ceiling) on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price.

The Participating Employee will also be subject to an investment yield tax based on the value of all of taxable assets (including Microsoft shares acquired under the ESPP) held by the Participating Employee on January 1 of the each year, to the extent the value of such assets exceeds the annual exempt amount.

The Participating Employee is solely responsible for paying any investment yield tax due on his/her annual tax return for the year concerned.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to U.S. federal tax withheld at source. Dividends are exempt from taxation in the Netherlands. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

When the Participating Employee subsequently sells the Microsoft Shares purchased under the ESPP, he/she will not be subject to any capital gains tax, provided he/she holds less than 5% of Microsoft's outstanding shares.

Withholding and Reporting

The Participating Employee's employer is required to withhold and report any wage tax and social insurance contributions on the taxable amount at purchase. The Participating Employee must report any taxable benefit derived from the ESPP on his/her personal income tax return.

12.11 Norwegian Tax Consequences

The following summary is based on the income and social tax laws in effect in the Norway as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Norwegian tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

The Participating Employee will be subject to income tax and social insurance contributions when Microsoft Shares are purchased under the ESPP on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price, unless an exemption applies.

Any Microsoft Shares that the Participating Employee acquires under the ESPP are considered assets and therefore, subject to wealth tax. Wealth tax is assessed at the end of each tax year and the tax is based on the value of the assets held on January 1 in the year following the relevant tax year. The Participating Employee is solely responsible for paying any wealth tax due for the year concerned.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Norway and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee is subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP on the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise. Certain adjustments may be available that will reduce the capital gain.

Withholding and Reporting

The Participating Employee's employer will withhold and report income tax and social insurance contributions on the taxable amount at purchase. The Participating Employee must report any taxable benefit derived from the ESPP on his/her personal income tax return. It is also the Participating Employee's responsibility to report and pay any taxes resulting from the sale of the Microsoft Shares or receipt of any dividends.

Further, if the Participating Employee emigrate from Norway, he/she may be subject to income tax and/or capital gain tax on the purchase rights and/or Microsoft Shares held at the time of emigration. The Participating Employee should consult with his/her personal tax advisor regarding his/her tax obligations if the Participating Employee is emigrating from Norway.

12.12 Polish Tax Consequences

The following summary is based on the income and social tax laws in effect in Poland as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Polish tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

The Participating Employee likely will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. However, the tax treatment of ESPP income in Poland is uncertain as the tax authorities and courts have taken varying approaches to the taxation of equity awards. Social insurance contributions should not be due on ESPP income but this is not certain. The Participating Employee is strongly advised to consult with his/her personal tax advisor to determine whether tax is due at purchase.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Poland and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee likely will be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP on the entire sale proceeds. The portion of the Participating Employee's gain already taxed at purchase should constitute a tax deductible cost at sale and, therefore, should not be taxed again. However, it is possible that this approach may not be followed. Thus, a portion of the Participating Employee's gain may be subject to double taxation. The Participating Employee likely is not subject to social insurance contributions on this amount.

Withholding and Reporting

The Participating Employee's employer is not required to withhold or report tax when Microsoft Shares are purchased under the ESPP. It is the Participating Employee's responsibility to report and pay any tax due resulting from the purchase of Microsoft Shares under the ESPP, the sale of Microsoft Shares or receipt of any dividends.

12.13 Portuguese Tax Consequences

The following summary is based on the income and social tax laws in effect in Portugal as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Portuguese tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee likely is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax (plus solidarity and extraordinary surcharges, if applicable) on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. The taxable amount likely will not be subject to social insurance contributions.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Portugal and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP on the difference between the sale price and the Purchase Price. A tax exemption may apply up to a certain threshold on the capital gain.

Withholding and Reporting

The Participating Employee's employer is not required to withhold income tax (or solidarity and extraordinary surcharges) when Microsoft Shares are purchased under the ESPP or subsequently sold. However, the employer will report the income derived from the purchase of Microsoft Shares under the ESPP to the tax authorities. It is the Participating Employee's responsibility to report and pay any taxes resulting from the purchase of Microsoft Shares, the sale of Microsoft Shares or receipt of any dividends.

12.14 Romanian Tax Consequences

The following summary is based on the income and social tax laws in effect in Romania as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Romanian tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information

below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee likely is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee likely will be subject to income tax and social insurance contributions.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Romania and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP. If you were subject to tax on the Exercise Date, the taxable amount at sale will likely be the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Exercise Date. If you were not subject to tax on the Exercise Date, the taxable amount at sale will likely be the difference between the sale price and the Purchase Price.

Withholding and Reporting

The Participating Employee's employer may withhold and report income tax and social insurance contributions when Microsoft Shares are purchased under the ESPP. In any event, it is the Participating Employee's responsibility to report and pay any tax due resulting from the purchase of Microsoft Shares under the ESPP, the sale of Microsoft Shares or receipt of any dividends.

12.15 Swedish Tax Consequences

The following summary is based on the income and social tax laws in effect in Sweden as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are Swedish tax residents. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. Additionally, the taxable amount will be subject to social insurance contributions payable by the Participating Employee's employer (including a general pension contribution withheld at year-end by the employer as part of the Participating Employee's income tax withholding to the extent the annual contribution maximum has not already been exceeded).

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in Sweden and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares acquired under the ESPP at a gain. The gain is calculated as the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise. As an alternative, the Participating Employee may choose to be taxed on a certain percentage of the sale proceeds since Microsoft Shares are listed on the Nasdaq.

Withholding and Reporting

The Participating Employee's employer is required to report and withhold income tax (including the general pension contribution) on the taxable amount when the Microsoft Shares are purchased. The Participating Employee must report the taxable income in his/her annual income tax return. It is the Participating Employee's responsibility to report and pay any taxes resulting from the sale of Microsoft Shares or receipt of any dividends.

12.16 United Kingdom Tax Consequences

The following summary is based on the income and social tax laws in effect in the United Kingdom as of the date of this prospectus. Tax laws are complex and can change frequently. As a result, the information below may be out of date at the time the Participating Employee purchases Microsoft Shares, sells Microsoft Shares or receives dividends.

The following applies only to Participating Employees who are and will remain resident and ordinarily resident in the United Kingdom and are not subject to the remittance basis of taxation. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment to another country after a Purchase Period begins, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation, and Microsoft is not in a position to assure them of any particular tax result.

The Participating Employees should address any particular questions to a specialized advisor.

ESPP

Enrollment in the ESPP

The Participating Employee is not subject to tax when he/she enrolls in the ESPP or a new Purchase Period begins.

Purchase of Shares

When Microsoft Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference between the Fair Market Value of the Microsoft Shares on the Date of Exercise and the Purchase Price. In addition, the Participating Employee will be subject to employee's national insurance contributions ("NICs") on this amount.

The Participating Employee's employer will calculate the income tax and employee's NICs due when Microsoft Shares are purchased under the ESPP and will account for these amounts to Her Majesty's Revenue and Customs ("HMRC"). The Participating Employee is required to reimburse the employer for the amounts accounted by it to HMRC.

The Participating Employee must reimburse the employer for the income tax due (in excess of the amount withheld from the Participating Employee's salary or covered by the sale of shares, if any) within 90 days of the end of the tax year following the Date of Exercise or such other period specified in the U.K. Income Tax (Earnings and Pensions) Act 2003 to avoid further tax consequences. If the Participating Employee fails to pay this amount to the employer within that time limit, the Participating Employee may be treated as having received a deemed benefit in kind (depending on the Participating Employee's circumstances) equal to the amount of tax not paid to the employer and the Participating Employee will have to pay further tax on this benefit. The employer is not required to withhold tax on the benefit in kind, and the Participating Employee must include this in his/her self-assessment tax return for the tax year in which the purchase occurs.

Dividends

If Microsoft Shares are acquired under the ESPP, dividends may be paid with respect to those shares if Microsoft, in its discretion, declares a dividend. Any dividends paid will be subject to tax in the U.K. and to U.S. federal tax withheld at source. The Participating Employee may be entitled to a tax credit for the U.S. federal tax withheld.

Sale of Shares

When the Participating Employee subsequently sells the Microsoft Shares acquired under the ESPP, any capital gain (*i.e.*, the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise) will be subject to capital gains tax. However, capital gains is payable only if the total capital gain exceeds the annual exemption amount.

Withholding and Reporting

As mentioned above, the Participating Employee's employer will withhold and report income tax and NICs on the taxable amount when Microsoft Shares are purchased under the ESPP. It is the Participating Employee's responsibility to pay and report any taxes due when he/she sells the Microsoft Shares or receives any dividends.

EXHIBITS

EXHIBIT I

**MICROSOFT CORPORATION 2003 EMPLOYEE STOCK PURCHASE PLAN,
AS AMENDED EFFECTIVE JANUARY 1, 2013**

Employee Stock Purchase Plan

This Employee Stock Purchase Plan (the "Plan") is effective January 1, 2013, subject to prior approval by the Company's shareholders. The Plan is an amendment, restatement and continuation of the Company's 2003 Employee Stock Purchase Plan.

1. Purpose and Structure of the Plan and its Sub-Plans.

1.1 The purpose of this Plan is to provide eligible employees of the Company and Participating Companies who wish to become shareholders in the Company a convenient method of doing so. It is believed that employee participation in the ownership of the business will be to the mutual benefit of both the employees and the Company. This Plan document is an omnibus document which includes a sub-plan ("Statutory Plan") designed to permit offerings of grants to employees of certain Subsidiaries that are Participating Companies where such offerings are intended to satisfy the requirements of Section 423 of the Code (although the Company makes no undertaking nor representation to obtain or maintain qualification under Section 423 for any Subsidiary, individual, offering or grant) and also separate sub-plans ("Non-Statutory Plans") which permit offerings of grants to employees of certain Participating Companies which are not intended to satisfy the requirements of Section 423 of the Code. Section 6 of the Plan sets forth the maximum number of shares to be offered under the Plan (and its sub-plans), subject to adjustments as permitted under Sections 19 and 20.

1.2 The Statutory Plan shall be a separate and independent plan from the Non-Statutory Plans, provided, however, that the total number of shares authorized to be issued under the Plan applies in the aggregate to both the Statutory Plan and the Non-Statutory Plans. Offerings under the Non-Statutory Plans may be made to achieve desired tax or other objectives in particular locations outside the United States of America or to comply with local laws applicable to offerings in such foreign jurisdictions. Offerings under the Non-Statutory Plans may also be made to employees of entities that are not Subsidiaries.

1.3 All employees who participate in the Statutory Plan shall have the same rights and privileges under such sub-plan except for differences that may be mandated by local law and are consistent with the requirements of Code Section 423(b)(5). The terms of the Statutory Plan shall be those set forth in this Plan document to the extent such terms are consistent with the requirements for qualification under Code Section 423. The Administrator may adopt Non-Statutory Plans applicable to particular Participating Companies or locations that are not participating in the Statutory Plan. The terms of each Non-Statutory Plan may take precedence over other provisions in this document, with the exception of Sections 6, 19 and 20 with respect to the total number of shares available to be offered under the Plan for all sub-plans. Unless otherwise superseded by the terms of such Non-Statutory Plan, the provisions of this Plan document shall govern the operation of such Non-Statutory Plan. Except to the extent expressly set forth herein or where the context suggests otherwise, any reference herein to "Plan" shall be construed to include a reference to the Statutory Plan and the Non-Statutory Plans.

2. Definitions.

2.1 "Account" means the funds accumulated with respect to an individual employee as a result of deductions from such employee's paycheck (or otherwise as permitted in certain circumstances under the terms of the Plan) for the purpose of purchasing stock under this Plan. The funds allocated to an employee's Account shall remain the property of the employee at all times but may be commingled with the general funds of the Company, except to the extent such commingling may be prohibited by the laws of any applicable jurisdiction.

2.2 "Administrator" means the Committee or the persons acting within the scope of their authority to administer the Plan pursuant to a delegation of authority from the Committee pursuant to Section 22.

2.3 “Affiliate” means an entity, other than a Subsidiary, in which the Company has an equity or other ownership interest.

2.4 “Board” means the Board of Directors of the Company.

2.5 “Code” means the Internal Revenue Code of 1986, as amended from time to time.

2.6 “Committee” means the Compensation Committee of the Board. The Committee may delegate its responsibilities as provided in Section in Section 22.

2.7 “Company” means Microsoft Corporation.

2.8 “Compensation” means total cash performance-based pay received by the participant from a Participating Company. By way of illustration, but not limitation, Compensation includes salary, wages, performance bonuses, commissions, incentive compensation and overtime but excludes relocation, equalization, patent and sign-on bonuses, expense reimbursements, meal allowances, commuting or automobile allowances, any payments (such as guaranteed bonuses in certain foreign jurisdictions) with respect to which salary reductions are not permitted by the laws of the applicable jurisdiction, and income realized as a result of participation in any stock plan, including without limitation any stock option, stock award, stock purchase, or similar plan, of the Company or any Subsidiary or Affiliate.

2.9 “Enrollment Agreement” means an agreement between the Company and an employee, in such form as may be established by the Company from time to time, pursuant to which the employee elects to participate in this Plan, or elects changes with respect to such participation as permitted under the Plan.

2.10 “ESPP Broker” means a stock brokerage or other entity designated by the Company to establish accounts for stock purchased under the Plan by participants.

2.11 “Fair Market Value” means the closing bid price as reported on the National Association of Securities Dealers Automated Quotation National Market System or the other primary trading market for the Company’s common stock.

2.12 “Offering Date” as used in this Plan shall be the commencement date of an offering. A different date may be set by the Committee.

2.13 “Participating Company” means the Company and any Subsidiary or Affiliate that has been designated by the Administrator to participate in the Plan. For purposes of participation in the Statutory Plan, only the Company and its Subsidiaries may be considered Participating Companies, and the Administrator shall designate from time to time which Subsidiaries will be Participating Companies in the Statutory Plan. The Administrator shall designate from time to time which Subsidiaries and Affiliates will be Participating Companies in particular Non-Statutory Plans provided, however, that at any given time, a Subsidiary that is a Participating Company in the Statutory Plan will not be a Participating Company in a Non-Statutory Plan. The foregoing designations and changes in designation by the Administrator shall not require shareholder approval. Notwithstanding the foregoing, the term “Participating Company” shall not include any Subsidiary or Affiliate that offers its employees the opportunity to participate in an employee stock purchase plan covering the Subsidiary’s or Affiliate’s common stock.

2.14 “Plan” means this Microsoft Corporation Employee Stock Purchase Plan.

2.15 “Purchase Price” is the price per share of common stock of the Company as established pursuant to Section 5 of the Plan.

2.16 “Subsidiary” means any corporation (other than the Company), domestic or foreign, that is in an unbroken chain of corporations beginning with Company if, on an Offering Date, each of the corporations

other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain, as described in Code Section 424(f).

3. Employees Eligible to Participate. Any employee of a Participating Company who is in the employ of any Participating Company on the last business day preceding the Offering Date for an offering is eligible to participate in that offering, except employees whose customary employment is for not more than five months in any calendar year.

4. Offerings. Subject to the right of the Company in its sole discretion to sooner terminate the Plan or to change the commencement date or term of any offering, commencing January 1, 2013, the Plan will operate with separate consecutive three-month offerings with the following Offering Dates: January 1, April 1, July 1, and October 1. Unless a termination of or change to the Plan has previously been made by the Company, the final offering under this Plan shall commence on October 1, 2022 and terminate on December 31, 2022. In order to become eligible to purchase shares, an employee must complete and submit an Enrollment Agreement and any other necessary documents before the Offering Date of the particular offering in which he or she wishes to participate. Participation in one offering under the Plan shall neither limit, nor require, participation in any other offering.

5. Price. The Purchase Price per share shall be ninety percent (90%) of the Fair Market Value of the stock on the last regular business day of the offering.

6. Number of Shares to be Offered. The maximum number of shares that will be offered under the Plan is two hundred million (200,000,000) shares, subject to adjustment as permitted under Section 20. These two hundred million (200,000,000) shares include shares that were available but not used under the prior version of this Plan (i.e., the Microsoft Corporation 2003 Employee Stock Purchase Plan) as well as additional shares that were made available for issuance for the first time as part of this amended and restated Plan. The shares to be sold to participants under the Plan will be common stock of the Company. If the total number of shares for which options are to be granted on any date in accordance with Section 12 exceeds the number of shares then available under the Plan or a given sub-plan (after deduction of all shares for which options have been exercised under the Plan or are then outstanding), the Company shall make a pro rata allocation of the shares remaining available in as nearly a uniform manner as it determines is practicable and equitable. In such event, the payroll deductions to be made pursuant to the authorizations therefor shall be reduced accordingly and the Company shall give written notice of the reduction to each employee affected.

7. Participation.

7.1 An eligible employee may become a participant by completing an Enrollment Agreement provided by the Company and submitting it to the Company, or with such other entity designated by the Company for this purpose, prior to the commencement of the offering to which it relates. The Enrollment Agreement may be completed at any time after the employee becomes eligible to participate in the Plan, and will be effective as of the Offering Date next following the receipt of a properly completed Enrollment Agreement by the Company (or the Company's designee for this purpose).

7.2 Payroll deductions for a participant shall commence on the Offering Date as described above and shall continue through subsequent offerings pursuant to Section 10 until the participant's termination of employment, subject to modification by the employee as provided in Section 8.1, and unless participation is earlier withdrawn or suspended by the employee as provided in Section 9.

7.3 Payroll deduction shall be the sole means of accumulating funds in a participant's Account, except in foreign countries where payroll deductions are not allowed, in which case the Company may authorize alternative payment methods.

7.4 The Company may require current participants to complete a new Enrollment Agreement at any time it deems necessary or desirable to facilitate Plan administration or for any other reason.

8. Payroll Deductions.

8.1 At the time an employee files a payroll deduction authorization, the employee shall elect to have deductions made from the employee's Compensation on each payday during the time he or she is a participant in an offering at any non-fractional percentage rate from 1% to 15%. A participant may change his or her payroll deduction percentage election, including changing the payroll deduction percentage to zero, effective as of any Offering Date by filing a revised authorization, provided the revised authorization is filed prior to such Offering Date.

8.2 All payroll deductions made for a participant shall be credited to his or her Account under the Plan. A participant may not make any separate cash payment into his or her Account nor may payment for shares be made other than by payroll deduction, except as provided under Section 7.3.

8.3 A participant may withdraw from or suspend his or her participation in the Plan as provided in Section 9, but no other change can be made during an offering with respect to that offering. A participant may also make a prospective election, by changing his or her payroll deduction percentage to zero as set forth in Section 8.1, to cease participation in the Plan effective as of the next Offering Date. Other changes permitted under the Plan may only be made with respect to an offering that has not yet commenced.

9. Withdrawal and Suspension.

9.1 An employee may withdraw from an offering, in whole but not in part, at any time prior to the first day of the last calendar month of such offering by submitting a withdrawal notice to the Company, in which event the Company will refund the entire balance of his or her Account as soon as practicable thereafter.

9.2 An employee may, at any time prior to the first day of the last calendar month of an offering, reduce to zero the percentage by which he or she has elected to have his or her Compensation reduced, thereby suspending participation in the Plan. The reduction will be effective as soon as administratively feasible after receipt of the participant's election. Shares shall be purchased in accordance with Section 13 based on the amounts accumulated in the participant's Account prior to the suspension of payroll deductions.

9.3 If an employee withdraws or suspends his or her participation pursuant to Sections 9.1 or 9.2, he or she shall not participate in a subsequent offering unless and until he or she re-enters the Plan. To re-enter the Plan, an employee who has previously withdrawn or suspended participation by reducing payroll deductions to zero must file a new Enrollment Agreement in accordance with Section 7.1. The employee's re-entry into the Plan will not become effective before the beginning of the next offering following his or her withdrawal or suspension.

10. Automatic Re-Enrollment. At the termination of each offering each participating employee who continues to be eligible to participate pursuant to Section 3 shall be automatically re-enrolled in the next offering, unless the employee has advised the Company otherwise. Upon termination of the Plan, any balance in each employee's Account shall be refunded to him.

11. Interest. No interest will be paid or allowed on any money in the Accounts of participating employees, except to the extent payment of interest is required by the laws of any applicable jurisdiction.

12. Granting of Option. On each Offering Date, this Plan shall be deemed to have granted to the participant an option for as many shares (which may include a fractional share) as he or she will be able to purchase with the amounts credited to his or her Account during his or her participation in that offering. Notwithstanding the foregoing, no participant may purchase more than 2,000 shares of stock during any single offering. This number may be adjusted as permitted pursuant to Section 20 of the Plan.

13. Exercise of Option. Each employee who continues to be a participant in an offering on the last business day of that offering shall be deemed to have exercised his or her option on that date and shall be deemed to have purchased from the Company the number of shares (which may include a fractional share) of common stock reserved for the purpose of the Plan as the balance of his or her Account on such date will pay for at the Purchase Price.

14. Tax Obligations. To the extent any (i) grant of an option to purchase shares, (ii) purchase of shares, or (iii) disposition of shares purchased under the Plan gives rise to any tax withholding obligation (including, without limitation, income and payroll withholding taxes imposed by any jurisdiction) the Administrator may implement appropriate procedures to ensure that such tax withholding obligations are met. Those procedures may include, without limitation, increased withholding from an employee's current compensation, cash payments to the Company or another Participating Company by an employee, or a sale of a portion of the stock purchased under the Plan, which sale may be required and initiated by the Company.

15. Employee's Rights as a Shareholder. No participating employee shall have any right as a shareholder with respect to any shares until the shares have been purchased in accordance with Section 13 above and the stock has been issued by the Company.

16. Evidence of Stock Ownership.

16.1 Following the end of each offering, the number of shares of common stock purchased by each participant shall be deposited into an account established in the participant's name at the ESPP Broker.

16.2 A participant shall be free to undertake a disposition (as that term is defined in Section 424(c) of the Code) of the shares in his or her ESPP Broker account at any time, whether by sale, exchange, gift, or other transfer of legal title, but in the absence of such a disposition of the shares, the shares must remain in the participant's ESPP Broker account until the holding period set forth in Section 423(a) of the Code has been satisfied. With respect to shares for which the Section 423(a) holding period has been satisfied, the participant may move those shares to another brokerage account of participant's choosing.

16.3 Notwithstanding the above, a participant who is not subject to income taxation under the Code may move his or her shares to another brokerage account of his or her choosing at any time, without regard to the satisfaction of the Section 423(a) holding period.

17. Rights Not Transferable. No employee shall be permitted to sell, assign, transfer, pledge, or otherwise dispose of or encumber either the payroll deductions credited to his or her Account or an option or any rights with regard to the exercise of an option or rights to receive shares under the Plan other than by will or the laws of descent and distribution, and such right and interest shall not be liable for, or subject to, the debts, contracts, or liabilities of the employee. If any such action is taken by the employee, or any claim is asserted by any other party in respect of such right and interest whether by garnishment, levy, attachment or otherwise, the action or claim will be treated as an election to withdraw funds in accordance with Section 9. During the employee's lifetime, only the employee can make decisions regarding the participation in or withdrawal from an offering under the Plan.

18. Termination of Employment. Upon termination of employment for any reason whatsoever, including but not limited to death or retirement, the balance in the Account of a participating employee shall be paid to the employee or his or her estate. Whether and when employment is deemed terminated for purposes of this Plan shall be determined by the Administrator in its sole discretion and may be determined without regard to statutory notice periods or other periods following termination of active employment.

19. Amendment or Discontinuance of the Plan. The Committee and the Board shall have the right at any time and without notice to amend, modify or terminate the Plan; provided, that no employee's existing rights under any offering already made under Section 4 hereof may be adversely affected thereby, and provided further that no such amendment of the Plan shall, except as provided in Section 20, increase the total number of shares to be offered under the Plan above the limit specified in Section 6 unless shareholder approval is obtained therefor.

20. Changes in Capitalization. In the event of reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, offerings of rights, or any other change in the structure of the common shares of the Company, the Committee may make such adjustment, if any, as it may deem appropriate in the number, kind, and the price of shares available for purchase under the Plan, and in the number of shares which an employee is entitled to purchase including, without limitation, closing an offering early and permitting purchase on the last business day of the reduced offering period, or terminating an offering and refunding participants' Account balances.

21. Share Ownership. Notwithstanding anything in the Plan to the contrary, no employee shall be permitted to subscribe for any shares under the Plan if the employee, immediately after such subscription, owns shares (including all shares that may be purchased under outstanding subscriptions under the Plan) possessing 5% or more of the total combined voting power or value of all classes of shares of the Company or of its parent or subsidiary corporations. For the foregoing purposes the rules of Section 424(d) of the Code shall apply in determining share ownership, and shares the employee may purchase under outstanding options shall be treated as owned by the employee. In addition, no employee shall be allowed to subscribe for any shares under the Plan that permit his or her rights to purchase shares under all "employee stock purchase plans" of the Company and its parent or subsidiary corporations to accrue at a rate that exceeds \$25,000 of Fair Market Value of such shares (determined at the time such right to subscribe is granted) for each calendar year in which the right to subscribe is outstanding at any time. Notwithstanding the above, lower limitations may be imposed with respect to participants in a Non-Statutory Plan or participants in the Statutory Plan who are subject to laws of another jurisdiction where lower limitations are required.

22. Administration and Board Authority.

22.1 The Plan shall be administered by the Board. The Board has delegated its full authority under the Plan to the Committee, and the Committee may further delegate any or all of its authority under this Plan to such senior officer(s) of the Company as it may designate. Notwithstanding any such delegation of authority, the Board may itself take any action under the Plan in its discretion at any time, and any reference in this Plan document to the rights and obligations of the Committee shall be construed to apply equally to the Board. Any references to the Board mean only the Board. The authority that may be delegated by the Committee includes, without limitation, the authority to (i) establish Non-Statutory Plans and determine the terms of such sub-plans, (ii) designate from time to time which Subsidiaries will participate in the Statutory Plan, which Subsidiaries and Affiliates will be Participating Companies, and which Participating Companies will participate in a particular Non-Statutory Plan, (iii) determine procedures for eligible employees to enroll in or withdraw from a sub-plan, setting or changing payroll deduction percentages, and obtaining necessary tax withholdings, (iv) allocate the available shares under the Plan to the sub-plans for particular offerings, and (v) adopt amendments to the Plan or any sub-plan including, without limitation, amendments to increase the shares available for issuance under the Plan pursuant to Section 20 (but not including increases in the available shares above the maximum permitted by Sections 6 and 20 which shall require Board and shareholder approval).

22.2 The Administrator shall be vested with full authority and discretion to construe the terms of the Plan and make factual determinations under the Plan, and to make, administer, and interpret such rules and regulations as it deems necessary to administer the Plan, and any determination, decision, or action of the Administrator in connection with the construction, interpretation, administration, or application of the Plan shall be final, conclusive, and binding upon all participants and any and all persons claiming under or through any participant. The Administrator may retain outside entities and professionals to assist in the administration of the Plan including, without limitation, a vendor or vendors to perform enrollment and

brokerage services. The authority of the Administrator will specifically include, without limitation, the power to make any changes to the Plan with respect to the participation of employees of any Subsidiary or Affiliate that is organized under the laws of a country other than the United States of America when the Administrator deems such changes to be necessary or appropriate to achieve a desired tax treatment in such foreign jurisdiction or to comply with the laws applicable to such non-U.S. Subsidiaries or Affiliates. Those changes may include, without limitation, the exclusion of particular Subsidiaries or Affiliates from participation in the plan; modifications to eligibility criteria, maximum number or value of shares that may be purchased in a given period, or other requirements set forth herein; and procedural or administrative modifications. Any modification relating to offerings to a particular Participating Company will apply only to that Participating Company, and will apply equally to all similarly situated employees of that Participating Company. The rights and privileges of all employees granted options under the Statutory Plan shall be the same. To the extent any changes approved by the Administrator would jeopardize the tax-qualified status of the Statutory Plan, the change shall cause the Participating Companies affected thereby to be considered Participating Companies under a Non-Statutory Plan or Non-Statutory Plans instead of the Statutory Plan.

23. Notices. All notices or other communications by a participant to the Company or other entity designated for a particular purpose under or in connection with the Plan shall be deemed to have been duly given when received by the Company or other designated entity, or when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

24. Termination of the Plan. This Plan will terminate at the earliest of the following:

(a) December 31, 2022;

(b) The date of the filing of a Statement of Intent to Dissolve by the Company or the effective date of a merger or consolidation wherein the Company is not to be the surviving corporation, which merger or consolidation is not between or among corporations related to the Company. Prior to the occurrence of either of such events, on such date as the Company may determine, the Company may permit a participating employee to exercise the option to purchase shares for as many shares as the balance of his or her Account will allow at the price set forth in accordance with Section 5. If the employee elects to purchase shares, any remaining balance of the employee's Account will be refunded to the employee after that purchase;

(c) The date the Board acts to terminate the Plan in accordance with Section 19; and

(d) The date when all shares reserved under the Plan have been purchased.

25. Limitations on Sale of Stock Purchased Under the Plan. The Plan is intended to provide common stock for investment and not for resale. The Company does not, however, intend to restrict or influence any employee in the conduct of the employee's own affairs. An employee, therefore, may sell stock purchased under the Plan at any time the employee chooses, subject to compliance with any applicable Federal, state or foreign securities laws. THE EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE COMPANY'S STOCK.

26. Governmental Regulation/Compliance with Applicable Law/Separate Offering. The Company's obligation to sell and deliver shares of the Company's common stock under this Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance, or sale of such shares. In addition, the terms of an offering under this Plan, or the rights of an employee under an offering, may be modified to the extent required by applicable law. For purposes of this Plan, the Administrator also may designate separate offerings under the Plan (the terms of which need not be identical) in which eligible employees of one or more Participating Companies will participate, even if the dates of the offerings are identical.

27. No Employment/Service Rights. Nothing in the Plan shall confer upon any employee the right to continue in employment for any period of specific duration, nor interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary or Affiliate employing such person), or of any employee, which rights are hereby expressly reserved by each, to terminate such person's employment at any time for any reason, with or without cause.

28. Dates and Times. All references in the Plan to a date or time are intended to refer to dates and times determined pursuant to U.S. Pacific Time. Business days for purposes of the Plan are U.S. business days.

29. Masculine and Feminine, Singular and Plural. Whenever used in the Plan, a pronoun shall include the opposite gender and the singular shall include the plural, and the plural shall include the singular, whenever the context shall plainly so require.

30. Governing Law. The Plan shall be governed by the laws of the State of Washington, U.S.A., without regard to Washington laws that might cause other law to govern under applicable principles of conflicts of law.

EXHIBIT II

**CURRENT REPORT ON FORM 8-K FURNISHED BY MICROSOFT CORPORATION
TO THE SEC ON APRIL 24, 2014**

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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) April 24, 2014

Microsoft Corporation
(Exact Name of Registrant as Specified in Its Charter)

Washington
(State or Other Jurisdiction
of Incorporation)

0-14278
(Commission
File Number)

91-1144442
(IRS Employer
Identification No.)

One Microsoft Way, Redmond, Washington
(Address of Principal Executive Offices)

98052-6399
(Zip Code)

(425) 882-8080
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02. Results of Operations and Financial Condition

On April 24, 2014, Microsoft Corporation issued a press release announcing its financial results for the fiscal quarter ended March 31, 2014. A copy of the press release is furnished as Exhibit 99.1 to this report.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, 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.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits:

99.1 Press release, dated April 24, 2014, issued by Microsoft Corporation

SIGNATURE

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: April 24, 2014

/s/ FRANK H. BROD

Frank H. Brod
Corporate Vice President, Finance and Administration;
Chief Accounting Officer

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated April 24, 2014

Microsoft Cloud Momentum Helps Drive Third-Quarter Results

Revenue growth across segments and cost discipline drive earnings per share of \$0.68.

REDMOND, Wash. — April 24, 2014 — Microsoft Corp. today announced revenue of \$20.40 billion for the quarter ended March 31, 2014. Gross margin, operating income, net income, and diluted earnings per share for the quarter were \$14.46 billion, \$6.97 billion, \$5.66 billion, and \$0.68 per share, respectively.

The following table reconciles our financial results reported in accordance with generally accepted accounting principles (“GAAP”) to non-GAAP financial results for the prior year. We have provided this non-GAAP financial information to aid investors in better understanding the company’s performance. Management commentary regarding performance and growth refers to non-GAAP financial results.

Three Months Ended March 31,							
(\$ in millions, except per share amounts)	2013 As Reported (GAAP)	Net revenue recognition for			2013 As Adjusted (Non-GAAP)	2014 As Reported (GAAP)	%Y/Y (Non-GAAP)
		Windows Upgrade Offer, Office Deferral, and Video Game Deferral	European Commission Fine				
Revenue	\$20,489	(\$1,658)		\$18,831	\$20,403	(0)%	8%
Gross Margin	\$15,702	(\$1,658)		\$14,044	\$14,462	(8)%	3%
Operating Income	\$7,612	(\$1,658)	\$733	\$6,687	\$6,974	(8)%	4%
Diluted EPS	\$0.72	(\$0.16)	\$0.09	\$0.65	\$0.68	(6)%	5%

“This quarter’s results demonstrate the strength of our business, as well as the opportunities we see in a mobile-first, cloud-first world. We are making good progress in our consumer services like Bing and Office 365 Home, and our commercial customers continue to embrace our cloud solutions. Both position us well for long-term growth,” said Satya Nadella, chief executive officer at Microsoft. “We are focused on executing rapidly and delivering bold, innovative products that people love to use.”

“We delivered solid, broad-based financial results driven by strong execution and continued cost discipline,” said Amy Hood, executive vice president and chief financial officer at Microsoft. “We are focusing our resources to drive growth and long-term shareholder value.”

Devices and Consumer revenue grew 12% to \$8.30 billion.

- Windows OEM revenue grew 4%, driven by strong 19% growth in Windows OEM Pro revenue.
- Office 365 Home now has 4.4 million subscribers, adding nearly 1 million subscribers in just three months.
- Microsoft sold in 2.0 million Xbox console units, including 1.2 million Xbox One consoles.
- Surface revenue grew over 50% to approximately \$500 million.
- Bing U.S. search share grew to 18.6% and search advertising revenue grew 38%.

Commercial revenue grew 7% to \$12.23 billion.

- Office 365 revenue grew over 100%, and commercial seats nearly doubled, demonstrating strong enterprise momentum for Microsoft’s cloud productivity solutions.
- Azure revenue grew over 150%, and the company has announced more than 40 new features that make the Azure platform more attractive to cloud application developers.
- Windows volume licensing revenue grew 11%, as business customers continue to make Windows their platform of choice.
- Lync, SharePoint, and Exchange, our productivity server offerings, collectively grew double-digits.

“Our products and services continue to deliver differentiated business value to our customers, and we continue to win share in areas like cloud services, data platform, and infrastructure management,” said Kevin Turner, chief operating officer at Microsoft. “Our SQL Server business grew double-digits again this quarter, and with the announcements of SQL 2014 and Power BI for Office 365, we offer a unique, comprehensive, end-to-end data and analytics solution.”

Nokia

Microsoft expects to close the acquisition of the Nokia Devices and Services business on April 25, 2014.

Business Outlook

Microsoft will provide forward-looking guidance in connection with this quarterly earnings announcement on its earnings conference call and webcast.

Webcast Details

Satya Nadella, chief executive officer, Amy Hood, executive vice president and chief financial officer, Frank Brod, chief accounting officer, John Seethoff, deputy general counsel, and Chris Suh, general manager of Investor Relations, will host a conference call and webcast at 2:30 p.m. PDT (5:30 p.m. EDT) today to discuss details of the company’s performance for the quarter and certain forward-looking information. The session may be accessed at <http://www.microsoft.com/investor>. The webcast will be available for replay through the close of business on April 24, 2015.

Adjusted Financial Results and Non-GAAP Measures

During the third quarter of fiscal year 2013, GAAP revenue, gross margin, operating income, and diluted earnings per share included the net revenue recognition for the Windows Upgrade Offer, the Office Deferral, the Video Game Deferral, and the European Commission Fine. These items are defined below. In addition to these financial results reported in accordance with GAAP, we have provided certain non-GAAP financial information to aid investors in better understanding the company’s performance. Presenting these measures without the impact of these items gives additional insight into operational performance and helps clarify trends affecting the company’s business. For comparability of reporting, management considers this information in conjunction with GAAP amounts in evaluating business performance. These 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.

Non-GAAP Definitions

Revenue deferred on sales of Windows 7 with an option to upgrade to Windows 8 Pro at a discounted price (“Windows Upgrade Offer”).

Revenue deferred on sales of the previous version of the Microsoft Office system with a guarantee to be upgraded to the new Office at minimal or no cost and pre-sales of the new Office to OEMs and retailers before general availability (collectively, the “Office Deferral”).

Revenue deferred on sales of video games with the right to receive specified software upgrades/enhancements (“Video Game Deferral”).

Fine of €561 million (\$733 million) assessed by the European Commission in 2013 for violation of an order to provide a browser choice screen with Internet Explorer on PCs sold in Europe (“European Commission Fine”).

About Microsoft

Founded in 1975, Microsoft (Nasdaq “MSFT”) is the worldwide leader in software, services, and solutions that help people and businesses realize their full potential.

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:

- intense competition in all of Microsoft’s markets;
- increasing focus on services presents execution and competitive risks;
- significant investments in new products and services that may not be profitable;
- acquisitions, joint ventures, and strategic alliances, including our acquisition of the Nokia Devices and Services business, may have an adverse effect on our business;
- Microsoft’s continued ability to protect its intellectual property rights;
- claims that Microsoft has infringed the intellectual property rights of others;
- the possibility of unauthorized disclosure of significant portions of Microsoft’s source code;
- cyber-attacks and security vulnerabilities in Microsoft products that could reduce revenue or lead to liability;
- disclosure of personal data that could result in liability and harm to Microsoft’s reputation;
- outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure;
- government litigation and regulation that may limit how Microsoft designs and markets its products;
- Microsoft’s ability to attract and retain talented employees;
- delays in product development and related product release schedules;
- adverse economic or market conditions may harm our business;
- adverse results in legal disputes;
- unanticipated tax liabilities;
- our hardware and software products may experience quality or supply problems;
- impairment of goodwill or amortizable intangible assets causing a charge to earnings;
- exposure to increased economic and regulatory uncertainties from operating a global business; and
- catastrophic events or geo-political conditions may disrupt our business.

For more information about risks and uncertainties associated with Microsoft’s business, please refer to the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” 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/investor>.

All information in this release is as of April 24, 2014. 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.

For more information, press only:

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For more information, financial analysts and investors only:

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Note to editors: For more information, news and perspectives from Microsoft, please visit the Microsoft News Center at <http://www.microsoft.com/news/>. Web links, telephone numbers, and titles were correct at time of publication, but may since have changed. 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/investor>.

MICROSOFT CORPORATION

INCOME STATEMENTS

(In millions, except per share amounts)(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Revenue	\$ 20,403	\$ 20,489	\$ 63,451	\$ 57,953
Cost of revenue	5,941	4,787	19,339	14,647
Gross margin	14,462	15,702	44,112	43,306
Operating expenses:				
Research and development	2,743	2,640	8,258	7,628
Sales and marketing	3,542	3,794	11,129	11,048
General and administrative	1,203	1,656	3,448	3,939
Total operating expenses	7,488	8,090	22,835	22,615
Operating income	6,974	7,612	21,277	20,691
Other income (expense)	(17)	(9)	(34)	216
Income before income taxes	6,957	7,603	21,243	20,907
Provision for income taxes	1,297	1,548	3,781	4,009
Net income	\$ 5,660	\$ 6,055	\$ 17,462	\$ 16,898
Earnings per share:				
Basic	\$ 0.68	\$ 0.72	\$ 2.10	\$ 2.02
Diluted	\$ 0.68	\$ 0.72	\$ 2.08	\$ 1.99
Weighted average shares outstanding:				
Basic	8,284	8,364	8,317	8,385
Diluted	8,367	8,429	8,411	8,472
Cash dividends declared per common share	\$ 0.28	\$ 0.23	\$ 0.84	\$ 0.69

MICROSOFT CORPORATION

COMPREHENSIVE INCOME STATEMENTS

(In millions)(Unaudited)

	Three Months Ended		Nine Months Ended	
	2014	March 31, 2013	2014	March 31, 2013
Net income	\$ 5,660	\$ 6,055	\$ 17,462	\$ 16,898
Other comprehensive income (loss):				
Net unrealized gains (losses) on derivatives (net of tax effects of \$1, \$19, \$(1) and \$(10))	(31)	35	(14)	(19)
Net unrealized gains on investments (net of tax effects of \$37, \$150, \$774 and \$401)	68	278	1,502	744
Translation adjustments and other (net of tax effects of \$9, \$(61), \$53 and \$31)	18	(114)	101	58
Other comprehensive income	55	199	1,589	783
Comprehensive income	\$ 5,715	\$ 6,254	\$ 19,051	\$ 17,681

MICROSOFT CORPORATION

BALANCE SHEETS

(In millions)(Unaudited)

	March 31, 2014	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,572	\$ 3,804
Short-term investments (including securities loaned of \$707 and \$579)	76,853	73,218
Total cash, cash equivalents, and short-term investments	88,425	77,022
Accounts receivable, net of allowance for doubtful accounts of \$255 and \$336	13,497	17,486
Inventories	1,920	1,938
Deferred income taxes	1,424	1,632
Other	3,740	3,388
Total current assets	109,006	101,466
Property and equipment, net of accumulated depreciation of \$14,441 and \$12,513	11,771	9,991
Equity and other investments	14,792	10,844
Goodwill	14,751	14,655
Intangible assets, net	2,901	3,083
Other long-term assets	2,898	2,392
Total assets	\$ 156,119	\$ 142,431
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,583	\$ 4,828
Current portion of long-term debt	2,000	2,999
Accrued compensation	3,887	4,117
Income taxes	694	592
Short-term unearned revenue	17,670	20,639
Securities lending payable	794	645
Other	4,275	3,597
Total current liabilities	33,903	37,417
Long-term debt	20,679	12,601
Long-term unearned revenue	1,842	1,760
Deferred income taxes	2,318	1,709
Other long-term liabilities	9,953	10,000
Total liabilities	68,695	63,487
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital - shares authorized 24,000; outstanding 8,260 and 8,328	67,803	67,306
Retained earnings	16,289	9,895
Accumulated other comprehensive income	3,332	1,743
Total stockholders' equity	87,424	78,944
Total liabilities and stockholders' equity	\$ 156,119	\$ 142,431

MICROSOFT CORPORATION

CASH FLOW STATEMENTS

(In millions)(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Operations				
Net income	\$ 5,660	\$ 6,055	\$ 17,462	\$16,898
Adjustments to reconcile net income to net cash from operations:				
Depreciation, amortization, and other	1,255	1,053	3,470	2,772
Stock-based compensation expense	602	599	1,828	1,805
Net recognized losses (gains) on investments and derivatives	(40)	(52)	100	(19)
Excess tax benefits from stock-based compensation	(22)	(6)	(247)	(192)
Deferred income taxes	(190)	226	38	404
Deferral of unearned revenue	10,175	9,686	27,456	28,632
Recognition of unearned revenue	(10,139)	(11,599)	(30,394)	(30,852)
Changes in operating assets and liabilities:				
Accounts receivable	2,501	2,191	4,243	3,859
Inventories	(324)	(483)	38	(989)
Other current assets	340	139	(311)	(96)
Other long-term assets	(73)	(13)	(469)	(326)
Accounts payable	(716)	(67)	(390)	51
Other current liabilities	870	1,238	3	119
Other long-term liabilities	200	699	(110)	864
Net cash from operations	10,099	9,666	22,717	22,930
Financing				
Proceeds from issuance of debt	0	0	8,850	2,232

Repayments of debt	(300)	0	(1,888)	0
Common stock issued	141	203	461	765
Common stock repurchased	(1,845)	(1,028)	(6,146)	(4,318)
Common stock cash dividends paid	(2,322)	(1,925)	(6,570)	(5,534)
Excess tax benefits from stock-based compensation	22	6	247	192
Other	0	0	(39)	(16)
Net cash used in financing	(4,304)	(2,744)	(5,085)	(6,679)
Investing				
Additions to property and equipment	(1,192)	(930)	(4,155)	(2,463)
Acquisition of companies, net of cash acquired, and purchases of intangible and other assets	(157)	(108)	(311)	(1,564)
Purchases of investments	(21,323)	(18,160)	(49,217)	(48,372)
Maturities of investments	2,336	1,265	4,134	4,513
Sales of investments	16,006	9,730	39,477	30,163
Securities lending payable	46	543	149	(249)
Net cash used in investing	(4,284)	(7,660)	(9,923)	(17,972)
Effect of exchange rates on cash and cash equivalents	2	(39)	59	23
Net change in cash and cash equivalents	1,513	(777)	7,768	(1,698)
Cash and cash equivalents, beginning of period	10,059	6,017	3,804	6,938
Cash and cash equivalents, end of period	\$ 11,572	\$ 5,240	\$ 11,572	\$ 5,240

MICROSOFT CORPORATION

SEGMENT REVENUE AND GROSS MARGIN

(In millions)(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Revenue				
Devices and Consumer Licensing	\$ 4,382	\$ 4,352	\$ 14,109	\$14,733
Devices and Consumer Hardware	1,973	1,402	8,187	5,294
Devices and Consumer Other	1,950	1,656	5,378	5,055
Commercial Licensing	10,323	9,979	30,805	29,059
Commercial Other	1,902	1,449	5,285	4,086
Corporate and Other	(127)	1,651	(313)	(274)
Total revenue	<u>\$ 20,403</u>	<u>\$20,489</u>	<u>\$ 63,451</u>	<u>\$57,953</u>
Gross Margin				
Devices and Consumer Licensing	\$ 3,906	\$ 3,929	\$ 12,809	\$13,163
Devices and Consumer Hardware	258	393	875	1,603
Devices and Consumer Other	541	430	1,324	1,678
Commercial Licensing	9,430	9,085	28,308	26,594
Commercial Other	475	264	1,165	585
Corporate and Other	(148)	1,601	(369)	(317)
Total gross margin	<u>\$ 14,462</u>	<u>\$15,702</u>	<u>\$ 44,112</u>	<u>\$43,306</u>

CROSS-REFERENCE LISTS

ANNEX I

**MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE REGISTRATION DOCUMENT
(SCHEDULE)**

(Page numbering refers to the page contained in the relevant document)

Item #	Item contents	Chapter/Exhibit	Page/Section
1.	Persons Responsible		
1.1.	All persons responsible for the information given in the prospectus;	Prospectus	4 (Company Representative for Prospectus)
1.2.	A declaration by those responsible for the prospectus.	Prospectus	4 (Company Representative for Prospectus)
2.	Statutory Auditors		
2.1.	Names and addresses of the issuer's auditors;	Part II - Section B	52 (10.2 Independent Registered Public Accounting Firm)
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	Not applicable	Not applicable
3.	Selected Financial Information		
3.1.	Selected historical financial information	Part II - Section B	51 - 52 (10.1 Selected Financial Data)
3.2.	Interim periods	Part II - Section B	51 - 52 (10.1 Selected Financial Data)
4.	Risk Factors	Part II - Section A	14 - 24 (Risk Factors)
5.	Information about the Issuer		

Item #	Item contents	Chapter/Exhibit	Page/Section
5.1.	History and Development of the Issuer		
5.1.1.	the legal and commercial name of the issuer;	Part I - Section B	5 (B.1 Legal and Commercial Name of the Issuer)
12.	Trend Information		
12.1.	Significant trends that affected production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the prospectus;	Exhibit II	All pages
12.2.	Trends, uncertainties or events that are likely to affect the issuer for at least the current financial year.	Part II - Section A	14 - 24 (Risk Factors)
		Exhibits II	All pages
13.	Profit Forecasts or Estimates	Not applicable	Not applicable
14.	Administrative, Management, Supervisory Bodies and Senior Management		
14.1	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer: a) members of the administrative, management or supervisory bodies;	Part II - Section B	38 - 41 (7.1 Board of Directors as of March 17, 2014) and 46 - 47 (8.1 Directors' and Executive Officers' Holdings of Shares and Options)
	b) partners with unlimited liability, in the case of a limited partnership with a share capital;	Not applicable	Not applicable
	c) founders, if the issuer has been established for fewer than five years; and	Not applicable	Not applicable
	d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	Part II - Section B	41 - 42 (7.2 Executive Officers as of February 4, 2014) and 46 - 47 (8.1

Item #	Item contents	Chapter/Exhibit	Page/Section
			Directors' and Executive Officers' Holdings of Shares and Options)
	The nature of any family relationship between any of those persons.	Part II - Section B	42 - 43 (7.3 Fraudulent Offences and Bankruptcy, Etc.)
	<p>In the case of each member of the administrative, management or supervisory bodies of the issuer and each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information:</p> <p>(a) the nature of all companies and partnerships of which such person has been a member of the administrative, management and supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies.</p>	Part II - Section B	<p>38 - 41 (7.1 Board of Directors as of March 17, 2014) and</p> <p>41 - 42 (7.2 Executive Officers as of February 4, 2014)</p>
	<p>(b) any convictions in relation to fraudulent offences for at least the previous five years;</p> <p>(c) details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years;</p> <p>(d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.</p>	Part II - Section B	42 - 43 (7.3 Fraudulent Offences and Bankruptcy, Etc.)

CROSS-REFERENCE LISTS

Item #	Item contents	Chapter/Exhibit	Page/Section
	If there is no such information to be disclosed, a statement to that effect is to be made.		
14.2.	Administrative, management, and supervisory bodies and senior management conflicts of interests.	Part II - Section B	43 - 46 (7.4 Conflicts of Interest)
17.	Employees		
17.2.	With respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1. provide information as to their share ownership and any options over such shares in the issuer as of the most recent practicable date.	Part II - Section B	46 - 47 (8.1 Directors' and Executive Officers' Holdings of Shares and Options)
17.3	Description of any arrangements for involving the employees in the capital of the issuer.	Exhibit I	All sections
		Part II - Section B	47 - 50 (8.2 Employee Stock and Savings Plans)
20.7.	Dividend policy		
20.7.1	The amount of the dividend per share for each financial year for the period covered by the historical financial information	Part II - Section B	29 - 30 (Dividend Rights)
20.8.	Legal and arbitration proceedings	Part II - Section B	34 - 37 (5.3 Indirect and Contingent Indebtedness)
20.9.	Significant change in the issuer's financial or trading position	Not Applicable	Not Applicable
23.	Third Party Information and Statement by Experts and Declarations of Any Interest		
23.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
23.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced.	Not applicable	Not applicable
24.	Documents On Display	Part II - Section B	52 (XI.

CROSS-REFERENCE LISTS

Item #	Item contents	Chapter/Exhibit	Page/Section
			Documents on Display)

ANNEX III

MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE SECURITIES NOTE (SCHEDULE)

(Page numbering refers to the page contained in the relevant document)

Item #	Item contents	Chapter/Exhibit	Page/Section
1.	Persons Responsible		
1.1.	All persons responsible for the information given in the prospectus.	Prospectus	4 (Company Representative for Prospectus)
1.2.	A declaration by those responsible for the prospectus.	Prospectus	4 (Company Representative for Prospectus)
2.	Risk Factors	Part II - Section A	14 - 24 (Risk Factors)
		Part II - Section B	29 (4.4 Currency of the Securities Issue)
3.	Key Information		
3.1	Working capital statement	Part II - Section B	50 (IX. Working Capital Statement)
3.2	Capitalization and indebtedness	Part II - Section B	33 - 37 (V. Statement of Capitalization and Indebtedness as of March 31, 2014)
3.4	Reasons for the offer and use of proceeds	Part II - Section B	24 (1.1 Purpose of the ESPP)
4.	Information Concerning the Securities to be Offered/ Admitted to Trading		
4.1	Type and the class of the securities being offered, including the security identification code.	Part II - Section B	27 (4.1 Type and the Class of the Securities being Offered, Including the Security Identification)

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Item #	Item contents	Chapter/Exhibit	Page/Section
			Code)
4.2	Legislation under which the securities have been created.	Part II - Section B	28 (4.2 Legislation Under Which the Securities Have Been Created)
4.3	Form of securities, name and address of the entity in charge of keeping the records.	Part II - Section B	28 - 29 (4.3 Form of Securities, Name and address of the Entity in Charge of Keeping the Records)
4.4	Currency of the securities issue.	Part II - Section B	29 (4.4 Currency of the Securities Issue)
4.5	Rights attached to the securities	Part II - Section B	29 - 32 (4.5 Rights Attached to the Securities)
4.6	Statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.	Part II - Section B	24 (1.1 Purpose of the ESPP)
		Exhibit I	Section 1 (Subheader)
4.7	Expected issue date of the securities.	Part II - Section B	25 (1.3 Purchase Period)
4.8	Description of any restrictions on the free transferability of the securities.	Part II - Section B	27 (III. Delivery and Sale of the Shares) and 32 (4.6 Transferability)
4.9	Mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities.	Part II - Section B	32 (4.7 General Provisions Applying to Business Combinations)
4.11	Information on taxes on the income from the securities withheld at source	Part II - Section B	52 - 69 (XII. Tax Consequences)

Item #	Item contents	Chapter/Exhibit	Page/Section
5.	Terms and Conditions of the Offer		
5.1	Conditions, offer statistics, expected timetable and action required to apply for the offer		
5.1.1	Conditions to which the offer is subject.	Part II - Section B	24 - 27 (I. The Outline, II. Eligibility and III. Delivery and Sale of the Shares)
		Exhibit I	All sections
5.1.2	Total amount of the issue/offer.	Part II - Section B	38 (6.2 Net Proceeds)
5.1.3	Time period during which the offer will be open and description of the application process.	Part II - Section B	24 - 27 (I. The Outline, II. Eligibility and III. Delivery and Sale of the Shares)
5.1.4	Circumstances under which the offer may be revoked or suspended and whether revocation can occur after dealing has begun.	Part II - Section B	25 - 26 (1.7 Amendment or Discontinuance of the ESPP) and 27 (2.5 Termination of Employment of Participating Employees)
5.1.5	Possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	Part II - Section B	26 - 27 (2.4 Discontinuance of Participation of Participating Employees)
5.1.6	Minimum and /or maximum amount of application.	Exhibit I	Section 6
5.1.7	Period during which an application may be withdrawn.	Part II - Section B	24 - 25 (1.2 Shares Offered Under the ESPP), 26 (2.2 Participation of Eligible

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Item #	Item contents	Chapter/Exhibit	Page/Section
			Employees) and 26 - 27 (2.4 Discontinuance of Participation of Participating Employees)
5.1.8	Method and time limits for paying up the securities and for delivery of the securities.	Part II - Section B	25 (1.5 Purchase of Stock) 26 (2.3 Payroll Deductions) and 27 (III. Delivery and Sale of the Shares)
5.3	Pricing		
5.3.1.	An indication of the price at which the securities will be offered.	Part II - Section B	25 (1.4 Purchase Price)
5.3.2.	Process for the disclosure of the offer price.	Part II - Section B	25 (1.4 Purchase Price) and 28 - 29 (4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
5.3.3.	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn.	Part II - Section B	32 (No Preemptive, Redemptive or Conversion Provisions)
5.3.4	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year.	Not applicable	Not applicable
5.4.	Placing and Underwriting		

Item #	Item contents	Chapter/Exhibit	Page/Section
5.4.2	Name and address of any paying agents and depository agents in each country.	Part II - Section B	28 - 29 (4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
6.	Admission to Trading and Dealing Arrangements		
6.1	Whether the securities offered are or will be the object of an application for admission to trading.	Part II - Section B	27 (4.1 Type and Class of the Securities being Offered, Including the Security Identification Code)
6.2	Regulated markets or equivalent markets on which securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Part II - Section B	27 (4.1 Type and Class of the Securities being Offered, Including the Security Identification Code)
8.	Expense of the Issue/Offer		
8.1.	The total net proceeds and an estimate of the total expenses of the issue/offer.	Part II - Section B	38 (6.2 Net Proceeds)
9.	Dilution		
9.1.	The amount and percentage of immediate dilution resulting from the offer.	Part II - Section B	37 - 38 (6.1 Maximum Dilution)
9.2.	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	Not applicable	Not applicable
10.	Additional Information		
10.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	Not applicable	Not applicable
10.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide	Not applicable	Not applicable

CROSS-REFERENCE LISTS

Item #	Item contents	Chapter/Exhibit	Page/Section
	such persons' name, business address, qualifications and material interest if any in the issuer.		
10.4.	Where information has been sourced from a third party.	Not applicable	Not applicable