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

MICROSOFT CORPORATION 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 18-253 dated June 21, 2018 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 (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 (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 document (Exhibit):

- Microsoft Corporation Employee Stock Purchase Plan, as amended, effective January 1, 2013.

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] Questions and Answers, Prospectuses: 28th updated version – March 2018 (28 March 2018| ESMA-31-62-780).

TABLE OF CONTENTS

Part I constitutes the prospectus summary

	Page
COMPANY REPRESENTATIVE FOR PROSPECTUS	4
PART I — PROSPECTUS SUMMARY	5
SECTION A — INTRODUCTION AND WARNINGS	5
SECTION B — ISSUER	5
SECTION C — SECURITIES	11
SECTION D — RISKS	12
SECTION E — OFFER	13
PART II — PROSPECTUS	17
SECTION A — RISK FACTORS	17
I. RISKS RELATED TO MICROSOFT'S BUSINESS AND INDUSTRY	17
II. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	28
SECTION B — SUPPLEMENTAL INFORMATION CONCERNING THE ESPP	29
I. THE OUTLINE	29
II. ELIGIBILITY	31
III. DELIVERY AND SALE OF THE SHARES	32
IV. RIGHTS RELATED TO THE MICROSOFT SHARES	32
V. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS (AS OF MARCH 31, 2018)	37
VI. MAXIMUM DILUTION AND NET PROCEEDS	40
VII. DIRECTORS AND EXECUTIVE OFFICERS	41
VIII. EMPLOYEES	53
IX. WORKING CAPITAL STATEMENT	56
X. SELECTED FINANCIAL INFORMATION	56
XI. DOCUMENTS ON DISPLAY	59
XII. TAX CONSEQUENCES	59
EXHIBIT	80
EXHIBIT I MICROSOFT CORPORATION EMPLOYEE STOCK PURCHASE PLAN, AS AMENDED EFFECTIVE JANUARY 1, 2013	I
CROSS-REFERENCE LISTS	i
ANNEX I MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE REGISTRATION DOCUMENT (SCHEDULE)	i
ANNEX III MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE SECURITIES NOTE (SCHEDULE)	vi

COMPANY REPRESENTATIVE FOR PROSPECTUS

1.1 Amy E. Hood, Executive Vice President and 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 Auditing Standard 2710 – *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
Executive Vice President and Chief Financial Officer of Microsoft Corporation

Redmond, Washington, U.S.A., June 20, 2018

PART I — PROSPECTUS SUMMARY

VISA NUMBER 18-253 DATED JUNE 21, 2018 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 the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, 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.

B.3	**Description of the nature of Microsoft's current operations and its principal activities**	Microsoft is a technology company whose mission is to empower every person and every organization on the planet to achieve more. Microsoft strives to create local opportunity, growth, and impact in every country around the world. Its strategy is to build best-in-class platforms and productivity services for an intelligent cloud and an intelligent edge infused with artificial intelligence ("AI"). Microsoft develops, licenses, and supports a wide range of software products, services, and devices that deliver new opportunities, greater convenience, and enhanced value to people's lives. Its platforms and tools help drive small business productivity, large business competitiveness, and public-sector efficiency. They also support new startups, improve educational and health outcomes, and empower human ingenuity. Microsoft generates revenue by licensing and supporting an array of software products, by offering a wide range of cloud-based and other services to consumers and businesses, by designing, manufacturing, and selling devices that integrate with its cloud-based services, and by delivering relevant online advertising to a global audience. Microsoft's most significant expenses are related to compensating employees; designing, manufacturing, marketing, and selling its products and services; datacenter costs in support of its cloud-based services; and income taxes. ***Reportable Segments*** Microsoft reports its financial performance based on the following segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. The segment amounts are presented on a basis consistent with Microsoft's internal management reporting. All differences between its internal management reporting basis and accounting principles generally accepted in the United States ("U.S. GAAP"), along with certain corporate-level and other activity, are included in Corporate and Other. Microsoft has recast certain previously reported amounts to conform to the way it internally manages and monitors segment performance. The following table sets forth segment revenue for the fiscal years ended June 30, 2017, 2016 and 2015: **(In millions)**

Year Ended June 30,	**2017**	**2016**	**2015**
Revenue			
Productivity and Business Processes	**$ 30,444**	$ 26,487	$ 26,430
Intelligent Cloud	**27,440**	25,042	23,715
More Personal Computing	**38,773**	40,434	43,435
Corporate and Other	**(6,707)**	(6,643)	0
Total revenue	**$ 89,950**	$ 85,320	$ 93,580

Microsoft adopted the new accounting standards for revenue recognition effective July 1, 2017. These new standards had a material impact on its consolidated financial statements. Beginning in fiscal year 2018, its financial results reflect adoption of the standards with prior periods restated accordingly. The following unaudited supplemental financial

		information presents certain previously-reported financial information of Microsoft as adjusted to reflect the adoption of the new accounting standard for revenue recognition.

(In millions)(Unaudited)

Year Ended June 30,	Restated for New Standards 2017	Restated for New Standards 2016	Previously Reported 2017	Previously Reported 2016
Revenue				
Productivity and Business Processes	$ 29,870	$ 25,792	$ 30,444	$ 26,487
Intelligent Cloud	27,407	24,952	27,440	25,042
More Personal Computing	39,294	40,410	38,773	40,434
Corporate and Other	0	0	(6,707)	(6,643)
Total revenue	$ 96,571	$ 91,154	$ 89,950	$ 85,320

B.4a **Recent trends**

Financial Results

On April 26, 2018, Microsoft filed its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 ("Microsoft's Form 10-Q") with the U.S. Securities and Exchange Commission (the "SEC").

On April 26, 2018, Microsoft announced the following results for the quarter ended March 31, 2018, as compared to the corresponding period of last fiscal year:

- Revenue was $26.8 billion on an U.S. GAAP basis and increased 16%
- Operating income was $8.3 billion U.S. GAAP and increased 23%
- Net income was $7.4 billion U.S. GAAP and increased 35%
- Diluted earnings per share was $0.95 U.S. GAAP and increased 36%

Microsoft returned $6.3 billion to shareholders in the form of dividends and share repurchases in the third quarter of fiscal year 2018, an increase of 37%.

Restructuring Charges

In June 2017, management approved a sales and marketing restructuring plan. In fiscal year 2017, Microsoft recorded employee severance expenses of $306 million primarily related to this sales and marketing restructuring plan. Microsoft does not expect to incur additional charges for this restructuring plan in subsequent years. The actions associated with this restructuring plan are expected to be completed by the end of fiscal year 2018.

Recent Tax Legislation

On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was enacted into law, which significantly changes existing U.S. tax law and includes numerous provisions that affect Microsoft’s business, such as imposing a one-time transition tax on deemed repatriation of deferred foreign income, reducing the U.S. federal statutory tax rate, and adopting a territorial tax system. The TCJA required Microsoft to incur a one-time

		transition tax on deferred foreign income not previously subject to U.S. income tax at a rate of 15.5% for foreign cash and certain other net current assets, and 8% on the remaining income. The TCJA also reduced the U.S. federal statutory tax rate from 35% to 21% effective January 1, 2018. The TCJA was effective in the second quarter of fiscal year 2018. As of March 31, 2018, Microsoft has not completed its accounting for the tax effects of the TCJA. During the second quarter of fiscal year 2018, Microsoft recorded an estimated net charge of $13.8 billion related to the TCJA, due to the impact of the one-time transition tax on the deemed repatriation of deferred foreign income of $17.8 billion, offset in part by the impact of changes in the tax rate of $4.0 billion, primarily on deferred tax assets and liabilities. ***Acquisition of GitHub, Inc. ("GitHub")*** On June 4, 2018, Microsoft announced it has reached an agreement to acquire GitHub, the world's leading software development platform where more than 28 million developers learn, share and collaborate to create the future. Under the terms of the agreement, Microsoft will acquire GitHub for $7.5 billion in Microsoft stock. GitHub will retain its developer-first ethos and will operate independently to provide an open platform for all developers in all industries. Subject to customary closing conditions and completion of regulatory review, the acquisition is expected to close by the end of the calendar year. Upon closing, Microsoft expects GitHub's financials to be reported as part of the Intelligent Cloud segment.
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, 2017, there were 11 subsidiaries of the Company, omitting subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary. As of March 31, 2018, there have been no material changes in the number of subsidiaries of the Company.
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, 2017, 2016 and 2015, and for the quarterly periods ended March 31, 2018 and 2017**

SELECTED THREE-YEAR FINANCIAL DATA

The consolidated income statement and the consolidated balance sheets data of Microsoft for the fiscal years ended June 30, 2017, 2016 and 2015, set out in this prospectus have been derived from Microsoft's audited consolidated financial statements prepared in accordance with U.S. GAAP.

(In millions, except per share data)

Year Ended June 30,		**2017[(a)]**		**2016**		**2015**
Revenue	**$**	**89,950**[(b)]	$	85,320[(d)]	$	93,580
Gross margin		**55,689**[(b)]		52,540[(d)]		60,542
Operating income		**22,326**[(b)(c)]		20,182[(d)(e)]		18,161[(g)]
Net income		**21,204**[(b)(c)]		16,798[(d)(e)]		12,193[(g)]
Diluted earnings per share		**2.71**[(b)(c)]		2.10[(d)(e)]		1.48[(g)]
Cash dividends declared per share		**1.56**		1.44		1.24
Cash, cash equivalents, and short-term investments		**132,981**		113,240		96,526
Total assets		**241,086**		193,468[(f)]		174,303[(f)]
Long-term obligations (excluding current portion of long-term debt)		**104,165**		62,114[(f)]		44,574[(f)]
Stockholders' equity		**72,394**		71,997		80,083

(a) On December 8, 2016, Microsoft acquired LinkedIn Corporation ("LinkedIn"). LinkedIn has been included in Microsoft's consolidated results of operations starting on the acquisition date.

(b) Reflects the impact of the net revenue deferral from Windows 10 of $6.7 billion, which decreased operating income, net income, and diluted earnings per share by $6.7 billion, $4.4 billion, and $0.57, respectively.

(c) Includes $306 million of employee severance expenses primarily related to Microsoft's sales and marketing restructuring plan, which decreased operating income, net income, and diluted earnings per share by $306 million, $243 million, and $0.03, respectively.

(d) Reflects the impact of the net revenue deferral from Windows 10 of $6.6 billion, which decreased operating income, net income, and diluted earnings per share by $6.6 billion, $4.6 billion, and $0.58, respectively.

(e) Includes $630 million of asset impairment charges related to Microsoft's phone business, and $480 million of restructuring charges associated with its phone business restructuring plans, which together decreased operating income, net income, and diluted earnings per share by $1.1 billion, $895 million, and $0.11, respectively.

(f) Reflects the impact of the adoption of the new accounting standard in fiscal year 2017 related to balance sheet classification of debt issuance costs.

(g) Includes $7.5 billion of goodwill and asset impairment charges related to Microsoft's phone business, and $2.5 billion of integration and restructuring expenses, primarily associated with its phone business restructuring plans, which together decreased operating income, net income, and diluted earnings per share by $10.0 billion, $9.5 billion, and $1.15, respectively.

Microsoft adopted the new accounting standards for revenue recognition and leases effective July 1, 2017. These new standards had a material impact on its consolidated financial statements. Beginning in fiscal year 2018, its financial results reflect adoption of the standards with prior periods restated accordingly. The following unaudited supplemental financial information presents certain previously-reported financial information of Microsoft as adjusted to reflect the adoption of the new accounting standards for revenue recognition and leases.

Income Statements Data
(In millions, except per share amounts) (Unaudited)

	Restated for New Standards				**Previously Reported**			
Year Ended June 30,		**2017**		**2016**		**2017**		**2016**
Revenue	$	96,571	$	91,154	$	89,950	$	85,320
Gross margin		62,310		58,374		55,689		52,540
Operating income		29,025		26,078		22,326		20,182

Net income	25,489	20,539	21,204	16,798
Diluted earnings per share	3.25	2.56	2.71	2.10

Balance Sheets Data
(In millions)(Unaudited)

June 30,	Restated for New Standards 2017	Restated for New Standards 2016	Previously Reported 2017	Previously Reported 2016
Cash, cash equivalents, and short-term investments	$ 132,981	$ 113,240	$ 132,981	$ 113,240
Total assets	250,312	202,897	241,086	193,468
Long-term debt	76,073	40,557	76,073	40,557
Long-term unearned revenue	2,643	2,016	10,377	6,441
Deferred income taxes	5,734	6,313	531	1,476
Operating lease liabilities	5,372	4,257	0	0
Other long-term liabilities	17,034	13,562	17,184	13,640
Stockholders' equity	87,711	83,090	72,394	71,997

SELECTED QUARTERLY FINANCIAL DATA

The consolidated income statements of Microsoft for the quarterly periods ended March 31, 2018 and 2017 and the consolidated balance sheets data of Microsoft as of March 31, 2018 and June 30, 2017, set out in this prospectus have been derived from Microsoft's unaudited consolidated financial statements prepared in accordance with U.S. GAAP.

Income Statements Data

(In millions, except per share amounts) (Unaudited)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017
Revenue	**$ 26,819**	$ 23,212 [(a)]	**$ 80,275**	$ 70,966 [(a)]
Gross margin	**$ 17,550**	$ 15,152 [(a)]	**$ 51,664**	$ 45,161 [(a)]
Operating income	**$ 8,292**	$ 6,723 [(a)]	**$ 24,679**	$ 21,343 [(a)]
Net income	**$ 7,424**	$ 5,486 [(a)]	**$ 7,698**	$ 17,420 [(a)]
Earnings per share:				
Basic	**$ 0.96**	$ 0.71 [(a)]	**$ 1.00**	$ 2.25 [(a)]
Diluted	**$ 0.95**	$ 0.70 [(a)]	**$ 0.99**	$ 2.22 [(a)]
Cash dividends declared per common share	**$ 0.42**	$ 0.39	**$ 1.26**	$ 1.17

Balance Sheets Data

(In millions) (Unaudited)

	March 31, 2018	June 30, 2017
Cash and cash equivalents	**$ 9,221**	$ 7,663
Short-term investments	**$ 123,049**	$ 125,318
Total assets	**$ 245,497**	$ 250,312[(a)]
Long-term obligations (excluding current portion of long-term debt)	**$ 120,125**	$ 106,856[(a)]
Total stockholders' equity	**$ 79,239**	$ 87,711[(a)]

(a) Reflects the adoption of the new accounting standards for revenue recognition and leases effective July 1, 2017.

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' reports for fiscal years 2017, 2016 or 2015.
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**	Microsoft's shares of common stock, par value $0.00000625 ("Microsoft Shares") offered pursuant to this prospectus will be newly issued Microsoft Shares. 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.
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, 2018, Microsoft was authorized to issue 24,000,000,000 Microsoft Shares, par value $0.00000625 per Microsoft Share. As of April 20, 2018, there were 7,683,197,503 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**	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: ***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. 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.

		Voting Rights. Except as may be otherwise provided in the Amended and Restated Articles of Incorporation of Microsoft ("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. ***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 Microsoft Shares.
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**	Microsoft paid its first quarterly dividend in 2004, at an amount of $0.08 per Microsoft Share. Currently, Microsoft pays a quarterly dividend of $0.42 per Microsoft Share. Future dividends are subject to declaration by the Board.

SECTION D — RISKS		
D.1	**Key risks related to Microsoft or its industry**	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. • 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 achieve expected returns. • Acquisitions, joint ventures, and strategic alliances may have an adverse effect on Microsoft's business. • Microsoft may not earn the revenues it expects from its intellectual property rights. • Cyberattacks and security vulnerabilities could lead to reduced revenue, increased costs, liability claims, or harm to Microsoft's reputation or competitive position. • Disclosure and misuse of personal data could result in liability and

		harm Microsoft's reputation. • Government litigation and regulatory activity relating to competition rules may limit how Microsoft designs and markets its products. • Microsoft has claims and lawsuits against it that may result in adverse outcomes. • Microsoft's global business exposes it to operational and economic risks. • Catastrophic events or geopolitical conditions may disrupt Microsoft's business.
D.3	**Key risks related to the shares**	Participating Employees assume the risk of any currency and/or market 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 19,210 eligible employees[2] in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece,[3] Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Spain, 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 547.82 Microsoft Shares each, for a maximum of $44,997.94 in contributions per person, at $82.14 (90% of a hypothetical purchase price of $91.27 which was the closing price of the Microsoft Shares on March 29, 2018), and assuming that the Shares offered under the ESPP would all be newly issued, then the gross proceeds of Microsoft in connection with the offer under the ESPP pursuant to this prospectus would be $864,410,427.40. After deducting $175,000 in legal and accounting expenses in connection with the offer, the net proceeds would be $864,235,427.40.
E.2a	**Reasons for the offer and use of proceeds**	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. The net proceeds will be used for general corporate purposes.

[2] As of May 31, 2018, there were 384 eligible employees in Austria, 348 eligible employees in Belgium, 562 eligible employees in the Czech Republic, 690 eligible employees in Denmark, 327 eligible employees in Finland, 1,945 eligible employees in France, 2,642 eligible employees in Germany, 141 eligible employees in Greece, 3,201 eligible employees in Ireland, 846 eligible employees in Italy, 1,027 eligible employees in the Netherlands, 491 eligible employees in Norway, 351 eligible employees in Poland, 485 eligible employees in Portugal, 699 eligible employees in Romania, 720 eligible employees in Spain, 686 eligible employees in Sweden and 3,656 eligible employees in the United Kingdom. The calculation related to the net proceeds and the maximum dilution items set forth in this prospectus are based on the expected number of eligible employees in Greece (i.e., 150 eligible employees).

[3] As of the date of this prospectus, there are 141 eligible employees in Greece. Note that the number of eligible employees in Greece is subject to fluctuations and may cross the 150 threshold set forth in Article 3(2)(b) of the Prospectus Directive, during the validity of this prospectus. Microsoft budgeted for and expects additional new hires in Greece during the regular course of business in 2018/2019. As a consequence, the offering of the ESPP in Greece would be considered a public offering of securities pursuant to the Prospectus Directive.

E.3	**Description of the terms and conditions of the offer**	Microsoft is offering eligible employees of Microsoft and its Participating Subsidiaries the right to purchase Microsoft Shares under the ESPP. 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, Greece, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden and the United Kingdom. The offering of the ESPP also may be made in the following EEA countries: Bulgaria, Croatia, Cyprus, Latvia, Lithuania, Luxembourg, Malta, Slovakia and Slovenia. However, such offering is not 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. 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. 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. 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. 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. 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, 2018, eligible employees must enroll by June 30, and in order to participate in the Purchase Period beginning October 1, 2018, eligible 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. A Participating Employee may reduce payroll deductions to 0% or withdraw from the ESPP during a Purchase Period. There is no charge to Participating Employees for the acquisition or holding of the Microsoft Shares under the ESPP. 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. The ESPP was last amended and restated in 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. As of June 1, 2018, there were 118,769,309 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).
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.

<table>
<tr><td rowspan="4">E.6</td><td rowspan="4">Maximum dilution</td><td colspan="3">The holdings of a shareholder of Microsoft currently holding 1% of the total outstanding share capital of Microsoft as of April 20, 2018, i.e., 76,831,975 Microsoft Shares, and who is not an eligible employee participating in the offer, would be diluted as indicated in the following table:</td></tr>
<tr><td></td><td>Percentage of the total outstanding Microsoft Shares</td><td>Total number of outstanding Microsoft Shares</td></tr>
<tr><td>Before the issuance of Microsoft Shares under the ESPP (as of April 20, 2018)</td><td>1.00%</td><td>7,683,197,503</td></tr>
<tr><td>After issuance of 10,523,622.20 Microsoft Shares under the ESPP</td><td>0.999%</td><td>7,693,721,125.20</td></tr>
<tr><td>E.7</td><td>Estimated expenses charged to the investor</td><td colspan="3">Not applicable. There are no such expenses.</td></tr>
</table>

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 the Microsoft Shares.

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 many of our businesses are low and 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. 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 succeeded with some consumer products such as personal computers, tablets, phones, gaming consoles, and wearables. Competitors pursuing this model also earn revenue from services integrated with the hardware and software platform. We also offer some vertically-integrated hardware and software products and services. To the extent we shift a portion of our business to a vertically integrated model we 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 significant competition 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 were 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 application developers to our PC operating system platforms. Competing with operating systems licensed at low or no cost may decrease our PC operating system margins. In addition, some of our devices compete with products made by our original equipment manufacturer ("OEM") partners, which may affect their commitment to our platform.

- Competing platforms have content and application marketplaces with scale and significant installed bases. The variety and utility of content and applications available on a platform are important to device purchasing decisions. Users sometimes incur costs to move data and buy new content and applications when switching platforms. 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 competitors' content and 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.

- Even as we transition more of our business to a services and subscription business model, the license-based proprietary software model generates most of our software 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.

- 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 cause decreased sales volumes, price reductions, and/or increased operating costs, such as for research and development, 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 business involves cloud-based services available across the spectrum of computing devices. Our strategic vision is to compete and grow by building best-in-class platforms and productivity services for an intelligent cloud and an intelligent edge infused with AI. At the same time, 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 sometimes the user's choice of which suite of cloud-based services to use. We are devoting significant resources to develop and deploy our cloud-based strategies. The Windows ecosystem must continue to evolve with this changing environment. We are undertaking cultural and organizational changes to drive accountability and eliminate obstacles to innovation. The Company's investment in gaining insights from data is becoming central to the value of the services we deliver to customers, to our operational efficiency and key opportunities in monetization, customer perceptions of quality, and operational efficiency. Our ability to use data in this way may be constrained by regulatory developments that impede realizing the expected return from this investment.

Besides software development costs, we are incurring costs to build and maintain infrastructure to support cloud computing services. These costs will reduce the operating margins we have previously achieved. Whether we succeed in cloud-based services depends on our execution in several 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, gaming consoles, and other television-related devices.

- Continuing to enhance the attractiveness of our cloud platforms to third-party developers.

- Ensuring our cloud-based services meet the reliability expectations of our customers and maintain the security of their data.

- Making our suite of cloud-based services platform-agnostic, available on a wide range of devices and ecosystems, including those of our competitors.

It is uncertain whether our strategies will attract the users or generate the revenue required to succeed. If we are not effective in executing organizational and technical changes to increase efficiency and accelerate innovation, or if we fail to generate sufficient usage of our new products and services, we may not grow revenue in line with the infrastructure and development investments described above. This may negatively impact gross margins and operating income.

We make significant investments in new products and services that may not achieve expected returns. We will continue to make significant investments in research, development, and marketing for existing products, services, and technologies, including the Windows operating system, Microsoft Office, Bing, SQL Server, Windows Server, the Windows Store, Microsoft Azure, Office 365, other cloud-based offerings, Xbox Live, and LinkedIn. We also invest in the development and acquisition of a variety of hardware for productivity, communication, and entertainment including PCs, tablets, gaming devices, and HoloLens. 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 and hardware products or upgrades, unfavorably affecting revenue. We may not achieve significant revenue from new product, service, and distribution channel investments for several years, if at all. 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.

We did extensive preparation and ongoing compatibility testing for applications and devices to help ensure a positive experience for our users installing Windows 10. However, negative upgrade experiences could adversely affect the reception of Windows 10 in the marketplace and could lead to litigation or regulatory actions by customers and government agencies. In addition, we anticipate that Windows 10 will enable new post-license monetization opportunities beyond initial license revenues. Our inability to realize these opportunities to the extent we expect could have an adverse impact on our revenues. Finally, our practices for data collection, use, and management in Windows 10 are subject to regulatory review, and may result in decisions directing us to change these practices and imposing fines. If so, we could face negative public reaction, degraded user experiences, and reduced flexibility in product design.

Developing new technologies is complex. It can require long development and testing periods. Significant delays in new releases or significant problems in creating new products or services could adversely affect our revenue.

Acquisitions, joint ventures, and strategic alliances may have an adverse effect on our business. We expect to continue making acquisitions and entering into joint ventures and strategic alliances as part of our long-term business strategy. In December 2016, we completed our acquisition of LinkedIn for $27.0 billion. The LinkedIn acquisition and other transactions and arrangements involve significant challenges and risks, including that they do not advance our business strategy, that we get an unsatisfactory return on our investment, that we have difficulty integrating and retaining new employees, business systems, and technology, or that they distract management from our other businesses. If an arrangement fails to adequately anticipate changing circumstances and interests of a party, it may result in early termination or renegotiation of the arrangement. The success of these transactions and arrangements will depend in part on our ability to leverage them to enhance our existing products and services or develop compelling new ones. It may take longer than expected to realize the full benefits from these transactions and arrangements, 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.

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 cause an impairment of goodwill or intangibles. 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 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 industry segments in which we participate. We may be required to record a significant charge on our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, negatively affecting our results of operations. For example, in the fourth quarter of fiscal year 2015, we recorded a $5.1 billion charge for the impairment of goodwill and a $2.2 billion charge for the impairment of intangible assets, and in the fourth quarter of fiscal year 2016 we recorded a $480 million charge for the impairment of intangible assets. The impairment charges for both periods related to our phone business. Our acquisition of LinkedIn resulted in a significant increase in our goodwill and intangible asset balances.

We may not earn the revenues we expect from our intellectual property rights.

We may not be able to adequately protect our intellectual property rights

Protecting our intellectual property rights and combating unlicensed copying and use of our software and other intellectual property on a global basis 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. Our revenue in these markets may grow slower than the underlying device market. Similarly, the absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights. Throughout the world, we educate users 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. Reductions in the legal protection for software intellectual property rights could adversely affect revenue.

We may not receive expected royalties from our patent licenses

We expend significant resources to patent the intellectual property we create with the expectation that we will generate revenues by incorporating that intellectual property in our products or services or, in some instances, by licensing our patents to others in return for a royalty. Changes in the law may weaken our ability to prevent the use of patented technology or collect revenue for licensing our patents. These include legislative changes and regulatory actions that make it more difficult to obtain injunctions, and the increasing use of legal process to challenge issued patents. Similarly, licensees of our patents may fail to satisfy their obligations to pay us royalties, or may contest the scope and extent of their obligations. Finally, the royalties we can obtain to monetize our intellectual property may decline because of the evolution of technology, selling price changes in products using licensed patents, or the difficulty of discovering infringements.

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 first-party 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. Besides 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.

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 several 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 might 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.

We may not be able to protect information on our products and services from use by others. LinkedIn and other Microsoft products and services contain valuable information and content protected by contractual restrictions or technical measures. In certain cases, we have made commitments to our members and users to limit access to or use of this information. Changes in the law or interpretations of the law may weaken our ability to prevent third parties from scraping or gathering information or content through use of bots or other measures and using it for their own benefit, thus diminishing the value of our products and services.

Cyberattacks and security vulnerabilities could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position.

Security of our information technology

Threats to information technology ("IT") security can take a variety of forms. Individual and groups of hackers and sophisticated organizations, including state-sponsored organizations or nation-states, continuously undertake attacks that pose threats to our customers and our IT. These actors may use a wide variety of methods, which may include developing and deploying malicious software or exploiting vulnerabilities in hardware, software, or other infrastructure in order to attack our products and services or gain access to our networks and datacenters, using social engineering techniques to induce our employees, users, partners, or customers to disclose passwords or other sensitive information or take other actions to gain access to our data or our users' or customers' data, or acting in a coordinated manner to launch distributed denial of service or other coordinated attacks. Inadequate account security practices may also result in unauthorized access to confidential data. For example, system administrators may fail to timely remove employee account access when no longer appropriate. Cyberthreats are constantly evolving, increasing the difficulty of detecting and successfully defending against them. Cyberthreats can have cascading impacts that unfold with increasing speed across our internal networks and systems and those of our partners and customers. Breaches of our network or data security could disrupt the security of our 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 reputation or competitive position, result in theft or misuse of our intellectual property or other assets, require us to allocate more resources to improved technologies, 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. Our business policies and internal security controls may not keep pace with these changes as new threats emerge.

Security of our products, services, devices, and customers' data

The security of our products and services is important in our customers' decisions to purchase or use our products or services. Security threats are a significant challenge to companies like us whose business is providing technology products and services to others. Threats to our own IT infrastructure can also affect our customers. Customers using our cloud-based services rely on the security of our infrastructure, including hardware and other elements provided by third parties, 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. Hackers that acquire user account information at other companies can use that information to compromise our users' accounts where accounts share the same attributes like passwords. Inadequate account security practices may also result in unauthorized access. We are also increasingly incorporating open source software into our products. There may be vulnerabilities in open source software that may make our products susceptible to cyberattacks.

To defend against security threats to our internal IT systems, our cloud-based services, and our customers' systems, we must continuously engineer more secure products and services, enhance security and reliability features, improve the deployment of software updates to address security vulnerabilities in our own products as well as those provided by others, develop mitigation technologies that help to secure customers from attacks even when software updates are not deployed, maintain the digital security infrastructure that protects the integrity of our network, products, and services, and provide customers security tools such as firewalls and anti-virus software and information about the need to deploy security measures and the impact of doing so.

The cost of these steps could reduce our operating margins. If we fail to do these things well, actual or perceived security vulnerabilities in our products and services, data corruption issues, or reduced performance could harm our reputation and lead 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. Customers may fail to update their systems, continue to run software or operating systems we no longer support, or may fail timely to install or enable security patches. Any of these actions by customers could adversely affect our reputation and revenue. Actual or perceived vulnerabilities may lead to claims against us. Our license agreements typically contain provisions that eliminate or limit our exposure to liability, but there is no assurance these provisions will withstand legal challenges. At times, to achieve commercial objectives, we may enter into agreements with larger liability exposure to customers. Legislative or regulatory action in these areas may increase the costs to develop, implement, or secure our products and services.

As illustrated by the recent Spectre and Meltdown threats, our products operate in conjunction with and are dependent on products and components across a broad ecosystem. If there is a security vulnerability in one of these components, and if there is a security exploit targeting it, we could face increased costs, liability claims, reduced revenue, or harm to our reputation or competitive position.

Disclosure and misuse 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 and users. 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 customer or user data we or our vendors store and manage. In addition, third parties who have limited access to our customer or user data may use this data in unauthorized ways. Improper disclosure or misuse could harm our reputation, lead to legal exposure to customers or users, 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 and users to store and process personal data on-premises or, increasingly, in a cloud-based environment we host. Government authorities can sometimes require us to produce customer or user 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 and user data, perceptions that the collection, use, and retention 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 or user concerns, or constraints on our flexibility to determine where and how to operate datacenters in response to customer or user expectations or governmental rules or actions, may cause higher operating expenses or hinder growth of our products and services.

Abuse of our advertising or social platforms may harm our reputation or user engagement. For LinkedIn, Bing Ads, and other products and services that provide content or host ads that come from or can be influenced by third parties, our reputation or user engagement may be negatively affected by activity that is hostile or inappropriate to other people, by users impersonating other people or organizations, by use of our products or services to disseminate information that may be viewed as misleading or intended to manipulate the opinions of our users, or by the use of our products or services that violates our terms of service or otherwise for objectionable or illegal ends. Preventing these actions may require us to make substantial investments in people and technology and these investments may not be successful, adversely affecting our business and financial results.

We may have excessive outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure. Our increasing user traffic, growth in services, and the complexity of our products and services demand more computing power. We spend substantial amounts to build, 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. These demands continue to increase as we introduce new products and services and support the growth of existing services such as Bing, Exchange Online, Microsoft Azure, Microsoft Account services, Office 365, OneDrive, SharePoint Online, Skype, Xbox Live, Outlook.com, and Windows Stores. We are rapidly growing our business of providing a platform and back-end hosting for services provided by third parties to their end users. Maintaining, securing, and expanding this infrastructure is expensive and complex. It requires that we maintain an Internet connectivity infrastructure that is robust and reliable within competitive and regulatory constraints that continue to evolve. Inefficiencies or operational failures, including temporary or permanent loss of customer data or insufficient Internet connectivity, could diminish the quality of our products, services, and user experience resulting in contractual liability, claims by customers and other third parties, regulatory actions, 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 relating to competition rules may limit how we design and market our products. As a leading global software and device maker, government agencies closely scrutinize us under U.S. and foreign competition laws. An increasing number of governments are regulating competition law activities and this includes increased scrutiny in potentially large markets such as the European Union (“EU”), the U.S., and China. Some jurisdictions also allow competitors or consumers to assert claims of anti-competitive conduct. U.S. federal and state antitrust authorities have previously brought enforcement actions and continue to scrutinize our business.

The European Commission (“the 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. Flagship product releases such as Windows 10 can receive significant scrutiny under competition laws. For example, in 2004, the

Commission ordered us to create new versions of our Windows operating system 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 we offered to address the Commission's concerns relating to competition in web browsing software, including an undertaking to address Commission concerns relating to interoperability. The web browsing commitments expired in 2014. The remaining 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.

Our portfolio of first-party devices continues to grow; at the same time our OEM partners offer a large variety of devices on our platforms. As a result, increasingly we both cooperate and compete with our OEM partners, creating a risk that we fail to do so in compliance with competition rules. Regulatory scrutiny in this area may increase. Certain foreign governments, particularly in China and other countries in Asia, have advanced arguments under their competition laws that exert downward pressure on royalties for our intellectual property. Because these jurisdictions only recently implemented competition laws, their enforcement activities are unpredictable.

Government regulatory actions and court decisions such as these may result in fines, or 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. 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 precedent in other competition law proceedings.

- We are subject to a variety of ongoing commitments because 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.

- Our ability to realize anticipated Windows 10 post-sale monetization opportunities may be limited.

Our global operations subject us to potential liability under anti-corruption, trade protection, and other laws and regulations. The Foreign Corrupt Practices Act and other anti-corruption laws and regulations ("Anti-Corruption Laws") prohibit corrupt payments by our employees, vendors, or agents. From time to time, we receive inquiries from authorities in the U.S. and elsewhere and reports from employees and others about our business activities outside the U.S. and our compliance with Anti-Corruption Laws. Specifically, we have been cooperating with authorities in the U.S. in connection with reports concerning our compliance with the Foreign Corrupt Practices Act in various countries. 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, our employees, vendors, or agents may violate our policies. Our failure to comply with Anti-Corruption Laws could result in significant fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business, and damage to our reputation. Operations outside the U.S. may be affected by changes in trade protection laws, policies, and measures, sanctions, and other regulatory requirements affecting trade and investment. We may be subject to legal liability and reputational damage if we sell goods or services in violation of U.S. trade sanctions on countries such as Iran, North Korea, Cuba, Sudan, and Syria.

Other regulatory areas that may apply to our products and online services offerings include user privacy, telecommunications, data storage and protection, and online content. For example, regulators may take the position that our offerings such as Skype are covered by laws regulating telecommunications services. Data protection authorities may assert that our collection, use, and management of customer data is inconsistent with their laws and regulations. Applying 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, and 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 the imposition of penalties or orders we stop the alleged noncompliant activity.

Laws and regulations relating to the handling of personal data may impede the adoption of our services or result in increased costs, legal claims, or fines against us. The growth of our Internet- and cloud-based services internationally relies increasingly on the movement of data across national boundaries. Legal requirements relating to the collection, storage, handling, and transfer of personal data continue to evolve. For example, the EU and the U.S. formally entered into a new framework in July 2016 that provides a mechanism for companies to transfer data from EU member states to the U.S. This framework, called the Privacy Shield, is intended to address shortcomings identified by the European Court of Justice in a predecessor mechanism. The Privacy Shield and other mechanisms are currently subject to challenges in European courts, which may lead to uncertainty about the legal basis for data transfers across the Atlantic. In 2016, the EU adopted a new law governing data practices and privacy called the General Data Protection Regulation ("GDPR"), which becomes effective in May 2018. The law requires firms to meet new requirements regarding the handling of personal data. Engineering efforts to build new capabilities to facilitate compliance with the law may entail substantial expense and the diversion of engineering resources from other projects. If we are unable to engineer products that meet our legal duties or help our customers meet their obligations under the GDPR or other data regulations, we might experience reduced demand for our offerings. Compliance with data regulations might limit our ability to innovate or offer certain features and functionality in some jurisdictions where we operate. Non-compliance with the GDPR may lead to regulatory enforcement actions, which can result in monetary penalties of up to 4% of worldwide revenue, or private lawsuits.

Ongoing legal reviews by regulators may result in burdensome or inconsistent requirements affecting the location and movement of our customer and internal employee data as well as the management of that data. Compliance may require changes in services, business practices, or internal systems that result in increased costs, lower revenue, reduced efficiency, or greater difficulty in competing with foreign-based firms. Failure to comply with existing or new rules may result in significant penalties or orders to 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. Changes to U.S. immigration policies that restrain the flow of technical and professional talent may inhibit our ability to adequately staff our research and development efforts. If we are less successful in our recruiting efforts, or if we cannot 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. How employment-related laws are interpreted and applied to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs.

We have claims and lawsuits against us that may result in adverse outcomes. We are subject to a variety of claims and lawsuits. These claims may arise from a wide variety of business practices and initiatives, including major new product releases such as Windows 10, significant business transactions, warranty or product claims, and employment practices. 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 consolidated financial statements could occur for the period in which the effect of an unfavorable 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 course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. For example, compliance with the TCJA may require the collection of information not regularly produced within the Company, the use of estimates in our financial statements, and the exercise of significant judgment in accounting for its provisions. As regulations and guidance evolve with respect to TCJA, and as we gather more information and perform more analysis, our results may differ from previous estimates and may materially affect our financial position.

We regularly are under audit by tax authorities in different jurisdictions. Economic and political pressures to increase tax revenue in various jurisdictions may make resolving tax disputes favorably more difficult. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation in the jurisdictions where we are subject to taxation 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 consolidated financial statements in the period or periods in which that determination is made.

We earn a significant amount of our operating income outside the U.S.; a change in the mix of earnings and losses in countries with differing statutory tax rates, changes in our business or structure, or the expiration of or disputes about certain tax agreements in a particular country may result in higher effective tax rates for the Company. In addition, changes in U.S. federal and state or international tax laws applicable to corporate multinationals, other fundamental law changes currently being considered by many countries, including in the U.S., and changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions may materially adversely impact our tax expense and cash flows.

We may experience quality or supply problems. Our vertically-integrated hardware products such as Xbox consoles, Surface devices, and other devices we design, manufacture, 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 as a result of recalls, safety alerts, or product liability claims if we fail to prevent, detect, or address such issues through design, testing, or warranty repairs.

Our 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 cause 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.

We acquire some device and datacenter 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 not obtain timely replacement supplies, resulting in reduced sales or inadequate datacenter capacity. Component shortages, excess or obsolete inventory, or price reductions resulting in inventory adjustments may increase our cost of revenue. Xbox consoles, Surface devices, datacenter servers, and other hardware are assembled in Asia and other geographies that may be subject to disruptions in the supply chain, resulting 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.

We strive to empower all people and organizations to achieve more, and accessibility of our products is an important aspect of this goal. There is increasing pressure from advocacy groups, regulators, competitors, and customers to make technology more accessible. If our products do not meet customer expectations or emerging global accessibility requirements, we could lose sales opportunities or face regulatory actions.

Our global business exposes us to operational and economic risks. Our customers are located in over 200 countries and a significant part of our revenue comes from international sales. The global nature of our business creates operational and economic risks. Emerging markets are a significant focus of our international growth strategy. The developing nature of these markets presents several risks, including deterioration of social, political, labor, or economic conditions in a country or region, and difficulties in staffing and managing foreign operations. Although we hedge a portion of our international currency exposure, significant fluctuations in foreign exchange rates between the U.S. dollar and foreign currencies may adversely affect our revenue. 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.

Catastrophic events or geopolitical conditions may disrupt our business. A disruption or failure of our systems or operations because of a major earthquake, weather event, cyberattack, terrorist attack, or other catastrophic event could cause delays in completing sales, providing services, or performing other critical functions. Our corporate headquarters, a significant portion of our research and development activities, and certain other essential business operations are in the Seattle, Washington area, and we have other business operations in the Silicon Valley area of California, both of which are seismically active regions. 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. 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 cause supply chain disruptions for hardware manufacturers. Geopolitical change may result in changing regulatory requirements that could impact our operating strategies, access to global markets, hiring, and profitability. Geopolitical instability may lead to sanctions and impact our ability to do business in some markets or with some public-sector customers. Emerging nationalist trends in specific countries may significantly alter the trade environment. Changes to trade policy or agreements may result in higher tariffs, local sourcing initiatives, or other developments that make it more difficult to sell our products in foreign countries. Any of these changes may negatively impact our revenues.

The long-term effects of climate change on the global economy or the IT industry in particular are unclear. Environmental regulations or changes in the supply, demand or available sources of energy or other natural resources 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.

Adverse economic or market conditions may harm our business. Worsening economic conditions, including inflation, recession, or other changes in economic conditions, may cause 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. Substantial revenue comes from our U.S. government contracts. An extended federal government shutdown resulting from failing to pass budget appropriations, adopt continuing funding resolutions or raise the debt ceiling, and other budgetary decisions limiting or delaying federal government spending, could reduce government IT spending on our products and services and adversely affect our revenue.

Our product distribution system 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 cause 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 comprises 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 affected 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.

Changes in our sales organization may impact revenues. In July 2017, we announced plans to reorganize our global sales organization to help enable customers' digital transformation, add greater technical ability to our sales force, and create pooled resources that can be used across countries and industries. The reorganization is the most significant change in our global sales organization in our history, involving employees changing roles, adding additional talent, realigning teams, and onboarding new partners. Successfully executing these changes will be a significant factor in enabling future revenue growth. As we navigate through this transition, sales, profitability, and cash flow could be adversely impacted.

II. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

2.1 Risks

We are exposed to economic risk from foreign exchange rates, interest rates, credit risk, and equity prices. A portion of these risks is hedged, but they may impact our consolidated 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, Canadian dollar, and Australian 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 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.

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 exchange rates, interest rates, and equity 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:

(In millions)

	March 31, 2018	June 30, 2017	Three Months Ended March 31, 2018		
Risk Categories			**Average**	**High**	**Low**
Foreign currency	**$ 178**	$ 114	**$ 181**	**$ 197**	**$ 160**
Interest rate	**163**	152	**173**	**179**	**163**
Equity	**30**	54	**26**	**30**	**25**

Total one-day VaR for the combined risk categories was $254 million and $207 million as of March 31, 2018 and June 30, 2017, respectively. The total VaR is 31% and 35% less as of March 31, 2018 and June 30, 2017, respectively, 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 2.60% of the 7,683,197,503 Microsoft Shares outstanding as of April 20, 2018. 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 Microsoft 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 Microsoft 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, 2018, Microsoft was authorized to issue 24,000,000,000 Microsoft Shares, par value $0.00000625 per Microsoft Share. As of April 20, 2018, there were 7,683,197,503 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.astfinancial.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

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.

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$4.95
Fidelity Automated Service Telephone (FAST)	US$12.95
Fidelity Stock Plan service representative	US$32.95

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 $0.000013 multiplied by the total principal amount of the sale proceeds. The SEC may announce new fee rates at its discretion.

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.

Microsoft paid its first quarterly dividend in 2004, at an amount of $0.08 per Microsoft Share. Currently, Microsoft pays a quarterly dividend of $0.42 per Microsoft Share. Future dividends are subject to declaration by the Board.

The following table sets forth cash dividends for fiscal years 2018 (to date) (unaudited), 2017 and 2016:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in millions)	Payment Date
Fiscal Year 2018				
September 19, 2017	**$ 0.42**	**November 16, 2017**	**$ 3,238**	**December 14, 2017**
November 29, 2017	**$ 0.42**	**February 15, 2018**	**$ 3,232**	**March 8, 2018**
March 12, 2018	**$ 0.42**	**May 17, 2018**	**$ 3,230**	**June 14, 2018**
June 13, 2018	**$ 0.42**	**August 16, 2018**	**$ 3,227**	**September 13, 2018**
Fiscal Year 2017				
September 20, 2016	$ 0.39	November 17, 2016	$ 3,024	December 8, 2016
November 30, 2016	$ 0.39	February 16, 2017	$ 3,012	March 9, 2017
March 14, 2017	$ 0.39	May 18, 2017	$ 3,009	June 8, 2017
June 13, 2017	$ 0.39	August 17, 2017	$ 3,006	September 14, 2017
Fiscal Year 2016				
September 15, 2015	$ 0.36	November 19, 2015	$ 2,868	December 10, 2015
December 2, 2015	$ 0.36	February 18, 2016	$ 2,842	March 10, 2016
March 15, 2016	$ 0.36	May 19, 2016	$ 2,821	June 9, 2016
June 14, 2016	$ 0.36	August 18, 2016	$ 2,800	September 8, 2016

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 cumulate 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 as amended effective June 13, 2017 ("Bylaws of Microsoft"))

Special meetings of the shareholders of Microsoft, for any purpose or purposes, may be called by the Board, an authorized committee of the Board, or one or more shareholders to the extent permitted by the

Restated Articles of Incorporation. To be in proper form, a request for a special meeting of shareholders submitted by one or more shareholders must:

(a) be in writing and be delivered in person or by registered mail to Microsoft's secretary;

(b) specify in reasonable detail the purpose(s) of and the business proposed to be conducted at the special meeting;

(c) suggest a date for the special meeting, which date shall be no fewer than thirty (30) and no more than ninety (90) days from the date on which the request is delivered to Microsoft's secretary; and

(d) contain the information required for business to properly be brought by a shareholder before the annual meeting of shareholders as set forth in Section 1.13 of the Bylaws of Microsoft and reasonable evidence the requesting shareholder or shareholders 'owns' the requisite number of Microsoft Shares as defined in Section 1.14(c) of the Bylaws of Microsoft. (see Section 1.2 of the Bylaws of Microsoft)

No business (including any director nomination) may be presented and transacted at an annual or special meeting of shareholders other than business that is described in Section 1.3 of the Bylaws of Microsoft. Clauses (c) and (d) of Section 1.3 shall be the exclusive means for a shareholder to present director nominations or other business at 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 of Microsoft). (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 (U.S.A.) as determined by the Board, or an 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.

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 Restated Articles of Incorporation or of the Bylaws of Microsoft a different vote is required. (see Section 1.6 of the Bylaws of Microsoft)

The shareholders may amend or repeal the Bylaws of Microsoft, or adopt new bylaws, even though the Bylaws of Microsoft 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 Restated Articles of Incorporation. (see Section 1.16 of the Bylaws 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 (a) the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation, or (ii) pursuant to Revised Code of Washington ("RCW") 23B.08.245 the board of directors determines at any time subsequent to approving such a corporate action that it no longer recommends the corporate action, and in either case the board of directors communicates the basis for so proceeding 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 in accordance with RCW 23B.07.050. 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 under RCW 23B.10.040 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 under the circumstances described in RCW 23B.10.040.

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, 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 (See Article IV of the Restated Articles of Incorporation of Microsoft).

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 is the beneficial owner of voting shares entitled to cast votes comprising 10% or more of the voting power of the target corporation, for a period of five years after the acquisition, unless (i) 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; or (ii) at or subsequent to the acquiring person's share acquisition time, the transaction or acquisition is approved by a majority of the members of the board of directors of the target corporation's board of directors and approved at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of at least two-thirds of the votes entitled to be cast by the outstanding voting shares of the target corporation, except shares beneficially owned by or under the voting control of the acquiring person. 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; (ii) termination of 5% or more of the employees of the target corporation; or (iii) 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 Shares. 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, 2018)

5.1 Capitalization and Indebtedness (unaudited, in millions of US$ - consolidated)

Total Current debt	$ 3,677
- Guaranteed	-
- Secured	$ 230
- Unguaranteed / Unsecured	$ 3,447
Total Non-Current debt (excluding current portion of long-term debt)	$ 79,231
- Guaranteed	-
- Secured	$ 5,751
- Unguaranteed / Unsecured	$ 73,480
Stockholders’ equity	
a. Share Capital and Additional Paid-in Capital	$ 70,418
b. Legal Reserve	-
c. Other Reserves (retained earnings, including accumulated other comprehensive loss of $(1,153))	$ 8,821
Total stockholders’ equity	$ 79,239

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

A.+B.	Cash and cash equivalents	$	9,221
C.	Short-term investments	$	123,049
D.	**Liquidity** (A) + (B) + (C)	**$**	**132,270**
E.	**Current Financial Receivable**		**-**
F.	Current Bank debt		-
G.	Current portion of non-current debt	$	3,447
H.	Other current financial debt	$	230
I.	**Current Financial Debt** (F) + (G) + (H)	**$**	**3,677**
J.	**Net Current Financial Indebtedness** (I) – (E) – (D)	**$**	**(128,593)**
K.	Non-current Bank loans		-
L.	Bonds Issued	$	73,480
M.	Other non-current loans	$	5,751
N.	**Non-current Financial Indebtedness** (K) + (L) + (M)	**$**	**79,231**
O.	**Net Financial Indebtedness** (J) + (N)	**$**	**(49,362)**

5.3 Indirect and Contingent Indebtedness

Contingencies

Patent and Intellectual Property Claims

IPCom patent litigation

IPCom GmbH & Co. ("IPCom") is a German company that holds a large portfolio of mobile technology-related patents addressing a broad range of cellular technologies. IPCom has asserted 19 of these patents in litigation against Nokia Corporation ("Nokia") and many of the leading cellular phone companies and operators. In April 2018, Microsoft and IPCom entered into a settlement agreement resolving all claims against us.

Other patent and intellectual property claims

In addition to the IPCom cases, there were 34 other patent infringement cases pending against Microsoft as of March 31, 2018.

Antitrust, Unfair Competition, and Overcharge Class Actions

Antitrust and unfair competition class action lawsuits were filed against us in British Columbia, Ontario, and Quebec, Canada. All three have been certified on behalf of Canadian indirect purchasers who acquired licenses for Microsoft operating system software and/or productivity application software between 1998 and 2010.

The trial of the British Columbia action commenced in May 2016. The plaintiffs filed their case in chief in August 2016, setting out claims made, authorities, and evidence in support of their claims. A six-month oral hearing is expected to begin in summer 2018, consisting of cross examination on witness affidavits. The Ontario and Quebec cases are inactive.

Other Antitrust Litigation and Claims

China State Administration for Industry and Commerce investigation

In 2014, Microsoft was informed that China's State Administration for Industry and Commerce ("SAIC") had begun a formal investigation relating to China's Anti-Monopoly Law, and the SAIC conducted onsite inspections of Microsoft offices in Beijing, Shanghai, Guangzhou, and Chengdu. SAIC has stated the investigation relates to compatibility, bundle sales, file verification issues related to Windows and Office software, and potentially other issues.

Product-Related Litigation

U.S. Cell Phone Litigation

Microsoft Mobile Oy, a subsidiary of Microsoft, along with other handset manufacturers and network operators, is a defendant in 35 lawsuits filed in the Superior Court for the District of Columbia by individual plaintiffs who allege that radio emissions from cellular handsets caused their brain tumors and other adverse health effects. We assumed responsibility for these claims in our agreement to acquire Nokia's Devices and Services business and have been substituted for the Nokia defendants. Nine of these cases were filed in 2002 and are consolidated for certain pre-trial proceedings; the remaining cases are stayed. In a separate 2009 decision, the Court of Appeals for the District of Columbia held that adverse health effect claims arising from the use of cellular handsets that operate within the U.S. Federal Communications Commission radio frequency emission guidelines ("FCC Guidelines") are pre-empted by federal law. The plaintiffs allege that their handsets either operated outside the FCC Guidelines or were manufactured before the FCC Guidelines went into effect. The lawsuits also allege an industry-wide conspiracy to manipulate the science and testing around emission guidelines.

In 2013, defendants in the consolidated cases moved to exclude plaintiffs' expert evidence of general causation on the basis of flawed scientific methodologies. In 2014, the trial court granted in part and denied in part defendants' motion to exclude plaintiffs' general causation experts. The defendants filed an interlocutory appeal challenging the standard for evaluating expert scientific evidence, which the District of Columbia Court of Appeals heard *en banc*. In October 2016, the Court of Appeals issued its decision adopting the standard advocated by defendants and remanding the cases to the trial court for further proceedings under that standard. Plaintiffs have filed supplemental expert evidence, portions of which defendants have moved to strike.

Canadian Cell Phone Class Action

Microsoft Mobile Oy, along with other handset manufacturers and network operators, is a defendant in a 2013 class action lawsuit filed in the Supreme Court of British Columbia by a purported class of Canadians who have used cellular phones for at least 1,600 hours, including a subclass of users with brain tumors, alleging adverse health effects from cellular phone use. Microsoft was served with the complaint in June 2014 and has been substituted for the Nokia defendants. The litigation has been dormant for more than three years.

Employment-Related Litigation

Moussouris v. Microsoft

Current and former female Microsoft employees in certain engineering and information technology roles brought this class action in federal court in Seattle in 2015, alleging systemic gender discrimination in pay and promotions. The plaintiffs moved to certify the class in October 2017. Microsoft filed an opposition in January 2018, attaching an expert report showing no statistically significant disparity in pay and promotions between similarly situated men and women. Microsoft filed a motion for summary judgment with respect to the named plaintiffs in March 2018.

Other Contingencies

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 consolidated 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, 2018, we accrued aggregate legal liabilities of $371 million. While we intend to defend these matters vigorously, adverse outcomes that we estimate could reach approximately $1.3 billion 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 consolidated financial statements for the period in which the effects become reasonably estimable.

Tax Matters

While we settled a portion of the U.S. Internal Revenue Service ("IRS") audit for tax years 2004 to 2006 during the third quarter of fiscal year 2011, and a portion of the IRS audit for tax years 2007 to 2009 during the first quarter of fiscal year 2016, we remain under audit for those years. In the second quarter of fiscal year 2018, we settled a portion of the IRS audit for tax years 2010 to 2013. We continue to be subject to examination by the IRS for tax years 2010 to 2016. In February 2012, the IRS withdrew its 2011 Revenue Agents Report for tax years 2004 to 2006 and reopened the audit phase of the examination. As of March 31, 2018, the primary unresolved issue relates to transfer pricing, which could have a significant impact on our consolidated financial statements if not resolved favorably. We believe our allowances for income tax contingencies are adequate. We have not received a proposed assessment for the unresolved issues and do not expect a final resolution of these issues in the next 12 months. Based on the information currently available, we do not anticipate a significant increase or decrease to our tax contingencies for these issues within the next 12 months.

We are subject to income tax in many jurisdictions outside the U.S. Our operations in certain jurisdictions remain subject to examination for tax years 1996 to 2017, some of which are currently under audit by local tax authorities. The resolutions of these audits are not expected to be material to our consolidated financial statements.

Tax contingencies and other income tax liabilities were $14.5 billion and $13.5 billion as of March 31, 2018 and June 30, 2017, respectively, and are included in long-term income taxes on our consolidated balance sheets. This increase relates primarily to current period intercompany transfer pricing.

VI. MAXIMUM DILUTION AND NET PROCEEDS

6.1 Maximum Dilution

The Microsoft Shares under the ESPP currently are offered pursuant to this prospectus to 19,210 eligible employees[4] in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, [5] Ireland,

[4] As of May 31, 2018, there were 384 eligible employees in Austria, 348 eligible employees in Belgium, 562 eligible employees in the Czech Republic, 690 eligible employees in Denmark, 327 eligible employees in Finland, 1,945 eligible employees in France, 2,642 eligible employees in Germany, 141 eligible employees in Greece, 3,201 eligible employees in Ireland, 846 eligible employees in Italy, 1,027 eligible employees in the Netherlands, 491 eligible employees in Norway, 351 eligible employees in Poland, 485 eligible employees in Portugal, 699 eligible employees in Romania, 720 eligible employees in Spain, 686 eligible employees in Sweden and 3,656 eligible employees in the United Kingdom. The calculation related to the net proceeds and the maximum dilution items set forth in this prospectus are based on the expected number of eligible employees in Greece (i.e., 150 eligible employees).

[5] As of the date of this prospectus, there are 141 eligible employees in Greece. Note that the number of eligible employees in Greece is subject to fluctuations and may cross the 150 threshold set forth in Article 3(2)(b) of the Prospectus Directive, during the validity of this prospectus. Microsoft budgeted for and expects additional new hires in Greece during the regular course of business in 2018/2019. As a consequence, the offering of the ESPP in Greece would be considered a public offering of securities pursuant to the Prospectus Directive.

Italy, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden and the United Kingdom. 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., 2018 and 2019). 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 29, 2018 Date of Exercise was $91.27. Assuming Participating Employees would purchase Microsoft Shares throughout the period covered by this prospectus at the purchase price applicable on March 29, 2018 (i.e., $82.14), each Participating Employee would be entitled to purchase a maximum of approximately 547.82 (273.91 in 2018 and 273.91 in 2019) Microsoft Shares under the ESPP assuming no other ESPP limitations are exceeded. Assuming that all of the eligible employees would each purchase approximately 547.82 Microsoft Shares in the offer, the maximum number of Microsoft Shares offered pursuant to this prospectus amounts to approximately 10,523,622.20 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 20, 2018, i.e., 76,831,975 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 20, 2018)	1.00%	7,683,197,503
After issuance of 10,523,622.20 Microsoft Shares under the ESPP	0.999%	7,693,721,125.20

6.2 Net Proceeds

Assuming that each of the 19,210 eligible employees would purchase the maximum amount of Microsoft Shares under the ESPP offered pursuant to this prospectus, that is, a total of 547.82 Microsoft Shares each, for a maximum of $44,997.94 in contributions per person, at $82.14 (90% of a hypothetical purchase price of $91.27 which was the closing price of the Microsoft Shares on March 29, 2018), and assuming that the Shares offered under the ESPP would all be newly issued, then the gross proceeds of Microsoft in connection with the offer under the ESPP pursuant to this prospectus would be $864,410,427.40. After deducting $175,000 in legal and accounting expenses in connection with the offer, the net proceeds would be $864,235,427.40. The net proceeds will be used for general corporate purposes.

VII. DIRECTORS AND EXECUTIVE OFFICERS

7.1. Board of Directors as of May 11, 2018

William H. Gates III
Age: *62*
Director since: *1981*

Experience:
Microsoft Corporation (1981-present)
- Technical Advisor to Satya Nadella (Chief Executive Officer) (2014-present)
- Co-founder and Chairman (1981-2014)
- Chief Software Architect (2000-2006)
- Chief Executive Officer (1981-2000)

Microsoft committees:
- None

Other public company directorships:
- Berkshire Hathaway Inc.

Former public company directorships held in the past five years:
- None

Other positions:
- Co-Chair and Trustee, Bill & Melinda Gates Foundation

Reid G. Hoffman
Age: *50*
Director since: *2017*

Experience:
Greylock Partners (2009-present) (venture capital firm)
- Partner (2009-present)

LinkedIn Corporation (2003-2016)
- Co-founder and Chairman (2003-2016)
- Executive Chairman (2009)
- Chief Executive Officer (2003-2007 and 2008-2009)
- President, Products (2007-2008)

PayPal Inc. (2000-2002)
- Executive Vice President (2000-2002)

Microsoft committees:
- None

Other public company directorships:
- None

Former public company directorships held in the past five years:
- LinkedIn Corporation
- Zynga Inc.

Hugh F. Johnston
Age: *56*
Director since: *2017*

Experience:
PepsiCo, Inc. (1987-1999 and 2002-present) (food and beverage company)
- Vice Chairman (2015-present)
- Executive Vice President, and Chief Financial Officer (2010-present)
- Executive Vice President, Global Operations (2009-2010)
- President, Pepsi-Cola North America (2007-2009)
- Various positions of increasing authority (1987-1999 and 2002-2007)

Merck & Company, Inc. (1999-2002)
- Vice President, Retail Marketing, Merck-Medco Managed Care LLC (1999-2002)

Microsoft committees:
- Audit

Other public company directorships:
- None

Former public company directorships held in the past five years:
- AOL, Inc.
- Twitter Inc.

Teri L. List-Stoll

Experience:
Gap, Inc. (2016-present)

Age: *55*
Director since: *2014*

(clothing and accessories retailer)
- Executive Vice President and Chief Financial Officer (2016-present)

DICK'S Sporting Goods, Inc. (2015-2016)
- Executive Vice President and Chief Financial Officer (2015-2016)

Kraft Foods Group, Inc. (2013-2015)
- Senior Advisor (2015)
- Executive Vice President and Chief Financial Officer (2013-2015)
- Senior Vice President (2013)

Procter & Gamble Co. (1994-2013)
- Senior Vice President and Treasurer (2009-2013)
- Various positions of increasing authority (1994-2009)

Microsoft committees:
- Audit
- Governance and Nominating

Other public company directorships:
- Danaher Corporation

Former public company directorships held in the past five years:
- None

Other positions:
- Trustee, Financial Accounting Foundation
- Practice Fellow, Financial Accounting Standards Board

Satya Nadella
Age: *50*
Director since: *2014*

Experience:
Microsoft Corporation (1992-present)
- Chief Executive Officer and Director (2014-present)
- Executive Vice President, Cloud and Enterprise (2013-2014)
- President, Server and Tools (2011-2013)
- Senior Vice President, Online Services Division (2009-2011)
- Senior Vice President, Search, Portal, and Advertising (2008-2009)
- Various positions of increasing authority (1992-2008)

Microsoft committees:
- None

Other public company directorships:
- Starbucks Corporation

Former public company directorships held in the past five years:
- Riverbed Technology, Inc.

Charles H. Noski
Age: *65*
Director since: *2003*

Experience:
Bank of America Corporation (2010-2012) (banking and financial services company)
- Vice Chairman (2011-2012)
- Executive Vice President and Chief Financial Officer (2010-2011)

Northrop Grumman Corporation (2002-2005)
- Corporate Vice President and Chief Financial Officer (2003-2005)
- Director (2002-2005)

AT&T (1999-2002)
- Vice Chairman of the Board (2002)
- Senior Executive Vice President and Chief Financial Officer (1999-2002)

Hughes Electronics Corporation (1990-1999)
- President, Chief Operating Officer and Director (1997-1999)
- Vice Chairman, Chief Financial Officer and Director (1996-1997)

Microsoft committees:
- Audit (Chair)
- Governance and Nominating

Other public company directorships:
- Avon Products, Inc.
- The Priceline Group Inc.

Former public company directorships held in the past five years:
- Avery Dennison Corporation

Other positions:
- Chairman of the Board of Trustees, Financial Accounting Foundation
- Director, National Association of Corporate Directors
- Past member, Standing Advisory Group of the PCAOB

Helmut Panke, Ph.D.
Age: *71*
Director since: *2003*

Experience:
BMW Bayerische Motoren Werke AG and affiliates (1982-2006) (automobile manufacturer)
- Chairman of the Board of Management (2002-2006)
- Board of Management for Finance (1999-2002)
- Board of Management for Human Resources and Information Technology (1996-1999)

Microsoft committees:
- Audit
- Regulatory and Public Policy (Chair)

Other public company directorships:
- Singapore Airlines Limited

Former public company directorships held in the past five years:
- Bayer AG (supervisory board)
- UBS AG

Sandra E. Peterson
Age: *59*
Director since: *2015*

Experience:
Johnson & Johnson (2012-present) (medical devices, pharmaceutical and consumer goods manufacturer)
- Group Worldwide Chair and member of the Executive Committee (2012-present)

Bayer CropScience AG (2010-2012)
- Chairman of the Board of Management (2010-2012)
- Member of Board of Management (2010)

Bayer HealthCare LLC (2005-2010)
- Executive Vice President and President, Medical Care (2009-2010)
- President, Diabetes Care Division (2005-2009)

Medco Health Solutions, Inc. (1999-2004)
- Group President of Government (2003-2004)
- Senior Vice President, Health Businesses (2001-2003)
- Senior Vice President, Marketing and Strategy (1999-2001)

Microsoft committees:
- Compensation
- Regulatory and Public Policy

Other public company directorships:
- None

Former public company directorships held in the past five years:
- Dun & Bradstreet Corporation

Penny S. Pritzker
Age: *58*
Director since: *2017*

Experience:
United States Secretary of Commerce (2013-2017)

PSP Capital Partners, LLC (present) (private investment firm)
- Founder and Chairman (present)

Pritzker Realty Group (present)
- Co-founder and Chairman (present)

Artemis Real Estate Partners (2009-2013)
- Co-founder and Chairman (2009-2013)

The Parking Spot (1998-2011)
- Co-founder and Chairman (1998-2011)

Vi Senior Living (1987-2011)
- Founder and Chairman (1987-2011)

Microsoft committees:
- Regulatory and Public Policy

Other public company directorships:
- None

Former public company directorships held in the past five years:
- Hyatt Hotels Corporation

Other positions:
- Co-founder, Pritzker Traubert Family Foundation

Charles W. Scharf
Age: *53*
Director since: *2014*

Experience:
The Bank of New York Mellon Corporation (2017-present) (banking and financial services company)
- Chief Executive Officer and Director (2017-present)

Visa Inc. (2012-2016)
- Chief Executive Officer and Director (2012-2016)

JPMorgan Chase & Co. (2004-2012)
- Managing Director, One Equity Partners, private investment arm (2011-2012)
- Chief Executive Officer of Retail Financial Services (2004-2011)

Bank One Corporation (2000-2004)
- Chief Executive Officer of the Retail Division (2002-2004)
- Chief Financial Officer (2000-2002)

Citigroup, Inc. (1999-2000)
- Chief Financial Officer of the Global Corporate and Investment Bank Division (1999-2000)

Microsoft committees:
- Compensation
- Governance and Nominating

Other public company directorships:
- The Bank of New York Mellon Corporation

Former public company directorships held in the past five years:
- Visa Inc.

Arne M. Sorenson
Age: *59*
Director since: *2017*

Experience:
Marriott International, Inc. (1996-present)
(global lodging company)
- President and Chief Executive Officer (2012-present)
- President and Chief Operating Officer (2009-2012)
- Executive Vice President, Chief Financial Officer, and President, Continental European Lodging (2003-2009)
- Executive Vice President and Chief Financial Officer (1998-2003)
- Senior Vice President, Business Development (1996-1998)

Microsoft committees:
- Audit

Other public company directorships:
- Marriott International, Inc.

Former public company directorships held in the past five years:
- Wal-Mart Stores, Inc.

Other positions:
- Director, Brand USA

John W. Stanton
Age: *62*
Director since: *2014*

Experience:
Trilogy Partnerships (2005-present) (investment company)
- Founder and Chairman (2005-present)

Clearwire Corp. (2008-2011)
- Chairman of the Board (2011-2013)
- Interim Chief Executive Officer (2011)
- Board member (2008-2011)

Western Wireless Corporation (1992-2005)
- Founder, Chief Executive Officer and Chairman (1992-2005)

VoiceStream Wireless Corporation (1995-2003)
- Chief Executive Officer and Chairman (1995-2003)

Microsoft committees:
- Compensation (Chair)
- Regulatory and Public Policy

Other public company directorships:
- Costco Wholesale Corporation
- Trilogy International Partners, Inc.

Former public company directorships held in the past five years:
- Clearwire Corp.
- Columbia Sportswear Company

Other positions:
- Chairman, First Avenue Entertainment LLLP, owner of Seattle Mariners (2016-present)

John W. Thompson
Age: *69*
Director since: *2012*

Experience:
LightSpeed Venture Partners (2018 to present)
- Partner

Microsoft Corporation (2014 to present)
- Non-executive Chairman of the Board

Virtual Instruments Corporation (2010-2016) (computing infrastructure performance management solutions provider)
- Chief Executive Officer and Director (2010-2016)

Symantec Corp. (1999-2011)
- Chairman of the Board (1999-2011)
- Chief Executive Officer (1999-2009)

IBM Corporation (1971-1999)
- General Manager, IBM Americas (1996-1999)
- Various positions of increasing authority (1971-1996)

Microsoft committees:
- Governance and Nominating (Chair)
- Regulatory and Public Policy

Other public company directorships:
- Illumina, Inc.

Former public company directorships held in the past five years:
- United Parcel Service

Other positions:
- Executive Advisor, Riverwood Capital

Padmasree Warrior
Age: *57*
Director since: *2015*

Experience:
NIO USA, Inc. (2015-present) (electric autonomous automobile manufacturer)
- Chief Executive Officer and Director (2015-present)

Cisco Systems, Inc. (2008-2015)
- Strategic Advisor (2015)
- Chief Technology and Strategy Officer (2012-2015)
- Chief Technology Officer, Senior Vice President, Engineering and General Manager Global Enterprise segment (2010-2012)
- Chief Technology Officer (2008-2010)

Motorola, Inc. (1999-2007)
- Executive Vice President and Chief Technology Officer (1999-2007)

Microsoft committees:
- Compensation

Other public company directorships:
- None

Former public company directorships held in the past five years:
- Box, Inc.
- Gap, Inc.

7.2. Executive Officers as of May 11, 2018

Name	Age	Position with the Company
Satya Nadella	50	Chief Executive Officer
Christopher C. Capossela	48	Executive Vice President, Marketing and Consumer Business, and Chief Marketing Officer
Jean-Philippe Courtois	57	Executive Vice President and President, Microsoft Global Sales, Marketing and Operations
Kathleen T. Hogan	52	Executive Vice President, Human Resources
Amy E. Hood	46	Executive Vice President, Chief Financial Officer
Margaret L. Johnson	56	Executive Vice President, Business Development
Bradford L. Smith	59	President and Chief Legal Officer

Mr. Nadella. For information regarding Mr. Nadella, please refer to Section 7.1 above.

Mr. Capossela was appointed Executive Vice President, Marketing and Consumer Business, and Chief Marketing Officer in July 2016. He had served as Executive Vice President, Chief Marketing Officer since March 2014. Previously, he served as the worldwide leader of the Consumer Channels Group, responsible for sales and marketing activities with OEMs, operators, and retail partners. In his more than 25 years at Microsoft, Mr. Capossela has held a variety of marketing leadership roles in the Microsoft Office Division. He was responsible for marketing productivity solutions including Microsoft Office, Office 365, SharePoint, Exchange, Skype for Business, Project, and Visio.

Mr. Courtois was named Executive Vice President and President, Microsoft Global Sales, Marketing and Operations in July 2016. Before that he was President of Microsoft International since 2005. He was Chief Executive Officer, Microsoft Europe, Middle East, and Africa from 2003 to 2005.He was Senior Vice President and President, Microsoft Europe, Middle East, and Africa from 2000 to 2003. He was Corporate Vice President, Worldwide Customer Marketing from 1998 to 2000. Mr. Courtois joined Microsoft in 1984.

Ms. Hogan was appointed Executive Vice President, Human Resources in November 2014. Prior to that Ms. Hogan was Corporate Vice President of Microsoft Services. She also served as Corporate Vice President of Customer Service and Support. Ms. Hogan joined Microsoft in 2003.

Ms. Hood was appointed Executive Vice President and Chief Financial Officer in July 2013, subsequent to her appointment as Chief Financial Officer in May 2013. From 2010 to 2013, 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.

Ms. Johnson was appointed Executive Vice President, Business Development in September 2014. Prior to that Ms. Johnson spent 24 years at Qualcomm in various leadership positions across engineering, sales, marketing and business development. She most recently served as Executive Vice President of Qualcomm Technologies, Inc. Ms. Johnson also serves on the Board of Directors of Live Nation Entertainment, Inc.

Mr. Smith was appointed President and Chief Legal Officer in September 2015. He served as Executive Vice President, General Counsel, and Secretary from 2011 to 2015, and served as Senior Vice President, General Counsel, and Secretary from 2001 to 2011. Mr. Smith was also named Chief Compliance Officer in 2002. Since joining Microsoft in 1993, he was Deputy General Counsel for Worldwide Sales and previously was responsible for managing the European Law and Corporate Affairs Group, based in Paris. Mr. Smith also serves on the Board of Directors of Netflix, 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

We have an independent Chairman of the Board

The roles of chairman and Chief Executive Officer have been separate since 2000. The independent members of the Board annually appoint our Chairman. John Thompson currently serves as independent Chairman of the Board. Key responsibilities of the Chairman include:

- Calling meetings of the Board and independent directors
- Setting the agenda for Board meetings in consultation with the Chief Executive Officer and corporate secretary
- Chairing executive sessions of the independent directors
- Leading the full Board in the annual Chief Executive Officer performance evaluation
- Engaging with shareholders
- Acting as an advisor to Mr. Nadella on strategic aspects of the Chief Executive Officer role with regular consultations on major developments and decisions likely to interest the Board
- Performing the other duties specified in the Corporate Governance Guidelines or assigned by the Board

Our Board believes its leadership structure is appropriate because it effectively allocates authority, responsibility, and oversight between management and the independent members of our Board. Our Chief Executive Officer has primary responsibility for the operational leadership and strategic direction of the Company while the Chairman facilitates our Board's independent oversight of management, promotes communication between management and our Board, engages with shareholders, and leads our Board's consideration of key governance matters.

Our Board is independent

- *12 of 14 directors are independent* – We are committed to maintaining a substantial majority of directors who are independent of the Company and management. Except for our Chief Executive Officer Satya Nadella and our co-founder Bill Gates, all directors are independent.

- *Board tenure limits* – We are committed to Board refreshment. To strike a balance between retaining directors with deep knowledge of the Company and adding directors with a fresh perspective, the Board will seek to maintain an average tenure of ten years or less for its independent directors as a group.

- *Quarterly executive sessions of independent directors* – At each quarterly Board meeting, the independent directors meet in executive session without Company management present. Additional executive sessions are held as needed.

- *Independent compensation consultant* – The compensation consultant retained by the Compensation Committee is independent of the Company and management as required by our Compensation Consultant Independence Standards.

Determining director independence

Having an independent board is a core element of our governance philosophy. 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 https://aka.ms/directorindependence. 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.

Following the director independence guidelines, **each year and before a new director is appointed, 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**. Annually, each director completes a detailed questionnaire that provides information about relationships that might affect the determination of independence. Management provides the Governance and Nominating Committee and Board with relevant known 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. The Committee then completes an assessment of each director considering all known relevant facts and circumstances concerning any relationship bearing on the independence of a director or nominee. This process includes evaluating whether any identified relationship otherwise adversely affects a director's independence, and affirmatively determining that the director has no material relationship with Microsoft, another director, or as a partner, shareholder, or officer of an organization that has a relationship with the Company.

The Governance and Nominating Committee also considers the tenure of a director, and for longer serving directors whether the duration of service impacts the director's independence from management, as demonstrated by the director's relationship with management and the director's participation in Board and Committee deliberations. The Board seeks to maintain an average tenure of ten years or less for its independent directors as a group.

Based on the review and recommendation by the Governance and Nominating Committee, the Board analyzed the independence of each director and determined that Mmes. List-Stoll, Peterson, Pritzker, and Warrior, Messrs. Hoffman, Johnston, Noski, Scharf, Sorenson, Stanton, and Thompson, and Dr. Panke 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.

Certain relationships and related transactions

We are a global company with extensive operations in the United States and many foreign countries. Every year we spend billions of dollars for goods and services purchased from third parties. The authority of our employees to purchase goods and services is widely dispersed. Because of these wide-ranging activities, there may be 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 an owner of greater than 5% of the Microsoft Shares, 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 involves directly or indirectly 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, 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
- Management’s determination that the transaction is in the best interests of Microsoft

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 Microsoft as would be available from non-related entities in comparable transactions. The Audit Committee also requires that the transaction meet the same Microsoft standards that apply to comparable transactions with unaffiliated entities.

In April 2017, the Company acquired Intentional Software Corporation (“ISC”), a company that developed software for large screen or “whiteboard” applications. Mr. Gates was the sole owner of an entity that provided funding for ISC in exchange for options to acquire licenses for certain applications developed by ISC. In connection with the Company’s acquisition of ISC, ISC reimbursed Mr. Gates’ entity an amount approximately equal to the amount the entity paid for the license options ($60 million) in exchange for terminating the option, reduced by $15 million that is held in an indemnification escrow. The terms of the acquisition were negotiated at arms-length between ISC and the business group that acquired the ISC whiteboard application, and were fair and in the best interest of the Company. Mr. Gates was not involved in negotiating the agreement or setting the price or other terms, whether on behalf of Microsoft or ISC. The Board (with Mr. Gates abstaining) reviewed and approved the transaction.

No significant executive benefits and perquisites

Our Named Executives are eligible for the same benefits available to our other full-time employees. In the U.S., our benefits include our Section 401(k) plan, ESPP, health care plan, life insurance plans, and other welfare benefit programs. Besides the standard benefits offered to all U.S. employees, we maintain a non-qualified deferred compensation plan for our U.S. executive officers and senior managers. This deferred compensation plan is unfunded and participation is voluntary. The deferred compensation plan allows our Named Executives to defer their base salary, the cash portion of their Incentive Plan awards, and certain on-hire bonuses. We do not contribute to the deferred compensation plan. Named Executives in the U.S are eligible for matching gifts for charitable donations above the maximum for our other U.S.-

based full-time employees. Mr. Courtois participates in the standard benefits for employees in France, including profit sharing and the car allowance program available to senior managers.

During fiscal year 2017, we provided no executive-only perquisites or other personal benefits to our Named Executives other than matching gifts made to charitable organizations.

Limited post-employment compensation

Our Named Executives do not have employment contracts. No Named Executive is entitled to any payments or benefits following a change in control of Microsoft.

Our Named Executives may be eligible for additional vesting of their outstanding stock awards following termination of employment on the same terms as our other employees. 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 outstanding stock awards granted at hire or at the time of performance review, if the award was granted over one year before the date of retirement. A pro-rata portion of PSA shares will also continue vesting if the retirement occurs more than one year after the beginning of the performance period. As of June 30, 2017, only Mr. Smith was retirement-eligible, and the value of his retirement-based stock award vesting on that date was $13,665,441 (assuming PSAs are earned at 100% of target). All employees whose employment with Microsoft terminates due to death or total and permanent disability generally fully vest in their outstanding stock awards. Mr. Nadella's long-term performance stock award ("LTPSA"), which was granted to him in connection with his appointment as Chief Executive Officer, would vest for the target number of shares upon his death or total and permanent disability. The value of our Named Executives' stock awards vesting at a June 30, 2017 termination of employment due to death or total and permanent disability was: Mr. Nadella – $190,508,045; Ms. Hood – $30,786,344; Mr. Courtois – $23,956,759; Ms. Johnson – $16,225,915; and Mr. Smith – $36,059,696.

In addition, our Named Executives are eligible to participate in the Microsoft Senior Executive Severance Benefit Plan (the "Severance Plan"). The Severance Plan was adopted to help ensure continuity of key leaders by providing designated executives severance payments and benefits if their employment is terminated without cause. For purposes of the Severance Plan, "cause" means (i) a conviction or plea of guilty or no contest to a felony or certain misdemeanors; (ii) engaging in gross misconduct; (iii) repeated failure to substantially perform the duties of the executive's role; (iv) violation of any securities laws; or (v) violation of Microsoft's policies designed to prevent violations of law.

The Severance Plan payments and benefits have four components – cash, stock vesting, continued health care, and outplacement assistance – all provided by the Company. Cash payments consist of (i) a severance payment equal to 12 months base salary plus target annual cash incentive award, payable in a lump sum within 60 days after termination of employment, and (ii) a pro-rata payment of the executive officer's target annual cash incentive award for the partial year of work, payable in a lump sum at the same time other Incentive Plan cash awards for the year are paid. Stock vesting applies to SAs and PSAs. SAs that otherwise would vest in the 12-month period after employment terminates continue to vest. After the first year of the PSA performance period is completed, a pro-rata portion of any PSA shares will also vest, and the number of shares subject to pro-ration is the lesser of the target award shares or the shares that are otherwise earned and payable after the end of the performance period. Continued contributions to premiums for COBRA (Consolidated Omnibus Budget Reconciliation Act) health care continuation coverage and outplacement assistance will be provided on the same terms as are available to other employees whose employment is terminated without cause**. There is no change-in-control provision in the Severance Plan**. To receive the Severance Plan payments and benefits, the Named Executive must execute a separation agreement that includes a release of claims in favor of Microsoft, confidentiality and non-disparagement provisions, and 12-month non-compete/non-solicitation restrictions.

Mr. Nadella participates in the Severance Plan on the same terms as our other executive officers, except that under his LTPSA award if Microsoft terminates his employment without cause (as defined in the

Severance Plan) during a performance period, he will vest in a pro-rata fraction of the threshold 150,000 Microsoft Shares subject to the award for his actual period of employment during the performance period.

This table shows the amounts that would have been payable to our Named Executives upon a termination of employment without cause on June 30, 2017.

Named Executive	Amount payable
Satya Nadella	$59,027,697[1]
Amy E. Hood	$21,528,797
Jean-Philippe Courtois	$13,922,968
Margaret L. Johnson	$11,275,183
Bradford L. Smith[2]	$27,419,530

(1) Includes amounts payable under the Severance Plan, plus stock vesting under Mr. Nadella's LTPSA award ($14,992,275).

(2) Includes $13,754,089 in Severance Plan benefits in addition to Mr. Smith's retirement-based stock award vesting of $13,665,441.

VIII. EMPLOYEES

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

This table describes, as of September 29, 2017, the number of Microsoft Shares beneficially owned by our directors and all executive officers, together with additional underlying Microsoft Shares or stock units as described in Notes 2 through 4 to the table.

In computing the number and percentage of Microsoft Shares beneficially owned by each person, we have included any Microsoft Shares that could be acquired within 60 days of September 29, 2017 by options, vesting stock awards, or receiving Microsoft Shares credited under the Deferred Compensation Plan for Non-Employee Directors. These 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.

	Beneficial ownership			
Name	Common stock[1,2]	Percent of common stock	Additional underlying shares or stock units[3,4]	Total
William H. Gates III	102,992,934[5]	1.3%	0	102,992,934
Reid G. Hoffman	15,805[6]	*	1,867	17,672
Hugh F. Johnston	243[7]	*	0	243
Teri L. List-Stoll	14,376	*	0	14,376
G. Mason Morfit	9,013,474[8]	*	0	9,013,474
Charles H. Noski	103,256[9]	*	0	103,256
Helmut Panke	51,294	*	0	51,294
Sandra E. Peterson	9,504	*	0	9,504
Charles W. Scharf	36,161	*	0	36,161
John W. Stanton	77,417[10]	*	0	77,417
John W. Thompson	33,462[11]	*	45,293	78,755
Padmasree Warrior	8,143	*	0	8,143
Satya Nadella	656,241	*	2,279,798	2,936,039
Amy E. Hood	220,336	*	246,005	466,341
Jean-Philippe Courtois	597,754[12]	*	278,063	875,817
Margaret L. Johnson	150,399[13]	*	122,306	272,705

Name	Beneficial ownership Common stock[1,2]	Percent of common stock	Additional underlying shares or stock units[3,4]	Total
Bradford L. Smith	593,248	*	259,315	852,563
Executive officers and directors as a group (19 people)	114,784,906[14]	1.49%	N/A	N/A

* Less than 1%

(1) Beneficial ownership represents sole voting and investment power.

(2) For directors, includes Microsoft Shares credited under the Deferred Compensation Plan for Non-Employee Directors that may be distributable within 60 days of September 29, 2017: Ms. List-Stoll, 10,978; Mr. Noski, 91,076; Ms. Peterson, 9,504; Mr. Thompson, 5,117; and Ms. Warrior, 1,827.

(3) For directors, includes Microsoft Shares credited under the Deferred Compensation Plan for Non-Employee Directors that are not payable within 60 days following termination of Board service: Mr. Hoffman, 1,867; Mr. Thompson, 45,293.

(4) For Named Executives, includes (i) unvested stock awards that do not vest within 60 days of September 29, 2017, subject to continued employment at the time of each vest: Mr. Nadella, 479,798; Ms. Hood, 246,005; Mr. Courtois, 278,063; Ms. Johnson, 122,306; and Mr. Smith, 133,477, (ii) 1,800,000 Microsoft Shares payable to Mr. Nadella under his LTPSA at target performance, and (iii) 125,838 shares that would vest if Mr. Smith retires from Microsoft (assuming PSAs are earned at 100% of target).

(5) Excludes 424,816 Microsoft Shares held by Mr. Gates' spouse, as to which he disclaims beneficial ownership.

(6) Includes 15,805 Microsoft Shares held by a family trust.

(7) Excludes 68 Microsoft Shares held by a family trust as to which Mr. Johnston disclaims beneficial ownership

(8) Includes 8,131,525 Microsoft Shares that are directly beneficially owned by ValueAct Capital Master Fund, L.P. and may be deemed to be indirectly beneficially owned by (i) VA Partners I, LLC as General Partner of ValueAct Capital Master Fund, L.P., (ii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P., (iii) ValueAct Capital Management, LLC as General Partner of ValueAct Capital Management, L.P., (iv) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC and (v) ValueAct Holdings GP, LLC as General Partner of ValueAct Holdings, L.P. Also includes 881,949 Microsoft Shares directly beneficially owned by ValueAct Co-Invest Master Fund, L.P. and may be deemed to be indirectly beneficially owned by (i) VA Partners I, LLC as General Partner of ValueAct Capital Master Fund, L.P., (ii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P., (iii) ValueAct Capital Management, LLC as General Partner of ValueAct Capital Management, L.P., (iv) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC and (v) ValueAct Holdings GP, LLC as General Partner of ValueAct Holdings, L.P. Mr. Morfit is a member of the management board of ValueAct Holdings GP, LLC. Each reporting person listed above disclaims beneficial ownership of the reported securities except to the extent of its pecuniary interest therein. Mr. Morfit did not seek re-election and ended his Board service in November 2017.

(9) Includes 12,180 Microsoft Shares held by a family trust.

(10) Includes 7,243 Microsoft Shares held by a family trust.

(11) Includes 27,279 Microsoft Shares held by a family trust.

(12) Excludes an aggregate of 257,532 Microsoft Shares held by contrats d'assurance vie and an aggregate of 49,200 Microsoft Shares held by contrats de capitalization as to which Mr. Courtois disclaims beneficial ownership.

(13) All 150,399 Microsoft Shares held by a family trust.

(14) Includes 120,369 Microsoft Shares credited under the Deferred Compensation Plan for Non-Employee Directors that may be issued within 60 days of September 29, 2017.

To the best of Microsoft's knowledge, as of the date of the prospectus, Microsoft's directors and executive officers listed in Sections 7.1 and 7.2, respectively, hold, individually, less than 1% of the Microsoft Shares representing Microsoft's capital stock.

8.2 Employee Stock Plans

We grant stock-based compensation to employees and directors. As of June 30, 2017, an aggregate of 127 million Microsoft Shares were authorized for future grant under our stock plans. 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 vesting of awards granted under our stock plans. We also have an ESPP for all eligible employees.

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

(In millions)

Year Ended June 30,	2017	2016	2015
Stock-based compensation expense	**$ 3,266**	$ 2,668	$ 2,574
Income tax benefits related to stock-based compensation	**1,066**	882	868

Stock Plans

Stock awards entitle the holder to receive Microsoft Shares as the award vests. Stock awards generally vest over a four or five-year service period.

Executive Incentive Plan

Under the Executive Incentive Plan, the Compensation Committee approves stock awards to executive officers and certain senior executives. Restricted stock units ("RSUs") generally vest ratably over a four-year service period. Performance stock units ("PSUs") generally vest over a three-year performance period. The number of Microsoft Shares the PSU holder receives is based on the extent to which the corresponding performance goals have been achieved.

Activity for all stock plans

The fair value of stock awards was estimated on the date of grant using the following assumptions:

Year Ended June 30,	2017	2016	2015
Dividends per share (quarterly amounts)	**$ 0.36 - $ 0.39**	$ 0.31 - $ 0.36	$ 0.28 - $ 0.31
Interest rates	**1.2% - 2.2%**	1.1% - 1.8%	1.2% - 1.9%

During fiscal year 2017, the following activity occurred under our stock plans:

	Shares	Weighted Average Grant-Date Fair Value
	(In millions)	
Stock Awards		
Nonvested balance, beginning of year	**194**	**$ 36.92**
Granted [(a)]	**84**	**55.64**
Assumed in acquisitions [(b)]	**23**	**59.09**
Vested	**(80)**	**37.36**
Forfeited	**(20)**	**43.71**
Nonvested balance, end of year	**201**	**46.32**

(a) Includes 2 million PSUs granted during fiscal year 2017. During both fiscal year 2016 and 2015 we granted 1 million PSUs.

(b) Substantially all awards assumed were related to LinkedIn. See Note 9 – Business Combinations in Microsoft's Form 10-K for further information.

As of June 30, 2017, there was approximately $6.5 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. The weighted average grant-date fair value of stock awards granted was $55.64, $41.51, and $42.36 for fiscal years 2017, 2016, and 2015, respectively. The fair value of stock awards vested was $4.8 billion, $3.9 billion, and $4.2 billion, for fiscal years 2017, 2016, and 2015, respectively.

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,	**2017**	**2016**	**2015**
Shares purchased	**13**	15	16
Average price per share	**$ 56.36**	$ 44.83	$ 39.87

As of June 30, 2017, 129 million Microsoft Shares were reserved for future issuance through the ESPP.

IX. WORKING CAPITAL STATEMENT

Microsoft expects existing cash, cash equivalents, short-term investments, cash flows from operations to continue to be sufficient to fund its operating activities and cash commitments for investing and financing activities, such as dividends, share repurchases, debt maturities, material capital expenditures, and the transition tax related to the TCJA, 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 on pages 29 – 46 and 49 – 93 of Microsoft’s Annual Report on Form 10-K for the fiscal year ended June 30, 2017, filed with the SEC on August 2, 2017 ("Microsoft’s Form 10-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 – 37 and 39 – 53 of Microsoft's Form 10-Q.

SELECTED THREE-YEAR FINANCIAL DATA

The consolidated income statement and the consolidated balance sheets data of Microsoft for the fiscal years ended June 30, 2017, 2016 and 2015, set out in this prospectus have been derived from Microsoft's audited consolidated financial statements prepared in accordance with U.S. GAAP.

(In millions, except per share data)

Year Ended June 30,	**2017**[(a)]	**2016**	**2015**
Revenue	**$ 89,950**[(b)]	$ 85,320[(d)]	$ 93,580
Gross margin	**55,689**[(b)]	52,540[(d)]	60,542

(In millions, except per share data)

Year Ended June 30,	2017[a]	2016	2015
Operating income	**22,326**[b][c]	20,182[d][e]	18,161[g]
Net income	**21,204**[b][c]	16,798[d][e]	12,193[g]
Diluted earnings per share	**2.71**[b][c]	2.10[d][e]	1.48[g]
Cash dividends declared per share	**1.56**	1.44	1.24
Cash, cash equivalents, and short-term investments	**132,981**	113,240	96,526
Total assets	**241,086**	193,468[f]	174,303[f]
Long-term obligations (excluding current portion of long-term debt)	**104,165**	62,114[f]	44,574[f]
Stockholders' equity	**72,394**	71,997	80,083

(a) On December 8, 2016, Microsoft acquired LinkedIn. LinkedIn has been included in Microsoft's consolidated results of operations starting on the acquisition date.

(b) Reflects the impact of the net revenue deferral from Windows 10 of $6.7 billion, which decreased operating income, net income, and diluted earnings per share by $6.7 billion, $4.4 billion, and $0.57, respectively.

(c) Includes $306 million of employee severance expenses primarily related to Microsoft's sales and marketing restructuring plan, which decreased operating income, net income, and diluted earnings per share by $306 million, $243 million, and $0.03, respectively.

(d) Reflects the impact of the net revenue deferral from Windows 10 of $6.6 billion, which decreased operating income, net income, and diluted earnings per share by $6.6 billion, $4.6 billion, and $0.58, respectively.

(e) Includes $630 million of asset impairment charges related to Microsoft's phone business, and $480 million of restructuring charges associated with its phone business restructuring plans, which together decreased operating income, net income, and diluted earnings per share by $1.1 billion, $895 million, and $0.11, respectively.

(f) Reflects the impact of the adoption of the new accounting standard in fiscal year 2017 related to balance sheet classification of debt issuance costs. See Note 12 – Debt of the Notes to Financial Statements (Part II, Item 8 of Microsoft's Form 10-K) for further discussion.

(g) Includes $7.5 billion of goodwill and asset impairment charges related to Microsoft's phone business, and $2.5 billion of integration and restructuring expenses, primarily associated with its phone business restructuring plans, which together decreased operating income, net income, and diluted earnings per share by $10.0 billion, $9.5 billion, and $1.15, respectively.

Microsoft adopted the new accounting standards for revenue recognition and leases effective July 1, 2017. These new standards had a material impact on its consolidated financial statements. Beginning in fiscal year 2018, its financial results reflect adoption of the standards with prior periods restated accordingly. The following unaudited supplemental financial information presents certain previously-reported financial information of Microsoft as adjusted to reflect the adoption of the new accounting standards for revenue recognition and leases.

Income Statements Data

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

	Restated for New Standards		Previously Reported	
Year Ended June 30,	2017	2016	2017	2016
Revenue	$ 96,571	$ 91,154	$ 89,950	$ 85,320
Gross margin	62,310	58,374	55,689	52,540
Operating income	29,025	26,078	22,326	20,182
Net income	25,489	20,539	21,204	16,798
Diluted earnings per share	3.25	2.56	2.71	2.10

Balance Sheets Data

(In millions)(Unaudited)

	Restated for New Standards		Previously Reported	
June 30,	2017	2016	2017	2016
Cash, cash equivalents, and short-term investments	$ 132,981	$ 113,240	$ 132,981	$ 113,240
Total assets	250,312	202,897	241,086	193,468

(In millions)(Unaudited)	Restated for New Standards		Previously Reported	
June 30,	2017	2016	2017	2016
Long-term debt	76,073	40,557	76,073	40,557
Long-term unearned revenue	2,643	2,016	10,377	6,441
Deferred income taxes	5,734	6,313	531	1,476
Operating lease liabilities	5,372	4,257	0	0
Other long-term liabilities	17,034	13,562	17,184	13,640
Stockholders' equity	87,711	83,090	72,394	71,997

SELECTED QUARTERLY FINANCIAL DATA

The consolidated income statements of Microsoft for the quarterly periods ended March 31, 2018 and 2017 and the consolidated balance sheets data of Microsoft as of March 31, 2018 and June 30, 2017, set out in this prospectus have been derived from Microsoft's unaudited consolidated financial statements prepared in accordance with U.S. GAAP.

Income Statements Data

(In millions, except per share amounts) (Unaudited)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
Revenue	**$ 26,819**	$ 23,212 [(a)]	**$ 80,275**	$ 70,966 [(a)]
Gross margin	**$ 17,550**	$ 15,152 [(a)]	**$ 51,664**	$ 45,161 [(a)]
Operating income	**$ 8,292**	$ 6,723 [(a)]	**$ 24,679**	$ 21,343 [(a)]
Net income	**$ 7,424**	$ 5,486 [(a)]	**$ 7,698**	$ 17,420 [(a)]
Earnings per share:				
Basic	**$ 0.96**	$ 0.71 [(a)]	**$ 1.00**	$ 2.25 [(a)]
Diluted	**$ 0.95**	$ 0.70 [(a)]	**$ 0.99**	$ 2.22 [(a)]
Cash dividends declared per common share	**$ 0.42**	$ 0.39	**$ 1.26**	$ 1.17

Balance Sheets Data

(In millions) (Unaudited)	March 31, 2018	June 30, 2017
Cash and cash equivalents	**$ 9,221**	$ 7,663
Short-term investments	**$ 123,049**	$ 125,318
Total assets	**$ 245,497**	$ 250,312[(a)]
Long-term obligations (excluding current portion of long-term debt)	**$ 120,125**	$ 106,856[(a)]
Total stockholders' equity	**$ 79,239**	$ 87,711[(a)]

(a) Reflects the adoption of the new accounting standards for revenue recognition and leases effective July 1, 2017.

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 10-K, Microsoft's Form 10-Q, Microsoft's Form 8-K, and Microsoft's Definitive Proxy Statement filed with the SEC on October 16, 2017, referred to in this prospectus, may be obtained free of charge upon request by an employee.

Microsoft Corporation expects to issue, after market close on July 19, 2018, its earnings release for the quarter and fiscal year ended June 30, 2018. The annual report on Form 10-K for the fiscal year ended June 30, 2018, will be filed with the SEC no later than August 29, 2018. 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.

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 (to the extent the Participating Employee has not already exceeded the applicable contribution ceiling) and payroll taxes, including contributions to the fund for the promotion of house building and contributions to the chamber of employees. The Participating Employee may be entitled to a tax exemption 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 on or after January 1, 2011 (and sold on or after April 1, 2012), the Participating Employee may be subject to capital gains tax at a flat rate (or, upon application, at the Participating Employee's marginal income tax rate), provided the Participating Employee exceeds the tax exemption available, 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, social insurance contributions (to the extent the Participating Employee has not already exceeded the applicable contribution ceiling), and payroll taxes 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.

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.

The Participating Employee also may be subject to a brokerage account tax if the average annual value of the securities the Participating Employee holds (including Microsoft Shares acquired under the ESPP) in a brokerage or other securities account exceeds certain thresholds. The calculation of this tax is complex and the Participating Employee should consult with his/her personal tax advisor for details regarding his/her obligations with respect to the brokerage account 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 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 should not be subject to capital gains tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP. However, the Participating Employee may be subject to the stock exchange tax when the Participating Employee subsequently sells Microsoft Shares. The stock exchange tax applies on the sale proceeds on a per transaction basis (subject to the applicable maximum tax threshold). The Participating Employee will be responsible for filing a stock exchange tax return and paying the tax due by the end of the second month following the month of sale, except in the unlikely event that the financial intermediary involved in the sale of Microsoft Shares arranges to pay and/or remit the stock exchange tax on the Participating Employee's behalf via a Belgian representative.

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.

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 Microsoft Shares (or other securities) does not exceed a certain amount. If the Participating Employee holds the Microsoft Shares for three years or less (and exceeds the annual 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 January 1, 2014.

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.

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, social insurance contributions 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 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 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 not required to withhold income tax, social insurance contributions, or church tax (if applicable) 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.

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, provided the gain exceeds his/her personal annual exemption amount for the tax year. When determining the taxable gain, the Participating Employee may deduct from the sale price of the Microsoft Shares sold either: (A) the acquisition cost of the Microsoft Shares (*i.e.*, the Purchase Price plus the amount subject to tax at purchase) plus any costs the Participating Employee incurs in connection with the gain, or (B) a deemed acquisition cost of 20% of the sales price. If method (B) is used, no other costs relating to acquiring or selling the Microsoft Shares can be deducted. If the Microsoft Shares are held for at least 10 years, a deemed acquisition cost of 40% of the sales price is used for method (B).

Withholding and Reporting

The Participating Employee's employer is required to report and 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 Consequences

The following summary is based on the income and social tax 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 are French 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.

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, net of any social security contributions which are tax deductible for income tax purposes. The Participating Employee also will be subject to social security contributions (paid by the employer and the employee), including CSG and CRDS.

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 income and social tax (and additional surtax, if applicable) in France at a combined flat tax rate. Alternatively, the Participating Employee may choose to be taxed at progressive income tax rates, in which case a portion of the social taxes will be tax deductible; however, such election will be applied to all the Participating Employee's other investment income and may thus, trigger unintended negative tax consequences.

In addition, the Participating Employee 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, provided formalities are fulfilled.

Taxation of dividends in France is complicated and the Participating Employee is strongly advised to consult with his/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 and social tax at a combined flat tax rate. Alternatively, the Participating Employee may choose to be taxed at progressive income tax rates, in which case a portion of the social taxes will be tax deductible; however, such election will be applied to all the Participating Employee's other investment income and may thus, trigger unintended negative tax consequences.

Withholding and Reporting

The Participating Employee's employer is not required to withhold personal income tax[6] (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 monthly 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. It is the Participating Employee's responsibility to report and pay any taxes (including 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

[6] Effective as of January 1, 2019, the Participating Employee's employer may be required to withhold income tax at purchase on a monthly basis.

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.

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, to the extent he/she has not already exceeded the applicable contribution ceiling. Further, solidarity surcharge and church tax, if the Participating Employee is a member of a recognized church in Germany, will be assessed on the amount of the income tax liability.

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, he/she will be subject to capital gains tax at a flat rate on the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise, 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. Alternatively, if the flat tax rate exceeds the Participating Employee's personal income tax rate, the Participating Employee may elect an assessment in order to have his/her personal income tax rate applied to the gain. Further, solidarity surcharge and church tax, if the Participating Employee is a member of a recognized church in Germany, will be assessed on the amount of the capital gains tax liability.

The Participating Employee may be able to deduct a certain amount from his/her total capital gain and other income derived from his/her investments earned in the relevant year.

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, including solidarity surcharge and church tax (if applicable), and social insurance contributions (to the extent he/she has not exceeded the applicable contribution ceiling) 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 Greek Tax Consequences

The following summary is based on the income and social tax laws in effect in Greece 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 Greek 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.

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 to the extent he/she has not already exceeded the applicable contribution ceiling and a special solidarity surcharge.

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 Greece 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 capital gains tax when he/she subsequently sells the Microsoft Shares acquired under the ESPP at a gain, provided the Participating Employee owns less than 0.5% of Microsoft's share capital (and assuming the gains are not subject to treatment as business income). If capital gains tax applies, the taxable amount will be the difference between the sale proceeds and the Fair Market Value of the Microsoft Shares on the Date of Purchase. The Participating Employee also may be subject to transfer tax on the total sales proceeds, regardless of whether capital gains tax applies on the gain at sale, and to special solidarity surcharge on the amount of the capital gain.

Withholding and Reporting

The Participating Employee's employer is not required to withhold income tax or special solidarity surcharge at the time the Microsoft Shares are purchased but is likely required to withhold social insurance contributions (to the extent the Participating Employee has not already exceeded the applicable contribution ceiling). The employer will report the taxable amount at purchase. 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.

12.9 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.

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 also should 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 a lower rate.

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 may be subject to capital gains tax on the difference between the sale proceeds and Fair Market Value of the Microsoft Shares on the Date of Exercise. The resulting amount is subject to capital gains tax to the extent it exceeds the Participating Employee's annual exemption, unless the Participating Employee is subject to tax on a remittance basis. If the sale of Microsoft Shares occurs between January 1 and November 30, the Participating Employee should pay any capital gains tax due by December 15 of the tax year in which the sale takes place. If the sale of Microsoft Shares occurs in December, any capital gains tax due should be paid by January 31 of the following year.

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, remit 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.

12.10 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.

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 (including municipal and regional surcharges) and social insurance contributions (to the extent the applicable contribution ceiling has not been exceeded) 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 an exemption applies.

The Participating Employee also may 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 sum of the Purchase Price and the amount already subject to taxation at purchase.

Alternatively, the Participating Employee may be able to elect to be subject to capital gains tax under one of two alternative capital gains tax regimes, both of which require the Participating Employee to deposit the Microsoft Shares acquired under the ESPP with a broker authorized by the Ministry of Finance.

Withholding and Reporting

The Participating Employee's employer is required to withhold and report income tax (including applicable surcharges) and social insurance contributions when the Microsoft Shares are purchased, unless a tax exemption applies and the income at purchase is offset by such exemption. 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.

12.11 Dutch 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.

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 likely will 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 also will 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 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 generally are exempt from taxation in the Netherlands, provided the Participating Employee holds less than 5% of Microsoft's outstanding shares.

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 income tax /wage withholding and social insurance contributions (to the extent the Participating Employee has not already exceeded the applicable ceiling) on the taxable amount at purchase. For Participating Employees whose annual income is above a certain threshold, the local employer also should withhold an additional amount which represents the partial repayment of a standard tax credit (*so-called heffingskortingen*). The Participating Employee must report any taxable benefit derived from the ESPP on his/her personal income tax return.

12.12 Norwegian Tax Consequences

The following summary is based on the income and social tax laws in effect in 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.

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.

The Participating Employee may be able to exclude up to 20% of the Fair Market Value of the Microsoft Shares on the Date of Exercise up to a certain threshold per year from his/her taxable income.

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 also 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.

Further, if the Participating Employee emigrates 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.

12.13 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.

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.

12.14 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.

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 (plus 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.

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 deduction 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 Fair Market Value of the Microsoft Shares on the Date of Exercise. 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 (plus solidarity surcharge, if applicable) 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.

12.15 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.

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. Because the Participating Employee works for Microsoft, and may be engaged in software design, the Participating Employee may be able to claim to an income tax exemption.

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.

Health insurance contributions also may be due on dividend income in Romania if the Participating Employee has derived annual revenues equal to or more than the minimum annual gross salary amount from dividend income or other sources (e.g., independent activities, other investment income, rental income, etc.).

Sale of Shares

The Participating Employee will be subject to tax when he/she subsequently sells the Microsoft Shares purchased under the ESPP. The taxable amount at sale will be the difference between the sale price and the Fair Market Value of the Microsoft Shares on the Date of Exercise. Health insurance contributions also may be due on sale proceeds if the Participating Employee has derived annual revenues equal to or more than the minimum annual gross salary amount from investment income or other sources (e.g., independent activities, dividend income, rental income, etc.).

Withholding and Reporting

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

12.16 Spanish Tax Consequences

The following summary is based on the income and social tax laws in effect in Spain 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 Spanish 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.

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 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 social insurance contributions on this amount to the extent he/she has not already exceeded the applicable contribution ceiling.

However, the first €12,000 of income the Participating Employee realizes each calendar year in connection with the purchase of Microsoft Shares under the ESPP will not be subject to income tax if: (i) the Participating Employee holds the Microsoft Shares for at least three years before sale; and (ii) the Participating Employee, together, with his/her spouse and close relatives, do not collectively hold more than 5% of Microsoft's stated capital. This exemption is not available for social insurance contribution purposes, and the entire taxable amount will be subject to applicable social insurance contributions.

In addition, a wealth tax may apply to any Microsoft Shares acquired under the ESPP, subject to certain exemptions and other applicable thresholds.

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 Spain 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 net sale price and Fair Market Value of the Shares on the Exercise Date. The tax rate applicable to the gain at sale will depend upon the amount of capital income the Participating Employee realizes during the tax year, regardless of how long the Participating Employee holds the Microsoft Shares.

If the Participating Employee's Shares were exempt from tax at purchase, and he/she sells the Shares before the applicable holding period expires, the Participating Employee will be subject to ordinary income tax on the portion of the income that was exempted from tax at the time of purchase. The Participating Employee will be required to file a supplementary tax return for the year in which the Microsoft Shares were purchased and pay income tax (plus legal interest) on such income.

Withholding and Reporting

The Participating Employee's employer is required to report the taxable amount at purchase. Subject to the €12,000 exemption, the taxable amount at purchase will be considered compensation in-kind subject to payment on account and the Participating Employee's employer will charge the payment on account to the Participating Employee. The Participating Employee is entitled to deduct the payment on account and obtain a tax credit from his/her income tax obligation. The Participating Employee's employer also is required to withhold social insurance contributions (if applicable) on the entire taxable amount when the Microsoft Shares are purchased.

It is the Participating Employee's responsibility to report any income realized and pay any difference between the Participating Employee's actual tax liability and the amount withheld from the purchase of Microsoft Shares under the ESPP, and any tax due resulting from the sale of Microsoft Shares or receipt of any dividends. The Participating Employee also is responsible for reporting and paying wealth tax (if applicable).

12.17 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.

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 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. Additionally, the taxable amount will be considered part of the Participating Employee's annual income for purposes of determining the Participating Employee's general pension contribution, which is withheld at year-end by his/her employer as part of the Participating Employee's income tax withholding. Further, when the pension contribution is made, the Participating Employee will receive an income tax credit in the amount of the pension contribution, meaning there likely will not be a net difference in the overall tax paid.

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 capital gains tax at a flat rate on 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 withheld at year-end) 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.

12.18 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.

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")[7] 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 withhold and remit these amounts to Her Majesty's Revenue and Customs ("HMRC"). The Participating Employee is required to indemnify the employer for the amounts accounted by it to HMRC.

The Participating Employee must indemnify 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 income 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 and indemnify the employer or Microsoft, as applicable, for the value of any employee NICs due on the benefit in kind.

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 United Kingdom 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.

---

[7] Participating Employees over the state pension age (which currently is 65 but will be gradually increasing to 67) are not required to pay NICs.

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.

EXHIBIT

EXHIBIT I

MICROSOFT CORPORATION 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.

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	58 (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	56 - 58 (10.1 Selected Financial Data)
3.2.	Interim periods	Part II - Section B	56 - 58 (10.1 Selected Financial Data)
4.	**Risk Factors**	Part II - Section A	17 - 29 (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;	Part I - Section B	7 - 8 (B.4a Recent Trends)
12.2.	Trends, uncertainties or events that are likely to affect the issuer for at least the current financial year.	Part I - Section B	7 - 8 (B.4a Recent Trends)
		Part II - Section A	17 - 29 (Risk Factors)
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	41 - 47 (7.1 Board of Directors as of May 11, 2018) and 53 - 54 (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	48 (7.2 Executive Officers as of May 11, 2018) and

Item #	Item contents	Chapter/Exhibit	Page/Section
			53 - 54 (8.1 Directors' and Executive Officers' Holdings of Shares and Options)
	The nature of any family relationship between any of those persons.	Part II - Section B	49 (7.3 Fraudulent Offences and Bankruptcy, Etc.)
	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: (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.	Part II - Section B	41 - 47 (7.1 Board of Directors as of May 11, 2018) and 48 (7.2 Executive Officers as of May 11, 2018)
	(b) any convictions in relation to fraudulent offences for at least the previous five years; (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; (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	Part II - Section B	49 (7.3 Fraudulent Offences and Bankruptcy, Etc.)

Item #	Item contents	Chapter/Exhibit	Page/Section
	previous five years. 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	49 - 53 (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	53 - 54 (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	55 - 56 (8.2 Employee Stock 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	34 (4.5 Rights Attached to the Securities – Dividend Rights)
20.8.	Legal and arbitration proceedings	Part II - Section B	38 - 40 (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

Item #	**Item contents**	**Chapter/Exhibit**	**Page/Section**
24.	**Documents On Display**	Part II - Section B	59 (XI. 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	17 - 29 (Risk Factors)
		Part II - Section B	33 (4.4. Currency of the Securities Issue, sentence beginning "Participating Employees assume the risk (…)") 37 (4.6 Transferability, sentence beginning "The Participating Employee assumes the risk (…)")
3.	**Key Information**		
3.1	Working capital statement	Part II - Section B	56 (IX. Working Capital Statement)
3.2	Capitalization and indebtedness	Part II - Section B	37 - 40 (V. Statement of Capitalization and Indebtedness as of March 31, 2018)

Item #	Item contents	Chapter/Exhibit	Page/Section
3.4	Reasons for the offer and use of proceeds	Part II - Section B	29 (1.1 Purpose of the ESPP) and 41 (6.2 Net Proceeds)
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	32 (4.1 Type and the Class of the Securities being Offered, Including the Security Identification Code)
4.2	Legislation under which the securities have been created.	Part II - Section B	32 (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	33 (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	33 (4.4 Currency of the Securities Issue)
4.5	Rights attached to the securities	Part II - Section B	33 - 36 (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	29 (1.1 Purpose of the ESPP)
		Exhibit I	Section 1 (Subheader)
4.7	Expected issue date of the securities.	Part II - Section B	30 (1.3 Purchase Period)

Item #	Item contents	Chapter/Exhibit	Page/Section
4.8	Description of any restrictions on the free transferability of the securities.	Part II - Section B	32 (III. Delivery and Sale of the Shares) and 36 - 37 (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	37 (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	59 - 79 (XII. Tax Consequences)
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	29 - 32 (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	41 (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	29 - 32 (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	30 (1.7 Amendment or Discontinuance of the ESPP) and 32 (2.5 Termination of Employment of Participating Employees)

Item #	Item contents	Chapter/Exhibit	Page/Section
5.1.5	Possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	Part II - Section B	31 - 32 (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	29 - 30 (1.2 Shares Offered Under the ESPP), 31 (2.2 Participation of Eligible Employees) and 31 - 32 (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	30 (1.5 Purchase of Stock), 31 (2.3 Payroll Deductions) and 32 (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	30 (1.4 Purchase Price)
5.3.2.	Process for the disclosure of the offer price.	Part II - Section B	30 (1.4 Purchase Price) and 33 (4.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)

Item #	Item contents	Chapter/Exhibit	Page/Section
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	36 (4.5 Rights Attached to the Securities – 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**		
5.4.2	Name and address of any paying agents and depository agents in each country.	Part II - Section B	33 (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	32 (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	32 (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	41 (6.2 Net Proceeds)
9.	**Dilution**		

Item #	Item contents	Chapter/Exhibit	Page/Section
9.1.	The amount and percentage of immediate dilution resulting from the offer.	Part II - Section B	40 - 41 (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 such persons' name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
10.4.	Where information has been sourced from a third party.	Not applicable	Not applicable