**SELECTED FINANCIAL DATA, QUARTERLY STOCK PRICE INFORMATION,**

**ISSUER PURCHASES OF EQUITY SECURITIES, DIVIDENDS, AND STOCK PERFORMANCE**

FINANCIAL HIGHLIGHTS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **(In millions, except per share data)** |  |  |  |  |  |
|  | | | | | |
|  |  |  |  |  |  |
| **Year Ended June 30,** | **2013** | **2012** | **2011** | **2010** | **2009** |
|  |  |  |  |  |  |
| Revenue | **$ 77,849** | $ 73,723 | $ 69,943 | $   62,484 | $   58,437 |
| Operating income | **$ 26,764  (a)** | $ 21,763  (b) | $ 27,161 | $ 24,098 | $ 20,363 |
| Net income | **$ 21,863  (a)** | $ 16,978  (b) | $ 23,150 | $ 18,760 | $ 14,569 |
| Diluted earnings per share | **$ 2.58  (a)** | $ 2.00  (b) | $ 2.69 | $ 2.10 | $ 1.62 |
| Cash dividends declared per share | **$ 0.92** | $ 0.80 | $ 0.64 | $ 0.52 | $ 0.52 |
| Cash, cash equivalents, and short-term investments | **$ 77,022** | $ 63,040 | $ 52,772 | $ 36,788 | $ 31,447 |
| Total assets | **$   142,431** | $   121,271 | $   108,704 | $ 86,113 | $ 77,888 |
| Long-term obligations | **$ 26,070** | $ 22,220 | $ 22,847 | $ 13,791 | $ 11,296 |
| Stockholders’ equity | **$ 78,944** | $ 66,363 | $ 57,083 | $ 46,175 | $ 39,558 |

QUARTERLY STOCK PRICE

Our common stock is traded on the NASDAQ Stock Market under the symbol MSFT. On July 18, 2013, there were 119,862 registered holders of record of our common stock. The high and low common stock sales prices per share were as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Quarter Ended** | **September 30** | **December 31** | **March 31** | **June 30** | **Fiscal Year** |
|  | | | | | |
|  |  |  |  |  |  |
| **Fiscal Year 2013** |  |  |  |  |  |
|  |  |  |  |  |  |
| High | **$   31.61** | **$   30.25** | **$   28.66** | **$   35.78** | **$   35.78** |
| Low | **$ 28.54** | **$ 26.26** | **$ 26.28** | **$ 28.11** | **$ 26.26** |
|  | | | | | |
|  |  |  |  |  |  |
| **Fiscal Year 2012** |  |  |  |  |  |
|  |  |  |  |  |  |
| High | $ 28.15 | $ 27.50 | $ 32.95 | $ 32.89 | $ 32.95 |
| Low | $ 23.79 | $ 24.26 | $ 26.39 | $ 28.32 | $ 23.79 |
|  | | | | | |

SHARE REPURCHASES AND DIVIDENDS

**Share Repurchases**

We repurchased the following shares of common stock under the above-described repurchase plan using cash resources:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **(In millions)** | **Shares** | **Amount** | **Shares** | **Amount** | **Shares** | **Amount** |
|  | | | | | | |
|  |  |  |  |  |  |  |
| **Year Ended June 30,** |  | **2013** |  | **2012** |  | **2011** |
|  |  |  |  |  |  |  |
| First quarter | **33** | **$ 1,000** | 38 | $ 1,000 | 163 | $ 4,000 |
| Second quarter | **58** | **1,607** | 39 | 1,000 | 188 | 5,000 |
| Third quarter | **36** | **1,000** | 31 | 1,000 | 30 | 827 |
| Fourth quarter | **31** | **1,000** | 34 | 1,000 | 66 | 1,631 |
|  | |  |  |  |  |  |
| Total | **158** | **$   4,607** | 142 | $   4,000 | 447 | $ 11,458 |
|  |  |  |  |  |  |  |

**Dividends**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Declaration Date** | **Dividend**  **Per Share** | **Record Date** | **Total Amount** | **Payment Date** |
|  | | | | |
|  |  |  | **(In millions)** |  |
|  |  |  |  |  |
| **September 18, 2012** | **$ 0.23** | **November 15, 2012** | **$   1,933** | **December 13,  2012** |
| **November 28, 2012** | **$ 0.23** | **February 21, 2013** | **$ 1,925** | **March 14, 2013** |
| **March 11, 2013** | **$ 0.23** | **May 16, 2013** | **$ 1,921** | **June 13, 2013** |
| **June 12, 2013** | **$ 0.23** | **August 15, 2013** | **$ 1,916** | **September 12,  2013** |

The dividend declared on June 12, 2013 will be paid after the filing of our Form 10-K and was included in other current liabilities as of June 30, 2013.

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

The dividend declared on June 13, 2012 was included in other current liabilities as of June 30, 2012.

RESULTS OF OPERATIONS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **(In millions, except percentages and per share amounts)** | **2013** | **2012** | **2011** | **Percentage Change 2013 Versus 2012** | **Percentage Change 2012 Versus 2011** |
|  | | | | | |
|  |  |  |  |  |  |
| Revenue | **$   77,849** | $ 73,723 | $  69,943 | 6% | 5% |
| Operating income | **$ 26,764** | $ 21,763 | $ 27,161 | 23% | (20)% |
| Diluted earnings per share | **$ 2.58** | $ 2.00 | $ 2.69 | 29% | (26)% |
|  | | | | | |

|  |  |  |  |
| --- | --- | --- | --- |
| **(In millions)** |  |  |  |
|  | | | |
|  |  |  |  |
| **Year Ended June 30,** | **2013** | **2012** | **2011** |
|  |  |  |  |
| Dividends and interest income | **$    677** | $    800 | $    900 |
| Interest expense | **(429 )** | (380 ) | (295 ) |
| Net recognized gains on investments | **116** | 564 | 439 |
| Net losses on derivatives | **(196 )** | (364 ) | (77 ) |
| Net losses on foreign currency remeasurements | **(74 )** | (117 ) | (26 ) |
| Other | **194** | 1 | (31 ) |
|  | |  |  |
| Total | **$ 288** | $ 504 | $ 910 |
|  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **(In millions)** |  |  |  |  |  |
|  | | | | | |
|  |  |  |  | | |
|  | **June 30, 2013** | **June 30, 2012** | **Year Ended June 30,**  **2013** | | |
|  | |  |  | | |
| **Risk Categories** |  |  | **Average** | **High** | **Low** |
|  |  |  |  |  |  |
| Foreign currency | **$   199** | $ 98 | **$   215** | **$  256** | **$ 90** |
| Interest rate | **$ 85** | $ 71 | **$ 73** | **$ 86** | **$ 63** |
| Equity | **$ 181** | $   205 | **$ 198** | **$ 211** | **$   178** |
| Commodity | **$ 19** | $ 18 | **$ 20** | **$ 24** | **$ 18** |

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**INCOME STATEMENTS**

|  |  |  |  |
| --- | --- | --- | --- |
| **(In millions, except per share amounts)** |  |  |  |
|  | | | |
|  |  |  |  |
| **Year Ended June 30,** | **2013** | **2012** | **2011** |
|  |  |  |  |
| Revenue | **$   77,849** | $   73,723 | $   69,943 |
| Cost of revenue | **20,249** | 17,530 | 15,577 |
|  | |  |  |
| Gross profit | **57,600** | 56,193 | 54,366 |
| Operating expenses: |  |  |  |
| Research and development | **10,411** | 9,811 | 9,043 |
| Sales and marketing | **15,276** | 13,857 | 13,940 |
| General and administrative | **5,149** | 4,569 | 4,222 |
| Goodwill impairment | **0** | 6,193 | 0 |
|  | |  |  |
| Total operating expenses | **30,836** | 34,430 | 27,205 |
|  | |  |  |
| Operating income | **26,764** | 21,763 | 27,161 |
| Other income | **288** | 504 | 910 |
|  | |  |  |
| Income before income taxes | **27,052** | 22,267 | 28,071 |
| Provision for income taxes | **5,189** | 5,289 | 4,921 |
|  | |  |  |
| Net income | **$ 21,863** | $ 16,978 | $ 23,150 |
|  |  |  |  |
|  |  |  |  |
| Earnings per share: |  |  |  |
| Basic | **$ 2.61** | $ 2.02 | $ 2.73 |
| Diluted | **$ 2.58** | $ 2.00 | $ 2.69 |
|  |  |  |  |
| Weighted average shares outstanding: |  |  |  |
| Basic | **8,375** | 8,396 | 8,490 |
| Diluted | **8,470** | 8,506 | 8,593 |
|  |  |  |  |
| Cash dividends declared per common share | **$ 0.92** | $ 0.80 | $ 0.64 |

See accompanying notes.

**COMPREHENSIVE INCOME STATEMENTS**

|  |  |  |  |
| --- | --- | --- | --- |
| **(In millions)** |  |  |  |
|  | | | |
|  |  |  |  |
| **Year Ended June 30,** | **2013** | **2012** | **2011** |
|  |  |  |  |
| Net income | **$   21,863** | $   16,978 | $   23,150 |
| Other comprehensive income (loss): |  |  |  |
| Net unrealized gains (losses) on derivatives (net of tax effects of **$(14)**, $137, and $(338)) | **(26 )** | 255 | (627 ) |
| Net unrealized gains (losses) on investments (net of tax effects of **$195**, $(210), and $567) | **363** | (390 ) | 1,054 |
| Translation adjustments and other (net of tax effects of **$(8)**, $(165), and $205) | **(16 )** | (306 ) | 381 |
|  | |  |  |
| Other comprehensive income (loss) | **321** | (441 ) | 808 |
|  | |  |  |
| Comprehensive income | **$ 22,184** | $ 16,537 | $ 23,958 |
|  | | | |

See accompanying notes.

**BALANCE SHEETS**

|  |  |  |
| --- | --- | --- |
| **(In millions)** |  |  |
|  | | |
|  |  |  |
| **June 30,** | **2013** | **2012** |
|  |  |  |
| **Assets** |  |  |
| Current assets: |  |  |
| Cash and cash equivalents | **$ 3,804** | $ 6,938 |
| Short-term investments (including securities loaned of **$579** and $785) | **73,218** | 56,102 |
|  | |  |
| Total cash, cash equivalents, and short-term investments | **77,022** | 63,040 |
| Accounts receivable, net of allowance for doubtful accounts of **$336** and $389 | **17,486** | 15,780 |
| Inventories | **1,938** | 1,137 |
| Deferred income taxes | **1,632** | 2,035 |
| Other | **3,388** | 3,092 |
|  | |  |
| Total current assets | **101,466** | 85,084 |
| Property and equipment, net of accumulated depreciation of **$12,513** and $10,962 | **9,991** | 8,269 |
| Equity and other investments | **10,844** | 9,776 |
| Goodwill | **14,655** | 13,452 |
| Intangible assets, net | **3,083** | 3,170 |
| Other long-term assets | **2,392** | 1,520 |
|  | |  |
| Total assets | **$   142,431** | $   121,271 |
|  |  |  |
| **Liabilities and stockholders’ equity** |  |  |
| Current liabilities: |  |  |
| Accounts payable | **$ 4,828** | $ 4,175 |
| Current portion of long-term debt | **2,999** | 1,231 |
| Accrued compensation | **4,117** | 3,875 |
| Income taxes | **592** | 789 |
| Short-term unearned revenue | **20,639** | 18,653 |
| Securities lending payable | **645** | 814 |
| Other | **3,597** | 3,151 |
|  | |  |
| Total current liabilities | **37,417** | 32,688 |
| Long-term debt | **12,601** | 10,713 |
| Long-term unearned revenue | **1,760** | 1,406 |
| Deferred income taxes | **1,709** | 1,893 |
| Other long-term liabilities | **10,000** | 8,208 |
|  | |  |
| Total liabilities | **63,487** | 54,908 |
|  | |  |
| Commitments and contingencies |  |  |
| Stockholders’ equity: |  |  |
| Common stock and paid-in capital – shares authorized 24,000; outstanding **8,328** and 8,381 | **67,306** | 65,797 |
| Retained earnings (deficit) | **9,895** | (856 ) |
| Accumulated other comprehensive income | **1,743** | 1,422 |
|  | |  |
| Total stockholders’ equity | **78,944** | 66,363 |
|  | |  |
| Total liabilities and stockholders’ equity | **$ 142,431** | $ 121,271 |
|  |  |  |

See accompanying notes.