



# Second Quarter Fiscal Year 2023 Results

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This presentation contains forward-looking statements, which are any predictions, projections, or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in today's earnings press release, in the comments made during the conference call, and in the Risk Factors section and other sections of our Form 10-K, Forms 10-Q, and other reports and filings with the Securities and Exchange Commission. We do not undertake any duty to update forward-looking statements.

# Agenda

Financial Summary and Highlights

Quarterly Business Highlights

Segment Financial Overview

Appendix

# FY23 Q2 Financial Summary

(\$ in billions, except per share amounts)	GAAP and CC Results			As Adjusted (non-GAAP)		
	FY23 Q2	Growth	CC Growth	FY23 Q2	Growth*	CC Growth**
Productivity and Business Processes	\$17.0	7%	13%	\$17.0	7%	13%
Intelligent Cloud	\$21.5	18%	24%	\$21.5	18%	24%
More Personal Computing	\$14.2	(19)%	(16)%	\$14.2	(19)%	(16)%
<b>Revenue</b>	<b>\$52.7</b>	<b>2%</b>	<b>7%</b>	<b>\$52.7</b>	<b>2%</b>	<b>7%</b>
<b>Gross margin</b>	<b>\$35.3</b>	<b>1%</b>	<b>8%</b>	<b>\$35.4</b>	<b>2%</b>	<b>8%</b>
Gross margin percentage	67%	-		67%	-	
<b>Operating income</b>	<b>\$20.4</b>	<b>(8)%</b>	<b>0%</b>	<b>\$21.6</b>	<b>(3)%</b>	<b>6%</b>
Operating income percentage	39%	(4) Pts		41%	(2) Pts	
<b>Net income</b>	<b>\$16.4</b>	<b>(12)%</b>	<b>(4)%</b>	<b>\$17.4</b>	<b>(7)%</b>	<b>1%</b>
<b>Diluted earnings per share</b>	<b>\$2.20</b>	<b>(11)%</b>	<b>(3)%</b>	<b>\$2.32</b>	<b>(6)%</b>	<b>2%</b>

\* Adjusts for a Q2 charge recorded in the second quarter of fiscal year 2023 related to decisions announced on January 18th, including employee severance expenses of \$800 million, impairment charges resulting from changes to our hardware portfolio, and costs related to lease consolidation activities. Employee severance was allocated to our segments based on relative gross margin. \*\* Adjusts for constant currency in addition to the costs related to the Q2 charge referenced previously.

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

Based on the carrying amount of server and network equipment included in property and equipment, net as of June 30, 2022, the effect of the latest change in estimated useful life for FY23-Q2 was an increase in operating income of \$945 million and net income of \$768 million, or \$0.10 per diluted share.

All growth comparisons in this presentation relate to the corresponding period of last fiscal year unless otherwise noted. Numbers in this presentation may not foot due to rounding.

# FY23 Q2 Results vs. Guidance

FY23 Q2

(\$ in billions, except per share amounts)

	Guidance Range		Additional FX Impact	Additional Energy Impact	Adjusted Guidance Range		Non-GAAP Results	Non-GAAP Results vs. Adjusted Guidance Range	
	Low	High			Low	High		Low	High
Productivity and Business Processes	\$16.60	\$16.90	\$0.12		\$16.72	\$17.02	\$17.00	\$0.28	\$(0.02)
Intelligent Cloud	\$21.25	\$21.55	\$0.02		\$21.27	\$21.57	\$21.51	\$0.24	\$(0.06)
More Personal Computing	\$14.50	\$14.90	\$0.01		\$14.51	\$14.91	\$14.24	\$(0.27)	\$(0.67)
<b>Revenue*</b>	<b>\$52.35</b>	<b>\$53.35</b>	<b>\$0.15</b>		<b>\$52.50</b>	<b>\$53.50</b>	<b>\$52.75</b>	<b>\$0.25</b>	<b>\$(0.75)</b>
Cost of revenue	\$17.40	\$17.60	\$0.13	\$(0.10)	\$17.44	\$17.64	\$17.34	\$(0.10)	\$(0.30)
<b>Gross margin*</b>	<b>\$34.95</b>	<b>\$35.75</b>	<b>\$0.01</b>	<b>\$0.10</b>	<b>\$35.06</b>	<b>\$35.86</b>	<b>\$35.41</b>	<b>\$0.35</b>	<b>\$(0.45)</b>
Operating expenses	\$14.40	\$14.30	\$0.09		\$14.49	\$14.39	\$13.84	\$(0.64)	\$(0.54)
<b>Operating income*</b>	<b>\$20.55</b>	<b>\$21.45</b>	<b>\$(0.07)</b>	<b>\$0.10</b>	<b>\$20.57</b>	<b>\$21.47</b>	<b>\$21.57</b>	<b>\$1.00</b>	<b>\$0.10</b>
<b>Net income*</b>	<b>\$16.62</b>	<b>\$17.35</b>	<b>\$(0.06)</b>	<b>\$0.08</b>	<b>\$16.65</b>	<b>\$17.37</b>	<b>\$17.37</b>	<b>\$0.73</b>	<b>\$0.00</b>
<b>Diluted earnings per share*</b>	<b>\$2.22</b>	<b>\$2.32</b>	<b>\$(0.01)</b>	<b>\$0.01</b>	<b>\$2.23</b>	<b>\$2.32</b>	<b>\$2.32</b>	<b>\$0.10</b>	<b>\$0.00</b>

\* Calculated as no explicit guidance provided.

Microsoft is providing the above table to help investors compare results for the second quarter of fiscal year 2023 to the forward-looking guidance provided on October 25, 2022, adjusted for additional impact from foreign exchange rate movement and additional energy cost movement within the quarter. Numbers may not foot due to rounding.

# Quarterly Commercial Highlights

Investor Metrics	FY22 Q2	FY22 Q3	FY22 Q4	FY23 Q1	FY23 Q2
Commercial bookings growth (y/y)	32% / 37%	28% / 35%	25% / 35%	(3)% / 16%	7% / 4%
Commercial remaining performance obligation (in billions)	\$147	\$155	\$189	\$180	\$189
Commercial revenue annuity mix	94%	96%	96%	96%	96%
Microsoft Cloud revenue (in billions)	\$22.2	\$23.4	\$25.1	\$25.7	\$27.1
Microsoft Cloud gross margin percentage	70%	70%	69%	73%	72%

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

## Commercial business

- Commercial bookings increased 7% (up 4% CC) year-over-year, on a strong prior year comparable, driven by consistent renewal execution
- Commercial remaining performance obligation of \$189 billion, up 29% (up 26% CC) year-over-year
- Commercial revenue annuity mix of 96%, up 2 points year-over-year with continued shift to cloud

## Microsoft Cloud

- Microsoft Cloud revenue of \$27.1 billion, up 22% (up 29% CC) year-over-year
- Microsoft Cloud gross margin percentage increased year-over-year to 72%. Excluding the impact of the latest change in accounting estimate for useful lives, gross margin percentage decreased roughly 1 point driven by sales mix shift to Azure and other cloud services and higher energy costs.

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

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

# FY23 Q2 Other Financial Highlights

<b>Cash returned to shareholders</b>	<ul style="list-style-type: none"><li>Returned \$9.7 billion to shareholders down 11% year-over-year, with \$4.6 billion in share repurchases and \$5.1 billion in dividends</li></ul>
<b>Operating expenses</b>	<ul style="list-style-type: none"><li>Operating expenses were \$14.9 billion, up 19% (up 21% CC) year-over-year. Excluding 8 points of impact from the Q2 charge, operating expenses grew 11% driven by investments in cloud engineering, the Nuance acquisition, and LinkedIn.</li></ul>
<b>Other income and expense</b>	<ul style="list-style-type: none"><li>Other income and expense was \$(60) million driven by a mark-to-market loss on a forward share purchase agreement, as interest income was partially offset by interest expense</li></ul>
<b>Effective tax rate</b>	<ul style="list-style-type: none"><li>Effective tax rate of 19%</li></ul>
<b>Capital expenditures</b>	<ul style="list-style-type: none"><li>Capital expenditures including assets acquired under finance leases were \$6.8 billion to support growth in our cloud offerings. Cash paid for property and equipment was \$6.3 billion.</li></ul>
<b>Cash flow</b>	<ul style="list-style-type: none"><li>Cash flow from operations was \$11.2 billion, down 23% year-over-year. Excluding 16 points for a tax payment related to the TCJA capitalization of R&amp;D provision, cash flow from operations declined 7% as strong cloud billings and collections were more than offset by higher employee and supplier payments.</li><li>Free cash flow was \$4.9 billion, down 43% year-over-year. Excluding 27 points for a tax payment related to the TCJA capitalization of R&amp;D provision, free cash flow declined 16%.</li></ul>

# FY23 Q2 Business Highlights



## Productivity and Business Processes

- Office Commercial products and cloud services revenue increased 7% (up 14% CC) driven by Office 365 Commercial revenue growth of 11% (up 18% CC)
- Office Consumer products and cloud services revenue decreased 2% (up 3% CC) and Microsoft 365 Consumer subscribers grew to 63.2 million
- LinkedIn revenue increased 10% (up 14% CC)
- Dynamics products and cloud services revenue increased 13% (up 20% CC) driven by Dynamics 365 revenue growth of 21% (up 29% CC)



## Intelligent Cloud

- Server products and cloud services revenue increased 20% (up 26% CC) driven by Azure and other cloud services revenue growth of 31% (up 38% CC)



## More Personal Computing

- Windows OEM revenue decreased 39%
- Windows Commercial products and cloud services revenue decreased 3% (up 3% CC)
- Xbox content and services revenue decreased 12% (down 8% CC)
- Search and news advertising revenue excluding traffic acquisition costs increased 10% (up 15% CC)
- Devices revenue decreased 39% (down 34% CC)



# Productivity and Business Processes

## Overview

### Investor Metrics

	FY22 Q2	FY22 Q3	FY22 Q4	FY23 Q1	FY23 Q2
Office Commercial products and cloud services revenue growth (y/y)	14%	12% / 14%	9% / 13%	7% / 13%	7% / 14%
Office Consumer products and cloud services revenue growth (y/y)	15%	11% / 12%	9% / 12%	7% / 11%	(2)% / 3%
Office 365 Commercial seat growth (y/y)	16%	16%	14%	14%	12%
Microsoft 365 Consumer subscribers (in millions)	56.4	58.4	59.7	61.3	63.2
Dynamics products and cloud services revenue growth (y/y)	29%	22% / 25%	19% / 24%	15% / 22%	13% / 20%
LinkedIn revenue growth (y/y)	37% / 36%	34% / 35%	26% / 29%	17% / 21%	10% / 14%

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

### Total Revenue

- Revenue grew 7% (up 13% CC) driven by Office 365

### Operating Income

- Gross margin dollars increased 8% (up 16% CC) and gross margin percentage increased. Excluding the impact of the latest change in accounting estimate for useful lives, gross margin percentage decreased slightly driven by a sales mix shift to cloud offerings.
- Operating expenses grew 12% (up 14% CC). Excluding 5 points of impact from the Q2 charge, operating expenses grew 7% driven by investments in LinkedIn and cloud engineering.
- Operating income grew 6% (up 17% CC) including 3 points of negative impact from the Q2 charge

\$ in billions



We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. The Q2 charge includes employee severance which was allocated to our segments based on relative gross margin. Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.



# Productivity and Business Processes

## Highlights

### Office Commercial

- Office Commercial products and cloud services revenue grew 7% (up 14% CC)
- Office 365 Commercial revenue grew 11% (up 18% CC) with Office 365 Commercial seat growth of 12%, driven by small and medium business and frontline worker offerings, as well as growth in revenue per user
- Office Commercial products revenue declined 30% (down 24% CC) reflecting continued customer shift to cloud offerings

### Office Consumer

- Office Consumer products and cloud services revenue decreased 2% (up 3% CC)
- Microsoft 365 Consumer subscribers grew 12% to 63.2 million

### LinkedIn

- LinkedIn revenue grew 10% (up 14% CC) driven by Talent Solutions
- LinkedIn sessions grew 18% with record engagement

### Dynamics

- Dynamics products and cloud services revenue grew 13% (up 20% CC)
- Dynamics 365 revenue grew 21% (up 29% CC)



# Intelligent Cloud

## Overview

### Investor Metrics

FY22 Q2    FY22 Q3    FY22 Q4    FY23 Q1    FY23 Q2

Server products and cloud services revenue growth (y/y)	FY22 Q2	FY22 Q3	FY22 Q4	FY23 Q1	FY23 Q2
	29%	29% / 32%	22% / 26%	22% / 28%	20% / 26%

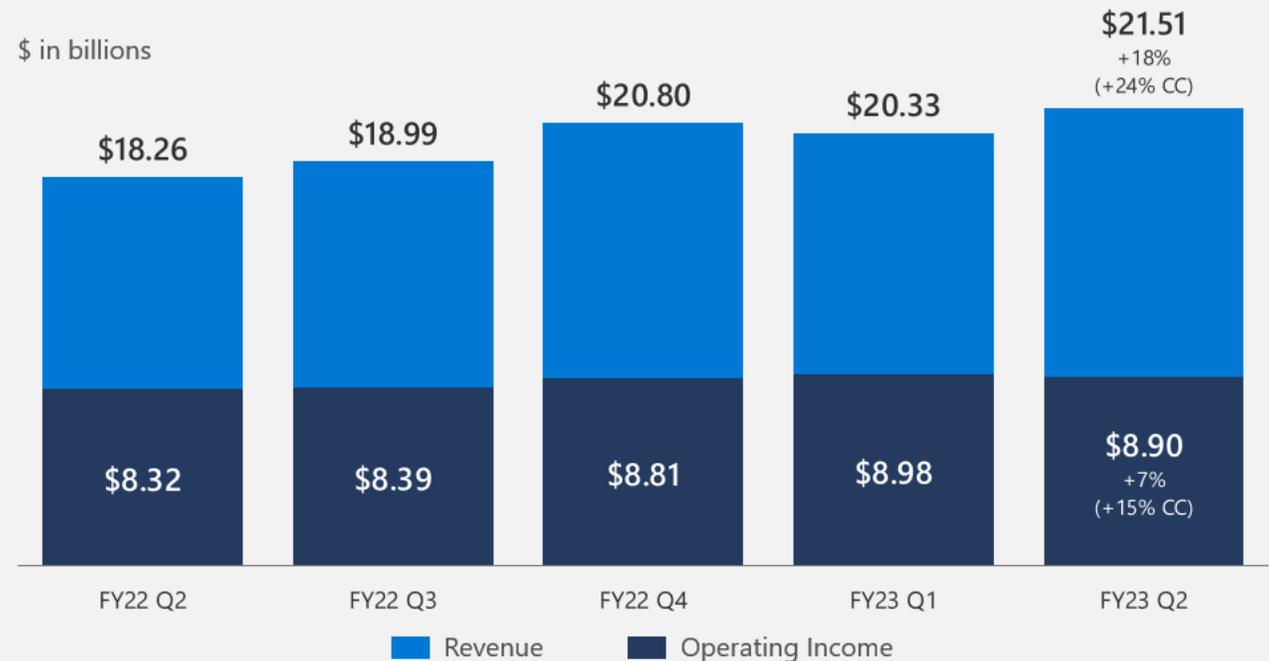
Growth rates include non-GAAP CC growth (GAAP % / CC %).

### Total Revenue

- Revenue grew 18% (up 24% CC) driven by Azure and other cloud services

### Operating Income

- Gross margin dollars grew 17% (up 23% CC) and gross margin percentage decreased slightly. Excluding the impact of the latest change in accounting estimate for useful lives, gross margin percentage decreased roughly 3 points driven by sales mix shift to Azure and other cloud services and higher energy costs.
- Operating expenses grew 34% (up 37% CC). Excluding 13 points of impact from the Q2 charge, operating expenses grew 22% driven by investments in Azure and the Nuance acquisition.
- Operating income grew 7% (up 15% CC) including 7 points of negative impact from the Q2 charge



We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. The Q2 charge includes employee severance which was allocated to our segments based on relative gross margin. Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.



# Intelligent Cloud Highlights

## Server Products and Cloud Services

- Server products and cloud services revenue grew 20% (up 26% CC)
- Azure and other cloud services revenue grew 31% (up 38% CC) driven by strong demand for our consumption-based services
- Server products revenue declined 2% (up 2% CC) primarily driven by weakness in transactional licensing, offset by continued demand for our hybrid solutions
- Enterprise Mobility installed base grew 16% to over 241 million seats

## Trended Revenue Growth

	FY22 Q2	FY22 Q3	FY22 Q4	FY23 Q1	FY23 Q2
<b>Azure and other cloud services</b> <i>(y/y)</i>	46%	46% / 49%	40% / 46%	35% / 42%	31% / 38%
<b>Server products</b> <i>(y/y)</i>	6%	5% / 7%	(3)% / 1%	0% / 4%	(2)% / 2%

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

## Enterprise Services

- Enterprise Services revenue grew 2% (up 7% CC) driven by growth in Enterprise Support Services, offset by a decline in Microsoft Consulting Services



# More Personal Computing

## Overview

### Investor Metrics

	FY22 Q2	FY22 Q3	FY22 Q4	FY23 Q1	FY23 Q2
Windows OEM revenue growth (y/y)	25%	11%	(2)%	(15)%	(39)%
Windows Commercial products and cloud services revenue growth (y/y)	13% / 14%	14% / 18%	6% / 12%	8% / 15%	(3)% / 3%
Devices revenue growth (y/y)	5%	10% / 15%	12% / 18%	2% / 8%	(39)% / (34)%
Xbox content and services revenue growth (y/y)	10%	4% / 6%	(6)% / (4)%	(3)% / 1%	(12)% / (8)%
Search and news advertising revenue (ex TAC) growth (y/y)	32%	23% / 25%	18% / 21%	16% / 21%	10% / 15%

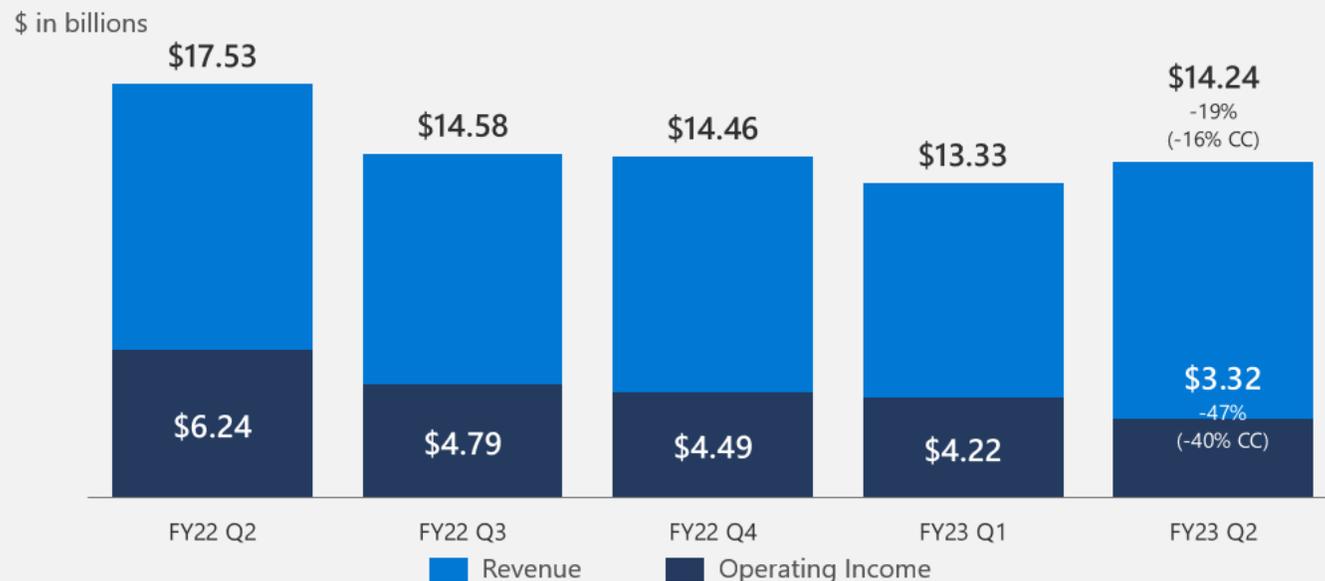
Growth rates include non-GAAP CC growth (GAAP % / CC %).

### Total Revenue

- Revenue decreased 19% (down 16% CC) driven by declines in Windows, Devices, and Gaming

### Operating Income

- Gross margin dollars declined 29% (down 24% CC) and gross margin percentage decreased driven by Devices, including \$(152) million impact from the Q2 charge, and sales mix shift to lower margin businesses
- Operating expenses increased 6% (up 9% CC). Excluding 6 points of impact from the Q2 charge, operating expenses were relatively unchanged with investments in Search and news advertising, partially offset by reductions in Devices.
- Operating income decreased 47% (down 40% CC) including 6 points of negative impact from the Q2 charge



We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. The Q2 charge includes employee severance which was allocated to our segments based on relative gross margin. Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.



## More Personal Computing Highlights

### Windows

- Windows OEM revenue declined 39%, including 3 points of negative impact from the prior year Windows 11 revenue deferral, driven by continued PC market weakness and a strong prior year comparable
- Windows Commercial products and cloud services revenue declined 3% (up 3% CC) driven by lower standalone product sales

### Devices

- Devices revenue declined 39% (down 34% CC) driven by continued PC market weakness and execution challenges on new product launches

### Gaming

- Gaming revenue declined 13% (down 9% CC)
- Xbox content and services revenue declined 12% (down 8% CC) on a strong prior year comparable, with declines in first-party content and lower monetization in third-party content, partially offset by growth in Xbox Game Pass subscriptions
- Xbox hardware revenue declined 13% (down 9% CC)

### Search and news advertising

- Search and news advertising revenue excluding traffic acquisition costs grew 10% (up 15% CC) driven by higher search volume and the Xandr acquisition, partially offset by lower revenue per search

# Appendix

# Reconciliation of GAAP and Non-GAAP Financial Measures

Our presentation of second-quarter performance includes non-GAAP financial measures. The following slides provide reconciliations between the GAAP and non-GAAP financial measures presented:

- Impact of the Q2 charge
- Constant currency reconciliations
- Cash flow reconciliation

# Impact of the Q2 charge

Three Months Ended December 31,

(\$ in millions, except per share amounts)	Revenue	Gross Margin	Operating Expenses	Operating Income	Effective Tax Rate	Net Income	Diluted Earnings per Share
<b>2021 As Reported (GAAP)</b>	\$51,728	\$34,768	\$12,521	\$22,247	17%	\$18,765	\$2.48
<b>2022 As Reported (GAAP)</b>	\$52,747	\$35,259	\$14,860	\$20,399	19%	\$16,425	\$2.20
Severance, hardware-related impairments, and lease consolidation costs	\$0	\$152	\$(1,019)	\$1,171	19%	\$946	\$0.12
<b>2022 As Adjusted</b>	<b>\$52,747</b>	<b>\$35,411</b>	<b>\$13,841</b>	<b>\$21,570</b>	<b>19%</b>	<b>\$17,371</b>	<b>\$2.32</b>
Percentage Change Y/Y (GAAP)	2%	1%	19%	(8)%	2%	(12)%	(11)%
Percentage Change Y/Y Constant Currency	7%	8%	21%	0%	2%	(4)%	(3)%
Percentage Change Y/Y (As Adjusted)	2%	2%	11%	(3)%	2%	(7)%	(6)%
Percentage Change Y/Y (As Adjusted) Constant Currency	7%	8%	13%	6%	2%	1%	2%

The non-GAAP measures exclude costs recorded in the second quarter of fiscal year 2023 related to decisions announced on January 18<sup>th</sup>, including employee severance expenses of \$800 million, impairment charges resulting from changes to our hardware portfolio, and costs related to lease consolidation activities. Employee severance was allocated to our segments based on relative gross margin. We believe these non-GAAP measures aid investors by providing additional insight into our operational performance and help clarify trends affecting our business. For comparability of reporting, management considers non-GAAP measures in conjunction with GAAP financial results in evaluating business performance. The non-GAAP financial measures should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP

# Constant Currency Reconciliation

Three Months Ended December 31,

(\$ in millions, except per share amounts)	Revenue	Gross Margin	Operating Expenses	Operating Income	Net Income	Diluted Earnings per Share
<b>2021 As Reported (GAAP)</b>	\$51,728	\$34,768	\$12,521	\$22,247	\$18,765	\$2.48
<b>2022 As Reported (GAAP)</b>	\$52,747	\$35,259	\$14,860	\$20,399	\$16,425	\$2.20
<b>2022 As Adjusted</b>	\$52,747	\$35,411	\$13,841	\$21,570	\$17,371	\$2.32
Percentage Change Y/Y (GAAP)	2%	1%	19%	(8)%	(12)%	(11)%
Percentage Change Y/Y (As Adjusted)	2%	2%	11%	(3)%	(7)%	(6)%
<b>Constant Currency Impact</b>	<b>\$(2,645)</b>	<b>\$(2,256)</b>	<b>\$(325)</b>	<b>\$(1,931)</b>	<b>\$(1,563)</b>	<b>\$(0.21)</b>
Percentage Change Y/Y Constant Currency	7%	8%	21%	0%	(4)%	(3)%
Percentage Change Y/Y (As Adjusted) Constant Currency	7%	8%	13%	6%	1%	2%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

# Constant Currency Reconciliation

## Segment Revenue

Three Months Ended December 31,

(\$ in millions)	Productivity and Business Processes	Intelligent Cloud	More Personal Computing
<b>2021 As Reported (GAAP)</b>	<b>\$15,936</b>	<b>\$18,262</b>	<b>\$17,530</b>
<b>2022 As Reported (GAAP)</b>	<b>\$17,002</b>	<b>\$21,508</b>	<b>\$14,237</b>
Percentage Change Y/Y (GAAP)	7%	18%	(19)%
<b>Constant Currency Impact</b>	<b>\$(1,002)</b>	<b>\$(1,078)</b>	<b>\$(565)</b>
Percentage Change Y/Y Constant Currency	13%	24%	(16)%

We have recast prior period amounts to conform to the way we internally manage and monitor our business.

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# Constant Currency Reconciliation

## Segment Gross Margin

Three Months Ended December 31, 2022

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	8%	8%	16%
Intelligent Cloud	17%	6%	23%
More Personal Computing	(29)%	5%	(24)%

## Segment Operating Expense

Three Months Ended December 31, 2022

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	12%	2%	14%
Intelligent Cloud	34%	3%	37%
More Personal Computing	6%	3%	9%

## Segment Operating Income

Three Months Ended December 31, 2022

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	6%	11%	17%
Intelligent Cloud	7%	8%	15%
More Personal Computing	(47)%	7%	(40)%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

# Constant Currency Reconciliation

## Selected Product and Service Information

Three Months Ended December 31, 2022

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Commercial bookings	7%	(3)%	4%
Commercial remaining performance obligation	29%	(3)%	26%
Microsoft Cloud revenue	22%	7%	29%
Office Commercial products and cloud services revenue	7%	7%	14%
Office 365 Commercial revenue	11%	7%	18%
Office Commercial products revenue	(30)%	6%	(24)%
Office Consumer products and cloud services revenue	(2)%	5%	3%
LinkedIn revenue	10%	4%	14%
Dynamics products and cloud services revenue	13%	7%	20%
Dynamics 365 revenue	21%	8%	29%
Server products and cloud services revenue	20%	6%	26%
Azure and other cloud services revenue	31%	7%	38%
Server products revenue	(2)%	4%	2%
Enterprise Services revenue	2%	5%	7%
Windows OEM revenue	(39)%	0%	(39)%
Windows Commercial products and cloud services revenue	(3)%	6%	3%
Gaming revenue	(13)%	4%	(9)%
Xbox content and services revenue	(12)%	4%	(8)%
Xbox hardware revenue	(13)%	4%	(9)%
Search and news advertising revenue excluding traffic acquisition costs	10%	5%	15%
Devices revenue	(39)%	5%	(34)%

We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. The non-GAAP financial measures presented should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

# Cash Flow Reconciliation

Three Months Ended December 31,

(\$ in millions)	2022	2021	Percentage Change Y/Y
<b>Net Cash from Operations (GAAP)</b>	<b>\$11,173</b>	<b>\$14,480</b>	<b>(23)%</b>
Additions to Property and Equipment	\$(6,274)	\$(5,865)	*
<b>Free Cash Flow</b>	<b>\$4,899</b>	<b>\$8,615</b>	<b>(43)%</b>
Impact of tax payment related to the TCJA capitalization of R&D provision	\$2,355	\$0	*
<b>Net Cash from Operations as Adjusted (non-GAAP)</b>	<b>\$13,528</b>	<b>\$14,480</b>	<b>(7)%</b>
<b>Free Cash Flow as Adjusted (non-GAAP)</b>	<b>\$7,254</b>	<b>\$8,615</b>	<b>(16)%</b>

\*Not meaningful.

Free cash flow is included as an additional clarifying item to aid investors by providing additional insight into our operational performance and help clarify trends affecting our business. This non-GAAP financial measure should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

