



# Third Quarter Fiscal Year 2026 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

Business Highlights

Segment Overview and Highlights

Appendix

# FY26 Q3 Financial Summary

(\$ in billions, except per share amounts)	GAAP and CC results			Non-GAAP and CC results		
	FY26 Q3	Growth	CC Growth*	FY26 Q3	Growth**	CC Growth***
Productivity and Business Processes	\$35.0	17%	13%	–	–	–
Intelligent Cloud	\$34.7	30%	28%	–	–	–
More Personal Computing	\$13.2	(1)%	(3)%	–	–	–
<b>Revenue</b>	<b>\$82.9</b>	<b>18%</b>	<b>15%</b>	–	–	–
Cost of revenue	\$26.8	22%	20%	–	–	–
<b>Gross margin</b>	<b>\$56.1</b>	<b>16%</b>	<b>13%</b>	–	–	–
<i>Gross margin percentage</i>	<i>68%</i>	<i>(1) pt</i>	–	–	–	–
Operating expense	\$17.7	9%	8%	–	–	–
<b>Operating income</b>	<b>\$38.4</b>	<b>20%</b>	<b>16%</b>	–	–	–
<i>Operating income percentage</i>	<i>46%</i>	<i>1 pts</i>	–	–	–	–
Other income and expense	\$0.9	–	–	\$1.0	–	–
<b>Net income</b>	<b>\$31.8</b>	<b>23%</b>	<b>20%</b>	<b>\$31.8</b>	<b>20%</b>	<b>18%</b>
<b>Diluted earnings per share</b>	<b>\$4.27</b>	<b>23%</b>	<b>21%</b>	<b>\$4.27</b>	<b>21%</b>	<b>18%</b>

## Summary of Results

- Revenue increased 18% (up 15% CC) driven by Microsoft Cloud growth of 29% (up 25% CC)
- Cost of revenue increased 22% (up 20% CC) driven by growth in Microsoft Cloud
- Gross margin increased 16% (up 13% CC) with growth across all segments. Gross margin percentage decreased driven by continued investments in AI infrastructure and growing AI product usage, partially offset by efficiency gains across the Microsoft Cloud.
- Operating expenses were \$17.7 billion and increased 9% (up 8% CC), primarily driven by continued investments in R&D compute capacity, AI talent, and data to support product development across the portfolio. This quarter, growth was impacted by a low prior year comparable.
- Total company headcount declined year-over-year
- Operating income increased 20% (up 16% CC)
- Other income and expense was \$0.9 billion. On a non-GAAP basis, results were \$1.0 billion as gains from investments and interest income were partially offset by losses on foreign currency remeasurement and interest expense.
- Effective tax rate was 19%
- Diluted earnings per share was \$4.27, up 23% on a GAAP basis, and up 21% (up 18% CC) on a non-GAAP basis

\*See Appendix for reconciliation of GAAP and non-GAAP measures, including constant currency ("CC"). \*\*Adjusts for the impact from investments in OpenAI. \*\*\*Adjusts for constant currency in addition to the impact from investments in OpenAI.

# FY26 Q3 Financial Highlights

## Cash Returned to Shareholders

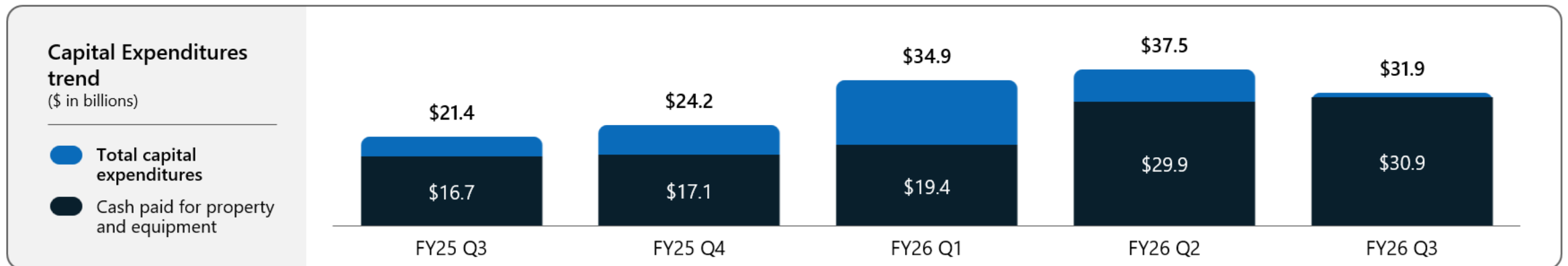
- Returned \$10.2 billion to shareholders with \$6.8 billion in dividends and \$3.4 billion in share repurchases

## Capital Expenditures

- Capital expenditures including assets acquired under finance leases were \$31.9 billion, up 49%, to support customer demand for our cloud and AI offerings. Roughly two-thirds of capital expenditures were for short-lived assets, primarily GPUs and CPUs, which support Azure platform demand, growing first-party applications and AI solutions, R&D by our product teams, as well as continued replacement for end-of-life server and networking equipment. The remainder was for long-lived assets which will support monetization over the next 15-year period and beyond.
- Cash paid for property and equipment was \$30.9 billion, up 84%
- Finance leases, primarily for large datacenter sites, were \$4.7 billion and are recognized at the time of lease commencement. This quarter, capital expenditures were roughly in line with cash paid for property and equipment as finance lease additions were partially offset by differences between receipt of goods and payment.

## Cash Flow

- Cash flow from operations was \$46.7 billion, up 26%, driven by strong cloud billings and collections, partially offset by an increase in operating lease payments
- Free cash flow was \$15.8 billion, down 22%, reflecting higher capital expenditures as we invest against the strong demand signal and expansive cloud and AI opportunity



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

# FY26 Q3 Business Highlights

## AI Annual Revenue Run Rate

- Total AI revenue surpassed \$37 billion in annual run rate (ARR), up 123%. This reflects customers building and running AI solutions on the Azure platform, including all revenue from frontier model companies, as well as revenue from first-party AI applications and services. ARR is calculated using current quarter revenue multiplied by four.
- In addition, building and running AI solutions also requires CPUs, storage, and other services, which, outside of frontier model companies, are not included in the \$37 billion AI ARR

## Commercial Business

- Commercial bookings grew 7%, driven by consistent execution in our core annuity sales motions, when excluding the impact from OpenAI. Commercial bookings decreased 4% (down 6% CC) when including Azure commitments from OpenAI.
- Commercial remaining performance obligation (RPO) grew 26%, in line with historical seasonality, when excluding OpenAI. RPO of \$627 billion increased 99%, with a weighted average duration of approximately 2.5 years, when including OpenAI. Roughly 25% will be recognized in revenue in the next 12 months, up 39%. The remaining portion, recognized beyond the next 12 months, increased 138%.

## Microsoft Cloud

- Microsoft Cloud revenue of \$54.5 billion increased 29% (up 25% CC), reflecting strong demand across the Azure platform as well as first-party AI applications and services
- Microsoft Cloud gross margin percentage decreased year-over-year to 66% driven by continued investments in AI infrastructure and growing AI product usage, partially offset by efficiency gains in Azure and Microsoft 365 Commercial cloud

## Investor Metrics

	FY25 Q3	FY25 Q4	FY26 Q1	FY26 Q2	FY26 Q3
Commercial bookings growth (y/y)	18% / 17%	37% / 30%	112% / 111%	230% / 228%	(4)% / (6)%
Commercial remaining performance obligation (in billions)	\$315	\$368	\$392	\$625	\$627
Microsoft Cloud revenue (in billions)	\$42.4	\$46.7	\$49.1	\$51.5	\$54.5
Microsoft Cloud revenue growth (y/y)	20% / 22%	27% / 25%	26% / 25%	26% / 24%	29% / 25%
Microsoft Cloud gross margin percentage	69%	68%	68%	67%	66%

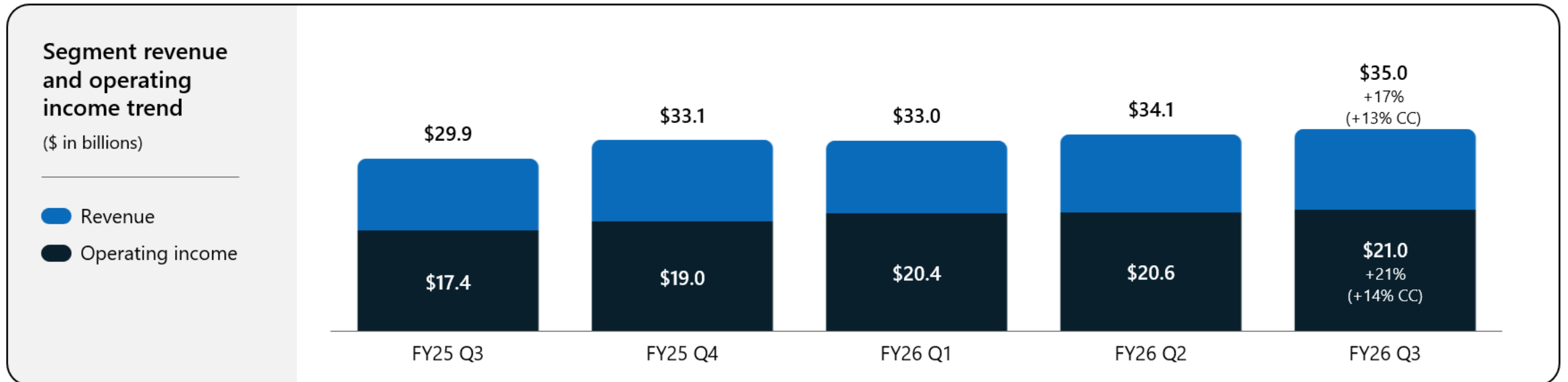
Growth rates include non-GAAP CC growth (GAAP % / CC %).

Microsoft Cloud includes Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, and Dynamics 365. Includes non-GAAP constant currency ("CC") growth. See Appendix for reconciliation of GAAP and non-GAAP measures. Growth rates in GAAP and CC are equivalent unless otherwise noted.

# FY26 Q3 Segment Overview: Productivity and Business Processes

## Results

- Revenue grew 17% (up 13% CC) driven by Microsoft 365 Commercial cloud
- Cost of revenue grew 12% (up 11% CC) driven by investments in AI infrastructure to support M365 Copilot seat and usage growth
- Gross margin dollars grew 18% (up 13% CC) and gross margin percentage increased slightly driven by efficiency gains in Microsoft 365 Commercial cloud even with continued investments in AI infrastructure and growing AI product usage
- Operating expenses grew 11% (up 9% CC) driven by continued investments in R&D compute capacity, AI talent, and data to support product development that benefits the entire portfolio, as well as higher Copilot advertising spend. This quarter, growth was impacted by a low prior year comparable.
- Operating income grew 21% (up 14% CC) and operating margins increased driven by operating leverage and higher gross margins



# FY26 Q3 Segment Highlights: Productivity and Business Processes

## Microsoft 365 Commercial

- Microsoft 365 Commercial cloud revenue grew 19% (up 15% CC) with growth in revenue per user driven by E5 and M365 Copilot, which now exceeds 20 million paid seats. Microsoft 365 Commercial seats grew 6% driven by small and medium business and frontline worker offerings.
- Microsoft 365 Commercial products revenue grew 1% (down 3% CC) with continued customer shift to cloud offerings

## Microsoft 365 Consumer

- Microsoft 365 Consumer cloud revenue grew 33% (up 29% CC) driven by growth in revenue per user and Microsoft 365 Consumer subscriber growth of 7%

## LinkedIn

- LinkedIn revenue grew 12% (up 9% CC) with growth across all lines of business

## Dynamics

- Dynamics 365 revenue grew 22% (up 17% CC) with growth across all workloads

Investor Metrics	FY25 Q3	FY25 Q4	FY26 Q1	FY26 Q2	FY26 Q3
Microsoft 365 Commercial cloud revenue growth (y/y)	12% / 15%	18% / 16%	17% / 15%	17% / 14%	19% / 15%
Microsoft 365 Commercial seat growth (y/y)	7%	6%	6%	6%	6%
Microsoft 365 Consumer cloud revenue growth (y/y)	10% / 12%	20%	26% / 25%	29% / 27%	33% / 29%
LinkedIn revenue growth (y/y)	7% / 8%	9% / 8%	10% / 9%	11% / 10%	12% / 9%
Dynamics 365 revenue growth (y/y)	16% / 18%	23% / 21%	18% / 16%	19% / 17%	22% / 17%

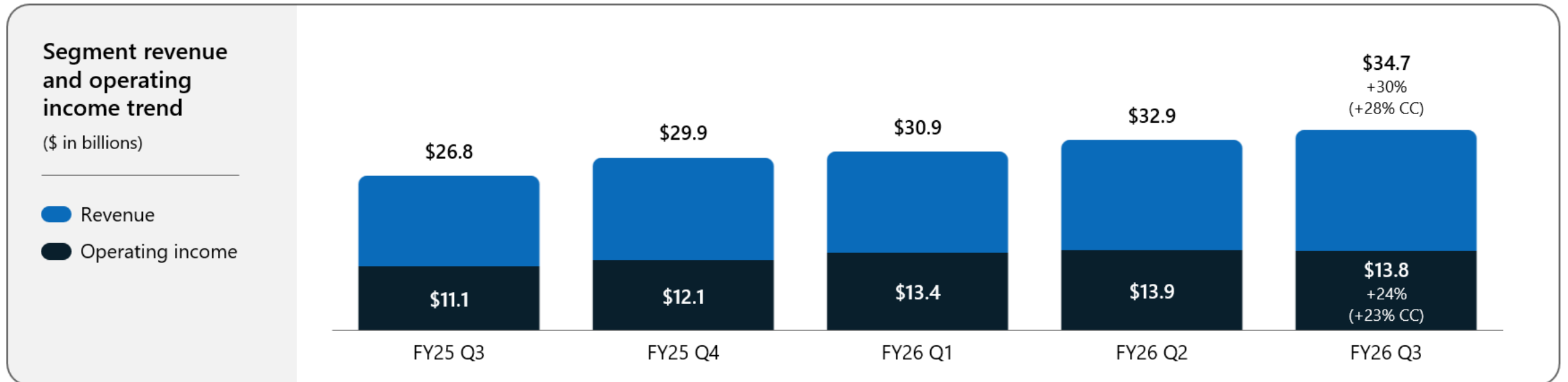
Growth rates include non-GAAP CC growth (GAAP % / CC %).

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

# FY26 Q3 Segment Overview: Intelligent Cloud

## Results

- Revenue grew 30% (up 28% CC) driven by Azure
- Cost of revenue grew 47% (up 44% CC) driven by investments in AI infrastructure to support growing customer demand and increased GitHub Copilot usage
- Gross margin dollars grew 19% (up 18% CC) and gross margin percentage decreased driven by the continued investments in AI infrastructure, partially offset by efficiency gains in Azure
- Operating expenses grew 9% (up 7% CC) primarily driven by continued investments in R&D compute capacity, AI talent, and data to support product development that benefits the entire portfolio
- Operating income grew 24% (up 23% CC) and operating margins decreased driven by investments in AI partially offset by operating leverage



# FY26 Q3 Segment Highlights: Intelligent Cloud

## Server Products and Cloud Services

- Azure and other cloud services revenue grew 40% (up 39% CC) driven by strong demand for services across the platform with continued growth across all workloads
- Server products revenue increased slightly (down 3% CC) primarily driven by higher purchases of licenses running in multi-cloud environments, offset by renewals with lower in-period revenue recognition from the mix of contracts and continued customer shift to cloud

## Enterprise and Partner Services

- Enterprise and partner services revenue grew 7% (up 4% CC) with growth in Enterprise Support Services

Investor Metrics	FY25 Q3	FY25 Q4	FY26 Q1	FY26 Q2	FY26 Q3
Azure and other cloud services revenue growth (y/y)	33% / 35%	39%	40% / 39%	39% / 38%	40% / 39%

## Trended Revenue Growth

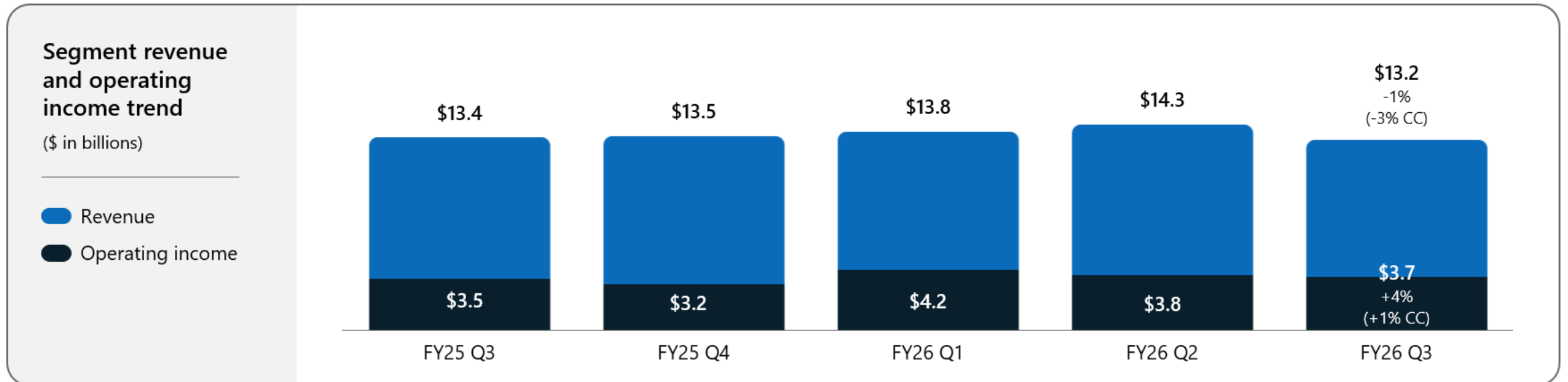
Server products revenue growth (y/y)	(6)% / (4)%	(2)% / (3)%	1% / 0%	2% / 1%	1% / (3)%
Enterprise and partner services revenue growth (y/y)	5% / 6%	7% / 6%	5% / 3%	8% / 7%	7% / 4%

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

# FY26 Q3 Segment Overview: More Personal Computing

## Results

- Revenue declined 1% (down 3% CC) with lower hardware sales across Devices and Gaming, partially offset by growth in Search advertising
- Cost of revenue declined 10% (down 11% CC) with lower hardware sales
- Gross margin dollars grew 6% (up 4% CC) and gross margin percentage increased, driven by sales mix shift to higher margin businesses
- Operating expenses grew 7% (up 6% CC) driven by impairment and other related expenses in our Gaming business as well as continued investments in R&D compute capacity, AI talent, and data to support product development that benefits the entire portfolio. This quarter, growth was impacted by a low prior year comparable.
- Operating income grew 4% (up 1% CC) and operating margins increased, driven by higher gross margins partially offset by higher operating expenses



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

# FY26 Q3 Segment Highlights: More Personal Computing

## Windows OEM and Devices

- Windows OEM and Devices declined 2% (down 3% CC) driven by a decline in Devices, partially offset by growth in Windows OEM as OEM partners continued to build inventory due to increasing memory pricing

## Gaming

- Xbox content and services revenue declined 5% (down 7% CC) on a prior year comparable that benefited from strong first-party content performance
- Xbox hardware revenue declined 33% (down 34% CC)

## Search Advertising

- Search advertising revenue excluding traffic acquisition costs grew 12% (up 9% CC) driven by higher search volume and revenue per search, as well as continued benefit from third-party partnerships

Investor Metrics	FY25 Q3	FY25 Q4	FY26 Q1	FY26 Q2	FY26 Q3
Windows OEM and Devices revenue growth (y/y)	3%	3%	6%	1% / 0%	(2)% / (3)%
Xbox content and services revenue growth (y/y)	8% / 9%	13% / 12%	1% / 0%	(5)% / (6)%	(5)% / (7)%
Search advertising revenue (ex TAC) growth (y/y)	21% / 23%	21% / 20%	16% / 15%	10% / 9%	12% / 9%

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

# Appendix

## Reconciliation of GAAP and Non-GAAP Financial Measures

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

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

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

# Impact from investments in OpenAI

Three Months Ended March 31,

(\$ in millions, except per share amounts)	2026			2025			Percentage Change Y/Y			
	As Reported (GAAP)	Adjustment*	As Adjusted (non-GAAP)	As Reported (GAAP)	Adjustment*	As Adjusted (non-GAAP)	GAAP	Constant Currency	Non-GAAP	Non-GAAP Constant Currency
<b>Other Income and Expense</b>	<b>\$942</b>	\$19	<b>\$961</b>	<b>(\$623)</b>	\$768	<b>\$145</b>	–	–	–	–
<b>Effective Tax Rate</b>	19%	0 pts	19%	18%	0 pts	18%	1pt	–	1pt	–
<b>Net Income</b>	<b>\$31,778</b>	\$14	<b>\$31,792</b>	<b>\$25,824</b>	\$583	<b>\$26,407</b>	23%	20%	20%	18%
<b>Diluted Earnings per Share</b>	<b>\$4.27</b>	\$0.00	<b>\$4.27</b>	<b>\$3.46</b>	\$0.08	<b>\$3.54</b>	23%	21%	21%	18%

\*Adjustment is the impact from investments in OpenAI

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

# Constant Currency Reconciliation

Three Months Ended March 31,

(\$ in millions, except per share amounts)	2026		2025		Percentage Change Y/Y		Constant Currency Impact	Percentage Change Y/Y	
	As Reported (GAAP)	As Adjusted (non-GAAP)	As Reported (GAAP)	As Adjusted (non-GAAP)	GAAP	Non-GAAP		Constant Currency	Non-GAAP Constant Currency
<b>Revenue</b>	<b>\$82,886</b>	–	<b>\$70,066</b>	–	18%	–	<b>\$2,067</b>	15%	–
<b>Cost of Revenue</b>	<b>\$26,828</b>	–	<b>\$21,919</b>	–	22%	–	<b>\$471</b>	20%	–
<b>Gross Margin</b>	<b>\$56,058</b>	–	<b>\$48,147</b>	–	16%	–	<b>\$1,596</b>	13%	–
<b>Operating Expenses</b>	<b>\$17,660</b>	–	<b>\$16,147</b>	–	9%	–	<b>\$296</b>	8%	–
<b>Operating Income</b>	<b>\$38,398</b>	–	<b>\$32,000</b>	–	20%	–	<b>\$1,300</b>	16%	–
<b>Net Income</b>	<b>\$31,778</b>	<b>\$31,792</b>	<b>\$25,824</b>	<b>\$26,407</b>	23%	20%	<b>\$740</b>	20%	18%
<b>Diluted Earnings per Share</b>	<b>\$4.27</b>	<b>\$4.27</b>	<b>\$3.46</b>	<b>\$3.54</b>	23%	21%	<b>\$0.10</b>	21%	18%

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 March 31,

(\$ in millions)	2026	2025	Percentage Change Y/Y	
	As Reported (GAAP)	As Reported (GAAP)	GAAP	Constant Currency Impact
Productivity and Business Processes	<b>\$35,013</b>	<b>\$29,944</b>	17%	<b>\$1,325</b>
Intelligent Cloud	<b>\$34,681</b>	<b>\$26,751</b>	30%	<b>\$506</b>
More Personal Computing	<b>\$13,192</b>	<b>\$13,371</b>	(1)%	<b>\$235</b>

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# Constant Currency Reconciliation

## Segment Cost of Revenue

Three Months Ended March 31, 2026

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	12%	(1)%	11%
Intelligent Cloud	47%	(3)%	44%
More Personal Computing	(10)%	(1)%	(11)%

## Segment Gross Margin

Three Months Ended March 31, 2026

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	18%	(5)%	13%
Intelligent Cloud	19%	(1)%	18%
More Personal Computing	6%	(2)%	4%

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 Operating Expense

Three Months Ended March 31, 2026

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	11%	(2)%	9%
Intelligent Cloud	9%	(2)%	7%
More Personal Computing	7%	(1)%	6%

## Segment Operating Income

Three Months Ended March 31, 2026

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Productivity and Business Processes	21%	(7)%	14%
Intelligent Cloud	24%	(1)%	23%
More Personal Computing	4%	(3)%	1%

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 March 31, 2026

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Commercial bookings	(4%)	(2)%	(6)%
Commercial remaining performance obligation	99%	0%	99%
Microsoft Cloud revenue	29%	(4)%	25%
Microsoft 365 Commercial cloud revenue	19%	(4)%	15%
Microsoft 365 Commercial products revenue	1%	(4)%	(3)%
Microsoft 365 Consumer cloud revenue	33%	(4)%	29%
LinkedIn revenue	12%	(3)%	9%
Dynamics 365 revenue	22%	(5)%	17%
Azure and other cloud services revenue	40%	(1)%	39%
Server products revenue	1%	(4)%	(3)%
Enterprise and partner services revenue	7%	(3)%	4%
Windows OEM and Devices revenue	(2)%	(1)%	(3)%
Xbox content and services revenue	(5)%	(2)%	(7)%
Xbox hardware revenue	(33)%	(1)%	(34)%
Search advertising revenue excluding traffic acquisition costs	12%	(3)%	9%

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

# Cash Flow Reconciliation

Three Months Ended March 31,

(\$ in millions)	2026	2025	Percentage Change Y/Y
<b>Net Cash from Operations (GAAP)</b>	<b>\$46,679</b>	<b>\$37,044</b>	<b>26%</b>
Additions to Property and Equipment	\$(30,876)	\$(16,745)	84%
<b>Free Cash Flow</b>	<b>\$15,803</b>	<b>\$20,299</b>	<b>(22)%</b>

*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.*

