

Microsoft Cloud and AI Strength Drives Third Quarter Results

REDMOND, Wash. — April 30, 2025 — Microsoft Corp. today announced the following results for the quarter ended March 31, 2025, as compared to the corresponding period of last fiscal year:

- Revenue was \$70.1 billion and increased 13% (up 15% in constant currency)
- Operating income was \$32.0 billion and increased 16% (up 19% in constant currency)
- Net income was \$25.8 billion and increased 18% (up 19% in constant currency)
- Diluted earnings per share was \$3.46 and increased 18% (up 19% in constant currency)

"Cloud and AI are the essential inputs for every business to expand output, reduce costs, and accelerate growth," said Satya Nadella, chairman and chief executive officer of Microsoft. "From AI infra and platforms to apps, we are innovating across the stack to deliver for our customers."

"We delivered a strong quarter with Microsoft Cloud revenue of \$42.4 billion, up 20% (up 22% in constant currency) year-over-year driven by continued demand for our differentiated offerings," said Amy Hood, executive vice president and chief financial officer of Microsoft.

Business Highlights

Revenue in Productivity and Business Processes was \$29.9 billion and increased 10% (up 13% in constant currency), with the following business highlights:

- Microsoft 365 Commercial products and cloud services revenue increased 11% (up 14% in constant currency) driven by Microsoft 365 Commercial cloud revenue growth of 12% (up 15% in constant currency)
- Microsoft 365 Consumer products and cloud services revenue increased 10% (up 12% in constant currency) driven by Microsoft 365 Consumer cloud revenue growth of 10% (up 12% in constant currency)
- LinkedIn revenue increased 7% (up 8% in constant currency)
- Dynamics products and cloud services revenue increased 11% (up 13% in constant currency) driven by Dynamics 365 revenue growth of 16% (up 18% in constant currency)

Revenue in Intelligent Cloud was \$26.8 billion and increased 21% (up 22% in constant currency), with the following business highlights:

- Server products and cloud services revenue increased 22% (up 24% in constant currency) driven by Azure and other cloud services revenue growth of 33% (up 35% in constant currency)

Revenue in More Personal Computing was \$13.4 billion and increased 6% (up 7% in constant currency), with the following business highlights:

- Windows OEM and Devices revenue increased 3%
- Xbox content and services revenue increased 8% (up 9% in constant currency)
- Search and news advertising revenue excluding traffic acquisition costs increased 21% (up 23% in constant currency)

Microsoft returned \$9.7 billion to shareholders in the form of dividends and share repurchases in the third quarter of fiscal year 2025.

Business Outlook

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

Quarterly Highlights, Product Releases, and Enhancements

Every quarter Microsoft delivers hundreds of products, either as new releases, services, or enhancements to current products and services. These releases are a result of significant research and development investments, made over multiple years, designed to help customers be more productive and secure and to deliver differentiated value across the cloud and the edge.

Here are the [major product releases and other highlights](#) for the quarter, organized by product categories, to help illustrate how we are accelerating innovation across our businesses while expanding our market opportunities.

Environmental, Social, and Governance (ESG)

To learn more about Microsoft's corporate governance and our environmental and social practices, please visit our investor relations [Board and ESG website](#) and reporting at [Microsoft.com/transparency](https://microsoft.com/transparency).

Webcast Details

Satya Nadella, chairman and chief executive officer, Amy Hood, executive vice president and chief financial officer, Alice Jolla, chief accounting officer, Keith Dolliver, corporate secretary and deputy general counsel, and Jonathan Neilson, vice president of investor relations, will host a conference call and webcast at 2:30 p.m. Pacific time (5:30 p.m. Eastern time) today to discuss details of the company's performance for the quarter and certain forward-looking information. The session may be accessed at <http://www.microsoft.com/en-us/investor>. The webcast will be available for replay through the close of business on April 30, 2026.

Constant Currency

Microsoft presents 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. All growth comparisons relate to the corresponding period in the last fiscal year. Microsoft has provided this non-GAAP financial information to aid investors in better understanding our performance. The non-GAAP financial measures presented in this release should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

Financial Performance Constant Currency Reconciliation

Three Months Ended March 31,

| (\$ in millions, except per share amounts) | Revenue | Operating Income | Net Income | Diluted Earnings per Share |
|--|------------------|------------------|-----------------|----------------------------|
| 2024 As Reported (GAAP) | \$61,858 | \$27,581 | \$21,939 | \$2.94 |
| 2025 As Reported (GAAP) | \$70,066 | \$32,000 | \$25,824 | \$3.46 |
| Percentage Change Y/Y (GAAP) | 13% | 16% | 18% | 18% |
| Constant Currency Impact | \$(1,059) | \$(703) | \$(392) | \$(0.05) |
| Percentage Change Y/Y Constant Currency | 15% | 19% | 19% | 19% |

Segment Revenue Constant Currency Reconciliation

Three Months Ended March 31,

| (\$ in millions) | Productivity and Business Processes | Intelligent Cloud | More Personal Computing |
|---|-------------------------------------|-------------------|-------------------------|
| 2024 As Reported (GAAP) | \$27,113 | \$22,141 | \$12,604 |
| 2025 As Reported (GAAP) | \$29,944 | \$26,751 | \$13,371 |
| Percentage Change Y/Y (GAAP) | 10% | 21% | 6% |
| Constant Currency Impact | \$(626) | \$(308) | \$(125) |
| Percentage Change Y/Y Constant Currency | 13% | 22% | 7% |

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

Selected Product and Service Revenue Constant Currency Reconciliation

Three Months Ended March 31, 2025

| | Percentage Change Y/Y (GAAP) | Constant Currency Impact | Percentage Change Y/Y Constant Currency |
|--|------------------------------|--------------------------|---|
| Microsoft Cloud | 20% | 2% | 22% |
| Microsoft 365 Commercial products and cloud services | 11% | 3% | 14% |
| Microsoft 365 Commercial cloud | 12% | 3% | 15% |
| Microsoft 365 Consumer products and cloud services | 10% | 2% | 12% |
| Microsoft 365 Consumer cloud | 10% | 2% | 12% |
| LinkedIn | 7% | 1% | 8% |
| Dynamics products and cloud services | 11% | 2% | 13% |
| Dynamics 365 | 16% | 2% | 18% |
| Server products and cloud services | 22% | 2% | 24% |
| Azure and other cloud services | 33% | 2% | 35% |
| Windows OEM and Devices | 3% | 0% | 3% |
| Xbox content and services | 8% | 1% | 9% |
| Search and news advertising excluding traffic acquisition costs | 21% | 2% | 23% |

About Microsoft

Microsoft (Nasdaq "MSFT" @microsoft) creates platforms and tools powered by AI to deliver innovative solutions that meet the evolving needs of our customers. The technology company is committed to making AI available broadly and doing so responsibly, with a mission to empower every person and every organization on the planet to achieve more.

Forward-Looking Statements

Statements in this release that are "forward-looking statements" are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as:

- intense competition in all of our markets that may adversely affect our results of operations;
- focus on cloud-based and AI services presenting execution and competitive risks;
- significant investments in products and services that may not achieve expected returns;
- acquisitions, joint ventures, and strategic alliances that may have an adverse effect on our business;
- impairment of goodwill or amortizable intangible assets causing a significant charge to earnings;
- cyberattacks and security vulnerabilities that could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position;
- disclosure and misuse of personal data that could cause liability and harm to our reputation;
- the possibility that we may not be able to protect information stored in our products and services from use by others;
- abuse of our advertising, professional, marketplace, or gaming platforms that may harm our reputation or user engagement;
- products and services, how they are used by customers, and how third-party products and services interact with them, presenting security, privacy, and execution risks;
- issues about the use of AI in our offerings that may result in reputational or competitive harm, or legal liability;
- excessive outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure;
- supply or quality problems;
- government enforcement under competition laws and new market regulation may limit how we design and market our products;
- potential consequences of trade and anti-corruption laws;
- potential consequences of existing and increasing legal and regulatory requirements;
- laws and regulations relating to the handling of personal data that may impede the adoption of our services or result in increased costs, legal claims, fines, or reputational damage;

- claims against us that may result in adverse outcomes in legal disputes;
- uncertainties relating to our business with government customers;
- additional tax liabilities;
- sustainability regulations and expectations that may expose us to increased costs and legal and reputational risk;
- an inability to protect and utilize our intellectual property may harm our business and operating results;
- claims that Microsoft has infringed the intellectual property rights of others;
- damage to our reputation or our brands that may harm our business and results of operations;
- adverse economic or market conditions that may harm our business;
- catastrophic events or geo-political conditions, such as the COVID-19 pandemic, that may disrupt our business;
- exposure to increased economic and operational uncertainties from operating a global business, including the effects of foreign currency exchange; and
- the dependence of our business on our ability to attract and retain talented employees.

For more information about risks and uncertainties associated with Microsoft's business, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of Microsoft's SEC filings, including, but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by contacting Microsoft's Investor Relations department at (800) 285-7772 or at Microsoft's Investor Relations website at <http://www.microsoft.com/en-us/investor>.

All information in this release is as of March 31, 2025. The company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the company's expectations.

For more information, press only:

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Note to editors: For more information, news and perspectives from Microsoft, please visit the Microsoft News Center at <http://www.microsoft.com/news>. Web links, telephone numbers, and titles were correct at time of publication, but may since have changed. Shareholder and financial information, as well as today's 2:30 p.m. Pacific time conference call with investors and analysts, is available at <http://www.microsoft.com/en-us/investor>.

MICROSOFT CORPORATION
INCOME STATEMENTS

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

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--------------------------------------|---|-------------|--|-------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue: | | | | |
| Product | \$15,319 | \$17,080 | \$46,810 | \$51,556 |
| Service and other | 54,747 | 44,778 | 158,473 | 128,839 |
| Total revenue | 70,066 | 61,858 | 205,283 | 180,395 |
| Cost of revenue: | | | | |
| Product | 3,037 | 4,339 | 10,187 | 13,834 |
| Service and other | 18,882 | 14,166 | 53,630 | 40,596 |
| Total cost of revenue | 21,919 | 18,505 | 63,817 | 54,430 |
| Gross margin | 48,147 | 43,353 | 141,466 | 125,965 |
| Research and development | 8,198 | 7,653 | 23,659 | 21,454 |
| Sales and marketing | 6,212 | 6,207 | 18,369 | 17,640 |
| General and administrative | 1,737 | 1,912 | 5,233 | 5,363 |
| Operating income | 32,000 | 27,581 | 94,205 | 81,508 |
| Other expense, net | (623) | (854) | (3,194) | (971) |
| Income before income taxes | 31,377 | 26,727 | 91,011 | 80,537 |
| Provision for income taxes | 5,553 | 4,788 | 16,412 | 14,437 |
| Net income | \$25,824 | \$21,939 | \$74,599 | \$66,100 |
| Earnings per share: | | | | |
| Basic | \$3.47 | \$2.95 | \$10.03 | \$8.90 |
| Diluted | \$3.46 | \$2.94 | \$9.99 | \$8.85 |
| Weighted average shares outstanding: | | | | |
| Basic | 7,434 | 7,431 | 7,434 | 7,431 |
| Diluted | 7,461 | 7,472 | 7,466 | 7,467 |

COMPREHENSIVE INCOME STATEMENTS

(In millions) (Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--|---------------------------------|----------|--------------------------------|----------|
| | 2025 | 2024 | 2025 | 2024 |
| Net income | \$25,824 | \$21,939 | \$74,599 | \$66,100 |
| Other comprehensive income (loss), net of tax: | | | | |
| Net change related to derivatives | (20) | 10 | 4 | 28 |
| Net change related to investments | 450 | (202) | 1,130 | 869 |
| Translation adjustments and other | 353 | (294) | (377) | 11 |
| Other comprehensive income (loss) | 783 | (486) | 757 | 908 |
| Comprehensive income | \$26,607 | \$21,453 | \$75,356 | \$67,008 |

BALANCE SHEETS
(In millions) (Unaudited)

| | March 31, 2025 | June 30, 2024 |
|---|-------------------|------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$28,828 | \$18,315 |
| Short-term investments | 50,790 | 57,228 |
| Total cash, cash equivalents, and short-term investments | 79,618 | 75,543 |
| Accounts receivable, net of allowance for doubtful accounts of \$695 and \$830 | 51,700 | 56,924 |
| Inventories | 848 | 1,246 |
| Other current assets | 24,478 | 26,021 |
| Total current assets | 156,644 | 159,734 |
| Property and equipment, net of accumulated depreciation of \$87,074 and \$76,421 | 183,939 | 135,591 |
| Operating lease right-of-use assets | 24,475 | 18,961 |
| Equity and other investments | 16,035 | 14,600 |
| Goodwill | 119,329 | 119,220 |
| Intangible assets, net | 23,968 | 27,597 |
| Other long-term assets | 38,234 | 36,460 |
| Total assets | \$562,624 | \$512,163 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$26,250 | \$21,996 |
| Short-term debt | 0 | 6,693 |
| Current portion of long-term debt | 2,999 | 2,249 |
| Accrued compensation | 10,579 | 12,564 |
| Short-term income taxes | 6,805 | 5,017 |
| Short-term unearned revenue | 44,636 | 57,582 |
| Other current liabilities | 22,937 | 19,185 |
| Total current liabilities | 114,206 | 125,286 |
| Long-term debt | 39,882 | 42,688 |
| Long-term income taxes | 25,061 | 27,931 |
| Long-term unearned revenue | 2,840 | 2,602 |
| Deferred income taxes | 2,522 | 2,618 |
| Operating lease liabilities | 17,686 | 15,497 |
| Other long-term liabilities | 38,536 | 27,064 |
| Total liabilities | 240,733 | 243,686 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock and paid-in capital - shares authorized 24,000; outstanding 7,434 and 7,434 | 106,965 | 100,923 |
| Retained earnings | 219,759 | 173,144 |
| Accumulated other comprehensive loss | (4,833) | (5,590) |
| Total stockholders' equity | 321,891 | 268,477 |
| Total liabilities and stockholders' equity | \$562,624 | \$512,163 |

CASH FLOWS STATEMENTS

(In millions) (Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--|---------------------------------|----------|--------------------------------|----------|
| | 2025 | 2024 | 2025 | 2024 |
| Operations | | | | |
| Net income | \$25,824 | \$21,939 | \$74,599 | \$66,100 |
| Adjustments to reconcile net income to net cash from operations: | | | | |
| Depreciation, amortization, and other | 8,740 | 6,027 | 22,950 | 15,907 |
| Stock-based compensation expense | 2,980 | 2,703 | 8,901 | 8,038 |
| Net recognized losses (gains) on investments and derivatives | (298) | 49 | 553 | 261 |
| Deferred income taxes | (2,244) | (1,323) | (4,835) | (3,593) |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (2,461) | (2,028) | 5,598 | 6,055 |
| Inventories | 52 | 260 | 390 | 1,229 |
| Other current assets | 1,076 | 951 | 642 | 880 |
| Other long-term assets | (518) | (2,137) | (3,368) | (5,577) |
| Accounts payable | 1,179 | 648 | 1,221 | (659) |
| Unearned revenue | (1,032) | (645) | (12,923) | (10,309) |
| Income taxes | 1,298 | 2,622 | (1,081) | 2,493 |
| Other current liabilities | 2,839 | 2,803 | 576 | 215 |
| Other long-term liabilities | (391) | 48 | 292 | 313 |
| Net cash from operations | 37,044 | 31,917 | 93,515 | 81,353 |
| Financing | | | | |
| Proceeds from issuance (repayments) of debt, maturities of 90 days or less, net | 0 | (3,810) | (5,746) | 6,392 |
| Proceeds from issuance of debt | 0 | 6,352 | 0 | 24,198 |
| Repayments of debt | (2,250) | (11,589) | (3,216) | (16,005) |
| Common stock issued | 546 | 522 | 1,508 | 1,468 |
| Common stock repurchased | (4,781) | (4,213) | (13,874) | (13,044) |
| Common stock cash dividends paid | (6,169) | (5,572) | (17,913) | (16,197) |
| Other, net | (382) | (498) | (1,614) | (1,006) |
| Net cash used in financing | (13,036) | (18,808) | (40,855) | (14,194) |
| Investing | | | | |
| Additions to property and equipment | (16,745) | (10,952) | (47,472) | (30,604) |
| Acquisition of companies, net of cash acquired and divestitures, and purchases of intangible and other assets | (981) | (1,575) | (4,235) | (67,790) |
| Purchases of investments | (4,474) | (2,183) | (8,144) | (14,901) |
| Maturities of investments | 6,721 | 3,350 | 11,461 | 23,218 |
| Sales of investments | 2,161 | 1,941 | 6,688 | 8,871 |
| Other, net | 604 | (1,281) | (325) | (916) |
| Net cash used in investing | (12,714) | (10,700) | (42,027) | (82,122) |
| Effect of foreign exchange rates on cash and cash equivalents | 52 | (80) | (120) | (107) |
| Net change in cash and cash equivalents | 11,346 | 2,329 | 10,513 | (15,070) |
| Cash and cash equivalents, beginning of period | 17,482 | 17,305 | 18,315 | 34,704 |
| Cash and cash equivalents, end of period | \$28,828 | \$19,634 | \$28,828 | \$19,634 |

SEGMENT REVENUE AND OPERATING INCOME

(In millions) (Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|-------------------------------------|---------------------------------|----------|--------------------------------|-----------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue | | | | |
| Productivity and Business Processes | \$29,944 | \$27,113 | \$87,698 | \$78,193 |
| Intelligent Cloud | 26,751 | 22,141 | 76,387 | 63,679 |
| More Personal Computing | 13,371 | 12,604 | 41,198 | 38,523 |
| Total | \$70,066 | \$61,858 | \$205,283 | \$180,395 |
| Operating Income | | | | |
| Productivity and Business Processes | \$17,379 | \$15,143 | \$50,780 | \$43,955 |
| Intelligent Cloud | 11,095 | 9,515 | 32,449 | 27,978 |
| More Personal Computing | 3,526 | 2,923 | 10,976 | 9,575 |
| Total | \$32,000 | \$27,581 | \$94,205 | \$81,508 |

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