

Microsoft Announces Record Fiscal Year Revenue and Income Slower growth anticipated in fiscal 2000

Company Snapshot

Website

Company Archive

PRINC 2-118-11

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REDMOND, Wash., July 19 /PRNewswire/ -- Microsoft Corp. (Nasdaq: MSFT) today announced revenue of \$19.75 billion for the fiscal year ended June 30, 1999, a 29 percent increase over the \$15.26 billion reported last year. Net income totaled \$7.79 billion. Diluted earnings per share were \$1.42, a 69 percent increase compared to \$0.84 in fiscal 1998.

Revenue for the quarter ended June 30, 1999 was \$5.76 billion, a 39 percent increase over the comparable quarter in fiscal 1998. For the quarter, net income was \$2.20 billion, and diluted earnings per share were \$0.40, an increase of 60 percent compared to the \$0.25 earned during the same quarter last year.

"Continuing consumer demand for Microsoft Windows and Office drove another year of fine financial performance," said Greg Maffei, chief financial officer. "Customer enthusiasm also accelerated for our server products, with Windows NT Server, SQL Server and Exchange Server all reporting strong growth. However, in fiscal 2000 our revenue growth rates will decline due to slowing PC demand, uncertainty surrounding Y2K, and uncertain global economic conditions, and we will not see further margin expansion."

"Microsoft Office 2000 has resonated with large and small customers alike, and is off to a very strong start," said Bob Muglia, senior vice president, Business Productivity Division. Office 2000 Premium, the new high-end version of Office, has been especially popular at retail. Microsoft Office 2000 became available to resellers in the US on June 10, with most other geographies expecting full availability in the September quarter.

Microsoft(R) SQL Server(TM) 7.0 continued to do well in its second quarter of availability. Independent software vendors (ISVs) worldwide are now shipping more than 1,000 applications for SQL Server 7.0, and many top ISVs have licensed it as part of their enterprise application offerings. Currently, Microsoft SQL Server 7.0 Enterprise Edition owns the top 30 TPC-C price/performance benchmark results.

Windows NT(R) Workstation continued to gain strong acceptance, with the worldwide installed base more than doubling since June 1998 to more than 37 million licensed users. Windows NT Workstation is currently being pre-installed on nearly 30 percent of all business PCs shipped.

On July 1, the first Release Candidate for the Windows(R) 2000 family of operating systems was made available to beta customers, developers and partners worldwide. The Windows 2000 family includes: Windows 2000 Professional, the mainstream business client for organizations of all sizes; Windows 2000 Server, for workgroup and department servers; and Windows 2000 Advanced Server, for more robust departmental servers requiring clustering or load balancing support. Windows 2000 DataCenter Server, which is scheduled to ship 90-120 days after the other Windows 2000 products, is targeted at organizations' most mission-critical servers.

Microsoft launched MSN(TM) Personal Home Pages, which let consumers create their own Web page; MSN Mobile, the first major portal to provide wireless information services; and MSN Health, a comprehensive source of health-care information and services on the MSN network of Internet services. Microsoft invested \$250 million in the new entity of Healtheon-WebMD and signed a five-year distribution agreement for the new company to become the premier health-care content provider for MSN, the Microsoft WebTV Network(TM) service and MSNBC.

During the quarter, Microsoft announced the Microsoft Television Platform

Adaptation Kit (TVPAK), which is client and server software that merges Internet and television technologies to enable new devices, services and content to enhance the television experience for consumers. More than 30 industry-leading companies are actively working with the technology. AT&T committed to license 7.5 to 10 million units of Microsoft's client software for advanced set top boxes (ASTB) and agreed to work with Microsoft to feature TVPAK client and server technology in three pilot cities. Subsequent to the quarter, Rogers Communications and Microsoft announced a relationship to develop and deploy advanced broadband television services in Canada. As part of the commitment, Rogers licensed TVPAK client and server software to support at least 1 million ASTBs.

Demonstrating Microsoft's continuing commitment to accelerating the deployment of broadband Internet connectivity, communications services and wireless opportunities, the Company made or has agreed to make a series of investments including AT&T - \$5 billion, Nextel Communications - \$600 million, Rogers Communications - \$400 million, Sendit AB - \$128 million, Concentric Networks - \$50 million, Northpoint Communications - \$30 million, Wink Communications - \$30 million, and others.

"In a truly wild year, full of change and challenges, the credit for these terrific results goes to all our employees, who are really the soul of Microsoft," said Bob Herbold, chief operating officer. "Hats off to them -- they have shown phenomenal energy, tireless devotion and incredible focus on developing, selling and servicing products that help our customers succeed."

This press release contains statements that are forward-looking. These statements are based on current expectations that are subject to risks and uncertainties. Actual results will vary because of factors such as PC shipment growth; technological shifts; customer demand; competitive products and pricing; product mix; product ship schedules; life cycles; the impact that year 2000 issues may have on demand for Microsoft's products and services; terms and conditions; litigation; and other issues discussed in the Company's Form 10-K.

Founded in 1975, Microsoft is the worldwide leader in software for personal computers. The Company offers a wide range of products and services for business and personal use, each designed with the mission of making it easier and more enjoyable for people to take advantage of the full power of personal computing every day.

NOTE: Microsoft, MSN, Windows, and Windows NT are either registered trademarks or trademarks of Microsoft Corp. in the United States and/or other countries. Other products and company names mentioned herein may be trademarks of their respective owners.

Microsoft Corporation
Income Statements
(In millions, except earnings per share)

| | Three Months Ended | | Year Ended | |
|--------------------------------|--------------------|---------|------------|----------|
| | June 30 | | June 30 | |
| | 1998 | 1999 | 1998 | 1999 |
| Revenue | \$4,152 | \$5,764 | \$15,262 | \$19,747 |
| Operating expenses: | | | | |
| Cost of revenue | 673 | 669 | 2,460 | 2,814 |
| Research and development | 739 | 940 | 2,601 | 2,970 |
| Acquired in-process technology | 0 | 0 | 296 | 0 |
| Sales and marketing | 689 | 900 | 2,828 | 3,231 |
| General and administrative | 128 | 297 | 433 | 689 |
| Other expenses | 49 | 55 | 230 | 115 |
| Total operating expenses | 2,278 | 2,861 | 8,848 | 9,819 |
| Operating income | 1,874 | 2,903 | 6,414 | 9,928 |
| Investment income | 214 | 485 | 703 | 1,803 |
| Gain on sale | 0 | 0 | 0 | 160 |

| | | | | |
|----------------------------|---------|---------|----------|----------|
| Income before income taxes | 2,088 | 3,388 | 7,117 | 11,891 |
| Provision for income taxes | 731 | 1,186 | 2,627 | 4,106 |
| Net income | \$1,357 | \$2,202 | \$ 4,490 | \$ 7,785 |
| Earnings per share (a): | | | | |
| Basic | \$ 0.27 | \$ 0.43 | \$ 0.92 | \$ 1.54 |
| Diluted | \$ 0.25 | \$ 0.40 | \$ 0.84 | \$ 1.42 |

(a) Earnings per share for the three months and year ended June 30, 1998 have been restated to reflect a two-for-one stock split in March 1999.

Microsoft Corporation
Balance Sheets
(In millions)

| | June 30, 1998 | June 30, 1999 |
|--|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash and short-term investments | \$13,927 | \$17,236 |
| Accounts receivable | 1,460 | 2,245 |
| Other | 502 | 752 |
| Total current assets | 15,889 | 20,233 |
| Property and equipment | 1,505 | 1,611 |
| Equity and other investments | 4,703 | 14,372 |
| Other assets | 260 | 940 |
| Total assets | \$22,357 | \$37,156 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 759 | \$ 874 |
| Accrued compensation | 359 | 396 |
| Income taxes payable | 915 | 1,607 |
| Unearned revenue | 2,888 | 4,239 |
| Other | 809 | 1,602 |
| Total current liabilities | 5,730 | 8,718 |
| Stockholders' equity: | | |
| Convertible preferred stock | 980 | 980 |
| Common stock and paid-in capital | 8,025 | 13,844 |
| Retained earnings | 7,622 | 13,614 |
| Total stockholders' equity | 16,627 | 28,438 |
| Total liabilities and stockholders' equity | \$22,357 | \$37,156 |

Microsoft Corporation
Channel and Business Division Revenue
(In millions)

| | Three Months Ended | | Year Ended | |
|---------------------------------------|--------------------|---------|------------|----------|
| | June 30 | | June 30 | |
| | 1998 | 1999 | 1998 | 1999 |
| Channels | | | | |
| South Pacific and Americas Region | \$1,593 | \$2,358 | \$ 5,569 | \$ 7,249 |
| Europe, Middle East and Africa Region | 899 | 1,198 | 3,497 | 4,327 |
| Asia Region | 372 | 570 | 1,477 | 1,776 |
| OEM | 1,288 | 1,638 | 4,719 | 6,395 |
| Total revenue | \$4,152 | \$5,764 | \$15,262 | \$19,747 |

Business Divisions

| | | | | |
|---|---------|---------|----------|----------|
| Windows Platforms | \$1,701 | \$2,246 | \$ 6,279 | \$ 8,504 |
| Productivity Applications and Developer | 1,981 | 2,925 | 7,041 | 8,816 |
| Consumer, Commerce, and Other | 470 | 593 | 1,942 | 2,427 |
| Total revenue | \$4,152 | \$5,764 | \$15,262 | \$19,747 |

SOURCE Microsoft Corp.

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