

Microsoft Outlines Revenue Recognition for the Windows 7 Upgrade Option Program

REDMOND, Wash., June 25, 2009 /PRNewswire via COMTEX/ --

Company will defer a portion of revenue from OEM and retail sales, similar to Windows Vista technology guarantee program in 2006-7.

REDMOND, Wash., June 25 /PRNewswire-FirstCall/ -- Microsoft Corp. today announced the start of the Windows 7 Upgrade Option program enabling consumers and small businesses to receive Windows 7 when they purchase a qualifying Windows Vista personal computer starting June 26, 2009. Under the program, designated PCs pre-installed with premium versions of Windows Vista will qualify for licenses of the equivalent Windows 7 product.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20000822/MSFTLOGO>)

For more details on Windows 7 pricing and offers please see the company's announcement at www.windowsteamblog.com.

"There is a lot of excitement for Windows 7 in the marketplace today. However, many consumers need a new Windows PC for school, work or home before October 22," said Brad Brooks, corporate vice president, Windows consumer marketing at Microsoft. "So starting June 26th, any customer who buys a PC from a participating computer maker or retailer with Windows Vista Home Premium, Business or Ultimate will also receive an upgrade to the corresponding version of Window 7 at little or no cost."

In association with the Windows 7 Upgrade Option program, Microsoft will defer approximately 50% of the revenue from eligible sales under the program to the earlier of the program fulfillment date or the program's expiration. For the fourth quarter fiscal year 2009, Microsoft will defer an estimated \$200 to \$300 million of revenue. The deferral only impacts the timing of revenue recognition and will not impact cash flows from operations. The Company made a similar revenue deferral for the Windows Vista Technology Guarantee program during the 2007 fiscal year.

Microsoft Investor Relations will host a webcast at 8:00 a.m. PDT today to discuss details on the accounting treatment for the program. The webcast will be made available on the Microsoft Investor Relations Web site at <http://www.microsoft.com/msft>.

Under the Windows 7 Upgrade Option program, the following Windows Vista versions will correspond to the following Windows 7 upgrade equivalents:

| Qualifying Product Version | Upgrade Software Version |
|----------------------------|--------------------------|
| windows Vista Home Premium | windows 7 Home Premium |
| windows Vista Business | windows 7 Professional |
| windows Vista Ultimate | windows 7 Ultimate |

The Windows 7 licenses will be provided to computer manufacturers at no charge from Microsoft; some manufacturers may require some modest payment for costs such as shipping and handling. This program is generally available through January 31, 2010 from computer manufacturers and participating retail partners selling qualifying editions of Windows Vista. Customers should check with computer manufacturers and retailers for more information on specific program details.

Retail packaged Windows Vista software products may also qualify for an upgrade to the equivalent Windows 7 product with participating retailers in participating markets. The Windows 7 licenses may be offered for free or at a discounted price to qualifying customers when the Windows 7 product becomes available in the market.



About Microsoft

Founded in 1975, Microsoft (Nasdaq: MSFT) is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

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:

- challenges to Microsoft's business model;
- intense competition in all of Microsoft's markets;
- Microsoft's continued ability to protect its intellectual property rights;
- claims that Microsoft has infringed the intellectual property rights of others;
- the possibility of unauthorized disclosure of significant portions of Microsoft's source code;
- actual or perceived security vulnerabilities in Microsoft products that could reduce revenue or lead to liability;
- government litigation and regulation affecting how Microsoft designs and markets its products;
- Microsoft's ability to attract and retain talented employees;
- delays in product development and related product release schedules;
- significant business investments that may not gain customer acceptance and produce offsetting increases in revenue;
- unfavorable changes in general economic conditions, disruption of our partner networks or sales channels, or the availability of credit that affect the value of our investment portfolio or demand for Microsoft's products and services;
- adverse results in legal disputes;
- unanticipated tax liabilities;
- quality or supply problems in Microsoft's consumer hardware or other vertically integrated hardware and software products;
- impairment of goodwill or amortizable intangible assets causing a charge to earnings;
- exposure to increased economic and regulatory uncertainties from operating a global business;
- geopolitical conditions, natural disaster, cyberattack or other catastrophic events disrupting Microsoft's business;
- acquisitions and joint ventures that adversely affect the business;
- improper disclosure of personal data could result in liability and harm to Microsoft's reputation; and
- outages and disruptions of online services if Microsoft fails to maintain an adequate operations infrastructure.

For further information regarding 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 Web site at <http://www.microsoft.com/msft>.

All information in this release is as of June 25, 2009. 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.

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