

**Microsoft Fourth Quarter 2011 Prepared Remarks**

This presentation contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially because of factors in this presentation or discussed in today’s press release, in the management’s discussion and analysis section of the company’s most recent Form 10-K, Form 10-Qs or in other reports and filings with the Securities and Exchange Commission. We undertake no duty to update or revise any forward-looking statements, whether as a results of new information, future events, or otherwise.

**PETER KLEIN, CHIEF FINANCIAL OFFICER:**

I’m pleased to share with you our financial results for the fourth quarter, which rounded out a solid fiscal year.

We closed the year with terrific sales execution as enterprises furthered their commitment to our Windows, Office, and server products. Customers continue to invest in our business desktop offerings including Windows 7, where enterprise deployments have increased almost 50% since March. Our overall multi-year licensing business was especially strong driven by attach of additional seats and additional products. As a result, fourth quarter bookings were up 17%.

As I look back on fiscal year 11, we delivered strong financial results and products while making strategic investments and alliances that will allow us to capitalize on long-term growth opportunities.

We grew fiscal year 11 revenue double digits, and we delivered another year of operating margin expansion. We also grew earnings per share by more than 20% for the second year in a row.

Our financial results reflect Office 2010’s outstanding market reception. Deployment remains five times faster than the previous version. Customers are also adding our business productivity applications including Exchange, SharePoint, Lync, and Dynamics to their multi-year agreements. These four products collectively drove approximately 30% of the Business Division’s growth this year.

We made great progress on our cloud initiatives this year. We continue to lead the industry through this transformation by enabling our customers to transition to the cloud in a flexible, customized way.

Last month, we launched Office 365, the latest generation of our cloud productivity service. With Office 365, we’ve created new profit growth opportunities for us and our partners, while enabling scenarios that weren’t viable in the past.

In the enterprise, Office 365 enables us to increase revenue and profit per seat, while strengthening customer commitment through increased product satisfaction and high return on investment.

It gives us new opportunities to address the workforce that doesn’t regularly use a PC in the workplace.

For small and mid-size businesses, we now offer a productivity solution with simple deployment and low upfront costs. And with 80% of small businesses having never purchased a business productivity application aside from Office, the opportunity for Microsoft and our partners is significant.

During the year, we made important platform enhancements to Windows Azure, driving increased developer interest and momentum, and enabling new scenarios. Companies such as Pixar, Toyota, and Boeing have leveraged Azure to develop innovative solutions and enhanced experiences for their customers.

At the same time, building private cloud infrastructure remains a top priority for many of our customers, and Windows Server, System Center, and SQL Server are scaling with the increased workloads in datacenters.

In search, Bing continues to gain market share, and this quarter we further differentiated our platform by deepening our relationship with Facebook.

During the quarter, we partnered closely with Yahoo to uncover and address several platform gaps and inefficiencies. We still face monetization challenges and will continue to work closely with Yahoo. We remain confident in the long-term potential of the combined search marketplace.

During the year, we reinvigorated our Xbox franchise with a refreshed console and with Kinect which revolutionized home entertainment and natural user interface technology. We also had great momentum with Xbox Live which now has approximately 35 million members. Together, these products and services drove record fiscal year revenue and operating income in the Entertainment and Devices Division.

In May, we announced our agreement to acquire Skype which will extend Skype’s world-class brand and global reach of its networked platform, while at the same time enhancing Microsoft’s existing portfolio of products and services. With Skype, we will increase the accessibility of real-time video and voice communications to both consumers and enterprises, thereby generating new business and revenue opportunities for Microsoft.

In summary, we are pleased with the terrific market response to our products and our great sales execution, both of which helped drive our solid financial results for the quarter and full fiscal year. We also continue to be excited by our strategic investments and alliances which will allow us to capitalize on long-term growth opportunities.

With that, I’m going to hand it back to Bill to provide more details on our results, and then I’ll come back to provide some thoughts on our outlook for the first quarter and full fiscal year 2012.

**BILL KOEFOED, GENERAL MANAGER INVESTOR RELATIONS:**

Thanks Peter. First I am going to review our overall results and then move on to the details by business segment.

Revenue for the quarter was $17.4 billion, up 8% year over year, while bookings were up 17%. For the year, revenue was $69.9 billion, growth of 12%.

Operating income was $6.2 billion for the quarter and for the year, a record $27.2 billion, up over $3 billion from prior year.

For the quarter, earnings per share was $0.69. For the year, earnings per share was $2.69, up 28%, the second consecutive year of EPS growth over 20%.

This quarter, enterprise demand for our products remained strong and multi-year commitments drove our unearned revenue balance to $17.1 billion. Our contracted not billed balance is now over $18.5 billion.

The PC market dynamics were similar to the third quarter.

First, the business PC refresh cycle continued and drove estimated business PC growth of 8%.

Second, PC sales to emerging markets continued to grow at a rapid pace as a record number of people around the world are using Windows PCs. We estimate that this quarter, over 40 million PCs, representing half of all global PC shipments, were shipped to emerging markets.

We estimate the worldwide consumer PC market declined 2% primarily driven by weakness in developed markets.

In total, we estimate the PC market increased 1 to 3% in the fourth quarter.

Now, I’ll move on to the results for the Windows and Windows Live Division, where revenue was down 1% reflecting the PC market dynamics I just described. As usual, you‘ll find the OEM revenue bridge in our earnings slide deck.

Last week at our Worldwide Partner Conference, we announced that we have sold over 400 million units of Windows 7. Twenty-five percent of enterprise desktops have already deployed Windows 7, and as we have stated before, over 90% of enterprises have committed to a deployment plan.

During the quarter, we also provided an update of Windows 8. We demonstrated how we have reimagined Windows for a new generation of touch-centric hardware. You’ll hear more at our BUILD developer conference this September.

Now, I’ll move on to the Microsoft Business Division which grew 7%.

Consumer revenue declined 8%. The weak consumer PC dynamics in developed markets were partially offset by strong attach rates.

The business transactional portion grew 27% driven primarily by business PC growth and continued launch cycle momentum.

The multi-year licensing portion of the business grew 6%.

We launched Office 2010 one year ago and for the year the Business Division’s revenue increased to over $22 billion, an increase of 16%.

Lync, SharePoint and Dynamics all continued to grow double digits this quarter. Within our Dynamics business, which grew 19%, we saw strong growth and share gains across products. We added 300,000 new seats on Dynamics CRM and now 2 million users leverage Dynamics CRM every day.

Now let’s move on to the Server and Tools business which posted 12% revenue growth. Transactional revenue grew faster than the underlying server hardware market, which we estimate grew mid-single digits. Multi-year license revenue grew 12%, and enterprise services revenue grew 14%.

Our premium Windows Server and Systems Center revenues were both up over 20%. Customers are using Microsoft technology to virtualize their datacenter and build out private cloud environments. System Center revenue has also grown double-digits ten consecutive quarters.

We are seeing customers continue to adopt SQL Server as they deploy mission critical applications and implement cost effective business intelligence capabilities. As a result, SQL Server premium revenue grew almost 20%.

Last week we previewed Windows Server 8 and the next version of System Center. These products will further enhance customers private cloud deployments while bridging their investment to the public cloud. We’ll also share more details on these at BUILD in September.

Our cloud computing platform, Windows Azure, continues to have strong customer momentum while revenue growth accelerates. During the quarter, we showcased innovative Azure implementations with Boeing and General Mills, demonstrating the power and flexibility of the platform.

Next I’ll move to the Online Services Division, where revenue grew 17%. Online advertising revenue grew 20% driven primarily by search.

Bing’s US organic market share ended the quarter at 14.4%, up 340 basis points from last year. During the quarter, we launched new features based on Facebook’s social graph to help people make better, smarter decisions.

As Peter mentioned, we continue to experience challenges with RPS, and we are partnering closely with Yahoo to resolve these as quickly as possible.

Now let me move to the Entertainment & Devices Division where revenue grew 30%. During the quarter, we sold over 1.7 million consoles, an increase of 18%. Xbox 360 was the number one selling console in the US for the year. At E3 in June, we announced the upcoming releases of Gears of War 3, Forza 4, Kinect StarWars, Kinect Disneyland Adventures, DanceCentral 2, Kinect Sports Season 2, and many more games.

Xbox Live also continues to grow rapidly, and consumer online engagement with the service remains a core part of our Xbox value proposition. Xbox Live has entertainment content from partners such as ESPN, Hulu, Netflix and BSkyB, and this fall we will make it even easier to find and access content via integration between Kinect and Bing. We believe the combination of these core features will help drive even broader engagement within the Xbox Live ecosystem.

In May we previewed Mango, which is our fall release of Windows Phone. Mango, will deliver deeper social experiences, multitasking, Office 365 integration, and will feature Internet Explorer 9 to optimize the browsing experience. During the quarter, we also signed the Nokia alliance, added several new OEM partners, launched on Verizon and Sprint, and saw the number of applications in the marketplace increase 60% sequentially.

Now, let me cover the remainder of the income statement.

In the quarter, cost of goods sold increased 17% and had similar drivers as last quarter.

Hardware costs are up due to the success of Xbox 360 consoles and Kinect sensors. Third-party content royalties are also up reflecting strong sales on Xbox Live.

Enterprise Services in our Server and Tools business continues to grow rapidly.

And online services costs are also up reflecting increased traffic acquisition costs including costs related to the Yahoo alliance.

Operating expenses were $7.5 billion, an increase of 8%, primarily due to recently legislated Puerto Rican excise taxes and an increase in selling-related costs.

During the quarter we made the following adjustments to our full year tax rate, which impacted our effective tax rate for the fourth quarter:

First, we made adjustments to reflect our actual mix of foreign and U.S. taxable income for the year.

And second, we completed our tax filings which resulted in adjustments reducing our tax provision.

To think about the full year tax rate, our effective rate was 19.2% after adjusting for the one-time benefit in the third quarter related to the IRS settlement.

Operating cash flow for the fourth quarter was $5.9 billion, growth of 6% while operating cash flow for the full year was a record $27 billion, an increase of 12%.

In the fourth quarter we repurchased $1.6 billion of stock and declared $1.3 billion of dividends. For the full year, we returned $16.9 billion of cash, an increase of 10% year over year, continuing our long term commitment to return cash to shareholders. In the past five years, we have returned over $90B and reduced our outstanding share count by 1.7 billion shares, or 17%.

In summary, we had a very solid quarter and year both from a product perspective, and also with regard to delivering strong financial results and returning cash to shareholders. And with that, I’ll hand it back to Peter, who’s going to discuss our business outlook.

**PETER KLEIN, CHIEF FINANCIAL OFFICER:**

For the remainder of the call, I’ll discuss our expectations for the upcoming quarter and full year.

As we enter fiscal year 2012, we are excited by the advancing trends in technology and the resulting opportunities for us to evolve our businesses. We expect increased diversity of hardware and services designed to satisfy users’ growing demands for a unified, consistent experience across multiple devices. We also expect businesses and developers to continue their transition to the cloud given the compelling economics and flexibility. We believe that with our current portfolio and investments, we are well positioned to capitalize on these trends.

Now, turning to our outlook by business.

For the Windows and Windows Live Division, we expect revenue to continue to be impacted by market dynamics similar to what we experienced in the fourth quarter with emerging market growth significantly outpacing developed market growth. While emerging markets are an important opportunity for us to increase Windows penetration, they impact revenue growth percentages as they generate lower average selling prices and have higher piracy rates. We also expect business PC growth to outpace consumer PC growth, with the business PC refresh cycle continuing throughout the fiscal year.

Turning to the Microsoft Business Division.

Transactional revenue, approximately 40% of the division’s total, will likely lag the overall PC market for both the first quarter and full fiscal year reflecting a higher mix of PC shipments to emerging markets, and the launch of Office 2010 a year ago.

Multi-year licensing revenue, approximately 60% of the division’s total, should grow mid-to-high single digits for the first quarter and low double-digits for the full fiscal year.

Moving to Server and Tools. Approximately 30% of the division’s revenue comes from transactional licensing, 50% from multi-year licensing, and 20% from enterprise services.

We expect transactional revenue to generally track with the hardware market for the first quarter and full fiscal year.

We expect multi-year licensing revenue and enterprise services revenue to grow low double-digits for the first quarter and full fiscal year.

Turning to the Online Services Division, we expect online advertising revenue to perform roughly in line with the overall online advertising market for the first quarter and full fiscal year.

Within the Entertainment and Devices Division, we expect revenue to grow high single digits for the first quarter and mid-teens for the full fiscal year. Keep in mind that first quarter revenue will include a higher mix of hardware reflecting last September’s Halo Reach launch and will result in gross margins similar to full fiscal year 11 margins.

Switching to overall cost of goods sold for the company. The biggest factor impacting COGS going forward will be the shift of revenue mix across hardware, software, enterprise services, and online services.

In fiscal year 12, we will continue to prioritize our spending and manage our costs. We are reconfirming our guidance of 3 – 5% growth, and expect operating expenses to be $28.0 to $28.6 billion for the full fiscal year.

We expect our effective tax rate to be 19 to 21% for the first quarter and full fiscal year, and we still expect capital expenditures for the full fiscal year to be about $2.5 billion.

Moving to unearned revenue. Given our strong sales execution and our record unearned balance at the end of the fiscal year, unearned revenue in the first quarter will likely lag historical sequential growth patterns by a few points. We expect unearned revenue at the end of fiscal year 12 to grow low double-digits over this fiscal year.

In summary, we delivered solid financial results for the fourth quarter and full fiscal year. As we look towards fiscal year 12, we have good product momentum in the market, and are excited by the opportunity to help our customers take advantage of the advancing trends in technology.

**BILL KOEFOED:** Thanks Peter.

We want to get to questions from as many of you as possible, so please stick to just one question, and avoid long or multipart questions.

Carol, can you please go ahead and repeat your instructions.

**WALTER PRITCHARD, CITI:** Hi, thanks. You mentioned in the slide deck there that 20 percent of the Fortune 500 have started to adopt the Office 365 Online Services, and I'm assuming it's pretty early there, but I'm wondering if you could help us understand how quickly you expect that to progress throughout Fiscal '12, and sort of what impact we should see on the financial statements as that starts to happen in Fiscal '12, or maybe beyond?

**PETER KLEIN:** You see it hit the financial statements in two ways, actually, Walter. One is, it will be in the actual Office 365 revenue, but also as we continue to have the conversations about the migration to the cloud, you see that show up in our multiyear licensing revenue. And you saw some of that this quarter with our really strong multiyear licensing revenue across the board.

The market response so far has been great. I'm really excited about it. We expect that to accelerate over time. But, again, I think you'll see it in both ways. You'll see it in our multiyear licensing revenue, and in our Office 365 revenue.

**BILL KOEFOED:** Okay, operator, next question please.

**ADAM HOLT, Morgan Stanley:** Hi, thank you, and congrats on a good finish to the year.

**BILL KOEFOED:** Thanks, Adam.

**ADAM HOLT:** My question is about the E&D commentary for next year, which was I think a surprise relative to certainly the consensus expectations in that it's a lot higher than where consensus was for next year. Can you talk a little bit about some of the detail behind the assumptions there? Specifically, what are you expecting, or what is embedded around the Nokia relationship, and what are you expecting and what is in the numbers around any kind of gains following Mango?

**PETER KLEIN:** Well, the single biggest driver in the E&D Division is going to be Xbox, right. So, we've got great momentum in the marketplace with the console, which we refreshed a year ago. We have Kinect, which just came to market last holiday with a bunch of new content titles that Bill talked about in terms of games, as well as broader entertainment content. So, as we look to continue the momentum that we have with our share position in the marketplace, you see the strategy really coming together in that business, selling the install base of the consoles, and then having the social connectivity with Xbox Live in the broader entertainment portfolio. And so a lot of that strength relates to the Xbox business.

**BILL KOEFOED:** I think it's fair to say that our division thinks that we've just scratched the surface of the possibilities with both the Xbox console and Kinect. And, obviously, as I talked about with the games that we have coming out at Christmas, people are super excited about the possibilities there.

Next question, please

**HEATHER BELLINI, Goldman Sachs:** Hi. Thank you, Bill and Peter. I just had a quick question. There has been a lot of talk about patent and money that you guys could be receiving for patent violations. How do we think about modeling those, if there's any tips you could give us, and how do we think about those, where they would show up, and kind of what segment they get embedded in? Thank you.

**PETER KLEIN:** Thanks, Heather. I think the most important thing to think about stepping back is sort of our overall approach. We have a firm culture and belief in innovation, and intellectual property, and protecting our rights in intellectual property. And we've done that consistently with an industry-wide licensing program related to Android, specifically, broadly, too, but Android, which infringes on some of our patents.

I think we haven't talked a lot about what to expect from a modeling perspective on there, so you should just look to what we do on our licensing program going forward.

**BILL KOEFOED:** Operator, next question please.

**PHILLIP WINSLOW, Credit Suisse:** Hi, guys. Great quarter. Just going back to deferred revenue, obviously that was well ahead of consensus, and I think it's the strongest year-over-year growth you've had in MBD since '06, and Server and Tools since '08. What really changed this quarter, the second half of the fiscal year that drove that up so much from what we've been seeing over the past couple of years? And just anything specific to those two divisions as well? Thanks?

**PETER KLEIN:** Yes. Thanks. No, there are several things. One, the business refresh has continued as companies have come out of the economic downturn of a few years ago. They really are investing in technology. They're seeing the opportunities for technology to really enhance their value proposition. And, they are seeing the benefit of our technology. They're really making a long-term commitment to our product set.

MBD is really about the intentional strategy we had really over the last three to five years to sort of broaden the view of what productivity means, and how we integrate not only the great new Office applications, but also with e-mail with Exchange, collaboration with SharePoint, and more recently communications with Lync, and customers are really seeing the benefit of that. We're really just starting to scratch at the surface on that.

As I said on the call, you know, a lot of our revenue was driven by growth in those businesses. If you add to that what we're doing with Dynamics, taking share in both ERP and CRM, it really is driving a lot of growth. And that really is sustainable.

At the same time, in Server and Tools, we've really scaled our products across the board, whether that's with the premium versions of Windows Server and System Center, and also SQL Server. And so as we've done that, and customers are investing in their data centers, and the private cloud implementations on the way to the public cloud, we're really taking advantage of that, and getting good double-digit growth there. So, the combination of really strong environment for businesses investing in the value of IT, and our product set sort of across the board from infrastructure to applications has been great.

**BILL KOEFOED:** Thanks, Phil.

Next question please, Operator.

**BRENT THILL, UBS:** Thanks. Peter, just on enterprise demand, is there any change in terms of what you're seeing in the U.S. versus European demand profile?

**PETER KLEIN:** You know, this quarter we actually saw broad-based demand across all the geographies. Obviously emerging markets remain very strong, but this quarter we saw demand and great sales execution really across Europe and the U.S.

**BILL KOEFOED:** Thanks, Brent.

Next question, please.

**JOHN DIFUCCI, JP Morgan:** Thank you. Bill, when you said that 25 percent of enterprise desktops are already deployed with Windows 7, and 90 percent of enterprises have committed to a deployment plan, I'm just curious, is it fair to say that about that 25 percent, should we be thinking of those as largely on the lower end in the SMB that sort of act more like consumers? And does the committed, your word there, committed, does that mean that they've already contracted for, or they've started to contract at a lower level, and you expect that to continue going forward?

**PETER KLEIN:** That's a great question. On the enterprise side, clearly companies like JP Morgan have started looking at Windows 7, are working on the deployment plan. When we think about the term "committed" it means that either a Microsoft sales rep or a partner actually have plans in place where they're looking at a rollout schedule. So, it's a very deliberate plan. They're engaged in testing. In many cases, I think we talked about that last quarter, but not so much this quarter. They're also rolling out Office 2010 at the same time that they're rolling out the Windows 7 desktop. So, we're excited, obviously, about the speed of the deployment process that's been underway, but we also think there's a lot of opportunity for the future.

And I think to your point, probably, enterprises are a little bit further along just due to the macro- economic environment. We've seen more deliberate execution there than maybe in some of the other areas.

That's a great question.

**BILL KOEFOED:** Next question please, operator.

**ROBERT BREZA, RBC Capital Markets:** Hi, Peter. I was wondering if you would talk to, I think, your comment. You said that you believed unearned revenue could grow low double digits. I'm assuming most of that is going to be coming on the enterprise side. And you specifically called out in your commentary some of the drivers to the growth. Could you maybe just help us clarify that in terms of the unearned revenue? Thanks.

**PETER KLEIN:** Yes, you are correct. Most of that growth will come from the enterprise, and it goes back to the strength we're seeing in selling multiyear licensing agreements, and the demand we're seeing for the product set across portfolio of the Business Division, and the Server and Tools Business. So the dynamics that we saw this past quarter we see playing out again next year, and that will drive the unearned growth with a full year.

I would add, and I talked about this a little earlier, but I will go back to it again, the conversations increasingly that we're having with the cloud, whether that's Office 365, or Windows Azure, or Windows Intune, or Dynamics CRM Online, really play into that as well, because we find increasingly customers wanting to make long-term commitments when they see that migration pass to the cloud as well. And that you'll see coming into, I think, even more play this year.

**BILL KOEFOED:** I think communicating our roadmap to our customers has been a big advantage and they like our roadmap, they're committed to our roadmap, and that's been a really good thing.

Operator, next question please.

**BRAD REBACK, Oppenheimer:** Great, guys. Thanks a lot. Peter, on the revenue per search aspect with Yahoo!, can you give us any sense how far along the road you are there? Do you think you're 50 percent of the way to getting a problem solved?

**PETER KLEIN:** Thanks, Brad. It's a good question. What we think and what we say and what we believe is, we're on a path, and we're totally aligned with Yahoo! on this. The collaboration has been fantastic, and the right people are focused on it. We'll have this turned around by the end of this calendar year, and move forward from there. And we're still on a path to do that, and I think both sides are signed up for that plan.

**BILL KOEFOED:** Operator, next question please.

**COLIN GILLIS, BGC:** Hey, Peter. On that same theme in Online Services, can you give us a sense of what percent of the expense is ongoing cost, and what percent might be transition costs that could possibly roll off?

**PETER KLEIN:** The bulk of it is ongoing costs. There is a little bit of transition costs, but you should think of the bulk of it as ongoing costs. And really the dynamics of that business, as you know, it's a high fixed cost business, it's a scale business. And as we grow our revenue for search, that's a highly leveraged revenue dollar that we get that goes against that fixed cost base.

**COLIN GILLIS:** So, clearly improving our RPS is our goal that we're laser focused on as we've talked about.

**PETER KLEIN:** Completely.

**BILL KOEFOED:** Operator next question.

**BRENDAN BARNICLE, Pacific Crest Securities:** Thanks so much. Peter, how should we think about repatriation of cash as you guys generate so much in some of these foreign jurisdictions?

**PETER KLEIN:** Well, you know the broader issue of just income tax policy we'll leave to the experts. Obviously, we're supportive of long-term enhancements to our income tax policy. In terms of repatriation specifically, I don't think it's a big issue one way or the other for either our operations or our strategies, or what we're able to do. We've obviously had a very good year, both in terms of our financial results, and our ability to deliver cash back to shareholders.

**BILL KOEFOED:** Operator, next question please.

**ED MAGUIRE, CLSA:** Yes, good afternoon. Could you discuss the monetization trends you may be seeing from Xbox Live? It seems like you've got some decent subscriber growth.

**PETER KLEIN:** Yes, it's really been fantastic. As we've growth the subscriber base there's actually a couple of revenue streams. There's a subscription revenue stream, and then there's the transactional revenue stream for people who actively engage with the service and that can buy purchases while they're engaged in that. And that really helps to accelerate the monetization of that business, and that's a really amazing long-term opportunity for us, particularly as we continue to take share of just the whole console platform.

**BILL KOEFOED:** Thanks, Ed. And we'll do a call out for Ed, who is calling us from Tokyo, where it must be four in the morning right now. So, thanks for calling in, Ed.

Operator, next question.

**GREGG MOSKOWITZ, Cowen and Company:** Thank you, and a very nice quarter.

Peter, I just had a question on guidance. In the past you've talked about Windows revenue growth roughly tracking PC unit growth. We all know about the mix shift to emerging markets, but is there anything you can say to help frame how we should think about the gap between Windows revenue growth and overall PC growth in Fiscal '12?

**PETER KLEIN:** Yes, you know, I think I would stick with the framework that we gave and there's hopefully a lot of texture to that and depending on what assumption one makes about the growth in emerging markets versus developed markets and businesses versus consumers really impacts what that growth will be. Obviously the faster growth there is in emerging markets relative to developed is more headwind for the Windows growth, relative to the overall PC market. But, I think understanding what your belief is about those dynamics should help a lot with that.

**BILL KOEFOED:** Okay. Operator, let's take one more question please.

**TIM KLASSEL, Stifel Nicholas:** Yes. Good afternoon and congrats on the quarter, as well. Office 365 has now been out in the market for a little while, but you have multiple bundles at very wide price points. Can you sort of point to a bundle or the bundles that appear to be the most popular right now?

**PETER KLEIN:** Well, it's been out for about a month. So, it's really too early to tell. But, I would say that the philosophy behind the pricing is to provide the right set of choices for every customer and every segment, depending on what their needs are. So, ultimately I think we'll see a broad cross section of customers choosing different pricing plans, whether you're a small and medium business who has never had Exchange, or SharePoint, or Lync before, there's a really affordable option for you to jump in.

For enterprises who need much more scalability, who need premium versions, they can pay a little bit more. So, as always, we really believe in understanding what the different needs are, different customer segments, structuring our SKUs and our pricing to reflect the best options for every customer segment, depending on their needs.

**BILL KOEFOED:** Thanks, Tim.

So, that will wrap up the Q&A portion of today's earnings call. Just a reminder that Microsoft's 2011 financial analyst meeting will be on the afternoon of September 14th in Anaheim. FAM will be held in conjunction with BUILD, our developer conference, which will kick off the morning of September 13th at the Anaheim Convention Center. We encourage investors to attend BUILD, or watch the keynotes via Web cast, as it will offer people the opportunity to learn directly about our product strategies, and roadmaps. Please contact us if you have not received an invitation, as pre-registration will be required.

Thanks again for joining us, and have a great day. Thank you.