

EXHIBIT 13

Dear shareholders, colleagues, customers, and partners:

Fifty years after our founding, Microsoft is once again at the heart of a generational moment in technology as we find ourselves in the midst of the AI platform shift. More than any transformation before it, this generation of AI is radically changing every layer of the tech stack, and we are changing with it.

Across the company, we are accelerating our pace of innovation and adapting to both a new tech stack and a new way of working. We are delivering our current platforms at scale while building the next generation, always striving to create more value for our customers, our partners, and the world.

Striking this balance is hard work, and few companies over the years have been able to do it. To succeed, we must continue to think in decades but execute in quarters, approaching each day with the humility and curiosity required to continuously improve, while being guided by our bold vision for the future.

Financially, it was a year of record performance. Revenue was \$281.7 billion, up 15 percent. Operating income grew 17 percent to \$128.5 billion. And Azure surpassed \$75 billion in revenue for the first time, up 34 percent. These results reflect the growing demand for our platform and the trust customers are placing in us. We take neither for granted.

We must earn our permission to operate every day, in every country, every community, and every customer interaction. That's why we remain grounded in our mission: **to empower every person and every organization on the planet to achieve more.**

Imagine a world where every person can get help from a researcher, a coder, or an analyst on demand. Not just information, but deep, contextual expertise paired with action. Or where every organization, no matter its size or sector, can reinvent employee experiences, reimagine customer engagement, reshape business processes, and bend the curve on innovation for their people, businesses, and industries. This is the new frontier and how we will unlock the next level of productivity and growth for the world.

But it is not some far off vision—we are already seeing what's possible when AI reaches the frontlines of human potential, helping small businesses become more productive, multinationals more competitive, nonprofits more effective, governments more efficient, and improving healthcare and education outcomes.

To share just a few examples across industries: [Mercy](#), one of the largest health systems in the US, has saved caregivers over 100,000 hours by automatically documenting physician-patient encounters. As one physician put it: “the best thing to happen to my practice in 10 years.” A [grandmother in Japan](#), who lost her hearing at age two, can now communicate with her voice, thanks to an AI app. A [judge in Colombia](#) is using Copilot to expedite due

process and help tackle a backlog of court cases. [Barclays Bank](#) is putting AI in the hands of 100,000 employees, transforming the employee experience by simplifying how they access information and get things done. [Ralph Lauren](#) is helping customers find the perfect look for any occasion, thanks to a new conversational shopping experience. [Carvana](#) has reduced inbound calls per sale by 45 percent, freeing its staff to focus on complex, high-value support.

These examples, and so many others like them, are made possible by our clear focus on our priorities, our responsibility, and our culture.

OUR PRIORITIES

To deliver on our mission, we remain focused on three core business priorities as our North Star: security, quality, and AI innovation.

Security and quality are non-negotiable. Our infrastructure and services are mission critical for the world. This year, we made significant progress across both our [Secure Future Initiative](#) (SFI) and Quality Excellence Initiative (QEI), but we recognize our work here is never done. We must continuously raise the bar for ourselves and our customers.

Security

Through SFI, we have dedicated the equivalent of 34,000 full-time engineers to our highest-priority security work. We strengthened identity protections, secured our networks and systems, enhanced threat detection and response, and embedded secure-by-design practices across everything we build.

Quality

With QEI, we created frameworks that increase accountability and accelerate progress against our engineering objectives to ensure we deliver durable, high quality-experiences at global scale. This includes improvements to change management, incident management, platform resiliency, and service health.

Together, these initiatives are laying the foundation for a renaissance of our engineering culture, where we build planet-scale systems that power the world, with the security and quality they require.

AI innovation

At the same time, we have made major advances in AI innovation, including across two foundational areas: our Cloud and AI infrastructure, and our family of Copilots and agents.

Our Cloud and AI infrastructure

We continue to lead the AI infrastructure wave. We opened new datacenters across six continents and now operate more than 400 datacenters in 70 regions, more than any other cloud provider. This year alone, we added over two gigawatts of new capacity. Every Azure

region is now AI-first and can support liquid cooling, increasing the fungibility and the flexibility of our fleet. And just last month, [we announced](#) the world's most powerful AI datacenter, Fairwater in southeastern Wisconsin, which will deliver 10x the performance of the world's fastest supercomputer today.

We are also driving and benefiting from compounding improvements in silicon, systems, and models to improve performance and efficiency. And we continue to invest in [sovereign cloud offerings](#) to meet the unique data residency needs of governments and industries worldwide.

We have made meaningful progress on the next frontier in cloud systems: quantum. We announced [Majorana-1](#), the first quantum chip with a topological core, and deployed the world's [first operational Level 2 quantum computer](#) in partnership with Atom Computing.

In data and analytics, [Microsoft Fabric](#) is becoming the unified platform for the AI era. It is now our fastest-growing analytics product ever, with 25,000 paid customers. OneLake spans all databases and clouds, including Power BI semantic models, making it the best foundation for building enterprise AI applications.

We also introduced [Azure AI Foundry](#), a platform to design, customize, and run powerful AI apps and agents. Foundry includes access to more than 11,000 models from partners like OpenAI, Cohere, DeepSeek, Meta, Mistral, xAI, and others, ensuring our customers can choose from the best frontier and open models in one place. Already, 80 percent of the Fortune 500 use Foundry for their AI workloads.

And this fall, we [introduced](#) our first in-house models: MAI-1 preview, our first foundation model trained end-to-end in-house, as well as MAI-Voice-1 for natural voice generation and MAI-Image-1 for image generation.

Copilots and agents

Our Copilot family of products is helping people thrive at home, at school, and at work. This year, we surpassed 100 million monthly active users across both commercial and consumer.

We rolled out a [major update to Microsoft 365 Copilot](#) this spring, bringing together chat, search, create, notebooks, and role-specific agents like Analyst and Researcher into a single experience. And earlier this month, we [announced Agent Mode](#), which allows you to start with a simple prompt and then work iteratively with Copilot—steering it as it orchestrates multistep tasks to deliver high-quality Office documents, spreadsheets, and presentations.

Give Copilot a prompt like, *“Run a full analysis on this sales data set. I want to understand some important insights to help me make decisions about my business. Make it visual.”*

Agent Mode gets to work deciding which formulas to use, producing new sheets, and creating data visualizations. It's pretty remarkable.

Copilot Studio continues to grow as well, with more than 230,000 organizations using it to extend Microsoft 365 Copilot or to build their own agents using no-code/low-code tools.

In software development, GitHub Copilot now has more than 20 million users and has evolved into a peer programmer, capable of executing tasks on our behalf asynchronously. In healthcare, [Dragon Copilot](#) is being used to document millions of clinical encounters, saving precious time that healthcare providers can spend on patients, not paperwork. And in security, we were the first in the industry to introduce [AI agents](#) that help defenders autonomously manage high-volume security and IT tasks.

On the consumer front, Copilot is now integrated across Bing, Edge, GroupMe, MSN, Windows, and Xbox. We also [refreshed our Copilot consumer app](#) this year as a more natural, conversational, and personal AI companion. One highlight is [Copilot Mode in Edge](#), which lets you chat directly with your open tabs.

More broadly, we continue to expand our reach with consumers. LinkedIn is now home to 1.2 billion members, and we are bringing AI agents into the core workflows of sales, hiring, and learning. And across gaming, we have 500 million monthly active users across platforms and devices.

OUR RESPONSIBILITY

At Microsoft, we have always believed that we do well when the world around us does well. We demonstrate this, year after year, by making progress on our commitments to create technology that benefits everyone on the planet, along with the planet itself.

This means that as we drive the AI economy, we are also providing the skills and opportunities for everyone to participate in it. That's why we [launched Microsoft Elevate](#) this year, an initiative that unites our technology, skills, research, and philanthropic investments, so AI can benefit every classroom, community, and cause. Over the next five years, we will invest \$4 billion in cash and AI cloud technology to schools, community and technical colleges, and nonprofit organizations. And we will partner with organizations like UNICEF, Code.org, and more to extend AI skilling opportunities to people around the globe.

Our skilling initiatives will help 20 million people earn AI credentials over the next two years, from foundational fluency to advanced technical training. And to support our work with deeper research and policy insights, our new AI Economy Institute will explore how AI is reshaping education and work, helping us bridge the gap between technological innovation and societal impact.

We are also focused on empowering teachers and students with the latest AI tools, making [Microsoft 365 Copilot Personal free](#) for 12 months for every college student in the United States. And we're introducing new LinkedIn courses for teachers and students, enabling them to earn LinkedIn certifications that will help boost their resumes and open doors.

Across all of this, one thing is clear: People want technology they can trust. That's why we are committed to driving responsible AI innovation and building safe and secure technology. As we do, we are guided by our values of respect, integrity, and accountability. They are built into the design of our software and services, the security of our data, our privacy protections, and our engagement with employees, customers, suppliers, communities, and governments around the world.

As a multinational company, we remain dedicated to creating jobs, promoting economic opportunities, and strengthening cybersecurity, digital stability, sovereignty, and resilience globally. In Europe, we [announced five commitments to strengthen digital stability](#) this year. They start with an expansion of our cloud and AI infrastructure, so every country can compete in the global economy. And they include a promise to uphold Europe's digital resilience regardless of geopolitical and trade volatility.

Responsible business practices are embedded across our operations and supply chain. Following the UN Guiding Principles on Business and Human Rights, we've strengthened our due diligence processes, expanded stakeholder engagement, and launched new governance mechanisms to ensure accountability. Our [second annual Responsible AI Transparency Report](#) highlighted our work to build and deploy AI responsibly. This includes developing new AI tools and resources to help our customers innovate within evolving regulatory requirements.

Another key component of earning trust is contributing to a safer online ecosystem, including protecting those who use our services from illegal and harmful content and conduct. We continue to take new steps to advance safety, especially for children, while balancing our commitments to free expression and privacy. Over the past year, we've focused on addressing risks related to abusive AI-generated content and partnered with StopNCII.org to detect victim-reported imagery in Bing.

Our solutions, partnerships, and programs reach people and organizations of all abilities to help them thrive. More than 5 million people have participated in our AI Skilling programs focused on accessibility. We launched new technology to help people with disabilities play, work, and live—through an Adaptive Joystick for Xbox, sign language detection in Teams, low-vision keyboards for Surface, and AI-powered visual descriptions in Windows.

2025 also marked the midpoint in our journey to become a carbon negative, water positive, zero waste company, and to protect more land than we use. We are on track to meet many of our targets and continue to [accelerate progress](#) for others.

Our renewable energy procurement increased from 1.8 gigawatts in 2020 to 34 gigawatts in 2024, and we contracted nearly 30 million metric tons of carbon removal—playing a pivotal role in [scaling the carbon removal market](#). We provided more than 1.5 million people with clean water and sanitation and plan to replenish more than 100 million cubic meters of water around the world. We are getting closer to [zero waste](#) through new Circular Centers, which contribute to the reuse and recycling of nearly 91 percent of servers and components decommissioned from our datacenters. And we’ve reached nearly 95 percent recyclability in our product packaging.

We are learning how to make AI more [sustainable by design](#) and improve [AI-powered solutions](#). Platforms like our Planetary Computer and our [AI for Good Lab](#) are helping us find new ways to address the world’s most pressing challenges.

Making progress on these commitments takes time. But here, too—we are guided by a bold vision, thinking in decades and executing in quarters.

OUR CULTURE

Amid this rapid progress, our culture is more important than ever. The AI platform shift is reshaping not just our products and business models, but how we work.

Our growth mindset is essential to our ability to continue leading this AI era. It enables us to innovate both within Microsoft and with those we serve. We must be *learn-it-alls*, willing to experiment, guided by evaluations, and committed to continuous improvement. I am continually impressed by how our people do just that.

We are focused on being Customer Zero, applying AI to reduce toil and improve flow in our own work while creating a playbook we can share with the world.

We’re also embracing a new way of working—one that expands job scopes, reduces handoffs, and gives teams tools to scale productivity in nonlinear ways. This isn’t just about driving efficiency. It’s about empowering our people to dream bigger and get to “job complete” faster, with less friction and greater impact than ever before.

Our employees also continue to find ways to bring their purpose and passion to the causes and communities they care deeply about. This year, they volunteered over 1.2 million hours and gave \$263 million (including company match) to 37,000 nonprofit organizations in 110 countries.

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In July, after we reported our earnings results—including surpassing \$75 billion in annual Azure revenue for the first time—I shared a reflection with all employees. Fifteen years ago,

when we set out on our cloud journey, we had a bold vision, and we persisted through all the ups and downs.

I asked our team: What are you working on today that, 15 years from now, you will look back on and say, “we got it right”? Hundreds of answers poured in spanning near-term priorities and long-term ambitions alike:

- *“Helping the world be safe from cybercrime”*
- *“Speech is now a standard human-machine interface”*
- *“Using AI to improve the lived experience for people with disabilities”*
- *“We changed the way people learn”*
- *“Access to millions of agents powered by orders of magnitude larger models”*
- *“Medical knowledge has become ambient, embedded in clinical workflows”*
- *“We helped billions become skilled in AI”*

These responses and so many others reflected a deep sense of purpose and belief in what’s possible. And that is precisely what is needed for us to succeed.

Microsoft has an immense opportunity and responsibility—not just in building these futures, but in helping shape the world’s future. And I’m confident that together, we can continue to think in decades and execute in quarters on this journey to empower us all.



Satya Nadella
Chairman and Chief Executive Officer
October 15, 2025