**TO OUR SHAREHOLDERS, CUSTOMERS, PARTNERS AND EMPLOYEES:**

It is a humbling experience to write this letter to you as only the third CEO in Microsoft’s history. As I said when I took this role, I originally joined Microsoft to have an opportunity to change the world through technology and empower people to do amazing things. Many companies aspire to change the world, but very few have the talent, resources and perseverance of Microsoft.

I believe this is a landmark moment for the company and for our industry as a whole. Cloud and mobile technologies are redefining how people work and play. Three billion people will soon be connected to Internet-enabled devices; 212 billion sensors will come online in a few short years; trillions will be spent in consumer and business technologies. But it’s not about technology for technology’s sake! It’s our mission to enable the use of technology to realize the true potential of people, teams and organizations.

As I shared in my [email](http://www.microsoft.com/en-us/news/ceo/index.html) to employees in July, we will be the productivity and platform company for this mobile-first and cloud-first world. We will empower every person and every organization on the planet to do more and achieve more. And we will accomplish this by building incredible Digital Work and Life Experiences, supported by our Cloud Operating System, the Device Operating System and Hardware platforms.

In the same way that we aspired to and achieved our original vision of a PC on every desk and in every home, we will reinvent productivity. This clarity of purpose and boldness of our aspiration inspires me and all of us at Microsoft.

We began to take steps toward this core focus last fiscal year.

To drive our mobile strategy, we acquired Nokia’s Devices and Services business, creating an expanded Microsoft Devices Group that includes Nokia phones, Xbox hardware, Surface, Perceptive Pixel products and accessories. We also announced Office on iPad, which led to 35 million downloads of Word, Excel, PowerPoint and OneNote — becoming many of the most popular applications in the Apple App Store.

In addition, we introduced Cortana, a personal assistant built into Windows Phone 8.1 that learns and provides information proactively to users, while protecting their privacy. And we launched the Surface Pro 3, a groundbreaking new tablet built to replace your laptop. Finally, we provided Windows licenses at zero dollars for any original equipment manufacturer building a device less than nine inches in size, which we expect to drive an amazing mix of innovative, low-cost devices for consumers this year.

We continued to build upon our success in the cloud. Commercial cloud revenue hit a $4.4 billion annual run-rate, making us an undisputed leader; we grew Hyper-V to 30.6 percent of the market, taking share from competitors; and we expanded our datacenter footprint into Australia, Brazil, Japan and China. We brought industry-leading in-memory technology to the new version of SQL Server 2014, and we launched two cloud-based services — the Enterprise Mobility Suite for handling identity and security on devices, and the Azure Intelligent Systems Service for managing the “Internet of Things.”

Despite this busy year of new products and significant change for the company, we delivered strong results, including revenue of more than $86 billion, gross margin of nearly $60 billion and operating income of $27.8 billion. We also returned more than $15.7 billion in cash to our shareholders, a 27 percent increase from 2013.

Looking forward, we have a rich product road map that positions us to thrive in a mobile-first and cloud-first world. For example, we recently launched Delve, an Office 365 cloud-based service that automatically brings relevant documents, data and other artifacts to workers. And we announced our intention to acquire Mojang, the Stockholm-based game developer of the popular “Minecraft” franchise, a game that spans PCs, consoles, tablets and mobile. We also plan to launch Skype Translator this fiscal year, which has the potential to dramatically break down language barriers in our communications. And, perhaps most important, we recently previewed new features and innovations in the next version of Windows, Windows 10.

All of these new services and experiences will be underpinned by significant investments in our cloud strategy — including building more datacenters and increasing capacity in existing regions; expanding our hybrid cloud offerings with new releases of StorSimple, InMage and other products; and launching new cloud capabilities, such as Azure Machine Learning, an offering that has the potential to be game-changing in helping people mine data for predictions.

As CEO, I am committed to ensuring Microsoft makes the most of this landmark moment. And, at the same time, it is equally important to evolve our culture — becoming more customer-obsessed across all our products, focusing on leading indicators like usage, and ensuring Microsoft continues to be the best place for smart, curious people to do great work.

I believe reinventing productivity and building platforms that empower every person and organization on the planet to do more and achieve more is a huge undertaking. But it is one that Microsoft is uniquely qualified to take on. We are ready again to change the world.

Thank you for your continued support,

Satya Nadella
Chief Executive Officer
October 9, 2014