

## Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

**2,100,000 European Style Cash Settled Short Certificates  
relating to the Common Stock of Microsoft Corporation  
with a Daily Leverage of -3x**

**issued by**

**SG Issuer**

**(Incorporated in Luxembourg with limited liability)**

**unconditionally and irrevocably guaranteed by**

**Société Générale**

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**Issue Price: US\$5.00 per Certificate**

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This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 14 June 2024 including such further base listing documents as may be issued from time to time, as supplemented by an addendum dated 30 September 2024 (the “**Base Listing Document**”), for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see “Placing and Sale” contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products<sup>1</sup> and Specified Investment Products (SIPs)<sup>2</sup>, and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the guarantee dated 14 June 2024 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 10 December 2024.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

9 December 2024

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<sup>1</sup> As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

<sup>2</sup> As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended and the Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed “Placing and Sale” contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market

prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the “**Conditions**” shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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## RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) in respect of certain corporate adjustment events on the Underlying Stock, trading in the Certificates may be suspended on the relevant ex-date of the Underlying Stock and trading in the Certificates will resume on the next immediate trading day on the SGX-ST. Please note that trading in the Certificates on the SGX-ST may be suspended for more than one trading day in certain circumstances;
- (b) circuit breakers are automatic mechanisms adopted in the U.S. stock market. Circuit breakers are invoked if the stock markets experience extreme broad-based declines or extreme volatility within a single stock, which are designed to slow the effects of extreme price movement through coordinated trading halts across securities markets in the U.S. stock market when severe price declines reach levels that may exhaust market liquidity.

Circuit breakers implemented by the Relevant Stock Exchange for the Underlying Stock may result in a temporary trading halt of the Underlying Stock on the Relevant Stock Exchange for the Underlying Stock, or under extreme circumstances, closure of the U.S. stock market (including all trading on the Relevant Stock Exchange for the Underlying Stock) before normal close of the trading session in the U.S. stock market.

Investors should be aware of the risk of potential high volatility in the trading prices of the Certificates upon commencement and throughout the trading hours of the SGX-ST on a trading day in Singapore in response to any overnight trigger of circuit breakers resulting in temporary trading halt of the Underlying Stock during the trading day of the Relevant Stock Exchange for the Underlying Stock immediately prior to such Singapore trading day;

- (c) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (d) the Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (e) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;
- (f) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as

it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry and the creditworthiness of the Issuer and the Guarantor;

- (g) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period.

The suspension may be lifted and trading in the Underlying Stock may resume outside or during the trading hours of the SGX-ST. If trading in the Underlying Stock resumes, trading in the Certificates will resume either in accordance with the scheduled trading resumption timing (if any) as specified in the announcement(s) to be published in respect of the resumption of trading in the Underlying Stock. Please note that the price of the Certificates may be highly volatile following the resumption of trading in the Certificates;

- (h) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (i) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (j) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 32 to 37 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section of this document for more information;
- (k) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (l) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (m) investors holding their position beyond market close of the SGX-ST should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below). Due to the difference in trading hours of the SGX-ST and the Relevant Stock Exchange for the Underlying Stock, unless investors exit their position within the same SGX-ST trading day, they would bear the annualised costs;
- (n) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

- (o) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous trading day. This process, referred to as compounding, may lead to a performance difference from 3 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (p) the Underlying Stock to which the Certificates relate are only quoted during US trading hours. This means that the Air Bag Mechanism (as defined below) can only be triggered when the SGX-ST is not open for trading. There is therefore a specific risk that overnight, investors in the Certificates incur a significant or even entire loss of the amounts invested in the Certificates, without being able to exit their investments in the Certificates;
- (q) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (r) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is an approximately 33% or greater gap between the previous trading day closing price and the opening price of the Underlying Stock the following trading day, as the Air Bag Mechanism will only be triggered when market opens the following trading day or (ii) a sharp intraday increase in the price of the Underlying Stock of approximately 33% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors should note that the Air Bag Mechanism may only be triggered during the trading of the Relevant Stock Exchange for the Underlying Stock. Investors may refer to pages 54 to 55 of this document for more information;
- (s) investors should note that the Certificates are issued over an Underlying Stock which is listed on an exchange with different trading hours from the SGX-ST. There may be a risk arising from the time difference between the trading hours of the Relevant Stock Exchange for the Underlying Stock (based on New York time) and the trading hours of the SGX-ST. As such, (i) the price of the Underlying Stock may not be available during the trading hours of the Certificates on SGX-ST; (ii) Air Bag Mechanism may be triggered during the trading hours of the Relevant Stock Exchange for the Underlying Stock, which would not be during SGX-ST trading hours; (iii) the trigger of an Air Bag Mechanism, when the Certificates are not open for trading, will lead to a different Leverage Inverse Strategy Closing Level, i.e. the value of the Certificates subsequently during the SGX-ST trading hours will be based on a different Leverage Inverse Strategy Closing Level reference for the purpose of the Leveraged Return calculation compared to a case where no Air Bag Mechanism would have been triggered; and (iv) given the Relevant Stock Exchange for the Underlying Stock is not open for trading during the SGX-ST trading hours, the market price of the Certificates may be affected by the derived spot price of the Underlying Stock on the Related Exchange during SGX-ST trading hours (which may deviate from the published price of the Underlying Stock), consequentially the market price of the Certificates during SGX-ST trading hours may deviate from the published price of the Underlying Stock during the US trading hours on the same day. There is therefore a specific risk that investors in the Certificates may incur a significant or even



entire loss of the amounts invested in the Certificates, without being able to exit their investments in the Certificates.

In particular, please note that the trading price of the Underlying Stock may be volatile during a time in which the SGX-ST is not open for trading of the Certificates. Outside the trading hours of the SGX-ST, investors will not be able to sell or trade in the Certificates even if the trading price of the Underlying Stock is highly volatile.

Market news and/or corporate announcements relating to the Underlying Stock (including corporate event announcements or other price sensitive information) may be released outside the trading hours of the Relevant Stock Exchange for the Underlying Stock (based on New York time), but during the trading hours of the SGX-ST (based on Singapore time). The trading price of the Certificates may become highly volatile during the relevant trading hours of the SGX-ST in response to such market/corporate news pending opening of the Underlying Stock. The market and investors may not have sufficient time to digest fully, and/or assess the potential impact of, such corporate news on the Underlying Stock and hence the Certificates.

Investors may refer to pages 54 to 55 of this document for more information;

- (t) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Certificates may be terminated prior to its Expiry Date for the following reasons which are not exhaustive: Illegality and force majeure, occurrence of a Holding Limit Event (as defined in the Conditions of the Certificates) or Hedging Disruption (as defined in the Conditions of the Certificates). For more detailed examples of when early termination may occur, please refer to the FAQ section under the “Education” tab on the website at [dlc.socgen.com](http://dlc.socgen.com).

The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be substantially less than the amount initially invested, and at the worst case, be zero. Investors may refer to the Condition 13 on pages 39 to 42 of this document for more information;

- (u) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;
- (v) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker’s market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or

more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

- (w) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

- (x) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

- (y) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

- (z) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. The following is a list of some of the significant risks associated with the Underlying Stock:

- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
- The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

- (aa) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;
- (bb) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;
- (cc) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited (“CDP”):
  - (i) investors should note that no definitive certificate will be issued in relation to the Certificates;
  - (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;
  - (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and
  - (iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;
- (dd) U.S. withholding tax

The Issuer has determined that these Certificates are not “delta-one” instruments for the purposes of IRS Notice 2024-44 and are therefore not Specified Warrants for purposes of the Section 871(m) Regulations as discussed in the accompanying Base Listing Document under “TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986”. Investors are advised that the Issuer’s determination is binding on all Non-U.S. Holders of the Certificates, but it is not binding on the United States Internal Revenue Service (the “IRS”) and the IRS may therefore disagree with the Issuer’s determination. In addition, if any Holder of Certificates also holds an offsetting derivative position in the Underlying Stock that when combined with the Certificates provide “delta-one” exposure to the Underlying Stock, such Holder may have liability under Section 871(m). Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates, including with respect to any other positions the Certificate Holder holds in the Underlying Stock.

**Potential investors are advised to consider the discussion in the accompanying Base Listing Document under “TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986” and “TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Foreign Account Tax Compliance Act Withholding” and to consult their own tax adviser on the tax impacts of the acquisition, holding, disposal and redemption of the Certificates. The requirement to pay such taxes may reduce the effective yield on the Certificates and may also have an adverse impact on their value;**

(ee) risks arising from the taxation of securities

Tax law and practice are subject to change, possibly with retroactive effect. This may have a negative impact on the value of the Certificates and/or the market price of the Certificates. For example, the specific tax assessment of the Certificates may change compared to its assessment at the time of purchase of the Certificates. This is especially true with regard to derivative Certificates and their tax treatment. Holders of Certificates therefore bear the risk that they may misjudge the taxation of the income from the purchase of the Certificates. However, there is also the possibility that the taxation of the income from the purchase of the Certificates will change to the detriment of the holders.

Holders of the Certificates bear the risk that the specific tax assessment of the Certificates will change. This can have a negative impact on the value of the Certificates and the investor may incur a corresponding loss. The stronger this negative effect, the greater the loss may be; and

(ff) risk factors relating to the BRRD

*French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution.*

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the “**BRRD**”) entered into force on 2 July 2014. The BRRD, as amended, has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the “**BRR Act 2015**”). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

In April 2023, the EU Commission released a proposal to amend, in particular, the BRRD according to which senior preferred debt instruments would no longer rank pari passu with any non covered non preferred deposits of the Issuer; instead, senior preferred debt instruments would rank junior in right of payment to the claims of all depositors.

This proposal has been discussed and amended by the European Parliament and the European Council. Council and Parliament reached agreement on 6 December 2023 to make the proposal final and applicable. If the final agreement was adopted as is, there may be an increased risk of an investor in senior preferred debt instruments losing all or some of their investment in the context of the exercise of the Bail-in Power. The final agreement may also lead to a rating downgrade for senior preferred debt instruments.

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (“**SRM**”) and a Single Resolution Framework (the “**SRM Regulation**”) has established a centralised power of resolution entrusted to a Single Resolution Board (the “**SRB**”) in cooperation with the national resolution authorities.

Since November 2014, the European Central Bank (“**ECB**”) has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism (“**SSM**”). In addition, the SRM has been put in place to ensure

that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States' resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been, and continues to be, designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the "**SSM Regulation**") and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the "**Resolution Authority**") with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions while minimising the impact of an institution's failure on the economy and financial system (including taxpayers' exposure to losses).

In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions' resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the "**Bail-in Power**"). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD and the SRM Regulation provide the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

The BRRD, the BRR Act 2015 and the SRM Regulation however also state that, under exceptional circumstances, if the bail-in instrument is applied, the SRB, in cooperation with the CSSF, may completely or partially exclude certain liabilities from the application of the impairment or conversion powers under certain conditions.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The regime has evolved as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called "EU Banking Package", the following legislative texts were published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("**BRRD II**"); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity ("**TLAC**") of credit institutions and investment firms (the

**“SRM II Regulation”** and, together with the BRRD II, the **“EU Banking Package Reforms”**).

The EU Banking Package Reforms introduced, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet (**“FSB TLAC Term Sheet”**), by adapting, among other things, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions' ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC has been implemented in accordance with the FSB TLAC Term Sheet, which impose a level of **“Minimum TLAC”** that will be determined individually for each global systemically important bank (**“G-SIB”**), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets since January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator since January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the **“CRR”**), as amended notably by Regulation (EU) 2019/876 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the **“CRR II”**) and Regulation (EU) 2022/2036 of the European Parliament and of the Council of 19 October 2022 amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institutions with a multiple-point-of-entry resolution strategy and methods for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities, EU G-SIBs, such as Societe Generale, have to comply with TLAC requirements, on top of the MREL requirements, since the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale have to comply with both the TLAC and MREL requirements.

Consequently, the criteria for MREL-eligible liabilities have been closely aligned with the criteria for TLAC-eligible liabilities under CRR II, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance with only an additional return permitted to be linked to that derivative component and dependent on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL is set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance and may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining term of at least one year and, they recognise contractually the Resolution Authority's power to write down or convert the liabilities governed by non-EU law.

The scope of liabilities used to meet MREL includes, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in BRRD, as amended notably by BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that MREL be met with own funds and other subordinated

liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail-in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements apply to resolution groups with assets above EUR 100 billion (top-tier banks, including Societe Generale).



## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.*

The Conditions are set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	2,100,000 European Style Cash Settled Short Certificates relating to the Common Stock of Microsoft Corporation (the “ <b>Underlying Stock</b> ”)
ISIN:	LU2517564816
Company:	Microsoft Corporation (RIC: MSFT.OQ)
Underlying Price and Source:	The closing price of the Underlying Stock on 9 December 2024 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-3x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	USD 5.00
Management Fee (p.a.) <sup>3</sup> :	0.40%
Gap Premium (p.a.) <sup>4</sup> :	11.50%, is a hedging cost against extreme market movements beyond US market close on the same trading day.
Stock Borrowing Cost <sup>5</sup> :	The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.
Rebalancing Cost <sup>5</sup> :	The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.
Launch Date:	3 December 2024
Closing Date:	9 December 2024

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<sup>3</sup> Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to “Fees and Charges” below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

<sup>4</sup> Please note that the Gap Premium is calculated on a 360-day basis.

<sup>5</sup> These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days’ notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Expected Listing Date: 10 December 2024

Last Trading Date: The date falling 5 Business Days immediately preceding the Expiry Date, currently being 27 November 2026

Expiry Date: The Business Day immediately following the Valuation Date, currently being 4 December 2026

Board Lot: 100 Certificates

Valuation Date: 3 December 2026 or if such day is not an Underlying Stock Business Day, the immediately following Underlying Stock Business Day and subject to the Market Disruption Event provisions.

Settlement Date: No later than five Settlement Business Days following the Expiry Date, currently being 11 December 2026.

Exercise: The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

Cash Settlement Amount: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

Closing Level multiplied by the Notional Amount per Certificate

Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 46 to 60 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.

Hedging Fee Factor: In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of  $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$

Where:

“t” refers to “**Observation Date**” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (such Underlying Stock Business Day being noted “t-1”) (included) and the Observation Date “t” (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Inverse Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 46 to 60 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left( \frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the “Specific Definitions relating to the Leverage Inverse Strategy” section on pages 22 to 26 below.

Initial Exchange Rate: 1

Final Exchange Rate:	1
Air Bag Mechanism:	<p>The “<b>Air Bag Mechanism</b>” refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 20% or more (“<b>Air Bag Trigger Price</b>”) during the trading day of the Relevant Stock Exchange for the Underlying Stock (which represents an approximately 60% loss after a 3 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day during the trading hours of the Relevant Stock Exchange for the Underlying Stock. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.</p> <p>The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.</p> <p>Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 24 to 26 below and the “Description of Air Bag Mechanism” section on pages 52 to 53 of this document for further information of the Air Bag Mechanism.</p>
Adjustments and Extraordinary Events:	<p>The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.</p>
Underlying Stock Currency:	United States Dollar (“ <b>USD</b> ”)
Settlement Currency:	USD
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited (“ <b>SGX-ST</b> ”)
Relevant Stock Exchange for the Underlying Stock:	NASDAQ
Related Exchange:	Each exchange or quotation system, or alternative trading system, where trading has a material effect (as determined by the Calculation Agent) on the overall market for the Underlying Stock when the Relevant Stock Exchange for the Underlying Stock is not

open for trading

Underlying Stock Business Day, Business Day or Settlement Business Day: An “**Underlying Stock Business Day**” means a day on which NASDAQ is open for dealings in the United States during its normal trading hours and banks are open for business in the United States.

A “**Business Day**” is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

A “**Settlement Business Day**” is a Business Day on which the banks are open for business in the United States.

Warrant Agent: The Central Depository (Pte) Limited (“**CDP**”)

Clearing System: CDP

Fees and Charges: Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

Investors holding position beyond market close of the SGX-ST would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET. Due to the difference in trading hours of the SGX-ST and the Relevant Stock Exchange for the Underlying Stock, unless investors exit their position within the same SGX-ST trading day, they would bear such annualised costs.

Further Information: Please refer to the website at [dlc.socgen.com](http://dlc.socgen.com) for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

## Specific Definitions relating to the Leverage Inverse Strategy

### Description of the Leverage Inverse Strategy

The Leverage Inverse Strategy is designed to track a 3 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 3 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

### Leverage Inverse Strategy Formula

**LSL<sub>t</sub>** means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

$$LSL_t = \text{Max}[LSL_{t-1} \times (1 + LR_{t-1,t} - FC_{t-1,t} - SB_{t-1,t} - RC_{t-1,t}), 0]$$

**LR<sub>t-1,t</sub>** means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times R_{factor_t}} - 1 \right)$$

**FC<sub>t-1,t</sub>** means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$FC_{t-1,t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{t-1} \times \text{ACT}(t-1, t)}{\text{DayCountBasisRate}}$$

**SB<sub>t-1,t</sub>** means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$SB_{t-1,t} = -\text{Leverage} \times \frac{\text{CB} \times \text{ACT}(t-1, t)}{\text{DayCountBasisRate}}$$

**CB** means the Cost of Borrowing applicable that is equal to 3.00%.

**RC<sub>t-1,t</sub>** means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows:

$$RC_{t-1,t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left| \frac{S_t}{S_{t-1} \times R_{factor_t}} - 1 \right| \right) \times \text{TC}$$

<b>TC</b>	means the Transaction Costs applicable (including brokerage fees and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to:  0.20%
<b>Leverage</b>	-3
<b>S<sub>t</sub></b>	means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.
<b>Rate<sub>t</sub></b>	means, in respect of each Observation Date(t), the US SOFR Secured Overnight Financing Rate, as published on Bloomberg Screen SOFRRATE Index page or any successor page, being the rate as of such Observation Date (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Bloomberg page.
<b>Rfactor<sub>t</sub></b>	means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula:  $Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$ <p>where</p> <p><i>Div<sub>t</sub></i> is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.</p>
<b>ACT(t-1,t)</b>	ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (such Underlying Stock Business Day being noted "t-1") (included) and the Observation Date "t" (excluded).
<b>DayCountBasis Rate</b>	365
<b>Benchmark Fallback</b>	upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Reference Rate Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
<b>Reference Rate Event</b>	means, in respect of the Reference Rate any of the following has occurred or will occur:  (i) a Reference Rate Cessation;  (ii) an Administrator/Benchmark Event; or  (iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of any market-wide

development formally agreed upon by the International Swaps and Derivative Association (ISDA) or the Asia Securities Industry & Financial Markets Association (ASIFMA), pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in order to comply with the recommendations in the Financial Stability Board's paper titled "Reforming Major Interest Rate Benchmarks" dated 22 July 2014.

**Reference Rate Cessation** means, for a Reference Rate, the occurrence of one or more of the following events:

(i) a public statement or publication of information by or on behalf of the administrator of the Reference Rate announcing that it has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate;

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, which states that the administrator of the Reference Rate has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; or

(iii) in respect of a Reference Rate, a public statement or publication of information by the regulatory supervisor for the administrator of such Reference Rate announcing that (a) the regulatory supervisor has determined that such Reference Rate is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that such Reference Rate is intended to measure and that representativeness will not be restored and (b) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts;

**Administrator/  
Benchmark  
Event**

means, for a Reference Rate, any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Rate or the administrator or sponsor of the Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that either the Issuer, the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the Reference Rate to perform its or their respective obligations under the Certificates.

**Reference  
Rate(s)**

means the rate(s) used in the Leverage Inverse Strategy Formula, for example SORA, SOFR and US Federal Funds Effective Rate.

**Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")**

**Extraordinary Strategy  
Adjustment for**

If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date**, noted



**Performance Reasons** hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Inverse Strategy Closing Level on the Intraday Restrike Date ( $LSL_{IRD}$ ) should be computed as follows:

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)} \times (1 + ILR_{IR(n),IR(C)} - IRC_{IR(n),IR(C)}), 0]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)}, 0]$$

**$ILSL_{IR(k)}$**  means, in respect of  $IR(k)$ , the Intraday Leverage Inverse Strategy Level in accordance with the following provisions:

(1) for  $k = 1$ :

$$ILSL_{IR(1)} = \text{Max}[LSL_{IRD-1} \times (1 + ILR_{IR(0),IR(1)} - FC_{IRD-1,IRD} - SB_{IRD-1,IRD} - IRC_{IR(0),IR(1)}), 0]$$

(2) for  $k > 1$ :

$$ILSL_{IR(k)} = \text{Max}[ILSL_{IR(k-1)} \times (1 + ILR_{IR(k-1),IR(k)} - IRC_{IR(k-1),IR(k)}), 0]$$

**$ILR_{IR(k-1),IR(k)}$**  means the Intraday Leveraged Return between  $IR(k-1)$  and  $IR(k)$ , calculated as follows:

$$ILR_{IR(k-1),IR(k)} = \text{Leverage} \times \left( \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right)$$

**$IRC_{IR(k-1),IR(k)}$**  means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of  $IR(k)$  on a given Intraday Restrike Date, calculated as follows:

$$IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left| \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right| \right) \times TC$$

**$IS_{IR(k)}$**  means the Underlying Stock Price in respect of  $IR(k)$  computed as follows:

(1) for  $k=0$

$$IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$$

(2) for  $k=1$  to  $n$

means in respect of  $IR(k)$ , the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to  $IR(C)$

$$IS_{IR(C)} = S_{IRD}$$

In each case, subject to the adjustments and provisions of the Conditions.

**$IR(k)$**  For  $k=0$ , means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;

	For k=1 to n, means the k <sup>th</sup> Intraday Restrike Event on the relevant Intraday Restrike Date.
<b>IR(C)</b>	means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.
<b>n</b>	means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.
<b>Intraday Restrike Event</b>	means in respect of an Observation Date(t): (1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 20% or more compared with the relevant Underlying Stock Price $IS_{IR(0)}$ as of such Calculation Time. (2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 20% or more compared with the relevant Underlying Stock Price $IS_{IR(k)}$ as of such Calculation Time.
<b>Calculation Time</b>	means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.
<b>TimeReferenceOpening</b>	means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
<b>TimeReferenceClosing</b>	means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
<b>Intraday Restrike Event Observation Period</b>	means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes of continuous trading after the Intraday Restrike Event Time and (2) the TimeReferenceClosing. Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.
<b>Intraday Restrike Event Time</b>	means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

## TERMS AND CONDITIONS OF

### THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

#### 1. Form, Status and Guarantee, Transfer and Title

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of: -
- (i) a master instrument by way of deed poll (the “**Master Instrument**”) dated 14 June 2024, made by SG Issuer (the “**Issuer**”) and Société Générale (the “**Guarantor**”); and
  - (ii) a warrant agent agreement (the “**Master Warrant Agent Agreement**” or “**Warrant Agent Agreement**”) dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the “**Certificate Holders**”) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (b) *Status and Guarantee.* The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a “**Guarantee Obligation**”).

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the “**Code**”).

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

- (i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the “**Law**”) on 11 December 2016;
- (ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;
- (iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and
- (iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

- (c) **Transfer.** The Certificates are represented by a global warrant certificate (“**Global Warrant**”) which will be deposited with The Central Depository (Pte) Limited (“**CDP**”). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.
- (d) **Title.** Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression “**Certificate Holder**” shall be construed accordingly.
- (e) **Bail-In.** By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:
  - (i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer’s liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:
    - (A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;
    - (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other

securities or other obligations of the Issuer or the Guarantor or another person;

- (C) the cancellation of the Certificates; and/or
- (D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the regulator,

(the “**Statutory Bail-In**”);

- (ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**Code**”):

- (A) ranking:
  - (1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the Code;
  - (2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the Code; and
  - (3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the Code; and
- (B) which are not *titres non structurés* as defined under Article R.613-28 of the Code, and
- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer’s obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself and any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the “**Contractual Bail-in**”).

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

**“Amounts Due”** means any amounts due by the Issuer under the Certificates.

**“Bail-In Power”** means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, varied or otherwise modified in any way and/or converted into shares or other securities or obligations of the obligor or any other person.

**“MREL”** means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15

May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“**Relevant Resolution Authority**” means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

## 2. Certificate Rights and Exercise Expenses

- (a) *Certificate Rights.* Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The “**Cash Settlement Amount**”, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The “**Closing Level**”, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left( \frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case: -

- (i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

“**Market Disruption Event**” means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

- (b) *Exercise Expenses.* Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the “**Exercise Expenses**”). An

amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

- (c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

### **3. Expiry Date**

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

### **4. Exercise of Certificates**

- (a) *Exercise.* Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).
- (b) *Automatic Exercise.* Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
- (c) *Settlement.* In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Settlement Business Days (as defined in the relevant Supplemental Listing Document and subject to extension upon the occurrence of a Settlement Disruption Event (as defined below)) following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.



If the Issuer determines, in its sole discretion, that on any Settlement Business Day during the period of five Settlement Business Days following the Expiry Date a Settlement Disruption Event has occurred, such Settlement Business Day shall be postponed to the next Settlement Business Day on which the Issuer determines that the Settlement Disruption Event is no longer subsisting and such period shall be extended accordingly, provided that the Issuer and/or the Guarantor shall make their best endeavours to implement remedies as soon as reasonably practicable to eliminate the impact of the Settlement Disruption Event on its/their payment obligations under the Certificates and/or the Guarantee.

**“Settlement Disruption Event”** means the occurrence or existence of any malicious action or attempt initiated to steal, expose, alter, disable or destroy information through unauthorised access to, or maintenance or use of, the Computer Systems of the Issuer, the Guarantor, the Calculation Agent, their respective affiliates (the “SG Group”), their IT service providers, by (and without limitation) the use of malware, ransomware, phishing, denial or disruption of service or cryptojacking or any unauthorized entry, removal, reproduction, transmission, deletion, disclosure or modification preventing the Issuer, the Guarantor and/or the Calculation Agent to perform their obligations under the Certificates, and notwithstanding the implementation of processes, required, as the case may be, by the laws and regulations applicable to the Issuer, the Guarantor, the Calculation Agent and their affiliates, or their IT service providers to improve their resilience to these actions and attempts.

**“Computer System”** means all the computer resources including, in particular: hardware, software packages, software, databases and peripherals, equipment, networks, electronic installations for storing computer data, including Data. The Computer System shall be understood to be that which (i) belongs to the SG Group and/or (ii) is rented, operated or legally held by the SG Group under a contract with the holder of the rights to the said system and/or (iii) is operated on behalf of the SG Group by a third party within the scope of a contractual relationship and/or (iv) is made available to the SG Group under a contract within the framework of a shared system (in particular cloud computing).

**“Data”** means any digital information, stored or used by the Computer System, including confidential data.

- (d) *CDP not liable.* CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.
- (e) *Business Day.* In these Conditions, a **“Business Day”** shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

## 5. Warrant Agent

- (a) *Warrant Agent.* The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the

specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

- (b) *Agent of Issuer.* The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

## 6. Adjustments

- (a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

- (b) *Definitions.* “**Potential Adjustment Event**” means any of the following:

- (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a “spin-off” or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;
- (iii) an extraordinary dividend;
- (iv) a call by the Company in respect of the Underlying Stock that is not fully paid;
- (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

- (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
- (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;
  - (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or
  - (iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the “**Option Reference Source**”) make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

- (d) *Definitions.* “**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. “**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. “**Merger Event**” means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. “**Nationalisation**” means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. “**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.
- (e) *Subdivision or Consolidation of the Certificates.* The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction) and subject to the approval of the SGX-ST.
- (f) *Other Adjustments.* Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it

believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

- (g) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

#### **6A. US withholding tax implications on the Payment**

Notwithstanding any other provision of these Conditions, in no event will the Issuer or the Guarantor be required to pay any additional amounts in respect of the Certificates for, or on account of, any withholding or deduction (i) required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**US Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the US Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto, (ii) imposed pursuant to the Section 871(m) Regulations (“**Section 871(m) Withholding**”) or (iii) imposed by any other law of the United States. In addition, in determining the amount of Section 871(m) Withholding imposed on any payments on the Certificates, the Issuer shall be entitled to withhold on any “dividend equivalent” (as defined for purposes of Section 871(m) of the US Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law.

With respect to Specified Warrants that provide for net dividend reinvestment in respect of either an underlying U.S. security (i.e. a security that pays U.S. source dividends) or an index that includes U.S. securities, all payments on Certificates that reference such U.S. securities or an index that includes U.S. securities may be calculated by reference to dividends on such U.S. securities that are reinvested at a rate of 70%. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer or the Guarantor will be deemed to withhold, 30% of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer or the Guarantor will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

For the purpose of this Condition:

“**Section 871(m) Regulations**” means the U.S. Treasury regulations issued under Section 871(m) of the Code.

“**Specified Warrants**” means, subject to special rules from 2017 through 2026 set out in Notice 2024-44 (the **Notice**), Warrants issued on or after 1 January 2017 that substantially replicate the economic performance of one or more U.S. underlying equities as determined by the Issuer on the date for such Warrants as of which the expected delta of the product is determined by the Issuer, based on tests set out in the applicable Section 871(m) Regulations, such that the Warrants are subject to withholding under the Section 871(m) Regulations.

## 7. Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

## 8. Meetings of Certificate Holders; Modification

- (a) *Meetings of Certificate Holders.* The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

## 9. Notices

- (a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

- (b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

## **10. Liquidation**

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

## **11. Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

## **12. Delisting**

- (a) *Delisting.* If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) *Issuer's Determination.* The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

## **13. Early Termination**

- (a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may

in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(e).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

**“Regulatory Event”** means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the **“Relevant Affiliates”** and each of the Issuer, Société Générale and the Relevant Affiliates, a **“Relevant Entity”**) that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer’s obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer’s obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer’s obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer’s obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer’s capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

**“Change in law”** means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising



executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

- (b) *Early Termination for Holding Limit Event.* The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(e) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

“**Holding Limit Event**” means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

- (c) *Early Termination for Hedging Disruption.* If the Issuer or any of its affiliates is, following commercially reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any Hedge Positions (as defined below) or (ii) to freely realize, recover, receive, repatriate, remit, regain or transfer the proceeds of any Hedge Position (where either (i) or (ii) shall constitute a “**Hedging Disruption**”), the Issuer may terminate the Certificates early in accordance with Condition 13(e) provided that the intrinsic value on the previous trading day of the relevant Certificate is at or above the Issue Price. The Issuer’s decision on whether a Hedging Disruption has occurred is final and conclusive. For the avoidance of doubt, Hedging Disruptions shall include the scenario where any Hedge Position cannot be maintained up to the amount necessary to cover all of the Issuer’s obligations under the Certificates.

For the purposes hereof, “**Hedge Positions**” means any one or more commercially reasonable (i) positions (including long or short positions) or contracts in, or relating to, securities, options, futures, other derivatives contracts or foreign exchange, (ii) stock loan or borrowing transactions or (iii) other instruments, contracts, transactions or arrangements (howsoever described) that the Issuer or any of its affiliates determines necessary to hedge, individually or on a portfolio basis, any risk (including, without limitation, market risk, price risk, foreign exchange risk and interest rate risk) in relation to the assumption and fulfilment of the Issuer’s obligations under the Certificates.

- (d) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(e) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without

considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.

- (e) *Termination.* If the Issuer terminates the Certificates early, the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The determination of the fair market value may deviate from the determination of the Cash Settlement Amount under different scenarios, including but not limited to, where (i) the Daily Reset (as defined in the relevant Supplemental Listing Document) mechanism is suspended and/or (ii) the Final Reference Level is determined based on the closing price of the Underlying Stock on multiple Underlying Stock Business Days or Exchange Business Days, as the case may be. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

#### **14. Substitution of the Issuer**

The Issuer may be replaced by the Guarantor or any subsidiary of the Guarantor as principal obligor in respect of the Certificates without the consent of the relevant Certificate Holders. If the Issuer determines that it shall be replaced by the Guarantor or any subsidiary of the Guarantor (the “**Substituted Obligor**”), it shall give at least 90 days’ notice (exclusive of the day on which the notice is given and of the day on which the substitution is effected) specifying the date of the substitution, in accordance with Condition 9, to the Certificate Holders of such event and, immediately on the expiry of such notice, the Substituted Obligor shall become the principal obligor in place of the Issuer and the Certificate Holders shall thereupon cease to have any rights or claims whatsoever against the Issuer.

Upon any such substitution, all references to the Issuer in the Conditions and all agreements relating to the Certificates will be to the Substituted Obligor and the Certificates will be modified as required, and the Certificate Holders will be notified of the modified terms and conditions of such Certificates in accordance with Condition 9.

For the purposes of this Condition, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing or holding the Certificates, the Certificate Holders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Certificates and all agreements relating thereto and are expressly deemed to have accepted such substitution and the consequences thereof.

#### **15. Governing Law**

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

**16. Prescription**

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

**17. Contracts (Rights of Third Parties) Act 2001 of Singapore**

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act 2001 of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

## SUMMARY OF THE ISSUE

*The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.*

Issuer:	SG Issuer
Company:	Microsoft Corporation
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	2,100,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 14 June 2024 (the “ <b>Master Instrument</b> ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ <b>Master Warrant Agent Agreement</b> ”) and made between the Issuer, the Guarantor and the Warrant Agent (as amended and/or supplemented from time to time).
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to:  Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	USD
Board Lot:	100 Certificates

- Transfers of Certificates: Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
- Listing: Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 10 December 2024.
- Governing Law: The laws of Singapore
- Warrant Agent: The Central Depository (Pte) Limited  
4 Shenton Way  
#02-01 SGX Centre 2  
Singapore 068807
- Further Issues: Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

## INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED SHORT CERTIFICATES ON SINGLE EQUITIES

### What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short certificates on single equities (the “**Certificates**”) are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Inverse Strategy.

#### **A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry**

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will fall and are seeking short-term leveraged inverse exposure to the Underlying Stock.

#### **B) Trading the Certificates before Expiry**

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

- (i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and
- (ii) For Certificate Holders who hold the Certificates beyond market close of the SGX-ST: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost. Due to the difference in trading hours of the SGX-ST and the Relevant Stock Exchange for the Underlying Stock, unless investors exit their position within the same SGX-ST trading day, they would bear the annualised costs.

### Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees
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Daily Fees	=	<b>Daily Management Fee Adjustment</b>
		$1 - \text{Management Fee} \times \text{ACT} (t-1;t) / 360$
		x
		<b>Daily Gap Premium Adjustment</b>
		$1 - \text{Gap Premium} (t-1) \times \text{ACT} (t-1;t) / 360$

### Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

Value of Certificates	=	$t^6=0$	x	$t=1$	x	$t=2$	x ...	$t=i$				
		Notional Amount		Leverage Inverse Strategy daily performance <sup>7</sup>		x		Daily Fees	Leverage Inverse Strategy daily performance	x	Daily Fees	Leverage Inverse Strategy Daily performance

Value of Certificates	=	$t=0$	x	<b>Product of the daily Leverage Inverse Strategy Performance</b>	x	<b>Product of the Daily Fees (Hedging Fee Factor)</b>					
		Notional Amount		Leverage Inverse Strategy daily performance		x	Leverage Inverse Strategy daily performance	x	Daily Fees	x	Daily Fees

Final Value of Certificates	=	$t=0$	x	Final Reference Level x Final Exchange Rate	÷	Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor
		Notional Amount						

### Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday within SGX-ST trading hours, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

<sup>6</sup> "t" refers to "Observation Date" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date on which no Market Disruption Event occurs.

<sup>7</sup> Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse Strategy Closing Level on Business Day (t-1).

## Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you **MUST NOT** rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Common Stock of Microsoft Corporation
Expected Listing Date:	03/07/2018
Expiry Date:	18/07/2018
Initial Reference Level:	1,000
Initial Exchange Rate:	1
Final Reference Level:	1,200
Final Exchange Rate:	1
Issue Price:	5.00 USD
Notional Amount per Certificate:	5.00 USD
Management Fee (p.a.):	0.40%
Gap Premium (p.a.):	11.50%
Strike Level:	Zero

### Hedging Fee Factor

Hedging Fee Factor on the  $n^{\text{th}}$  Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

$$\text{HFF}(0) = 100\%$$

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF}(1) = \text{HFF}(0) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 11.50\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9681\% \approx 99.9669\%$$



Assuming 2<sup>nd</sup> Underlying Stock Business Day falls 3 Calendar Days after 1<sup>st</sup> Underlying Stock Business Day:

$$\text{HFF (2)} = \text{HFF (1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1;t)}{360}\right)$$

$$\text{HFF (2)} = 99.9669\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 11.50\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9669\% \times 99.9967\% \times 99.9042\% \approx 99.8678\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF (n)} = \text{HFF (n - 1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1;t)}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.5053% as illustrated below:

Date	HFF
03/07/2018	100.0000%
04/07/2018	99.9669%
05/07/2018	99.9339%
06/07/2018	99.9009%
09/07/2018	99.8018%
10/07/2018	99.7688%
11/07/2018	99.7358%
12/07/2018	99.7029%
13/07/2018	99.6699%
16/07/2018	99.5711%
17/07/2018	99.5382%
18/07/2018	99.5053%

### Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

$$\text{Closing Level} = [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor}$$

$$= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.5053\%$$

$$= 119.41\%$$

$$\text{Cash Settlement Amount} = \text{Closing Level} \times \text{Notional Amount per Certificate}$$

$$= 119.41\% \times 5.00 \text{ USD}$$

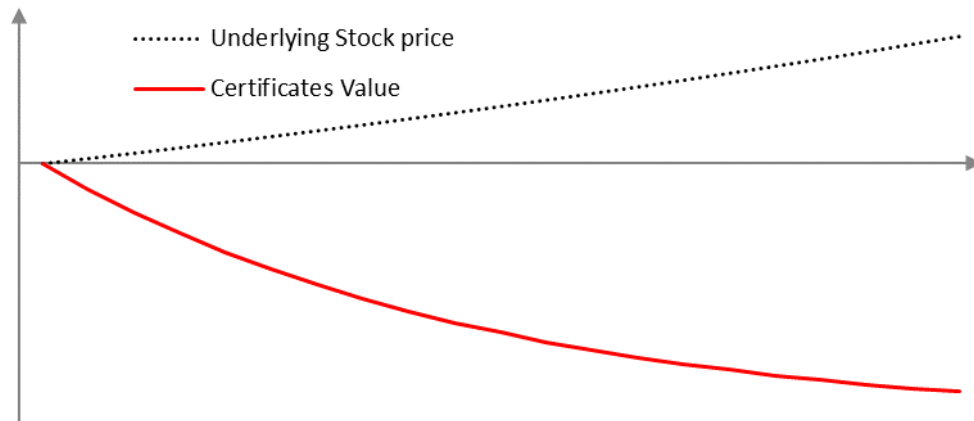
$$= 5.970 \text{ USD}$$

### Illustration on how returns and losses can occur under different scenarios

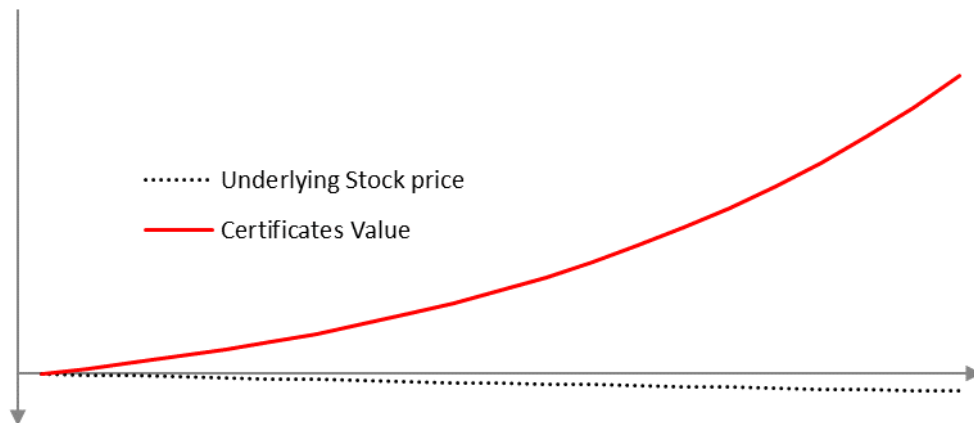
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees or any other market parameters.

#### 1. Illustrative examples

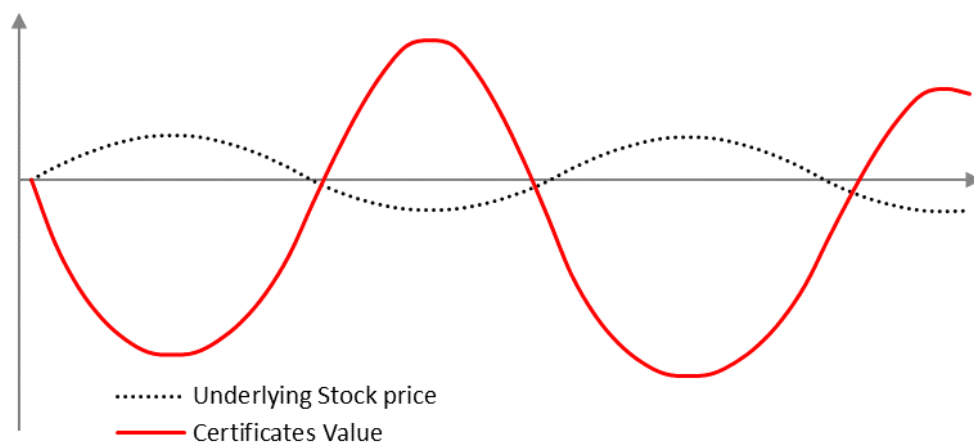
Scenario 1 – Upward Trend (during US trading hours)



Scenario 2 – Downward Trend (during US trading hours)



Scenario 3 – Volatile Market (during US trading hours)



## 2. Numerical Examples

### Scenario 1 – Upward Trend

<b>Underlying Stock</b>						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	2.0%	2.0%	2.0%	2.0%
Value at end of US trading day	10,000.0	10,200.0	10,404.0	10,612.1	10,824.3	11,040.8
Accumulated Return	0.00%	2.00%	4.04%	6.12%	8.24%	10.41%

<b>Value of the Certificates</b>						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-6.0%	-6.0%	-6.0%	-6.0%	-6.0%
Value at end of US trading day	5.00	4.70	4.42	4.15	3.90	3.67
Accumulated Return	0.00%	-6.00%	-11.64%	-16.94%	-21.93%	-26.61%

### Scenario 2 – Downward Trend

<b>Underlying Stock</b>						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Value at end of US trading day	10,000.0	9,800.0	9,604.0	9,411.9	9,223.7	9,039.2
Accumulated Return	0.00%	-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

<b>Value of the Certificates</b>						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		6.0%	6.0%	6.0%	6.0%	6.0%
Value at end of US trading day	5.00	5.30	5.62	5.96	6.31	6.69
Accumulated Return	0.00%	6.00%	12.36%	19.10%	26.25%	33.82%

### Scenario 3 – Volatile Market

<b>Underlying Stock</b>						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	-2.0%	2.0%	-2.0%	2.0%
Value at end of US trading day	10,000.0	10,200.0	9,996.0	10,195.9	9,992.0	10,191.8
Accumulated Return	0.00%	2.00%	-0.04%	1.96%	-0.08%	1.92%

<b>Value of the Certificates</b>						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-6.0%	6.0%	-6.0%	6.0%	-6.0%
Value at end of US trading day	5.00	4.70	4.98	4.68	4.96	4.67
Accumulated Return	0.00%	-6.00%	-0.36%	-6.34%	-0.72%	-6.68%

## Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, the following events occur:

- **Observation Period:** the price of the Underlying Stock is observed and its maximum price is recorded (i) during 15 minutes of continuous trading after the Air Bag is triggered, or (ii) until Market Close if there is less than 15 minutes of continuous trading until Market Close when the Air Bag Mechanism is triggered; and thereafter
- **Reset Period:** the Leverage Inverse Strategy is reset using the maximum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Inverse Strategy after the reset.

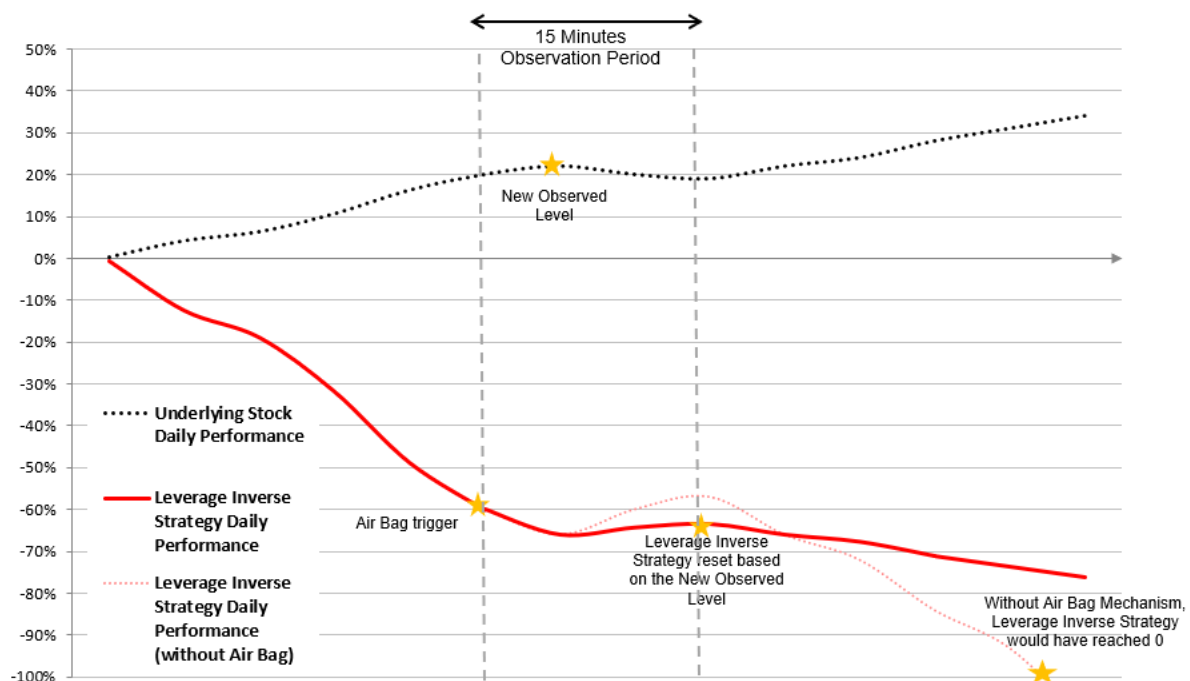
With **Market Close** defined as:

- the Underlying Stock closing time with respect to the Observation Period

The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

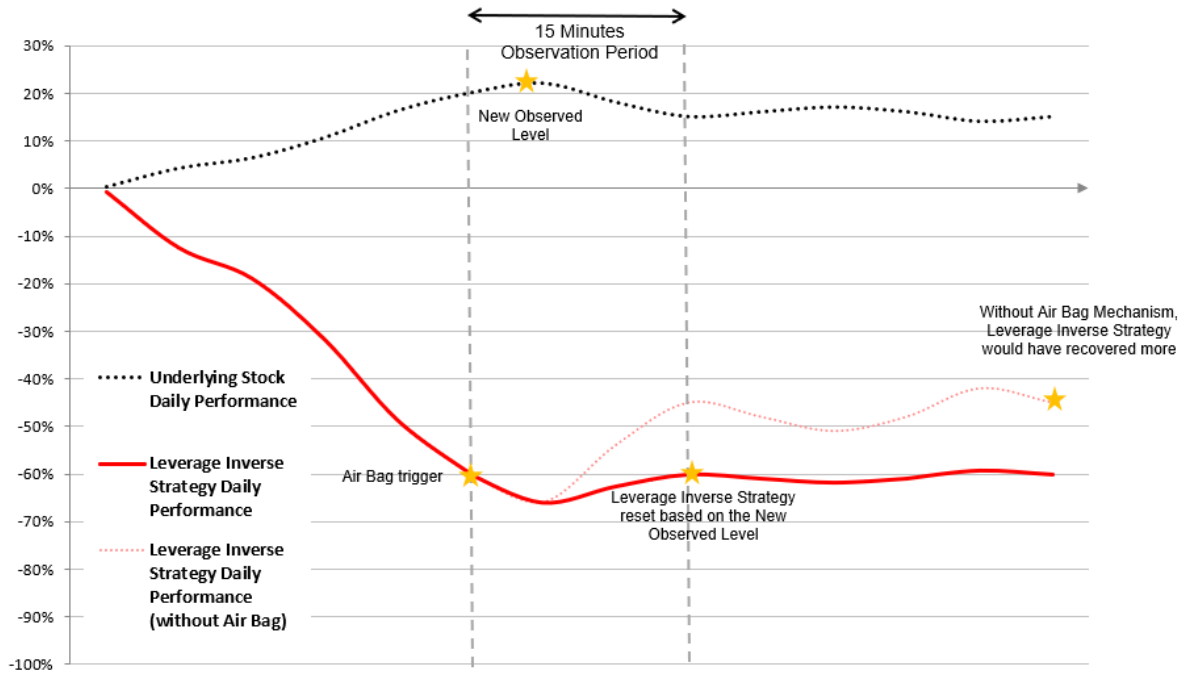
Illustrative examples of the Air Bag Mechanism<sup>8</sup>

### Scenario 1 – Upward Trend after Air Bag trigger (during US trading hours)

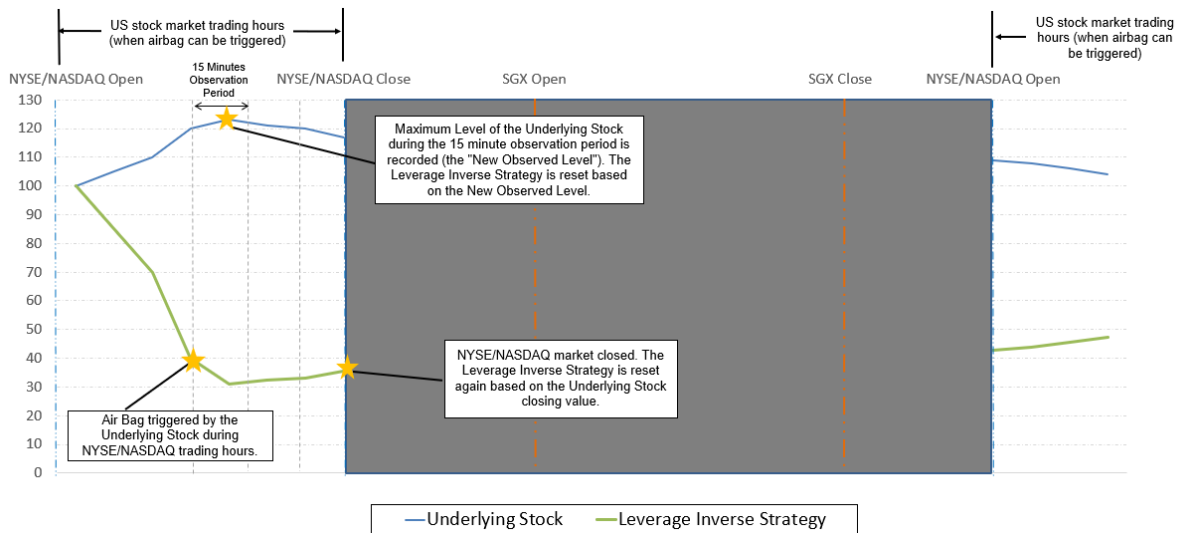


<sup>8</sup> The illustrative examples are not exhaustive. The illustrative examples above are designed to illustrate the impact of the Air Bag Mechanism on the assumption that there will be a residual value in the Certificates following the Air Bag triggers. Please refer to “Scenarios where the investor may lose the entire value of the investment” on pages 54 to 55 on hypothetical scenarios when investors may lose their entire value of the investment.

Scenario 2 – Downward Trend after Air Bag trigger (during US trading hours)



- **The Air Bag Mechanism can only be triggered during trading hours of the Relevant Stock Exchange for the Underlying Stock**

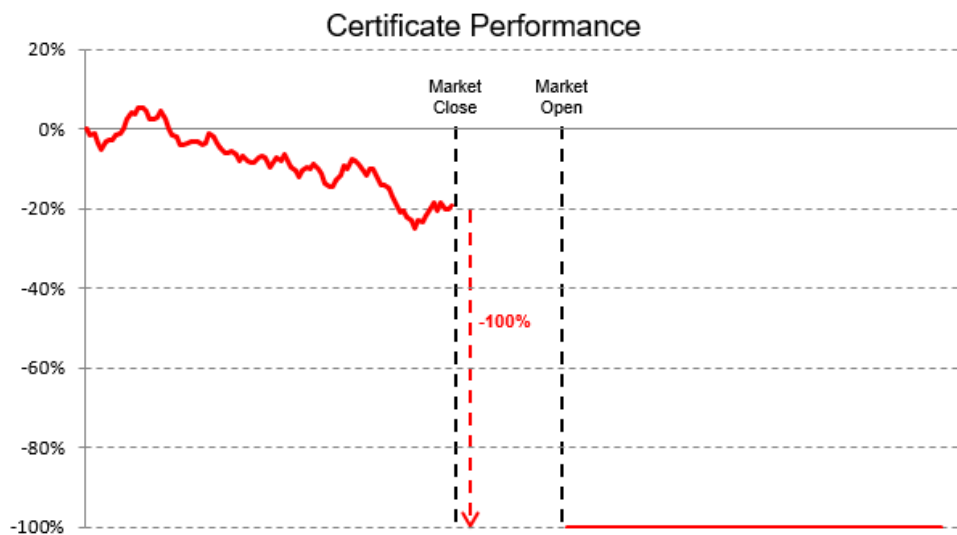
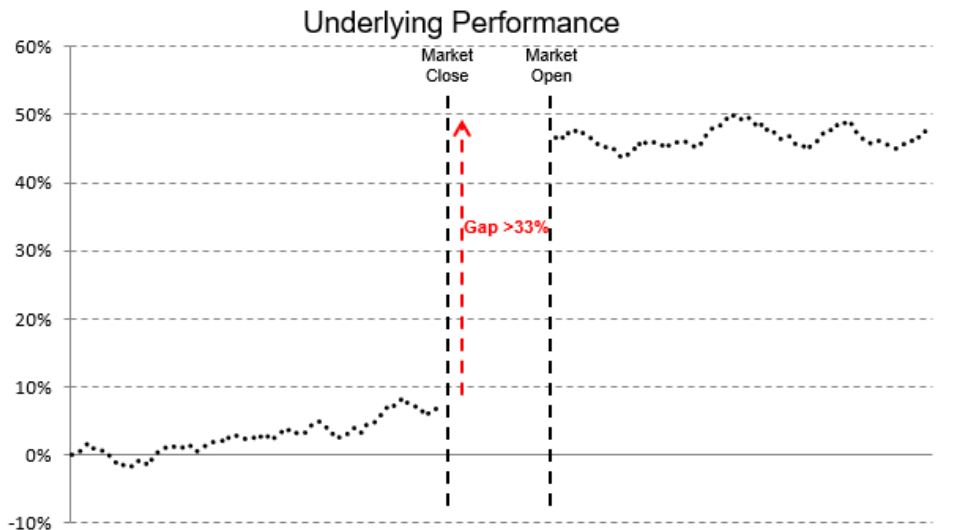


## Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

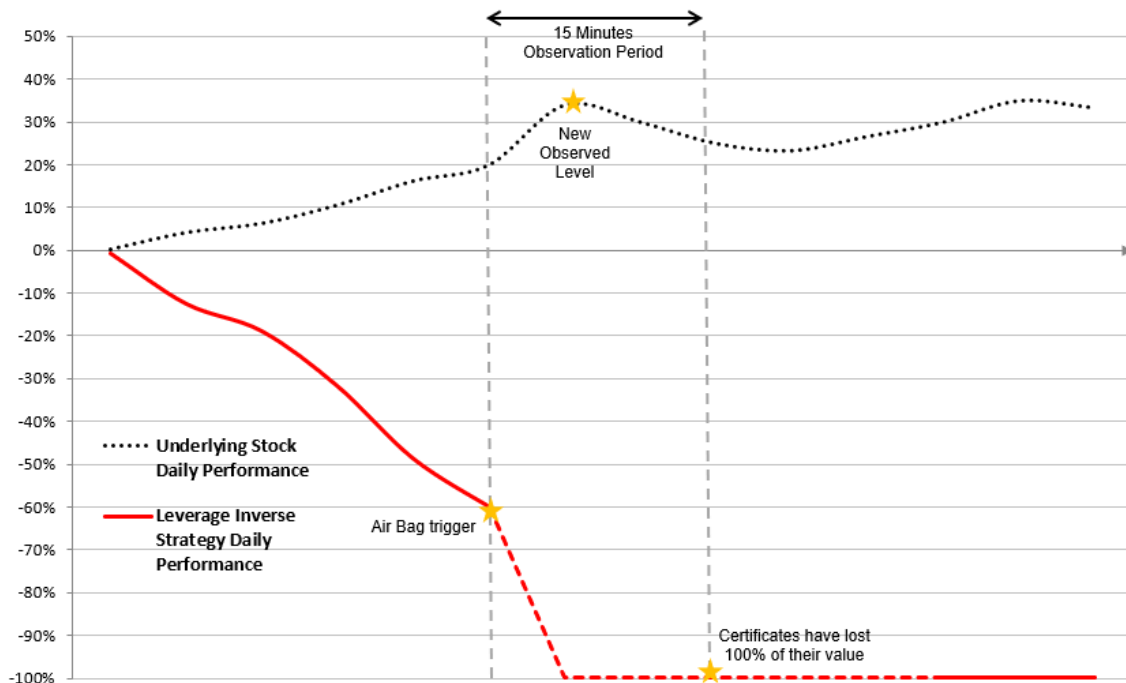
### Scenario 1 – Rise of the Underlying Stock outside of US trading hours

On any Underlying Stock Business Day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous trading day of the Relevant Stock Exchange for the Underlying Stock. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is approximately 33% or more above the closing price on the previous trading day of the Relevant Stock Exchange for the Underlying Stock, the Air Bag Mechanism may only be triggered during the trading hours of the Relevant Stock Exchange for the Underlying Stock, and the Certificates would lose their entire value in such event. In such case, as the Certificates became valueless during the US trading hours, at subsequent SGX-ST open, the DMM may not provide any quotation on the Certificates and the Issuer may apply to suspend trading of the Certificates.



Scenario 2 – Sharp intraday rise of the Underlying Stock during US trading hours

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificates can lose 100% of their value in the event the price of the Underlying Stock rises by approximately 33% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event. In such case, as the Certificates became valueless during the US trading hours, at subsequent SGX-ST open, the DMM may not provide any quotation on the Certificates and the Issuer may apply to suspend trading of the Certificates.



## Examples and illustrations of adjustments due to certain corporate actions

*The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.*

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the  $Rfactor_t$  with respect to such Observation Date (t) by an amount computed according to the following generic formula:

$$Rfactor_t = \left[ 1 - \frac{Div_t + DivExc_t - M \times R}{S_{t-1}} \right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of  $Rfactor_t$  would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag Mechanism would not be triggered if the stock price rises by 20% exclusively because of the dilutive effect of a corporate action.

Where:

$DivExc_t$  is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

**M** is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

**R** is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

### 1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$$S_{t-1} = \$100$$

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$



M = 1 (i.e. 1 new Shares for 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - 2 \times 0}{100} \right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -3 \times \left( \frac{51}{100 \times 50\%} - 1 \right) = -6\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
5.00	4.70	-6%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$60, which is 20% above \$50, the Underlying Stock Reference Price.

## 2. Share Consolidation

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$$S_{t-1} = \$100$$

$$S_t = \$202$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - (-0.5) \times 0}{100} \right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -3 \times \left( \frac{202}{100 \times 200\%} - 1 \right) = -3\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
5.00	4.85	-3%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$240, which is 20% above \$200, the Underlying Stock Reference Price.

### 3. Rights Issues

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of \$40.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

$$R = \$40 \text{ (i.e. subscription price of \$40)}$$

$$M = 0.5 \text{ (i.e. 1 new share for every 2 existing shares)}$$

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - 0.5 \times 40}{100} \right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -3 \times \left( \frac{84}{100 \times 80\%} - 1 \right) = -15\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
5.00	4.25	-15%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$96, which is 20% above \$80, the Underlying Stock Reference Price.

#### 4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$$S_{t-1} = \$100$$

$$S_t = \$85$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$$R = \$0$$

$$M = 0.2 \text{ (i.e. 1 new share for 5 existing shares)}$$

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - 0.2 \times 0}{100} \right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -3 \times \left( \frac{85}{100 \times 83.33\%} - 1 \right) = -6\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
5.00	4.70	-6%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$100, which is 20% above \$83.33, the Underlying Stock Reference Price.

#### 5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$20$$

$$R = \$0$$

$$M = 0$$

$$Rfactor_t = \left[ 1 - \frac{0 + 20 - 0 \times 0}{100} \right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -3 \times \left( \frac{84}{100 \times 80\%} - 1 \right) = -15\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
5.00	4.25	-15%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$96, which is 20% above \$80, the Underlying Stock Reference Price.

## INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of NASDAQ at [www.nasdaq.com](http://www.nasdaq.com) and/or the Company's web-site at <https://www.microsoft.com/en-us/investor/>. The Issuer has not independently verified any of such information.*

Microsoft Corporation (the "**Company**") operates as a software company. The Company offers applications, extra cloud storage, and advanced security solutions. Microsoft serves customers worldwide.

The information set out in Appendix I of this document relates to the quarterly report of the Company and its subsidiaries for the period ended 30 September 2024 and has been extracted and reproduced from an announcement by the Company dated 30 October 2024 in relation to the same. Further information relating to the Company may be located on the web-site of NASDAQ at [www.nasdaq.com](http://www.nasdaq.com).

## INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker (“DMM”) for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

- (a) Maximum bid and offer spread : (i) when the best bid price of the Certificate is US\$10 and below: 10 ticks or US\$0.20 whichever is greater; and  
(ii) when the best bid price of the Certificate is above US\$10: 5% of the best bid price of the Certificate.
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide quotations in the following circumstances:

- (i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;
- (ii) if the Certificates are valueless (where the Issuer’s bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);
- (iii) when trading in the Underlying Stock is suspended or limited in a material way for any reason (including price quote limits activated by the Relevant Stock Exchange for the Underlying Stock or otherwise<sup>9</sup>), for the avoidance of doubt, the DMM is not obliged to provide quotation for the Certificate at any time when the Underlying Stock is not negotiated/traded for any reason during the last trading session of the Relevant Stock Exchange for the Underlying Stock;
- (iv) when trading of the Underlying Stock on any Related Exchange, or access to pricing information of the Underlying Stock on any Related Exchange is suspended, not available, or limited in a material way for any reason (including price quote limits activated by the Related Exchange on such Underlying Stock or otherwise);
- (v) where the Certificates are suspended from trading for any reason including, but without limitation, as a result of trading in the Underlying Stock on any Related Exchange being suspended, or trading generally on any Related Exchange being suspended;
- (vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or the Relevant Stock Exchange for the Underlying Stock<sup>9</sup> or any Related Exchange for the Underlying Stock, or

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<sup>9</sup> Price quote limits activated by the Relevant Stock Exchange for the Underlying Stock are not applicable to the market making of the Certificates (as defined herein).

any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock, or in trading of the Underlying Stock on any Related Exchange;

- (vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;
- (viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;
- (ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide bid quotations. The DMM may provide intermittent offer quotations when it has inventory of the Certificates;
- (x) if the SGX-ST, the Relevant Stock Exchange for the Underlying Stock or any Related Exchange experiences exceptional price movement and volatility;
- (xi) when any Related Exchange(s) relating to the trading of the Underlying Stock and the Relevant Stock Exchange for the Underlying Stock are not open for dealings concurrently;
- (xii) when it is a public holiday in Singapore and the SGX-ST is not open for dealings; and
- (xiii) during trading hours of the SGX-ST on any Business Day when it is a public holiday in the United States and the Relevant Stock Exchange for the Underlying Stock is not open for dealings.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Business Day immediately preceding the Expiry Date.

## **SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR**

The information set out in Appendix II of this document is a reproduction of the press release dated 31 October 2024 containing the Guarantor's consolidated financial results for the third quarter ended 30 September 2024.

On 23 September 2024, the share capital of Société Générale stands at EUR 1,000,395,971.25 and comprises 800,316,777 shares with a nominal value of EUR 1.25 per share.



## SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with the information set out in the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.
2. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in United States Dollar. For further details on the transfer of Certificates and their exercise, please refer to the section headed “Summary of the Issue” above.
3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 30 June 2024 or the Guarantor since 30 September 2024, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
  - (a) the Guarantee;
  - (b) the Master Instrument; and
  - (c) the Master Warrant Agent Agreement.

None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The reports of the Auditors of the Issuer and the Guarantor were not prepared exclusively for incorporation into this document.

The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.
7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.
8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.
9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale,

Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;
- (b) the latest financial reports (including the notes thereto) of the Issuer;
- (c) the latest financial reports (including the notes thereto) of the Guarantor;
- (d) the Base Listing Document (which can also be viewed at: <https://www.sgx.com/securities/prospectus-circulars-offer-documents>);
- (e) this document; and
- (f) the Guarantee.

## PLACING AND SALE

### General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall be deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

### Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act 2001 of Singapore.

### Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong ("SFO")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("CWUMPO") or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made

available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

### **United Kingdom**

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
  - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

Each dealer further represents and agrees, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

- (a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or

dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

### **United States**

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it is not a U.S. Person, (ii) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (iii) it is not purchasing any Certificates, directly or indirectly, in the United States or for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S.

person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term “**United States**” includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term “**U.S. person**” means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986 (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the “**CEA**”) or any rules thereunder of the CFTC (the “**CFTC Rules**”), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a “Non-United States person” defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not “Non-United States persons”, shall be considered a U.S. person), or (iv) a U.S. Person for purposes of the final rules implementing the credit risk retention requirements of Section 15G of the U.S. Securities Exchange Act of 1934, as amended.

## **APPENDIX I**

### **REPRODUCTION OF THE QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2024 OF MICROSOFT CORPORATION AND ITS SUBSIDIARIES**

The information set out below is a reproduction of the quarterly report of the Company and its subsidiaries for the period ended 30 September 2024 and has been extracted and reproduced from an announcement by the Company dated 30 October 2024 in relation to the same.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2024

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From

to

Commission File Number 001-37845

**MICROSOFT CORPORATION**

WASHINGTON  
(STATE OF INCORPORATION)

91-1144442  
(I.R.S. ID)

ONE MICROSOFT WAY, REDMOND, WASHINGTON 98052-6399  
(425) 882-8080  
www.microsoft.com/investor

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, \$0.00000625 par value per share	MSFT	NASDAQ
3.125% Notes due 2028	MSFT	NASDAQ
2.625% Notes due 2033	MSFT	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer   
Non-accelerated Filer

Accelerated Filer   
Smaller Reporting Company   
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 24, 2024
Common Stock, \$0.00000625 par value per share	7,434,880,776 shares



**MICROSOFT CORPORATION**  
**FORM 10-Q**  
**For the Quarter Ended September 30, 2024**  
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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**INCOME STATEMENTS**

(In millions, except per share amounts) (Unaudited)

Three Months Ended September 30,	2024	2023
<b>Revenue:</b>		
Product	\$ 15,272	\$ 15,535
Service and other	50,313	40,982
<b>Total revenue</b>	<b>65,585</b>	<b>56,517</b>
<b>Cost of revenue:</b>		
Product	3,294	3,531
Service and other	16,805	12,771
<b>Total cost of revenue</b>	<b>20,099</b>	<b>16,302</b>
<b>Gross margin</b>	<b>45,486</b>	<b>40,215</b>
Research and development	7,544	6,659
Sales and marketing	5,717	5,187
General and administrative	1,673	1,474
<b>Operating income</b>	<b>30,552</b>	<b>26,895</b>
Other income (expense), net	(283)	389
<b>Income before income taxes</b>	<b>30,269</b>	<b>27,284</b>
Provision for income taxes	5,602	4,993
<b>Net income</b>	<b>\$ 24,667</b>	<b>\$ 22,291</b>
<b>Earnings per share:</b>		
Basic	\$ 3.32	\$ 3.00
Diluted	\$ 3.30	\$ 2.99
<b>Weighted average shares outstanding:</b>		
Basic	7,433	7,429
Diluted	7,470	7,462

Refer to accompanying notes.

**COMPREHENSIVE INCOME STATEMENTS**

(In millions) (Unaudited)

Three Months Ended September 30,	2024	2023
Net income	\$ 24,667	\$ 22,291
Other comprehensive income (loss), net of tax:		
Net change related to derivatives	(10)	21
Net change related to investments	1,114	(260)
Translation adjustments and other	304	(355)
Other comprehensive income (loss)	1,408	(594)
Comprehensive income	\$ 26,075	\$ 21,697

Refer to accompanying notes.

**BALANCE SHEETS**

(In millions) (Unaudited)

	September 30, 2024	June 30, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 20,840	\$ 18,315
Short-term investments	57,588	57,228
Total cash, cash equivalents, and short-term investments	78,428	75,543
Accounts receivable, net of allowance for doubtful accounts of \$647 and \$830	44,148	56,924
Inventories	1,626	1,246
Other current assets	25,724	26,021
Total current assets	149,926	159,734
Property and equipment, net of accumulated depreciation of \$80,517 and \$76,421	152,863	135,591
Operating lease right-of-use assets	20,528	18,961
Equity and other investments	15,778	14,600
Goodwill	119,374	119,220
Intangible assets, net	26,751	27,597
Other long-term assets	37,793	36,460
Total assets	\$ 523,013	\$ 512,163
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 22,768	\$ 21,996
Short-term debt	0	6,693
Current portion of long-term debt	2,249	2,249
Accrued compensation	8,326	12,564
Short-term income taxes	9,717	5,017
Short-term unearned revenue	53,026	57,582
Other current liabilities	19,114	19,185
Total current liabilities	115,200	125,286
Long-term debt	42,868	42,688
Long-term income taxes	24,452	27,931
Long-term unearned revenue	2,663	2,602
Deferred income taxes	2,581	2,618
Operating lease liabilities	16,361	15,497
Other long-term liabilities	31,165	27,064
Total liabilities	235,290	243,686
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital – shares authorized 24,000; outstanding 7,436 and 7,434	102,976	100,923
Retained earnings	188,929	173,144
Accumulated other comprehensive loss	(4,182)	(5,590)
Total stockholders' equity	287,723	268,477
Total liabilities and stockholders' equity	\$ 523,013	\$ 512,163

Refer to accompanying notes.

**CASH FLOWS STATEMENTS**

(In millions) (Unaudited)

Three Months Ended September 30,	2024	2023
<b>Operations</b>		
Net income	\$ 24,667	\$ 22,291
Adjustments to reconcile net income to net cash from operations:		
Depreciation, amortization, and other	7,383	3,921
Stock-based compensation expense	2,832	2,507
Net recognized losses (gains) on investments and derivatives	(125)	14
Deferred income taxes	(1,433)	(568)
Changes in operating assets and liabilities:		
Accounts receivable	14,037	11,034
Inventories	(373)	(505)
Other current assets	(82)	(796)
Other long-term assets	(1,761)	(2,013)
Accounts payable	(916)	1,214
Unearned revenue	(5,553)	(4,126)
Income taxes	1,016	1,425
Other current liabilities	(5,479)	(4,106)
Other long-term liabilities	(33)	291
Net cash from operations	<b>34,180</b>	<b>30,583</b>
<b>Financing</b>		
Proceeds from issuance (repayments) of debt, maturities of 90 days or less, net	(5,746)	18,692
Proceeds from issuance of debt	0	7,073
Repayments of debt	(966)	(1,500)
Common stock issued	706	685
Common stock repurchased	(4,107)	(4,831)
Common stock cash dividends paid	(5,574)	(5,051)
Other, net	(889)	(307)
Net cash from (used in) financing	<b>(16,576)</b>	<b>14,761</b>
<b>Investing</b>		
Additions to property and equipment	(14,923)	(9,917)
Acquisition of companies, net of cash acquired, and purchases of intangible and other assets	(1,849)	(1,186)
Purchases of investments	(1,620)	(8,460)
Maturities of investments	2,136	15,718
Sales of investments	1,968	5,330
Other, net	(913)	(982)
Net cash from (used in) investing	<b>(15,201)</b>	<b>503</b>
Effect of foreign exchange rates on cash and cash equivalents	122	(99)
Net change in cash and cash equivalents	<b>2,525</b>	<b>45,748</b>
Cash and cash equivalents, beginning of period	<b>18,315</b>	<b>34,704</b>
Cash and cash equivalents, end of period	<b>\$ 20,840</b>	<b>\$ 80,452</b>

Refer to accompanying notes.

**STOCKHOLDERS' EQUITY STATEMENTS**

(In millions, except per share amounts) (Unaudited)

Three Months Ended September 30,	2024	2023
<b>Common stock and paid-in capital</b>		
Balance, beginning of period	\$ 100,923	\$ 93,718
Common stock issued	706	685
Common stock repurchased	(1,485)	(1,401)
Stock-based compensation expense	2,832	2,507
Other, net	0	(1)
Balance, end of period	102,976	95,508
<b>Retained earnings</b>		
Balance, beginning of period	173,144	118,848
Net income	24,667	22,291
Common stock cash dividends	(6,171)	(5,571)
Common stock repurchased	(2,711)	(3,425)
Balance, end of period	188,929	132,143
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of period	(5,590)	(6,343)
Other comprehensive income (loss)	1,408	(594)
Balance, end of period	(4,182)	(6,937)
Total stockholders' equity	\$ 287,723	\$ 220,714
Cash dividends declared per common share	\$ 0.83	\$ 0.75

Refer to accompanying notes.

**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1 — ACCOUNTING POLICIES**

**Accounting Principles**

Our unaudited interim consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Microsoft Corporation fiscal year 2024 Form 10-K filed with the U.S. Securities and Exchange Commission on July 30, 2024.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Microsoft Corporation and its subsidiaries. Intercompany transactions and balances have been eliminated.

**Recast of Certain Prior Period Information**

In August 2024, we announced changes to the composition of our segments. These changes align our segments with how we currently manage our business, most notably bringing the commercial components of Microsoft 365 together in the Productivity and Business Processes segment. Beginning in fiscal year 2025, the information that our chief operating decision maker is regularly provided and reviews for purposes of allocating resources and assessing performance reflects these segment changes. Prior period segment information has been recast to conform to the way we internally manage and monitor our business during fiscal year 2025. These changes impacted Note 8 – Goodwill, Note 12 – Unearned Revenue, and Note 17 – Segment Information and Geographic Data.

The recast of prior period information had no impact on our consolidated balance sheets, consolidated income statements, or consolidated cash flows statements.

**Estimates and Assumptions**

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Examples of estimates and assumptions include: for revenue recognition, determining the nature and timing of satisfaction of performance obligations, and determining the standalone selling price of performance obligations, variable consideration, and other obligations such as product returns and refunds; loss contingencies; product warranties; the fair value of and/or potential impairment of goodwill and intangible assets for our reporting units; product life cycles; useful lives of our tangible and intangible assets; allowances for doubtful accounts; the market value of, and demand for, our inventory; stock-based compensation forfeiture rates; when technological feasibility is achieved for our products; the potential outcome of uncertain tax positions that have been recognized in our consolidated financial statements or tax returns; and determining the timing and amount of impairments for investments. Actual results and outcomes may differ from management’s estimates and assumptions due to risks and uncertainties.

**Financial Instruments**

***Investments***

We consider all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. The fair values of these investments approximate their carrying values. In general, investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations.

Debt investments are classified as available-for-sale and realized gains and losses are recorded using the specific identification method. Changes in fair value, excluding credit losses and impairments, are recorded in other comprehensive income. Fair value is calculated based on publicly available market information or other estimates determined by management. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. To determine credit losses, we employ a systematic methodology that considers available quantitative and qualitative evidence. In addition, we consider specific adverse conditions related to the financial health of, and business outlook for, the investee. If we have plans to sell the security or it is more likely than not that we will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in other income (expense), net and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, we may incur future impairments.

Equity investments with readily determinable fair values are measured at fair value. Equity investments without readily determinable fair values are measured using the equity method or measured at cost with adjustments for observable changes in price or impairments (referred to as the measurement alternative). We perform a qualitative assessment on a periodic basis and recognize an impairment if there are sufficient indicators that the fair value of the investment is less than carrying value. Changes in value are recorded in other income (expense), net.

Investments that are considered variable interest entities (“VIEs”) are evaluated to determine whether we are the primary beneficiary of the VIE, in which case we would be required to consolidate the entity. We evaluate whether we have (1) the power to direct the activities that most significantly impact the VIE’s economic performance, and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. We have determined we are not the primary beneficiary of any of our VIE investments. Therefore, our VIE investments are not consolidated and the majority are accounted for under the equity method of accounting. We have an investment in OpenAI Global, LLC (“OpenAI”) and have made total funding commitments of \$13 billion. The investment is accounted for under the equity method of accounting.

### **Derivatives**

Derivative instruments are recognized as either assets or liabilities and measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

For derivative instruments designated as fair value hedges, gains and losses are recognized in other income (expense), net with offsetting gains and losses on the hedged items. Gains and losses representing hedge components excluded from the assessment of effectiveness are recognized in other income (expense), net.

For derivative instruments designated as cash flow hedges, gains and losses are initially reported as a component of other comprehensive income and subsequently recognized in other income (expense), net with the corresponding hedged item. Gains and losses representing hedge components excluded from the assessment of effectiveness are recognized in other income (expense), net.

For derivative instruments that are not designated as hedges, gains and losses from changes in fair values are primarily recognized in other income (expense), net.

### **Fair Value Measurements**

We account for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. We categorize each of our fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- *Level 1* – inputs are based upon unadjusted quoted prices for identical instruments in active markets. Our Level 1 investments include U.S. government securities, common and preferred stock, and mutual funds. Our Level 1 derivative assets and liabilities include those actively traded on exchanges.



- *Level 2* – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g. the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices for currencies. Our Level 2 investments include commercial paper, certificates of deposit, U.S. agency securities, foreign government bonds, mortgage- and asset-backed securities, corporate notes and bonds, and municipal securities. Our Level 2 derivative assets and liabilities include certain cleared swap contracts and over-the-counter forward, option, and swap contracts.
- *Level 3* – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models. Our Level 3 assets and liabilities include investments in corporate notes and bonds, municipal securities, and goodwill and intangible assets, when they are recorded at fair value due to an impairment charge. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.

We measure equity investments without readily determinable fair values on a nonrecurring basis. The fair values of these investments are determined based on valuation techniques using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections.

Our other current financial assets and current financial liabilities have fair values that approximate their carrying values.

### **Contract Balances and Other Receivables**

As of September 30, 2024 and June 30, 2024, long-term accounts receivable, net of allowance for doubtful accounts, was \$4.8 billion and \$4.9 billion, respectively, and is included in other long-term assets in our consolidated balance sheets.

As of September 30, 2024 and June 30, 2024, other receivables related to activities to facilitate the purchase of server components were \$11.4 billion and \$10.5 billion, respectively, and are included in other current assets in our consolidated balance sheets.

We record financing receivables when we offer certain of our customers the option to acquire our software products and services offerings through a financing program in a limited number of countries. As of September 30, 2024 and June 30, 2024, our financing receivables, net were \$4.3 billion and \$4.5 billion, respectively, for short-term and long-term financing receivables, which are included in other current assets and other long-term assets in our consolidated balance sheets. We record an allowance to cover expected losses based on troubled accounts, historical experience, and other currently available evidence.

### **Related Party Transactions**

In March 2024, we entered into an agreement with Inflection AI, Inc. (“Inflection”), pursuant to which we obtained a non-exclusive license to Inflection’s intellectual property. Reid Hoffman, a member of our Board of Directors, is a co-founder of and serves on the board of directors of Inflection. As of the date of the agreement with Inflection, Reprogrammed Interchange LLC (“Reprogrammed”) and entities affiliated with Greylock Ventures (“Greylock”) each held less than a 10% equity interest in Inflection. Mr. Hoffman may be deemed to beneficially own the shares held by Reprogrammed and Greylock by virtue of his relationship with such entities. Mr. Hoffman did not participate in any portions of the meetings of our Board of Directors or any committee thereof to review and approve the transaction with Inflection.

## Recent Accounting Guidance

### Segment Reporting – Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board (“FASB”) issued a new standard to improve reportable segment disclosures. The guidance expands the disclosures required for reportable segments in our annual and interim consolidated financial statements, primarily through enhanced disclosures about significant segment expenses. The standard will be effective for us beginning with our annual reporting for fiscal year 2025 and interim periods thereafter, with early adoption permitted. We are currently evaluating the impact of this standard on our segment disclosures.

### Income Taxes – Improvements to Income Tax Disclosures

In December 2023, the FASB issued a new standard to improve income tax disclosures. The guidance requires disclosure of disaggregated income taxes paid, prescribes standardized categories for the components of the effective tax rate reconciliation, and modifies other income tax-related disclosures. The standard will be effective for us beginning with our annual reporting for fiscal year 2026, with early adoption permitted. We are currently evaluating the impact of this standard on our income tax disclosures.

## NOTE 2 — EARNINGS PER SHARE

Basic earnings per share (“EPS”) is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted EPS is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and stock awards.

The components of basic and diluted EPS were as follows:

(In millions, except earnings per share)

Three Months Ended September 30,	2024	2023
Net income available for common shareholders (A)	\$ 24,667	\$ 22,291
Weighted average outstanding shares of common stock (B)	7,433	7,429
Dilutive effect of stock-based awards	37	33
Common stock and common stock equivalents (C)	7,470	7,462
<b>Earnings Per Share</b>		
Basic (A/B)	\$ 3.32	\$ 3.00
Diluted (A/C)	\$ 3.30	\$ 2.99

Anti-dilutive stock-based awards excluded from the calculations of diluted EPS were immaterial during the periods presented.

NOTE 3 — OTHER INCOME (EXPENSE), NET

The components of other income (expense), net were as follows:

(In millions)

Three Months Ended September 30,	2024	2023
Interest and dividends income	\$ 681	\$ 1,166
Interest expense	(582)	(525)
Net recognized gains (losses) on investments	463	(107)
Net gains (losses) on derivatives	(338)	93
Net gains (losses) on foreign currency remeasurements	176	(101)
Other, net	(683)	(137)
<b>Total</b>	<b>\$ (283)</b>	<b>\$ 389</b>

Other, net primarily reflects net recognized losses on equity method investments, including OpenAI.

**Net Recognized Gains (Losses) on Investments**

Net recognized gains (losses) on debt investments were as follows:

(In millions)

Three Months Ended September 30,	2024	2023
Realized gains from sales of available-for-sale securities	\$ 8	\$ 2
Realized losses from sales of available-for-sale securities	(15)	(25)
Impairments and allowance for credit losses	12	(6)
<b>Total</b>	<b>\$ 5</b>	<b>\$ (29)</b>

Net recognized gains (losses) on equity investments were as follows:

(In millions)

Three Months Ended September 30,	2024	2023
Net realized gains on investments sold	\$ 65	\$ 45
Net unrealized gains (losses) on investments still held	412	(123)
Impairments of investments	(19)	0
<b>Total</b>	<b>\$ 458</b>	<b>\$ (78)</b>

NOTE 4 — INVESTMENTS

Investment Components

The components of investments were as follows:

(In millions)	Fair Value Level	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Recorded Basis	Cash and Cash Equivalents	Short-term Investments	Equity and Other Investments
<b>September 30, 2024</b>								
<b>Changes in Fair Value Recorded in Other Comprehensive Income</b>								
Commercial paper	Level 2	\$ 6,513	\$ 0	\$ 0	\$ 6,513	\$ 6,513	\$ 0	\$ 0
Certificates of deposit	Level 2	2,899	0	0	2,899	2,855	44	0
U.S. government securities	Level 1	48,764	16	(1,828)	46,952	0	46,952	0
U.S. agency securities	Level 2	17	0	0	17	0	17	0
Foreign government bonds	Level 2	288	8	(9)	287	0	287	0
Mortgage- and asset-backed securities	Level 2	937	10	(22)	925	0	925	0
Corporate notes and bonds	Level 2	8,932	114	(166)	8,880	0	8,880	0
Corporate notes and bonds	Level 3	1,639	0	(1)	1,638	0	138	1,500
Municipal securities	Level 2	263	2	(8)	257	0	257	0
Municipal securities	Level 3	104	0	(15)	89	0	89	0
<b>Total debt investments</b>		<b>\$ 70,356</b>	<b>\$ 150</b>	<b>\$ (2,049)</b>	<b>\$ 68,457</b>	<b>\$ 9,368</b>	<b>\$ 57,589</b>	<b>\$ 1,500</b>
<b>Changes in Fair Value Recorded in Net Income</b>								
Equity investments	Level 1				\$ 4,252	\$ 884	\$ 0	\$ 3,368
Equity investments	Other				10,910	0	0	10,910
<b>Total equity investments</b>					<b>\$ 15,162</b>	<b>\$ 884</b>	<b>\$ 0</b>	<b>\$ 14,278</b>
Cash					\$ 10,588	\$ 10,588	\$ 0	\$ 0
Derivatives, net <sup>(a)</sup>					(1)	0	(1)	0
<b>Total</b>					<b>\$ 94,206</b>	<b>\$ 20,840</b>	<b>\$ 57,588</b>	<b>\$ 15,778</b>

PART I  
Item 1

(In millions)	Fair Value Level	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Recorded Basis	Cash and Cash Equivalents	Short-term Investments	Equity and Other Investments
<b>June 30, 2024</b>								
<b>Changes in Fair Value Recorded in Other Comprehensive Income</b>								
Commercial paper	Level 2	\$ 4,666	\$ 0	\$ 0	\$ 4,666	\$ 4,666	\$ 0	\$ 0
Certificates of deposit	Level 2	1,547	0	0	1,547	1,503	44	0
U.S. government securities	Level 1	49,603	4	(2,948)	46,659	14	46,645	0
U.S. agency securities	Level 2	17	0	0	17	0	17	0
Foreign government bonds	Level 2	319	3	(16)	306	0	306	0
Mortgage- and asset-backed securities	Level 2	944	3	(35)	912	0	912	0
Corporate notes and bonds	Level 2	9,106	28	(318)	8,816	0	8,816	0
Corporate notes and bonds	Level 3	1,641	0	(1)	1,640	0	140	1,500
Municipal securities	Level 2	262	0	(13)	249	0	249	0
Municipal securities	Level 3	104	0	(17)	87	0	87	0
<b>Total debt investments</b>		<b>\$ 68,209</b>	<b>\$ 38</b>	<b>\$ (3,348)</b>	<b>\$ 64,899</b>	<b>\$ 6,183</b>	<b>\$ 57,216</b>	<b>\$ 1,500</b>
<b>Changes in Fair Value Recorded in Net Income</b>								
Equity investments	Level 1				\$ 3,547	\$ 561	\$ 0	\$ 2,986
Equity investments	Other				10,114	0	0	10,114
<b>Total equity investments</b>					<b>\$ 13,661</b>	<b>\$ 561</b>	<b>\$ 0</b>	<b>\$ 13,100</b>
Cash					\$ 11,571	\$ 11,571	\$ 0	\$ 0
Derivatives, net <sup>(a)</sup>					12	0	12	0
<b>Total</b>					<b>\$ 90,143</b>	<b>\$ 18,315</b>	<b>\$ 57,228</b>	<b>\$ 14,600</b>

(a) Refer to Note 5 – Derivatives for further information on the fair value of our derivative instruments.

Equity investments presented as “Other” in the tables above include investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments, measured using the equity method, or measured at fair value using net asset value as a practical expedient which are not categorized in the fair value hierarchy. As of September 30, 2024 and June 30, 2024, equity investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments were \$3.8 billion and \$3.9 billion, respectively, and equity investments measured using the equity method were \$6.8 billion and \$6.0 billion, respectively.

## Unrealized Losses on Debt Investments

Debt investments with continuous unrealized losses for less than 12 months and 12 months or greater and their related fair values were as follows:

(In millions)	Less than 12 Months		12 Months or Greater		Total Fair Value	Total Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
<b>September 30, 2024</b>						
U.S. government and agency securities	\$ 146	\$ (2)	\$ 46,240	\$ (1,826)	\$ 46,386	\$ (1,828)
Foreign government bonds	12	(1)	144	(8)	156	(9)
Mortgage- and asset-backed securities	0	0	287	(22)	287	(22)
Corporate notes and bonds	134	(1)	4,963	(166)	5,097	(167)
Municipal securities	0	0	242	(23)	242	(23)
<b>Total</b>	<b>\$ 292</b>	<b>\$ (4)</b>	<b>\$ 51,876</b>	<b>\$ (2,045)</b>	<b>\$ 52,168</b>	<b>\$ (2,049)</b>

(In millions)	Less than 12 Months		12 Months or Greater		Total Fair Value	Total Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
<b>June 30, 2024</b>						
U.S. government and agency securities	\$ 529	\$ (12)	\$ 45,821	\$ (2,936)	\$ 46,350	\$ (2,948)
Foreign government bonds	79	(2)	180	(14)	259	(16)
Mortgage- and asset-backed securities	201	(1)	409	(34)	610	(35)
Corporate notes and bonds	1,310	(9)	5,779	(310)	7,089	(319)
Municipal securities	38	(1)	243	(29)	281	(30)
<b>Total</b>	<b>\$ 2,157</b>	<b>\$ (25)</b>	<b>\$ 52,432</b>	<b>\$ (3,323)</b>	<b>\$ 54,589</b>	<b>\$ (3,348)</b>

Unrealized losses from fixed-income securities are primarily attributable to changes in interest rates. Management does not believe any remaining unrealized losses represent impairments based on our evaluation of available evidence.

## Debt Investment Maturities

The following table outlines maturities of our debt investments as of September 30, 2024:

(In millions)	Adjusted Cost Basis	Estimated Fair Value
<b>September 30, 2024</b>		
Due in one year or less	\$ 24,446	\$ 24,331
Due after one year through five years	37,153	35,927
Due after five years through 10 years	7,338	6,865
Due after 10 years	1,419	1,334
<b>Total</b>	<b>\$ 70,356</b>	<b>\$ 68,457</b>

## NOTE 5 — DERIVATIVES

We use derivative instruments to manage risks related to foreign currencies, interest rates, equity prices, and credit; to enhance investment returns; and to facilitate portfolio diversification. Our objectives for holding derivatives include reducing, eliminating, and efficiently managing the economic impact of these exposures as effectively as possible. Our derivative programs include strategies that both qualify and do not qualify for hedge accounting treatment.

## Foreign Currencies

Certain forecasted transactions, assets, and liabilities are exposed to foreign currency risk. We monitor our foreign currency exposures daily to maximize the economic effectiveness of our foreign currency hedge positions.

Foreign currency risks related to certain Euro-denominated debt are hedged using foreign exchange forward contracts that are designated as cash flow hedging instruments.

Certain options and forwards not designated as hedging instruments are also used to manage the variability in foreign exchange rates on certain balance sheet amounts and to manage other foreign currency exposures.

### Interest Rate

Interest rate risks related to certain fixed-rate debt are hedged using interest rate swaps that are designated as fair value hedging instruments to effectively convert the fixed interest rates to floating interest rates.

Securities held in our fixed-income portfolio are subject to different interest rate risks based on their maturities. We manage the average maturity of our fixed-income portfolio to achieve economic returns that correlate to certain broad-based fixed-income indices using option, futures, and swap contracts. These contracts are not designated as hedging instruments and are included in "Other contracts" in the tables below.

### Equity

Securities held in our equity investments portfolio are subject to market price risk. At times, we may hold options, futures, and swap contracts. These contracts are not designated as hedging instruments.

### Credit

Our fixed-income portfolio is diversified and consists primarily of investment-grade securities. We use credit default swap contracts to manage credit exposures relative to broad-based indices and to facilitate portfolio diversification. These contracts are not designated as hedging instruments and are included in "Other contracts" in the tables below.

### Credit-Risk-Related Contingent Features

Certain counterparty agreements for derivative instruments contain provisions that require our issued and outstanding long-term unsecured debt to maintain an investment grade credit rating and require us to maintain minimum liquidity of \$1.0 billion. To the extent we fail to meet these requirements, we will be required to post collateral, similar to the standard convention related to over-the-counter derivatives. As of September 30, 2024, our long-term unsecured debt rating was AAA, and cash investments were in excess of \$1.0 billion. As a result, no collateral was required to be posted.

The following table presents the notional amounts of our outstanding derivative instruments measured in U.S. dollar equivalents:

(In millions)	September 30, 2024	June 30, 2024
<b>Designated as Hedging Instruments</b>		
Foreign exchange contracts purchased	\$ 1,492	\$ 1,492
Interest rate contracts purchased	1,144	1,100
<b>Not Designated as Hedging Instruments</b>		
Foreign exchange contracts purchased	8,438	7,167
Foreign exchange contracts sold	22,559	31,793
Equity contracts purchased	4,290	4,016
Equity contracts sold	2,165	2,165
Other contracts purchased	2,829	2,113
Other contracts sold	1,121	811

## Fair Values of Derivative Instruments

The following table presents our derivative instruments:

(In millions)	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
	September 30, 2024		June 30, 2024	
<b>Designated as Hedging Instruments</b>				
Foreign exchange contracts	\$ 50	\$ (65)	\$ 24	\$ (76)
Interest rate contracts	5	0	19	0
<b>Not Designated as Hedging Instruments</b>				
Foreign exchange contracts	189	(615)	213	(230)
Equity contracts	68	(804)	63	(491)
Other contracts	6	(6)	12	(3)
Gross amounts of derivatives	318	(1,490)	331	(800)
Gross amounts of derivatives offset in the balance sheets	(196)	198	(151)	152
Cash collateral received	0	(18)	0	(104)
Net amounts of derivatives	<u>\$ 122</u>	<u>\$ (1,310)</u>	<u>\$ 180</u>	<u>\$ (752)</u>
<b>Reported as</b>				
Short-term investments	\$ (1)	\$ 0	\$ 12	\$ 0
Other current assets	118	0	149	0
Other long-term assets	5	0	19	0
Other current liabilities	0	(900)	0	(401)
Other long-term liabilities	0	(410)	0	(351)
Total	<u>\$ 122</u>	<u>\$ (1,310)</u>	<u>\$ 180</u>	<u>\$ (752)</u>

Gross derivative assets and liabilities subject to legally enforceable master netting agreements for which we have elected to offset were \$306 million and \$1.5 billion, respectively, as of September 30, 2024, and \$304 million and \$800 million, respectively, as of June 30, 2024.

The following table presents the fair value of our derivatives instruments on a gross basis:

(In millions)	Level 1	Level 2	Level 3	Total
<b>September 30, 2024</b>				
Derivative assets	\$ 0	\$ 313	\$ 5	\$ 318
Derivative liabilities	(1)	(1,489)	0	(1,490)
<b>June 30, 2024</b>				
Derivative assets	0	327	4	331
Derivative liabilities	(1)	(799)	0	(800)



Gains (losses) on derivative instruments recognized in other income (expense), net were as follows:

(In millions)		
Three Months Ended September 30,	2024	2023
<b>Designated as Fair Value Hedging Instruments</b>		
<b>Interest rate contracts</b>		
Derivatives	\$ 20	\$ (16)
Hedged items	(32)	3
<b>Designated as Cash Flow Hedging Instruments</b>		
<b>Foreign exchange contracts</b>		
Amount reclassified from accumulated other comprehensive loss	49	(46)
<b>Not Designated as Hedging Instruments</b>		
Foreign exchange contracts	(383)	206
Equity contracts	(348)	113
Other contracts	24	(33)

Gains (losses), net of tax, on derivative instruments recognized in our consolidated comprehensive income statements were as follows:

(In millions)		
Three Months Ended September 30,	2024	2023
<b>Designated as Cash Flow Hedging Instruments</b>		
<b>Foreign exchange contracts</b>		
Included in effectiveness assessment	\$ 29	\$ (15)

#### NOTE 6 — INVENTORIES

The components of inventories were as follows:

(In millions)		
	September 30, 2024	June 30, 2024
Raw materials	\$ 488	\$ 394
Work in process	11	7
Finished goods	1,127	845
Total	\$ 1,626	\$ 1,246

#### NOTE 7 — BUSINESS COMBINATIONS

##### **Activision Blizzard, Inc.**

On October 13, 2023, we completed our acquisition of Activision Blizzard, Inc. ("Activision Blizzard") for a total purchase price of \$75.4 billion, consisting primarily of cash. Activision Blizzard is a leader in game development and an interactive entertainment content publisher. The acquisition will accelerate the growth in our gaming business across mobile, PC, console, and cloud gaming. The financial results of Activision Blizzard have been included in our consolidated financial statements since the date of the acquisition. Activision Blizzard is reported as part of our More Personal Computing segment.

The allocation of the purchase price to the assets acquired and liabilities assumed was completed as of September 30, 2024. The major classes of assets and liabilities to which we have allocated the purchase price were as follows:

(In millions)	
Cash and cash equivalents	\$ 12,976
Goodwill	51,001
Intangible assets	21,969
Other assets	2,503
Long-term debt	(2,799)
Long-term income taxes	(1,946)
Deferred income taxes	(4,676)
Other liabilities	(3,620)
<b>Total purchase price</b>	<b>\$ 75,408</b>

Goodwill was assigned to our More Personal Computing segment. The goodwill was primarily attributed to increased synergies that are expected to be achieved from the integration of Activision Blizzard. Substantially all of the goodwill is expected to be non-deductible for income tax purposes.

Following are the details of the purchase price allocated to the intangible assets acquired:

(In millions, except average life)	Amount	Weighted Average Life
Marketing-related	\$ 11,619	24 years
Technology-based	9,689	4 years
Customer-related	661	4 years
<b>Fair value of intangible assets acquired</b>	<b>\$ 21,969</b>	<b>15 years</b>

Following are the supplemental consolidated financial results of Microsoft Corporation on an unaudited pro forma basis, as if the acquisition had been consummated on July 1, 2022:

(In millions, except per share amounts)	
Three Months Ended September 30, 2023	
Revenue	\$ 58,561
Net income	22,314
Diluted earnings per share	2.99

These pro forma results were based on estimates and assumptions, which we believe are reasonable. They are not the results that would have been realized had we been a combined company during the periods presented and are not necessarily indicative of our consolidated results of operations in future periods. The pro forma results include adjustments related to purchase accounting, primarily amortization of intangible assets. Acquisition costs and other nonrecurring charges were immaterial and are included in the earliest period presented.

#### NOTE 8 — GOODWILL

Changes in the carrying amount of goodwill were as follows:

(In millions)	June 30, 2024	Acquisitions	Other	September 30, 2024
Productivity and Business Processes	\$ 31,361	\$ 0	\$ 44	\$ 31,405
Intelligent Cloud	25,648	0	22	25,670
More Personal Computing	62,211	0	88	62,299
<b>Total</b>	<b>\$ 119,220</b>	<b>\$ 0</b>	<b>\$ 154</b>	<b>\$ 119,374</b>

We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Refer to Note 1 – Accounting Policies for further information.

The measurement periods for the valuation of assets acquired and liabilities assumed end as soon as information on the facts and circumstances that existed as of the acquisition dates becomes available, but do not exceed 12 months. Adjustments in purchase price allocations may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined.

Any change in the goodwill amounts resulting from foreign currency translations and purchase accounting adjustments are presented as "Other" in the table above. Also included in "Other" are business dispositions and transfers between segments due to reorganizations, as applicable.

As discussed in Note 1 – Accounting Policies, during the first quarter of fiscal year 2025 we made changes to our segments. These segment changes also resulted in changes to our reporting units. We reallocated goodwill across impacted reporting units using a relative fair value approach. In addition, we completed an assessment of any potential goodwill impairment for all reporting units immediately prior to the reallocation and determined that no impairment existed.

#### NOTE 9 — INTANGIBLE ASSETS

The components of intangible assets, all of which are finite-lived, were as follows:

(In millions)	Gross Carrying Amount	Accumulated Amortization	September 30, 2024		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			Net Carrying Amount	June 30, 2024			
Marketing-related	\$ 16,490	\$ (3,296)	\$ 13,194	\$ 13,399	\$ 16,500	\$ (3,101)	\$ 13,399
Technology-based	22,426	(11,709)	10,717	11,172	21,913	(10,741)	11,172
Customer-related	6,039	(3,261)	2,778	2,987	6,038	(3,051)	2,987
Contract-based	81	(19)	62	39	58	(19)	39
<b>Total</b>	<b>\$ 45,036</b>	<b>\$ (18,285)</b>	<b>\$ 26,751</b>	<b>\$ 27,597</b>	<b>\$ 44,509</b>	<b>\$ (16,912)</b>	<b>\$ 27,597</b>

Intangible assets amortization expense was \$1.4 billion and \$636 million for the three months ended September 30, 2024 and 2023, respectively.

The following table outlines the estimated future amortization expense related to intangible assets held as of September 30, 2024:

(In millions)	
Year Ending June 30,	
2025 (excluding the three months ended September 30, 2024)	\$ 4,563
2026	4,538
2027	2,847
2028	1,961
2029	1,780
Thereafter	11,062
<b>Total</b>	<b>\$ 26,751</b>

#### NOTE 10 — DEBT

##### Short-term Debt

As of September 30, 2024, we had no commercial paper issued or outstanding. As of June 30, 2024, we had \$6.7 billion of commercial paper issued and outstanding, with a weighted average interest rate of 5.4% and maturities ranging from 28 days to 152 days. The estimated fair value of this commercial paper approximates its carrying value.

## Long-term Debt

The components of long-term debt were as follows:

(In millions, issuance by calendar year)	Maturities (calendar year)	Stated Interest Rate	Effective Interest Rate	September 30, 2024	June 30, 2024
2009 issuance of \$3.8 billion	2039	5.20%	5.24%	\$ 520	\$ 520
2010 issuance of \$4.8 billion	2040	4.50%	4.57%	486	486
2011 issuance of \$2.3 billion	2041	5.30%	5.36%	718	718
2012 issuance of \$2.3 billion	2042	3.50%	3.57%	454	454
2013 issuance of \$5.2 billion	2043	3.75%–4.88%	3.83%–4.92%	314	314
2013 issuance of €4.1 billion	2028–2033	2.63%–3.13%	2.69%–3.22%	2,567	2,465
2015 issuance of \$23.8 billion	2025–2055	2.70%–4.75%	2.77%–4.78%	9,805	9,805
2016 issuance of \$19.8 billion	2026–2056	2.40%–3.95%	2.46%–4.03%	7,930	7,930
2017 issuance of \$17.1 billion	2026–2057	3.30%–4.50%	3.38%–5.49%	6,833	6,833
2020 issuance of \$10.1 billion	2030–2060	1.35%–2.68%	2.53%–5.43%	10,111	10,111
2021 issuance of \$8.2 billion	2052–2062	2.92%–3.04%	2.92%–3.04%	8,185	8,185
2023 issuance of \$0.1 billion	2026–2050	1.35%–4.50%	5.16%–5.49%	56	56
2024 issuance of \$3.3 billion	2026–2050	1.35%–4.50%	5.16%–5.49%	3,344	3,344
Total face value				51,323	51,221
Unamortized discount and issuance costs				(1,209)	(1,227)
Hedge fair value adjustments <sup>(a)</sup>				(49)	(81)
Premium on debt exchange				(4,948)	(4,976)
Total debt				45,117	44,937
Current portion of long-term debt				(2,249)	(2,249)
Long-term debt				\$ 42,868	\$ 42,688

(a) Refer to Note 5 – Derivatives for further information on the interest rate swaps related to fixed-rate debt.

As of September 30, 2024 and June 30, 2024, the estimated fair value of long-term debt, including the current portion, was \$44.6 billion and \$42.3 billion, respectively. The estimated fair values are based on Level 2 inputs.

Debt in the table above is comprised of senior unsecured obligations and ranks equally with our other outstanding obligations. Interest is paid semi-annually, except for the Euro-denominated debt, which is paid annually.

The following table outlines maturities of our long-term debt, including the current portion, as of September 30, 2024:

(In millions)	
Year Ending June 30,	
2025 (excluding the three months ended September 30, 2024)	\$ 2,250
2026	3,000
2027	9,250
2028	0
2029	1,953
Thereafter	34,870
Total	\$ 51,323

NOTE 11 — INCOME TAXES

**Effective Tax Rate**

Our effective tax rate was 19% and 18% for the three months ended September 30, 2024 and 2023, respectively. The increase in our effective tax rate for the current quarter compared to the prior year was primarily due to tax benefits from tax law changes in the first quarter of fiscal year 2024, including the impact from the issuance of Notice 2023-55 by the Internal Revenue Service (“IRS”) and U.S. Treasury Department, which delayed the effective date of final foreign tax credit regulations to fiscal year 2024 for Microsoft. Notice 2023-80, issued in the second quarter of fiscal year 2024, further delayed the effective date of final foreign tax credit regulations indefinitely.

Our effective tax rate was lower than the U.S. federal statutory rate for the three months ended September 30, 2024, primarily due to earnings taxed at lower rates in foreign jurisdictions resulting from producing and distributing our products and services through our foreign regional operations center in Ireland.

**Uncertain Tax Positions**

As of September 30, 2024 and June 30, 2024, unrecognized tax benefits and other income tax liabilities were \$25.9 billion and \$24.9 billion, respectively, and are included in long-term income taxes in our consolidated balance sheets.

We remain under audit by the IRS for tax years 2014 to 2017. With respect to the audit for tax years 2004 to 2013, on September 26, 2023, we received Notices of Proposed Adjustment (“NOPAs”) from the IRS. The primary issues in the NOPAs relate to intercompany transfer pricing. In the NOPAs, the IRS is seeking an additional tax payment of \$28.9 billion plus penalties and interest. As of September 30, 2024, we believe our allowances for income tax contingencies are adequate. We disagree with the proposed adjustments and will vigorously contest the NOPAs through the IRS’s administrative appeals office and, if necessary, judicial proceedings. We do not expect a final resolution of these issues in the next 12 months. Based on the information currently available, we do not anticipate a significant increase or decrease to our income tax contingencies for these issues within the next 12 months.

We are subject to income tax in many jurisdictions outside the U.S. Our operations in certain jurisdictions remain subject to examination for tax years 1996 to 2024, some of which are currently under audit by local tax authorities. The resolution of each of these audits is not expected to be material to our consolidated financial statements.

NOTE 12 — UNEARNED REVENUE

Unearned revenue by segment was as follows:

(In millions)	September 30, 2024	June 30, 2024
Productivity and Business Processes	\$ 40,429	\$ 43,599
Intelligent Cloud	12,397	13,683
More Personal Computing	2,863	2,902
Total	<u>\$ 55,689</u>	<u>\$ 60,184</u>

We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Refer to Note 1 – Accounting Policies for further information.

Changes in unearned revenue were as follows:

(In millions)		
<b>Three Months Ended September 30, 2024</b>		
Balance, beginning of period	\$	60,184
Deferral of revenue		37,642
Recognition of unearned revenue		(42,137)
Balance, end of period	<u>\$</u>	<u>55,689</u>

Revenue allocated to remaining performance obligations, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods, was \$266 billion as of September 30, 2024, of which \$259 billion is related to the commercial portion of revenue. We expect to recognize approximately 45% of our total company remaining performance obligation revenue over the next 12 months and the remainder thereafter.

**NOTE 13 — LEASES**

We have operating and finance leases for datacenters, corporate offices, research and development facilities, Microsoft Experience Centers, and certain equipment. Our leases have remaining lease terms of less than 1 year to 17 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year.

The components of lease expense were as follows:

(In millions)

Three Months Ended September 30,	2024	2023
Operating lease cost	\$ 1,161	\$ 775
Finance lease cost:		
Amortization of right-of-use assets	\$ 696	\$ 380
Interest on lease liabilities	275	149
Total finance lease cost	\$ 971	\$ 529

Supplemental cash flow information related to leases was as follows:

(In millions)

Three Months Ended September 30,	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,207	\$ 795
Operating cash flows from finance leases	275	149
Financing cash flows from finance leases	802	285
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	1,892	1,804
Finance leases	4,332	1,704

Supplemental balance sheet information related to leases was as follows:

(In millions, except lease term and discount rate)

	September 30, 2024	June 30, 2024
<b>Operating Leases</b>		
Operating lease right-of-use assets	\$ 20,528	\$ 18,961
Other current liabilities	\$ 4,009	\$ 3,580
Operating lease liabilities	16,361	15,497
Total operating lease liabilities	\$ 20,370	\$ 19,077
<b>Finance Leases</b>		
Property and equipment, at cost	\$ 37,186	\$ 32,248
Accumulated depreciation	(7,070)	(6,386)
Property and equipment, net	\$ 30,116	\$ 25,862
Other current liabilities	\$ 2,504	\$ 2,349
Other long-term liabilities	28,847	24,796
Total finance lease liabilities	\$ 31,351	\$ 27,145
<b>Weighted Average Remaining Lease Term</b>		
Operating leases	7 years	7 years
Finance leases	12 years	12 years
<b>Weighted Average Discount Rate</b>		
Operating leases	3.4%	3.3%
Finance leases	4.0%	3.9%

The following table outlines maturities of our lease liabilities as of September 30, 2024:

(In millions)	Operating Leases	Finance Leases
<b>Year Ending June 30,</b>		
2025 (excluding the three months ended September 30, 2024)	\$ 3,386	\$ 2,742
2026	4,122	3,697
2027	3,411	3,720
2028	2,754	3,706
2029	2,124	3,099
Thereafter	7,174	22,745
Total lease payments	22,971	39,709
Less imputed interest	(2,601)	(8,358)
Total	\$ 20,370	\$ 31,351

As of September 30, 2024, we had additional operating and finance leases, primarily for datacenters, that had not yet commenced of \$7.4 billion and \$108.7 billion, respectively. These operating and finance leases will commence between fiscal year 2025 and fiscal year 2030 with lease terms of 1 year to 20 years.

## NOTE 14 — CONTINGENCIES

### U.S. Cell Phone Litigation

Microsoft Mobile Oy, a subsidiary of Microsoft, along with other handset manufacturers and network operators, is a defendant in 45 lawsuits filed in the Superior Court for the District of Columbia by individual plaintiffs who allege that radio emissions from cellular handsets caused their brain tumors and other adverse health effects. We assumed responsibility for these claims in our agreement to acquire Nokia's Devices and Services business and have been substituted for the Nokia defendants. Twelve of these cases were consolidated for certain pre-trial proceedings; the remaining cases are stayed. In a separate 2009 decision, the Court of Appeals for the District of Columbia held that adverse health effect claims arising from the use of cellular handsets that operate within the U.S. Federal Communications Commission radio frequency emission guidelines ("FCC Guidelines") are pre-empted by federal law. The plaintiffs allege that their handsets either operated outside the FCC Guidelines or were manufactured before the FCC Guidelines went into effect. The lawsuits also allege an industry-wide conspiracy to manipulate the science and testing around emission guidelines.

In 2013, the defendants in the consolidated cases moved to exclude the plaintiffs' expert evidence of general causation on the basis of flawed scientific methodologies. In 2014, the trial court granted in part and denied in part the defendants' motion to exclude the plaintiffs' general causation experts. The defendants filed an interlocutory appeal to the District of Columbia Court of Appeals challenging the standard for evaluating expert scientific evidence. In October 2016, the Court of Appeals issued its decision adopting the standard advocated by the defendants and remanding the cases to the trial court for further proceedings under that standard. The plaintiffs have filed supplemental expert evidence, portions of which were stricken by the court. A hearing on general causation took place in September of 2022. In April of 2023, the court granted defendants' motion to strike the testimony of plaintiffs' experts that cell phones cause brain cancer and entered an order excluding all of plaintiffs' experts from testifying. The parties agreed to a stipulated dismissal of the consolidated cases to allow plaintiffs to appeal the expert testimony order. Plaintiffs appealed the court's order in August of 2023, and the parties have filed their briefs on the appeal. A hearing on the status of the stayed cases occurred in December of 2023. In July 2024, the court entered summary judgment in nine of the stayed cases on the grounds that plaintiffs had agreed to be bound by the general causation outcome in the consolidated cases.

### Irish Data Protection Commission Matter

In 2018, the Irish Data Protection Commission ("IDPC") began investigating a complaint against LinkedIn as to whether LinkedIn's targeted advertising practices violated the recently implemented European Union General Data Protection Regulation ("GDPR"). Microsoft cooperated throughout the period of inquiry. In April 2023, the IDPC provided LinkedIn with a non-public preliminary draft decision alleging GDPR violations and proposing a fine. In July 2024, the IDPC provided LinkedIn with a revised non-public draft decision. In October 2024, the IDPC provided LinkedIn with a final decision, and LinkedIn is considering its options to appeal.

### Other Contingencies

We also are subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. Although management currently believes that resolving claims against us, individually or in aggregate, will not have a material adverse impact in our consolidated financial statements, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

As of September 30, 2024, we accrued aggregate legal liabilities of \$492 million. While we intend to defend these matters vigorously, adverse outcomes that we estimate could reach approximately \$600 million in aggregate beyond recorded amounts are reasonably possible. Were unfavorable final outcomes to occur, there exists the possibility of a material adverse impact in our consolidated financial statements for the period in which the effects become reasonably estimable.



## NOTE 15 — STOCKHOLDERS' EQUITY

**Share Repurchases**

On September 14, 2021, our Board of Directors approved a share repurchase program authorizing up to \$60.0 billion in share repurchases. This share repurchase program commenced in November 2021, has no expiration date, and may be terminated at any time. As of September 30, 2024, \$7.5 billion remained of this \$60.0 billion share repurchase program.

On September 16, 2024, our Board of Directors approved a share repurchase program authorizing up to \$60.0 billion in share repurchases. This share repurchase program will commence following completion of the program approved on September 14, 2021, has no expiration date, and may be terminated at any time.

We repurchased the following shares of common stock under the share repurchase program:

(In millions)	Shares	Amount	Shares	Amount
Fiscal Year	2025		2024	
First Quarter	7	\$ 2,800	11	\$ 3,560

All repurchases were made using cash resources. All shares repurchased were under the share repurchase program approved on September 14, 2021. The above table excludes shares repurchased to settle employee tax withholding related to the vesting of stock awards of \$1.3 billion for the first quarter of both fiscal years 2025 and 2024.

**Dividends**

Our Board of Directors declared the following dividends:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
Fiscal Year 2025				
<b>September 16, 2024</b>	<b>November 21, 2024</b>	<b>December 12, 2024</b>	<b>\$ 0.83</b>	<b>\$ 6,172</b>
Fiscal Year 2024				
September 19, 2023	November 16, 2023	December 14, 2023	\$ 0.75	\$ 5,574

The dividend declared on September 16, 2024 was included in other current liabilities as of September 30, 2024.

**NOTE 16 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table summarizes the changes in accumulated other comprehensive income (loss) by component:

(In millions)	2024	2023
<b>Three Months Ended September 30,</b>		
<b>Derivatives</b>		
Balance, beginning of period	\$ (3)	\$ (27)
Unrealized gains (losses), net of tax of \$7 and \$(4)	29	(15)
Reclassification adjustments for (gains) losses included in other income (expense), net	(49)	46
Tax expense (benefit) included in provision for income taxes	10	(10)
Amounts reclassified from accumulated other comprehensive loss	(39)	36
Net change related to derivatives, net of tax of \$(3) and \$6	(10)	21
Balance, end of period	\$ (13)	\$ (6)
<b>Investments</b>		
Balance, beginning of period	\$ (2,625)	\$ (3,582)
Unrealized gains (losses), net of tax of \$297 and \$(75)	1,118	(283)
Reclassification adjustments for (gains) losses included in other income (expense), net	(5)	29
Tax expense (benefit) included in provision for income taxes	1	(6)
Amounts reclassified from accumulated other comprehensive loss	(4)	23
Net change related to investments, net of tax of \$296 and \$(69)	1,114	(260)
Balance, end of period	\$ (1,511)	\$ (3,842)
<b>Translation Adjustments and Other</b>		
Balance, beginning of period	\$ (2,962)	\$ (2,734)
Translation adjustments and other, net of tax of \$0 and \$0	304	(355)
Balance, end of period	\$ (2,658)	\$ (3,089)
Accumulated other comprehensive loss, end of period	\$ (4,182)	\$ (6,937)

**NOTE 17 — SEGMENT INFORMATION AND GEOGRAPHIC DATA**

In its operation of the business, management, including our chief operating decision maker, who is also our Chief Executive Officer, reviews certain financial information, including segmented internal profit and loss statements prepared on a basis not consistent with GAAP. During the periods presented, we reported our financial performance based on the following segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing.

We have recast certain prior period amounts to conform to the way we internally manage and monitor our business. Refer to Note 1 – Accounting Policies for further information.

Our reportable segments are described below.

**Productivity and Business Processes**

Our Productivity and Business Processes segment consists of products and services in our portfolio of productivity, communication, and information services, spanning a variety of devices and platforms. This segment primarily comprises:

- Microsoft 365 Commercial products and cloud services, including Microsoft 365 Commercial cloud, comprising Microsoft 365 Commercial, Enterprise Mobility + Security, the cloud portion of Windows Commercial, the per-user portion of Power BI, Exchange, SharePoint, Microsoft Teams, Microsoft 365 Security and Compliance, Microsoft Viva, and Microsoft 365 Copilot; and Microsoft 365 Commercial products, comprising Windows Commercial on-premises and Office licensed on-premises.

- Microsoft 365 Consumer products and cloud services, including Microsoft 365 Consumer subscriptions, Office licensed on-premises, and other consumer services.
- LinkedIn, including Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions.
- Dynamics products and cloud services, including Dynamics 365, comprising a set of intelligent, cloud-based applications across ERP, CRM, Power Apps, and Power Automate; and on-premises ERP and CRM applications.

### **Intelligent Cloud**

Our Intelligent Cloud segment consists of our public, private, and hybrid server products and cloud services that can power modern business and developers. This segment primarily comprises:

- Server products and cloud services, including Azure and other cloud services, comprising cloud and AI consumption-based services, GitHub cloud services, Nuance Healthcare cloud services, virtual desktop offerings, and other cloud services; and Server products, comprising SQL Server, Windows Server, Visual Studio, System Center, related Client Access Licenses (“CALs”), and other on-premises offerings.
- Enterprise and partner services, including Enterprise Support Services, Industry Solutions, Nuance professional services, Microsoft Partner Network, and Learning Experience.

### **More Personal Computing**

Our More Personal Computing segment consists of products and services that put customers at the center of the experience with our technology. This segment primarily comprises:

- Windows and Devices, including Windows, comprising Windows OEM licensing (Windows Pro and non-Pro licenses sold through the OEM channel), Windows Internet of Things, and patent licensing; and Devices, comprising Surface, HoloLens, and PC accessories.
- Gaming, including Xbox hardware and Xbox content and services, comprising first- and third-party content (including games and in-game content), Xbox Game Pass and other subscriptions, Xbox Cloud Gaming, advertising, third-party disc royalties, and other cloud services.
- Search and news advertising, comprising Bing (including Copilot), Microsoft News, Microsoft Edge, and third-party affiliates.

Revenue and costs are generally directly attributed to our segments. However, due to the integrated structure of our business, certain revenue recognized and costs incurred by one segment may benefit other segments. Revenue from certain contracts is allocated among the segments based on the relative value of the underlying products and services, which can include allocation based on actual prices charged, prices when sold separately, or estimated costs plus a profit margin. Cost of revenue is allocated in certain cases based on a relative revenue methodology. Operating expenses that are allocated primarily include those relating to marketing of products and services from which multiple segments benefit and are generally allocated based on relative gross margin.

In addition, certain costs are incurred at a corporate level and allocated to our segments. These allocated costs generally include legal, including settlements and fines, information technology, human resources, finance, excise taxes, field selling, shared facilities services, customer service and support, and severance incurred as part of a corporate program. Each allocation is measured differently based on the specific facts and circumstances of the costs being allocated and is generally based on relative gross margin or relative headcount.

Segment revenue and operating income were as follows during the periods presented:

(In millions)

Three Months Ended September 30,	2024	2023
<b>Revenue</b>		
Productivity and Business Processes	\$ 28,317	\$ 25,226
Intelligent Cloud	24,092	20,013
More Personal Computing	13,176	11,278
<b>Total</b>	<b>\$ 65,585</b>	<b>\$ 56,517</b>
<b>Operating Income</b>		
Productivity and Business Processes	\$ 16,516	\$ 14,297
Intelligent Cloud	10,503	8,908
More Personal Computing	3,533	3,690
<b>Total</b>	<b>\$ 30,552</b>	<b>\$ 26,895</b>

No sales to an individual customer or country other than the United States accounted for more than 10% of revenue for the three months ended September 30, 2024 or 2023. Revenue, classified by the major geographic areas in which our customers were located, was as follows:

(In millions)

Three Months Ended September 30,	2024	2023
United States <sup>(a)</sup>	\$ 33,913	\$ 28,812
Other countries	31,672	27,705
<b>Total</b>	<b>\$ 65,585</b>	<b>\$ 56,517</b>

(a) *Includes billings to OEMs and certain multinational organizations because of the nature of these businesses and the impracticability of determining the geographic source of the revenue.*

Revenue, classified by significant product and service offerings, was as follows:

(In millions)

Three Months Ended September 30,	2024	2023
Server products and cloud services	\$ 22,155	\$ 18,062
Microsoft 365 Commercial products and cloud services	20,449	18,044
Gaming	5,621	3,919
Windows and Devices	4,329	4,340
LinkedIn	4,292	3,913
Search and news advertising	3,225	3,018
Enterprise and partner services	1,928	1,944
Dynamics products and cloud services	1,849	1,626
Microsoft 365 Consumer products and cloud services	1,727	1,643
Other	10	8
<b>Total</b>	<b>\$ 65,585</b>	<b>\$ 56,517</b>

Our Microsoft Cloud revenue, which includes Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, and Dynamics 365, was \$38.9 billion and \$31.9 billion for the three months ended September 30, 2024 and 2023, respectively. These amounts are primarily included in Microsoft 365 Commercial products and cloud services, Server products and cloud services, LinkedIn, and Dynamics products and cloud services in the table above.

Assets are not allocated to segments for internal reporting presentations. A portion of amortization and depreciation is included with various other costs in an overhead allocation to each segment. It is impracticable for us to separately identify the amount of amortization and depreciation by segment that is included in the measure of segment profit or loss.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Microsoft Corporation

### Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated balance sheet of Microsoft Corporation and subsidiaries (the "Company") as of September 30, 2024, the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for the three-month periods ended September 30, 2024 and 2023, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of June 30, 2024, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for the year then ended (not presented herein); and in our report dated July 30, 2024, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of June 30, 2024, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

### Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ DELOITTE & TOUCHE LLP

Seattle, Washington  
October 30, 2024

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Note About Forward-Looking Statements

This report includes estimates, projections, statements relating to our business plans, objectives, and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including the following sections: "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" (Part II, Item 1A of this Form 10-Q). These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" (Part I, Item 3 of this Form 10-Q), and "Risk Factors". We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Microsoft Corporation. MD&A is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the year ended June 30, 2024, and our financial statements and the accompanying Notes to Financial Statements (Part I, Item 1 of this Form 10-Q).

### OVERVIEW

Microsoft is a technology company committed to making digital technology and artificial intelligence ("AI") available broadly and doing so responsibly, with a mission to empower every person and every organization on the planet to achieve more. We create platforms and tools, powered by AI, that deliver innovative solutions that meet the evolving needs of our customers.

We generate revenue by offering a wide range of cloud-based solutions, content, and other services to people and businesses; licensing and supporting an array of software products; delivering relevant online advertising to a global audience; and designing and selling devices. Our most significant expenses are related to compensating employees; supporting and investing in our cloud-based services, including datacenter operations; designing, manufacturing, marketing, and selling our other products and services; and income taxes.

Highlights from the first quarter of fiscal year 2025 compared with the first quarter of fiscal year 2024 included:

- Microsoft Cloud revenue increased 22% to \$38.9 billion.
- Microsoft 365 Commercial products and cloud services revenue increased 13% driven by Microsoft 365 Commercial cloud revenue growth of 15%.
- Microsoft 365 Consumer products and cloud services revenue increased 5% driven by Microsoft 365 Consumer cloud revenue growth of 6%.
- LinkedIn revenue increased 10%.
- Dynamics products and cloud services revenue increased 14% driven by Dynamics 365 revenue growth of 18%.
- Server products and cloud services revenue increased 23% driven by Azure and other cloud services revenue growth of 33%.
- Windows OEM and Devices revenue increased 2%.
- Xbox content and services revenue increased 61% driven by 53 points of net impact from the Activision Blizzard Inc. ("Activision Blizzard") acquisition. The net impact reflects the change of Activision Blizzard content from third-party to first-party.
- Search and news advertising revenue excluding traffic acquisition costs increased 18%.

## Industry Trends

Our industry is dynamic and highly competitive, with frequent changes in both technologies and business models. Each industry shift is an opportunity to conceive new products, new technologies, or new ideas that can further transform the industry and our business. At Microsoft, we push the boundaries of what is possible through a broad range of research and development activities that seek to identify and address the changing demands of customers and users, industry trends, and competitive forces.

## Economic Conditions, Challenges, and Risks

The markets for software, devices, and cloud-based services are dynamic and highly competitive. Our competitors are developing new software and devices, while also deploying competing cloud-based services for consumers and businesses. The devices and form factors customers prefer evolve rapidly, influencing how users access services in the cloud and, in some cases, the user's choice of which suite of cloud-based services to use. Aggregate demand for our software, services, and devices is also correlated to global macroeconomic and geopolitical factors, which remain dynamic. We must continue to evolve and adapt over an extended time in pace with this changing environment.

The investments we are making in cloud and AI infrastructure and devices will continue to increase our operating costs and may decrease our operating margins. We continue to identify and evaluate opportunities to expand our datacenter locations and increase our server capacity to meet the evolving needs of our customers, particularly given the growing demand for AI services. Our datacenters depend on the availability of permitted and buildable land, predictable energy, networking supplies, and servers, including graphics processing units ("GPUs") and other components. Our devices are primarily manufactured by third-party contract manufacturers. For the majority of our products, we have the ability to use other manufacturers if a current vendor becomes unavailable or unable to meet our requirements. However, some of our products contain certain components for which there are very few qualified suppliers. Extended disruptions at these suppliers could impact our ability to manufacture devices on time to meet consumer demand.

Our success is highly dependent on our ability to attract and retain qualified employees. We hire a mix of university and industry talent worldwide. We compete for talented individuals globally by offering an exceptional working environment, broad customer reach, scale in resources, the ability to grow one's career across many different products and businesses, and competitive compensation and benefits.

Our international operations provide a significant portion of our total revenue and expenses. Many of these revenue and expenses are denominated in currencies other than the U.S. dollar. As a result, changes in foreign exchange rates may significantly affect revenue and expenses. Fluctuations in the U.S. dollar relative to certain foreign currencies did not have a material impact on reported revenue and expenses from our international operations in the first quarter of fiscal year 2025.

Refer to Risk Factors (Part II, Item 1A of this Form 10-Q) for a discussion of these factors and other risks.

## Seasonality

Our revenue fluctuates quarterly and is generally higher in the fourth quarter of our fiscal year. Fourth quarter revenue is driven by a higher volume of multi-year contracts executed during the period.

## Reportable Segments

We report our financial performance based on the following segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. The segment amounts included in MD&A are presented on a basis consistent with our internal management reporting.

In August 2024, we announced changes to the composition of our segments. These changes align our segments with how we currently manage our business, most notably bringing the commercial components of Microsoft 365 together in the Productivity and Business Processes segment. Beginning in fiscal year 2025, the information that our chief operating decision maker is regularly provided and reviews for purposes of allocating resources and assessing performance reflects these segment changes. Prior period segment information has been recast to conform to the way we internally manage and monitor our business during fiscal year 2025.

Additional information on our reportable segments is contained in Note 17 – Segment Information and Geographic Data of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q).

## Metrics

We use metrics in assessing the performance of our business and to make informed decisions regarding the allocation of resources. We disclose metrics to enable investors to evaluate progress against our ambitions, provide transparency into performance trends, and reflect the continued evolution of our products and services. Our commercial and other business metrics are fundamentally connected based on how customers use our products and services. The metrics are disclosed in the MD&A or the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q). Financial metrics are calculated based on financial results prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), and growth comparisons relate to the corresponding period of last fiscal year.

In the first quarter of fiscal year 2025, we made updates to our metrics in connection with the segment changes described above. These changes align our metrics with how we manage and monitor certain businesses. The key change was bringing the commercial components of Microsoft 365 together and creating a new Microsoft 365 Commercial cloud revenue growth metric. Other changes include combining Windows OEM and Devices into a single revenue growth metric that brings revenue from PC market-driven businesses together, as well as elevating our cloud revenue growth metrics to align to our strategic focus on cloud growth.

## Commercial

Our commercial business primarily consists of Server products and cloud services, Microsoft 365 Commercial products and cloud services, the commercial portion of LinkedIn, Enterprise and partner services, and Dynamics products and cloud services. Our commercial metrics allow management and investors to assess the overall health of our commercial business and include leading indicators of future performance.

Commercial remaining performance obligation	Commercial portion of revenue allocated to remaining performance obligations, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods
Microsoft Cloud revenue and revenue growth	Revenue from Microsoft 365 Commercial cloud, Azure and other cloud services, the commercial portion of LinkedIn, and Dynamics 365
Microsoft Cloud gross margin percentage	Gross margin percentage for our Microsoft Cloud business



### **Productivity and Business Processes and Intelligent Cloud**

Metrics related to our Productivity and Business Processes and Intelligent Cloud segments assess the health of our core businesses within these segments. The metrics primarily reflect growth across our cloud services.

Microsoft 365 Commercial cloud revenue growth	Revenue from Microsoft 365 Commercial subscriptions, comprising Microsoft 365 Commercial, Enterprise Mobility + Security, the cloud portion of Windows Commercial, the per-user portion of Power BI, Exchange, SharePoint, Microsoft Teams, Microsoft 365 Security and Compliance, Microsoft Viva, and Microsoft 365 Copilot
Microsoft 365 Commercial seat growth	The number of Microsoft 365 Commercial seats at end of period where seats are paid users covered by a Microsoft 365 Commercial subscription
Microsoft 365 Consumer cloud revenue growth	Revenue from Microsoft 365 Consumer subscriptions and other consumer services
Microsoft 365 Consumer subscribers	The number of Microsoft 365 Consumer subscribers at end of period
LinkedIn revenue growth	Revenue from LinkedIn, including Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions
Dynamics 365 revenue growth	Revenue from Dynamics 365, including a set of intelligent, cloud-based applications across ERP, CRM, Power Apps, and Power Automate
Azure and other cloud services revenue growth	Revenue from Azure and other cloud services, including cloud and AI consumption-based services, GitHub cloud services, Nuance Healthcare cloud services, virtual desktop offerings, and other cloud services

### **More Personal Computing**

Metrics related to our More Personal Computing segment assess the performance of our key consumer businesses.

Windows OEM and Devices revenue growth	Revenue from sales of Windows Pro and non-Pro licenses sold through the OEM channel and sales of first-party Devices, including Surface, HoloLens, and PC accessories
Xbox content and services revenue growth	Revenue from Xbox content and services, comprising first- and third-party content (including games and in-game content), Xbox Game Pass and other subscriptions, Xbox Cloud Gaming, advertising, third-party disc royalties, and other cloud services
Search and news advertising revenue (ex TAC) growth	Revenue from search and news advertising excluding traffic acquisition costs (“TAC”) paid to Bing Ads network publishers and news partners

### SUMMARY RESULTS OF OPERATIONS

(In millions, except percentages and per share amounts)	Three Months Ended September 30,		Percentage Change
	2024	2023	
Revenue	\$ 65,585	\$ 56,517	16%
Gross margin	45,486	40,215	13%
Operating income	30,552	26,895	14%
Net income	24,667	22,291	11%
Diluted earnings per share	3.30	2.99	10%

**Three Months Ended September 30, 2024 Compared with Three Months Ended September 30, 2023**

Revenue increased \$9.1 billion or 16% driven by growth across each of our segments. Intelligent Cloud revenue increased driven by Azure. Productivity and Business Processes revenue increased driven by Microsoft 365 Commercial cloud. More Personal Computing revenue increased driven by Gaming.

Cost of revenue increased \$3.8 billion or 23% driven by growth in Microsoft Cloud and Gaming.

Gross margin increased \$5.3 billion or 13% driven by growth across each of our segments.

- Gross margin percentage decreased driven by Intelligent Cloud.
- Microsoft Cloud gross margin percentage decreased to 71% driven by scaling our AI infrastructure.

Operating expenses increased \$1.6 billion or 12% driven by Gaming, with 9 points of growth from the Activision Blizzard acquisition, and investments in cloud engineering.

Operating income increased \$3.7 billion or 14% driven by growth in Productivity and Business Processes and Intelligent Cloud.

**SEGMENT RESULTS OF OPERATIONS**

(In millions, except percentages)	Three Months Ended September 30,		Percentage Change
	2024	2023	
<b>Revenue</b>			
Productivity and Business Processes	\$ 28,317	\$ 25,226	12%
Intelligent Cloud	24,092	20,013	20%
More Personal Computing	13,176	11,278	17%
<b>Total</b>	<b>\$ 65,585</b>	<b>\$ 56,517</b>	<b>16%</b>
<b>Operating Income</b>			
Productivity and Business Processes	\$ 16,516	\$ 14,297	16%
Intelligent Cloud	10,503	8,908	18%
More Personal Computing	3,533	3,690	(4)%
<b>Total</b>	<b>\$ 30,552</b>	<b>\$ 26,895</b>	<b>14%</b>

**Reportable Segments**

**Three Months Ended September 30, 2024 Compared with Three Months Ended September 30, 2023**

*Productivity and Business Processes*

Revenue increased \$3.1 billion or 12%.

- Microsoft 365 Commercial products and cloud services revenue increased \$2.4 billion or 13%. Microsoft 365 Commercial cloud revenue grew 15% with seat growth of 8% driven by small and medium business and frontline worker offerings, as well as growth in revenue per user. Microsoft 365 Commercial products revenue grew 2% driven by the on-premises components of Microsoft 365 suite sales, offset in part by continued shift from Office Commercial products to Microsoft 365 Commercial cloud.
- Microsoft 365 Consumer products and cloud services revenue increased \$84 million or 5%. Microsoft 365 Consumer cloud revenue grew 6% with Microsoft 365 Consumer subscriber growth of 10% to 84.4 million.
- LinkedIn revenue increased \$379 million or 10% driven by growth across all lines of business – Talent Solutions, Marketing Solutions, Premium Subscriptions, and Sales Solutions.
- Dynamics products and cloud services revenue increased \$223 million or 14% driven by growth in Dynamics 365, offset in part by a decline in Dynamics on-premises products. Dynamics 365 revenue grew 18% driven by growth across all workloads.

Operating income increased \$2.2 billion or 16%.

- Gross margin increased \$2.3 billion or 11% driven by growth in Microsoft 365 Commercial cloud. Gross margin percentage decreased slightly driven by scaling our AI infrastructure.
- Operating expenses increased \$101 million or 2% primarily driven by investments in commercial sales and cloud engineering.

#### *Intelligent Cloud*

Revenue increased \$4.1 billion or 20%.

- Server products and cloud services revenue increased \$4.1 billion or 23% driven by Azure and other cloud services. Azure and other cloud services revenue grew 33% driven by demand for our portfolio of services, including 12 points from our AI services. Server products revenue decreased 1% driven by lower transactional purchasing ahead of the Windows Server 2025 launch, as well as lower purchasing of licenses running in multi-cloud environments.
- Enterprise and partner services revenue decreased \$16 million or 1%.

Operating income increased \$1.6 billion or 18%.

- Gross margin increased \$2.0 billion or 15% driven by growth in Azure. Gross margin percentage decreased driven by scaling our AI infrastructure.
- Operating expenses increased \$372 million or 8% driven by investments in Azure.

#### *More Personal Computing*

Revenue increased \$1.9 billion or 17%.

- Windows and Devices revenue decreased slightly. Windows OEM and Devices revenue increased 2% driven by growth in Windows OEM, offset in part by a decline in Devices.
- Gaming revenue increased \$1.7 billion or 43% driven by growth in Xbox content and services. Xbox content and services revenue increased 61% driven by 53 points of net impact from the Activision Blizzard acquisition. Xbox hardware revenue decreased 29% driven by lower volume of consoles sold.
- Search and news advertising revenue increased \$207 million or 7%. Search and news advertising revenue excluding traffic acquisition costs increased 18% driven by higher search volume and higher revenue per search.

Operating income decreased \$157 million or 4%.

- Gross margin increased \$984 million or 16% driven by growth in Gaming, with 12 points of net impact from the Activision Blizzard acquisition. Gross margin percentage was relatively unchanged as improvement in Gaming and Search and news advertising was offset by sales mix shift to those businesses.
- Operating expenses increased \$1.1 billion or 49% driven by Gaming, with 51 points of growth from the Activision Blizzard acquisition.

### OPERATING EXPENSES

#### **Research and Development**

(In millions, except percentages)	Three Months Ended September 30,		Percentage Change
	2024	2023	
Research and development	\$ 7,544	\$ 6,659	13%
As a percent of revenue	12%	12%	0ppt

Research and development expenses include payroll, employee benefits, stock-based compensation expense, and other headcount-related expenses associated with product development. Research and development expenses also include third-party development and programming costs and the amortization of purchased software code and services content.

**Three Months Ended September 30, 2024 Compared with Three Months Ended September 30, 2023**

Research and development expenses increased \$885 million or 13% driven by Gaming, with 8 points of growth from the Activision Blizzard acquisition, and investments in cloud engineering.

**Sales and Marketing**

(In millions, except percentages)	Three Months Ended September 30,		Percentage Change
	2024	2023	
Sales and marketing	\$ 5,717	\$ 5,187	10%
As a percent of revenue	9%	9%	0ppt

Sales and marketing expenses include payroll, employee benefits, stock-based compensation expense, and other headcount-related expenses associated with sales and marketing personnel, and the costs of advertising, promotions, trade shows, seminars, and other programs.

**Three Months Ended September 30, 2024 Compared with Three Months Ended September 30, 2023**

Sales and marketing expenses increased \$530 million or 10% driven by Gaming, with 9 points of growth from the Activision Blizzard acquisition, and investments in commercial sales.

**General and Administrative**

(In millions, except percentages)	Three Months Ended September 30,		Percentage Change
	2024	2023	
General and administrative	\$ 1,673	\$ 1,474	14%
As a percent of revenue	3%	3%	0ppt

General and administrative expenses include payroll, employee benefits, stock-based compensation expense, employee severance expense incurred as part of a corporate program, and other headcount-related expenses associated with finance, legal, facilities, certain human resources and other administrative personnel, certain taxes, and legal and other administrative fees.

**Three Months Ended September 30, 2024 Compared with Three Months Ended September 30, 2023**

General and administrative expenses increased \$199 million or 14% driven by Gaming, with 11 points of growth from the Activision Blizzard acquisition.

OTHER INCOME (EXPENSE), NET

The components of other income (expense), net were as follows:

(In millions)

Three Months Ended September 30,	2024	2023
Interest and dividends income	\$ 681	\$ 1,166
Interest expense	(582)	(525)
Net recognized gains (losses) on investments	463	(107)
Net gains (losses) on derivatives	(338)	93
Net gains (losses) on foreign currency remeasurements	176	(101)
Other, net	(683)	(137)
<b>Total</b>	<b>\$ (283)</b>	<b>\$ 389</b>

We use derivative instruments to manage risks related to foreign currencies, interest rates, equity prices, and credit; to enhance investment returns; and to facilitate portfolio diversification. Gains and losses from changes in fair values of derivatives that are not designated as hedging instruments are primarily recognized in other income (expense), net.

**Three Months Ended September 30, 2024 Compared with Three Months Ended September 30, 2023**

Interest and dividends income decreased primarily due to lower portfolio balances. Interest expense increased primarily due to higher finance lease interest expense. Net recognized gains on investments increased primarily due to gains on equity investments in the current period as compared to losses in the prior period. Net losses on derivatives increased primarily due to losses on equity derivatives in the current period as compared to gains in the prior period. Other, net primarily reflects net recognized losses on equity method investments, including OpenAI.

INCOME TAXES

**Effective Tax Rate**

Our effective tax rate was 19% and 18% for the three months ended September 30, 2024 and 2023, respectively. The increase in our effective tax rate for the current quarter compared to the prior year was primarily due to tax benefits from tax law changes in the first quarter of fiscal year 2024, including the impact from the issuance of Notice 2023-55 by the Internal Revenue Service ("IRS") and U.S. Treasury Department, which delayed the effective date of final foreign tax credit regulations to fiscal year 2024 for Microsoft. Notice 2023-80, issued in the second quarter of fiscal year 2024, further delayed the effective date of final foreign tax credit regulations indefinitely.

Our effective tax rate was lower than the U.S. federal statutory rate for the three months ended September 30, 2024, primarily due to earnings taxed at lower rates in foreign jurisdictions resulting from producing and distributing our products and services through our foreign regional operations center in Ireland.

The Organisation for Economic Co-operation and Development ("OECD") published its model rules "Tax Challenges Arising From the Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two)" which established a global minimum corporate tax rate of 15% for certain multinational enterprises. Many countries have implemented or are in the process of implementing the Pillar Two legislation, which applies to Microsoft beginning in fiscal year 2025. While we do not currently estimate a material impact to our consolidated financial statements, we continue to monitor the impact as countries implement legislation and the OECD provides additional guidance.

## Uncertain Tax Positions

We remain under audit by the IRS for tax years 2014 to 2017. With respect to the audit for tax years 2004 to 2013, on September 26, 2023, we received Notices of Proposed Adjustment (“NOPAs”) from the IRS. The primary issues in the NOPAs relate to intercompany transfer pricing. In the NOPAs, the IRS is seeking an additional tax payment of \$28.9 billion plus penalties and interest. As of September 30, 2024, we believe our allowances for income tax contingencies are adequate. We disagree with the proposed adjustments and will vigorously contest the NOPAs through the IRS’s administrative appeals office and, if necessary, judicial proceedings. We do not expect a final resolution of these issues in the next 12 months. Based on the information currently available, we do not anticipate a significant increase or decrease to our income tax contingencies for these issues within the next 12 months.

We are subject to income tax in many jurisdictions outside the U.S. Our operations in certain jurisdictions remain subject to examination for tax years 1996 to 2024, some of which are currently under audit by local tax authorities. The resolution of each of these audits is not expected to be material to our consolidated financial statements.

## LIQUIDITY AND CAPITAL RESOURCES

We expect existing cash, cash equivalents, short-term investments, cash flows from operations, and access to capital markets to continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities, such as dividends, share repurchases, debt maturities, material capital expenditures, and the transition tax related to the Tax Cuts and Jobs Act (“TCJA”), for at least the next 12 months and thereafter for the foreseeable future.

### Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and short-term investments totaled \$78.4 billion and \$75.5 billion as of September 30, 2024 and June 30, 2024, respectively. Equity and other investments were \$15.8 billion and \$14.6 billion as of September 30, 2024 and June 30, 2024, respectively. Our short-term investments are primarily intended to facilitate liquidity and capital preservation. They consist predominantly of highly liquid investment-grade fixed-income securities, diversified among industries and individual issuers. The investments are predominantly U.S. dollar-denominated securities, but also include foreign currency-denominated securities to diversify risk. Our fixed-income investments are exposed to interest rate risk and credit risk. The credit risk and average maturity of our fixed-income portfolio are managed to achieve economic returns that correlate to certain fixed-income indices. The settlement risk related to these investments is insignificant given that the short-term investments held are primarily highly liquid investment-grade fixed-income securities.

### Valuation

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine the fair value of our financial instruments. This pricing methodology applies to our Level 1 investments, such as U.S. government securities, common and preferred stock, and mutual funds. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. This pricing methodology applies to our Level 2 investments, such as commercial paper, certificates of deposit, U.S. agency securities, foreign government bonds, mortgage- and asset-backed securities, corporate notes and bonds, and municipal securities. Level 3 investments are valued using internally-developed models with unobservable inputs. Assets and liabilities measured at fair value on a recurring basis using unobservable inputs are an immaterial portion of our portfolio.

A majority of our investments are priced by pricing vendors and are generally Level 1 or Level 2 investments as these vendors either provide a quoted market price in an active market or use observable inputs for their pricing without applying significant adjustments. Broker pricing is used mainly when a quoted price is not available, the investment is not priced by our pricing vendors, or when a broker price is more reflective of fair values in the market in which the investment trades. Our broker-priced investments are generally classified as Level 2 investments because the broker prices these investments based on similar assets without applying significant adjustments. In addition, all our broker-priced investments have a sufficient level of trading volume to demonstrate that the fair values used are appropriate for these investments. Our fair value processes include controls that are designed to ensure appropriate fair values are recorded. These controls include model validation, review of key model inputs, analysis of period-over-period fluctuations, and independent recalculation of prices where appropriate.

**Cash Flows**

Cash from operations increased \$3.6 billion to \$34.2 billion for the three months ended September 30, 2024, primarily due to an increase in cash received from customers, offset in part by an increase in cash paid to suppliers and employees. Cash used in financing increased \$31.3 billion to \$16.6 billion for the three months ended September 30, 2024, primarily due to a \$31.0 billion increase in cash used for repayments of debt, net of proceeds. Cash used in investing increased \$15.7 billion to \$15.2 billion for the three months ended September 30, 2024, primarily due to a \$10.1 billion decrease in cash from net investment purchases, sales, and maturities and a \$5.0 billion increase in additions to property and equipment.

**Debt Proceeds**

We issue debt to take advantage of favorable pricing and liquidity in the debt markets, reflecting our credit rating. The proceeds of these issuances were or will be used for general corporate purposes, which may include, among other things, funding for working capital, capital expenditures, repurchases of capital stock, acquisitions, and repayment of existing debt. Refer to Note 10 – Debt of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for further discussion.

**Unearned Revenue**

Unearned revenue comprises mainly unearned revenue related to volume licensing programs, which may include Software Assurance (“SA”) and cloud services. Unearned revenue is generally invoiced annually at the beginning of each contract period for multi-year agreements and recognized ratably over the coverage period. Unearned revenue also includes payments for other offerings for which we have been paid in advance and earn the revenue when we transfer control of the product or service.

The following table outlines the expected future recognition of unearned revenue as of September 30, 2024:

(In millions)

Three Months Ending		
December 31, 2024	\$	24,279
March 31, 2025		16,953
June 30, 2025		9,620
September 30, 2025		2,174
Thereafter		2,663
Total	\$	<u>55,689</u>

If our customers choose to license cloud-based versions of our products and services rather than licensing transaction-based products and services, the associated revenue will shift from being recognized at the time of the transaction to being recognized over the subscription period or upon consumption, as applicable. Refer to Note 12 – Unearned Revenue of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for further discussion.

**Material Cash Requirements and Other Obligations****Income Taxes**

As a result of the TCJA, we are required to pay a one-time transition tax on deferred foreign income not previously subject to U.S. income tax. Under the TCJA, the transition tax is payable in interest-free installments over eight years, with 8% due in each of the first five years, 15% in year six, 20% in year seven, and 25% in year eight. As of September 30, 2024, our eighth transition tax installment of \$4.4 billion is short-term and payable in the first quarter of fiscal year 2026.

### **Share Repurchases**

For the three months ended September 30, 2024 and 2023, we repurchased 7 million shares and 11 million shares of our common stock for \$2.8 billion and \$3.6 billion, respectively, through our share repurchase program. All repurchases were made using cash resources. As of September 30, 2024, \$7.5 billion remained of our \$60 billion share repurchase program. Refer to Note 15 – Stockholders' Equity of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for further discussion.

### **Dividends**

For the three months ended September 30, 2024 and 2023, our Board of Directors declared dividends totaling \$6.2 billion and \$5.6 billion, respectively. We intend to continue returning capital to shareholders in the form of dividends, subject to declaration by our Board of Directors. Refer to Note 15 – Stockholders' Equity of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for further discussion.

### **Other Planned Uses of Capital**

We will continue to invest in sales, marketing, product support infrastructure, and existing and advanced areas of technology, as well as acquisitions that align with our business strategy. Additions to property and equipment will continue, including new facilities, datacenters, and computer systems for research and development, sales and marketing, support, and administrative staff. We expect capital expenditures to increase in coming years to support growth in our cloud offerings and our investments in AI infrastructure and training. We have operating and finance leases for datacenters, corporate offices, research and development facilities, Microsoft Experience Centers, and certain equipment. We have not engaged in any related party transactions or arrangements with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of capital resources.

### RECENT ACCOUNTING GUIDANCE

Refer to Note 1 – Accounting Policies of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for further discussion.

### CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Critical accounting estimates are those estimates that involve a significant level of estimation uncertainty and could have a material impact on our financial condition or results of operations. We have critical accounting estimates in the areas of revenue recognition, impairment of investment securities, goodwill, research and development costs, legal and other contingencies, income taxes, and business combinations – valuation of intangible assets.

### **Revenue Recognition**

Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. When a cloud-based service includes both on-premises software licenses and cloud services, judgment is required to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the cloud service and recognized over time. Certain cloud services, primarily Office 365, depend on a significant level of integration, interdependency, and interrelation between the desktop applications and cloud services, and are accounted for together as one performance obligation. Revenue from Office 365 is recognized ratably over the period in which the cloud services are provided.

Judgment is required to determine the standalone selling price ("SSP") for each distinct performance obligation. We use a single amount to estimate SSP for items that are not sold separately, including on-premises licenses sold with SA or software updates provided at no additional charge. We use a range of amounts to estimate SSP when we sell each of the products and services separately and need to determine whether there is a discount to be allocated based on the relative SSP of the various products and services.



In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining the SSP.

Due to the various benefits from and the nature of our SA program, judgment is required to assess the pattern of delivery, including the exercise pattern of certain benefits across our portfolio of customers.

Our products are generally sold with a right of return, we may provide other credits or incentives, and in certain instances we estimate customer usage of our products and services, which are accounted for as variable consideration when determining the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period if additional information becomes available. Changes to our estimated variable consideration were not material for the periods presented.

### **Impairment of Investment Securities**

We review debt investments quarterly for credit losses and impairment. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. This determination requires significant judgment. In making this judgment, we employ a systematic methodology that considers available quantitative and qualitative evidence in evaluating potential impairment of our investments. In addition, we consider specific adverse conditions related to the financial health of, and business outlook for, the investee. If we have plans to sell the security or it is more likely than not that we will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in other income (expense), net and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, we may incur future impairments.

Equity investments without readily determinable fair values are written down to fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than carrying value. We perform a qualitative assessment on a periodic basis. We are required to estimate the fair value of the investment to determine the amount of the impairment loss. Once an investment is determined to be impaired, an impairment charge is recorded in other income (expense), net.

### **Goodwill**

We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. We evaluate our reporting units on an annual basis and, if necessary, reassign goodwill using a relative fair value allocation approach. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (May 1) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated primarily through the use of a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital.

The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit.

### **Research and Development Costs**

Costs incurred internally in researching and developing a computer software product are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We have determined that technological feasibility for our software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to production. The amortization of these costs is included in cost of revenue over the estimated life of the products.

### **Legal and Other Contingencies**

The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our consolidated financial statements.

### **Income Taxes**

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year, and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Accounting literature also provides guidance on derecognition of income tax assets and liabilities, classification of deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. Judgment is required in assessing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact our consolidated financial statements.

### **Business Combinations – Valuation of Intangible Assets**

Accounting for business combinations requires significant judgments when allocating the purchase price to the estimated fair values of assets acquired and liabilities assumed at the acquisition date. Determination of fair value involves estimates and assumptions which can be complex, most notably with respect to intangible assets. Critical estimates used in the valuation of intangible assets include, but are not limited to, the amount and timing of projected cash flows, useful lives, and discount rates. While management's estimates of fair value are based on assumptions that are believed to be reasonable, these assumptions are inherently uncertain as they pertain to forward-looking views of our business and market conditions. The judgments made in this valuation process could materially impact our consolidated financial statements.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### RISKS

We are exposed to economic risk from foreign exchange rates, interest rates, credit risk, and equity prices. We use derivatives instruments to manage these risks, however, they may still impact our consolidated financial statements.

##### Foreign Currencies

Certain forecasted transactions, assets, and liabilities are exposed to foreign currency risk. We monitor our foreign currency exposures daily to maximize the economic effectiveness of our foreign currency positions, including hedges. Principal currency exposures include the Euro, Japanese yen, British pound, Canadian dollar, and Australian dollar.

##### Interest Rate

Securities held in our fixed-income portfolio are subject to different interest rate risks based on their maturities. We manage the average maturity of the fixed-income portfolio to achieve economic returns that correlate to certain global fixed-income indices.

##### Credit

Our fixed-income portfolio is diversified and consists primarily of investment-grade securities. We manage credit exposures relative to broad-based indices to facilitate portfolio diversification.

##### Equity

Securities held in our equity investments portfolio are subject to price risk.

#### SENSITIVITY ANALYSIS

The following table sets forth the potential loss in future earnings or fair values, including associated derivatives, resulting from hypothetical changes in relevant market rates or prices:

(In millions)

Risk Categories	Hypothetical Change	September 30, 2024	Impact
Foreign currency – Revenue	10% decrease in foreign exchange rates	\$ (10,349)	Earnings
Foreign currency – Investments	10% decrease in foreign exchange rates	(39)	Fair Value
Interest rate	100 basis point increase in U.S. treasury interest rates	(1,287)	Fair Value
Credit	100 basis point increase in credit spreads	(331)	Fair Value
Equity	10% decrease in equity market prices	(1,133)	Earnings

### ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Refer to Note 14 – Contingencies of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for information regarding legal proceedings in which we are involved.

### ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, operations, financial condition, results of operations, liquidity, and the trading price of our common stock.

#### STRATEGIC AND COMPETITIVE RISKS

**We face intense competition across all markets for our products and services, which may adversely affect our results of operations.**

#### ***Competition in the technology sector***

Our competitors range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product lines may let them be more effective in deploying technical, marketing, and financial resources. Barriers to entry in many of our businesses are low and many of the areas in which we compete evolve rapidly with changing and disruptive technologies, shifting user needs, and frequent introductions of new products and services. If we do not continue to innovate and provide products, devices, and services that appeal to businesses and consumers, we may not remain competitive, which may adversely affect our business, financial condition, and results of operations.

#### ***Competition among platform-based ecosystems***

An important element of our business model has been to create platform-based ecosystems on which many participants can build diverse solutions. A well-established ecosystem creates beneficial network effects among users, application developers, and the platform provider that can accelerate growth. Establishing significant scale in the marketplace is necessary to achieve and maintain attractive margins. We face significant competition from firms that provide competing platforms.

- A competing vertically-integrated model, in which a single firm controls the hardware and software elements of a product and related services, has succeeded with some consumer products such as PCs, tablets, smartphones, gaming consoles, wearables, and other endpoint devices. Competitors pursuing this model also earn revenue from services integrated with the hardware and software platform, including applications and content sold through their integrated marketplaces. They may also be able to claim security and performance benefits from their vertically integrated offer. We also offer some vertically-integrated hardware and software products and services. Shifting a portion of our business to a vertically integrated model may increase our cost of revenue and reduce our operating margins.
- We derive substantial revenue from licenses of Windows operating systems on PCs. We face significant competition from competing platforms developed for new devices and form factors such as smartphones and tablets. These devices compete on multiple bases including price and the perceived utility of the device and its platform. Users continue to turn to these devices to perform functions that in the past were performed by PCs. Even if many users view these devices as complementary to a PC, the prevalence of these devices may make it more difficult to attract application developers to our PC operating system platforms. Competing with operating systems licensed at low or no cost may decrease our PC operating system margins. Popular products or services offered on competing platforms could increase their competitive strength. In addition, some of our devices compete with products made by our OEM partners, which may affect their commitment to our platform.

- Competing platforms have content and application marketplaces with scale and significant installed bases. The variety and utility of content and applications available on a platform are important to device purchasing decisions. Users may incur costs to move data and buy new content and applications when switching platforms. To compete, we must successfully enlist developers to write applications for our platform and ensure that these applications have high quality, security, customer appeal, and value. Efforts to compete with competitors' content and application marketplaces may increase our cost of revenue and lower our operating margins. Competitors' rules governing their content and applications marketplaces may restrict our ability to distribute products and services through them in accordance with our technical and business model objectives.

For all of these reasons, we may not be able to compete successfully against our current and future competitors, which may adversely affect our business, operations, financial condition, and results of operations.

### ***Business model competition***

Companies compete with us based on a growing variety of business models.

- A material part of our business involves cloud-based services available across the spectrum of computing devices. Our competitors continue to develop and deploy cloud-based services for consumers and business customers, and pricing and delivery models are evolving. We and our competitors are devoting significant resources to develop and deploy our cloud-based strategies.
- We are investing in artificial intelligence ("AI") across the entire company and infusing generative AI capabilities into our consumer and commercial offerings. We expect AI technology and services to be a highly competitive and rapidly evolving market, and new competitors continue to enter the market. We will bear significant development and operational costs to build and support the AI models, services, platforms, and infrastructure necessary to meet the needs of our customers. To compete effectively we must also be responsive to technological change, new and potential regulatory developments, and public scrutiny.
- Even as we transition more of our business to infrastructure-, platform-, and software-as-a-service business models, the license-based proprietary software model generates a substantial portion of our software revenue. We bear the costs of converting original ideas into software products through investments in research and development, offsetting these costs with the revenue received from licensing our products. Many of our competitors also develop and sell software to businesses and consumers under this model.
- Other competitors develop and offer free applications, online services, and content, and make money by selling third-party advertising. Advertising revenue funds development of products and services these competitors provide to users at little or no cost, competing directly with our revenue-generating products.
- Some companies compete with us by modifying and then distributing open source software at little or no cost to end users, developing, making available, or using AI models that are open, and earning revenue on advertising or integrated products and services. These firms do not bear the full costs of research and development for the open source products. Some open source products mimic the features and functionality of our products.

The competitive pressures described above may cause decreased sales volumes, price reductions, and/or increased operating costs, such as for research and development, marketing, and sales incentives, which may adversely affect our financial condition and results of operations.

**Our focus on cloud-based and AI services presents execution and competitive risks.** We are incurring significant costs to build and maintain infrastructure to support cloud-based and AI services. These costs will reduce the operating margins. Whether we succeed in cloud-based and AI services depends on our execution in several areas, including:

- Continuing to bring to market compelling cloud-based and AI services and products that generate increasing traffic and market share.
- Maintaining the utility, compatibility, and performance of our cloud-based and AI services on the growing array of computing devices, including PCs, smartphones, tablets, gaming consoles, and other devices.
- Continuing to enhance the attractiveness of our cloud platforms to third-party developers.

- Ensuring our cloud-based services meet the reliability expectations and specific requirements of our customers and maintain the security of their data as well as help them meet their own compliance needs.
- Making our suite of cloud-based services platform-agnostic, available on a wide range of devices and ecosystems, including those of our competitors.

It is uncertain whether our strategies will continue to attract users or generate the revenue required to succeed. If we are not effective in executing organizational and technical changes to increase efficiency and accelerate innovation, or if we fail to generate sufficient usage of our new products and services, we may not grow revenue in line with the infrastructure and development investments described above. This may adversely affect our operations, financial condition, and results of operations.

Our AI systems offer users powerful tools and capabilities. However, there may be instances where these systems are used in ways that are unintended or inappropriate. In addition, some users may also engage in fraudulent or abusive activities through our cloud-based and AI services, such as unauthorized account access, payment fraud, or terms of service violations including cryptocurrency mining or launching cyberattacks. While we are committed to detecting and controlling such misuse of our cloud-based and AI services, our efforts may not be effective, and we may incur reputational damage or experience adverse impacts to our business and results of operations.

#### RISKS RELATING TO THE EVOLUTION OF OUR BUSINESS

**We make significant investments in products and services that may not achieve expected returns.** We will continue to make significant investments in research, development, and marketing for existing products, services, and technologies. In addition, we are focused on developing new AI platform services and incorporating AI into existing products and services. We also invest in the development and acquisition of a variety of hardware for productivity, communication, and entertainment, including PCs, tablets, and gaming devices. Investments in new technology are speculative. Commercial success depends on many factors, including innovation, developer support, and effective distribution and marketing. If customers do not perceive our latest offerings as providing significant new functionality or other value, they may reduce their purchases of new software and hardware products or upgrades, unfavorably affecting revenue. We may not achieve significant revenue from new product, service, and distribution channel investments for several years, if at all. New products and services may not be profitable or may not achieve operating margins as high as we have experienced historically. We may not get engagement in certain features that drive post-sale monetization opportunities. Our data-handling practices across our products and services will continue to be under scrutiny. Perceptions of mismanagement, driven by regulatory activity or negative public reaction to our practices or product experiences, could negatively impact product and feature adoption. Developing new technologies is complex. It can require long development and testing periods. We could experience significant delays in new releases or significant problems in creating new products or services. These factors could adversely affect our business, financial condition, and results of operations.

**Acquisitions, joint ventures, and strategic alliances may have an adverse effect on our business.** We expect to continue making acquisitions and entering into joint ventures and strategic alliances as part of our long-term business strategy. For example, in March 2022 we completed our acquisition of Nuance Communications, Inc., and in October 2023 we completed our acquisition of Activision Blizzard, Inc. (“Activision Blizzard”). In January 2023 we announced the third phase of our OpenAI strategic partnership. Acquisitions and other transactions and arrangements involve significant challenges and risks, including that they do not advance our business strategy, that we get an unsatisfactory return on our investment, that they raise new compliance-related obligations and challenges, that we have difficulty integrating and retaining new employees, business systems, and technology, that they distract management from our other businesses, or that announced transactions may not be completed. If an arrangement fails to adequately anticipate changing circumstances and interests of a party, it may result in early termination or renegotiation of the arrangement. We also have limited ability to control or influence third parties with whom we have arrangements, which may impact our ability to realize the anticipated benefits. The success of these transactions and arrangements depend in part on our ability to leverage them to enhance our existing products and services or develop compelling new ones, as well as the acquired companies’ ability to meet our policies and processes in areas such as data governance, privacy, and cybersecurity. It may take longer than expected to realize the full benefits from these transactions and arrangements, such as increased revenue or enhanced efficiencies, or the benefits may ultimately be smaller than we expected. In addition, an acquisition may be subject to challenge even after it has been completed. For example, the Federal Trade Commission continues to challenge our Activision Blizzard acquisition and could, if successful, alter or unwind the transaction. These events could adversely affect our business, operations, financial condition, and results of operations.

**If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.**

We acquire other companies and intangible assets and may not realize all the economic benefit from those acquisitions, which could cause an impairment of goodwill or intangibles. We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually. Factors that may be a change in circumstances, indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable, include a decline in our stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in industry segments in which we participate. We have in the past recorded, and may in the future be required to record, a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, negatively affecting our results of operations.

**CYBERSECURITY, DATA PRIVACY, AND PLATFORM ABUSE RISKS**

**Cyberattacks and security vulnerabilities could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position.**

***Security of our information technology***

Threats to IT security can take a variety of forms. Individual and groups of hackers and sophisticated organizations, including state-sponsored organizations or nation-states, continuously undertake attacks that pose threats to our customers and our IT, and we have experienced cybersecurity incidents in which such actors have gained unauthorized access to our IT systems and data, including customer systems and data. These actors use a wide variety of methods, which include developing and deploying malicious software; exploiting known and potential vulnerabilities or intentionally designed processes in hardware, software, or other infrastructure to attack our products and services or gain access to our networks and datacenters; using social engineering techniques to induce our employees, users, partners, or customers to disclose sensitive information, such as passwords, or take other actions to gain access to our data or our users' or customers' data; or acting in a coordinated manner or conducting coordinated attacks. For example, as previously disclosed in our Form 8-K filed with the Securities and Exchange Commission on January 19, 2024 and amended on March 8, 2024, beginning in late November 2023, a nation-state associated threat actor used a password spray attack to compromise a legacy test account and, in turn, gain access to Microsoft email accounts. The threat actor used and may continue to use information it obtained to gain, or attempt to gain, unauthorized access to some of our source code repositories and internal systems, and the threat actor may utilize this information to otherwise adversely affect our business and results of operations. This incident has and may continue to result in harm to our reputation and customer relationships. Additionally, we may discover additional impacts of this or other incidents as part of our ongoing examination of this incident. Nation-state and state-sponsored actors can sustain malicious activities for extended periods and deploy significant resources to plan and carry out attacks. Nation-state attacks against us, our customers, or our partners have and may continue to intensify due to our transparency to our customers, other stakeholders, and the public about cyberattacks, and during elections or periods of intense diplomatic or armed conflict. Cyber incidents and attacks, individually or in the aggregate, could adversely affect our financial condition, results of operations, competitive position, and reputation, or expose us to legal or regulatory risk. Challenges or failures in applying current security patches to all hardware and devices connected to our systems, including legacy network equipment, have and may continue to result in unauthorized access to our IT systems and data in the future.

Inadequate account security or organizational security practices, including those of companies we have acquired or those of the third parties we utilize, have resulted and may result in unauthorized access to our IT systems and data, including customer systems and data, in the future. For example, system administrators may fail to timely remove employee account access when no longer appropriate. Employees or third parties may intentionally compromise our or our users' security or systems or reveal confidential information. Malicious actors may employ the IT supply chain to introduce malware through software updates or compromised supplier accounts or hardware.

Cyberthreats are constantly evolving and becoming increasingly sophisticated and complex, increasing the difficulty of detecting and successfully defending against them. Threat actors may also utilize emerging technologies, such as AI and machine learning. We may have no current capability to detect certain vulnerabilities or new attack methods, which may allow them to persist in the environment over long periods of time. It may be difficult to determine the best way to investigate, mitigate, contain, and remediate the harm caused by a cyber incident. Such efforts may not be successful, and we may make errors or fail to take necessary actions. It is possible that threat actors may gain undetected access to other networks and systems after establishing a foothold on an internal system. Cyber incidents and attacks can have cascading impacts that unfold with increasing speed across our internal networks and systems, as well as those of our partners and customers. In addition, it may take considerable time for us to investigate and evaluate the full impact of incidents, particularly for sophisticated attacks. These factors may inhibit our ability to provide prompt, full, and reliable information about the incident to our customers, partners, regulators, and the public. Breaches of our facilities, network, or data security can disrupt the security of our systems and business applications, impair our ability to provide services to our customers and protect the privacy of their data, result in product development delays, compromise confidential or technical business information, result in theft or misuse of our intellectual property or other assets, subject us to ransomware attacks, require us to allocate more resources to improve technologies or remediate the impacts of attacks, or otherwise adversely affect our business. In addition, actions taken to remediate an incident could result in outages, data losses, and disruptions of our services.

Our internal IT environment continues to evolve. Often, we are early adopters of new devices and technologies. We embrace new ways of sharing data and communicating internally and with partners and customers using methods such as social networking and other consumer-oriented technologies. Increasing use of generative AI models in our internal systems may create new attack surfaces or methods for adversaries. Our business policies and internal security controls may not keep pace with these changes as new threats emerge or the emerging cybersecurity regulations in jurisdictions worldwide.

#### ***Security of our products, services, devices, and customers' data***

The security of our products and services is important in our customers' decisions to purchase or use our products or services across cloud and on-premises environments. Security threats are a significant challenge to companies like us, whose business is providing technology products and services to others. Threats to or attacks on our own IT infrastructure, such as the nation-state attack described in the prior risk factor, have also affected our customers and may do so in the future. Customers using our cloud-based services rely on the security of our infrastructure, including hardware and other elements provided by third parties, to ensure the reliability of our services and the protection of their data. Adversaries tend to focus their efforts on the most popular operating systems, programs, and services, including many of ours, and we expect that to continue. In addition, adversaries can attack our customers' on-premises or cloud environments, sometimes exploiting previously unknown ("zero-day") vulnerabilities, such as the attack in early calendar year 2021 with several of our Exchange Server on-premises products. Vulnerabilities in these or any product can persist even after we have issued security patches if customers have not installed the most recent updates, or if the attackers exploited the vulnerabilities before patching to install additional malware to further compromise customers' systems. Adversaries will continue to attack customers using our cloud services as customers embrace digital transformation. Adversaries that acquire user account information can use that information to compromise our users' accounts, including where accounts share the same attributes such as passwords. Inadequate account security practices may also result in unauthorized access, and user activity may result in ransomware or other malicious software impacting a customer's use of our products or services. There may be vulnerabilities in open source software that may make our products susceptible to cyberattacks as we increasingly incorporate open source software into our products. Additionally, features that rely on generative AI may be susceptible to unanticipated security threats from adversaries as we add new generative AI features to our services while continuously developing our understanding of security risks and protection methods in the new field of generative AI.



Our customers operate complex IT systems with third-party hardware and software from multiple vendors that may include systems acquired over many years. They expect our products and services to support all these systems and products, including those that no longer incorporate the strongest current security advances or standards. As a result, we may not be able to discontinue support in our services for a product, service, standard, or feature solely because a more secure alternative is available. Failure to utilize the most current security advances and standards can increase our customers' vulnerability to attack. Further, customers of widely varied sizes and technical sophistication use our technology, and consequently may still have limited capabilities and resources to help them adopt and implement state-of-the-art cybersecurity practices and technologies. In addition, we must account for this wide variation of technical sophistication when defining default settings for our products and services, including security default settings, as these settings may limit or otherwise impact other aspects of IT operations and some customers may have limited capability to review and reset these defaults.

Cyberattacks may adversely impact our customers even if our production services are not directly compromised. We are committed to notifying our customers whose systems have been impacted as we become aware and have actionable information for customers to help protect themselves. We are also committed to providing guidance and support on detection, tracking, and remediation. We may not be able to detect the existence or extent of these attacks for all of our customers or have information on how to detect or track an attack, especially where an attack involves on-premises software such as Exchange Server where we may have no or limited visibility into our customers' computing environments.

Any of the foregoing events could result in reputational harm, loss of revenue, increased costs, or otherwise adversely affect our business, financial condition, and results of operations.

#### ***Development and deployment of defensive measures***

To defend against security threats to our internal IT systems, our cloud-based services, and our customers' systems, we must continuously engineer more secure products and services, enhance security, threat detection, and reliability features, escalate and improve the deployment of software updates to address security vulnerabilities in our own products as well as those provided by others in a timely manner, develop mitigation technologies that help to secure customers from attacks even when software updates are not deployed, maintain the digital security infrastructure that protects the integrity of our network, products, and services, and provide security tools such as firewalls, anti-virus software, and advanced security and information about the need to deploy security measures and the impact of doing so.

The cost of measures to protect products and customer-facing services could reduce our operating margins. If we fail to do these things well, actual or perceived security vulnerabilities in our products and services, data corruption issues, or reduced performance could harm our reputation and lead customers to reduce or delay future purchases of products or subscriptions to services, or to use competing products or services. Customers may also spend more on protecting their existing computer systems from attack, which could delay adoption of additional products or services. Customers in certain industries such as financial services, health care, and government may have enhanced or specialized expectations and requirements to which we must engineer our products and services. Customers and third parties granted access to their systems may fail to update their systems, continue to run software or operating systems we no longer support, or may fail to timely install or enable security patches, or may otherwise fail to adopt adequate security practices. Any of these could adversely affect our reputation and results of operations. Actual or perceived vulnerabilities may lead to claims against us. Our license agreements typically contain provisions that eliminate or limit our exposure to liability, but there is no assurance these provisions will withstand legal challenges. At times, to achieve commercial objectives, we may enter into agreements with larger liability exposure to customers.

Our products operate in conjunction with and are dependent on products and components across a broad ecosystem of third parties. If there is a security vulnerability in one of these components, and if there is a security exploit targeting it, we may experience adverse impacts to our results of operations, reputation, or competitive position.

**Disclosure and misuse of personal data could result in liability and harm our reputation.** As we continue to grow the number, breadth, and scale of our cloud-based offerings, we store and process increasingly large amounts of personal data of our customers and users. The continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to information security. Despite our efforts to improve the security controls across our business groups and geographies, it is possible our security controls over personal data, our training of employees and third parties on data security, and other practices we follow may not prevent the improper disclosure or misuse of customer or user data we or our vendors store and manage. Relatedly, despite our efforts to continuously improve security controls, it is possible that we may fail to identify or mitigate insider threat activities that could lead to the misuse of our systems or customer and user data. In addition, third parties who have limited access to our customer or user data may use this data in unauthorized ways. Improper disclosure or misuse could harm our reputation, lead to legal exposure to customers or users, or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue. Our software products and services also enable our customers and users to store and process personal data on-premises or in a cloud-based environment we host. Government authorities can sometimes require us to produce customer or user data in response to valid legal orders. In the U.S. and elsewhere, we advocate for transparency concerning these requests and appropriate limitations on government authority to compel disclosure. Despite our efforts to protect customer and user data, perceptions that the collection, use, and retention of personal information is not satisfactorily protected could inhibit sales of our products or services and could limit adoption of our cloud-based solutions by consumers, businesses, and government entities. Additional security measures we take to address customer or user concerns, or constraints on our flexibility to determine where and how to operate datacenters in response to customer or user expectations or governmental rules or actions, may increase costs or hinder sales of our products and services.

**We may not be able to protect information in our products and services from use by others.** LinkedIn and other Microsoft products and services contain valuable information and content protected by contractual restrictions or technical measures. In certain cases, we have made commitments to our members and users to limit access to or use of this information. Changes in the law or interpretations of the law may weaken our ability to prevent third parties from scraping or gathering information or content through use of bots or other measures and using it for their own benefit which could adversely affect our business, financial condition, and results of operations.

**Abuse of our platforms may harm our reputation or user engagement.**

***Advertising, professional, marketplace, and gaming platform abuses***

For platform products and services that provide content or host ads that come from or can be influenced by third parties, our reputation or user engagement may be negatively affected by activity that is hostile or inappropriate. This activity may come from users impersonating other people or organizations, including through the use of AI technologies, dissemination of information that may be viewed as misleading or intended to manipulate the opinions of our users, or the use of our products or services that violates our terms of service or otherwise for objectionable or illegal ends. Preventing or responding to these actions may require us to make substantial investments in people and technology and these investments may not be successful, adversely affecting our business, financial condition, and results of operations.

***Other digital safety abuses***

Our consumer services as well as our enterprise services may be used to find, generate, store, or disseminate harmful or illegal content in violation of our terms or applicable law. We may not proactively discover such content due to scale, the limitations of existing technologies, and conflicting legal frameworks. When discovered by users and others, such content may negatively affect our reputation, our brands, and user engagement. Regulations and other initiatives to make platforms responsible for preventing or eliminating harmful content online have been enacted, and we expect this to continue. We may be subject to enhanced regulatory oversight, civil or criminal liability, or reputational damage if we fail to comply with content moderation regulations, adversely affecting our business, financial condition, and results of operations.

**Our products and services, how they are used by customers, and how third-party products and services interact with them, may present security, privacy, and execution risks.** Our products and services may contain defects in design, manufacture, or operation that make them insecure or ineffective for their intended purposes. For example, an Internet of Things solution may have multiple layers of hardware, sensors, processors, software, and firmware, several of which we may not develop or control, and may have limited ability to be updated or patched. Further, customers control our products and services, including our AI products, within their environments, and may deploy them in high-risk scenarios or utilize them inappropriately. As a result, our products and services may increasingly affect personal health and safety. Our products may also collect large amounts of data in manners which may not satisfy customers or regulatory requirements. Our customers also operate complex IT systems with third-party hardware and software from multiple vendors whose products or personnel may take or fail to take actions which impact the reliability or security of our products and services. If our products and services do not work as intended, are utilized in methods not intended, violate the law, or harm individuals or businesses, we may be subject to legal claims or enforcement actions. These risks, if realized, may increase our costs, damage our reputation, or adversely affect our results of operations.

**Issues in the development and use of AI may result in reputational or competitive harm or liability.** We are building AI into many of our offerings, including our productivity services, and we are also making AI available for our customers to use in solutions that they build. This AI may be developed by Microsoft or others, including our strategic partner, OpenAI. We expect these elements of our business to grow. We envision a future in which AI operating in devices, applications, and the cloud helps our customers be more productive in their work and personal lives. As with many innovations, AI presents risks and challenges that could affect its adoption, and therefore our business. AI algorithms or training methodologies may be flawed. Datasets may be overbroad, insufficient, or contain biased information. Content generated by AI systems may be offensive, illegal, inaccurate, or otherwise harmful. Ineffective or inadequate AI development or deployment practices by Microsoft or others could result in incidents that impair the acceptance of AI solutions, cause harm to individuals, customers, or society, or result in our products and services not working as intended. Human review of certain inputs and outputs may be required. Our implementation of AI systems could result in legal liability, regulatory action, brand, reputational, or competitive harm, or other adverse impacts. These risks may arise from current copyright infringement and other claims related to AI training and output, new and proposed legislation and regulations, such as the European Union's ("EU") AI Act and the U.S.'s AI Executive Order, and new applications of data protection, privacy, consumer protection, intellectual property, and other laws. Some AI scenarios present ethical issues or may have broad impacts on society. If we enable or offer AI solutions that have unintended consequences, unintended usage or customization by our customers and partners, are contrary to our responsible AI policies and practices, or are otherwise controversial because of their impact on human rights, privacy, employment, or other social, economic, or political issues, our reputation, competitive position, business, financial condition, and results of operations may be adversely affected.

#### OPERATIONAL RISKS

**We may have excessive outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure.** Our increasing user traffic, growth in services, and the complexity of our products and services demand more computing power. We spend substantial amounts to build, purchase, or lease datacenters and equipment and to upgrade our technology and network infrastructure to handle more traffic on our websites and in our datacenters. Our datacenters depend on the availability of permitted and buildable land, predictable energy, networking supplies, and servers, including graphics processing units and other components. The cost or availability of these dependencies could be adversely affected by a variety of factors, including the transition to a clean energy economy, local and regional environmental regulations, and geopolitical disruptions. These demands continue to increase as we introduce new products and services and support the growth and the augmentation of existing services, including through the incorporation of AI features and/or functionality. We are rapidly growing our business of providing a platform and back-end hosting for services provided by third parties to their end users. Maintaining, securing, and expanding this infrastructure is expensive and complex, and requires development of principles for datacenter builds in geographies with higher safety and reliability risks. It requires that we maintain an Internet connectivity infrastructure and storage and compute capacity that is robust and reliable within competitive and regulatory constraints that continue to evolve. Inefficiencies or operational failures, including temporary or permanent loss of customer data, outages, insufficient Internet connectivity, insufficient or unavailable power or water supply, or inadequate storage and compute capacity could diminish the quality of our products, services, and user experience, resulting in contractual liability, claims by customers and other third parties, regulatory actions, damage to our reputation, and loss of current and potential users, subscribers, and advertisers, each of which may adversely affect our business, operations, financial condition, and results of operations.

**We may experience supply or quality problems.** There are limited suppliers for certain device and datacenter components. We continue to identify and evaluate opportunities to expand our datacenter locations and increase our server capacity to meet the evolving needs of our customers, particularly given the growing demand for AI services. Capacity available to us may be affected as competitors use some of the same suppliers and materials for hardware components. If components are delayed or become unavailable, whether because of supplier capacity constraint, industry shortages, legal or regulatory changes that restrict supply sources, or other reasons, we may not obtain timely replacement supplies, resulting in reduced sales or inadequate datacenter capacity to support the delivery and continued development of our products and services. Component shortages, excess or obsolete inventory, or price reductions resulting in inventory adjustments may increase our cost of revenue. Datacenter servers, Xbox consoles, Surface devices, and other hardware are assembled in Asia and other geographies that may be subject to disruptions in the supply chain, resulting in shortages which may adversely affect our business, operations, financial condition, and results of operations.

Our software products and services also may experience quality or reliability problems. The highly sophisticated software we develop may contain bugs and other defects that interfere with their intended operation. Our customers increasingly rely on us for critical business functions and multiple workloads. Many of our products and services are interdependent on one another. Our products and services may be impacted by interaction with third-party products and services. Our customers may also utilize their own or third-party products and services whose reliability is dependent on interaction with our products and services. Each of these circumstances potentially magnifies the impact of quality or reliability issues. Any defects we do not detect and fix in pre-release testing could cause reduced sales, damage to our reputation, repair or remediation costs, delays in the release of new products or versions, or legal liability, which could adversely affect our business, financial condition, and results of operations. Although our license agreements typically contain provisions that eliminate or limit our exposure to liability, there is no assurance these provisions will withstand legal challenge.

Our hardware products such as Xbox consoles, Surface devices, and other devices we design and market are highly complex. Failure to prevent, detect, or address defects in design, manufacture, or associated software could result in recalls, safety alerts, or product liability claims, which could adversely affect our business and results of operations.

#### LEGAL, REGULATORY, AND LITIGATION RISKS

**Government enforcement under competition laws and new market regulation may limit how we design and market our products.** Government agencies closely scrutinize us under U.S. and foreign competition laws. Governments are actively enforcing competition laws and regulations and enacting new regulations to intervene in digital markets, and this includes markets such as the EU, the United Kingdom, the U.S., and China. Some jurisdictions also allow competitors or consumers to assert claims of anti-competitive conduct. U.S. and foreign antitrust authorities have previously brought enforcement actions and continue to scrutinize our business.

For example, the European Commission (“the Commission”) has designated Windows and LinkedIn as core platform services subject to obligations under the EU Digital Markets Act, which prohibits certain self-preferencing behaviors and places limitations on certain data use among other obligations. The Commission also continues to closely scrutinize the design of high-volume Microsoft products and the terms on which we make certain technologies used in these products, such as file formats, programming interfaces, and protocols, available to other companies. Flagship product releases such as Microsoft 365 and Windows can receive significant scrutiny under EU or other competition laws.

Our portfolio of first-party devices continues to grow; at the same time, our OEM partners offer a large variety of devices for our platforms. As a result, we increasingly both cooperate and compete with our OEM partners, creating a risk that we fail to do so in compliance with competition rules. Regulatory scrutiny in this area may increase. Certain foreign governments, particularly in China and other countries in Asia, have advanced arguments under their competition laws that exert downward pressure on royalties for our intellectual property.

Competition law enforcement actions and court decisions along with new market regulations may result in fines or hinder our ability to provide the benefits of our software to consumers and businesses, reducing the attractiveness of our products and the revenue that comes from them. New competition law actions or obligations under market regulation schemes could be initiated, potentially using previous actions as precedent. The outcome of such actions, or steps taken to avoid them, could adversely affect us in a variety of ways, including causing us to withdraw products from or modify products for certain markets, decreasing the value of our assets, adversely affecting our ability to monetize our products, or inhibiting our ability to consummate acquisition or impose conditions on acquisitions that may reduce their value, which may adversely affect our business, financial condition, and results of operations.

**Laws and regulations relating to anti-corruption and trade could result in increased costs, fines, criminal penalties, or reputational damage.** The Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws and regulations (“Anti-Corruption Laws”) prohibit corrupt payments by our employees, vendors, or agents, and the accounting provisions of the FCPA require us to maintain accurate books and records and adequate internal controls. From time to time, we receive inquiries from authorities in the U.S. and elsewhere which may be based on reports from employees and others about our business activities outside the U.S. and our compliance with Anti-Corruption Laws. Periodically, we receive such reports directly and investigate them, and also cooperate with investigations by U.S. and foreign law enforcement authorities. Most countries in which we operate also have competition laws that prohibit competitors from colluding or otherwise attempting to reduce competition between themselves. While we devote substantial resources to our U.S. and international compliance programs and have implemented policies, training, and internal controls designed to reduce the risk of corrupt payments and collusive activity, our employees, partners, vendors, or agents may violate our policies. Our failure to comply with Anti-Corruption Laws or competition laws could result in significant fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business, and damage to our reputation, which could adversely affect our business, financial condition, and results of operations.

Increasing trade laws, policies, sanctions, and other regulatory requirements also affect our operations in and outside the U.S. relating to trade and investment. Economic sanctions in the U.S., the EU, and other countries prohibit most business with restricted entities or countries. U.S. export controls restrict Microsoft from offering many of its products and services to, or making investments in, certain entities in specified countries. U.S. import controls restrict us from integrating certain information and communication technologies into our supply chain and allow for government review of transactions involving information and communications technology from countries determined to be foreign adversaries. Supply chain regulations may impact the availability of goods or result in additional regulatory scrutiny. Periods of intense diplomatic or armed conflict, such as the ongoing conflict in Ukraine, may result in (1) new and rapidly evolving sanctions and trade restrictions, which may impair trade with sanctioned individuals and countries, and (2) negative impacts to regional trade ecosystems among our customers, partners, and us. Non-compliance with sanctions as well as general ecosystem disruptions could result in reputational harm, operational delays, monetary fines, loss of revenue, increased costs, loss of export privileges, or criminal sanctions, which could adversely affect our business, financial condition, and results of operations.

**Laws and regulations relating to the handling of personal data may impede the adoption of our services or result in increased costs, legal claims, fines against us, or reputational damage.** The growth of our Internet- and cloud-based services internationally relies increasingly on the movement of data across national boundaries. Legal requirements relating to the collection, storage, handling, and transfer of personal data continue to evolve. For example, while the EU-U.S. Data Privacy Framework (“DPF”) has been recognized as adequate under EU law to allow transfers of personal data from the EU to certified companies in the U.S., the DPF is subject to further legal challenge which could cause the legal requirements for data transfers from the EU to be uncertain. EU data protection authorities have and may again block the use of certain U.S.-based services that involve the transfer of data to the U.S. In the EU and other markets, potential new rules and restrictions on the flow of data across borders could increase the cost and complexity of delivering our products and services. In addition, the EU General Data Protection Regulation (“GDPR”), which applies to all of our activities conducted from an establishment in the EU or related to products and services offered in the EU, imposes a range of compliance obligations regarding the handling of personal data. More recently, the EU has been developing new requirements related to the use of data, including in the Digital Markets Act, the Digital Services Act, and the Data Act, that add additional rules and restriction on the use of data in our products and services. Engineering efforts to build and maintain capabilities to facilitate compliance with these laws involve substantial expense and the diversion of engineering resources from other projects. We might experience reduced demand for our offerings if we are unable to engineer products that meet our legal duties or help our customers meet their obligations under these and other data regulations, or if our implementation to comply makes our offerings less attractive. Compliance with these obligations depends in part on how particular regulators interpret and apply them. If we fail to comply, or if regulators assert we have failed to comply (including in response to complaints made by customers), it may lead to regulatory enforcement actions, which can result in significant monetary penalties, private lawsuits, reputational damage, blockage of product offerings or of international data transfers, and loss of customers. The highest fines assessed under GDPR have recently been increasing, especially against large technology companies, and European data protection authorities have taken action to block or remove services from their markets. Jurisdictions around the world, such as China, India, and states in the U.S. have adopted, or are considering adopting or expanding, laws and regulations imposing obligations regarding the collection, handling, and transfer of personal data.

Our investment in gaining insights from data is becoming central to the value of the services we deliver to customers, including AI services, to operational efficiency and key opportunities in monetization, and to customer perceptions of quality. Our ability to use data in this way may be constrained by regulatory developments that impede realizing the expected return from this investment. Ongoing legal analyses, reviews, and inquiries by regulators of Microsoft practices, or relevant practices of other organizations, may result in burdensome or inconsistent requirements, including data sovereignty and localization requirements, affecting the location, movement, collection, and use of our customer and internal employee data as well as the management of that data. Compliance with applicable laws and regulations regarding personal data may require changes in services, business practices, or internal systems that result in increased costs, lower revenue, reduced efficiency, or greater difficulty in competing with foreign-based firms. Compliance with data regulations might limit our ability to innovate or offer certain features and functionality in some jurisdictions where we operate. Failure to comply with existing or new rules may result in significant penalties or orders to stop the alleged noncompliant activity, negative publicity, and diversion of management time and effort.

**Existing and increasing legal and regulatory requirements could adversely affect our results of operations.** We are subject to a wide range of laws, regulations, and legal requirements in the U.S. and globally, including those that may apply to our products and online services offerings, and those that impose requirements related to user privacy, telecommunications, data storage and protection, digital accessibility, advertising, and online content. Laws in several jurisdictions, including EU Member State laws under the European Electronic Communications Code and the Digital Services Act, increasingly define certain of our services as regulated services. This trend may continue and will result in these offerings being subject to additional data protection, security, digital safety, law enforcement surveillance, and other obligations. Regulators and private litigants may assert that our collection, use, and management of customer data and other information is inconsistent with their laws and regulations, including laws that apply to the tracking of users via technology such as cookies. In addition, laws requiring us to retrieve and produce customer data in response to compulsory legal demands from law enforcement and governmental authorities are expanding and the requests we are experiencing are increasing in volume and complexity. New environmental, social, and governance laws and regulations are expanding mandatory disclosure, reporting, and diligence requirements. Legislative or regulatory action relating to cybersecurity requirements may increase the costs to develop, implement, or secure our products and services. Legislative and regulatory action is emerging in the areas of AI and content moderation, which could increase costs or restrict opportunity. For example, the EU’s AI Act may increase costs or impact the provision or operation of our AI models and services in the European market.

How these laws and regulations apply to our business is often unclear, subject to change over time, and sometimes may be inconsistent from jurisdiction to jurisdiction. In addition, governments' approach to enforcement, and our products and services, are continuing to evolve. Compliance with existing, expanding, or new laws and regulations may involve significant costs or require changes in products or business practices that could adversely affect our results of operations. Noncompliance could result in the imposition of penalties, criminal sanctions, or orders to cease the alleged noncompliant activity. In addition, there is increasing pressure from advocacy groups, regulators, competitors, customers, and other stakeholders across many of these areas. If our products do not meet customer expectations or legal requirements, we could face regulatory or legal actions, and our business, operations, financial condition, and results of operations could be adversely affected.

**We have claims and lawsuits against us that may result in adverse outcomes.** We are subject to a variety of claims and lawsuits. These claims may arise from a wide variety of business practices and initiatives, including major new product releases, AI services, significant business transactions, warranty or product claims, employment practices, and regulation. As we continue to expand our business and offerings, we may experience new and novel legal claims. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact to our financial condition and results of operations could occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

**Our business with government customers may present additional uncertainties.** We derive substantial revenue from government contracts. Government contracts generally can present risks and challenges not present in private commercial agreements. For instance, we may be subject to government audits and investigations relating to these contracts, we could be suspended or debarred as a governmental contractor, we could incur civil and criminal fines and penalties, and under certain circumstances contracts may be rescinded. Some agreements may allow a government to terminate without cause and provide for higher liability limits for certain losses. Some contracts may be subject to periodic funding approval, reductions, cancellations, or delays which could adversely impact public-sector demand for our products and services. These events could negatively impact our financial condition, results of operations, and reputation.

**We may have additional tax liabilities.** We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We may recognize additional tax expense and be subject to additional tax liabilities due to changes in tax laws, regulations, and administrative practices and principles, including changes to the global tax framework, in various jurisdictions. In recent years, multiple domestic and international tax proposals were proposed to impose greater tax burdens on large multinational enterprises. For example, the Organisation for Economic Co-operation and Development continues to advance proposals or guidance in international taxation, including the establishment of a global minimum tax.

We are regularly under audit by tax authorities in different jurisdictions. Although we believe that our provision for income taxes and our tax estimates are reasonable, tax authorities may disagree with certain positions we have taken. In addition, economic and political pressures to increase tax revenue in various jurisdictions may make resolving tax disputes favorably more difficult. We are currently under Internal Revenue Service ("IRS") audit for prior tax years and have received Notices of Proposed Adjustment ("NOPAs") from the IRS for the tax years 2004 to 2013. The primary issues in the NOPAs relate to intercompany transfer pricing. In the NOPAs, the IRS is seeking an additional tax payment of \$28.9 billion plus penalties and interest. The final resolution of the proposed adjustments, and other audits or litigation, may differ from the amounts recorded in our consolidated financial statements and adversely affect our results of operations in the period or periods in which that determination is made.

We earn a significant amount of our operating income outside the U.S. A change in the mix of earnings and losses in countries with differing statutory tax rates, changes in our business or structure, or the expiration of or disputes about certain tax agreements in a particular country may result in higher effective tax rates for the company. In addition, changes in U.S. federal and state or international tax laws applicable to corporate multinationals, other global fundamental law changes currently being considered by many countries, including in the U.S., and changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions may materially adversely affect our financial condition and results of operations.

**We are subject to evolving sustainability regulatory requirements and expectations, which exposes us to increased costs and legal and reputational risks.** Laws, regulations, and policies relating to environmental, social, and governance matters are being developed and formalized in Europe, the U.S., and elsewhere, which may include specific, target-driven frameworks and disclosure requirements. In addition, we have established and publicly announced goals and commitments to become carbon negative, water positive, zero waste, and protect more land than we use. Any failure or perceived failure to pursue or fulfill our sustainability goals and commitments or to satisfy various sustainability reporting standards or regulatory requirements within the timelines we announce, or at all, could result in claims and lawsuits, regulatory actions, or damage to our reputation, each of which may adversely affect our business, operations, financial condition, and results of operations.

#### INTELLECTUAL PROPERTY RISKS

**We face risks related to the protection and utilization of our intellectual property that may result in our business and operating results being harmed.** Protecting our intellectual property rights and combating unlicensed copying and use of our software, source code, and other intellectual property on a global basis is difficult. Similarly, the absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights.

Changes in the law may continue to weaken our ability to prevent the use of patented technology. Our increasing engagement with open source software will also cause us to license our intellectual property rights broadly in certain situations. If we are unable to protect our intellectual property, our results of operations may be adversely affected.

Source code, the detailed program commands for our operating systems and other software programs, is critical to our business. If our source code leaks, we might lose future trade secret protection for that code. It may then become easier for third parties to compete with our products by copying functionality, which could adversely affect our results of operations. Unauthorized access to or disclosure of source code or other intellectual property also could increase the security risks described elsewhere in these risk factors.

**Third parties may claim that we infringe their intellectual property.** From time to time, others claim we infringe their intellectual property rights, including current copyright infringement and other claims arising from AI training and output. To resolve these claims, we may enter into royalty-bearing data access or licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products or services, or pay damages to satisfy indemnification commitments with our customers. Adverse outcomes could also include monetary damages or injunctive relief that may limit or prevent importing, marketing, and selling our products or services that have infringing technologies. We have paid significant amounts to settle claims related to the use of technology and intellectual property rights and to procure intellectual property rights as part of our strategy to manage this risk, and may continue to do so, which could adversely affect our results of operations.

#### GENERAL RISKS

**If our reputation or our brands are damaged, our business and results of operations may be harmed.** Our reputation and brands are globally recognized and are important to our business. Our reputation and brands affect our ability to attract and retain consumer, business, and public-sector customers. There are numerous ways our reputation or brands could be damaged. These include product safety or quality issues, our environmental impact and sustainability, supply chain practices, or human rights record. We may experience backlash from customers, government entities, advocacy groups, employees, and other stakeholders that disagree with our product offering decisions, public policy positions, or corporate philanthropic initiatives. Damage to our reputation or our brands may occur from, among other things:

- The introduction of new features, products, services, or terms of service that customers, users, or partners do not like.
- Public scrutiny of our decisions regarding user privacy, data practices, content, or development and deployment of AI.
- Data security breaches, cybersecurity incidents, responsible AI failures, compliance failures, or actions of partners or individual employees.



Social media may increase the likelihood, speed, and magnitude of negative brand events. If our brands or reputation are damaged, it could adversely affect our business, results of operations, or ability to attract the most highly qualified employees.

**Adverse economic or market conditions may harm our business.** Worsening economic conditions, including inflation, recession, pandemic, or other changes in economic conditions, may cause lower IT spending and adversely affect our results of operations. If demand for PCs, servers, and other computing devices declines, or consumer or business spending for those products declines, our results of operations may be adversely affected.

Our product distribution system relies on an extensive partner and retail network. OEMs building devices that run our software have also been a significant means of distribution. The impact of economic conditions on our partners, such as the bankruptcy of a major distributor, OEM, or retailer, could cause sales channel disruption.

Challenging economic conditions also may impair the ability of our customers to pay for products and services they have purchased. As a result, allowances for doubtful accounts and write-offs of accounts receivable may increase.

We maintain an investment portfolio of various holdings, types, and maturities. These investments are subject to general credit, liquidity, market, and interest rate risks, which may be exacerbated by market downturns or events that affect global financial markets. A significant part of our investment portfolio comprises U.S. government securities. If global financial markets decline for long periods, or if there is a downgrade of the U.S. government credit rating due to an actual or threatened default on government debt, our investment portfolio may be adversely affected and we could determine that more of our investments have experienced a decline in fair value, requiring impairment charges that could adversely affect our financial condition and results of operations.

**Catastrophic events or geopolitical conditions may disrupt our business.** A disruption or failure of our systems, operations, or supply chain because of a major earthquake, weather event, cyberattack, terrorist attack, pandemic, or other catastrophic event could cause delays in completing sales, providing services, or performing other critical functions. Our corporate headquarters, a significant portion of our research and development activities, and certain other essential business operations are in the Seattle, Washington area, and we have other business operations in the Silicon Valley area of California, both of which are seismically active regions. A catastrophic event that results in the destruction or disruption of any of our critical business or IT systems, or the infrastructure or systems they rely on, such as power grids, could harm our ability to conduct normal business operations or adversely affect our results of operations. Providing our customers with more services and solutions in the cloud puts a premium on the resilience of our systems and strength of our business continuity management plans and magnifies the potential negative consequences of prolonged service outages.

Abrupt political change, terrorist activity, and armed conflict, such as the ongoing conflict in Ukraine, pose economic and other risks, which may negatively impact our ability to sell to and collect from customers, increase our operating costs, or otherwise disrupt our operations in markets both directly and indirectly impacted by such events. These conditions also may add uncertainty to the timing and budget for technology investment decisions by our customers and may cause supply chain disruptions for hardware manufacturers. Geopolitical change may result in changing regulatory systems and requirements and market interventions that could impact our operating strategies, access to national, regional, and global markets, hiring, and profitability. Geopolitical instability may lead to sanctions and impact our ability to do business in some markets or with some public-sector customers. Any of these changes may negatively affect our results of operations.

The occurrence of regional epidemics or a global pandemic, such as COVID-19, may adversely affect our business, operations, financial condition, and results of operations. The extent to which global pandemics impact our business going forward will depend on factors such as the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity, including the possibility of recession or financial market instability. Measures to contain a global pandemic may intensify other risks described in these Risk Factors.

The long-term effects of climate change on the global economy and the IT industry in particular are unclear. Environmental regulations or changes in the supply, demand, or available sources of energy or other resources may affect the availability or cost of goods and services, including natural resources, necessary to run our business. Changes in climate where we operate may increase the costs of powering and cooling computer hardware we use to develop software and provide cloud-based services.

**Our global business exposes us to operational and economic risks.** Our customers are located throughout the world and a significant part of our revenue comes from international sales. The global nature of our business creates operational, economic, and geopolitical risks. Global, regional, and local economic developments, monetary policy, inflation, and recession, as well as political and military disputes, may adversely affect our results of operations. In addition, our international growth strategy includes certain markets, the developing nature of which presents several risks, including deterioration of social, political, labor, or economic conditions in a country or region, and difficulties in staffing and managing foreign operations. Emerging nationalist and protectionist trends and concerns about human rights, the environment, and political expression in specific countries may significantly alter the trade and commercial environments. Changes to trade policy or agreements as a result of populism, protectionism, or economic nationalism may result in higher tariffs, local sourcing initiatives, and non-local sourcing restrictions, export controls, investment restrictions, or other developments that make it more difficult to sell our products in foreign countries. Disruptions of these kinds in developed or emerging markets could negatively impact demand for our products and services, impair our ability to operate in certain regions, or increase operating costs. Although we hedge a portion of our international currency exposure, significant fluctuations in foreign exchange rates between the U.S. dollar and foreign currencies may adversely affect our results of operations.

**Our business depends on our ability to attract and retain talented employees.** Our business is based on successfully attracting, training, and retaining talented employees representing diverse backgrounds, experiences, and skill sets. The market for highly skilled workers and leaders in our industry is extremely competitive. Maintaining our brand and reputation, as well as a diverse and inclusive work environment that enables all our employees to thrive, are important to our ability to recruit and retain employees. We are also limited in our ability to recruit internationally by restrictive domestic immigration laws. Restraints on the flow of technical and professional talent, including as a result of changes to U.S. immigration policies or laws, may inhibit our ability to adequately staff our research and development efforts. If we are less successful in our recruiting efforts, or if we cannot retain highly skilled workers and key leaders, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. How employment-related laws are interpreted and applied to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs. Our global workforce is predominantly non-unionized, although we do have some employees in the U.S. and internationally who are represented by unions or works councils. In the U.S., there has been a general increase in workers exercising their right to form or join a union. The unionization of significant employee populations could result in higher costs and other operational changes necessary to respond to changing conditions and to establish new relationships with worker representatives.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### SHARE REPURCHASES AND DIVIDENDS

Following are our monthly share repurchases for the first quarter of fiscal year 2025:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
				(In millions)
July 1, 2024 – July 31, 2024	2,270,780	\$ 443.99	2,270,780	\$ 9,341
August 1, 2024 – August 31, 2024	2,398,061	412.62	2,398,061	8,352
September 1, 2024 – September 30, 2024	1,894,908	423.40	1,894,908	7,549
	<u>6,563,749</u>		<u>6,563,749</u>	

All share repurchases were made using cash resources. Our share repurchases may occur through open market purchases or pursuant to a Rule 10b5-1 trading plan. The above table excludes shares repurchased to settle employee tax withholding related to the vesting of stock awards.

Our Board of Directors declared the following dividends during the first quarter of fiscal year 2025:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
<b>September 16, 2024</b>	<b>November 21, 2024</b>	<b>December 12, 2024</b>	<b>\$ 0.83</b>	<b>\$ 6,172</b>

We returned \$9.0 billion to shareholders in the form of share repurchases and dividends in the first quarter of fiscal year 2025. Refer to Note 15 – Stockholders' Equity of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for further discussion regarding share repurchases and dividends.

## ITEM 5. OTHER INFORMATION

### Insider Trading Arrangements

None of our officers or directors, as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Item 408 of Regulation S-K, during the three months ended September 30, 2024.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ending	Exhibit	Filing Date
15.1	<a href="#">Letter regarding unaudited interim financial information</a>	X				
31.1	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
31.2	<a href="#">Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
32.1*	<a href="#">Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	X				
32.2*	<a href="#">Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	X				
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document	X				
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents	X				
104	Cover page formatted as Inline XBRL and contained in Exhibit 101	X				

\* *Furnished, not filed.*

**Items 3 and 4 are not applicable and have been omitted.**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized.

MICROSOFT CORPORATION

/s/ ALICE L. JOLLA

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Alice L. Jolla  
Corporate Vice President and Chief Accounting Officer (Duly  
Authorized Officer)

October 30, 2024

October 30, 2024

The Board of Directors and Stockholders of Microsoft Corporation  
One Microsoft Way  
Redmond, WA 98052-6399

We are aware that our report dated October 30, 2024, on our review of the interim financial information of Microsoft Corporation and subsidiaries ("Microsoft") appearing in Microsoft's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, is incorporated by reference in Registration Statement Nos. 333-109185, 333-118764, 333-52852, 333-132100, 333-161516, 333-75243, 333-185757, and 333-221833 on Form S-8 and Registration Statement No. 333-261590 on Form S-3.

/s/ DELOITTE & TOUCHE LLP

Seattle, Washington

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**CERTIFICATION**

I, Satya Nadella, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Microsoft Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ SATYA NADELLA

Satya Nadella  
Chief Executive Officer

October 30, 2024

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**CERTIFICATION**

I, Amy E. Hood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Microsoft Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ AMY E. HOOD

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Amy E. Hood

Executive Vice President and  
Chief Financial Officer

October 30, 2024

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**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Microsoft Corporation, a Washington corporation (the "Company"), on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), Satya Nadella, Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SATYA NADELLA

Satya Nadella  
Chief Executive Officer

October 30, 2024

[A signed original of this written statement required by Section 906 has been provided to Microsoft Corporation and will be retained by Microsoft Corporation and furnished to the Securities and Exchange Commission or its staff upon request.]

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**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Microsoft Corporation, a Washington corporation (the "Company"), on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), Amy E. Hood, Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to her knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ AMY E. HOOD  
\_\_\_\_\_  
Amy E. Hood  
Executive Vice President and  
Chief Financial Officer

October 30, 2024

[A signed original of this written statement required by Section 906 has been provided to Microsoft Corporation and will be retained by Microsoft Corporation and furnished to the Securities and Exchange Commission or its staff upon request.]

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## **APPENDIX II**

### **REPRODUCTION OF THE PRESS RELEASE DATED 31 OCTOBER 2024 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024**

The information set out below is a reproduction of the press release dated 31 October 2024 containing the Guarantor's consolidated financial results for the third quarter ended 30 September 2024.

## **RESULTS AT 30 SEPTEMBER 2024**

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### **Press release**

Paris, 31 October 2024

### **SOLID BUSINESS PERFORMANCE IN Q3 24, GROUP NET INCOME OF EUR 1.4 BILLION**

**Revenues of EUR 6.8 billion**, up +10.5% vs. Q3 23<sup>1</sup>, driven notably by the strong rebound in net interest income in France, in line with end of year estimate, and by another solid performance of Global Banking and Investor Solutions, in particular in Equities and Transaction Banking

**Strong positive jaws**, control of operating expenses, down by -0.8% vs. Q3 23

**Cost-to-income ratio at 63.3% in Q3 24**, improved by 7.1 points vs. Q3 23

**Stable cost of risk at 27 basis points in Q3 24**

**Profitability (ROTE) at 9.6%** vs. 3.8% for Q3 23

### **9M 24 NET INCOME UP 53% VS. 9M 23 AT EUR 3.2 BILLION, DRIVEN BY THE IMPROVEMENT IN OPERATING PERFORMANCE**

**Revenues of EUR 20.2 billion**, up +5.3% vs. 9M 23

**Stable operating expenses**, +0.1% vs. 9M 23

**Cost-to-income ratio at 68.8%**, improved by 3.6 percentage points vs. 9M 23

**Profitability (ROTE) at 7.1%** vs. 5.0% for 9M 23

### **SOLID CAPITAL AND LIQUIDITY RATIOS**

**CET 1 ratio of 13.2%<sup>2</sup> at end of Q3 24**, around 300 basis points above the regulatory requirement

**Liquidity Coverage Ratio at 152% at end of Q3 24**

**Distribution provision of EUR 1.66<sup>3</sup> per share** at end-September 2024

### **DECISIVE EXECUTION OF THE STRATEGIC PLAN**

**Capital build-up ahead of Capital Markets Day trajectory**

**Continuous improvement in efficiency and profitability**

**Reshaping of the business portfolio well underway**

#### **Slawomir Krupa, the Group's Chief Executive Officer, commented:**

*"We are publishing solid quarterly results that continue to show strong improvement. It demonstrates that we are executing our strategic plan which is impacting our results in a positive and tangible way. Our revenues are up thanks to the solid performance of our businesses with a strong rebound of the net interest income in France and another remarkable contribution from Global Banking and Investor Solutions. Operating expenses are stable and cost of risk is contained. We are posting a clear improvement of cost-to-income ratio and profitability, and our capital ratio continues to strengthen. For the past year we have been working relentlessly. Our teams are mobilized and we have made progress in three fundamental areas: capital build-up, improvement of profitability, and the reshaping of our business portfolio. We continue to implement our various strategic initiatives such as BoursoBank's development, LeasePlan's integration within Ayvens and the acceleration of our contribution to the energy transition. Our goal remains unchanged: a sustainable performance that will create long-term value."*

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Asterisks\* in the document refer to data at constant perimeter and exchange rates

<sup>1</sup> +5.8% excluding exceptional proceeds recorded in Corporate Centre (~EUR 0.3bn)

<sup>2</sup> Including IFRS 9 phasing, proforma including Q3 24 results

<sup>3</sup> Based on a pay-out ratio of 50% of the Group net income, at the high-end of the 40%-50% pay-out ratio, as per regulation, restated from non-cash items and after deduction of interest on deeply subordinated notes and undated subordinated notes

## 1. GROUP CONSOLIDATED RESULTS

In EURm	Q3 24	Q3 23	Change		9M 24	9M 23	Change	
Net banking income	6,837	6,189	+10.5%	+11.8%*	20,167	19,147	+5.3%	+6.5%*
Operating expenses	(4,327)	(4,360)	-0.8%	-0.3%*	(13,877)	(13,858)	+0.1%	+0.5%*
Gross operating income	2,511	1,829	+37.3%	+41.0%*	6,290	5,289	+18.9%	+22.4%*
Net cost of risk	(406)	(316)	+28.4%	+30.5%*	(1,192)	(664)	+79.6%	+81.0%*
Operating income	2,105	1,513	+39.1%	+43.2%*	5,098	4,625	+10.2%	+13.9%*
Net profits or losses from other assets	21	6	x 3.5	x 3.4*	(67)	(92)	+27.5%	+27.3%*
Income tax	(535)	(624)	-14.3%	-12.7%*	(1,188)	(1,377)	-13.7%	-11.3%*
Net income	1,591	563	x 2.8	x 3.0*	3,856	2,836	+35.9%	+41.3%*
O.w. non-controlling interests	224	268	-16.5%	-16.1%*	696	774	-10.1%	-11.2%*
Reported Group net income	1,367	295	x 4.6	x 5.1*	3,160	2,062	+53.2%	+62.2%*
ROE	8.4%	0.9%			6.2%	3.6%		
ROTE	9.6%	3.8%			7.1%	5.0%		
Cost to income	63.3%	70.4%			68.8%	72.4%		

Societe Generale's Board of Directors, which met on 30 October 2024 under the chairmanship of Lorenzo Bini Smaghi, examined Societe Generale Group's results for Q3 24 and for the first nine months of 2024.

### Net banking income

**Net banking income stood at EUR 6.8 billion**, up by +10.5% vs. Q3 23.

Revenues of **French Retail, Private Banking and Insurance** were up by +18.7% vs. Q3 23 and totalled EUR 2.3 billion in Q3 24. Net interest income continued its rebound in Q3 24 (+43% excluding PEL/CEL provision vs. Q3 23), in line with latest estimates, in the context of a still muted loan environment and the pursuit of increasing interest-bearing deposits. Assets under management in the **Private Banking and Insurance** businesses continued to rise, respectively recording a growth of +8% and +10% in Q3 24 vs. Q3 23. Last, **BoursoBank** continued its controlled client acquisition, onboarding once again more than 300,000 new clients over the quarter, reaching close to 6.8 million clients at end-September 2024. Likewise, assets under administration rose by over 14% vs. Q3 23. As in Q2 24, BoursoBank posted a positive contribution to Group net income in Q3 24.

**Global Banking and Investor Solutions** registered a +4.9% increase in revenues relative to Q3 23. Revenues totalled EUR 2.4 billion over the quarter, still driven by strong dynamics of **Global Markets'** and **Global Transaction & Payment Services'** activities, with revenues increasing by a respective +7.6% and +9.0% in Q3 24 vs. Q3 23. Within Global Markets, revenues of Equity businesses grew by +10.1%. This is the second best third quarter ever. **Fixed income and Currencies** also recorded a solid performance, with a +6.1% increase in revenues amid a falling interest rates. **Financing and Advisory's** revenues totalled EUR 843 million, stable vs. Q3 23. The commercial momentum in the securitisation businesses remained very solid and the performance of financing activities continued to be good, albeit slower relative to an elevated Q3 23. Likewise, **Global Transaction & Payment Services'** activities posted an +9.0% increase in revenues vs. Q3 23, driven by a favourable market environment and sustained commercial development in the cash management and correspondent banking activities.

**Mobility, International Retail Banking and Financial Services'** revenues were down by -5.4% vs. Q3 23 mainly owing to base effects at Ayvens. **International Retail Banking** recorded a +1.4% increase in revenues vs. Q3 23 to EUR 1.1 billion, driven by favourable momentum across all regions. **Mobility and Financial Services'** revenues contracted by -11.4% vs. Q3 23 owing to an unfavourable non-recurring base effect on Ayvens.

The **Corporate Centre** recorded revenues of EUR +54 million in Q3 24. They include the booking of exceptional proceeds of approximately EUR 0.3 billion<sup>1</sup>.

**Over 9M 24, net banking income increased by +5.3% vs. 9M 23.**

### **Operating expenses**

**Operating expenses came to EUR 4,327 million in Q3 24, down -0.8% vs. Q3 23.**

**The cost-to-income ratio stood at 63.3% in Q3 24, a sharp decrease vs. Q3 23 (70.4%) and Q2 24 (68.4%).**

**Over 9M 24**, operating expenses were stable (+0.1% vs. 9M 23) and the cost-to-income ratio came to 68.8% (vs. 72.4% for 9M 23), which is lower than the 71% target set for FY 2024.

### **Cost of risk**

**The cost of risk was stable and contained over the quarter at 27 basis points**, i.e., EUR 406 million. This comprises a EUR 400 million provision for doubtful loans (around 27 basis points) and a provision on performing loan outstandings for EUR +6 million.

At end-September 2024, the Group's provisions on performing loans amounted to EUR 3,122 million, down by a slight EUR -56 million relative to 30 June 2024 notably as per the application of IFRS5 accounting standards on activities under disposal. The EUR -450 million contraction relative to 31 December 2023 is mainly owing to the application of IFRS 5 accounting standards for activities under disposal.

The gross non-performing loan ratio stood at 2.95%<sup>2,3</sup> at 30 September 2024, down vs. end of June 2024 (3.03%). The net coverage ratio on the Group's non-performing loans stood at 84%<sup>4</sup> at 30 September 2024 (after netting of guarantees and collateral).

### **Net profits from other assets**

In Q3 24, the Group booked net profit of EUR 21 million driven, on the one hand, by the sale of the headquarters of KB in the Czech Republic and, on the other hand, by the accounting impacts mainly owing to the current sale of assets.

### **Group net income**

**Group net income stood at EUR 1,367 million in Q3 24**, equating to a Return on Tangible Equity (ROTE) of 9.6%.

**Over 9M 24, Group net income came to EUR 3,160 million**, equating to a Return on Tangible Equity (ROTE) of 7.1%.

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<sup>1</sup> As stated in Q2 24 results press release

<sup>2</sup> Ratio calculated according to European Banking Authority (EBA) methodology published on 16 July 2019

<sup>3</sup> Ratio excluding loans outstanding of companies currently being disposed of in compliance with IFRS 5

<sup>4</sup> Ratio of S3 provisions, guarantees and collaterals over gross outstanding non-performing loans

## 2. STRATEGIC PLAN FULLY ON TRACK

Since announcing its strategic plan in September 2023, the Group has made significant progress in its implementation, the benefits of which are starting to materialise, including on financials aspects. Fundamental milestones have notably been reached in three major areas: capital build-up, the continuous improvement in efficiency and profitability and the reshaping of the business portfolio.

Regarding the business portfolio, the Group has been proactive in recent months, announcing the disposal of several non-core and non-synergistic assets. These latest divestments not only contribute to simplifying the Group but will also reinforce the capital ratio by around 60 basis points, of which around 15 basis points are expected by year-end.

At the same time, the Group is preparing the future by investing in our core franchises, as demonstrated by the development of BoursoBank, the integration of LeasePlan in Ayvens, the creation of Bernstein, the partnership with Brookfield, the merger of our networks in France and the digitalization of our networks in the Czech Republic.

The rollout of our ESG roadmap is also progressing well, particularly on the alignment of our portfolio. The Group has already reduced by more than 50% its upstream Oil & Gas exposure at Q2 24 compared to 2019<sup>1</sup>.

Last quarter, the Group reached its EUR 300 billion sustainable finance target set between 2022-2025. Societe Generale announces today a new sustainable finance target to facilitate EUR 500 billion over the 2024-2030 period that breaks down as follows:

- EUR 400 billion in financing and EUR 100 billion in sustainable bonds<sup>2</sup>
- EUR 400 billion in environmental activities and EUR 100 billion in social

A major portion of financing will be for dedicated transactions in clean energy, sustainable real estate, low carbon mobility, and other industry and environmental transition topics.

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<sup>1</sup> Target: -80% upstream exposure reduction by 2030 vs. 2019, with an intermediary step in 2025 at -50% vs. 2019

<sup>2</sup> Only the Societe Generale participation is taken into account



### 3. THE GROUP'S FINANCIAL STRUCTURE

At 30 September 2024, the Group's **Common Equity Tier 1** ratio stood at 13.2%<sup>1</sup>, around 300 basis points above the regulatory requirement. Likewise, the Liquidity Coverage Ratio (LCR) was well ahead of regulatory requirements at 152% at end-September 2024 (156% on average for the quarter), and the Net Stable Funding Ratio (NSFR) stood at 116% at end-September 2024.

All liquidity and solvency ratios are well above the regulatory requirements.

	30.09.2024	31.12.2023	Requirements
CET1 <sup>(1)</sup>	13.2%	13.1%	10.22%
CET1 fully loaded	13.2%	13.1%	10.22%
Tier 1 ratio <sup>(1)</sup>	15.5%	15.6%	12.15%
Total Capital <sup>(1)</sup>	18.2%	18.2%	14.71%
Leverage ratio <sup>(1)</sup>	4.25%	4.25%	3.60%
TLAC (% RWA) <sup>(1)</sup>	27.8%	31.9%	22.29%
TLAC (% leverage) <sup>(1)</sup>	7.6%	8.7%	6.75%
MREL (% RWA) <sup>(1)</sup>	32.2%	33.7%	27.56%
MREL (% leverage) <sup>(1)</sup>	8.8%	9.2%	6.23%
End of period LCR	152%	160%	>100%
Period average LCR	156%	155%	>100%
NSFR	116%	119%	>100%

In EURbn	30.09.2024	31.12.2023
Total consolidated balance sheet	1,580	1,554
Group shareholders' equity	67	66
Risk-weighted assets	392	389
O.w. credit risk	331	326
Total funded balance sheet	948	970
Customer loans	453	497
Customer deposits	608	618

At 11 October 2024, the parent company had issued a total of EUR 38.0 billion in medium/long-term debt, of which EUR 17.5 billion in vanilla notes. The 2024 long-term vanilla funding programme is completed. The subsidiaries had issued EUR 4.6 billion. In all, the Group has issued a total of EUR 42.6 billion.

The Group is rated by four rating agencies: (i) FitchRatings - long-term rating "A-", stable outlook, senior preferred debt rating "A", short-term rating "F1" (ii) Moody's - long-term rating (senior preferred debt) "A1", negative outlook, short-term rating "P-1" (iii) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (iv) S&P Global Ratings - long-term rating (senior preferred debt) "A", stable outlook, short-term rating "A-1".

<sup>1</sup> Including IFRS 9 phasing, proforma including Q3 24 results

## 4. FRENCH RETAIL, PRIVATE BANKING AND INSURANCE

In EURm	Q3 24	Q3 23	Change	9M 24	9M 23	Change
Net banking income	2,254	1,900	+18.7%	6,390	6,090	+4.9%
<i>Net banking income excl. PEL/CEL</i>	2,259	1,895	+19.2%	6,392	6,090	+5.0%
Operating expenses	(1,585)	(1,608)	-1.4%	(4,962)	(5,073)	-2.2%
<b>Gross operating income</b>	<b>669</b>	<b>292</b>	<b>x 2.3</b>	<b>1,428</b>	<b>1,017</b>	<b>+40.5%</b>
Net cost of risk	(178)	(144)	+23.4%	(597)	(342)	+74.7%
<b>Operating income</b>	<b>491</b>	<b>148</b>	<b>x 3.3</b>	<b>831</b>	<b>675</b>	<b>+23.1%</b>
Net profits or losses from other assets	(1)	0	n/s	7	4	x 2.1
<b>Reported Group net income</b>	<b>368</b>	<b>109</b>	<b>x 3.4</b>	<b>631</b>	<b>506</b>	<b>+24.8%</b>
RONE	9.4%	2.8%		5.4%	4.4%	
Cost to income	70.3%	84.7%		77.7%	83.3%	

### Commercial activity

#### SG Network, Private Banking and Insurance

Average outstanding deposits of the SG Network amounted to EUR 236 billion in Q3 24, up by +0.6% vs. the previous quarter (-1% vs. Q3 23), with a continued rise in interest-bearing deposits and financial savings.

The SG Network's average loan outstandings contracted by -5% vs. Q3 23 to EUR 195 billion. Outstanding loans to corporate and professional clients were stable vs. Q3 23 (excluding government-guaranteed PGE loans), with the share of medium to long-term loans increasing relative to Q2 24. Home loan production continued its recovery (2.4x vs. Q3 23 and +15% vs. Q2 24).

The average loan to deposit ratio came to 82.5% in Q3 24, down by -3.3 percentage points relative to Q3 23.

**Private Banking** activities saw their assets under management<sup>1</sup> reach a new record of EUR 154 billion in Q3 24, up by +8% vs. Q3 23. Net gathering stood at EUR 5.9 billion in 9M 24, the net asset gathering pace (net new money divided by AuM) has risen by +5.5% since the start of the year. Net banking income stood at EUR 368 million over the quarter, stable vs. Q3 23. Over 9M 24, net banking income came to EUR 1,121 million, a +1% increase vs. 9M 23.

**Insurance**, which covers activities in and outside France, posted a very strong commercial performance. Life insurance outstandings increased sharply by +10% vs. Q3 23 to reach a record EUR 145 billion at end-September 2024. The share of unit-linked products remained high at 40%. Gross life insurance savings inflows amounted to EUR 3.6 billion in Q3 24, up by +35% vs. Q3 23.

Personal protection and P&C premia were up by +5% vs. Q3 23.

#### BoursoBank

BoursoBank registered almost 6.8 million clients at end-September 2024, a +27% increase vs. Q3 23 (an increase of around 1.4 million clients year on year). The pace of new client acquisition (around 310,000 new clients in Q3 24) is fully in line with the target of 7 million clients by the end of 2024. BoursoBank can build on an active, loyal and high-quality client base. The brokerage activity registered two million transactions, up by +18% vs. Q3 23. Last, proof of the efficiency of the model and of the very high client satisfaction level, the churn rate has remained low at around 3% and below the market rate.

<sup>1</sup> France and International, including Switzerland and United Kingdom

Average loan outstandings rose by +4,2% compared to Q3 23, at EUR 15 billion in Q3 24.

Average outstanding savings including deposits and financial savings were +13.8% higher vs. Q3 23 at EUR 63 billion. Deposits outstanding totalled EUR 38 billion at Q3 24, posting another sharp increase of +16.2% vs. Q3 23. Life insurance outstandings came to EUR 12 billion in Q3 24 and rose by +7.3% vs. Q3 23 (o/w 47% unit-linked products, a +3.3 percentage points increase vs. Q3 23). The activity continued to register strong gross inflows over the quarter (+55% vs. Q3 23, around 53% unit-linked products).

For the second quarter in a row, BoursoBank recorded a positive contribution to Group net income in Q3 24.

### **Net banking income**

**Over the quarter**, revenues came to EUR 2,254 million, up +19% vs. Q3 23 and up +6% vs Q2 24. Net interest income grew by +43% vs. Q3 23 (excluding PEL/CEL) and +19% (EUR 169 million) vs. Q2 24. Fee income rose by +5.0% relative to Q3 23.

**Over 9M 24** revenues came to EUR 6,390 million, up by +4.9% vs. 9M 23. Net interest income excluding PEL/CEL was up by +15.9% vs. 9M 23. Fee income increased by +1.7% relative to 9M 23.

### **Operating expenses**

**Over the quarter**, operating expenses came to EUR 1,585 million, down -1.4% vs. Q3 23. Operating expenses for Q3 24 include EUR 12 million in transformation costs. The cost-to-income ratio stood at 70.3% for Q3 24, improving by more than +14 percentage points vs. Q3 23.

**Over 9M 24**, operating expenses came to EUR 4,962 million (-2.2% vs. 9M 23). The cost-to-income ratio stood at 77.7% and improved by +5.7 percentage points vs. 9M 23.

### **Cost of risk**

**In Q3 24**, the cost of risk amounted to EUR 178 million or 30 basis points stable on Q2 24 (29 basis points).

**Over 9M 24**, the cost of risk totalled EUR 597 million or 34 basis points.

### **Group net income**

**Over the quarter**, Group net income totalled EUR 368 million. RONE stood at 9.4% in Q3 24.

**Over 9M 24**, Group net income totalled EUR 631 million. RONE stood at 5.4% in 9M 24.

## 5. GLOBAL BANKING AND INVESTOR SOLUTIONS

In EUR m	Q3 24	Q3 23	Variation		9M 24	9M 23	Change	
Net banking income	2,422	2,309	+4.9%	+5.2%*	7,666	7,457	+2.8%	+2.8%*
Operating expenses	(1,494)	(1,478)	+1.1%	+1.3%*	(4,898)	(5,187)	-5.6%	-5.5%*
Gross operating income	928	831	+11.6%	+12.0%*	2,768	2,270	+21.9%	+21.8%*
Net cost of risk	(27)	(14)	+95.3%	x 2.0*	(29)	8	n/s	n/s
Operating income	901	817	+10.2%	+10.5%*	2,739	2,278	+20.2%	+20.0%*
Reported Group net income	699	645	+8.2%	+8.5%*	2,160	1,814	+19.1%	+18.8%*
RONE	18.0%	16.8%			19.0%	15.6%		
Cost to income	61.7%	64.0%			63.9%	69.6%		

### Net banking income

**Global Banking and Investor Solutions** continued to deliver very strong performances, posting revenues of EUR 2,422 million, up +4.9% versus Q3 23.

**Over 9M 24**, revenues climbed by +2.8% vs. 9M 23 (EUR 7,666 million vs. EUR 7,457 million).

**Global Markets and Investor Services** recorded a rise in revenues over the quarter vs. Q3 23 of +7.6% to EUR 1,579 million. Over 9M 24, revenues totalled EUR 5,063 million, i.e., a +3.1% increase vs. 9M 23. Growth was mainly driven by **Global Markets** which recorded revenues of EUR 1,410 million in Q3 24, up by +8.6% relative to Q3 23 amid a positive environment that was particularly conducive to Equities. Over 9M 24, revenues totalled EUR 4,553 million, up by +4.5% vs. 9M 23.

**The Equities business** again delivered a solid performance, recording revenues of EUR 880 million in Q3 24, up by a strong +10.1% vs. Q3 23, notably on the back of a very good performance from derivatives amid favourable market conditions. This is the second best third quarter ever. Over 9M 24, revenues increased sharply by +12.9% relative to 9M 23 to EUR 2,739 million.

**Fixed Income and Currencies** registered a +6.1% increase in revenues to EUR 530 million in Q3 24, notably owing to robust demand for rates and forex flow activities, particularly from US clients. Over 9M 24, revenues decreased by -6.0% to EUR 1,814 million.

**Securities Services'** revenues were up +0.6% versus Q3 23 at EUR 169 million, but increased by +9.9% excluding the impact of equity participations. The business continued to reap the benefit of a positive fee generation trend and robust momentum in private market and fund distribution. Over 9M 24, revenues were down by -8.2%, but rose by +2.1% excluding equity participations. Assets under Custody and Assets under Administration amounted to EUR 4,975 billion and EUR 614 billion, respectively.

**The Financing and Advisory** business posted revenues of EUR 843 million, stable versus Q3 23. Over 9M 24, revenues totalled EUR 2,602 million, up by +2.3% vs. 9M 23.

The **Global Banking and Advisory** business posted a -3.2% decline in revenues relative to Q3 23. Securitised products again delivered a solid performance and momentum was strong in the distribution activity. Financing activities posted a good performance, albeit down on the high baseline in Q3 23. Investment banking activities turned in resilient performances. Over 9M 24, revenues dipped slightly by -0.3% relative to 9M 23.

**Global Transaction & Payment Services** again delivered a very robust performance compared with Q3 23, posting an +9.0% increase in revenues, driven by strong momentum in cash management and the correspondent banking activities. Over 9M 24, revenues grew by +10.1%.

## Operating expenses

**Operating expenses came to EUR 1,494 million over the quarter** and included EUR 21 million in transformation costs. Operating expenses rose by +1.1% compared with Q3 23, equating to a cost-to-income ratio of 61.7% in Q3 24.

**Over 9M 24**, operating expenses decreased by -5.6% compared with 9M 23 and the cost-to-income ratio came to 63.9%.

## Cost of risk

**Over the quarter**, the cost of risk was low at EUR 27 million, or 7 basis points vs. 3 basis points in Q3 23.

**Over 9M 24**, the cost of risk was EUR 29 million, or 2 basis points.

## Group net income

Group net income increased by +8.2% vs. Q3 23 to **EUR 699 million**. Over 9M 24, Group net income rose sharply by +19.1% to EUR 2,160 million.

Global Banking and Investor Solutions reported **high RONE of 18.0% for the quarter and RONE of 19.0% for 9M 24**.

## 6. MOBILITY, INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

In EURm	Q3 24	Q3 23	Change		9M 24	9M 23	Change	
Net banking income	2,108	2,228	-5.4%	-2.8%*	6,403	6,491	-1.4%	+1.8%*
Operating expenses	(1,221)	(1,239)	-1.4%	+0.3%*	(3,832)	(3,479)	+10.2%	+12.7%*
Gross operating income	887	989	-10.4%	-6.6%*	2,570	3,013	-14.7%	-10.9%*
Net cost of risk	(201)	(175)	+14.9%	+18.1%*	(572)	(349)	+63.7%	+65.9%*
Operating income	685	814	-15.8%	-12.0%*	1,998	2,663	-25.0%	-21.2%*
Net profits or losses from other assets	94	1	x 77.0	x 76.7*	98	0	x 375.7	x 304.1
Non-controlling interests	223	237	-6.1%	-3.6%*	623	674	-7.6%	-7.8%*
Reported Group net income	367	377	-2.4%	+3.1%*	956	1,325	-27.8%	-22.1%*
RONE	14.1%	14.9%			12.2%	18.6%		
Cost to income	57.9%	55.6%			59.9%	53.6%		

### Commercial activity

#### International Retail Banking

**International Retail Banking**<sup>1</sup> posted robust commercial momentum in Q3 24, with an increase in loan outstandings of +4.2%\* vs. Q3 23 (+1.8%, outstandings of EUR 68 billion in Q3 24) and growth of +4.1%\* vs. Q3 23 (+1.2%, outstandings of EUR 83 billion in Q3 24).

Activity in **Europe** was solid across client segments for both entities. Loan outstandings increased by +6.0%\* vs. Q3 23 (+3.1% at current perimeter and exchange rates, outstandings of EUR 43 billion in Q3 24), driven by home loans and medium and long-term corporate loans in a lower rates environment. Deposit outstandings increased by +4.6%\* vs. Q3 23 (+1.9% at current perimeter and exchange rates, outstandings of EUR 55 billion in Q3 24), mainly on interest-bearing products.

In **Africa, Mediterranean Basin and French Overseas Territories**, loan outstandings totalled EUR 25 billion in Q3 24 (+1.2%\* vs. Q3 23, stable at current perimeter and exchange rates) on back of a +5.6%\* rise vs. Q3 23 in sub-Saharan Africa (stable vs. Q3 23 at current perimeter and exchange rates). Deposit outstandings totalled EUR 27 billion at Q3 24. They increased by +3.0%\* vs. Q3 23 (stable at current perimeter and exchange rates) across all client segments in Africa.

#### Mobility and Financial Services

Overall, **Mobility and Financial Services** maintained a good commercial performance.

Ayvens' earning assets totalled EUR 53.1 billion at end-September 2024, a +5.8% increase vs. end-September 2023.

The **Consumer Finance** business posted loans outstanding of EUR 23 billion for Q3 24, down -4.5% vs. Q3 23 in a still uncertain environment.

**Equipment Finance** posted outstandings of EUR 15 billion in Q3 24, the same level as in Q3 23.

### Net banking income

**Over the quarter, Mobility, International Retail Banking and Financial Services'** revenues totalled EUR 2,108 million, a decrease of -2.8%\* vs. Q3 23 (-5.4% at current perimeter and exchange rates).

<sup>1</sup> Including entities reported under IFRS 5

**Over 9M 24**, revenues came to EUR 6,403 million, up slightly by +1.8%\* vs. 9M 23 (-1.4% at current perimeter and exchange rates).

**International Retail Banking** recorded a solid performance over the quarter, with a net banking income of EUR 1,058 million, up by +5.1%\* vs. Q3 23 (+1.4% at current perimeter and exchange rates). Over 9M 24, revenues totalled EUR 3,131 million, a +4.0%\* increase vs. 9M 23 (stable at current perimeter and exchange rates).

**Europe** recorded revenues of EUR 506 million in Q3 24, an increase for both entities (+3.0%\* vs. Q3 23, stable at current perimeter and exchange rates).

The **Africa, Mediterranean Basin and French Overseas Territories** region continued to post robust commercial momentum with revenues of EUR 552 million in Q3 24. These increased by +7.2%\* vs. Q3 23 (+2.8% at current perimeter and exchange rates), driven by a significant rise in net interest income in Africa (+10.5%\* vs. Q3 23).

In Q3 24, **Mobility and Financial Services'** revenues decreased by -11.4% vs. Q3 23 to EUR 1,049 million. Over the first nine months of 2024, they contracted by -2.9% to EUR 3,271 million.

**Ayvens'** net banking income stood at EUR 732 million, a decrease of -14,8% in Q3 24 vs. Q3 23 and of -4,0% restated from non-recurring items<sup>1</sup>. The amount of underlying margins was stable vs. Q3 23 at around EUR 690 million<sup>1</sup>. The average used car sale result per vehicle (UCS) continued to normalise but remained at a high level of EUR 1,420<sup>1</sup> per unit in Q3 24 vs. EUR 1,480<sup>1</sup> in Q2 24.

**Consumer Finance** activities, down by -3.5% vs. Q3 23, have stabilised since Q2 24 with the business posting net banking income of EUR 218 million in Q3 24. **Equipment Finance** revenues were also stable vs. Q3 23 (EUR 99 million in Q3 24).

## Operating expenses

**Over the quarter**, operating expenses were stable (+0.3%\* vs. Q3 23, -1.4%) at EUR 1,221 million and included EUR 29 million in transformation costs. The cost-to-income ratio came to 57.9% in Q3 24.

**Over 9M 24**, operating expenses totalled EUR 3,832 million, up +12.7%\* vs. 9M 23 (+10.2% at current perimeter and exchange rates). They include around EUR 148 million of transformation charges.

In a context of a strong transformation, **International Retail Banking** costs rose by +3.4%\* vs. Q3 23 (stable at current perimeter and exchange rates, EUR 567 million in Q3 24), notably due to the impact of a new banking tax in Romania which entered into force in January 2024.

The **Mobility and Financial Services** business recorded a decrease in operating expenses compared to Q3 23 (-2.4% vs. Q3 23, EUR 654 million in Q3 24).

## Cost of risk

**Over the quarter**, the cost of risk normalised at 48 basis points (or EUR 201 million).

**Over 9M 24**, the cost of risk stood at 45 basis points vs. 32 basis points in 9M 23.

## Group net income

**Over the quarter**, Group net income came to EUR 367 million, down -2.4% vs. Q3 23. RONE stood at 14.1% in Q3 24. RONE was 21.4% for International Retail Banking (positive impact on Group net income

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<sup>1</sup> Excluding non-recurring items on either margins or UCS (mainly linked to fleet revaluation at EUR 114m in Q3 23 vs EUR 0m in Q3 24, the net impact related to prospective depreciation and Purchase Price Allocation for ~EUR 35m vs. Q3 23, hyperinflation in Turkey at EUR 46m in Q3 23 vs. EUR 10m in Q3 24 and MtM of derivatives at EUR -82m in Q3 23 vs. EUR -55m in Q3 24)

of around EUR 40 million related to the sale of KB head office premises), and 9.2% in Mobility and Financial Services in Q3 24.

**Over 9M 24**, Group net income came to EUR 956 million, down by -27.8% vs. 9M 23. RONE stood at 12.2% for 9M 24. RONE was 16.4% in International Retail Banking, and 9.5% in Mobility and Financial Services in 9M 24.



## 7. CORPORATE CENTRE

In EURm	Q3 24	Q3 23	Change		9M 24	9M 23	Change	
Net banking income	54	(249)	n/s	n/s	(291)	(891)	+67.3%	+67.8%*
Operating expenses	(27)	(35)	-22.8%	-25.8%*	(185)	(119)	+55.2%	+48.2%*
<b>Gross operating income</b>	<b>27</b>	<b>(283)</b>	<b>n/s</b>	<b>n/s</b>	<b>(476)</b>	<b>(1,010)</b>	<b>+52.9%</b>	<b>+54.2%*</b>
Net cost of risk	1	17	+95.9%	+95.9%*	6	19	+70.6%	+70.6%*
Net profits or losses from other assets	(73)	4	n/s	n/s	(172)	(96)	-78.9%	-79.1%*
Income tax	(26)	(214)	-87.7%	-87.5%*	118	(85)	n/s	n/s
<b>Reported Group net income</b>	<b>(67)</b>	<b>(836)</b>	<b>+92.0%</b>	<b>+92.2%*</b>	<b>(587)</b>	<b>(1,582)</b>	<b>+62.9%</b>	<b>+63.7%*</b>

The Corporate Centre includes:

- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to cross-functional projects, as well as several costs incurred by the Group that are not re-invoiced to the businesses.

### Net banking income

Over the quarter, the Corporate Centre's net banking income totalled EUR +54 million vs. EUR -249 million in Q3 23. It includes the booking of exceptional proceeds received of approximately EUR 0.3 billion<sup>1</sup>.

### Operating expenses

Over the quarter, operating expenses totalled EUR 27 million vs. EUR 35 million in Q3 23.

### Net losses from other assets

Pursuant notably to the application of IFRS 5, the Group booked in Q3 24 various impacts from ongoing disposals of assets.

### Group net income

Over the quarter, the Corporate Centre's Group net income totalled EUR -67 million vs. EUR -836 million in Q3 23.

<sup>1</sup> As stated in Q2 24 results press release

## 8. 2024 AND 2025 FINANCIAL CALENDAR

### 2024 and 2025 Financial communication calendar

February 6 <sup>th</sup> , 2025	Fourth quarter and full year 2024 results
April 30 <sup>th</sup> , 2025	First quarter 2025 results
May 20 <sup>th</sup> , 2025	2024 Combined General Meeting

**The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, cost of risk in basis points, ROE, ROTE, RONE, net assets and tangible net assets are presented in the methodology notes, as are the principles for the presentation of prudential ratios.**

This document contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.

These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.

These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to:

- anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences;
- evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation.

Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.

More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the section "Risk Factors" in our Universal Registration Document filed with the French Autorité des Marchés Financiers (which is available on <https://investors.societegenerale.com/en>).

Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

## 9. APPENDIX 1: FINANCIAL DATA

### GROUP NET INCOME BY CORE BUSINESS

In EURm	Q3 24	Q3 23	Variation	9M 24	9M 23	Variation
French Retail, Private Banking and Insurance	368	109	x 3.4	631	506	+24.8%
Global Banking and Investor Solutions	699	645	+8.2%	2,160	1,814	+19.1%
Mobility, International Retail Banking & Financial Services	367	377	-2.4%	956	1,325	-27.8%
<b>Core Businesses</b>	<b>1,434</b>	<b>1,131</b>	<b>+26.7%</b>	<b>3,747</b>	<b>3,644</b>	<b>+2.8%</b>
Corporate Centre	(67)	(836)	+92.0%	(587)	(1,582)	+62.9%
<b>Group</b>	<b>1,367</b>	<b>295</b>	<b>x 4.6</b>	<b>3,160</b>	<b>2,062</b>	<b>+53.2%</b>

### MAIN EXCEPTIONAL ITEMS

In EURm	Q3 24	Q3 23	9M 24	9M 23
<b>Net Banking Income - Total exceptional items</b>	<b>287</b>	<b>0</b>	<b>287</b>	<b>(240)</b>
One-off legacy items - Corporate Centre	0	0	0	(240)
Exceptional proceeds received - Corporate Centre	287	0	287	0
<b>Operating expenses - Total one-off items and transformation charges</b>	<b>(62)</b>	<b>(145)</b>	<b>(538)</b>	<b>(662)</b>
Transformation charges	<b>(62)</b>	<b>(145)</b>	<b>(538)</b>	<b>(627)</b>
<i>Of which French Retail, Private Banking and Insurance</i>	(12)	(46)	(139)	(330)
<i>Of which Global Banking &amp; Investor Solutions</i>	(21)	(41)	(204)	(102)
<i>Of which Mobility, International Retail Banking &amp; Financial Services</i>	(29)	(58)	(148)	(195)
<i>Of which Corporate Centre</i>	0	0	(47)	0
One-off items	<b>0</b>	<b>0</b>	<b>0</b>	<b>(35)</b>
<i>Of which French Retail, Private Banking and Insurance</i>	0	0	0	60
<i>Of which Global Banking &amp; Investor Solutions</i>	0	0	0	(95)
<b>Other one-off items - Total</b>	<b>13</b>	<b>(625)</b>	<b>13</b>	<b>(704)</b>
Net profits or losses from other assets	13	(17)	13	(96)
<i>Of which Mobility, International Retail Banking and Financial Services</i>	86	0	86	0
<i>Of which Corporate Centre</i>	(73)	(17)	(73)	(96)
Goodwill impairment - Corporate Centre	0	(338)	0	(338)
Provision of Deferred Tax Assets - Corporate Centre	0	(270)	0	(270)

## CONSOLIDATED BALANCE SHEET

In EUR m	30.09.2024	31.12.2023
Cash, due from central banks	199,140	223,048
Financial assets at fair value through profit or loss	528,259	495,882
Hedging derivatives	8,265	10,585
Financial assets at fair value through other comprehensive income	93,795	90,894
Securities at amortised cost	29,908	28,147
Due from banks at amortised cost	87,153	77,879
Customer loans at amortised cost	446,576	485,449
Revaluation differences on portfolios hedged against interest rate risk	(330)	(433)
Insurance and reinsurance contracts assets	438	459
Tax assets	4,535	4,717
Other assets	75,523	69,765
Non-current assets held for sale	39,940	1,763
Investments accounted for using the equity method	384	227
Tangible and intangible fixed assets	60,970	60,714
Goodwill	5,031	4,949
<b>Total</b>	<b>1,579,587</b>	<b>1,554,045</b>

In EUR m	30.09.2024	31.12.2023
Due to central banks	10,134	9,718
Financial liabilities at fair value through profit or loss	391,788	375,584
Hedging derivatives	14,621	18,708
Debt securities issued	162,997	160,506
Due to banks	105,320	117,847
Customer deposits	526,100	541,677
Revaluation differences on portfolios hedged against interest rate risk	(5,074)	(5,857)
Tax liabilities	2,516	2,402
Other liabilities	93,909	93,658
Non-current liabilities held for sale	29,802	1,703
Insurance contracts related liabilities	150,295	141,723
Provisions	3,954	4,235
Subordinated debts	15,985	15,894
<b>Total liabilities</b>	<b>1,502,347</b>	<b>1,477,798</b>
<b>Shareholder's equity</b>	-	-
<b>Shareholders' equity, Group share</b>	-	-
Issued common stocks and capital reserves	21,166	21,186
Other equity instruments	8,918	8,924
Retained earnings	34,074	32,891
Net income	3,160	2,493
<b>Sub-total</b>	<b>67,318</b>	<b>65,494</b>
Unrealised or deferred capital gains and losses	128	481
<b>Sub-total equity, Group share</b>	<b>67,446</b>	<b>65,975</b>
Non-controlling interests	9,794	10,272
<b>Total equity</b>	<b>77,240</b>	<b>76,247</b>
<b>Total</b>	<b>1,579,587</b>	<b>1,554,045</b>

## 10. APPENDIX 2: METHODOLOGY

**1 - The financial information presented for the third quarter and nine-month 2024 was examined by the Board of Directors on October 30<sup>th</sup>, 2024** and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. This information has not been audited.

### 2 - Net banking income

The pillars' net banking income is defined on page 42 of Societe Generale's 2024 Universal Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

### 3 - Operating expenses

Operating expenses correspond to the "Operating Expenses" as presented in note 5 to the Group's consolidated financial statements as at December 31<sup>st</sup>, 2023. The term "costs" is also used to refer to Operating Expenses. The Cost/Income Ratio is defined on page 42 of Societe Generale's 2024 Universal Registration Document.

### 4 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk is defined on pages 43 and 770 of Societe Generale's 2024 Universal Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

In EURm		Q3 24	Q3 23	9M 24	9M 23
French Retail, Private Banking and Insurance	Net Cost Of Risk	178	144	597	342
	Gross loan Outstandings	234,420	243,740	236,286	248,757
	<b>Cost of Risk in bp</b>	<b>30</b>	<b>24</b>	<b>34</b>	<b>18</b>
Global Banking and Investor Solutions	Net Cost Of Risk	27	14	29	(8)
	Gross loan Outstandings	163,160	167,057	163,482	170,165
	<b>Cost of Risk in bp</b>	<b>7</b>	<b>3</b>	<b>2</b>	<b>(1)</b>
Mobility, International Retail Banking & Financial Services	Net Cost Of Risk	201	175	572	349
	Gross loan Outstandings	168,182	162,873	167,680	145,227
	<b>Cost of Risk in bp</b>	<b>48</b>	<b>43</b>	<b>45</b>	<b>32</b>
Corporate Centre	Net Cost Of Risk	(1)	(17)	(6)	(19)
	Gross loan Outstandings	25,121	22,681	24,356	19,364
	<b>Cost of Risk in bp</b>	<b>(1)</b>	<b>(31)</b>	<b>(3)</b>	<b>(13)</b>
Societe Generale Group	Net Cost Of Risk	406	316	1,192	664
	Gross loan Outstandings	590,882	596,350	591,804	583,512
	<b>Cost of Risk in bp</b>	<b>27</b>	<b>21</b>	<b>27</b>	<b>15</b>

The **gross coverage ratio for doubtful outstandings** is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful").

## 5 - ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on pages 43 and 44 of Societe Generale's 2024 Universal Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 44 of Societe Generale's 2024 Universal Registration Document.

Group net income used for the ratio numerator is the accounting Group net income adjusted for "Interest paid and payable to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisation". For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to the accounting equity in order to calculate ROE and ROTE for the period are given in the table below:

### ROTE calculation: calculation methodology

End of period (in EURm)	Q3 24	Q3 23	9M 24	9M 23
Shareholders' equity Group share	67,446	68,077	67,446	68,077
Deeply subordinated and undated subordinated notes	(8,955)	(11,054)	(8,955)	(11,054)
Interest payable to holders of deeply & undated subordinated notes, issue premium amortisation <sup>(1)</sup>	(45)	(102)	(45)	(102)
OCI excluding conversion reserves	560	853	560	853
Distribution provision <sup>(2)</sup>	(1,319)	(1,059)	(1,319)	(1,059)
Distribution N-1 to be paid	-	-	-	-
<b>ROE equity end-of-period</b>	<b>57,687</b>	<b>56,715</b>	<b>57,687</b>	<b>56,715</b>
<b>Average ROE equity</b>	<b>57,368</b>	<b>56,572</b>	<b>56,896</b>	<b>56,326</b>
Average Goodwill <sup>(3)</sup>	(4,160)	(4,279)	(4,079)	(3,991)
Average Intangible Assets	(2,906)	(3,390)	(2,933)	(3,128)
<b>Average ROTE equity</b>	<b>50,302</b>	<b>48,903</b>	<b>49,884</b>	<b>49,207</b>
<b>Group net Income</b>	<b>1,367</b>	<b>295</b>	<b>3,160</b>	<b>2,063</b>
Interest paid and payable to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisation	(165)	(165)	(521)	(544)
Cancellation of goodwill impairment	-	338	-	338
<b>Adjusted Group net Income</b>	<b>1,202</b>	<b>468</b>	<b>2,639</b>	<b>1,858</b>
<b>ROTE</b>	<b>9.6%</b>	<b>3.8%</b>	<b>7.1%</b>	<b>5.0%</b>

### RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EURm	Q3 24	Q3 23	Change	9M 24	9M 23	Change
French Retail , Private Banking and Insurance	15,695	15,564	+0.8%	15,602	15,457	+0.9%
Global Banking and Investor Solutions	15,490	15,324	+1.1%	15,149	15,485	-2.2%
Mobility, International Retail Banking & Financial Services	10,433	10,136	+2.9%	10,425	9,505	+9.7%
<b>Core Businesses</b>	<b>41,618</b>	<b>41,024</b>	<b>+1.4%</b>	<b>41,177</b>	<b>40,448</b>	<b>+1.8%</b>
Corporate Center	15,750	15,548	+1.3%	15,719	15,878	-1.0%
<b>Group</b>	<b>57,368</b>	<b>56,572</b>	<b>+1.4%</b>	<b>56,896</b>	<b>56,326</b>	<b>+1.0%</b>

<sup>1</sup> Interest net of tax

<sup>2</sup> The dividend to be paid is calculated based on a pay-out ratio of 50%, restated from non-cash items and after deduction of interest on deeply subordinated notes and on undated subordinated notes

<sup>3</sup> Excluding goodwill arising from non-controlling interests

## 6 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 45 of the Group's 2024 Universal Registration Document. The items used to calculate them are presented below:

End of period (in EURm)	9M 24	H1 24	2023
Shareholders' equity Group share	67,446	66,829	65,975
Deeply subordinated and undated subordinated notes	(8,955)	(9,747)	(9,095)
Interest of deeply & undated subordinated notes, issue premium amortisation <sup>(1)</sup>	(45)	(19)	(21)
Book value of own shares in trading portfolio	97	96	36
<b>Net Asset Value</b>	<b>58,543</b>	<b>57,159</b>	<b>56,895</b>
Goodwill <sup>(2)</sup>	(4,178)	(4,143)	(4,008)
Intangible Assets	(2,895)	(2,917)	(2,954)
<b>Net Tangible Asset Value</b>	<b>51,471</b>	<b>50,099</b>	<b>49,933</b>
Number of shares used to calculate NAPS <sup>(3)</sup>	796,498	787,442	796,244
Net Asset Value per Share	73.5	72.6	71.5
Net Tangible Asset Value per Share	64.6	63.6	62.7

## 7 - Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 44 of Societe Generale's 2024 Universal Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE and ROTE.

The calculation of Earnings Per Share is described in the following table:

Average number of shares (thousands)	9M 24	H1 24	2023
Existing shares	802,314	802,980	818,008
Deductions			
Shares allocated to cover stock option plans and free shares awarded to staff	4,548	4,791	6,802
Other own shares and treasury shares	2,930	3,907	11,891
<b>Number of shares used to calculate EPS<sup>(4)</sup></b>	<b>794,836</b>	<b>794,282</b>	<b>799,315</b>
Group net Income (in EUR m)	3,160	1,793	2,493
Interest on deeply subordinated notes and undated subordinated notes (in EUR m)	(521)	(356)	(759)
<b>Adjusted Group net income (in EUR m)</b>	<b>2,638</b>	<b>1,437</b>	<b>1,735</b>
<b>EPS (in EUR)</b>	<b>3.32</b>	<b>1.81</b>	<b>2.17</b>

**8 - The Societe Generale Group's Common Equity Tier 1 capital** is calculated in accordance with applicable CRR2/CRD5 rules. The fully loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is also calculated according to applicable CRR2/CRD5 rules including the phased-in following the same rationale as solvency ratios.

<sup>1</sup> Interest net of tax

<sup>2</sup> Excluding goodwill arising from non-controlling interests

<sup>3</sup> The number of shares considered is the number of ordinary shares outstanding at end of period, excluding treasury shares and buybacks, but including the trading shares held by the Group (expressed in thousand of shares)

<sup>4</sup> The number of shares considered is the average number of ordinary shares outstanding during the period, excluding treasury shares and buybacks, but including the trading shares held by the Group.

## 9 – Funded balance sheet, loan to deposit ratio

**The funded balance sheet** is based on the Group financial statements. It is obtained in two steps:

- A first step aiming at reclassifying the items of the financial statements into aggregates allowing for a more economic reading of the balance sheet. Main reclassifications:  
Insurance: grouping of the accounting items related to insurance within a single aggregate in both assets and liabilities.  
Customer loans: include outstanding loans with customers (net of provisions and write-downs, including net lease financing outstanding and transactions at fair value through profit and loss); excludes financial assets reclassified under loans and receivables in accordance with the conditions stipulated by IFRS 9 (these positions have been reclassified in their original lines).  
Wholesale funding: Includes interbank liabilities and debt securities issued. Financing transactions have been allocated to medium/long-term resources and short-term resources based on the maturity of outstanding, more or less than one year.  
Reclassification under customer deposits of the share of issues placed by French Retail Banking networks (recorded in medium/long-term financing), and certain transactions carried out with counterparties equivalent to customer deposits (previously included in short term financing).  
Deduction from customer deposits and reintegration into short-term financing of certain transactions equivalent to market resources.
- A second step aiming at excluding the contribution of insurance subsidiaries, and netting derivatives, repurchase agreements, securities borrowing/lending, accruals and “due to central banks”.

The Group **loan/deposit ratio** is determined as the division of the customer loans by customer deposits as presented in the funded balance sheet.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale’s website [www.societegenerale.com](http://www.societegenerale.com) in the “Investor” section.

### Societe Generale

Societe Generale is a top tier European Bank with more than 126,000 employees serving about 25 million clients in 65 countries across the world. We have been supporting the development of our economies for nearly 160 years, providing our corporate, institutional, and individual clients with a wide array of value-added advisory and financial solutions. Our long-lasting and trusted relationships with the clients, our cutting-edge expertise, our unique innovation, our ESG capabilities and leading franchises are part of our DNA and serve our most essential objective - to deliver sustainable value creation for all our stakeholders.

The Group runs three complementary sets of businesses, embedding ESG offerings for all its clients:

- **French Retail, Private Banking and Insurance**, with leading retail bank SG and insurance franchise, premium private banking services, and the leading digital bank BoursoBank.
- **Global Banking and Investor Solutions**, a top tier wholesale bank offering tailored-made solutions with distinctive global leadership in equity derivatives, structured finance and ESG.
- **Mobility, International Retail Banking and Financial Services**, comprising well-established universal banks (in Czech Republic, Romania and several African countries), Ayvens (the new ALD I LeasePlan brand), a global player in sustainable mobility, as well as specialized financing activities.

Committed to building together with its clients a better and sustainable future, Societe Generale aims to be a leading partner in the environmental transition and sustainability overall. The Group is included in the principal socially responsible investment indices: DJSI (Europe), FTSE4Good (Global and Europe), Bloomberg Gender-Equality Index, Refinitiv Diversity and Inclusion Index, Euronext Vigeo (Europe and Eurozone), STOXX Global ESG Leaders indexes, and the MSCI Low Carbon Leaders Index (World and Europe).

For more information, you can follow us on Twitter/X [@societegenerale](https://twitter.com/societegenerale) or visit our website [societegenerale.com](http://societegenerale.com). or visit our website [societegenerale.com](http://societegenerale.com).



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