



*e-Learning Forum*

# ***Improving Your IR Web Site***

October 28, 2008 4-5 p.m. ET



Moderator:

**Linda Y. Kelleher**

Executive Vice President

National Investor Relations Institute, Vienna, VA

[lkelleher@niri.org](mailto:lkelleher@niri.org)

# Today's Panelists



- **Ronald Mueller**

Partner, Gibson, Dunn & Crutcher,  
Washington, DC



- **Bob Laux**

Senior Director, Technical Accounting &  
Reporting, Microsoft Corporation

# What we'll cover today

- SEC's CIFIIR Recommendations
- SEC's Interpretive guidance
- Recommendations for improving website disclosure
- Survey of IR Web Sites
- Best Practice -- Microsoft Web Site

# CIFiR Recommendations

- **CIFiR – SEC Advisory Committee**  
on **Improvements to Financial**  
**Reporting**
- **IR Focus is Subcommittee #4**  
*Delivery of Financial Information*

# CIFiR Recommendations

- 4.1 XBRL implementation
- 4.2 **Corporate websites**
- 4.3 Key Performance Indicators (KPI)
- 4.4 Earnings Release Best Practice
- 4.5 Executive Summary (10-k & 10-Q)

# CIFiR Recommendations

## 4.2 Corporate websites

- Liability for summary information
- Treatment of 3<sup>rd</sup> party hyperlinks
- Non-GAAP/GAAP reconciliations
- Formatting of web (readable vs. printable)

# SEC Guidance on Use of Company Websites



## Ronald Mueller

Partner, Gibson, Dunn & Crutcher  
Washington, DC

[rmueller@gibsondunn.com](mailto:rmueller@gibsondunn.com)

# SEC Guidance on Use of Company Websites

- Aug 1, 2008 SEC Interpretive Release (34-58288)
- First interpretive guidance since 2000
- Evolutionary, not revolutionary, perspective
- Facts and circumstances focus
- Addresses Regulation FD disclosure standards & liability issues; provides comfort on a number of issues

# SEC Guidance on Use of Company Websites

## Regulation FD Issues

- When is something posted on a website “publicly available” for purposes of FD
- When can a posting satisfy FD’s public dissemination requirement

# SEC Guidance on Use of Company Websites

## Regulation FD Issues

- Test focuses on whether and when:
  - a company website is a recognized channel of distribution
  - posting information on the website disseminates the information in a manner making it available to the market
  - there has been a reasonable waiting period for the market to react to the information

# SEC Guidance on Use of Company Websites

## Liability Considerations

- While qualified to facts and circumstances, provides some comfort
  - maintaining posted materials does not constitute “republication” or create a duty to update
  - hyper linking to third party information may not create liability for that information
  - company is not liable for statements posted by third parties on a company-sponsored forum

# SEC Guidance on Use of Company Websites

## Formatting Considerations

- Companies may use tiered/layered disclosure
- Information on a company website need not be presented in a format comparable to a paper-based presentation
- Information on a company website need not satisfy a printer-friendly standard, unless SEC rules specifically require (for example, proxy)

# SEC Guidance on Use of Company Websites

## Pointers from the Release

- Focus on ways to make website a “recognized channel of distribution” so that posting makes it available to the marketplace
    - Notify investors that the website will be used for this purpose, either in general or in connection with specific releases of information
    - Use website consistently & keep it up to date
    - Look for ways to highlight information
-

# SEC Guidance on Use of Company Websites

## Pointers from the Release

- Document investors' use of the website to demonstrate the extent to which it is utilized
- Look for ways to bring traffic to the website (RSS feeds, notifying media, etc.)
- Use caution in determining whether and when information has been made available

# SEC Guidance on Use of Company Websites

## Pointers from the Release

- Clearly date information and consider using an archives section for older material
- Develop standards for when information is moved to archives or removed
- Carefully evaluate context of third-party hyperlinks for a neutral presentation
- Use disclaimers for links and forums

# NIRI Survey -- Website Practices

## Largest 100 Do's

- Provide Contact info to IR team
  - Disclose corporate governance docs
  - Provide ability to communicate with Board
  - Identify external hyperlinks
  - Design with dynamic tree structures
  - Be careful of noise (i.e.: auto video)
  - Use common names for standard pieces
    - Direct Stock Purchase Plan vs. Co. Investment Plan
  - Provide current & historical info
-

# NIRI Survey -- Website Practices

## Largest 100 Don'ts

- Don't use FAQ's as a catch all
- Avoid launching/generating new windows
- Avoid the appearance of inactivity or lack of maintenance (updated calendar, contacts, etc.)
- Consider activities that may dissuade investor use such as requiring investor registration

# Microsoft Best Practice



## Bob Laux

Senior Director, Technical Accounting &  
Reporting, Microsoft Corporation

[boblaux@microsoft.com](mailto:boblaux@microsoft.com)

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# Microsoft's Investor Central

## Key Concepts

- Designed for all investors, optimized for retail investors
- Presentation of financial information in an easy to navigate forum
- Consolidates information already publicly available
- Tiered information
- Use of technology, including XBRL

## Long Term Vision

- More interaction
- One-stop source

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Chris Liddell  
Chief Financial Officer  
Microsoft Corporation

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Investor Central Fiscal Year 2009-Q1

Company Overview | Financial Statements | Segment Results

COMPANY OVERVIEW | Performance

FY09 Q1 - Revenue & Yr/Yr Growth



Total Company		
REVENUE <sup>1</sup> (size): <b>\$15.1 billion</b>	REVENUE GROWTH % (height/color): <b>9%</b>	OPERATING INCOME <sup>2</sup> / GROWTH %: <b>\$6.0 billion   3%</b>
<small><sup>1</sup> Contains \$(96)M of unallocated revenue      <sup>2</sup> Contains \$(1,428)M of Corporate-Level Activity</small>		

Revenue surpasses \$15B with healthy sales of enterprise software and Xbox 360 consoles

- Strong first quarter financial results with revenue, operating income and EPS all meeting or exceeding the high end of guidance, despite a very challenging economy
- Continued to add to the product and services portfolio with innovative offerings such as Microsoft SQL Server 2008, Microsoft Hyper-V Server 2008 and the first update to Microsoft Dynamics CRM Online.
- New \$40B share repurchase program announced during the quarter along with an 18% increase to the dividend
- EDD revenue growth declined less than expected with 2.2 million Xbox 360 consoles sold in the quarter

Revenue growth was driven primarily by increased licensing of the 2007 Microsoft Office system and increased revenue associated with Windows Server and SQL Server. Foreign currency exchange rates accounted for a \$439 million or three percentage point increase in revenue during the three months ended September 30, 2008.



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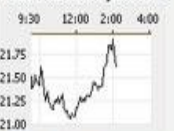


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**COMPANY OVERVIEW | Strategy**

**COMPANY OVERVIEW | Strategy**  
 Steve Ballmer 2008 Financial Analyst Meeting



At the heart of our success lies our commitment to innovation. No company in our industry invests more in research and development or has the same depth and breadth of talented researchers, scientists, and engineers working across the globe to create new technology breakthroughs.

During the year, we brought a wide range of new innovations to market. We launched Microsoft Windows Server 2008, Microsoft Expression 2, a beta version of Silverlight 2, Windows HPC Server 2008, and Microsoft Visual Studio 2008. We released Windows Vista Service Pack 1, introduced advances in our search and online advertising technologies. We rolled out Surface - a groundbreaking new device that transforms a tabletop into a computing surface that enables people to interact with digital content using gestures, touch, and physical objects - in a number of retail and hotel locations. We unveiled new products and services for the healthcare industry. We announced important changes to our technology and business practices to increase the openness of our products and drive greater interoperability and choice for developers, partners, customers, and competitors.

Across our products and technologies, we introduced compelling innovations in fiscal 2008 that deliver valuable new capabilities to our customers. Virtualization, an approach to helping companies reduce costs and energy consumption, is transforming the way computing capabilities are delivered and managed and is now an integral feature of



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Investor Central Fiscal Year 2009-Q1

Company Overview | Financial Statements | Segment Results

COMPANY OVERVIEW | **Key Performance Indicators**

**Key Performance Indicators** (in millions, except percentages)

	Q109	Q108
<b>Bookings growth (y/y)</b>		
Total bookings growth (y/y)	6%	>30%
Core (Client, Server and Tools, and MBD) bookings growth (y/y)	**	>25%
<b>Total unearned revenue balance</b>	\$13,477	\$11,572
<b>Contracted not billed</b>	>\$13,000	>\$11,000
<b>Product billing mix (approximate)</b>		
OEM	35%	35%
Multi-year licensing agreements	25%	25%
License only	20%	20%
Rest of business	20%	20%
<b>PC unit growth (y/y)</b>	10-12%	14-16%

\*\* = Not disclosed

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Chief Financial Officer  
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**Investor Central** Fiscal Year 2009-Q1

Company Overview | **Financial Statements** | Segment Results

FINANCIAL STATEMENTS | **Income Statements**

Income Statements (in millions, except per share amounts) (Unaudited)

	Three Months Ended September 30	
	2008	2007
<b>Revenue</b>	\$ 15,061	\$ 13,762
Operating expenses:		
Cost of revenue	2,848	2,675
Research and development	2,283	1,837
Sales and marketing	3,044	2,683
General and administrative	887	718
Total operating expenses	9,062	7,913
<b>Operating income</b>	5,999	5,849
<b>Other income (expense)</b>	(8)	367
Income before income taxes	5,991	6,216
<b>Provision for income taxes</b>	1,618	1,927
<b>Net income</b>	\$ 4,373	\$ 4,289
<b>Earnings per share:</b>		
Basic	\$ 0.48	\$ 0.46
Diluted	\$ 0.48	\$ 0.45
<b>Weighted average shares outstanding:</b>		
Basic	9,084	9,380
Diluted	9,183	9,513
<b>Cash dividends declared per common share</b>	\$ 0.13	\$ 0.11



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Research and development - Windows Internet Explorer

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**Research and development**

[Source: FY09-Q1 10Q Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

[Source: FY09-Q1 10Q Application of Critical Accounting Policies](#)

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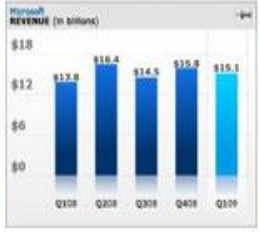


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**Research and development**

Source: FY09-Q1 10Q Management's Discussion and Analysis of Financial Condition and Results of Operations

(In millions, except percentages)

	Three Months Ended September 30,		Percentage Change
	2008	2007	
Research and development.....	\$2,283	\$ 1,837	24%
As a percent of revenue .....	15%	13%	2 ppt

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, localization costs incurred to translate software for international markets, the amortization of purchased software code and services content, and in-process research and development. The increase in research and development expenses was primarily driven by a 24% increase in headcount-related expenses

Source: FY09-Q1 10Q Application of Critical Accounting Policies



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Source: FY09-Q1 10Q Application of Critical Accounting Policies

We account for research and development costs in accordance with applicable accounting pronouncements, including SFAS No. 2, *Accounting for Research and Development Costs*, and SFAS No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed*. SFAS No. 86 specifies that costs incurred internally in researching and developing a computer software product should be charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs should be 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 manufacturing.

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Chief Financial Officer  
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## SEGMENT RESULTS

## Client

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## Overview

Client offerings consist of premium and standard edition Windows operating systems. Premium editions are those that include additional functionality and are sold at a price above our standard editions. Premium editions include Windows Vista Business, Windows Vista Home Premium, Windows Vista Ultimate, Windows Vista Enterprise, Windows XP Professional, Windows XP Media Center Edition, and Windows XP Tablet PC Edition. Standard editions include Windows Vista Home Basic and Windows XP Home. Client revenue growth generally correlates with the growth of PC purchases from OEMs that pre-install versions of Windows operating systems because the OEM channel accounts for over 80% of total Client revenue. The differences between unit growth rates and revenue growth rates from year to year are affected by changes in the mix of OEM Windows operating systems licensed with premium edition operating systems as a percentage of total OEM Windows operating systems licensed ("OEM premium mix"), changes in the geographic mix, and changes in the channel mix of products sold by large, multi-national OEMs versus those sold by local and regional system builders.



Client RESULTS (in millions, except percentages)

	Q109	Q108	Change
Revenue	\$ 4,218	\$ 4,139	2%
Operating Income	\$ 3,267	\$ 3,388	(4)%

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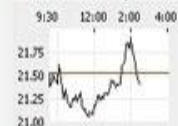
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2008  
Annual  
Report

## MSFT Intraday Chart

[Detailed Quote](#)

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Investor Central Fiscal Year 2009-Q1

- Company Overview
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SEGMENT RESULTS Client

- Overview
- Performance
- Outlook
- Strategy
- Key Performance Indicators

CLIENT | Bill Veghte 2008 Financial Analyst Meeting



Strategy - How we grow Windows

Healthy PC market drives growth in Windows units

- PC market expected to grow double digits for the next three years driven by growth in emerging markets

Continue efforts to reduce unlicensed software (worldwide PC software piracy estimated at 35%)

- Elevate awareness of IP Rights with governments
- Work with law enforcement to pursue software piracy globally
- Increase demand for Genuine Windows
- Make Windows harder to pirate
- Educate customers on value of genuine software
- Provide product and pricing models appropriate for each market

Offer customers choice among product offerings to suit their needs



Client RESULTS (in millions, except percentages)			
	Q109	Q108	Change
Revenue	\$ 4,218	\$ 4,139	2%
Operating Income	\$ 3,267	\$ 3,388	(4)%

Related Information

- [View Current Events](#)
- [Presentation to Analysts](#)
- [Press Pass](#)
- [Earnings Call Slides](#)



Detailed Quote  
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# NIRI Standards of Practice

**Adopted by NIRI Board – Sep 18, 2008**

✓ Earnings Release Content

**On the drawing board**

✓ Financial Disclosure

✓ Websites

✓ Notice and Access

✓ XBRL

**Join a working group – [lkelleher@niri.org](mailto:lkelleher@niri.org)**

# Ask a Question

**During the live event only  
October 28, 2008 4:00 – 5:00 p.m ET**

- On the Telephone – follow the operator’s instructions
- On your computer – click on the “Q & A” link on the left of your screen

**Telephone access provided by In Comm**

# Replay Options

Replay via telephone until midnight on 11/11/08 (Eastern time). Call 877-660-6853 (USA) or 201-612-7415 (International) The account number is 286 and the conference I.D. is 301305.

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Webcast provided by VCall, a service of Precision IR

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