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European Commission Settlement Negotiations End Without Resolution

BRUSSELS, Belgium -- March 18, 2004 --

Discussions aimed at resolving the European Commission's investigation of Microsoft Corp. have concluded today in a spirit of professionalism and cooperation but without a settlement, Microsoft confirmed today.

"I believe we reached agreement on the issues of the case," said Steve Ballmer, chief executive officer of Microsoft. "But we were unable to agree on principles for new issues that could arise in the future."

We worked very hard to try to resolve these issues without litigation," Ballmer added. "Because of the tremendous value we attach to our relations with governments all across Europe, we made every possible effort to settle the case, and I hope that perhaps we can still settle the case at a later stage."

Microsoft officials negotiated virtually nonstop for the past several months with Commission officials, offering a number of proposals aimed at addressing the Commission's concerns about interoperability and media player technology.

Ballmer agreed with Commissioner Mario Monti's assessment about the constructive nature of the discussions between the company and the Commission. "These discussions were carried out in a cooperative spirit and with professionalism on both sides," Ballmer said.

"I believe our settlement offer would have resolved the issues of the case, not just in

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Europe but around the world, and right now," said Brad Smith, senior vice president and general counsel of Microsoft. "Even though we could not agree on a single formula for all future questions, settlement would have helped us work constructively to resolve future issues."

"We have to ensure that the law is not just about competitors' complaints about the impact of new features. There needs to be consideration of the needs of consumers for new innovations. Consumers must be part of the equation. Perhaps the courts will provide the clarity that is necessary to resolve these issues," Smith added. "Today is just another step in what could be a long process."

Microsoft officials said that they will continue to maintain strong customer relationships and will continue to work closely with European governments on a wide range of issues including security, privacy, education and IT skills development as the legal issues move forward.

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