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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 8-K**

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

**Date of Report (Date of earliest event reported) October 24, 2018**

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**Microsoft Corporation**  
(Exact Name of Registrant as Specified in Its Charter)

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**Washington**  
(State or Other Jurisdiction  
of Incorporation)

**001-37845**  
(Commission  
File Number)

**91-1144442**  
(IRS Employer  
Identification No.)

**One Microsoft Way, Redmond, Washington**  
(Address of Principal Executive Offices)

**98052-6399**  
(Zip Code)

**(425) 882-8080**  
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). 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.

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**Item 2.02. Results of Operations and Financial Condition**

On October 24, 2018, Microsoft Corporation issued a press release announcing its financial results for the fiscal quarter ended September 30, 2018. A copy of the press release is furnished as Exhibit 99.1 to this report.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits:

99.1 [Press release, dated October 24, 2018, issued by Microsoft Corporation](#)

**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 hereunto duly authorized.

MICROSOFT CORPORATION  
(Registrant)

Date: October 24, 2018

/s/ FRANK H. BROD

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Frank H. Brod  
Corporate Vice President, Finance and  
Administration;  
Chief Accounting Officer

## Microsoft Cloud Strength Powers Record First Quarter Results

**REDMOND, Wash. — October 24, 2018** — Microsoft Corp. today announced the following results for the quarter ended September 30, 2018, as compared to the corresponding period of last fiscal year:

- Revenue was \$29.1 billion and increased 19%
- Operating income was \$10.0 billion and increased 29%
- Net income was \$8.8 billion and increased 34%
- Diluted earnings per share was \$1.14 and increased 36%

“We are off to a great start in fiscal 2019, a result of our innovation and the trust customers are placing in us to power their digital transformation,” said Satya Nadella, chief executive officer of Microsoft. “We’re excited to help our customers build the digital capability they need to thrive and grow, with a business model that is fundamentally aligned to their success.”

Microsoft returned \$6.1 billion to shareholders in the form of dividends and share repurchases in the first quarter of fiscal year 2019, an increase of 27% compared to the first quarter of fiscal year 2018.

“Our record results for Q1 reflect our commitment to long-term strategic investments and consistent execution to drive revenue growth and operating margin expansion,” said Amy Hood, executive vice president and chief financial officer of Microsoft. “We see continued demand for our cloud offerings, reflected in our commercial cloud revenue of \$8.5 billion, up 47% year over year.”

Revenue in Productivity and Business Processes was \$9.8 billion and increased 19% (up 18% in constant currency), with the following business highlights:

- Office commercial products and cloud services revenue increased 17% (up 16% in constant currency) driven by Office 365 commercial revenue growth of 36% (up 35% in constant currency)
- Office consumer products and cloud services revenue increased 16% (up 17% in constant currency) with continued growth in Office 365 consumer subscribers to 32.5 million
- LinkedIn revenue increased 33% (up 33% in constant currency) with record levels of engagement highlighted by LinkedIn sessions growth of 34%
- Dynamics products and cloud services revenue increased 20% (up 20% in constant currency) driven by Dynamics 365 revenue growth of 51% (up 49% in constant currency)

Revenue in Intelligent Cloud was \$8.6 billion and increased 24% (up 24% in constant currency), with the following business highlights:

- Server products and cloud services revenue increased 28% (up 28% in constant currency) driven by Azure revenue growth of 76% (up 76% in constant currency)
- Enterprise Services revenue increased 6% (up 6% in constant currency)

Revenue in More Personal Computing was \$10.7 billion and increased 15% (up 15% in constant currency), with the following business highlights:

- Windows OEM revenue increased 3% (up 3% in constant currency) driven by OEM Pro revenue growth of 8%

- Windows commercial products and cloud services revenue increased 12% (up 12% in constant currency) driven by an increased volume of multi-year agreements
- Gaming revenue increased 44% (up 45% in constant currency) with Xbox software and services revenue growth of 36% (up 36% in constant currency) mainly from third-party title strength
- Search advertising revenue excluding traffic acquisition costs increased 17% (up 17% in constant currency)
- Surface revenue increased 14% (up 14% in constant currency)

## **Business Outlook**

Microsoft will provide forward-looking guidance in connection with this quarterly earnings announcement on its earnings conference call and webcast.

## **Quarterly Highlights, Product Releases, and Enhancements**

Every quarter Microsoft delivers hundreds of products, either as new releases, services, or enhancements to current products and services. These releases are a result of significant research and development investments, made over multiple years, designed to help customers be more productive and secure and to deliver differentiated value across the cloud and the edge.

Here are the [major product releases and other highlights](#) for the quarter, organized by product categories, to help illustrate how we are accelerating innovation across our businesses while expanding our market opportunities.

## **Webcast Details**

Satya Nadella, chief executive officer, Amy Hood, executive vice president and chief financial officer, Frank Brod, chief accounting officer, Carolyn Frantz, deputy general counsel and corporate secretary, and Michael Spencer, general manager of investor relations, will host a conference call and webcast at 2:30 p.m. Pacific time (5:30 p.m. Eastern time) today to discuss details of the company's performance for the quarter and certain forward-looking information. The session may be accessed at <http://www.microsoft.com/en-us/investor>. The webcast will be available for replay through the close of business on October 24, 2019.

## **Constant Currency**

Microsoft presents constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. All growth comparisons relate to the corresponding period in the last fiscal year. Microsoft has provided this non-GAAP financial information to aid investors in better understanding our performance. The non-GAAP financial measures presented in this release should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with generally accepted accounting principles (GAAP).

## Financial Performance Constant Currency Reconciliation

Three Months Ended September 30,

(\$ in millions, except per share amounts)	Revenue	Operating Income	Net Income	Diluted Earnings per Share
2017 As Reported	\$24,538	\$7,708	\$6,576	\$0.84
2018 As Reported	\$29,084	\$9,955	\$8,824	\$1.14
Percentage Change Y/Y	19%	29%	34%	36%
Constant Currency Impact	\$27	\$105	\$158	\$0.02
Percentage Change Y/Y Constant Currency	18%	28%	32%	33%

## Segment Revenue Constant Currency Reconciliation

Three Months Ended September 30,

(\$ in millions)	Productivity and Business Processes	Intelligent Cloud	More Personal Computing
2017 As Reported	\$8,238	\$6,922	\$9,378
2018 As Reported	\$9,771	\$8,567	\$10,746
Percentage Change Y/Y	19%	24%	15%
Constant Currency Impact	\$38	\$14	\$(25)
Percentage Change Y/Y Constant Currency	18%	24%	15%

## Selected Product and Service Revenue Constant Currency Reconciliation

Three Months Ended September 30, 2018

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Office commercial products and cloud services	17%	(1)%	16%
Office 365 commercial	36%	(1)%	35%
Office consumer products and cloud services	16%	1%	17%
LinkedIn	33%	0%	33%
Dynamics products and cloud services	20%	0%	20%
Dynamics 365	51%	(2)%	49%
Server products and cloud services	28%	0%	28%
Azure	76%	0%	76%
Enterprise Services	6%	0%	6%
Windows OEM	3%	0%	3%
Windows commercial products and cloud services	12%	0%	12%
Search advertising excluding traffic acquisition costs	17%	0%	17%
Surface	14%	0%	14%
Gaming	44%	1%	45%
Xbox software and services	36%	0%	36%

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## About Microsoft

Microsoft (Nasdaq "MSFT" @microsoft) enables digital transformation for the era of an intelligent cloud and an intelligent edge. Its mission is to empower every person and every organization on the planet to achieve more.

## Forward-Looking Statements

Statements in this release that are "forward-looking statements" are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors such as:

- intense competition in all of our markets that may lead to lower revenue or operating margins;
- increasing focus on cloud-based services presenting execution and competitive risks;
- significant investments in new products and services that may not achieve expected returns;
- acquisitions, joint ventures, and strategic alliances that may have an adverse effect on our business;
- impairment of goodwill or amortizable intangible assets causing a significant charge to earnings;
- legal changes, our evolving business model, piracy, and other factors may decrease the value of our intellectual property;
- claims that Microsoft has infringed the intellectual property rights of others;
- the possibility that we may fail to protect our source code;
- cyberattacks and security vulnerabilities that could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position;
- disclosure and misuse of personal data that could cause liability and harm to our reputation;
- the possibility that we may not be able to protect information stored in our products and services from use by others;
- abuse of our advertising or social platforms that may harm our reputation or user engagement;
- excessive outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure;
- government litigation and regulatory activity relating to competition rules that may limit how we design and market our products;
- potential liability under trade protection, anti-corruption, and other laws resulting from our global operations;
- laws and regulations relating to the handling of personal data that may impede the adoption of our services or result in increased costs, legal claims, fines, or reputational damage;
- the dependence of our business on our ability to attract and retain talented employees;

- claims against us that may result in adverse outcomes in legal disputes;
- additional tax liabilities;
- quality or supply problems;
- exposure to increased economic and operational uncertainties from operating a global business, including the effects of foreign currency exchange;
- catastrophic events or geo-political conditions that may disrupt our business;
- adverse economic or market conditions that may harm our business;
- changes in our sales organization that may impact revenues;
- the development of the internet of things presenting security, privacy, and execution risks;
- issues about the use of artificial intelligence in our offerings that may result in competitive harm, legal liability, or reputational harm; and
- damage to our reputation or our brands that may harm our business and operating results.

For more information about risks and uncertainties associated with Microsoft's business, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of Microsoft's SEC filings, including, but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by contacting Microsoft's Investor Relations department at (800) 285-7772 or at Microsoft's Investor Relations website at <http://www.microsoft.com/en-us/investor>.

All information in this release is as of September 30, 2018. The company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the company's expectations.

**For more information, press only:**

Microsoft Media Relations, WE Communications for Microsoft, (425) 638-7777, [rrt@we-worldwide.com](mailto:rrt@we-worldwide.com)

**For more information, financial analysts and investors only:**

Michael Spencer, General Manager, Investor Relations, (425) 706-4400

Note to editors: For more information, news and perspectives from Microsoft, please visit the Microsoft News Center at <http://www.microsoft.com/news>. Web links, telephone numbers, and titles were correct at time of publication, but may since have changed. Shareholder and financial information, as well as today's 2:30 p.m. Pacific time conference call with investors and analysts, is available at <http://www.microsoft.com/en-us/investor>.



## INCOME STATEMENTS

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

	Three Months Ended September 30,	
	2018	2017
<b>Revenue:</b>		
Product	<b>\$17,299</b>	\$14,298
Service and other	<b>11,785</b>	10,240
Total revenue	<b>29,084</b>	24,538
<b>Cost of revenue:</b>		
Product	<b>3,649</b>	2,980
Service and other	<b>6,256</b>	5,298
Total cost of revenue	<b>9,905</b>	8,278
Gross margin	<b>19,179</b>	16,260
Research and development	<b>3,977</b>	3,574
Sales and marketing	<b>4,098</b>	3,812
General and administrative	<b>1,149</b>	1,166
Operating income	<b>9,955</b>	7,708
Other income, net	<b>266</b>	276
Income before income taxes	<b>10,221</b>	7,984
Provision for income taxes	<b>1,397</b>	1,408
Net income	<b>\$8,824</b>	\$6,576
<b>Earnings per share:</b>		
Basic	<b>\$1.15</b>	\$0.85
Diluted	<b>\$1.14</b>	\$0.84
<b>Weighted average shares outstanding:</b>		
Basic	<b>7,673</b>	7,708
Diluted	<b>7,766</b>	7,799
Cash dividends declared per common share	<b>\$0.46</b>	\$0.42

## COMPREHENSIVE INCOME STATEMENTS

(In millions)(Unaudited)

	Three Months Ended September 30,	
	2018	2017
Net income	<b>\$8,824</b>	\$6,576
Other comprehensive income (loss), net of tax:		
Net change related to derivatives	<b>(45)</b>	(106)
Net change related to investments	<b>(261)</b>	(288)
Translation adjustments and other	<b>(55)</b>	293
Other comprehensive loss	<b>(361)</b>	(101)
Comprehensive income	<b>\$8,463</b>	\$6,475

BALANCE SHEETS  
(In millions)(Unaudited)

	September 30, 2018	June 30, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$15,137	\$11,946
Short-term investments	120,743	121,822
Total cash, cash equivalents, and short-term investments	135,880	133,768
Accounts receivable, net of allowance for doubtful accounts of \$319 and \$377	17,390	26,481
Inventories	3,614	2,662
Other	7,311	6,751
Total current assets	164,195	169,662
Property and equipment, net of accumulated depreciation of \$30,953 and \$29,223	31,430	29,460
Operating lease right-of-use assets	6,734	6,686
Equity investments	2,034	1,862
Goodwill	35,855	35,683
Intangible assets, net	7,579	8,053
Other long-term assets	9,792	7,442
Total assets	\$257,619	\$258,848
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$8,511	\$8,617
Current portion of long-term debt	6,497	3,998
Accrued compensation	4,271	6,103
Short-term income taxes	2,341	2,121
Short-term unearned revenue	26,704	28,905
Other	7,953	8,744
Total current liabilities	56,277	58,488
Long-term debt	69,733	72,242
Long-term income taxes	28,936	30,265
Long-term unearned revenue	3,538	3,815
Deferred income taxes	1,977	541
Operating lease liabilities	5,652	5,568
Other long-term liabilities	5,539	5,211
Total liabilities	171,652	176,130
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital — shares authorized 24,000; outstanding 7,680 and 7,677	71,303	71,223
Retained earnings	17,279	13,682
Accumulated other comprehensive loss	(2,615)	(2,187)
Total stockholders' equity	85,967	82,718
Total liabilities and stockholders' equity	\$257,619	\$258,848

## CASH FLOWS STATEMENTS

(In millions)(Unaudited)

	Three Months Ended September 30,	
	2018	2017
<b>Operations</b>		
Net income	\$8,824	\$6,576
Adjustments to reconcile net income to net cash from operations:		
Depreciation, amortization, and other	2,837	2,499
Stock-based compensation expense	1,107	973
Net recognized gains on investments and derivatives	(240)	(523)
Deferred income taxes	(247)	(53)
Changes in operating assets and liabilities:		
Accounts receivable	9,194	7,949
Inventories	(956)	(1,023)
Other current assets	(677)	(318)
Other long-term assets	21	(278)
Accounts payable	(395)	(407)
Unearned revenue	(2,441)	(1,806)
Income taxes	(1,091)	661
Other current liabilities	(2,322)	(2,164)
Other long-term liabilities	43	354
Net cash from operations	13,657	12,440
<b>Financing</b>		
Repayments of short-term debt, maturities of 90 days or less, net	0	(3,710)
Proceeds from issuance of debt	0	3,954
Repayments of debt	0	(1,169)
Common stock issued	360	307
Common stock repurchased	(3,744)	(2,570)
Common stock cash dividends paid	(3,220)	(3,003)
Other, net	(780)	(150)
Net cash used in financing	(7,384)	(6,341)
<b>Investing</b>		
Additions to property and equipment	(3,602)	(2,132)
Acquisition of companies, net of cash acquired, and purchases of intangible and other assets	(245)	(179)
Purchases of investments	(19,551)	(32,961)
Maturities of investments	5,214	5,226
Sales of investments	15,231	23,036
Securities lending payable	0	106
Net cash used in investing	(2,953)	(6,904)
Effect of foreign exchange rates on cash and cash equivalents	(129)	26
Net change in cash and cash equivalents	3,191	(779)
Cash and cash equivalents, beginning of period	11,946	7,663
Cash and cash equivalents, end of period	\$15,137	\$6,884

## SEGMENT REVENUE AND OPERATING INCOME

(In millions)(Unaudited)

	Three Months Ended September 30,	
	2018	2017
<b>Revenue</b>		
Productivity and Business Processes	\$9,771	\$8,238
Intelligent Cloud	8,567	6,922
More Personal Computing	10,746	9,378
Total	<u>\$29,084</u>	<u>\$24,538</u>
<b>Operating Income</b>		
Productivity and Business Processes	\$3,881	\$3,006
Intelligent Cloud	2,931	2,137
More Personal Computing	3,143	2,565
Total	<u>\$9,955</u>	<u>\$7,708</u>