

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported) April 23, 2009

Microsoft Corporation

(Exact Name of Registrant as Specified in Its Charter)

Washington

(State or Other Jurisdiction of Incorporation)

0-14278

(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)

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))
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Item 2.02. Results of Operations and Financial Condition

On April 23, 2009, Microsoft Corporation issued a press release announcing its financial results for the fiscal quarter ended March 31, 2009. 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 April 23, 2009, 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: April 23, 2009

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

INDEX TO EXHIBITS

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|------------------------------------|
| 99.1 | Press release dated April 23, 2009 |

Microsoft Reports Third-Quarter Results*Lower operating expenses narrow revenue gap in difficult economic environment*

REDMOND, Wash. — April 23, 2009 — Microsoft Corp. today announced revenue of \$13.65 billion for the third quarter ended March 31, 2009, a 6% decline from the same period of the prior year. Operating income, net income and diluted earnings per share for the quarter were \$4.44 billion, \$2.98 billion and \$0.33 per share, which represented an increase of 3% and declines of 32% and 30%, respectively, when compared with the prior year period.

The financial results for the third quarter ended March 31, 2009, included \$290 million of severance charges related to the previously announced plan to reduce up to 5,000 positions and \$420 million of impairments to investments. Combined, these two charges reduced earnings per share by \$0.06.

Revenue in Client, Microsoft Business Division, and Server & Tools was negatively impacted by weakness in the global PC and Server markets. Revenue from enterprise customers remained stable during the quarter.

“With our continued R&D investment and our broad suite of products and services, we remain in a great position to compete and gain share in the marketplace,” said Kevin Turner, chief operating officer at Microsoft. During the quarter, Microsoft released the beta version of the Windows 7 operating system, which remains on track for a fiscal year 2010 launch. Development milestones were achieved on other products including Microsoft Office 2010, Windows Server 2008 R2 and Windows Mobile.

“While market conditions remained weak during the quarter, I was pleased with the organization’s ability to offset revenue pressures with the swift implementation of cost-savings initiatives,” said Chris Liddell, chief financial officer at Microsoft. “We expect the weakness to continue through at least the next quarter.”

Business Outlook

Microsoft offers updated operating expense guidance of \$26.7 billion to \$26.9 billion, including severance charges, for the full year ending June 30, 2009.

Management will discuss third quarter results and the company's business outlook on a conference call and webcast at 2:30 p.m. PDT (5:30 p.m. EDT) today.

Webcast Details

Chris Liddell, senior vice president and chief financial officer, Frank Brod, corporate vice president and chief accounting officer, and Bill Koefoed, general manager of Investor Relations, will host a conference call and webcast at 2:30 p.m. PDT (5:30 p.m. EDT) 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/msft>. The webcast will be available for replay through the close of business on April 23, 2010.

About Microsoft

Founded in 1975, Microsoft (Nasdaq "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

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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:

- challenges to Microsoft's business model;
- intense competition in all of Microsoft's markets;
- Microsoft's continued ability to protect its intellectual property rights;

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- claims that Microsoft has infringed the intellectual property rights of others;
 - the possibility of unauthorized disclosure of significant portions of Microsoft's source code;
 - actual or perceived security vulnerabilities in Microsoft products that could reduce revenue or lead to liability;
 - government litigation and regulation affecting how Microsoft designs and markets its products;
 - Microsoft's ability to attract and retain talented employees;
 - delays in product development and related product release schedules;
 - significant business investments that may not gain customer acceptance and produce offsetting increases in revenue;
 - unfavorable changes in general economic conditions, disruption of our partner networks or sales channels, or the availability of credit that affect the value of our investment portfolio or demand for Microsoft's products and services;
 - adverse results in legal disputes;
 - unanticipated tax liabilities;
 - quality or supply problems in Microsoft's consumer hardware or other vertically integrated hardware and software products;
 - impairment of goodwill or amortizable intangible assets causing a charge to earnings;
 - exposure to increased economic and regulatory uncertainties from operating a global business;
 - geopolitical conditions, natural disaster, cyberattack or other catastrophic events disrupting Microsoft's business;

- acquisitions and joint ventures that adversely affect the business;
- improper disclosure of personal data could result in liability and harm to Microsoft's reputation; and
- outages and disruptions of online services if Microsoft fails to maintain an adequate operations infrastructure.

For further information regarding 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 Web site at <http://www.microsoft.com/msft>.

All information in this release is as of April 23, 2009. 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:

Rapid Response Team, Waggener Edstrom Worldwide, (503) 443-7070, rrt@waggeneredstrom.com

For more information, financial analysts and investors only:

Bill Koefoed, general manager, Investor Relations, (425) 706-3703

Note to editors: If you are interested in viewing additional information on Microsoft, please visit the Microsoft Web page at <http://www.microsoft.com/presspass> on Microsoft's corporate information pages. 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. PDT conference call with investors and analysts, is available at <http://www.microsoft.com/msft>.

Microsoft Corporation**Income Statements**

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

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--|---------------------------------|-----------------|--------------------------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenue | \$13,648 | \$14,454 | \$45,338 | \$44,583 |
| Operating expenses: | | | | |
| Cost of revenue | 2,814 | 2,514 | 9,569 | 8,732 |
| Research and development | 2,212 | 2,035 | 6,785 | 5,757 |
| Sales and marketing | 2,981 | 3,274 | 9,687 | 9,377 |
| General and administrative | 913 | 2,341 | 2,631 | 4,125 |
| Employee severance | 290 | — | 290 | — |
| Total operating expenses | 9,210 | 10,164 | 28,962 | 27,991 |
| Operating income | 4,438 | 4,290 | 16,376 | 16,592 |
| Other income (expense) | (388) | 520 | (697) | 1,254 |
| Income before income taxes | 4,050 | 4,810 | 15,679 | 17,846 |
| Provision for income taxes | 1,073 | 422 | 4,155 | 4,462 |
| Net income | <u>\$ 2,977</u> | <u>\$ 4,388</u> | <u>\$11,524</u> | <u>\$13,384</u> |
| Earnings per share: | | | | |
| Basic | <u>\$ 0.33</u> | <u>\$ 0.47</u> | <u>\$ 1.29</u> | <u>\$ 1.43</u> |
| Diluted | <u>\$ 0.33</u> | <u>\$ 0.47</u> | <u>\$ 1.28</u> | <u>\$ 1.41</u> |
| Weighted average shares outstanding: | | | | |
| Basic | <u>8,891</u> | <u>9,307</u> | <u>8,960</u> | <u>9,349</u> |
| Diluted | <u>8,904</u> | <u>9,428</u> | <u>9,008</u> | <u>9,492</u> |
| Cash dividends declared per common share | <u>\$ 0.13</u> | <u>\$ 0.11</u> | <u>\$ 0.39</u> | <u>\$ 0.33</u> |

Microsoft Corporation
Balance Sheets
(In millions)

| | March 31, 2009 (Unaudited) | June 30, 2008 ⁽¹⁾ |
|--|----------------------------------|---------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 7,285 | \$ 10,339 |
| Short-term investments (including securities pledged as collateral of \$1,445 and \$2,491) | 18,055 | 13,323 |
| Total cash, cash equivalents, and short-term investments | 25,340 | 23,662 |
| Accounts receivable, net of allowance for doubtful accounts of \$242 and \$153 | 9,182 | 13,589 |
| Inventories | 657 | 985 |
| Deferred income taxes | 1,926 | 2,017 |
| Other | 3,619 | 2,989 |
| Total current assets | 40,724 | 43,242 |
| Property and equipment, net of accumulated depreciation of \$7,236 and \$6,302 | 7,112 | 6,242 |
| Equity and other investments | 4,112 | 6,588 |
| Goodwill | 12,554 | 12,108 |
| Intangible assets, net | 1,756 | 1,973 |
| Deferred income taxes | 956 | 949 |
| Other long-term assets | 1,639 | 1,691 |
| Total assets | <u>\$ 68,853</u> | <u>\$ 72,793</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,017 | \$ 4,034 |
| Short-term debt | 1,999 | — |
| Accrued compensation | 2,644 | 2,934 |
| Income taxes | 773 | 3,248 |
| Short-term unearned revenue | 10,924 | 13,397 |
| Securities lending payable | 1,533 | 2,614 |
| Other | 2,933 | 3,659 |
| Total current liabilities | 23,823 | 29,886 |
| Long-term unearned revenue | 1,388 | 1,900 |
| Other long-term liabilities | 6,699 | 4,721 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock and paid-in capital – shares authorized 24,000; outstanding 8,898 and 9,151 | 61,896 | 62,849 |
| Retained deficit, including accumulated other comprehensive income of \$726 and \$1,140 | (24,953) | (26,563) |
| Total stockholders' equity | 36,943 | 36,286 |
| Total liabilities and stockholders' equity | <u>\$ 68,853</u> | <u>\$ 72,793</u> |

⁽¹⁾ Derived from audited financial statements

Microsoft Corporation
Cash Flows Statements
(In millions) (Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--|---------------------------------|-----------------|--------------------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Operations | | | | |
| Net income | \$ 2,977 | \$ 4,388 | \$ 11,524 | \$ 13,384 |
| Depreciation, amortization, and other noncash items | 664 | 532 | 1,881 | 1,448 |
| Stock-based compensation expense | 432 | 373 | 1,292 | 1,066 |
| Net recognized losses (gains) on investments and derivatives | 507 | (179) | 682 | (500) |
| Excess tax benefits from stock-based payment arrangements | (2) | (9) | (48) | (111) |
| Deferred income taxes | (368) | 103 | 462 | 783 |
| Unearned revenue | 5,899 | 5,228 | 16,054 | 15,044 |
| Recognition of unearned revenue | (6,670) | (5,368) | (19,078) | (15,701) |
| Accounts receivable | 1,697 | 1,857 | 4,035 | 2,077 |
| Other current assets | 106 | (69) | 345 | 141 |
| Other long-term assets | 26 | (1) | (159) | (67) |
| Other current liabilities | 114 | 1,389 | (3,824) | 525 |
| Other long-term liabilities | 662 | (1,162) | 2,030 | (562) |
| Net cash from operations | <u>6,044</u> | <u>7,082</u> | <u>15,196</u> | <u>17,527</u> |
| Financing | | | | |
| Short-term borrowings (repayments), maturities of 90 days or less, net | (329) | — | 1,667 | — |
| Proceeds from new debt, maturities longer than 90 days | 328 | — | 328 | — |
| Common stock issued | 112 | 268 | 436 | 3,249 |
| Common stock repurchased | (18) | (1,240) | (9,331) | (8,227) |
| Common stock cash dividends | (1,155) | (1,023) | (3,310) | (2,995) |
| Excess tax benefits from stock-based payment arrangements | 2 | 9 | 48 | 111 |
| Net cash used in financing | <u>(1,060)</u> | <u>(1,986)</u> | <u>(10,162)</u> | <u>(7,862)</u> |
| Investing | | | | |
| Additions to property and equipment | (632) | (759) | (2,252) | (1,964) |
| Acquisition of companies, net of cash acquired | — | (138) | (827) | (5,967) |
| Purchases of investments | (10,683) | (3,481) | (21,525) | (15,795) |
| Maturities of investments | 915 | 462 | 1,669 | 1,262 |
| Sales of investments | 3,327 | 2,829 | 16,102 | 18,645 |
| Securities lending payable | 1,064 | 309 | (1,080) | (265) |
| Net cash used in investing | <u>(6,009)</u> | <u>(778)</u> | <u>(7,913)</u> | <u>(4,084)</u> |
| Effect of exchange rates on cash and cash equivalents | (36) | 42 | (175) | 128 |
| Net change in cash and cash equivalents | <u>(1,061)</u> | <u>4,360</u> | <u>(3,054)</u> | <u>5,709</u> |
| Cash and cash equivalents, beginning of period | 8,346 | 7,460 | 10,339 | 6,111 |
| Cash and cash equivalents, end of period | <u>\$ 7,285</u> | <u>\$11,820</u> | <u>\$ 7,285</u> | <u>\$ 11,820</u> |

Microsoft Corporation
Segment Revenue and Operating Income (Loss)
(In millions) (Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|------------------------------------|---------------------------------|-----------------|--------------------------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenue | | | | |
| Client | \$ 3,404 | \$ 4,033 | \$11,604 | \$12,506 |
| Server and Tools | 3,467 | 3,238 | 10,616 | 9,381 |
| Online Services Business | 721 | 843 | 2,357 | 2,377 |
| Microsoft Business Division | 4,505 | 4,731 | 14,330 | 13,663 |
| Entertainment and Devices Division | 1,567 | 1,592 | 6,564 | 6,616 |
| Unallocated and other | (16) | 17 | (133) | 40 |
| Consolidated | <u>\$13,648</u> | <u>\$14,454</u> | <u>\$45,338</u> | <u>\$44,583</u> |
| Operating Income (Loss) | | | | |
| Client | \$ 2,514 | \$ 3,115 | \$ 8,689 | \$ 9,855 |
| Server and Tools | 1,344 | 1,080 | 3,978 | 3,170 |
| Online Services Business | (575) | (226) | (1,521) | (737) |
| Microsoft Business Division | 2,877 | 3,127 | 9,325 | 9,010 |
| Entertainment and Devices Division | (31) | 106 | 299 | 668 |
| Corporate-level activity | (1,691) | (2,912) | (4,394) | (5,374) |
| Consolidated | <u>\$ 4,438</u> | <u>\$ 4,290</u> | <u>\$16,376</u> | <u>\$16,592</u> |