

**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 27, 2017

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

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)

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.

Item 2.02. Results of Operations and Financial Condition

On April 27, 2017, Microsoft Corporation issued a press release announcing its financial results for the fiscal quarter ended March 31, 2017. 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 27, 2017, 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 27, 2017

/s/ FRANK H. BROD

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

INDEX TO EXHIBITS

Exhibit
No.

Description

99.1

Press release dated April 27, 2017

Microsoft Cloud Strength Highlights Third Quarter Results

Commercial cloud annualized revenue run rate exceeds \$15.2 billion

REDMOND, Wash. — April 27, 2017 — Microsoft Corp. today announced the following results for the quarter ended March 31, 2017:

- Revenue was \$22.1 billion GAAP, and \$23.6 billion non-GAAP
- Operating income was \$5.6 billion GAAP, and \$7.1 billion non-GAAP
- Net income was \$4.8 billion GAAP, and \$5.7 billion non-GAAP
- Diluted earnings per share was \$0.61 GAAP, and \$0.73 non-GAAP

“Our results this quarter reflect the trust customers are placing in the Microsoft Cloud,” said Satya Nadella, chief executive officer at Microsoft. “From large multi-nationals to small and medium businesses to non-profits all over the world, organizations are using Microsoft’s cloud platforms to power their digital transformation.”

The following table reconciles our financial results reported in accordance with generally accepted accounting principles (“GAAP”) to non-GAAP financial results. Microsoft has provided this non-GAAP financial information to aid investors in better understanding the company’s performance. Additional information regarding our non-GAAP definition is provided below. All growth comparisons relate to the corresponding period in the last fiscal year.

(\$ in millions, except per share amounts)	Three Months Ended March 31,			
	Revenue	Operating Income	Net Income	Diluted Earnings per Share
2016 As Reported (GAAP)	\$20,531	\$5,283	\$3,756	\$0.47
Net Impact from Windows 10 Revenue Deferrals	1,625	1,625	1,282	0.16
2016 As Adjusted (non-GAAP)	\$22,156	\$6,908	\$5,038	\$0.63
2017 As Reported (GAAP)	\$22,090	\$5,594	\$4,801	\$0.61
Net Impact from Windows 10 Revenue Deferrals	1,467	1,467	914	0.12
2017 As Adjusted (non-GAAP)	\$23,557	\$7,061	\$5,715	\$0.73
Percentage Change Y/Y (GAAP)	8%	6%	28%	30%
Percentage Change Y/Y (non-GAAP)	6%	2%	13%	16%
Percentage Change Y/Y (non-GAAP) Constant Currency	7%	5%	16%	19%

Microsoft returned \$4.6 billion to shareholders in the form of share repurchases and dividends in the third quarter of fiscal year 2017.

“Strong execution and demand for our cloud-based services drove our commercial cloud annualized revenue run rate to more than \$15.2 billion,” said Amy Hood, executive vice president and chief financial officer at Microsoft.

Revenue in Productivity and Business Processes was \$8.0 billion and increased 22% (up 23% in constant currency), with the following business highlights:

- Office commercial products and cloud services revenue increased 7% (up 8% in constant currency) driven by Office 365 commercial revenue growth of 45% (up 45% in constant currency)
- Office consumer products and cloud services revenue increased 15% (up 14% in constant currency) and Office 365 consumer subscribers increased to 26.2 million

- Dynamics products and cloud services revenue increased 10% (up 11% in constant currency) driven by Dynamics 365 revenue growth of 81% (up 82% in constant currency)
- LinkedIn contributed revenue of \$975 million

Revenue in Intelligent Cloud was \$6.8 billion and increased 11% (up 12% in constant currency), with the following business highlights:

- Server products and cloud services revenue increased 15% (up 16% in constant currency) driven by Azure revenue growth of 93% (up 94% in constant currency)
- Enterprise Services revenue decreased 1% (unchanged in constant currency) with declines in custom support agreements offset by growth in Premier Support Services and consulting

Revenue in More Personal Computing was \$8.8 billion and decreased 7% (down 7% in constant currency) driven primarily by lower phone revenue, with the following business highlights:

- Windows OEM revenue increased 5% (up 5% in constant currency)
- Windows commercial products and cloud services revenue increased 6% (up 6% in constant currency)
- Surface revenue decreased 26% (down 25% in constant currency)
- Search advertising revenue excluding traffic acquisition costs increased 8% (up 9% in constant currency)
- Gaming revenue increased 4% (up 6% 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.

Webcast Details

Satya Nadella, chief executive officer, Amy Hood, executive vice president and chief financial officer, Frank Brod, chief accounting officer, John Seethoff, deputy general counsel and corporate secretary, and Chris Suh, 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 April 27, 2018.

"As Adjusted" Financial Results and non-GAAP Measures

During the third quarter of fiscal years 2017 and 2016, GAAP revenue, operating income, net income, and diluted earnings per share include the net impact from Windows 10 revenue deferrals. This item is defined below. In addition to these financial results reported in accordance with GAAP, Microsoft has provided certain non-GAAP financial information to aid investors in better understanding the company's performance. Presenting these non-GAAP measures gives additional insight into operational performance and helps clarify trends affecting the company's business. For comparability of reporting, management considers this information in conjunction with GAAP amounts in evaluating business performance.

Net Impact from Windows 10 Revenue Deferrals. With respect to our non-GAAP measures related to Windows 10 revenue, we believe these measures bridge investor information and minimize potential confusion during the brief period between the time Windows 10 revenue recognition moved from upfront to ratable, and the adoption of the new revenue standard, when Windows 10 will again be recognized predominantly upfront. The net change in Windows 10 revenue from period to period is indicative of the net change in revenue we expect from adoption of the new revenue standard.

Non-GAAP Definitions

Net Impact from Windows 10 Revenue Deferrals. Microsoft recorded net revenue deferrals of \$1.5 billion during the third quarter of fiscal year 2017 and net revenue deferrals of \$1.6 billion during the third quarter of fiscal year 2016, related to Windows 10.

With the launch of Windows 10 in July 2015, Windows 10 customers receive future versions and updates at no additional charge. Under current revenue recognition accounting guidance, when standalone software is sold with future upgrade rights, revenue must be deferred over the life of the computing device on which it is installed. This is different from prior versions of Windows, which were sold without upgrade rights, where all revenue from original equipment manufacturer (“OEM”) customers was recognized at the time of billing, i.e., upfront.

When Microsoft adopts the new revenue standard, predominantly all Windows OEM revenue will be recognized at the time of billing, which is similar to the revenue recognition for prior versions of Windows. Additional information regarding the new revenue standard is provided in the “Recent Accounting Guidance Not Yet Adopted” section of Microsoft’s Form 10-Q for the quarter ended March 31, 2017 (Notes to Financial Statements). Microsoft reflects the recognition of Windows 10 revenue at the time of billing in “As Adjusted (non-GAAP)” revenue to provide comparability during the short period where Windows 10 will be recognized over the estimated life of a device, i.e., ratably, rather than at the time of billing.

Constant Currency

Microsoft presents constant currency information to provide a non-GAAP 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 non-GAAP 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. The non-GAAP financial measures presented below should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. All growth comparisons relate to the corresponding period in the last fiscal year.

Financial Performance Constant Currency Reconciliation

Three Months Ended March 31,

(\$ in millions, except per share amounts)	Revenue	Operating Income	Net Income	Diluted Earnings per Share
2016 As Reported (GAAP)	\$20,531	\$5,283	\$3,756	\$0.47
2016 As Adjusted (non-GAAP)	\$22,156	\$6,908	\$5,038	\$0.63
2017 As Reported (GAAP)	\$22,090	\$5,594	\$4,801	\$0.61
2017 As Adjusted (non-GAAP)	\$23,557	\$7,061	\$5,715	\$0.73
Percentage Change Y/Y (GAAP)	8%	6%	28%	30%
Percentage Change Y/Y (non-GAAP)	6%	2%	13%	16%
Constant Currency Impact	\$(222)	\$(181)	\$(153)	\$(0.02)
Percentage Change Y/Y (non-GAAP) Constant Currency	7%	5%	16%	19%

Segment Revenue Constant Currency Reconciliation

Three Months Ended March 31,

(\$ in millions)	Productivity and Business Processes	Intelligent Cloud	More Personal Computing
2016 As Reported (GAAP)	\$6,521	\$6,096	\$9,539
2017 As Reported (GAAP)	\$7,958	\$6,763	\$8,836
Percentage Change Y/Y (GAAP)	22%	11%	(7)%
Constant Currency Impact	\$(82)	\$(74)	\$(67)
Percentage Change Y/Y (non-GAAP) Constant Currency	23%	12%	(7)%

Selected Product and Service Revenue Constant Currency Reconciliation

Three Months Ended March 31,

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y (non-GAAP) Constant Currency
Office commercial products and cloud services	7%	1%	8%
Office 365 commercial	45%	0%	45%
Office consumer products and cloud services	15%	(1)%	14%
Dynamics products and cloud services	10%	1%	11%
Dynamics 365	81%	1%	82%
Server products and cloud services	15%	1%	16%
Azure	93%	1%	94%
Enterprise Services	(1)%	1%	0%
Windows OEM	5%	0%	5%
Windows commercial products and cloud services	6%	0%	6%
Surface	(26)%	1%	(25)%
Search advertising excluding traffic acquisition costs	8%	1%	9%
Gaming	4%	2%	6%

Commercial Cloud Annualized Revenue Run Rate

Commercial cloud annualized revenue run rate is calculated by taking revenue in the final month of the quarter multiplied by twelve for Office 365 commercial, Azure, Dynamics 365, and other cloud properties.

About Microsoft

Microsoft (Nasdaq "MSFT" @microsoft) is the leading platform and productivity company for the mobile-first, cloud-first world and 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 Microsoft's markets;
- increasing focus on services presents execution and competitive risks;
- significant investments in new products and services that may not be profitable;
- acquisitions, joint ventures, and strategic alliances may have an adverse effect on our business;
- impairment of goodwill or amortizable intangible assets causing a significant charge to earnings;
- Microsoft's continued ability to protect and earn revenues from its intellectual property rights;
- claims that Microsoft has infringed the intellectual property rights of others;
- the possibility of unauthorized disclosure of significant portions of Microsoft's source code;
- cyber-attacks and security vulnerabilities in Microsoft products and services that could reduce revenue or lead to liability;
- disclosure of personal data that could cause liability and harm to Microsoft's reputation;
- outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure;
- government litigation and regulation that may limit how Microsoft designs and markets its products;
- potential liability under trade protection and anti-corruption laws resulting from our international 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, or fines against us;
- Microsoft's ability to attract and retain talented employees;
- adverse results in legal disputes;
- unanticipated tax liabilities;

- Microsoft's hardware and software products may experience 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 may disrupt our business; and
- adverse economic or market conditions may harm our business.

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 April 27, 2017. 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:

Chris Suh, 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		Nine Months Ended	
	2017	March 31, 2016	2017	March 31, 2016
Revenue:				
Product	\$13,391	\$14,321	\$43,421	\$47,514
Service and other	8,699	6,210	23,212	17,192
Total revenue	22,090	20,531	66,633	64,706
Cost of revenue:				
Product	3,075	3,801	12,034	14,104
Service and other	4,985	3,921	13,771	10,697
Total cost of revenue	8,060	7,722	25,805	24,801
Gross margin	14,030	12,809	40,828	39,905
Research and development	3,355	2,980	9,523	8,842
Sales and marketing	3,879	3,406	11,183	10,699
General and administrative	1,202	1,140	3,126	3,262
Operating income	5,594	5,283	16,996	17,102
Other income (expense), net	322	(247)	608	(698)
Income before income taxes	5,916	5,036	17,604	16,404
Provision for income taxes	1,115	1,280	2,913	2,728
Net income	\$4,801	\$3,756	\$14,691	\$13,676
Earnings per share:				
Basic	\$0.62	\$0.48	\$1.89	\$1.72
Diluted	\$0.61	\$0.47	\$1.87	\$1.70
Weighted average shares outstanding:				
Basic	7,725	7,895	7,756	7,952
Diluted	7,813	7,985	7,840	8,041
Cash dividends declared per common share	\$0.39	\$0.36	\$1.17	\$1.08

COMPREHENSIVE INCOME STATEMENTS

(In millions)(Unaudited)

	Three Months Ended		Nine Months Ended	
	2017	March 31, 2016	2017	March 31, 2016
Net income	<u>\$4,801</u>	<u>\$3,756</u>	<u>\$14,691</u>	<u>\$13,676</u>
Other comprehensive income (loss):				
Net unrealized gains (losses) on derivatives (net of tax effects of \$1, \$(30), \$(1), and \$(2))	(225)	(285)	18	(277)
Net unrealized gains (losses) on investments (net of tax effects of \$34, \$186, \$(457), and \$(36))	65	345	(846)	(66)
Translation adjustments and other (net of tax effects of \$0, \$3, \$7, and \$(18))	292	7	(65)	(339)
Other comprehensive income (loss)	132	67	(893)	(682)
Comprehensive income	<u>\$4,933</u>	<u>\$3,823</u>	<u>\$13,798</u>	<u>\$12,994</u>

BALANCE SHEETS
(In millions)(Unaudited)

	March 31, 2017	June 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$6,713	\$6,510
Short-term investments (including securities loaned of \$4,462 and \$204)	119,305	106,730
Total cash, cash equivalents, and short-term investments	126,018	113,240
Accounts receivable, net of allowance for doubtful accounts of \$302 and \$426	12,882	18,277
Inventories	1,979	2,251
Other	5,434	5,892
Total current assets	146,313	139,660
Property and equipment, net of accumulated depreciation of \$22,992 and \$19,800	21,962	18,356
Equity and other investments	7,381	10,431
Goodwill	34,668	17,872
Intangible assets, net	10,547	3,733
Other long-term assets	4,146	3,416
Total assets	<u>\$225,017</u>	<u>\$193,468</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$6,217	\$6,898
Short-term debt	7,187	12,904
Current portion of long-term debt	599	0
Accrued compensation	4,604	5,264
Income taxes	654	580
Short-term unearned revenue	26,518	27,468
Securities lending payable	201	294
Other	6,025	5,949
Total current liabilities	52,005	59,357
Long-term debt	76,222	40,557
Long-term unearned revenue	9,215	6,441
Deferred income taxes	465	1,476
Other long-term liabilities	17,381	13,640
Total liabilities	155,288	121,471
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital - shares authorized 24,000; outstanding 7,723 and 7,808	68,554	68,178
Retained earnings	531	2,282
Accumulated other comprehensive income	644	1,537
Total stockholders' equity	69,729	71,997
Total liabilities and stockholders' equity	<u>\$225,017</u>	<u>\$193,468</u>

CASH FLOWS STATEMENTS

(In millions)(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Operations				
Net income	\$4,801	\$3,756	\$14,691	\$13,676
Adjustments to reconcile net income to net cash from operations:				
Depreciation, amortization, and other	2,453	1,707	6,435	4,712
Stock-based compensation expense	883	672	2,353	2,004
Net recognized losses (gains) on investments and derivatives	(590)	65	(1,553)	216
Deferred income taxes	(777)	351	(1,349)	177
Deferral of unearned revenue	15,995	13,073	42,719	36,066
Recognition of unearned revenue	(14,941)	(12,210)	(41,490)	(35,494)
Changes in operating assets and liabilities:				
Accounts receivable	1,487	2,288	5,950	5,546
Inventories	(16)	241	249	408
Other current assets	(25)	(420)	318	(1,914)
Other long-term assets	(26)	7	(298)	58
Accounts payable	(425)	(129)	(769)	105
Other current liabilities	742	626	(1,148)	(1,293)
Other long-term liabilities	1,099	340	2,394	594
Net cash from operations	10,660	10,367	28,502	24,861
Financing				
Proceeds from issuance (repayments) of short-term debt, maturities of 90 days or less, net	(1,302)	2,622	(8,447)	481
Proceeds from issuance of debt	547	25	42,593	13,274
Repayments of debt	(211)	(900)	(4,554)	(2,771)
Common stock issued	179	159	551	495
Common stock repurchased	(2,062)	(3,857)	(10,023)	(12,292)
Common stock cash dividends paid	(3,012)	(2,842)	(8,836)	(8,185)
Other	(375)	(123)	(175)	(366)
Net cash from (used in) financing	(6,236)	(4,916)	11,109	(9,364)
Investing				
Additions to property and equipment	(1,695)	(2,308)	(5,846)	(5,688)
Acquisition of companies, net of cash acquired, and purchases of intangible and other assets	(802)	(559)	(25,586)	(1,330)
Purchases of investments	(43,918)	(27,341)	(147,874)	(99,661)

Maturities of investments	4,860	5,192	22,234	16,229
Sales of investments	36,444	19,599	117,754	76,292
Securities lending payable	(1,080)	(66)	(94)	281
Net cash used in investing	(6,191)	(5,483)	(39,412)	(13,877)
Effect of foreign exchange rates on cash and cash equivalents	12	17	4	(45)
Net change in cash and cash equivalents	(1,755)	(15)	203	1,575
Cash and cash equivalents, beginning of period	8,468	7,185	6,510	5,595
Cash and cash equivalents, end of period	\$6,713	\$7,170	\$6,713	\$7,170

SEGMENT REVENUE AND OPERATING INCOME (LOSS)

(In millions)(Unaudited)

	Three Months Ended		Nine Months Ended	
	2017	March 31, 2016	2017	March 31, 2016
Revenue				
Productivity and Business Processes	\$7,958	\$6,521	\$21,998	\$19,517
Intelligent Cloud	6,763	6,096	20,006	18,331
More Personal Computing	8,836	9,539	29,953	31,474
Corporate and Other	(1,467)	(1,625)	(5,324)	(4,616)
Total revenue	<u>\$22,090</u>	<u>\$20,531</u>	<u>\$66,633</u>	<u>\$64,706</u>
Operating income (loss)				
Productivity and Business Processes	\$2,783	\$2,981	\$9,159	\$9,429
Intelligent Cloud	2,181	2,176	6,637	7,135
More Personal Computing	2,097	1,751	6,524	5,154
Corporate and Other	(1,467)	(1,625)	(5,324)	(4,616)
Total operating income	<u>\$5,594</u>	<u>\$5,283</u>	<u>\$16,996</u>	<u>\$17,102</u>