
**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) October 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 October 23, 2009, Microsoft Corporation issued a press release announcing its financial results for the fiscal quarter ended September 30, 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 October 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: October 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 October 23, 2009 |

Microsoft Reports First-Quarter Results

Windows and Xbox exceed expectations due to strong consumer demand; cost discipline drives earnings per share growth

REDMOND, Wash. — Oct. 23, 2009 — Microsoft Corp. today announced revenue of \$12.92 billion for the first quarter ended Sept. 30, 2009, a 14% decline from the same period of the prior year. Operating income, net income and diluted earnings per share for the quarter were \$4.48 billion, \$3.57 billion and \$0.40 per share, which represented declines of 25%, 18% and 17%, respectively, when compared with the prior year period.

These financial results reflect the deferral of \$1.47 billion of revenue, an impact of \$0.12 of diluted earnings per share, relating to the Windows 7 Upgrade Option program and sales of Windows 7 to OEMs and retailers before general availability. Adding back the deferred revenue, revenue totaled \$14.39 billion, a 4% year-over-year decline, and EPS totaled \$0.52 per share, an increase of 8% over the same period of the prior year.

"We are very pleased with our performance this quarter and particularly by the strong consumer demand for Windows," said Chris Liddell, chief financial officer at Microsoft. "We also maintained our cost discipline, which allowed us to drive strong earnings performance despite continued tough overall economic conditions."

Windows 7 and Windows Server 2008 R2 launched globally on Oct. 22 as anticipated. Also during October, Microsoft released Microsoft Exchange Server 2010 to manufacturing and in July announced a strategic partnership with Yahoo! Inc. to provide search results for their global properties.

"The worldwide launches of Windows 7, Exchange Server 2010 and Windows Server 2008 R2 are exciting milestones for Microsoft, our partners, and customers," said Kevin Turner, chief operating officer at Microsoft. "We are pleased by the early positive response we are receiving for these products."

Business Outlook

Microsoft is reducing operating expense guidance to \$26.2 billion to \$26.5 billion, for the full year ending June 30, 2010.

Management will discuss first-quarter results and the company's business outlook on a conference call and webcast at 7:30 a.m. PDT (10:30 a.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 7:30 a.m. PDT (10:30 a.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 Oct. 23, 2010.

Adjusted Financial Results – Reconciliation of Non-GAAP Measures

| (\$ in billions, except per share amounts) | 3 Months Ended September 30, 2009 | | Year-over-Year Growth | |
|--|--------------------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | Revenue | Diluted Earnings Per Share | Revenue | Diluted Earnings Per Share |
| As Reported per GAAP | \$ 12.92 | \$ 0.40 | -14% | -17% |
| Deferred Revenue for Windows 7 Upgrade Program and Pre-sales | \$ 1.47 | \$ 0.12 | | |
| As Adjusted (Non-GAAP) | \$ 14.39 | \$ 0.52 | -4% | 8% |

This information has been provided to aid readers of the financial statements in further understanding the company's financial performance. The impact of certain items and events on the financial results may not be indicative of trends affecting the company's business. For comparability of reporting, management considers this information in conjunction with GAAP amounts in evaluating business performance. The non-GAAP financial measures provided above should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

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.

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;
- 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 services provided to customers directly or through third parties 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 Oct. 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 7:30 a.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 September 30, | |
|--|---|-----------------|
| | 2009 | 2008 |
| Revenue | \$12,920 | \$15,061 |
| Operating expenses: | | |
| Cost of revenue | 2,842 | 2,848 |
| Research and development | 2,065 | 2,283 |
| Sales and marketing | 2,790 | 3,044 |
| General and administrative | 741 | 887 |
| Employee severance | — | — |
| Total operating expenses | <u>8,438</u> | <u>9,062</u> |
| Operating income | 4,482 | 5,999 |
| Other income (expense) | 283 | (8) |
| Income before income taxes | 4,765 | 5,991 |
| Provision for income taxes | 1,191 | 1,618 |
| Net income | <u>\$ 3,574</u> | <u>\$ 4,373</u> |
| Earnings per share: | | |
| Basic | \$ 0.40 | \$ 0.48 |
| Diluted | \$ 0.40 | \$ 0.48 |
| Weighted average shares outstanding: | | |
| Basic | 8,914 | 9,084 |
| Diluted | 8,983 | 9,183 |
| Cash dividends declared per common share | \$ 0.13 | \$ 0.13 |

Microsoft Corporation
Balance Sheets
(In millions)

| | September 30, 2009 (Unaudited) | June 30, 2009 ⁽¹⁾ |
|--|--------------------------------------|---------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,823 | \$ 6,076 |
| Short-term investments (including securities pledged as collateral of \$3,261 and \$1,540) | 27,905 | 25,371 |
| Total cash, cash equivalents, and short-term investments | 36,728 | 31,447 |
| Accounts receivable, net of allowance for doubtful accounts of \$436 and \$451 | 8,587 | 11,192 |
| Inventories | 1,150 | 717 |
| Deferred income taxes | 2,441 | 2,213 |
| Other | 3,325 | 3,711 |
| Total current assets | 52,231 | 49,280 |
| Property and equipment, net of accumulated depreciation of \$7,853 and \$7,547 | 7,512 | 7,535 |
| Equity and other investments | 6,006 | 4,933 |
| Goodwill | 12,582 | 12,503 |
| Intangible assets, net | 1,653 | 1,759 |
| Deferred income taxes | — | 279 |
| Other long-term assets | 1,628 | 1,599 |
| Total assets | <u>\$ 81,612</u> | <u>\$ 77,888</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,287 | \$ 3,324 |
| Short-term debt | 2,250 | 2,000 |
| Accrued compensation | 2,224 | 3,156 |
| Income taxes | 847 | 725 |
| Short-term unearned revenue | 13,567 | 13,003 |
| Securities lending payable | 3,534 | 1,684 |
| Other | 3,052 | 3,142 |
| Total current liabilities | 28,761 | 27,034 |
| Long-term debt | 3,746 | 3,746 |
| Long-term unearned revenue | 1,201 | 1,281 |
| Deferred income taxes | 155 | — |
| Other long-term liabilities | 6,537 | 6,269 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock and paid-in capital - shares authorized 24,000; outstanding 8,900 and 8,908 | 62,293 | 62,382 |
| Retained deficit, including accumulated other comprehensive income of \$1,334 and \$969 | (21,081) | (22,824) |
| Total stockholders' equity | 41,212 | 39,558 |
| Total liabilities and stockholders' equity | <u>\$ 81,612</u> | <u>\$ 77,888</u> |

⁽¹⁾ Derived from audited financial statements

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

| | Three Months Ended September 30, | |
|---|-------------------------------------|-----------------|
| | 2009 | 2008 |
| Operations | | |
| Net income | \$ 3,574 | \$ 4,373 |
| Adjustments to reconcile net income to net cash from operations | | |
| Depreciation, amortization, and other noncash items | 646 | 585 |
| Stock-based compensation | 443 | 443 |
| Net losses (gains) on investments and derivatives | (66) | 36 |
| Excess tax benefits from stock-based compensation | (9) | (44) |
| Deferred income taxes | (46) | 376 |
| Deferral of unearned revenue | 6,679 | 4,186 |
| Recognition of unearned revenue | (6,237) | (6,044) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 2,748 | 3,985 |
| Other current assets | (654) | (558) |
| Other long-term assets | (78) | (116) |
| Other current liabilities | (1,239) | (4,552) |
| Other long-term liabilities | 346 | 700 |
| Net cash from operations | <u>6,107</u> | <u>3,370</u> |
| Financing | | |
| Short-term borrowings, maturities of 90 days or less, net | 378 | 1,975 |
| Proceeds from issuance of debt, maturities longer than 90 days | 695 | — |
| Repayments of debt, maturities longer than 90 days | (823) | — |
| Common stock issued | 248 | 228 |
| Common stock repurchased | (1,540) | (6,493) |
| Common stock cash dividends | (1,157) | (998) |
| Excess tax benefits from stock-based compensation | 9 | 44 |
| Net cash used in financing | <u>(2,190)</u> | <u>(5,244)</u> |
| Investing | | |
| Additions to property and equipment | (435) | (778) |
| Acquisition of companies, net of cash acquired | (39) | (377) |
| Purchases of investments | (10,490) | (4,246) |
| Maturities of investments | 3,498 | 464 |
| Sales of investments | 4,417 | 7,075 |
| Securities lending payable | 1,850 | (1,543) |
| Net cash from (used in) investing | <u>(1,199)</u> | <u>595</u> |
| Effect of exchange rates on cash and cash equivalents | 29 | (56) |
| Net change in cash and cash equivalents | 2,747 | (1,335) |
| Cash and cash equivalents, beginning of period | 6,076 | 10,339 |
| Cash and cash equivalents, end of period | <u>\$ 8,823</u> | <u>\$ 9,004</u> |

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

| | Three Months Ended September 30, | |
|------------------------------------|-------------------------------------|-----------------|
| | 2009 | 2008 |
| Revenue | | |
| Windows & Windows Live Division | \$ 2,620 | \$ 4,278 |
| Server and Tools | 3,434 | 3,417 |
| Online Services Division | 490 | 520 |
| Microsoft Business Division | 4,404 | 4,954 |
| Entertainment and Devices Division | 1,891 | 1,893 |
| Unallocated and other | 81 | (1) |
| Consolidated | <u>\$12,920</u> | <u>\$15,061</u> |
| Operating Income (Loss) | | |
| Windows & Windows Live Division | \$ 1,463 | \$ 3,059 |
| Server and Tools | 1,283 | 1,044 |
| Online Services Division | (480) | (321) |
| Microsoft Business Division | 2,863 | 3,185 |
| Entertainment and Devices Division | 312 | 159 |
| Corporate-level activity | (959) | (1,127) |
| Consolidated | <u>\$ 4,482</u> | <u>\$ 5,999</u> |