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("2nd UPDATE: **Microsoft 4Q Up 48% On Strong Windows 7, Office 2010 Sales,**" published at 6:34 p.m. EDT, incorrectly referred to Office 2010's predecessor in an analyst comment in the sixth paragraph. The error also appeared in an earlier version of the story published at 5:39 p.m. EDT. A corrected version follows.)

By Jeanette Borzo of DOW JONES NEWSWIRES, JULY 22, 2010, 7:13 P.M. ET

SAN FRANCISCO (Dow Jones)--Microsoft Corp.'s (MSFT) fiscal fourth-quarter profit climbed 48% as the software giant benefited from a strong response to the Windows 7 operating system and the new Office suite of software.

The company was helped primarily by increased spending by businesses, analysts said. Windows 7 in particular bolstered Microsoft's results. Released late last year, the operating system is the fastest-selling in the company's history.

"The Windows franchise is thriving," Bill Koefoed, Microsoft's investor relations general manager, said during the earnings call.

The results underscore the trend for renewed business spending on information technology.

"It was a solid quarter, with strength in the core business reflecting an increase in enterprise spending," said Sid Parakh, an analyst at McAdams Wright Ragen. "All the data we've seen say companies are spending again on IT."

Shares slipped 0.5%, or 13 cents, to \$25.71 in after-hours trading despite the results topping Wall Street's expectations.

In a press release, Chief Operating Officer Kevin Turner attributed the quarter's strong results to sales strength across the board, particularly for Windows 7 and Office 2010.

"We've heard that Office 2010 has been getting good traction because lots of people hadn't upgraded to the previous product, Office 2007," said **Laxmi Poruri, senior analyst at Primary Global Research.**

Turner also said the company's transition to cloud services was well underway, and expected momentum to continue this fall with the upcoming launches of Windows Phone 7 and Xbox Kinect.

Headcount at Microsoft declined 4% in the company's fiscal 2010, Koefoed said during the call.

For the quarter ended June 30, Microsoft posted a profit of \$4.5 billion, or 51 cents a share, up from \$3.05 billion, or 34 cents a share, a year earlier. Revenue climbed 22% to \$16 billion.

Analysts polled by Thomson Reuters expected a profit of 46 cents on revenue of \$15.3 billion.

Revenue grew at all five of the company's segments. Sales at Microsoft's client division, which makes the Windows operating system, climbed 44%, as earnings grew 59%. Servers and tools sales increased 14%. In online services, one of the company's smallest but potentially most important divisions, revenue grew 13%.

At the business division, which earns most of its sales from Microsoft Office, sales grew 15% as profit climbed 21%. The segment benefited from the release of Office 2010, the first refresh of the software since 2007, and coming as it faces pressure from Google's online applications, which performs similar functions.

Microsoft has invested heavily in its online search business, launching a splashy advertising blitz to promote Bing more than a year ago. It is the third most popular search engine in the U.S., well behind market-leader Google Inc. (GOOG). But just last week, Microsoft and the maker of the second most popular search engine, Yahoo Inc. (YHOO), began testing the technology through which Bing will power searches on Yahoo websites.

In spite of the Microsoft's strong performance throughout its fiscal 2010, its share price is down about 15% since January--compared to an approximate 3.6% drop in the S&P 500 index for information technology stocks over the same time period.

Earlier Thursday, BGC Partners said that Microsoft has increasingly become a laggard in its ability to serve the consumer market, which includes smartphones, tablets and search.

"What investors want to see is success beyond the core products" for servers, Office and Windows--and into areas such as Internet advertising, gaming and smartphones, echoed Andy Miedler, senior technology analyst at Edward Jones. "Investors want something beyond the current product cycle."

Microsoft continues to work with original equipment manufacturers to consider the Windows options for tablet computers, Chief Financial Officer Peter Klein said during the call. Tablets will enlarge the overall Windows opportunity for Microsoft, he added, rather than eating into the sales tied to renewed growth in PC shipments. "This quarter will be a big quarter," Klein said. "We're off to a strong start."

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