

Soft PC sales send Microsoft profit down 29 pct

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(AP) -- Microsoft Corp. said Thursday its profit in the last quarter plunged 29 percent because of weak computer sales, ending a fiscal year in which the software maker's revenue fell for the first time since the company went public in 1986.

Microsoft's revenue in the quarter was well short of analysts' expectations, and its shares plummeted \$2, or 7.8 percent, to \$23.56 in after-hours trading. Before the earnings report the stock had closed regular trading up 3.1 percent at \$25.56.

Microsoft's earnings sank to \$3.05 billion, or 34 cents per share, from \$4.3 billion, or 46 cents per share, in the same period last year.

Because some people buying Windows Vista computers now will get free upgrades to the next operating system, Windows 7, in October, Microsoft deferred \$276 million of Windows revenue. That cut its profit by 2 cents per share.

The earnings were also hurt by legal charges, severance charges and the declining value of its investments. Excluding all those items, Microsoft would have beaten Wall Street's expectations by 2 cents per share, according to a Thomson Reuters poll.

Microsoft's quarterly sales dropped 17 percent to \$13.1 billion. Even if the company had not deferred part of its Windows revenue, it still would have missed the Street view by a wide berth. Analysts were looking for \$14.4 billion in sales.

The divisions responsible for Windows, Office, Xbox 360 and Web advertising all posted sales declines. So did Microsoft's server software group, which had been holding up better than other groups in the last few quarters despite the economic crisis.

For the full fiscal year, which ended June 30, the company's profit fell 17 percent to \$14.6 billion, or \$1.62 per share, from \$17.7 billion, or \$1.87 per share, in the previous year. Sales sank 3 percent to \$58.4 billion.

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