

Microsoft fiscal 2Q earns up 60 pct on PC rebound

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In this photo made Jan. 11, 2010, a display for Microsoft's Windows 7, and its applications for a digital retail experience, is shown at the National Retail Federation's convention in New York. Amazon.com Inc., reports quarterly earnings after the market close Thursday, Jan. 28, 2010.(AP Photo/Mark Lennihan)

(AP) -- Microsoft Corp. said Thursday its earnings in the most recent quarter jumped 60 percent, as a rebound in the personal computer industry drove sales of the company's latest Windows operating system.

But the division that makes [Office software](#) and other business programs, Microsoft's other cash cow, saw [revenue](#) slip 3 percent, while revenue from its fast-growing server software group edged up just 2 percent. That's evidence the turnaround in technology spending remained limited to consumers buying new PCs during the holiday quarter.

[PC shipments](#) bounced back during the holiday shopping season after one of its roughest years to date, but analysts attributed nearly all the gains to consumers drawn to inexpensive laptops and their smaller, less powerful cousin, the [netbook](#).

For the fiscal second quarter, which ended Dec. 31, [Microsoft](#) said its net income rose to \$6.7 billion, or 74 cents per share, from \$4.17 billion, or 47 cents per share, in the same period last year.

The latest version of Windows, called Windows 7, was released in October, but in the months before the launch Microsoft gave new PC buyers the right to upgrade to Windows 7 later. The second-quarter results included \$1.7 billion in deferred revenue for Windows sales made during earlier quarters but not recorded until the launch.

That added 14 cents to the software maker's net income. Excluding the gain, Microsoft said it earned 60 cents per share in the quarter, one cent more than analysts polled by Thomson Reuters were expecting.

Revenue increased 14 percent to \$19 billion from \$16.6 billion in the year-ago quarter.

Excluding the deferred Windows revenue, the total was \$17.3 billion, slightly less than the \$17.8 billion Wall Street was expecting.

In the Windows division, revenue leapt 70 percent and [net income](#) nearly doubled to \$5.4 billion.

Microsoft is expected to release a new version of Office this year, which could account for the lack of growth in the company's business software division. The company also faces increasing competition from Google Inc.'s Web-based word processing, spreadsheet and other software.

Shares of Microsoft rose 45 cents, or 1.5 percent, to \$29.61 in extended trading Thursday after the release of results. Earlier, shares closed down 51 cents, or 1.7 percent, at \$29.16.

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