

Microsoft 4Q profit climbs, Windows revenue dips

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In this file photo made March 10, 2010, Microsoft Window7 products are shown for sale in Mountain View, Calif. Microsoft Corp., reports quarterly financial results Thursday, July 21, 2011, after the market close. (AP Photo/Paul Sakuma, File)

(AP) -- Microsoft Corp. reported record fourth-quarter revenue Thursday, helped by strong sales of its Office software suite. Investors still seem concerned about the world's largest software maker's growth prospects, however, as consumers buy fewer computers that run its Windows software.

While all of the company's other business units posted growth in the April-June period, revenue from the division that includes Microsoft's Windows operating system fell 1 percent from the same time last year - its third-straight quarter of decline.

Besides indicating that consumers are buying fewer computers that use Windows, it may signify that more consumers are moving to tablet computers instead of upgrading their existing laptop and desktop computers. Microsoft's stock slipped in extended trading.

Total revenue for the fiscal fourth quarter rose 8 percent from last year to \$17.4 billion, higher than the \$17.2 billion that analysts polled by FactSet expected.

Growing Office sales helped revenue from the company's largest division climb nearly 8 percent to \$5.78 billion. Microsoft said its results were also aided by higher software and server sales to businesses and the popularity of its Xbox 360 video game console and Kinect motion-sensing game control device.

However, sales in the company's Windows and Windows Live division were soft, dipping to \$4.74 billion from \$4.78 billion. Microsoft said it would have grown were it not for the launch of Windows 7 a year ago, which made comparisons more difficult this year.

Investors have been focused on this segment of the business amid concern that the increasing popularity of tablets like Apple Inc.'s iPad are cutting into sales of computers that use Microsoft's operating software.

And since this unit already declined in the previous two quarters, pressure had intensified on Microsoft to show growth during the three-month period that ended in June- especially since worldwide PC shipments rose in the range of 2.3 percent to 2.6 percent during the quarter, according to reports from research firms IDC and Gartner.

With Apple's report earlier this week that iPad sales nearly doubled year over year to 9.25 million, Microsoft may have an even harder time

showing that it can compete as the computing world continues to move toward tablets.

The iPad's success prodded Microsoft to develop an operating system that can run on tablets, dubbed Windows 8, but that isn't expected to hit the market until next year.

Revenue from Microsoft's online services unit, which includes the company's Bing search engine, climbed 17 percent to \$662 million. The division's operating loss widened, however, since the company has continued to invest in a mostly fruitless effort to undercut Google Inc.'s dominance of online search and advertising.

Redmond, Wash.-based Microsoft earned \$5.87 billion, or 69 cents per share during the quarter, compared with \$4.52 billion, or 51 cents per share, a year ago.

Analysts polled by FactSet expected a profit of 59 cents per share.

For the full fiscal year, Microsoft earned \$23.2 billion, or \$2.69 per share, on \$69.94 billion in revenue. This compares with net income of \$18.8 billion, or \$2.10 per share, on \$62.5 billion in revenue a year earlier.

Microsoft shares fell 11 cents to \$26.98 in extended trading. The stock finished regular trading up 4 cents at \$27.09.

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