UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
(AMENDMENT NO. 1)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 31, 2001

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ____________ to ____________

Commission File Number 0-14278

MICROSOFT CORPORATION
(Exact name of registrant as specified in its charter)

Washington	91-1144442
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Microsoft Way, Redmond, Washington 98052-6399
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: (425) 882-8080

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

The number of shares outstanding of the registrant's common stock as of February 28, 2002 was 5,416,006,543.

Pursuant to this Form 10-Q/A, the registrant amends "Item 1. Financial Statements--Cash Flows Statement for the Six Months Ended December 31, 2001" of Part I--Financial Information of its Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2001 to correct a clerical error in the amount of Unearned revenue formerly reported as $3,825 million and the amount of Recognition of unearned revenue formerly reported as $(2,863) million for the Six Months Ended December 31, 2001. This change had no impact on Net cash from operations. Besides the changes to the Cash Flows Statement and the number of shares outstanding listed above, no other changes have been made to the Form 10-Q for the quarterly period ended December 31, 2001.

Part I. Financial Information

Item 1. Financial Statements

MICROSOFT CORPORATION

INCOME STATEMENTS
(In millions, except earnings per share)(Unaudited)

	Three Months Ended Dec. 31		Six Months Ended Dec. 31	
	2000	2001	2000	2001
Revenue	$6,550	$7,741	$12,316	$13,867
Operating expenses:				
Cost of revenue	864	1,544	1,689	2,428
Research and development	990	1,044	1,946	2,057
Sales and marketing	1,290	1,479	2,328	2,624
General and administrative	212	833	382	1,020
Total operating expenses	3,356	4,900	6,345	8,129
Operating income	3,194	2,841	5,971	5,738
Losses on equity investees and other	(28)	(37)	(80)	(67)
Investment income/(loss)	751	553	1,878	(427)
Income before income taxes	3,917	3,357	7,769	5,244
Provision for income taxes	1,293	1,074	2,564	1,678
Income before accounting change	2,624	2,283	5,205	3,566
Cumulative effect of accounting change (net of income taxes of $185)	-	-	(375)	-
Net income	$2,624	$2,283	$ 4,830	$ 3,566
Basic earnings per share:				
Before accounting change	$0.49	$0.42	$0.98	$0.66
Cumulative effect of accounting change	-	-	(0.07)	-
	$0.49	$0.42	$0.91	$0.66
Diluted earnings per share:				
Before accounting change	$0.47	$0.41	$0.93	$0.64
Cumulative effect of accounting change	-	-	(0.06)	-
	$0.47	$0.41	$0.87	$0.64
Weighted average shares outstanding:				
Basic	5,330	5,395	5,325	5,396
Diluted	5,570	5,556	5,572	5,561

See accompanying notes.

MICROSOFT CORPORATION

BALANCE SHEETS
(In millions)

	June 30 2001	Dec. 31 2001 (1)
Assets		
Current assets:		
Cash and equivalents	$3,922	$5,256
Short-term investments	27,678	32,973
Total cash and short-term investments	31,600	38,229
Accounts receivable, net of allowance for doubtful accounts of $174 and $204	3,671	5,095
Deferred income taxes	1,522	1,972
Other	2,417	2,692
Total current assets	39,210	47,988
Property and equipment, net	2,309	2,240
Equity and other investments	14,361	12,212
Goodwill	1,511	1,511
Intangible assets, net	401	344
Deferred income taxes	-	141
Other long-term assets	1,038	951
Total assets	$58,830	$65,387
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$1,188	$1,229
Accrued compensation	742	899
Income taxes	1,468	2,396
Short-term unearned revenue	4,395	5,300
Other	1,461	1,743
Total current liabilities	9,254	11,567
Long-term unearned revenue	1,219	1,321
Deferred income taxes	409	-
Other long-term liabilities	659	951
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital - shares authorized 12,000; outstanding 5,383 and 5,403	28,390	30,175
Retained earnings, including accumulated other comprehensive income of $587 and $754	18,899	21,373
Total stockholders' equity	47,289	51,548
Total liabilities and stockholders' equity	$58,830	$65,387

(1) Unaudited

See accompanying notes.

MICROSOFT CORPORATION

CASH FLOWS STATEMENTS
(In millions)(Unaudited)

	Six Months Ended Dec. 31	
	2000	2001
Operations		
Net income	$ 4,830	$ 3,566
Cumulative effect of accounting change, net of tax	375	--
Depreciation, amortization, and other noncash items	489	577
Net recognized (gains)/losses on investments	(843)	1,462
Stock option income tax benefits	897	751
Deferred income taxes	996	(861)
Unearned revenue	3,288	4,790
Recognition of unearned revenue	(2,980)	(3,828)
Accounts receivable	(898)	(1,399)
Other current assets	(448)	97
Other long-term assets	(31)	(25)
Other current liabilities	155	1,602
Other long-term liabilities	49	222
Net cash from operations	5,879	6,954
Financing		
Common stock issued	698	786
Common stock repurchased	(3,225)	(1,266)
Repurchases of put warrants	(405)	--
Net cash used for financing	(2,932)	(480)
Investing		
Additions to property and equipment	(517)	(322)
Purchases of investments	(26,525)	(32,439)
Maturities of investments	2,970	2,290
Sales of investments	19,818	25,322
Net cash used for investing	(4,254)	(5,149)
Net change in cash and equivalents	(1,307)	1,325
Effect of exchange rates on cash and equivalents	(8)	9
Cash and equivalents, beginning of period	4,846	3,922
Cash and equivalents, end of period	$ 3,531	$ 5,256

MICROSOFT CORPORATION

STOCKHOLDERS' EQUITY STATEMENTS
(In millions)(Unaudited)

	Three Months Ended Dec. 31		Six Months Ended Dec. 31	
	2000	2001	2000	2001
Common stock and paid-in capital				
Balance, beginning of period	$26,661	$29,296	$23,195	$28,390
Common stock issued	656	432	3,711	1,041
Common stock repurchased	(97)	(23)	(220)	(141)
Repurchases of put warrants	(486)	-	(405)	-
Stock option income tax benefits	444	336	897	751
Other, net	-	134	-	134
Balance, end of period	27,178	30,175	27,178	30,175
Retained earnings				
Balance, beginning of period	18,682	19,209	18,173	18,899
Net income	2,624	2,283	4,830	3,566
Other comprehensive income:				
Cumulative effect of accounting change	-	-	(75)	-
Net gains/(losses) on derivative instruments	67	8	499	(43)
Net unrealized investments gains/(losses)	(682)	105	(1,166)	151
Translation adjustments and other	(71)	20	(12)	59
Comprehensive income	1,938	2,416	4,076	3,733
Common stock repurchased	(1,376)	(252)	(3,005)	(1,259)
Balance, end of period	19,244	21,373	19,244	21,373
Total stockholders' equity	$46,422	$51,548	$46,422	$51,548

See accompanying notes.

MICROSOFT CORPORATION

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

In the opinion of management, the accompanying balance sheets and related interim statements of income, cash flows, and stockholders' equity include all adjustments, consisting only of normal recurring items, as well as the accounting changes to adopt Statement of Financial Accounting Standards (SFAS) 133, Accounting for Derivative Instruments and Hedging Activities, SFAS 141, Business Combinations, and SFAS 142, Goodwill and Other Intangible Assets, necessary for their fair presentation in conformity with U.S. generally accepted accounting principles. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Examples include provisions for returns, concessions and bad debts, and the length of product life cycles and building lives. Actual results may differ from these estimates. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the Microsoft Corporation 2001 Form 10-K. Certain reclassifications have been made for consistent presentation.

Accounting Changes

Effective July 1, 2000, Microsoft adopted SFAS 133, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The adoption of SFAS 133 resulted in a pre-tax reduction to income of $560 million ($375 million after-tax) and a pre-tax reduction to other comprehensive income (OCI) of $112 million ($75 million after-tax).

Effective July 1, 2001, Microsoft adopted SFAS 141 and SFAS 142. SFAS 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. It also specifies the types of acquired intangible assets that are required to be recognized and reported separate from goodwill. SFAS 142 requires that goodwill and certain intangibles no longer be amortized, but instead tested for impairment at least annually. There was no impairment of goodwill upon adoption of SFAS 142.

Net income and earnings per share for the second quarter and first six months of fiscal 2001 adjusted to exclude amortization expense (net of taxes) is as follows:

(In millions, except earnings per share)	Three Months Ended Dec. 31 2000	Six Months Ended Dec. 31 2000
Net income:		
Reported net income	$2,624	$4,830
Goodwill amortization	62	118
Equity method goodwill amortization	7	12
Adjusted net income	$2,693	$4,960
Basic earnings per share:		
Reported basic earnings per share	$0.49	$0.91
Goodwill amortization	0.01	0.02
Equity method goodwill amortization	-	-
Adjusted basic earnings per share	$0.50	$0.93
Diluted earnings per share:		
Reported diluted earnings per share	$0.47	$0.87
Goodwill amortization	0.01	0.02
Equity method goodwill amortization	-	-
Adjusted diluted earnings per share	$0.48	$0.89

During the second quarter and first six months of fiscal 2002, no goodwill was acquired, impaired, or written off. As of December 31, 2001, Desktop and Enterprise Software and Services goodwill was $1.10 billion, Consumer Software, Services, and Devices goodwill was $256 million, and Consumer Commerce Investments goodwill was $151 million.

All of Microsoft's acquired intangible assets are subject to amortization. There were no material acquisitions of intangible assets during the second quarter of fiscal 2002. During the first six months of fiscal 2002, the Company acquired $28 million in contract-based intangible assets, $13 million in technology-based intangible assets, and $1 million in marketing-related and other intangible assets, which will be amortized over approximately 3 years. No significant residual value is estimated for these intangible assets. Intangible assets amortization expense was $51 million for the second quarter of fiscal 2002 and $99 million for the first six months of fiscal 2002. The components of intangible assets were as follows:

	June 30, 2001		Dec. 31, 2001	
(In millions)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract-based	$407	$(177)	$435	$(240)
Technology-based	157	(27)	170	(49)
Marketing-related and other	83	(42)	84	(56)
Intangible assets	$647	$(246)	$689	$(345)

Amortization expense for the net carrying amount of intangible assets at December 31, 2001 is estimated to be $90 million for the remainder of fiscal 2002, $125 million in fiscal 2003, $88 million in fiscal 2004, $38 million in fiscal 2005, and $3 million in fiscal 2006.

Earnings Per Share

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the effect of outstanding put warrants using the "reverse treasury stock" method and outstanding stock options using the "treasury stock" method.

The components of basic and diluted earnings per share were as follows:

EARNINGS PER SHARE
(In millions, except earnings per share)

	Three Months Ended Dec. 31		Six Months Ended Dec. 31	
	2000	2001	2000	2001
Income before accounting change (A)	$2,624	$2,283	$5,205	$3,566
Cumulative effect of accounting change	-	-	(375)	-
Net income available for common shareholders	$2,624	$2,283	$4,830	$3,566
Weighted average outstanding shares of common stock (B)	5,330	5,395	5,325	5,396
Dilutive effect of:				
Put warrants	31	-	20	-
Employee stock options	209	161	227	165
Common stock and common stock equivalents (C)	5,570	5,556	5,572	5,561
Earnings per share before accounting change:				
Basic (A/B)	$0.49	$0.42	$0.98	$0.66
Diluted (A/C)	$0.47	$0.41	$0.93	$0.64

Revenue Recognition

Revenue from products licensed to original equipment manufacturers (OEMs) has historically been recorded when OEMs ship licensed products to their customers. With the introduction of Windows XP in the second quarter of fiscal 2002 and the implementation of a new internet-based system for granting licenses to OEMs on a just in time basis, revenue for certain products is recorded when the OEMs receive the licensed product, rather than when they ship licensed products to their customers. The effect of this change in the second quarter of fiscal 2002 was not material.

A portion of Microsoft's revenue is earned ratably over the product life cycle or, in the case of subscriptions, over the period of the license agreement. End users receive certain elements of the Company's products over a period of time. These elements include browser technologies and technical support. Consequently, Microsoft's earned revenue reflects the recognition of the fair value of these elements over the product's life cycle. The percentage of revenue recognized ratably ranges from approximately 15% to 25% of Windows desktop operating systems and approximately 10% to 20% of desktop applications, depending on the terms and conditions of the license and prices of the elements. Product life cycles are currently estimated at three years for Windows operating systems and 18 months for desktop applications. The Company also sells subscriptions to certain products via maintenance and certain organization license agreements.

At December 31, 2001, unearned revenue was $6.62 billion, compared to $5.12 billion at December 31, 2000. Desktop Applications unearned revenue was $2.88 billion, compared to $1.94 billion at December 31, 2000. Desktop Platforms unearned revenue was $2.96 billion, compared to $2.49 billion at December 31, 2000. Enterprise Software and Services unearned revenue was $493 million, compared to $393 million at December 31, 2000. Unearned revenue associated with Consumer Software, Services, and Devices and Other was $287 million, compared to $304 million a year ago.

Stockholders' Equity

The Company repurchases its common shares in the open market to provide shares for issuance to employees under stock option and stock purchase plans. During the December quarter, the Company repurchased 2.7 million shares of common stock for $141 million, compared to 22.8 million shares for $1.5 billion in the comparable quarter of the prior year. For the first six months of fiscal 2002, the Company repurchased 24.3 million shares of common stock for $1.3 billion, compared to 48.2 million shares of common stock for $3.2 billion in the comparable period of the prior year. In addition, 2.6 million shares of common stock were acquired in the second quarter of fiscal 2002 under a structured stock repurchase transaction. The Company entered into the structured stock repurchase transaction in fiscal 2001 and agreed to acquire 5.1 million of its shares (half in October 2001 and half in June 2002) in exchange for an up-front net payment of $264 million.

Operational Transactions

On December 19, 2001, AT&T and Comcast Corporation announced a definitive agreement to combine AT&T Broadband with Comcast in a new company to be called AT&T Comcast Corporation. In conjunction with the transaction, Microsoft has agreed to exchange its AT&T 5% convertible preferred debt for approximately 115 million shares of AT&T Comcast Corporation. It is expected that the transaction will close by December 31, 2002.

Investment Income/(Loss)

The components of investment income/(loss) are as follows:

	Three Months Ended Dec. 31		Six Months Ended Dec. 31	
(In millions)	2000	2001	2000	2001
Dividends	$ 88	$ 81	$ 185	$ 169
Interest	419	417	850	866
Recognized net gains/(losses) on investments	244	55	843	(1,462)
Investment income/(loss)	$751	$553	$1,878	($427)

Contingencies

The Company is a defendant in U.S. v. Microsoft, a lawsuit filed by the Antitrust Division of the U.S. Department of Justice (DOJ) and a group of eighteen state Attorneys General alleging violations of the Sherman Act and various state antitrust laws. After the trial, the District Court entered Findings of Fact and Conclusions of Law stating that Microsoft had violated Sections 1 and 2 of the Sherman Act and various state antitrust laws. A Judgment was entered on June 7, 2000 ordering, among other things, the breakup of Microsoft into two companies. The Judgment was stayed pending an appeal. On June 28, 2001, the U.S. Court of Appeals for the District of Columbia Circuit affirmed in part, reversed in part, and vacated the Judgment in its entirety and remanded the case to the District Court for a new trial on one Section 1 claim and for entry of a new judgment consistent with its ruling. In its ruling, the Court of Appeals substantially narrowed the bases of liability found by the District Court, but affirmed some of the District Court's conclusions that Microsoft had violated Section 2. On September 6, 2001, the plaintiffs announced that on remand they will not ask the Court to break Microsoft up, that they will seek imposition of conduct remedies, and that they will not retry the one Section 1 claim returned to the District Court by the Court of Appeals. On October 12, 2001, the trial court held a status conference and entered orders requiring the parties to engage in settlement discussions until November 2, 2001. Microsoft entered into a settlement with the United States on November 2, 2001. Nine states (New York, Ohio, Illinois, Kentucky, Louisiana, Maryland, Michigan, North Carolina and Wisconsin) agreed to settle on substantially the same terms on November 6, 2001. Nine states and the District of Columbia continue to litigate the remedies phase of United States v. Microsoft. The Court will now decide whether to approve the settlement as being in the public interest. With respect to the non-settling states remedies proceeding, the Court has scheduled an evidentiary hearing to begin on March 11, 2002. The non-settling States are seeking imposition of a remedy that would impose much broader restrictions on Microsoft's business than the proposed settlement with the Department of Justice and nine other states.

In other ongoing investigations, the DOJ and several state Attorneys General have requested information from Microsoft concerning various issues. In addition, the European Commission has instituted proceedings in which it alleges that Microsoft has failed to disclose information that Microsoft competitors claim they need to interoperate fully with Windows 2000 clients and servers and has engaged in discriminatory licensing of such technology. The remedies sought, though not fully defined, include mandatory disclosure of Microsoft Windows operating system technology and imposition of fines. Microsoft denies the European Commission's allegations and intends to contest the proceedings vigorously.

A large number of overcharge class action lawsuits have been initiated against Microsoft. These cases allege that Microsoft has competed unfairly and unlawfully monopolized alleged markets for operating systems and certain software applications and seek to recover alleged overcharges that the complaints contend Microsoft charged for these products. Microsoft believes the claims are without merit and is vigorously defending the cases. To date, Microsoft has won dismissals of all claims for damages by indirect purchasers under Federal law and in 15 separate state court proceedings. Claims on behalf of foreign purchasers have also been dismissed. Plaintiffs have appealed most of these rulings. While no trials or other proceedings have been held concerning any liability issues, courts in several states have ruled that these cases may proceed as class actions, while one court has denied class certification status to the claims in that state proceeding. On November 20, 2001, Microsoft announced that it and lead counsel for the Federal plaintiffs reached an agreement to settle all of these cases. On January 11, 2002, the District Court announced its decision not to approve the proposed settlement. The Company has recorded a contingent liability of approximately $660 million representing Management's estimate of the costs of resolving the contingency. The Company intends to continue vigorously defending these lawsuits.

Netscape Communications Inc., a subsidiary of AOL-Time Warner Inc., filed an antitrust law suit against Microsoft on January 22, 2002 in Federal court in the District of Columbia, alleging a number of claims relating to competition with Netscape's Navigator browser. Netscape seeks injunctive relief, treble damages and its fees and costs. Microsoft denies these allegations and will vigorously defend this action.

A purported class action employment discrimination case filed in October 2000 in Federal court in Seattle, Washington against Microsoft, Donaldson v. Microsoft, was denied class certification status by a Federal judge on November 16, 2001. The Donaldson plaintiffs purported to represent a nationwide class of current and former African American and female Microsoft employees and alleged that Microsoft's compensation, evaluation, and promotion policies were discriminatory with respect to the plaintiffs in violation of Title VII of the 1964 Civil Rights Act and 42 U.S.C. ss. 1981. The court disagreed, finding no statistical support for plaintiffs' allegations and held that Microsoft's managerial system is not flawed. Following the court's ruling, the parties resolved their differences and the case is expected to be dismissed shortly.

The Securities and Exchange Commission is conducting a non-public investigation into the Company's accounting reserve practices. Microsoft is also subject to various legal proceedings and claims that arise in the ordinary course of business.

Management currently believes that resolving these matters will not have a material adverse impact on the Company's financial position or its results of operations.

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Segment Information
(In millions)

Three Months Ended Dec. 31	Desktop and Enterprise Software and Services	Consumer Software, Services, and Devices	Consumer Commerce Investments	Other	Reconciling Amounts	Consolidated
2000						
Revenue	$5,967	$ 479	$ 64	$188	$(148)	$6,550
Operating income (loss)	3,982	(436)	(25)	31	(358)	3,194
2001						
Revenue	$6,435	$1,063	$ 91	$163	$ (11)	$7,741
Operating income (loss)	4,098	(465)	6	22	(820)	2,841

Six Months Ended Dec. 31	Desktop and Enterprise Software and Services	Consumer Software, Services, and Devices	Consumer Commerce Investments	Other	Reconciling Amounts	Consolidated
2000						
Revenue	$11,086	$ 942	$127	$344	$ (183)	$12,316
Operating income (loss)	7,367	(697)	(64)	51	(686)	5,971
2001						
Revenue	$11,868	$1,547	$185	$289	$ (22)	$13,867
Operating income (loss)	7,511	(783)	12	38	(1,040)	5,738

Desktop and Enterprise Software and Services Revenue:

	Three Months Ended Dec. 31		Six Months Ended Dec. 31	
(In millions)	2000	2001	2000	2001
Desktop Applications	$2,526	$2,451	$4,601	$4,663
Desktop Platforms	2,181	2,678	4,173	4,694
Desktop Software	4,707	5,129	8,774	9,357
Enterprise Software and Services	1,260	1,306	2,312	2,511
Total Desktop and Enterprise Software and Services	$5,967	$6,435	$11,086	$11,868

Microsoft has four segments: Desktop and Enterprise Software and Services; Consumer Software, Services, and Devices; Consumer Commerce Investments; and Other. Desktop and Enterprise Software and Services operating segment includes Desktop Applications, Desktop Platforms, and Enterprise Software and Services. Desktop Applications include Microsoft Office; Microsoft Project; Visio; client access licenses for Windows NT Server and Windows 2000 Server, Exchange, and BackOffice; Microsoft Great Plains; and bCentral. Desktop Platforms include Windows XP Professional and Home, Windows 2000 Professional, Windows NT Workstation, Windows Millennium Edition (Windows Me), Windows 98, and other desktop operating systems. Enterprise Software and Services includes Server Platforms; Server Applications; developer tools and services; and Enterprise services. Consumer Software, Services, and Devices operating segment includes Xbox video game system, MSN Internet access, MSN network services, PC and online games, learning and productivity software, mobility, and embedded systems. Consumer Commerce Investments operating segment includes Expedia, Inc., the HomeAdvisor online real estate service, and the CarPoint online automotive service. Other primarily includes Hardware and Microsoft Press.

Segment information is presented in accordance with SFAS 131, Disclosures about Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon the Company's internal organization and disclosure of revenue and operating income based upon internal accounting methods. The Company's financial reporting systems present various data for management to run the business, including profit and loss statements (P&Ls) prepared on a basis not consistent with U.S. generally accepted accounting principles. Assets are not allocated to segments for internal reporting presentations.

Reconciling items for revenue include certain elements of unearned revenue and the treatment of certain channel inventory amounts and estimates. In addition to the reconciling items for revenue, reconciling items for operating income (loss) for the three months ended December 31, include general and administrative expenses ($212 million in 2000 and $833 million in 2001), certain research expenses ($35 million in 2000 and $40 million in 2001), and other corporate level adjustments. For the six months ended December 31, reconciling items for operating income (loss) include general and administrative expenses ($382 million in 2000 and $1.02 billion in 2001), certain research expenses ($74 million in 2000 and $77 million in 2001), and other corporate level adjustments. The internal P&Ls use accelerated methods of depreciation and amortization. Additionally, losses on equity investees and minority interests are classified in operating income for internal reporting presentations.

Subsequent Event

On February 4, 2002, USA Networks, Inc. (USA) shareholders approved the merger transaction in which USA became the controlling shareholder of Expedia, Inc. As part of the transaction, Microsoft transferred all of its 33.7 million Expedia shares and warrants. In return, Microsoft received 20.1 million shares of USA common stock, 12.8 million shares of USA cumulative convertible preferred stock, and 14.2 million USA warrants.

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 thereunto duly authorized.

MICROSOFT CORPORATION

By: /S/ JOHN G. CONNORS

John G. Connors
Senior Vice President; Chief Financial Officer
(Principal Financial and Accounting Officer
and Duly Authorized Officer)

Date: March 25, 2002