

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 19, 1999 (June 30, 1999)

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

Washington (State or Other Jurisdiction of Incorporation)	0-14278 (Commission File Number)	91-1144442 (I.R.S. Employer Identification No.)
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One Microsoft Way, Redmond, Washington (Address of Principal Executive Offices)	98052-6399 (Zip Code)
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Registrant's telephone number, including area code: (425) 882-8080

N/A

(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events.

On June 30, 1999, Microsoft announced it would change the way that it reports revenue and costs associated with product support, consulting, Internet access, and certification of system integrators. Henceforth, amounts received from customers from these activities will be classified as revenue in a manner consistent with Microsoft's primary businesses. Direct costs of these activities will be classified as cost of revenue. Prior financial statements have been reclassified for consistent presentation and are set forth as Exhibits 99.1 and 99.2 hereto. Attached hereto as Exhibit 27 are restated Financial Data Schedules for the fiscal years ending June 30, 1998 and June 30, 1997, and for the quarters ending March 31, 1999, December 31, 1998, September 30, 1998, March 31, 1998, December 31, 1997, and September 30, 1997.

Microsoft has also announced that the Securities and Exchange Commission is conducting a non-public investigation into the Company's accounting reserve practices. Management currently believes that the resolution of this investigation will not have a material adverse impact on the Company's financial position or its results of operations.

Item 7. Financial Statements and Exhibits.

The Exhibits to this report are listed in the Index to Exhibits on page 3.

SIGNATURES

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 hereunto duly authorized.

MICROSOFT CORPORATION

(Registrant)

Date: July 19, 1999

/s/ Gregory B. Maffei

Gregory B. Maffei
Senior Vice President, Finance and
Administration
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.	Description
27.1	Restated Financial Data Schedule for Nine Months Ended March 31, 1999
27.2	Restated Financial Data Schedule for Six Months Ended December 31, 1998
27.3	Restated Financial Data Schedule for Three Months Ended September 30, 1998
27.4	Restated Financial Data Schedule for Year Ended June 30, 1998
27.5	Restated Financial Data Schedule for Nine Months Ended March 31, 1998
27.6	Restated Financial Data Schedule for Six Months Ended December 31, 1997
27.7	Restated Financial Data Schedule for Three Months Ended September 30, 1997
27.8	Restated Financial Data Schedule for Year Ended June 30, 1997
99.1	Reclassified Historical Income Statements by Year
99.2	Reclassified Historical Income Statements by Quarter

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF MICROSOFT CORPORATION AND HAS BEEN RESTATED TO REFLECT THOSE MATTERS DISCUSSED IN ITEM 5 OF FORM 8-K, FOR WHICH THIS SCHEDULE HAS BEEN ATTACHED AS AN EXHIBIT.

9-MOS			
	JUN-30-1999		
	MAR-31-1999		
		\$21,761	
		0	
		1,689	
		0	
		0	
	24,058		3,333
		1,888	
		33,561	
	7,839		0
	0		0
		980	
		12,418	
		12,324	
33,561			13,983
	13,983		
			2,145
		2,145	
	4,813		
		0	
		0	
		8,503	
		2,920	
5,583			
		0	
		0	
			0
		5,583	
		1.11	
		1.02	

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6-MOS	JUN-30-1999	DEC-31-1998
		\$19,237
		0
	2,029	0
	0	0
	21,809	3,307
	1,812	
	30,049	
	7,471	0
	0	0
		980
		10,443
30,049		11,155
		9,388
	9,388	
		1,437
	1,437	
	3,155	
	0	
	0	
	5,554	
	1,888	
3,666		
	0	
	0	
		0
	3,666	
	0.73	
	0.67	

EPS PRIMARY AND EPS DILUTED HAVE BEEN RESTATED TO REFLECT STOCK SPLITS

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3-MOS	JUN-30-1999	SEP-30-1998
		\$17,242
		0
	1,153	0
	0	0
	18,964	3,152
	1,686	
	25,569	
6,445		0
0		0
	980	
	9,161	
	8,983	
25,569		
	4,193	
		649
	649	
	1,462	
	0	
	0	
	2,503	
	820	
1,683		
	0	
	0	
		0
	1,683	
	0.34	
	0.31	

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YEAR	JUN-30-1998	JUN-30-1998
		\$13,927
		0
	1,460	0
		0
	15,889	3,052
	1,547	
	22,357	
	5,730	0
	0	
		980
		8,025
22,357		7,622
		15,262
	15,262	
		2,460
	2,460	
	6,388	
	0	
	0	
	7,117	
	2,627	
4,490		
	0	
	0	
		0
	4,490	
	0.92	
	0.84	

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9-MOS	JUN-30-1998	MAR-31-1998
		12,322
		0
	1,055	0
		0
	13,735	3,055
	1,639	
	19,545	
4,869		0
0		980
		6,984
19,545		6,712
		11,110
	11,110	
		1,787
	1,787	
	4,783	
	0	
	0	
	5,029	
	1,896	
3,133		0
	0	
		0
		0
	3,133	
	0.64	
	0.59	

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6-MOS		
	JUN-30-1998	
	DEC-31-1997	
		10,105
		0
	1,081	0
		0
	11,636	2,923
	1,445	
	16,840	
	4,496	0
	0	0
		980
		6,104
16,840		5,260
		7,126
	7,126	
		1,147
	1,147	
	3,306	
	0	
	0	
	2,972	
	1,176	
1,796		
	0	
	0	
		0
	1,796	
	0.37	
	0.34	

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3-MOS	JUN-30-1998	SEP-30-1997
		9,634
		0
		788
		0
		0
	10,838	2,800
	1,316	
	15,366	
	3,902	
	0	0
		980
		5,630
		4,854
15,366		3,334
	3,334	534
		534
	1,740	
	0	
	0	
	1,202	
		539
	663	
	0	
	0	
		0
		663
		0.14
		0.12

EPS PRIMARY AND EPS DILUTED HAVE BEEN RESTED TO REFLECT STOCK SPLITS

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YEAR	JUN-30-1997	JUN-30-1997
		8,966
		0
	980	0
	0	0
	10,373	2,777
	1,312	
	14,387	
	3,610	
	0	0
		980
		4,509
14,387		5,288
		11,936
	11,936	
		2,170
		2,170
	4,895	
	0	
	0	
	5,314	
	1,860	
3,454		
	0	
	0	
		0
	3,454	
	0.72	
	0.66	

EPS PRIMARY AND EPS DILUTED HAVE BEEN RESTATED TO REFLECT STOCK SPLITS

RECLASSIFIED HISTORICAL INCOME STATEMENTS BY YEAR

MICROSOFT CORPORATION
 RECLASSIFIED INCOME STATEMENTS
 (In millions) (Unaudited)

	Fiscal year 1997		Fiscal year 1998		Fiscal year to date 1999	
	Reported	Reclassified	Reported	Reclassified	Reported	Reclassified
Revenue	\$11,358	\$11,936	\$14,484	\$15,262	\$13,222	\$13,983
Operating expenses:						
Cost of revenue	1,085	2,170	1,197	2,460	1,090	2,145
Research and development	1,925	1,863	2,502	2,601	1,889	2,030
Acquired in-process technology	0	0	296	296	0	0
Sales and marketing	2,856	2,411	3,412	2,828	2,766	2,331
General and administrative	362	362	433	433	392	392
Other expenses	259	259	230	230	60	60
Total operating expenses	6,487	7,065	8,070	8,848	6,197	6,958
Operating income	4,871	4,871	6,414	6,414	7,025	7,025
Investment income	443	443	703	703	1,318	1,318
Gain on sale	0	0	0	0	160	160
Income before income taxes	5,314	5,314	7,117	7,117	8,503	8,503
Provision for income taxes	1,860	1,860	2,627	2,627	2,920	2,920
Net income	\$3,454	\$3,454	\$4,490	\$4,490	\$5,583	\$5,583
Earnings per share:						
Basic	\$ 0.72	\$ 0.72	\$ 0.92	\$ 0.92	\$ 1.11	\$ 1.11
Diluted	\$ 0.66	\$ 0.66	\$ 0.84	\$ 0.84	\$ 1.02	\$ 1.02

RECLASSIFIED HISTORICAL INCOME STATEMENTS BY QUARTER

MICROSOFT CORPORATION
RECLASSIFIED INCOME STATEMENTS
(In millions) (Unaudited)

Reported quarterly income statements

	Q97-1	Q97-2	Q97-3	Q97-4	Q98-1	Q98-2	Q98-3	Q98-4	Q99-1	Q99-2	Q99-3
Revenue	\$2,295	\$2,680	\$3,208	\$3,175	\$3,130	\$3,585	\$3,774	\$3,995	\$3,853	\$4,938	\$4,331
Operating expenses:											
Cost of revenue	250	296	297	242	253	313	317	314	307	433	350
Research and development	432	485	492	516	567	627	597	711	611	667	611
Acquired in-process technology	0	0	0	0	296	0	0	0	0	0	0
Sales and marketing	625	737	750	744	788	876	829	919	830	940	996
General and administrative	86	81	101	94	95	106	104	128	99	149	144
Other expenses	49	46	84	80	71	50	60	49	24	35	1
Total operating expenses	1,442	1,645	1,724	1,676	2,070	1,972	1,907	2,121	1,871	2,224	2,102
Operating income	853	1,035	1,484	1,499	1,060	1,613	1,867	1,874	2,082	2,714	2,229
Investment income	92	105	119	127	142	157	190	214	261	337	720
Gain on sale	0	0	0	0	0	0	0	0	160	0	0
Income before income taxes	945	1,140	1,603	1,626	1,202	1,770	2,057	2,088	2,503	3,051	2,949
Provision for income taxes	331	399	561	569	539	637	720	731	820	1,068	1,032
Net income	\$ 614	\$ 741	\$1,042	\$1,057	\$ 663	\$1,133	\$1,337	\$1,357	\$1,683	\$1,983	\$1,917
Earnings per share:											
Basic	\$ 0.13	\$ 0.15	\$ 0.22	\$ 0.22	\$ 0.14	\$ 0.23	\$ 0.27	\$ 0.27	\$ 0.34	\$ 0.40	\$ 0.38
Diluted	\$ 0.12	\$ 0.14	\$ 0.20	\$ 0.20	\$ 0.12	\$ 0.21	\$ 0.25	\$ 0.25	\$ 0.31	\$ 0.36	\$ 0.35

Reclassified quarterly income statements

	Q97-1	Q97-2	Q97-3	Q97-4	Q98-1	Q98-2	Q98-3	Q98-4	Q99-1	Q99-2	Q99-3
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Revenue	\$2,405	\$2,808	\$3,365	\$3,358	\$3,334	\$3,792	\$3,984	\$4,152	\$4,193	\$5,195	\$4,595
Operating expenses:											
Cost of revenue	482	558	583	547	534	613	640	673	649	788	708
Research and development	417	449	474	523	603	648	611	739	651	715	664
Acquired in-process technology	0	0	0	0	296	0	0	0	0	0	0
Sales and marketing	518	639	639	615	675	762	702	689	688	794	849
General and administrative	86	81	101	94	95	106	104	128	99	149	144
Other expenses	49	46	84	80	71	50	60	49	24	35	1
Total operating expenses	1,552	1,773	1,881	1,859	2,274	2,179	2,117	2,278	2,111	2,481	2,366
Operating income	853	1,035	1,484	1,499	1,060	1,613	1,867	1,874	2,082	2,714	2,229
Investment income	92	105	119	127	142	157	190	214	261	337	720
Gain on sale	0	0	0	0	0	0	0	0	160	0	0
Income before income taxes	945	1,140	1,603	1,626	1,202	1,770	2,057	2,088	2,503	3,051	2,949
Provision for income taxes	331	399	561	569	539	637	720	731	820	1,068	1,032
Net income	\$ 614	\$ 741	\$1,042	\$1,057	\$ 663	\$1,133	\$1,337	\$1,357	\$1,683	\$1,983	\$1,917
Earnings per share:											
Basic	\$ 0.13	\$ 0.15	\$ 0.22	\$ 0.22	\$ 0.14	\$ 0.23	\$ 0.27	\$ 0.27	\$ 0.34	\$ 0.40	\$ 0.38
Diluted	\$ 0.12	\$ 0.14	\$ 0.20	\$ 0.20	\$ 0.12	\$ 0.21	\$ 0.25	\$ 0.25	\$ 0.31	\$ 0.36	\$ 0.35