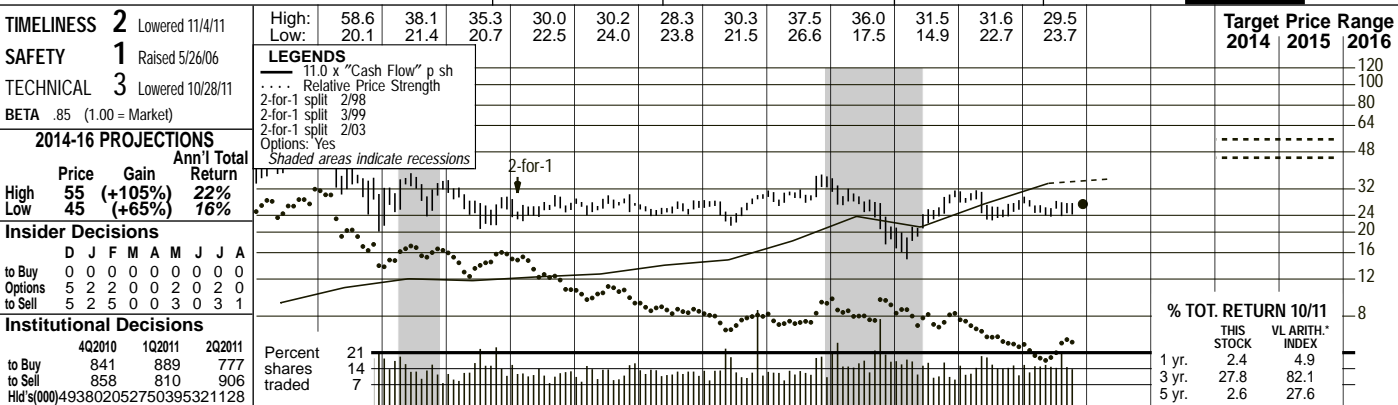


# MICROSOFT NDQ-MSFT

RECENT PRICE **27.16** P/E RATIO **9.7** (Trailing: 9.9 Median: 20.0) RELATIVE P/E RATIO **0.66** DIV'D YLD **2.9%**

**VALUE LINE**



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
.63	.92	1.18	1.47	1.93	2.25	2.39	2.65	3.00	3.39	3.72	4.40	5.45	6.60	6.56	7.21	8.35	<b>9.40</b>	Revenues per sh <sup>A</sup>	<b>12.75</b>
.18	.28	.41	.59	.84	.99	1.09	1.07	1.12	1.15	1.27	1.34	1.65	2.16	1.92	2.47	3.09	<b>3.25</b>	"Cash Flow" per sh	<b>4.50</b>
.15	.21	.33	.45	.70	.85	.90	.94	.97	1.04	1.16	1.20	1.42	1.87	1.62	2.10	2.69	<b>2.80</b>	Earnings per sh <sup>B</sup>	<b>3.75</b>
--	--	--	--	--	--	--	--	.08	.16	.32	.34	.40	.44	.52	.52	.64	<b>.80</b>	Div'ds Decl'd per sh <sup>E</sup>	<b>1.24</b>
.05	.05	.05	.07	.06	.09	.10	.07	.08	.10	.08	.16	.24	.35	.35	.23	.28	<b>.30</b>	Cap'l Spending per sh	<b>.35</b>
.57	.73	1.02	1.58	2.69	4.05	4.48	4.87	5.69	6.89	4.49	3.99	3.32	3.97	4.44	5.33	6.82	<b>7.50</b>	Book Value per sh <sup>D</sup>	<b>11.25</b>
9408.0	9408.0	9632.0	9880.0	10218	10218	10566	10718	10718	10862	10710	10062	9380.0	9151.0	8908.0	8668.0	8376.0	<b>8000</b>	Common Shs Outst'g <sup>C</sup>	<b>7000</b>
28.2	29.1	33.0	42.8	49.8	NMF	35.3	32.4	26.1	25.8	22.9	21.7	19.9	16.3	13.4	13.1	9.6		Avg Ann'l P/E Ratio	<b>13.0</b>
1.89	1.82	1.90	2.23	2.84	NMF	1.81	1.77	1.49	1.36	1.22	1.17	1.06	.98	.89	.83	.59		Relative P/E Ratio	<b>.85</b>
--	--	--	--	--	--	--	--	.3%	.6%	1.2%	1.3%	1.4%	1.4%	2.4%	1.9%	2.5%		Avg Ann'l Div'd Yield	<b>2.5%</b>

CAPITAL STRUCTURE as of 9/30/11		2010	2011	9/30/11	2010	2011	9/30/11	2010	2011	9/30/11	2010	2011	9/30/11	2010	2011	9/30/11	2010	2011	9/30/11	2010	2011	9/30/11
Total Debt \$11927 mill. Due in 5 Yrs \$6750 mill.		52.4%	45.8%	48.0%	40.6%	44.0%	39.2%	39.1%	40.6%	39.2%	42.9%	42.8%	41.5%	Operating Margin	<b>42.5%</b>							
LT Debt \$11927 mill. LT Interest \$345 mill. (17% of Cap'l)		1536.0	1084.0	1439.0	1186.0	855.0	903.0	1440.0	2056.0	2562.0	2673.0	2766	2900	Depreciation (\$mill)	<b>3200</b>							
Leases, Uncapitalized \$481.0 mill. (6/30/2011)		10003	10384	10526	11330	12715	12599	14065	17681	14569	18760	23150	23200	Net Profit (\$mill)	<b>28000</b>							
No defined benefit pension plan		33.5%	32.0%	32.2%	33.1%	32.0%	31.0%	30.0%	25.8%	26.5%	25.0%	17.5%	20.0%	Income Tax Rate	<b>22.0%</b>							
Pfd Stock None		39.5%	36.6%	32.7%	30.8%	32.0%	28.5%	27.5%	29.3%	24.9%	30.0%	33.1%	30.9%	Net Profit Margin	<b>31.1%</b>							
Common Stock 8,410,000,000 shs.		28505	35832	44999	55597	31860	26568	16414	13356	22246	29529	46144	50000	Working Cap'l (\$mill)	<b>50000</b>							
MARKET CAP: \$228 billion (Large Cap)		47289	52180	61020	74825	48115	40104	31097	36286	39558	46175	57083	60000	Long-Term Debt (\$mill)	<b>12000</b>							
CURRENT POSITION (SMILL.)		21.2%	19.9%	15.8%	12.8%	19.2%	22.6%	33.0%	37.7%	25.5%	30.7%	31.5%	28.0%	Shr. Equity (\$mill) <sup>D</sup>	<b>78000</b>							
Cash Assets		36788	52772	57403										Return on Total Cap'l	<b>31.5%</b>							
Receivables		13014	14987	10153										Return on Shr. Equity	<b>36.0%</b>							
Inventory (Avg Cst)		740	1372	2270										Retained to Com Eq	<b>25.0%</b>							
Other		5134	5787	5445										All Div'ds to Net Prof	<b>31%</b>							
Current Assets		55676	74918	75271																		
Accts Payable		4025	4197	3719																		
Debt Due		1000	--	--																		
Unearned Revenue		13652	15722	14345																		
Other		7470	8855	7479																		
Current Liab.		26147	28774	25543																		

**BUSINESS:** Microsoft Corp. is the largest independent maker of software. It develops and sells software products for a wide range of computing devices. Also sells the Xbox video game console. Revenue sources in fiscal 2011: Microsoft Business, 31.7% of total; Windows & Windows Live, 27.2%; Server and Tools, 24.4%; Entertainment & Devices, 12.7%; Online Services, 3.6%; Other, .4%. Research and development: 12.9% of 2011 sales. Employed 90,000 at 6/30/11. Stock owners: William H. Gates, 7.2%;, other offs. & dirs., 4.9%; BlackRock, Inc. 5.2% (9/10 proxy). Chairman: William H. Gates. CEO: Steven A. Ballmer. Incorporated: Washington. Address: One Microsoft Way, Redmond, Washington 98052-6399. Telephone: 425-882-8080. Internet: www.microsoft.com.

**Microsoft continues to run well operationally.** Indeed, save for the Online Services Division, which still faces challenges, the software giant's major reporting segments each showed respectable results for the first quarter of fiscal 2012. (Years end June 30th.) *Windows 7* continues to extend its reach into the PC market, though growth at the retail end is being limited by the popularity of tablets and smartphones. Nonetheless, the business PC upgrade cycle should remain in place through mid-2012, at least, with the strongest demand coming from the emerging markets. The Server and Tools group is benefiting from the uptick in corporate spending on software and services and its broad positioning in the datacenter. A new version of *Windows Server* should also be a positive this year. Meanwhile, *Office 2010* and customer adoption of *Lync*, *SharePoint*, and *Exchange* remain on the upswing, propelling the Microsoft Business Division forward. Finally, *Xbox/Kinect* continues to find favor with families and gamers, and the duo looks set to have a good holiday season. In addition, the Skype acquisition was recently closed, and the Entertainment and Devices group will be used as a base to start weaving its services into Microsoft's communication ecosystem. **Market support for these shares remains lukewarm.** As we have mentioned on previous occasions, the company is clearly engaged and is making some headway in higher-growth businesses, such as mobile communications and Internet search. A new release of *Windows Phone* has generally found good reviews, and Microsoft and partner Yahoo! are working to improve the revenue generated per search (RPS). However, competition is very keen in both arenas, so progress here is likely to be measured. On the other hand, *Windows 8* is coming down the pike, and the new operating system should have wide appeal, given that it will support new form factors, such as tablets. Adding it all up, our estimates for 2012 are little changed, and we still view timely MSFT stock as being of most interest for the intermediate time horizon. The company should continue returning cash to stockholders via an active share-buyback program and hefty dividend increases.

Fiscal Year Ends	2008	2009	2010	2011	2012	Full Fiscal Year															
QUARTERLY REVENUES (\$ mill.) <sup>A</sup>	13762	16367	14454	15837	15061	16629	13648	13099	12920	19022	14503	16039	16195	19953	16428	17367	17372	21000	17750	18878	75000
EARNINGS PER SHARE <sup>AB</sup>	.45	.50	.47	.45	.48	.47	.33	.34	.40	.74	.45	.51	.62	.77	.61	.69	.68	.81	.63	.68	2.80
QUARTERLY DIVIDENDS PAID <sup>E</sup>	.10	.10	.10	.11	.11	.11	.11	.13	.13	.13	.13	.13	.13	.13	.13	.16	.16	.16	.16	.20	.41

(A) Fiscal year ends June 30th. (B) Primary earnings through fiscal '97, then diluted. Quarters may not add to total. Excl. nonrec. items: '98, d3c; '99, 1c '01, d26c; '02, d23c; '03, d5c; '04, d29c; '05, d4c. Next earnings report due late Jan. (C) In millions, adjusted for stock splits. (D) Includes intangibles. In 2011: \$12.6 billion, \$1.50 a share. (E) Dividends historically paid in March, June, Sept., and Dec. Dividend reinvestment plan available. Special dividend of \$3.00 a share paid December 2, 2004.

**Company's Financial Strength** A++  
**Stock's Price Stability** 90  
**Price Growth Persistence** 30  
**Earnings Predictability** 85

To subscribe call 1-800-833-0046.