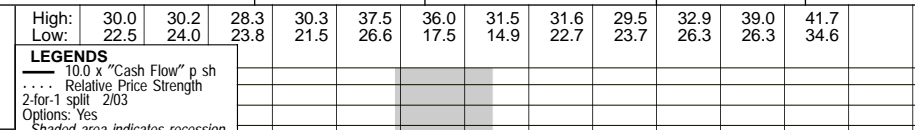


MICROSOFT NDQ-MSFT

RECENT PRICE **39.06** P/E RATIO **14.3** (Trailing: 14.3; Median: 16.0) RELATIVE P/E RATIO **0.77** DIV'D YLD **3.1%**

VALUE LINE

TIMELINESS 3 Lowered 12/6/13
SAFETY 1 Raised 5/26/06
TECHNICAL 2 Raised 5/9/14
BETA .85 (1.00 = Market)



Target Price Range	2017	2018	2019
	120	100	80
	64	48	32
	24	20	16
	12	8	

2017-19 PROJECTIONS

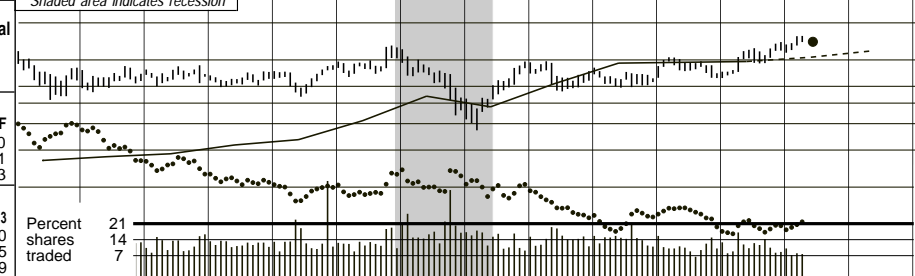
	Price	Gain	Ann'l Total Return
High	55	(+40%)	12%
Low	45	(+15%)	7%

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	1	1	1	1
to Sell	0	0	1	4	4	4	2	3	3

Institutional Decisions

	2Q2013	3Q2013	4Q2013
to Buy	747	763	900
to Sell	1019	988	915
Hlds(000)	573806	1571574	4057365



	1 yr.	3 yr.	5 yr.
% TOT. RETURN 4/14	25.6	69.8	126.7
THIS STOCK	25.6	69.8	126.7
VL ARITH. INDEX	22.9	40.2	175.8

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
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	8.80	9.34	10.25	11.05	Revenues per sh ^A	14.70
.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	3.12	3.15	3.30	3.55	"Cash Flow" per sh	4.80
.45	.70	.85	.90	.94	.97	1.04	1.16	1.20	1.42	1.87	1.62	2.10	2.69	2.72	2.65	2.69	2.90	Earnings per sh ^B	4.00
--	--	--	--	--	.08	.16	.32	.34	.40	.44	.52	.52	.64	.80	.89	1.07	1.24	Div'ds Decl'd per sh ^E	1.75
.07	.06	.09	.10	.07	.08	.10	.08	.16	.24	.35	.35	.23	.28	.28	.51	.70	.75	Cap'l Spending per sh	.75
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	7.92	9.48	10.65	11.90	Book Value per sh ^D	14.50
9880.0	10218	10218	10566	10718	10718	10862	10710	10062	9380.0	9151.0	8908.0	8668.0	8376.0	8381.0	8328.0	8225	8100	Common Shs Outst'g ^C	7250
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	10.4	11.2			Avg Ann'l P/E Ratio	13.0
2.23	2.84	NMF	1.81	1.77	1.49	1.36	1.22	1.17	1.06	.98	.89	.83	.60	.66	.63			Relative P/E Ratio	.80
--	--	--	--	--	.3%	.6%	1.2%	1.3%	1.4%	1.4%	2.4%	1.9%	2.5%	2.8%	3.0%			Avg Ann'l Div'd Yield	3.4%

CAPITAL STRUCTURE as of 3/31/14
 Total Debt \$22679 mill. Due in 5 Yrs \$5550 mill.
 LT Debt \$20679 mill. LT Interest \$620 mill.
 (19% of Cap'l)

Leases, Uncapitalized \$572.0 mill.

No defined benefit pension plan
 Pfd Stock None

Common Stock 8,260,411,967 shs. as of 4/17/14

MARKET CAP: \$323 billion (Large Cap)

36835	39788	44282	51122	60420	58437	62484	69943	73723	77811	84250	89500	Revenues (\$mill) ^A	106500
40.6%	44.0%	39.2%	39.1%	40.6%	39.2%	42.9%	42.8%	41.9%	40.3%	38.5%	38.5%	Operating Margin	39.0%
1186.0	855.0	903.0	1440.0	2056.0	2562.0	2673.0	2766.0	2967.0	3755.0	4700	5000	Depreciation (\$mill)	5725
11330	12715	12599	14065	17681	14569	18760	23150	23171	22453	22530	23900	Net Profit (\$mill)	29000
33.1%	32.0%	31.0%	30.0%	25.8%	26.5%	25.0%	17.5%	18.6%	19.6%	19.0%	19.0%	Income Tax Rate	19.0%
30.8%	32.0%	28.5%	27.5%	29.3%	24.9%	30.0%	33.1%	31.4%	28.9%	26.7%	26.7%	Net Profit Margin	27.2%
55597	31860	26568	16414	13356	22246	29529	46144	52396	64049	75000	80000	Working Cap'l (\$mill)	60000
--	--	--	--	--	3746.0	4939.0	11921	10713	12601	21000	21000	Long-Term Debt (\$mill)	25000
74825	48115	40104	31097	36286	39558	46175	57083	66363	78944	87500	96250	Shr. Equity (\$mill) ^D	105000
15.1%	26.4%	31.4%	45.2%	48.7%	33.6%	36.8%	33.8%	30.3%	24.7%	21.0%	20.5%	Return on Total Cap'l	22.5%
15.1%	26.4%	31.4%	45.2%	48.7%	36.8%	40.6%	40.6%	34.9%	28.4%	25.5%	25.0%	Return on Shr. Equity	27.5%
12.8%	19.2%	22.6%	33.0%	37.7%	25.5%	30.7%	31.5%	25.3%	19.0%	15.5%	14.5%	Retained to Com Eq	15.0%
15%	27%	28%	27%	23%	31%	24%	22%	28%	33%	39%	42%	All Div'ds to Net Prof	45%

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 and Surface tablet. Revenue sources in fiscal 2013: Devices and Consumer, 41.2% (Licensing, 59.3%, Hardware, 20.1%, Other, 20.6%); Commercial, 58.2% (Licensing, 87.5%, Other, 12.5%); Corporate and Other, 0.6%. R&D, 13.4% of 2013 revenues. Employed 99,000 at 6/30/13. Stock owners: William H. Gates, 4.5%; other offs. & dirs., 4.0%; BlackRock, Inc., 5.6% (10/13 proxy). Chairman: John W. Thompson. CEO: Satya Nadella. Incorporated: Washington. Address: One Microsoft Way, Redmond, Washington 98052-6399. Telephone: 425-882-8080. Internet: www.microsoft.com.

CURRENT POSITION

	2012	2013	3/31/14
Cash Assets	63040	77022	88425
Receivables	15780	17486	13497
Inventory (Avg Cst)	1137	1938	1920
Other	5127	5020	5224
Current Assets	85084	101466	109066
Accts Payable	4175	4828	4583
Debt Due	1231	2999	2000
Unearned Revenue	18653	20639	17670
Other	8629	8951	9650
Current Liab.	32688	37417	33903

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13
of change (per sh)			to '17-'19
Revenues	12.5%	10.0%	9.0%
"Cash Flow"	11.0%	12.5%	7.5%
Earnings	11.0%	12.5%	7.0%
Dividends	--	14.5%	14.5%
Book Value	5.0%	16.5%	10.5%

The market has shown support for Microsoft shares since our February report. Our sense is the selection of Satya Nadella as CEO is an important factor in this regard. From a broad perspective, Mr. Nadella is clearly focused on a strategy to build on Microsoft's strengths, as the company refines its focus on the rapidly changing consumer markets, particularly in mobile and cloud. Although Microsoft will have to play a game of catch-up, new leadership's wider view on how the company's strengths can be applied to improve its competitive position is refreshing.

The software giant's latest financial performance largely made for good reading. There was not much change in the composition of the results. On point, although the Windows franchise continues to experience softness in consumer markets, demand remains brisk at the enterprise level. Office 365 continues to find broad appeal in both consumer and enterprise markets. And on the hardware side, higher volumes of Surface and Xbox worked to improve the economics of this part of Microsoft's operations. Meanwhile, the company's Commercial segment con-

tinued to show strength. This group is a formidable competitor, and is underscoring the company's current success in the data center and in cloud services.

We have made minor adjustments to our estimates for fiscal 2014. (Years end June 30th.) Our revenue figure is only slightly lower, largely reflecting a bit of fine-tuning. Our earnings target, on the other hand, is now \$2.69 a share, versus the earlier \$2.72. The reduction does not result from a step down in profitability. Rather, the company's tax rate will be higher in the June quarter than the previous three. Finally, our estimates for fiscal 2015 do not incorporate any effects from the Nokia acquisition. Microsoft has not yet provided any guidance in this regard, only indicating that Nokia will be part of the Devices and Consumer (Hardware) segment.

We advise those holding Microsoft shares to continue to do so. The stock has performed well recently. And though it is early days under the leadership of Satya Nadella, our sense is his turn at the helm will be positive for investors.

QUARTERLY REVENUES (\$ mill.)^A

Fiscal Year Ends	Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2011	16195	19953	16428	17367	69943
2012	17372	20885	17407	18059	73723
2013	16008	21456	20489	19858	77811
2014	18529	24519	20403	20799	84250
2015	19875	25975	21675	21975	89500

EARNINGS PER SHARE^{AB}

Fiscal Year Ends	Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2011	.62	.77	.61	.69	2.69
2012	.68	.78	.60	.67	2.72
2013	.53	.76	.72	.66	2.65
2014	.62	.78	.68	.61	2.69
2015	.66	.82	.71	.72	2.90

QUARTERLY DIVIDENDS PAID^E

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.13	.13	.16	.16	.58
2011	.16	.16	.16	.20	.68
2012	.20	.20	.20	.23	.83
2013	.23	.23	.23	.28	.97
2014	.28				

Charles Clark
 May 16, 2014

Company's Financial Strength	A++
Stock's Price Stability	85
Price Growth Persistence	50
Earnings Predictability	85

(A) Fiscal year ends June 30th. (B) Diluted earnings. Quarters may not add to total. Excl. nonrec. items: '98, d3c; '99, 1c; '01, d26c; '02, d23c; '03, d5c; '04, d29c; '05, d4c; '12, d72c; '13, d7c. Next earnings report, late July. (C) In millions, adjusted for stock split. (D) Includes intangibles. In 2013: \$14.7 billion, \$1.77 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.

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