

RECENT PRICE	47.54	P/E RATIO	18.7 (Trailing: 19.2 Median: 14.0)	RELATIVE P/E RATIO	1.00	DIV'D YLD	2.8%	VALUE LINE
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1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
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	10.54	11.66	11.65	Revenues per sh ^A	15.30
.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	3.31	3.45	3.45	"Cash Flow" per sh	4.60
.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	2.63	2.65	2.65	Earnings per sh ^B	3.65
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.06	.09	.10	.07	.08	.10	.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	.75	Cap'l Spending per sh	.75
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	10.90	9.98	10.30	Book Value per sh ^D	11.30
10218	10218	10566	10718	10718	10862	10710	10062	9380.0	9151.0	8908.0	8668.0	8376.0	8381.0	8328.0	8239.0	8027	7800	Common Shs Outst'g ^C	7200
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	14.0	17.0		Avg Ann'l P/E Ratio	17.5
2.84	NMF	1.81	1.77	1.49	1.36	1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.73	.87		Relative P/E Ratio	1.10
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[illegible]

Receivables	17486	19544	17908
Inventory (Avg Cst)	1938	2660	2902
Other	5020	6333	7376
Current Assets	101466	114246	124712
Accts Payable	4828	7432	6591
Debt Due	2999	2000	7484
Unearned Revenue	20639	23150	23223
Other	8951	13043	12560
Current Liab.	37417	45625	49858

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Revenues	12.0%	9.0%	8.0%
"Cash Flow"	11.0%	11.0%	6.5%
Earnings	10.5%	10.5%	5.5%
Dividends	28.0%	15.5%	11.0%
Book Value	5.0%	19.5%	3.0%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A				Full Fiscal Year
	Sep.30	Dec.31	Mar.31	Jun.30	
2012	17372	20885	17407	18059	73723
2013	16008	21456	20489	19858	77811
2014	18529	24519	20403	23382	86833
2015	23201	26470	21729	22180	93580
2016	21000	24500	22000	23500	91000

Fiscal Year Ends	21000	24000	22000	23000	21000
	EARNINGS PER SHARE AB				Full Fiscal Year
	Sept.30	Dec.31	Mar.31	Jun.30	
2012	.68	.78	.60	.67	2.72
2013	.53	.76	.72	.66	2.65
2014	.62	.78	.68	.55	2.63
2015	.65	.77	.62	.62	2.65
2016	.57	.73	.67	.68	2.65

Calendar	QUARTERLY DIVIDENDS PAID [£]				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.16	.16	.16	.20	.68
2012	.20	.20	.20	.23	.83
2013	.23	.23	.23	.28	.97
2014	.28	.28	.31	.31	1.18
2015	.31	.31			

BUSINESS: Microsoft Corp. is the largest independent maker of software. It develops and sells software products for a wide range of computing environments in consumer and enterprise markets. Hardware products include Nokia mobile phones, the Xbox video game console, and Surface tablet. Revenue sources in fiscal 2015: Devices and Consumer, 44.3%; Commercial, 55.4%; Corporate

Microsoft's fiscal fourth quarter financial report was respectable, in our view. (Years end June 30th.) True, the software giant took a large writedown related to the goodwill associated with its phone business (excluded from our earnings presentation), but this was not too much of a surprise, given the keen competition in the smartphone arena. Additionally, a restructuring better positions Microsoft to target markets in the phone business where it has an advantage. That said, Xbox and Surface put in a good showing in the quarter, adding a bit of luster to the hardware side of the Devices & Consumer segment. Elsewhere, revenue from licensing was down, as expected, as the company and its OEMs prepared for the general release of Windows 10 (on July 29th). Meanwhile, the Commercial segment continued to shine. Microsoft made headway in the cloud computing arena, with its annual revenue run rate currently at greater than \$8 billion. Office 365, Dynamics CRM, and cloud platform Azure are finding vigorous demand from enterprise customers and should remain important factors in Commercial's prospects.

and Other, 0.2%. R&D, 12.9% of 2015 revenues. Employed 17,350 at 6/30/15. Stock owners: William H. Gates, 3.6%; other offs. & dirs., 1%; BlackRock, Inc., 5.3%; Steven A. Ballmer, 4.0% (10/14 proxy). Chairman: John W. Thompson. CEO: Satya Nadella. Inc.: Washington. Address: One Microsoft Way, Redmond, Washington 98062-6399. Tele.: 425-882-8080. Internet: www.microsoft.com

We have made some adjustments to our estimates for fiscal 2016. As with most companies with broad international operations, the strength of the dollar will weigh on Microsoft's financial results. In addition, Phone hardware will be a smaller contributor to the top line. Meanwhile, the benefit from Windows 10 should be most evident in the second half. Nonetheless, the Commercial segment ought to continue benefiting from the move to cloud architecture, with the service side of this business naturally becoming a larger factor. At this juncture, then, we are now looking for revenue of \$91 billion, down some \$2.6 billion from last year's tally. That said, the company's focus on improving the efficiency of its operations should lead to a wider operating margin, with share earnings for year now estimated at \$2.65, flat with last year.

If already owned, we would continue to hold Microsoft shares. Windows 10 has generally gotten good initial reviews, but we would like to see how it fares in the market before becoming more constructive on MSET stock.

Charles Clark

August 14, 2015

Company's Financial Strength	A++
Stock's Price Stability	80
Price Growth Persistence	60
Earnings Predictability	85

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