

TIMELINESS <b>3</b> Lowered 10/22/10	High: 25.5	32.3	53.4	53.6	48.0	70.1	Target Price Range	2013	2014	2015
SAFETY <b>3</b> New 5/6/05	Low: 14.5	16.7	29.7	24.5	24.8	47.6	-----	-----	-----	-----
TECHNICAL <b>3</b> Raised 10/22/10							-----	-----	-----	-----
BETA <b>90</b> (1.00 = Market)	<b>LEGENDS</b> --- 22.0 x "Cash Flow" p sh ..... Relative Price Strength Options: Yes Shaded areas indicate recessions						-----	-----	-----	-----
<b>2013-15 PROJECTIONS</b>										
	Price	Gain	Ann'l Total							
High	<b>115</b>	<b>(+90%)</b>	<b>18%</b>							
Low	<b>75</b>	<b>(+25%)</b>	<b>6%</b>							
<b>Insider Decisions</b>										
	D	J	F	M	A	M	J	J	A	
to Buy	0	0	0	0	0	0	0	0	0	
Options	3	0	3	2	2	6	5	3	4	
to Sell	3	0	8	4	2	9	5	3	5	
<b>Institutional Decisions</b>										
	4Q2009	1Q2010	2Q2010				Percent	36		
to Buy	127	119	121				shares	24		
to Sell	136	133	155				traded	12		
Hld's(000)	52192	51726	50240							

Dolby Laboratories was founded by Ray Dolby in London, England in 1965 and then incorporated in New York in 1967. The company reincorporated in California in 1976 and then again in Delaware in September 2004. On February 17, 2005, the company completed an initial public offering by issuing 27.5 million Class A shares at \$18.00 a share. The underwriting was led by Morgan Stanley, Goldman Sachs, J.P. Morgan Sec., Adams Harkness, and William Blair.	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	© VALUE LINE PUB., INC.	13-15
	--	--	--	2.56	3.34	3.16	3.65	4.37	5.69	6.32	<b>8.30</b>	<b>9.05</b>	Revenues per sh <sup>A</sup>	<b>11.80</b>
	--	--	--	.45	.56	.61	.95	1.43	1.99	2.39	<b>2.70</b>	<b>3.10</b>	"Cash Flow" per sh	<b>4.30</b>
	--	--	--	.36	.43	.50	.80	1.26	1.74	2.11	<b>2.40</b>	<b>2.75</b>	Earnings per sh <sup>A B</sup>	<b>3.80</b>
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
	--	--	--	.08	.14	.14	.08	.10	.12	.12	<b>.20</b>	<b>.25</b>	Cap'l Spending per sh	<b>.35</b>
	--	--	--	1.10	1.66	4.44	5.54	7.23	9.33	11.78	<b>12.85</b>	<b>14.40</b>	Book Value per sh <sup>C</sup>	<b>22.30</b>
	--	--	--	85.01	86.55	103.91	107.26	110.25	112.47	113.85	<b>112.00</b>	<b>111.00</b>	Common Shs Outst'g <sup>D</sup>	<b>110.00</b>
	--	--	--	--	--	39.8	24.7	25.2	24.7	16.2	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	<b>25.0</b>
	--	--	--	--	--	2.12	1.33	1.34	1.49	1.07			Relative P/E Ratio	<b>1.65</b>
	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil

<b>CAPITAL STRUCTURE as of 6/25/10</b>	2008	2009	6/25/10	2008	2009	6/25/10	2008	2009	6/25/10	2008	2009	6/25/10	2008	2009	6/25/10	2008	2009	6/25/10	
Total Debt \$6.2 mill. Due in 5 Yrs \$6.2 mill.	--	--	--	217.5	289.0	328.0	391.5	482.0	640.2	719.5	<b>930</b>	<b>1005</b>	Revenues (\$mill) <sup>A</sup>						
LT Debt \$4.5 mill. LT Interest \$2 mill. (less than 1% of Cap'l)	--	--	--	25.4%	26.4%	29.1%	36.4%	41.4%	48.6%	54.4%	<b>50.0%</b>	<b>52.0%</b>	Operating Margin						
Leases, Uncapitalized: Annual rentals \$7.2 mill.	--	--	--	7.5	8.5	11.3	12.9	14.8	24.8	28.7	<b>30.0</b>	<b>35.0</b>	Depreciation (\$mill)						
Pfd Stock None	--	--	--	31.0	39.8	52.3	89.5	142.8	199.5	243.0	<b>275</b>	<b>310</b>	Net Profit (\$mill)						
Common Stock 112,728,527 shs. Includes 59,590,126 Class B shs. (Each Class B share entitled to 10 votes) as of 7/15/10	--	--	--	33.8%	40.1%	40.9%	38.1%	31.1%	33.3%	34.2%	<b>35.0%</b>	<b>35.0%</b>	Income Tax Rate						
MARKET CAP: \$6.8 billion (Large Cap)	--	--	--	14.2%	13.8%	15.9%	22.9%	29.6%	31.2%	33.8%	<b>29.6%</b>	<b>30.8%</b>	Net Profit Margin						
CURRENT POSITION (\$MILL.)	2008	2009	6/25/10	54.2	80.3	381.4	479.7	590.2	491.2	744.2	<b>820</b>	<b>960</b>	Working Cap'l (\$mill)						
Cash Assets	514.5	735.5	822.9	14.5	13.6	12.1	10.9	9.7	7.8	5.8	<b>4.8</b>	<b>3.8</b>	Long-Term Debt (\$mill)						
Receivables	27.7	23.0	47.7	93.8	143.3	461.1	594.3	797.2	1049.3	1341.1	<b>1440</b>	<b>1600</b>	Shr. Equity (\$mill)						
Inventory (Avg Cst)	18.1	13.0	17.0	29.1%	25.7%	11.2%	14.9%	17.8%	18.9%	18.1%	<b>19.0%</b>	<b>19.5%</b>	Return on Total Cap'l						
Other	131.6	129.3	124.6	33.0%	27.8%	11.3%	15.1%	17.9%	19.0%	18.1%	<b>19.0%</b>	<b>19.5%</b>	Return on Shr. Equity						
Current Assets	691.9	900.8	1012.2	--	--	--	--	--	--	--	Nil	Nil	Retained to Com Eq						
Accts Payable	10.1	12.9	13.3	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof						
Debt Due	1.6	1.6	1.7																
Other	189.0	142.1	156.6																
Current Liab.	200.7	156.6	171.6																

**BUSINESS:** Dolby Laboratories, Inc. designs and supplies technologies for entertainment in the home, theater, car, and elsewhere. The company develops sound technologies that create a more enjoyable listening experience and are used in movie soundtracks, DVDs, television, satellite and cable broadcasts, video games, and personal computers that provide surround sound and noise reduction. '09 international revenues: 65%. Has about 1,135 employees. Ray Dolby owns 99% of Class B shares (63% of total shares) and controls 91% of voting rights (1/10 Proxy). Chairman.: Peter Gotcher. Pres. and CEO: Kevin Yeaman. Incorporated: Delaware. Address: 100 Potrero Avenue, San Francisco, CA, 94103. Telephone: 415-588-0200. Internet: www.dolby.com.

**Dolby Laboratories reported solid third-quarter results.** Revenues advanced close to 35% over the 2009 period, and share earnings rose 25%. Advances in the company's PC and broadcasting markets were the main drivers behind these results.

**We expect the strong performance to continue through the end of the year.** Dolby is benefiting from the Windows 7 rollout across corporate systems, which is starting up quickly and increasing revenues in its PC market. In addition, the conversion from analog to digital TV in international markets, especially in Europe and China, is ramping up and giving the company a boost in the broadcasting segment. These two major transitions will likely enhance performance for Dolby as continuing changes in the entertainment technology sector increase the need for the company's products and services.

**Finances are solid.** Dolby has a strong cash balance, exceeding \$800 million and almost no debt (less than 1% of capital). In addition, it has been buying back shares recently, spending \$178 million in the first half, and is likely to continue pursuing repurchases. **The future looks promising.** Solid growth in core sectors, including its PC and broadcasting markets, will likely lead to strong performance over the long haul as Dolby continues to assert its position in the industry. In fact, China recently added a new digital channel to its lineup and expects to complete the conversion to digital television by 2012, benefiting Dolby since the company will likely be named as the audio standard for the rollout. In addition, the company is looking to increase market share in newer arenas, such as the online, mobile, and 3D cinema markets, which are just beginning to emerge as important segments in the entertainment technology industry. **Patient investors with considerable investment horizons may want to consider Dolby Laboratories.** Although these shares are neutrally ranked for the year ahead, the company has a strong position in its industry and is well poised for long-term growth. As a result, these shares have worthwhile appreciation potential over the pull to 2013-2015.

(A) Fiscal year ends in September.	\$3.01 per share.	Company's Financial Strength	B+
(B) Diluted earnings per share. Next earnings report due mid-November.	(D) In millions.	Stock's Price Stability	55
(C) Incl. intangibles. In 2009: \$343 million.		Price Growth Persistence	100
		Earnings Predictability	80

To subscribe call 1-800-833-0046.

Kathryn M. Drew October 29, 2010