



Stock Selection Guide®

The most widely used aid to good investment judgment

Company MICROSOFT CORPORATION Date 06/12/07

Prepared by MG Data taken from NAIC Data

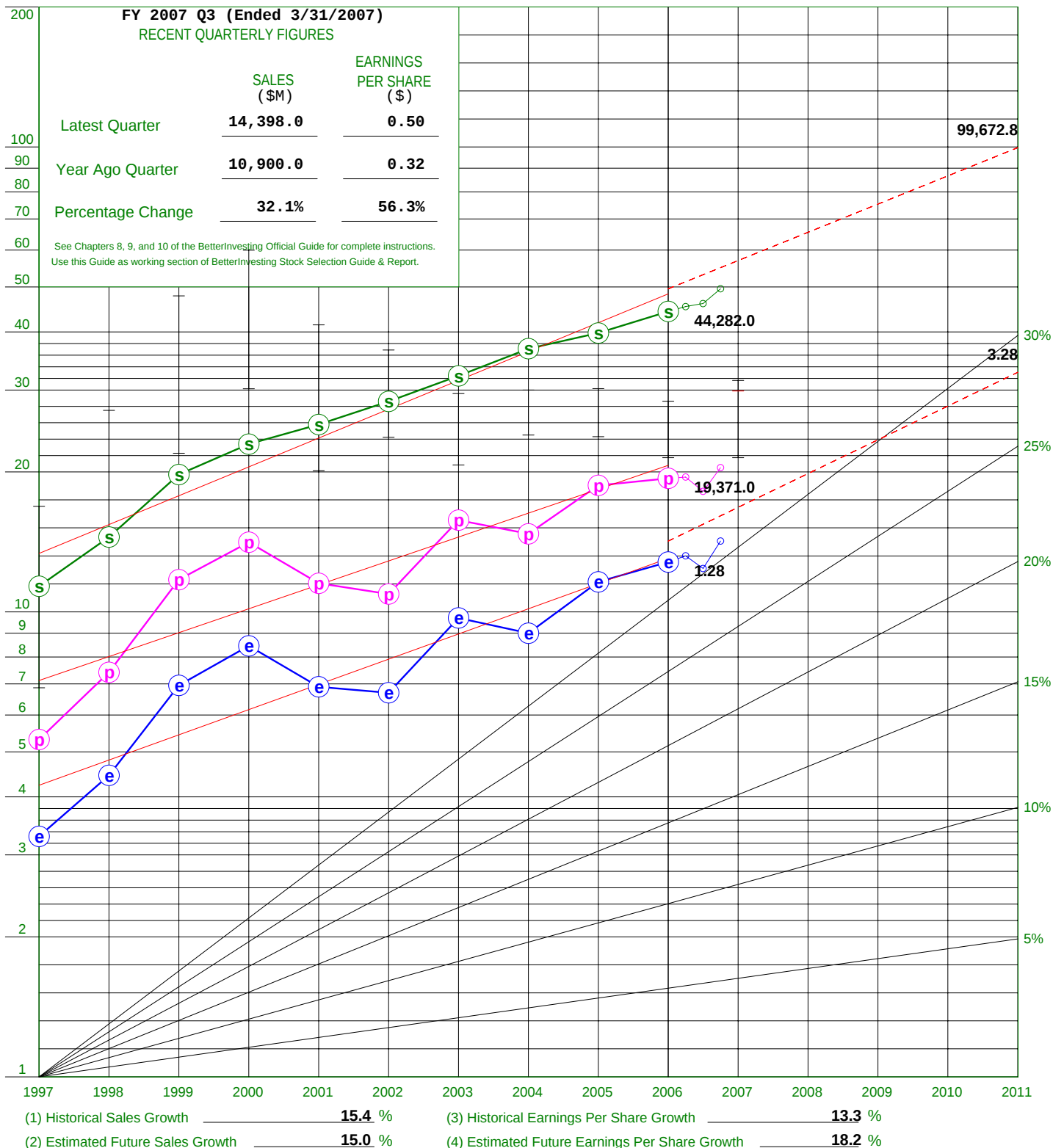
Where traded NASDAQ Major product/service Systems Sof

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	9,572.0	16.8	58.6
Debt (\$M)	0.0	% to Tot.Cap.	0.0 % Potential Dil. None

1 VISUAL ANALYSIS of Sales, Earnings and Price

MSFT



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	46.8	51.2	59.4	61.5	45.6	38.5	48.9	40.0	47.0	43.7	43.6	EVEN	
B % Earned on Equity (E/S ÷ Book Value)	32.4	28.1	25.9	21.6	15.7	13.8	17.1	13.1	25.8	32.1	20.4	UP	

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PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

		PRESENT PRICE		29.850	HIGH THIS YEAR		31.480	LOW THIS YEAR		21.460
Year		PRICE		C Earnings Per Share	D Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100	
		HIGH	LOW		HIGH A ÷ C	LOW B ÷ C				
1	2002	36.6	23.8	0.67	54.6	35.5	0.000	0.0	0.0	
2	2003	29.5	20.7	0.97	30.4	21.3	0.080	8.2	0.4	
3	2004	30.0	24.0	0.90	33.3	26.7	0.160	17.8	0.7	
4	2005	30.2	23.8	1.16	26.0	20.5	3.320	286.2	13.9	
5	2006	28.4	21.5	1.28	22.2	16.8	0.340	26.6	1.6	
6	TOTAL		113.8		111.9	120.8		52.6		
7	AVERAGE		22.8		28.0	24.2		17.5		
8	AVERAGE PRICE EARNINGS RATIO			26.1	9	CURRENT PRICE EARNINGS RATIO			21.0	

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Proj. P/E [17.79] Based on Next 4 qtr. EPS [1.68] Current P/E Based on Last 4 qtr. EPS [1.42] PEG=98

EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ~~28.0~~ 24.0 X Estimate High Earnings/Share 3.28 = Forecast High Price \$ 78.7
(3D7 as adj.) (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~24.2~~ 20.0 X Estimated Low Earnings/Share ~~1.28~~ 1.42 = \$ 28.4
(3E7 as adj.)
(b) Avg. Low Price of Last 5 Years = 22.8
(3B7)
(c) Recent Severe Market Low Price = 21.5
(d) Price Dividend Will Support Present Divd. = 0.400 = 2.9
High Yield (H) 0.139
Selected Estimate Low Price = \$ 28.4
(4B1)

C ZONING

78.7 High Forecast Price Minus 28.4 Low Forecast Price Equals 50.3 Range. 1/3 of Range = 12.6
(4A1) (4B1) (C) (4CD)
(4C2) Lower 1/3 = 28.4 to 41.0 (Buy) Note: Ranges changed to 25%/50%/25%
(4C3) Middle 1/3 = 41.0 to 66.1 (Maybe)
(4C4) Upper 1/3 = 66.1 to 78.7 (4A1) (Sell)
Present Market Price of 29.850 is in the Buy Range
(4C5)

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 78.7 Minus Present Price 29.850
Present Price 29.850 Minus Low Price (4B1) 28.4 = 48.9 = 33.7 To 1
1.5 (4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 78.7
Present Market Price 29.850 = (2.637) X 100 = (263.7) - 100 = 163.7 % Appreciation
(4E)

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5-YEAR POTENTIAL

Relative Value: 80.5% Proj. Relative Value: 68.1%

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

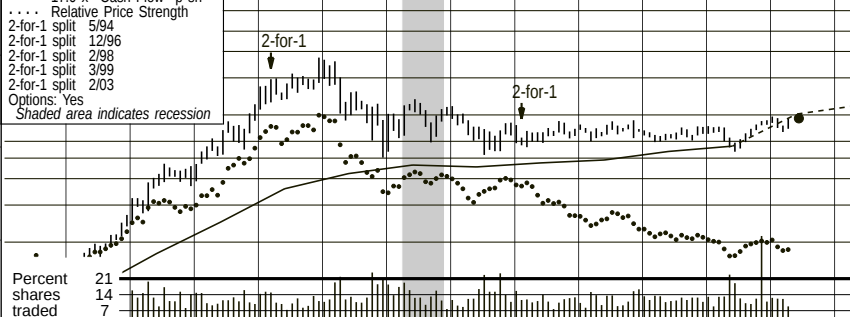
A Present Full Year's Dividend \$ 0.400
Present Price of Stock \$ 29.850 = 0.013 X 100 = 1.3 Present Yield or % Returned on Purchase Price
(5A)

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 2.34 X Avg. % Payout (3G7) 17.5 = 41.0 = 1.4 %
Present Price \$ 29.850 (5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 163.7		P.A.R.	Tot. Ret.
5	32.7 %	Average Yield 0.8%	0.7%
Average Yield (5B) -----	1.4 %	Annual Appreciation 19.3%	21.4%
Average Total Annual Return Over the Next 5 Years (5C)	34.1 %	% Compd Ann Rate of Ret 20.1%	22.1%

MICROSOFT					NDQ-MSFT		RECENT PRICE	30.90	P/E RATIO	20.2	(Trailing: 22.2 Median: 32.0)		RELATIVE P/E RATIO	1.04	DIV'D YLD	1.3%	VALUE LINE																				
TIMELINESS		2	Raised 11/10/06		High:	10.8	18.8	36.0	60.0	58.6	38.1	35.3	30.0	30.2	28.3	30.3	31.5	Target Price		Range																	
SAFETY		1	Raised 5/26/06		Low:	5.0	10.1	15.5	34.0	20.1	21.4	20.7	22.5	24.0	23.8	21.5	26.6	2010	2011	2012																	
TECHNICAL		4	Lowered 5/11/07		LEGENDS 17.0 x "Cash Flow" p sh Relative Price Strength 2-for-1 split 5/94 2-for-1 split 12/96 2-for-1 split 2/98 2-for-1 split 3/99 2-for-1 split 2/03 Options: Yes Shaded area indicates recession 															120	100	80	64	48	32	24	20	16	12	8							
BETA		1.00	(1.00 = Market)																																		
2010-12 PROJECTIONS		Ann'l Total																																			
Price	Gain	Return																																			
High	Low	60	50	(+95%)																(+60%)	19%	14%															
Insider Decisions		J A S O N D J F M																																			
to Buy	Options	to Sell	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																				
to Buy	Options	to Sell	2	0	0	0	1	1	0	0	0	0	0	0	0	0	0																				
to Buy	Options	to Sell	3	3	0	0	5	1	0	0	2	0	0	0	0	0	0																				
Institutional Decisions		2Q2006		3Q2006		4Q2006																															
to Buy	Options	to Sell	672	611	735																																
to Buy	Options	to Sell	849	839	790																																
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