

01062010 CES Steve Ballmer Robbie Bach

**Consumer Electronics Show**  
**Steve Ballmer, Ryan Asdourian Robbie Bach**  
**Las Vegas, Nevada**  
**January 6, 2010**

**STEVE BALLMER:** Well, thanks. It's really great to be here tonight to deliver the opening keynote for CES 2010. As Gary mentioned, and in case anybody missed it, 2009 really was a year of unprecedented economic turbulence. But the thing that excited me about 2009 was that this industry, our industry, really stayed focused and continued to invest, to work hard, and to bring new technologies to the marketplace. We really did make an ongoing impact on the lives of people around the world.

I thought we needed maybe a special way to illustrate this here tonight, so I thought it would be interesting to show you the profound influence technology has had on just one random person who we went and checked in with. So, let's take a look at that.

(Video segment.)

**STEVE BALLMER:** I'm really glad we could all help old Seth out. I hope you are, too. Last year at CES, Robbie Bach and I shared some of our thoughts on new computing powered experiences on all of the screens in our lives, from the largest screen in the living room to the smallest screen in our pockets, more than ever we are delivering the experiences that people want whenever they want them, wherever they are.

So, tonight, we're really going to try to provide a view into three aspects of the strategy that guides us. First is the increasing importance and change in the screens woven into the fabric of our lives, in particular we want to focus on the ever-evolving PC tonight, and the future of the TV experience. Second is the cloud. We believe in an approach that combines the power of immersive and intelligent software that runs on devices along with smart and intuitive services accessed instantly via the cloud. Third is really about the next revolution in natural user interface or NUI technology. We're making some great progress in this area that we want to have a chance to share with you here tonight.

The last three decades have been absolutely stunning in the changes they've brought. The things that we take for granted today would have sounded like science fiction in the early 1980s. We enjoy streaming media. We use touch screen devices. We drive GPS enabled cars. We tweet, we podcast, Facebook, text, and of course we Bing. We Bing, and we Bing, Bing, Bing, Bing, at least all the time in my world.

Technology plays a very powerful role today in addressing some of the most pressing global problems including energy, climate change, healthcare, and education. All of us here tonight have a real responsibility to use technology for the benefit of society, and the benefit of the planet. At Microsoft, we are providing people the tools we hope that they can use and need to ensure their homes are energy efficient. We're sharing software that we've done that is helping

AIDS researchers find vaccines more quickly, and we are empowering people to make better decisions about their own healthcare.

But, all this is just the beginning of how technology is reaching more and more people around the world. Over the next several decades the global middle class, which is really our market, will grow from something of about a billion people today to over 4 billion people. Our collective ability to meet the growing demand is why I think I'm bullish and we can all be so bullish, in terms of the long-term prospects of our industry. Last year was a big year for Microsoft and for our partners as we delivered an amazing lineup of products that offers unmatched value and choice.

I want to take a closer look at some of what we delivered in 2009. Xbox, Xbox has been redefining living room entertainment since its launch 10 years ago. In 2009 we had a stream of blockbuster games, and we changed the state of social entertainment by introducing services like Facebook and Twitter, and Last.fm all integrated into Xbox Live. We also announced a ground breaking innovation codenamed Project Natal, that will turn you the user into controllers for games and entertainment and other computing experiences. Today I'm pleased to tell you that there are over 39 million Xbox 360s around the world. And since we launched the first Xbox more than 500 million games have been sold, accounting for more than \$20 billion in total game revenue. We've had amazing momentum with Xbox over the past decade. But, it's this year with blockbuster games launching virtually every month, and other surprises in store that makes me more excited about 2010 than about Xbox ever before.

2009 was also a year in which we made incredible progress in search with Bing. In just a few months we added over 11 million new users, grew our share, and introduced a consumer service that I think is really resonating with people. We did this by redefining what search should do for consumers. We're not just trying to provide people with a list of links. We work to understand user intent, and anticipate what users are really looking for. We refer to Bing as a decision engine, because we're trying to provide tools to people to make the decision they want to make, and to accomplish the tasks that are most important to them.

And we continue to introduce new updates and improvements to Bing on a very regular basis. For example, with the new Bing Maps you can go from a satellite view very quickly and easily down to your own front door, with uniquely smooth transitions, thanks to the Silverlight technology. Bing also allows you to explore and contribute to the building of three-dimensional photo experiences with the user of Photosynth. We know we're at the beginning of a long journey. But, we think we're off to a pretty good start. And tonight the momentum continues.

Microsoft and HP will team up on the search and Web portal experiences. Bing will become the default search engine, and MSN the default home page on HP PCs in 42 countries around the world, which is certainly very, very exciting from our perspective. We've also made great strides in the auto industry, where technology is rapidly transforming the in-car experience. First Ford will be rolling out a fresh new look for the next generation of Sync and the rest of their in-car technologies, built on the Windows embedded auto platform. I'm going to let Ford's CEO Alan Mulally really bring you up to speed on Sync during his keynote tomorrow.

Second, I'm happy to report that Fiat has now sold its one millionth car with Blue & ME, and eco:Drive technology built in. Since its launch just over a year ago eco:Drive the application has been downloaded over 80,000 times and users have analyzed over 5 million car journeys to help them improve their fuel consumption and lower their CO2 admissions.

And finally, Microsoft and Kia Motors announced yesterday a new in-car communications and entertainment system built on the Windows Embedded Auto platform. Kia's new product branded Uvo, includes the latest innovations, the natural user interface, and Microsoft's speech recognition technology. Uvo will launch in 2011, Kia Sorrento during the third quarter of calendar year 2010. In entertainment the Zune HD device is getting rave reviews in both technology and in consumer publications. In 2009 our Zune marketplace expanded to 17 countries, and became the premium video offering and part of Xbox Live.

Consumers can get instant on, 1080p, HD videos just like that. And in the future we'll continue to expand the Zune music and video service to other Microsoft platforms. The Mobile Space, this year we brought the next iteration of Windows Phones to consumers with the launch of Windows Mobile 6.5. We continue to see new and exciting Windows Phones coming to the market every month. For example, here's the new HD2, which will be available through T-Mobile, sharper, wider, and richer screen technologies really do make a difference. We will have a lot more to say about phones next month at Mobile World Congress.

But, of course, the biggest hit of the year for us and for our industry partners was the launch of Windows 7. Windows 7 is absolutely one of my favorite topics, no surprise probably in that. So, I'm glad to be able to spend some time talking about it. We have three big goals with Windows 7. First, we wanted to deliver PC experiences that work the way people want them to work. People want a computer that fires up quickly, feels responsive, and offers longer battery life. Simply put, we all want an experience that is faster, leaner, and less busy. Second, we wanted Windows 7 to make it a lot simpler to accomplish common tasks. People need to be able to navigate quickly, organize their information easily, and access applications instantly.

And third, we wanted to enable a world of new possibilities for software developers, hardware manufacturers, and end users. Our customers and partners want to be able to do new and exciting things, and push the boundaries and capabilities of today's technology. For each one of these goals I think we delivered in a big way. We get it by working with our customers, with you. Through an incredible process actually of collaboration between our engineering team, our customers and our partners. Windows 7 was an unprecedented effort that included 3,000 world-class Microsoft engineers, 50,000 partners, and 8 million beta-test customers, from soccer moms to small businesses, from grandparents to gamers, from Australia to Zimbabwe, people from every walk of life and every corner of the globe helped us make Windows 7 and make it an incredible success. The results are now speaking for themselves.

According to NPD, U.S. retail data shows that Windows PC sales jumped almost 50 percent the week it launched. On Black Friday it's reported that retailers sold 33 percent more Windows PCs than the year before. And for the 2009 holiday season a 50 percent increase in Windows PC sales from last year. Last year was a tough year, but these are still phenomenal numbers.

Today I think I certainly am very proud to be able to say that Windows 7 is by far the fastest selling operating system in history. But for me, the most important measure of success is what our customers think, and customer reaction with their experience has been very, very good. A recent survey found a 94 percent satisfaction rate among early adopters of Windows 7. All of this is driving great results for our industry.

After predicting a 2 percent drop in PC shipments in 2009, Gartner now expects the final number to be up 3 percent. That will mean nearly 300 million PCs shipped in 2009, which is an incredible number of smart devices. There's no more popular smart device today in the world than the PC. And for 2010, Gartner is looking at a jump of more than 12 percent. That's incredible momentum.

Clearly, consumers are saying that there's never been a better time to be a Windows 7 PC. With more than 1,400 Windows 7 PC models available, it's easy to understand why the numbers are so strong. If you look at all of the amazing hardware our partners are bringing to market from All-in-One PCs to ultrathins, netbooks, notebooks, screaming gaming rigs, the range of PCs with Windows 7 is virtually limitless. There is truly a Windows 7 PC for everyone.

The Windows platform represents the broadest ecosystem of developers in the world from casual games to the most powerful software running the world's biggest organizations, there are over four million Windows applications in all, and Windows 7 allows software to become even better. Developers are creating rich applications that take advantage of the new technologies in 7. Our partners have delivered over 800,000 new unique Windows 7 applications exploiting these new technologies with over 240,000 new devices, peripherals, and machines just since we delivered the beta release.

This all includes an unprecedented array of products that take advantage of new capabilities, platform capabilities like voice, touch, GPS sensing, graphics, social communication, streaming media, and much more, which are available for industry innovation in Windows 7. The quality, the value, and the choice in Windows PCs simply can't be matched on any other platform. And looking back on the past year, it's clear that Windows 7 really is a rising tide that has helped lift many boats in our business. But rather than just sit here and talk, talk, talk about what we're delivering, we'd like to show you what is now available or coming soon.

And to help me do that, I would like to invite onstage Ryan Asdourian from our Windows team. I'm going to show you some Windows 7 PCs, and some other things that are becoming available.

Please welcome Ryan. (Applause.)

**RYAN ASDOURIAN:** Thanks, Steve. All right. Hey, everyone, today I've got some time to show you some of my favorite hardware and software.

You've just heard Steve talk about the categories of PCs, and there are so many different PCs out there. Today, I'm going to show just a glimpse of some of the best stuff you can get today, and of course some things you haven't seen before.

Let's get started. Now, first, I want to talk about All-in-Ones. All-in-Ones are great because they're just like desktops, but take up less space and have more style. They're great for your home office, your dorm room, or even your kitchen. Here I've got the Lenovo 8300, it's the thinnest All-in-One on the market. And right next to it I've got the Medion Touch. But over here I have the Sony VAIO L. That's got a 24-inch HD screen, and Blu-ray drive built right in. Now, that's lust-worthy right there, but there is more. I can interact with this PC just using my finger. Touch capability right here, and this is a comic book app, but it's not just comic books. You can use this to browse the Web, or some of the thousands of applications out there that take advantage of touch and Windows 7.

Now, being in Vegas, you've got to look sexy. So, we've got some PCs that are --

**STEVE BALLMER:** It's a good thing we brought some PCs today.

**RYAN ASDOURIAN:** That's right. Let me show you this, up here we've got the ASUS, the MSI, and this Dell Adamo XPS. It's the thinnest laptop on the market. I've got these four poker chips up here, you see it's actually thinner than that. Now, right here, you can really see it, super thin. Steve, if you just slide your finger over the top, as he does that it magically opens up, and as you can see it's already awake from sleep. That's fast.

**STEVE BALLMER:** That's fast. That's fast indeed. (Applause.)

**RYAN ASDOURIAN:** Now being thin -- having great design is not only about being thin. I've got the ASUS NX90 here, it's built in partnership with renowned designer David Lewis. Not only does it look great, but it has amazing sound thanks to its Bang and Olufsen speakers. Very nice.

Now, I do love to travel, and I just got back from a recent vacation to Brazil. And I needed a way to stay connected across continents, so I brought a netbook with me. It's the perfect travel accessory. It lets me upload photos, create panoramics, and really make sure my friends and family were a little bit jealous of what I was doing down in Brazil. As you can see here, we've got lots of different styles and colors to choose from. So, you can find the one that's just right for you. Best of all, they all run the full version of Windows 7.

Now for all you gamers out there, we have got some amazing gaming machines up here. To start, we've got the HP ENVY NV15. It comes with a 1 gig DirectX 11 card from AMD. And over here I've got the Toshiba Qosmio x505. It won the gaming laptop of the year from laptop magazine, and also is going to have DirectX 11 in just a few weeks.

Now, what does DirectX 11 get you? How about the most realistic gaming experience on the planet. Let me show you what I'm talking about. Here I've got DiRT2 loaded up, and I go ahead and unpause that, and you can see just how realistic it looks. And practicing a little bit, you can really see the dirt. Clearly, you can almost smell it burning. It's beautiful.

**STEVE BALLMER:** You don't drive very well.

**RYAN ASDOURIAN:** Well, you know. If I want something that changes the game literally, well, I've got this ASUS D51 right here. It's got an Intel Core i7 mobile processor coupled with an Nvidia GTX 260M graphics card. That's a lot of names and numbers, but it translates to something amazing, 3D gaming.

I've got these 3D glasses right over here, and up here I've got Batman: Arkham Asylum. As soon as you put these glasses on, you're transported into this 3D world, so immersive you kind of find yourself almost leaning over peering around corners. I just played through this game about two months ago. As soon as I put those glasses on, I knew I had to play through it again. And, backwards compatible with hundreds of games. So many of the games I grew up with I can now relive again in 3D.

**STEVE BALLMER:** It's great.

**RYAN ASDOURIAN:** Now you've heard about PCs in the living room for a long time at CES. Well, it's easier than ever with these really small form factor PCs coming out with amazing prices. Here I've got the Acer Aspire Revo, and I've also got the Dell Xeno HD. Now these PCs are small enough that you can hide them right behind your TV so that you can power your TV with your PC.

**STEVE BALLMER:** We had one other PC we were going to show you, actually, it's built into a TV hidden behind here. Why don't you just go give them a little video of the big TV with the PC built in. We had a small problem, though, when the --

**RYAN ASDOURIAN:** Power went out.

**STEVE BALLMER:** -- power went out, we blew the tube. So we'll save that for another day.

**RYAN ASDOURIAN:** Sounds good. All right. Here, coming up, here we've just scratched the surface. The great part about being a PC, you can find one that matches your style, your needs, and of course your budget.

Well, it's time to dive into some software. To do that, I'm going to go ahead and play the part of a student. Now as you all know, students are incredible consumers of technology, and I'm going to show you just a few ways my life as a student is made easier and more fun with Windows 7. So, let's take a look.

**STEVE BALLMER:** Great.

**RYAN ASDOURIAN:** The first thing I've got to do, I'm going to go ahead and crack a book. Now, how many people remember that feeling of going into a school bookstore for the first time and almost needing a forklift to carry your books home? Not any more, digital reading is taking off. There's lots of cool things out there, there's Kindle, there's Sony, there's Nook, all of this can be done on your PC. And I want to show you a new reader called Blio that really takes e-books and reading on your PC to a whole new level. So, I've got my library up here --

**STEVE BALLMER:** This is the Blio reader?

**RYAN ASDOURIAN:** This is the Blio reader right here, and through the Blio bookstore it has over 1 million books from top publishers that I can download. Now, I'm going to go ahead and click into my anatomy book right here. As I do that you can see some really cool things. Here you see a skull, but I can actually get real feedback right here, and I can play around in --

**STEVE BALLMER:** What are you doing, self-administrating a test?

**RYAN ASDOURIAN:** Basically a little pop quiz without my professor grading it. So, it's kind of nice. Not only that --

**STEVE BALLMER:** You've taken it a few times, and you were getting ready for this test?

**RYAN ASDOURIAN:** A few times. Not only that, let me take you to this other part in the book. Here you can see us actually highlight it inside my book, but for more advanced concepts I'll simply go ahead, click play, and I'm watching video inside my textbooks.

**STEVE BALLMER:** So, we have both traditional texts, books, and then newly authored sort of advanced reading books, if you will.

**RYAN ASDOURIAN:** That's right. And if I'm feeling a little bit lazy, well, I simply have my book read to me. I'll go ahead and pause this. And now that we've finished reading anatomy, it's time to prepare for a presentation I've got in my anatomy class. Now, I'm a little bit behind on this. So, if you will, I'm going to pick you as my lab partner and have you help me out a bit. What do you say?

**STEVE BALLMER:** Okay. What topic did you say this was going to be in?

**RYAN ASDOURIAN:** Anatomy.

**STEVE BALLMER:** Okay, anatomy.

**RYAN ASDOURIAN:** Right.

**STEVE BALLMER:** Got you.

**RYAN ASDOURIAN:** I'm going to go ahead, load up my PowerPoint, now today businesses have all sorts of tools for working together, but students don't really have as many tools. They're mostly collaborating over e-mail, sharing files with USB drives, and always working with different versions. Well, I've loaded up the same file I've been working on, on Steve's computer using SkyDrive. Let me share what I want with who I want. Now, I'm going to show a new feature between Windows Live and Office 2010 that really allows us to work in sync. Now, with this we're able to use the fully functional version of Office and, Steve, I'm going to have you work on Slide 5. It's my summary slide to capture what's important.

**STEVE BALLMER:** What is most important. Okay, this is all I have to do?

**RYAN ASDOURIAN:** Just hit save when you're done. Now, I'm going to go ahead. I need a good picture for my presentation. So, I've got my Nikon d5000 camera right here. And in Windows 7 it really lights up. I can go ahead, open this up, and as I do that I see a device page. It really gives me easy access and a whole bunch of features that I can use without the camera. It even has the battery life remaining for my camera. Take your time.

**STEVE BALLMER:** Just let me finish here, I'm a slow typer.

**RYAN ASDOURIAN:** No worries. I'm going to go ahead and add in a picture I took. There we go, make that look a little bit nicer, and then I'm going to add a couple of transitions to this. There's a lot of new transitions in Office 2010 that I can take advantage of. I see some of those and as I do that I see in the bottom right, I see updates available. So, it tells me that Steve is done updating his slide.

I'm going to go ahead, hit save on mine, and when I do that it's actually going to merge the changes that Steve worked on with what I did, as well. So, it's going ahead and doing that. I'm going to show what this looks like. Hit F5, I can see some of those great transitions I talked about.

**STEVE BALLMER:** My work is beautiful. To the developers, baby, and all the people who built this stuff.

**RYAN ASDOURIAN:** That is perfect. My professor thinks we've been working on it all day, very good, very good in anatomy specifically.

**STEVE BALLMER:** Thank you very much.

**RYAN ASDOURIAN:** So my professor thinks we've been working on this all day, but with Office 2010 it allows us to work together and quickly bring my work to life. Now, Steve, work is all done. You know I am a huge Seahawks fan, right.

**STEVE BALLMER:** I do know you're a Seahawks fan.

**RYAN ASDOURIAN:** I have this video I've got to show you. Check this out, it's the Seattle Seahawk's mascot doing a skydive. Look at this. It's crazy.

**STEVE BALLMER:** That's insane. As insane as the Seahawk's season, but that's insane.

**RYAN ASDOURIAN:** Well, you see him diving over here. I'm going to show you exactly where he lands, watch this. Using Bing maps I'm going to take you down to Qwest Field, home of the Seattle Seahawks. So, I go ahead and click that, it takes me there. I'm going to zoom in a little bit, and as I do that it actually changes the view so I can see exactly what it looks like in that area.



**STEVE BALLMER:** So, this is where that nut skydives?

**RYAN ASDOURIAN:** That's right. And I need to find a place before the game for a beer and a little bit of food. So, you heard Steve earlier talk about something called street side where you can really dive down, see what it looks like on the street level, I'll show you exactly what that's like. I go ahead, zoom down in, and I see this little icon here, Fx McCrory's, a good little place. So, I'm going to go ahead click here, and take you right to the front door.

Without ever going there I can see exactly what that looks like, and not only that, I can see exactly how far away I am from Qwest Field. Now, it is a little bit colder in Seattle, so I want to make this a little more realistic. Suddenly it is snowing.

**STEVE BALLMER:** Very cute.

**RYAN ASDOURIAN:** All right. Let's be honest, though, we're never going to make it to a game today, so I think we should watch some TV instead.

**STEVE BALLMER:** Great, great by me.

**RYAN ASDOURIAN:** Not just any plain old TV, though, my TV is powered by my PC and that gives me everything I expect from my TV plus a whole lot more.

Then in my dorm room I have my PC as my TV, or more specifically, I can watch all of my TV through my PC. I'll go ahead and hit Live on this remote, and as I do this, you see I'm using a STV-N card powered by CableCARD Technologies. Now, I go ahead, bring up the guide here, and let me go ahead and find some content that I want to record. So, I go ahead and click on some here for a little bit more, and as I click through this I'm actually going to be able to record four HD channels at one time.

**STEVE BALLMER:** Four HD channels at one time?

**RYAN ASDOURIAN:** Yes, record four HD channels at one time. And, you know, CableCARD has really matured to the point where you can easily watch cable TV on your PC. And we'll support initiatives like TV Anywhere, which will let cable TV subscribers do things without an add-on card.

**STEVE BALLMER:** Wow.

**RYAN ASDOURIAN:** Now, Windows 7 gives me a great DVR. It gives me great live TV, and premium channels, everything I expect from my TV, but because I have a PC powering my TV things get even better. Of course, I have access to the whole Internet. Now, I can go here, I can check on Facebook, see what's new, go check out some crazy videos on YouTube. One of my favorite shows, It's Always Sunny in Philadelphia, I can watch on Hulu. Look around Vegas and see a couple of things to do while I'm here. Get IMs, or I can even watch, purchase, or rent my favorite movies, music, and more from Zune Marketplace.

And, while I'm at it, I can even play some games. It's pretty cool.

**STEVE BALLMER:** Great. And this is all in the same, because it's a PC, it's a TV, and the full access to everything else you would do with a PC.

**RYAN ASDOURIAN:** That's right.

I'm going to go ahead and bring this out now. The power went out earlier, so don't mind any of things you see up here, we're just resetting. I'm going to go ahead over here and use this keyboard. Lots of wireless things going on. All right.

Well, one thing here, Windows also gives Internet apps and content providers ways to enhance their content. I'm going to go ahead and launch Windows Media Center again, and what I want you to see is to take a look at this front-end to CBS.com. I'm going to go ahead and bring this up here. It's inside Windows Media Center. The experience is perfect for watching from the couch. Here it's been enhanced for the 10-foot viewing experience.

**STEVE BALLMER:** So this is just like a little front-end written for Windows Media Center. We're not talking to "A TV". This can be written for any Web site, and this is talking to CBS.com.

**RYAN ASDOURIAN:** That's right. And this is just one example of what application and content providers can do. And even more, let me show you. Now, because this is a full PC, I can get all of my content, and my friend's content, pictures and videos, right here. This is my actual home video selections. I've got a couple of things here.

**STEVE BALLMER:** Gardening with Katherine. Soccer mania. Your talented niece. We've got to get the spell checker for you there. What's this one, private skydive press.

**RYAN ASDOURIAN:** Don't worry about that. It's none of your business.

**STEVE BALLMER:** It is my business. I want to look. We're on stage here.

**RYAN ASDOURIAN:** You are the boss. Here we go.

**STEVE BALLMER:** What is this private stuff.

**RYAN ASDOURIAN:** It's just getting ready for a skydive, nothing to look at.

**STEVE BALLMER:** Okay.

**RYAN ASDOURIAN:** Well --

**STEVE BALLMER:** That's you.

**RYAN ASDOURIAN:** It is me.

**STEVE BALLMER:** Are you the nut who jumped out of the plane onto Qwest field?

**RYAN ASDOURIAN:** I've done some crazy things. And it is me. But, listen, I really need you to keep this between you and I. We'll have it as our little secret.

**STEVE BALLMER:** What goes on Vegas stays in Vegas. You can count on me.

**RYAN ASDOURIAN:** Sounds good.

**STEVE BALLMER:** I don't know about these people.

**RYAN ASDOURIAN:** Let me show you one of my favorite home videos that I have. I go ahead, load this up, and whether it's cable, Internet TV, or here one of my favorite home videos, I can do everything I normally do with my PC while enjoying TV. Let me show you. I'll go ahead, I can bring up Messenger conversation at the same time. I was IMing earlier with my brother, he was telling me to get ready. So I'll just thank him. So if our monitor there, it was working again. On our big monitor there, this would all just work sitting with our little wireless keyboard.

**RYAN ASDOURIAN:** That's right.

**STEVE BALLMER:** Cool.

**RYAN ASDOURIAN:** So, as you can see, I get a lot of stuff right here, and I can use it right inside Windows Media Center. (Applause.) Now so, as you can see, TV becomes a lot more fun when it's powered by a PC, but when you add Microsoft Media Room to it, you get even more.

**STEVE BALLMER:** Let me tell you a little bit about Microsoft Media Room then, because I think it's important for you to understand a little bit about it. Media Room is our software that permits paid TV service, and it's available now with the new version on the PC itself.

**RYAN ASDOURIAN:** Right.

**STEVE BALLMER:** And Media Room today is available to over four million users around the globe, four million users enjoying every day the TV service on their set-top boxes with the Media Room software that's offered by leading providers like AT&T Uverse in the U.S., BT in the UK, SingTel in Singapore, DT in Germany, and many, many more. J.D. Power and Associates have recently rated AT&T Uverse TV the best rated, highest rated residential TV satisfaction in the United States Southern and Western Regions for the second year in a row. I'm happy to announce that later this year AT&T will also enable subscribers to Uverse to enjoy that service on their Xbox 360 consoles.

All of this improvement in Media Room comes with the new version, Version 2.0, which enables new devices for paid TV service without extra hardware, great video quality over the Internet, and the ability to author new interactive content development frameworks all based on our

Silverlight technology. The Silverlight presentation and Smooth Streaming technologies are really the secret sauce that blends the best of interactive video technologies, and the best of Internet technologies. And now with Media Room 2.0 lets operators, developers and content creators deliver those next generation video entertainment experiences on platforms like the PC.

**RYAN ASDOURIAN:** Well, I've got it set up right here. Now, everything I showed you before, like recording four channels at once, you can do that and more.

I still get all my premium channels, my DVR, and I can even get a video on-demand store from a provider like AT&T. I can get all this on my PC. That is the magic of software.

Now, I'll go ahead and show you this. If I click in, I can actually go into the on-demand store.

**STEVE BALLMER:** So, we're just running the pay TV service. We were running a cable service from Cox over a cable card --

**RYAN ASDOURIAN:** Right.

**STEVE BALLMER:** -- and now we're running a service essentially from AT&T or somebody like that over the Internet or other networks.

**RYAN ASDOURIAN:** Exactly.

And here you see the different movies, but if I want to take my content with me, well, I can simply get all that same content here on my HTC HD2 Windows phone. I'll go ahead and unlock this. You see the video on-demand store, and I can also get my DVR content right here. I go ahead click CSI, hit "watch now" and suddenly it's playing my content right on my phone.

**STEVE BALLMER:** Same paid TV service on the PC, on the phone, and on the Xbox 360 from folks like AT&T and others.

**RYAN ASDOURIAN:** All my content everywhere I expect it to be.

**STEVE BALLMER:** Nice, very nice. (Applause.)

The world of entertainment and content will come in a number of forms and flavors. That's based in large measure on differing business models and development approaches from different operators, paid TV service providers, Web site developers, and content creators. You'll have places like Zune, you have the open Internet, you've got paid TV services.

But no matter what the source of the content, what kind of content, video, text, whatever, Windows PCs will absolutely offer the greatest variety and the most interesting content and entertainment experiences in the world, and I hope you get a little bit of sense of that out of the demonstration that Ryan just had a chance to do.

What I'd like to do now is actually have a chance to show Ryan something.

**RYAN ASDOURIAN:** Sounds great.

**STEVE BALLMER:** Let me show you some of the new PCs here that some of our partners are building.

You like to watch video, so we may do a little bit of that. But what I want to do is just highlight for you new form factors that are coming this year in what we would call slate PCs.

Here are three different slate TV form factors. This one comes from Pegatron. Bigger. This one comes from Archos, who's running a video, as it happens, right now. And this one comes from Hewlett-Packard. We're talking about something that's almost as portable as a phone, and as powerful as a PC, running Windows 7.

The emerging category of PCs really should take advantage of the touch and mobility and capabilities of Windows 7, and are perfect -- perfect for reading, for surfing the Web, and for taking entertainment on the go.

Our OEM partners are doing some great work with slate PCs that will be rolling into the marketplace this year.

I showed you these three examples. Maybe I'll just drill down a little bit on this example from Hewlett-Packard. This is sort of a prototype of a coming HP slate PC that will be here this year. It's a beautiful little product, and maybe we'll just roll the video here from HP for a second.

(Video segment.)

**STEVE BALLMER:** This great little PC, which will be available later this year, I think many customers are going to be very, very excited about.

This particular demonstration I'm running the Kindle software for the PC. As you see, I can flip through the book using the touch experience. I can experience the book in full color. I can, of course, go and buy and download more content from Amazon right from within this application.

As we close this demo, I want to say thanks to Ryan, but I also want to have a chance to again fire up a little bit of a special video, maybe you can watch this.

(Video segment.)

**ANNOUNCER:** Ladies and gentlemen, please welcome president of entertainment and devices division, Robbie Bach. (Cheers, applause.)

**ROBBIE BACH:** Good evening, everyone. As always, it's a pleasure to be here with Steve at CES to share my passion for entertainment. And hopefully by the end of tonight, we'll have shown Seth Meyers a tad more value in today's technologies.

Now, for me entertainment in all its forms has always been magical: film, books, art, and especially for me theater and sports. The rich array of entertainment transports you and allows you to discover the new: new topics, new worlds, new experiences.

And part of what I love about working at Microsoft is that the very best of software has exactly the same effect, the same expansiveness and exhilaration. It's that "aha" moment when you discover a new band you love, thanks to the software that powers Zune. It's that "no way," jump off the couch moment, because you've won your first game against someone on the other side of the planet, thanks to the software that powers Xbox Live.

And when technology works the way we want to, that is the magical wow that everyone at Microsoft is working toward. In every product design, in every line of code we tried to create experiences that delight you.

You know, the director of one of my incubation labs told me why he loves computer science. He said it's the only science that is bounded solely by our imagination, and nothing else. And I really believe that.

Now, perhaps the best example of this is all the work we've done on Xbox. The technological innovations for Xbox customers over the last five years alone have been absolutely -- and I hope you'll pardon the pun -- been game-changing. I'm proud of the software we've created to enable our customers to immerse themselves in games that rival real life, to play online with and against each other, to bolster the safety of our children with parental controls, to enjoy movies and music, and to connect with friends with the simple touch of a button on our Xbox controller.

And while I'm proud of all these things, I'm more excited to share with you tonight how 2010 is going to be a landmark year for all Xbox customers, and it's really for three reasons.

First, this year, you're going to see the best lineup of blockbuster games and experiences delivered exclusively to Xbox 360, including Mass Effect 2 where players will once again step into this sci-fi adventure from Electronic Arts beginning on January 26th.

Then just a few weeks later in February, Tom Clancy's Splinter Cell Conviction from Ubisoft will allow you to unleash the skills of your inner renegade spy.

And then this spring, the first content packs for Call of Duty Modern Warfare 2 from Activision will be available, again exclusively first on Xbox 360.

And as you may know, this game was the biggest entertainment launch in history, shattering theatrical box office records in its first five days.

The year continues with the third installment of our award winning, multimillion selling Fable series.

As well we'll introduce the sequel to our sleeper hit Crackdown. Well over a million and a half rabid fans and counting will discover new ways in Crackdown 2 to clean the city of a deadly virus.

But 2020 is much more than just the next generation of some games from Microsoft. Now, being an avid mystery reader, I'm personally excited about an entirely new genre of games that we will introduce this year, the psychological action thriller.

Meet Alan Wake, a mystery writer whose primary weapon are his wits and, yes, his flashlight, as he battles the dark with light; all the while wondering what the heck is going on in the nightmare he's been writing as it comes to life. Imagine the TV show Lost as written by Stephen King, and filmed by David Lynch, and you have Alan Wake.

Story driven like a TV series, Alan Wake will be told in episodes, with even more episodes available on Xbox Live after its launch this year.

And finally, for the game millions of players have been waiting for, what Star Wars is to film, and what Harry Potter is to fantasy books, Halo is to the gaming industry, spinning lore and mythology all of its own. More than a game, Halo is an epic experience that has won legions of fans since 2001 when we introduced the world to Master Chief, the last of the super soldiers who stands between mankind and its destruction.

Now, Halo is the classic battle between good and evil, and that battle matters because we love the characters fighting to save mankind.

Our next major installment of the Halo canon is Halo Reach, and it tells the story of the epic battle that occurred before Halo 1. Let's see for yourselves.

(Video segment.)

**ROBBIE BACH:** This experience is coming to you -- (cheers, applause.) Halo Reach is coming to you in the fall of 2010, exclusively on Xbox 360. And for fans who own Halo 3 ODST, you'll get a chance to experience Halo Reach with the multiplayer beta on Xbox Live this spring. This may very well be the largest beta ever in the gaming business.

Now, the true magic infusing Halo is its social game play on Xbox Live, but Xbox Live offers much more than multiplayer gaming. It's a community hub for gamers and non-gamers alike.

And this is the second reason why 2010 is going to be special for our Xbox customers. We are adding an ever-growing repertoire of non-gaming experiences to make our Xbox Live platform enjoyable for everyone.

Today, over 20 million people are Xbox Live members. To put this in context and perspective, that's nearly three times the number of people who watch Oprah. Just last week, Xbox Live experienced its busiest week ever, adding a new member every single second.

Case in point, our partnership with Netflix, which changed Xbox Live from a site for gaming to a service you use every day.

And then there's our partnership with BSkyB in the UK and Canal Plus in France, where for the first time you get live direct TV from your game console.

And the fact that people are spending nearly a third of their time on Live doing non-gaming activities like creating 20 million outfits -- 200 million outfits for their avatars, now that is a shopping spree.

What's more, 100 million songs for music games like Guitar Hero have been downloaded through Xbox Live.

So, just in the span of this keynote, there have been almost 4,000 downloads, or a song for every one of you in the audience, since Steve took stage at the beginning.

Now, right before Thanksgiving, we updated Live to provide gold members with access to Facebook, Twitter, and Last.fm. And since our launch, nearly 10 million people have logged into Facebook, Twitter, Netflix, Last.fm, and Zune.

Every single day, more than 25,000 new friendship connections are made on Live through Facebook.

And now with Zune video on Xbox Live, you can watch a movie in 1080p full HD with 5.1 surround sound on the biggest screen in the home.

There's no more waiting around while the movie buffers. We are talking instant-on movies on your Xbox 360. It's so easy, I want to show that for you for yourself.

Let me pick this up here. You can see I've got a movie here ready to go, Harry Potter and the Half Blood Prince. I confirm my rental. And right away we're going to have video running of the movie right here.

And as you can see, I can move forward, I can move anyplace I want in the movie, come back, and we get high-definition streaming right away.

If you then add to this party mode, you'll be able to see that you can watch that movie with your friends all at the same time, regardless of where they are.

Now, since its launch in November, people in the U.S. have had the ability to pick and play more than 25,000 movies, TV shows, and music videos on the Zune service. And while those movies are available to rent or buy, if you purchased one, you can now play it on any screen at your home: your Xbox, your Windows PC, and even your Zune HD mobile device.

Zune video is now available in 18 countries. It's a phenomenon on the service.



Now, of course, what is Xbox Live without games designed for social game play? So, I want to go with you and take a trip down memory lane to some of the early game consoles: the Atari 2600, Intellivision. Remember those?

Well, get ready to relive those glory days from the arcades of the '70s and '80s. When your Xbox Live avatar enters your personal arcade, you'll not only see the games in their original cabinets, but you'll hear them, including these.

Starting this spring on both your Xbox 360 and your Windows PC, you'll be able to play 30 original arcade classics from Activision, Atari, Intellivision, Konami and more.

But what sets this compilation apart from any other? It's Xbox Live. You'll be able to invite your friends to your custom arcade, and show off and try out your personal collection, and challenge them to a showdown.

Let's take a look at the showdown I had with my boss.

(Video segment.)

(Applause.)

**ROBBIE BACH:** Every single week, we'll be launching a new set of arcade games, over a thousand games over the next three years on Game Room. And importantly, you can buy Game Room titles once and play them on both your Xbox 360 and your Windows PC, with the same game, the same achievements and the same leader board.

Now, the third big reason why Xbox is going to have a banner year in 2010 has everything to do with the convergence of 20 years of research, and the power of software and the Xbox team's unwavering imagination.

Now, 40 years ago, the mouse freed us from the arrow key, so we could move anywhere we wanted on the X-Y plane of a computer screen. And since that time, many companies have tried to conquer the Z coordinate, the final frontier of the 3D world we live in.

How do we make the control of technology as invisible as oxygen, unnoticeable even as it is noticeably helping us live our lives?

That is precisely the question Microsoft has been asking, and why we've devoted the last 20 years researching what is known as the natural user interface or NUI.

Now, that natural doesn't mean getting rid of technology. Natural means creating technology that works exactly how we expect it to work. This is why we send the Neil Armstrongs of our company, our world class engineers, psychologists, ethnographers, physicists, chemists, vision specialists, and design gurus to the farthest realms of the sci-fi world to think and apply rigorous science to computer vision, machine learning, user interfaces and language processing. These inventors are creating technologies that have a 10-year horizon or more.

Then we have our user researchers who work in the three-year product horizon, principals who take the NUI inventions and test what is possible; for example, how does our musculature work when we jog versus sprint.

And finally, we have software engineers who take the best of this research and meld it with the best of their ideas and the best of their code.

And now, over a thousand patents later, for inventions spanning digital ink, speech, touch, and air gesture, we have the convergence of years of research, and our work on products like Windows 7, Surface and Zune HD, all of which explore new ways to use touch capabilities.

We are at an exciting inflection point in technology where we are able to create an experience that is more simple, more intuitive, more natural, and that point is codenamed Project Natal for Xbox 360.

With Project Natal we are removing the last barrier to gaming, the controller, freeing you to have the experience you want with technology that's natural for you.

I want to have you meet some of the Project Natal team, and see what they have to say.

(Video segment.)

(Applause.)

**ROBBIE BACH:** When we first showed the prototype of Project Natal at E3 last year, we got an amazing response, and the top question I heard was, when can I get my hands on one of those?

Now, we've made tremendous progress on the product since then, and we've been hard at work to ensure our third party developers can create their Project Natal ready games. I can now tell all of you that Project Natal will be available this holiday 2010. (Applause.)

This holiday 2010 you'll be able to bring home Project Natal, which will work with your existing Xbox 360 console. This holiday 2010 you'll be able to experience an entirely new, yet completely natural way to play.

And so when I told you earlier that 2010 was to be a big year for Xbox, I was wrong. 2010 is going to be the biggest year in Xbox history, with a yearlong string of exclusive blockbuster titles, including our own Halo Reach and Alan Wake, and our ever growing repertoire of social and gaming experiences of Xbox Live, including Game Room, and the release of Project Natal this coming holiday.

When Steve began tonight, he said that over the next five to 10 years information technology will transform our lives for the better, more quickly and more profoundly than we ever thought possible. In just this last hour, we've shown you many ways our lives will transform just in

2010, how you can choose from over 1,400 Windows 7 logoed PCs to find the perfect one for you, how we can experience TV on all the screens in our lives, how our rich selection of software and cloud services are enhancing your family fun so you can do things like buy games on Xbox and also play them on your PC.

Now, I think the creative director for Project Natal summed it up best when he said, when something like Project Natal comes along, it rips up your rule book and throws it away. And you've got a big white sheet of paper. I want you all to just imagine what will be conceived 10 years, five years, even one year from now to cover those sheets of white paper. It is the best of our imagination, created in software, completely at your service.

Thank you very much.

(Applause.)

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