

News Press Release

Gates Outlines Vision for the Digital Lifestyle and Showcases New Products and Technologies From Microsoft

CES keynote address features first broad demonstration of Windows Vista; new Xbox 360 peripherals, mobile devices and Windows Live services.

LAS VEGAS — Jan. 4, 2006 — Highlighting key consumer products such as Xbox 360™ and offering the first broad demonstration of the consumer features of Windows Vista™, Microsoft Corp. Chairman and Chief Software Architect Bill Gates showed how the company is delivering on its vision for a digital lifestyle where devices, services and applications work together seamlessly. In his 10th annual keynote address at the 2006 International Consumer Electronics Show (CES) in Las Vegas, Gates demonstrated how Microsoft® Windows Vista, Xbox 360, new mobile devices and the emerging wave of software-based services will deliver more connected and richly personalized experiences for consumers.

In his keynote, Gates said that the consumer electronics industry is poised to deliver a quantum leap forward in rich, interactive, high-definition experiences. “Technology has revolutionized how we listen to music, watch TV, play games, communicate, and manage and share personal information,” he said. “In the years ahead, further exciting innovations will unify the software, hardware and services in people’s lives, offering them even richer, more engaging and deeply connected experiences.”

Windows Vista Unveiled

In the first broad demonstration of Windows Vista for consumers, Gates showed how Microsoft’s next-generation operating system, due later this year, will offer customers powerful new advances in security, search capability and digital entertainment. He highlighted how Windows Vista will bring clarity to customers’ digital world and help them easily accomplish everyday tasks, instantly find what they want, enjoy the latest in entertainment, keep their personal information safe, and stay connected at home or on the go.

He highlighted some of the most compelling consumer-oriented features of Windows Vista, including a sleek user interface, richer multitasking experiences and deep integration of search throughout the operating system. He also showed the new Windows® Photo Gallery, which will make managing and working with digital photos easier.

He showcased the most advanced Windows games platform for everyone from casual players to hard-core gamers, including stunning graphics capabilities, by premiering Microsoft Games Studios’ forthcoming “Flight Simulator X,” the most realistic flight simulator in the franchise’s 25-year history.

Gates was joined onstage by MTV Networks’ Music Group President Van Toffler to showcase the forthcoming URGE digital music service, which is designed to bring people’s emotional connections with music to the forefront of the digital entertainment experience. URGE will give

users of Windows Media® Player 11 instant access to more than 2 million songs from major and independent labels as well as exclusive MTV Networks programming and content.

Demonstrating the Windows Media Center capabilities of Windows Vista, Gates cited growing momentum around the platform by announcing that more than 6.5 million Windows XP Media Center Edition-based PCs have been sold from more than 130 computer manufacturers worldwide.

In another sign of momentum for Windows XP Media Center 2005, Microsoft announced that Comedy Central has joined a group of 110 Online Spotlight content partners and that forthcoming Media Center PCs will include CableCARD support for high-definition programming without a set-top box. This will allow users to plug their digital cable signal directly into their PC to watch and record premium cable content, including high-definition programming, without a set-top box.

Xbox 360 Leads the Way in High-Definition Entertainment



Microsoft Chairman and Chief Software Architect Bill Gates (L) and CEO Steve Ballmer (R) play the Xbox 360 Fight Night, Round 3 video game with boxing commentator Al Bernstein (C) during Gates' keynote address at the 2006 International CES.

Las Vegas, Jan. 4, 2006.

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Just a month after the global launch of the new Xbox 360 video game and entertainment system, Gates discussed the product's strong momentum in delivering high-definition hardware, games and digital entertainment experiences. Xbox 360 is on track to be the fastest-selling video game console ever, forecast to ship between 4.5 million and 5.5 million units worldwide by the end of June 2006.

Gates noted that Xbox 360 has also become a powerful application for high-definition television, adding that nine out of 10 Xbox 360 owners currently own or intend to purchase a high-definition television set.* He announced that more than 50 new high-definition Xbox 360™

games will be available by June 2006.

Building on Xbox 360 leadership in high-definition experiences, the company announced plans to deliver a new Xbox 360 external HD DVD drive in 2006. The new drive will offer millions of Xbox 360 owners the ability to easily enjoy HD DVD movies and will provide consumers with even more choices for experiencing high-definition content, in either physical or digital form.

Using Xbox 360 and the Xbox Live[®] service today, consumers are already able to access high-definition entertainment such as Xbox Live Arcade titles, game demos and high-definition movie trailers. Consumers can also use their Xbox 360 system to access high-definition television and movies from their Windows XP-based Media Center PC.

Gates' keynote also showcased the momentum behind Xbox Live, announcing that more than half of all Xbox 360 owners are already connected to the online games and entertainment service, which boasts a worldwide community of more than 2 million members. He demonstrated Electronic Arts Inc.'s forthcoming EA SPORTS™ "Fight Night Round 3," scheduled to be available in February 2006, and announced that a free, playable high-definition demo of the game is now available at the Xbox Live Marketplace, a one-stop digital download center where consumers can access high-definition games, music and movie content from leading industry partners.

Staying Connected With Powerful Windows Mobile-Based Devices

Gates highlighted the Treo 700w, an innovative new device that brings Palm Inc.'s celebrated ease of use to the Windows Mobile[®] platform. The Treo 700w, available exclusively on the Verizon Wireless network, combines a great mobile phone with easy access to wireless e-mail and business applications, giving professionals more ways to stay connected while on the go. The Treo 700w is available at retail Jan. 5.

The keynote also included a demonstration of how future technologies will transform the way people manage information in the office or on the go, communicate with co-workers in richer and more immersive ways, and be more productive wherever they are.

Continuing his keynote, Gates showcased Microsoft's advancements in mobile entertainment by unveiling next-generation Windows Mobile-based Portable Media Centers from Toshiba Corp., Tatung Co. and LG Electronics. The new devices, scheduled to be available this year, will feature extensive battery life, support for new high-resolution and widescreen (16:9) displays, direct audio/video recording, gaming, FM tuners and direct connections to digital cameras.

New Content to Energize the Digital Lifestyle



Microsoft Chairman and Chief Software Architect Bill Gates demonstrates how in the near future people will be able to take advantage of large displays during his keynote address at the 2006 International Consumer Electronics Show (CES), Las Vegas, Jan. 4, 2006.
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Gates' keynote address highlighted a number of new alliances that use Microsoft software to provide broader and richer content to consumers. He showed Starz Entertainment Group's new Vongo video download service, which offers more choices and great experiences for people using Windows Mobile-based devices. Vongo subscribers will enjoy unlimited access to more than 1,000 first-run movies and video selections as well as the streaming Starz TV channel.

Microsoft announced a broad agreement with DIRECTV Inc. that will open up new ways for consumers to enjoy their digital media in the networked home and on portable devices. Microsoft and DIRECTV will work together to enable digital content to flow between Windows-based PCs, DIRECTV devices, PlaysForSure™-based portable media devices and Xbox 360.

It was also announced that Microsoft and British Sky Broadcasting (Sky), the leading pay-TV provider in the U.K. and Ireland, plans to create a Windows Media Center version of Sky's forthcoming broadband content service, Sky by broadband. The service will enable millions of Sky TV customers to access video content from their PC, including hundreds of movies and sports clips.

Windows Live Services Deliver Rich, Seamless Experiences

In the area of software services, Gates previewed new Windows Live™ offerings, designed to bring together relationships, information and interests that are important to people on PCs and a wide range of devices. He unveiled two new telephones from Royal Philips Electronics and Uniden America Corp., designed to work with the voice communications capabilities in the upcoming Windows Live Messenger, the soon-to-be-released successor to MSN® Messenger, which has more than 200 million active accounts around the world. The new phones will allow consumers to make calls from a cordless handset connected to both the Windows Live

Messenger service and public telephone networks. The Philips VOIP433 Dual Phone will debut in Europe, Asia Pacific and Latin America in 2006. The Uniden WIN 1200 Digital Cordless Phone will offer people another option for making calls over the Internet and will be available in North America in spring 2006.

Gates also previewed forthcoming services for Windows Live and Windows Vista that will help people find and manage their entertainment on the Windows-based Media Center PC or Microsoft TV IPTV Edition-powered set-top box from almost anywhere in the world. TV gadgets on Live.com will enable people to find, manage and share personalized TV recommendations as well as remotely schedule recordings on their Media Center PCs.

Gates concluded his keynote address by looking back on the great momentum of 2005 in consumer technologies and outlining key trends that will shape future innovation in the consumer electronics industry.

“The incredible momentum around all these new products and services shows that the digital lifestyle has truly gone mainstream this year,” Gates said. “Now it’s time to bring together the devices, software and services in people’s lives and take all these experiences to the next level.”

Founded in 1975, Microsoft (Nasdaq “MSFT”) is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

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* According to a recent survey by Penn, Shoen and Berland Associates

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