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Remarks by Bill Gates and Steve Ballmer**Jan. 13, 2000****Redmond, Wash.****MR. GATES:** Good Afternoon,

Microsoft was founded 25 years ago, and I've had the same job as CEO during that entire 25 year period. The vision that Paul Allen and I had of the PC becoming an empowering tool, and software playing a central role in that has certainly achieved a lot of the dreams that we've had. And yet, I would say that today there is more opportunity for software than there has ever been. Even though we have over 400 million machines out there, running the graphic interface, a very high percentage running our office productivity software, in a sense you can say that you haven't seen anything yet.

The revolution ahead is one where we still feel that software will very much be at the center. And yet, the nature of software will be changing, software will be delivered in many cases as a service across the Internet instead of a packaged product. The way that software has been developed using things like XML, to interface, to speech systems, to hand writing systems -- it will appear in a different form than it has.

When I think of how this decade will be, how will people look back at it, I think we can say that they might even call it the "software decade." It's during this decade that the way business is done will be defined by software, the way that you share and find information will be defined by software -- even the way we think of entertainment, the way we think of music and photos. We are bold enough to believe that even reading electronic books will be very, very much apart of this decade. Now, Microsoft has had to change a lot during the last 25 years to keep up with all the neat new horizons in the world of software. We did some revolutionary things when we moved to the graphical interface. We took a big bet the company risk when we moved up to Windows NT. And five years ago we had an Internet Strategy Day and talked about the Internet becoming the top priority for the things we are doing. We see ourselves today at that same type of inflection point. Where the nature of the platform, the way that it works, the way that people develop these applications, all of those we need to bring some breakthrough technologies to.

Fortunately, there is a lot of great work that has been going on in our research groups, and our product groups that provide the foundation for this. Fortunately, we have Windows 2000 out there as a fantastic platform for all of this to build off of. We also need to continue to evolve the management structure at Microsoft. Over the last 18 months, Steve Ballmer and I have made a number of changes. We have gotten a group of top people together to really work as a team in formulating a strategy that's been a new thing to us but very gratifying to see how that's come together.

One of the big changes I made was back in July of 1998, when I made Steve President of Microsoft and his assuming those responsibilities, allowed me to put some more of my focus on technology. However we're taking the next step. Today Steve is going to step up to a new role, and he will be CEO of Microsoft. I'll take on a new role that will allow mw to spend almost 100% of my time on these new software technologies. I'll be the chairman I'll be Chief Software Architect, and my commitment to working full time working with the same energy that I have brought to this job over the last 25 years is 100%. It's a very exciting revolution for me and I see it as a very good transition for the company.

Steve and I have had a unique partnership we've worked together for almost 20 years now, and I feel very lucky that he is here to take on the new challenge of CEO and have me in my role as Chief Software Architect. Overall I'd say the company has terrific people, a great management team, some incredible technologies, and because of this belief in software and the opportunities that are out there

we have the chance to do a lot more in our future than we have done to date. So let me now ask Steve to come up and I'll congratulate him on his new role. Congratulations, Steve.

(Applause)

MR. BALLMER: Thanks Bill...I am certainly honored and very, very excited about the opportunity. On a personal level, the kind of relationship that Bill and I have, I think, must be totally unique in the business world. And I'm enthusiastic about really having the opportunity to work together with Bill in this new way over the years ahead.

With Bill as both Chairman and the Chief Software Architect of our company and the incredible leadership team we have in place here, along with thousands of incredible people in the company, I think we have an opportunity to repeat in the 21st Century the kind of progress we helped make on behalf of customers during the last quarter of a century.

We certainly face big challenges, that's for sure. If you look at the tough competitors we have out there: Sun, IBM, Oracle, Linux, and now AOL and Time Warner, in addition to the hundreds of Internet startups who are competing with various aspects of what we do, it's a challenging time.

But I think the times Microsoft has been faced with challenges is, frankly, often the time when we do our very, very best work, and have helped to do the most to revolutionize the industry through innovation. Software is our heritage and it's the key, we think, to the future. In the years ahead it'll be software that's the driver for new opportunities, not only in hardware but in wireless, in e-commerce, in broadband and in other things. And we are dedicated to our roots and our capabilities in software.

Our plan is to create a new software services platform that will ignite opportunities for literally thousands of partners and customers around the world. It's going to take an incredible amount of work to deliver on the promise of enhancing the Internet User Experience and delivering really a platform that I might call the Next Generation Windows Services platform -- and delivering that platform is the top priority of our company.

This spring, we'll have a major strategy day which we'll call Forum 2000, and we will lay out very clearly the set of initiatives, the deliverables on this particular roadmap. But the work we're talking about here really is an evolution in some senses of a set of efforts we've been working on for a number of years, and certainly some themes we've been discussing in our developer strategy day, in Bill's Comdex keynote, really focusing in on the Internet User Experience in the role of software and services.

I want to outline a couple of scenarios that perhaps help illustrate how the Internet User Experience will change as we take advantage of new technologies. One of my favorites is in the healthcare area. I've thought a lot about this of late, and you know, if you think to the future, there will be a day when you're able to keep all of your information, your medical information, in a secure, private place out on the Web. You'll be able to give permission to appropriate doctors to put new information in and to view your medical history. You'll be able to pay your bills, interact with your healthcare insurer, receive notification when an appointment is necessary and incorporate those appointments automatically into your calendar. Wherever you are, whenever you are, wherever you are in the world and whenever you want to you'll want to access that information.

Another good example of this next-generation Internet User Experience might come from the travel region. You know, you'll want to purchase a flight using a service like Expedia or other. And you want that flight that you booked to automatically be reflected on your schedule. The friends that you're going to visit, you want them automatically to receive a message that says you're coming. You'll be notified automatically wherever you are that your flight is delayed and a notice will get triggered to page, I don't know, Mom and Dad, to tell them you're late if your flight gets delayed. That kind of service is the kind of service we envision and only works if there's a level of integration of websites and a level of ability to share data on the internet in a consistent way; cross-services that simply doesn't exist in today's world.

We talk about a central set of Next Generation Windows Services, or NGWS, that any third party can use because that's crucial in realizing the kinds of scenarios that I describe, and the kind of sharing both of program logic and of information across the internet. We need to deliver a

breakthrough version of Windows that allows the PC and servers to include these next-generation services and to use those services actually hosted out on the Internet, so there needs to be a place, or a site if you will, out on the Internet that hosts these kinds of services. And it's imperative that the breakthroughs that we're talking about here include changes to the programming model, to the user interface, to the application integration model, the file system, new XML schema, it's literally the same kind of change I think that Windows itself represented to the world of DOS and character-mode computing.

At the same time as we deliver these breakthroughs, we also need to continue to make the Windows client more reliable, manageable and secure both for consumers as well as for business users. And the server work we've started, we need to push forward making the servers more reliable and scaleable enough not only to run any of today's e-business but businesses as they evolve in the future.

It goes without saying that we believe the PC will continue to be the most powerful creativity device available to people. But we also need to ensure that non PC devices . And the server work we've started, we need to push forward making the servers more reliable and scaleable enough not only to run any of today's e-business but businesses as they evolve in the future.

It goes without saying that we believe the PC will continue to be the most powerful creativity device available to people. But we also need to ensure that non PC devices can leverage this next generation set of window services. Phones, pocket PC's, consumer Web devices, TV-attached devices and home and small business servers all must be able to take advantage of this next generation window services platform.

As our company did with Windows in offices, we will create some specific key services that use our platform. Those services will focus in on a very specific set of user scenarios. Important, but certainly very narrow compared to the broad set of opportunities. We want to focus in on certain key home and consumer scenarios, mobile scenarios, the knowledge worker and the small business. Most of the services, as I said, will be delivered by other company. And the platform evolution that we're talking about will be very open. And I think, trigger a round of incredible opportunity for companies to enhance their Internet presences.

Many companies will try to deliver on this kind of seamless, next-generation Internet User Experience. I think our company is in a unique position though, in having an end-to-end capability to harness the power of the PC, new devices, servers and the Internet with important key services that highlight and bring alive this platform to users. The Windows 2000 generation of products including Office 2000 and the forthcoming releases of Exchange and SQL Server 2000 will be the best foundation of this work for all of our customers.

And we've made a set of investments in a lot of the areas you've heard us talk about that will be synthesized into this new platform -- programming tool work, natural language work, user interface enhancement, et cetera.

I'm also convinced that we have exactly the right people to execute on this opportunity. Here in our studio today you've got a cross-section of our really top leadership teams, in addition to Bill, our new Chief Architect which we'll all be very grateful for, we've got Bob Muglia, Rick Belluzzo, Jim Allchin, Paul Maritz, Craig Mundie, with our key business leaders Bob Herbold and Jeff Raikes, and we really have an incredible team that'll be my honor to have a chance to be a part of.

Our Business Leadership Team, not all of whom are here today, will continue to be a core working body, setting direction for this company. Our goal in the months ahead is to take decisive action on this strategy, to really pull together the pieces. I think about it a little bit as where we were in 1995. We shipped Windows 95, we took several months to sort of re-group and pull together a set of pieces and really drive forward on what I might call the first-generation Internet User Experience.

We've shipped Windows 2000, we have Bill now focused 100 percent as Chief Architect of this transformation and we're going to have every one of our development team systematically take the technologies that they've been building that are appropriate, get them integrated and really get razor-sharp in our focus on delivering this Next Generation opportunity.

