
From: Mike Oldham
Sent: Monday, July 19, 2004 8:13 AM
To: HP Team Redmond Sales & Marketing
Subject: FW: Summary: Steveb at MGB 7/15/04

From: Katy Hunter
Sent: Sunday, July 18, 2004 11:23 PM
To: Corp Comm Team; Executive Staff and Direct Reports; Executive Speech Writers
Subject: Summary: Steveb at MGB 7/15/04

Steve closed the MGB general session day with a speech focused on confidence. He has a strong track record for inspirational and high energy MGB talks, and this year was no exception. The audience of nearly 15,000 started and ended Steve's 83 minutes talk on their feet.

SUMMARY:

After a high energy opener, Steve thanked the audience for a good year. The event is one week prior to earnings reporting, so while he gave the crowd a thank you for a good year, he did not discuss any specific details.

Steve set up the confidence theme by asserting that Microsoft is a great company that changes and will further change the world. "I'm going to talk to you today about why I think we should have great confidence and excitement and enthusiasm about our future, despite the fact there's plenty to worry about." He recounted themes from his past MGB talks to reinforce that all of these things, plus his recent memo, are still relevant and important, but for this day he was going to focus on confidence. We should have confidence that we will succeed with the high bar our customers, partners, shareholders and employees have for the company.

Steve walked through 4 negative press quotes to illustrate that while there are elements of truth for us to worry about and improve, we need to rise above the high bar and keep improving. He noted that reality is better than the perceptions these articles claim and that they make him mad. Steve asserted that the key to overcoming these perceptions starts with having confidence. The rest of the talk broke down the 4 elements of why we should have confidence.

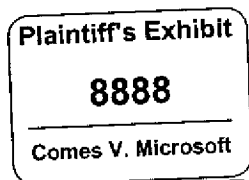
1) **People.** Microsoft's unique culture and values are the foundation for why we should have confidence in our future success. He highlighted our values and discussed about the need to focus on accountability. "My confidence in our future starts with all of you and thank you"

2) **Innovation.** In terms of innovation, Steve indicated that our focus is to accelerate the rate at which we innovation. We want to be first to market, first to cool and first to money. We want all 3, but at least we will be first to money. Google and iPod were highlighted as innovation areas where we were not necessarily first, but where we will innovate to win. It was during this section where he highlighted the value of IP and the importance of patents. He recognized that people in field may not get an opportunity to see the innovation work we do and how world class it is. "You absolutely should rest assured that the team is doing absolutely everything to make sure that we're the most fantastic innovation machine in the history of the world."

3) **Growth.** Steve quickly covered the need to have an appropriate cost structure and the options the board will review with respect to what we will do with our cash. Then he shared the formula for our future profit growth, by explaining reasons in each P&L on how we can drive growth. The slide showed a range of estimates of what the operating profit growth could look like from now through FY07/08. The range was equivalent to the total profitability of the 30th to the 60th most profitable companies in the world. If we execute on our growth opportunities we could grow a GM to a P&G in profit. Steve then related the opportunities of the company's growth to the opportunity for individual employees to also grow their careers.

4) **Winning.** Responsible leadership is not inconsistent with competing to win. Here he addressed the Sun settlement, saying it was the right thing to do. but doesn't mean we shouldn't meet them in the market everyday and win. As for Linux, where he wants the team to "put a little whoop-ass on them", Steve highlighted that the facts will set us free. He challenged the team to grow market share faster than Linux does in the server market in

6/23/2005



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the next 12 months. If so, Steve promised he would come up with something real special to do with this group next year at MGB. He said server share vs Linux was a top thing on his mind. He went through several competitors across the P&Ls. He ended with IBM and got the crowd chanting "Win, Win, Win"

He wrapped by reiterating his confidence that we can win. But winning does not make you a hero. Heroes allow us to win. This was how he set up his closing song "I need a hero", which again got the crowd to their feet.

We are not posting slides or transcripts. Let me know if you have any questions.

Thanks

Katy Hunter
CEO Speech Lead

6/23/2005

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