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THE FOLLOWING IS A TRANSCRIPT OF A PORTION OF A DISCUSSION WITH CRAIG MUNDIE FROM THE GOLDMAN SACHS TECHNOLOGY INVESTMENT SYMPOSIUM WHICH TOOK PLACE ON FEBRUARY 26, 2008.

**Goldman Sachs Technology Investment Symposium
Craig Mundie Keynote
Las Vegas, Nevada
Tuesday, February 26, 2008**

SARAH FRIAR: But just your bigger picture thoughts as being part of the decision making process to go out and do something so different from what we've seen from Microsoft in the past.

CRAIG MUNDIE: Well, again, as you say, neither one of us can say much. But I think the important thing to remember about this is, we always value R&D talent supreme, and in this area of all the online service capabilities, Yahoo is a great research and development capability. We have a great research capability, but we have an appetite for a lot more. So, first, we see a huge opportunity to bring these things into alignment and get more R&D.

Two, we're very committed to being a player in this online business broadly, and in particular the search and advertising part, and to do that globally. And so there are some synergies, obviously, that come there. And with or without Yahoo, you know, we'll continue down that path. But as a combined entity, we think that it would dramatically accelerate our ability to be more competitive in that environment, and we think that that is important.

SARAH FRIAR: Is it people or technology, though? Because you've kind of already said that people are the most important thing when you buy.

CRAIG MUNDIE: It is. And there are some components of their technology that would be there, too. But the reason we think there's synergies, actually, even in the R&D side, is that there's a lot of redundant development going on. The search engines are both being developed right next to each other in two different companies, and many other components, the whole advertising system. Every one of these things is being redundantly developed by two groups of very, very smart people. At the end of the day, you don't need both. There may be great components from the two of them, and over time you could smooch them together, but there's a lot of fungibility in that part of the investment.

The other thing that I think is very important to remember is that Microsoft's business, one of the reasons everybody loves it at that only 40 percent margin is it's a scale economic business. We intend to stay a software and services company, our services aren't the we rent you people kind of services, it's the we're going to provide you software-based services. And, therefore, they retain their scale economy. This whole online service business, much like our traditional software business, is also a scale economic business. And so in combination we really get the leverage from a scale economic point of view that's, again, just a lot longer grind if we end up, you know, doing it on the ground. So you could say this is the in the air model, and we'll play the ground game if we have to.

SARAH FRIAR: Is this more a one-off, or do you see other areas where Microsoft would make some bigger acquisition? It doesn't seem as likely to me, looking at the company.

CRAIG MUNDIE: Yes, and again, it's not so much the area that I focus on. In a way we never rule out anything. I think I tend to look at the aQuantive deal earlier this year, that was by a factor of four, I think, the biggest thing we had done, and now if we did the Yahoo deal it would be seven times bigger than that. And I actually am very positive about it, personally, both of those things, because it shows that the company is willing to use all the assets that it has, its financial capacity as well as its engineering and marketing capacity, to go out and do business where the biggest market opportunities around the world are. And I think for many years we tended to grow everything organically, and in this case I think we're really looking at the best strategic ways for the company to do that.

So if somebody comes along and says, oh, there's another pot of gold over there that we're not participating in, I'd never rule out that we wouldn't consider some strategy other than organic engineering to do it, but right now we'd just like to complete the Yahoo deal.