

Thursday, January 5, 2006.

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Keynote address of Paul Otellini. President and CEO of Intel.

4:30.

ANNOUNCER: Please welcome the president and CEO of the Consumer Electronics Association, Gary Shapiro.

GARY SHAPIRO: Good afternoon, and welcome to the 2006 International CES. As you walk the show floor, you will notice two key themes of the 2006 International CES. And they are connectivity and mobility.

People want products that they can use wherever and whenever they choose. Products with these features are in abundance in Las Vegas this week. And with that in mind, I am looking forward to our next keynote speaker, who hasn't seen the label, "Intel Inside."

Ladies and gentlemen, a stamp of approval. That famous campaign, which at least in part at CES may change very soon, but it reflects the phenomenal creativity of Intel.

For more than 35 years, Intel technology has enabled the computer and Internet revolution that that is fundamental helped to change our world. Founded to build semi-conductor memory products, Intel introduced the

world's first microprocessor in 1971.

Today, Intel has become the world's largest chip maker, supplying solutions to meet the unique enterprise mobile and home requirements of customers worldwide.

I am so pleased today to introduce Paul Otellini, who became Intel's fifth CEO in May, succeeding Doctor Craig Barrett. Paul has been instrumental in defining new technologies to meet the consumers around the globe. A 31-year Intel veteran, Paul previously served as Intel's President and Chief Operating Officer.

But what you may not know is Paul was the architect behind the largest organization in Intel's history. Just last January, he focused on markets such as the digital home, mobility, and digital health. It has only been a year since his vision moved Intel from a microprocessor company to a platform company.

Please welcome Paul Otellini as he shares his view of the digital future with all of us.

(Music.)

GARY SHAPIRO: Welcome to another typical day in Normal. Down at the elementary school, Ms. Ralston's second graders are working on their penmanship. Over at the salon, Dottie and Beatrice have their weekly hair and nail appointments.

High school sophomore, Jimmy Shoey, is getting up

the nerve to ask Stephanie Woodward to the homecoming dance. Sales are booming at Joe Clametay's family-owned store. And the same family is preparing to attend a world premier movie, starring their favorite actors.

Yes, just another typical day in Normal.

Or is it?

(Music.)

Ladies and gentlemen, please welcome Intel President and CEO, Paul Otellini.

MR. OTELLINI: If you like the music, come to the party tonight.

We're thrilled to be here at CES. It's a place where change starts. The New Normal, the video you just saw, is not a place, it's a state of being. Technology moves from new to normal very rapidly.

Technology becomes a lot more useful when it's exciting and fulfilling, especially when it becomes transparent. A test of good technology is once you use it, you can't go back.

All of this is made possible by Moore's law, and that's what Intel is all about.

All things digital are advancing on an exponential curve. PC's, consumer electronics and hand-held devices.

This is yielding profound change. And revolutionary, not incremental advances.

So what's the new normal? Rapid evolution and change are the new normal.

And you know what? There's more change in front of us than behind us.

Let's take a look at things that have changed.

This is a 1984 cellphone from Motorola. Two pounds, 30 minutes of talk time. In 22 years, cellphones have gone from new to normal.

This is affectionately known as the Compaq lugable. It was the first portable computer. Twenty-eight pounds, no battery, a monochromatic screen, no connectivity when it was new. And frankly, if it stayed at 28 pounds, it never would have become normal.

But it advanced. It advanced now to even where coffee shops and classrooms have incredible computing power in them.

We as consumers have expectations of all these things as they change. We expect a Wi-Fi connection in that coffee shop. And we're disappointed when we don't get it. We expect personalized music on the fly.

I believe that technology moves from new to normal when a number of things happen.

First of all, it has to ride Moore's law. It has to have the advantages of the exponential change that semi-conductor technology can bring to these devices.

Second of all, it needs to be built on an open set of standards.

And third, and perhaps most importantly, there needs to be an ecosystem to innovate on those standards and to be able to bring to market those devices that consumers so want.

I think that perhaps the most evolutionary and ultimate digital device we've seen so far is the PC. It is the fastest evolving device.

The picture on the screen here is the first PC. Green screen. No connectivity. Over time, we added color. We added a graphical user interface.

Then we added CD-ROM's and speakers. We had the first connectivity via dial-up modems.

We changed the form factor a bit to a tower. We added DVD's. More multi-media capability.

And we finally got Broad Band. We made them smaller. We added Dolby audio. We integrated the Wi-Fi. We added LCD screens. Home theater audio.

We continued to evolve this to the point now where we have the latest instantiation of the breed: The entertainment laptop, integrating the newest technology, like HD-DVD drives.

The interesting thing to note is many of those technologies I mentioned have become commonplace in

consumer electronics devices. But all of them began first and were proselytized first and deployed first in the PC.

Three years ago, we created a new normal in computing. We did that with the introduction of Centrino mobile technology. We made wireless computing for the first time mainstream technologies.

This was a manifestation of the first platform approach from Intel. It was not just a chip. It was a collection of technologies designed to work together.

To improve the entire mobile experience, we combined the microprocessor, the chipset, Wi-Fi, and software to form Centrino. It enabled a better battery life, more powerful computers, easy wireless connectivity. And most importantly, designs that could be made smaller and lighter, improving their portability.

The results of this have been astounding.

In just the last twelve months alone, we've sold over 30 million Centrino notebooks. But we didn't stop with just the devices. We worked with the PC manufacturers, telecommunications companies, service providers, and we moved Wi-Fi from the fringe to mainstream.

Let me give you an example of this.

This map shows you Las Vegas. The red dots on the

map are all the Wi-Fi hot spots that existed in the city prior to the introduction of Centrino.

Fast forward to today, Wi-Fi is ubiquitous. And it's not just in cities like Las Vegas. It's across the country and across the world.

The Centrino platform created a new normal, such that consumers now expect that Wi-Fi connectivity is everywhere they go.

So what's next?

I think what's next is that digital technology is going to continue to proliferate. And we'll see the rise of the digital media multi-tasker.

How many of us in this room recognize ourselves in that photograph? Perhaps too many.

Think about what we do on the PC. When we use a personal computer, how many applications are open? We have the browser. We have media for our music. We have IM for messaging, a window for email appears. We have a number of things going on at once.

We are all multi-tasking creatures. And the younger you are, the more so that's true.

This demands more and more performance. But at the same time as we're demanding more performance, we want everything to become more and more mobile. We want smaller devices, cooler devices, quieter devices. All of

this demands lower and lower power.

So how do we deliver against that paradox?

We at Intel are doing this by having a massive shift in our development from focusing on generating more and more GHz or clock speed per generation of chips to shifting to Dual-Core.

Simply what Dual-Core technology is, is putting two and then four and then eight and then more multi-processors on a single chip. Multi-core processing.

The advantages of this are straightforward. They deliver more horsepower. More performance for the digital media and multi-tasking applications that we're all growing very used to.

At the same time as we do this, it shifts the power curve, delivers less heat, better battery life, and enables much smaller devices.

All of this puts us on a new rising baseline of capability. Now we've introduced Dual-Core this year for the desktop and for servers in 2005. But it hasn't been possible in notebooks until now.

Today we're introducing our next generation Centrino. It's the first time a notebook has been enabled with Dual-Core technology. We're calling that Centrino Duo.

The next generation Centrino advances performance on

every vector that users care about. It's up to 68 percent faster. It consumes 28 percent less power, giving up to an extra hour of battery life. The Wi-Fi gets better.

All of this enables even smaller form factors.

And most importantly, it crosses a new threshold. It delivers more performance and consumes less power. This will enable new types of on-the-go digital entertainment.

To take a closer look, I would like to introduce Intel's Executive Vice President and General Manager of our Mobility Group, Sean Maloney.

(Applause.)

Good to see you. What's with the cape, Sean?

SEAN MALONEY: I should be asking you why you're not wearing a cape. This is Las Vegas. And you've got to go with it.

By the way, this is a Centrino Duo cape. And we're going to need this cape for a little demonstration of some magic here. So if you would follow me over here.

What I'm going to do, I will need your help in performing this magic. CES, we love these consumer gadgets. Wouldn't it be better if you could take them with you? People are mobile. And don't you want to take these things with you?

Let's see if we can do a little magic test here. So I will throw in my magic cape.

And of course you would love to take a TV with you. Although people in the airport probably wouldn't let you do that.

I'm sure you would love to take a DVD player with you, an HD-DVD player. And you want to be able to do some recording as well. You want to take that with you. So you probably want to throw that in.

And then, of course, you want to do music. You want to do MP3's.

And, of course, you want to have a great gaming experience. You might want to play games wherever you are.

And finally you want to keep in touch.

So you throw all of these things in together. And then you want to shake them around. And because it's magic, you know, there's nothing in there. Right? No, nothing in there.

But you would probably want to have a wand. I think you threw my wand in here by mistake. Let's see if we can get another one out.

We need a big wand. Right?

You're the boss, so you got to do the magic spell.

MR. OTELLINI: Over you?

SEAN MALONEY: On here. Don't be naughty.

MR. OTELLINI: Abracadabra.

SEAN MALONEY: What's going on here? So let's see. Let's see. Is there anything coming up? Yeah. Yeah.

Oh, look. Wow. It's a Centrino Duo notebook. What a coincidence. Actually, this is a stunning, stunning Fujitsu device with a big, clear screen. We've got a bunch of them over there. We'll take a little more serious look over here.

What we have here are just to give the folks in the audience an idea of the performance of this new platform.

On the left-hand side, we have an absolutely latest state-of-the-art current generation product as of today, the fastest notebook computer on the planet running the Sonoma current technology. On the right-hand side, we have a new Napa notebook.

We're going to get an idea of these multi-tasking implications. The one on the left is the Sonoma. The one on the right is the Centrino Duo technologies.

They are both running a new application, which we're delighted to show today. It's a service called MODEO from Crown Castle. It's a live DVB service. This is going to be broadcasting to notebook computers, cellphones, DVB's, 24 audio channels.

We're going to see in the next year or two people being able to do things like that. We're delighted to be working with Crown Castle and others in the U.S. on that.

I'm sitting down at these computers and looking at the TV. I'm thinking it's an interactive world. I'm going to rip a video, an audio disk. So I start ripping it on both.

And you see on the left-hand side currently a best in class notebook computer. The screen starts to freeze. The Dual-Core handles it easily.

In addition to that, all of us are taking tons of digital pictures. So at the same time I'm going to upload digital pictures. A perfectly reasonable thing to do sitting at the notebook here.

We're now running the three tasks on top of each other. We're uploading the stream of pictures onto both.

The notebook on the left is frozen because it's not possible to handle all these tasks. And on the right-hand side, you see this astonishing performance. It's taking the big fat pictures, ripping off an audio file onto a disk. It's also doing the broadcast.

MR. OTELLINI: That's impressive. What about gaming?

SEAN MALONEY: I'm delighted to show you here some really wicked good graphics. This is on Quake 4,

the new Doom engine, running at 60 grains per second. This has been optimized. You see the quality of this performance, it's really something else. So that's the new graphic Doom engine.

And over here we have, that device is running on an Asus product.

Here we have the Toshiba Qosmio, and HD-DVD quality there. Again, that's integrated HD-DVD.

So we're feeling pretty good about it. The industry has had an outstanding year for notebook sales, growing somewhere in the range of 40 percent. Even faster than cellphones.

We think the momentum is going to push further ahead the next twelve months. Better features. Multi-tasking.

And to support that, the industry overall has an unprecedented number of products. The last wave of Centrino which has been part of this growth in the last twelve months, we have approximately twice as many notebooks being introduced now on a Centrino Duo as on the older generation.

And we have a whole series of them, different shapes and sizes. There's a Dual device from LG. There's some other ones here you're probably familiar with.

The ThinkPad, the Lenovo ThinkPad, which is a real work horse for the industry. This device is a dual core

device with that kind of performance in this package.

We have Samsung here, again, with that performance with the bigger screen. This runs five hours battery life.

And finally, this rather colorful device here, which is the Asus device, the Lamborghini brand, running five hours battery life.

So all in all, I think the industry is rightly excited about the year for mobility.

MR. OTELLINI: And these are available now?

SEAN MALONEY: We have a number of products available here at the show.

MR. OTELLINI: Thank you, Sean.

SEAN MALONEY: Thank you very much.

MR. OTELLINI: At the heart of this new Centrino Duo platform is a new microprocessor from Intel. This new microprocessor we believe is the processor for the next era of computing. It's optimized for low power, performance, and ideal for digital entertainment.

We call it Core Duo. It's more than just another microprocessor. It's a revolution.

(Music.)

Ever since 1993, when the Pentium was introduced, it has defined personal computing.

Core Duo is our first new premium brand since

Pentium.

The chip is three times smaller than Pentium. It's about the size of a dime.

It's a hundred times more powerful than the first Pentium in terms of performance. It is the world's lowest power dual core chip.

It is the heart of computing in terms of its architecture not just in notebooks, but also in desktops, and ultimately even in hand-held devices.

This device will have a very rapid ramp. It took us one year to ship the one millionth Pentium processor. We'll ship the millionth Core Duo in three weeks.

Core Duo will blur the differences today between the desktop, mobile, and consumer electronics devices.

To show you a bit more of this, I would like to bring out our newest demo guy, Michael D.

Hey, Michael. How are you?

MICHAEL D.: Good. How are you?

MR. OTELLINI: Great. I understand you got some new Core Duo products.

MICHAEL D.: Where did they put my system?
Over here?

MR. OTELLINI: You're the demo guy.

MICHAEL D.: What we have is first of all, a new concept, which really does, as you say, kind of blur

the lines between a desktop and a notebook.

This is our new XPS mobile concept. You might have heard about the XPS brand. It's kind of an enthusiast's brand.

What we've done here is we've, we've got the 17-inch notebooks, and we got these desktops with larger displays. But what we really wanted to do here is create a 20-inch mobile platform. It's got eight speakers, subwoofer, Core Duo technologies. It's really the ultimate media experience you can take with you.

MR. OTELLINI: That's fantastic.

MICHAEL D.: It's got break-through ID in terms of articulating screen and slot loading thing.

MR. OTELLINI: Can I order one of these?

MICHAEL D.: Not yet.

But what you can order is the Inspiron, which is starting to ship right now with a 17-inch screen.

MR. OTELLINI: That's not bad.

MICHAEL D.: I would think you would want both of those, actually.

MR. OTELLINI: Are you having a two-for-one special?

MICHAEL D.: Are you having a two-for-one special? That's the question.

MR. OTELLINI: Okay. We can make a deal.

Well, these both use this Intel new technology of Core Duo. I think it's wonderful to see this kind of innovation. I love to see Dell innovating around our technologies.

Products like this 20-inch screen really will I think change the way we have consumer electronics inside the home. You can take it with you, but you can use them as mainstream for consumer entertainment.

MICHAEL D.: We think it's really important to invest in the future in the high end of the PC. Products like this concept.

The rest of our XPS products are really aspirational products that are break-through in terms of technology and design and in terms of support services.

MR. OTELLINI: You'll leave this for me?

MICHAEL D.: I notice you've been keeping an eye on this. I'm going to take this with me. I want to make sure you don't lift it. So I'm just going to, going to head out with this, and I'll be on my way.

Paul, great to see you.

MR. OTELLINI: Thanks very much.

Well, between Michael and Sean, I think we've shown you that entertainment on-the-go is moving to normal.

But on-the-go is just one aspect of the consumer experience. The living room is another one.

Digital entertainment is new in the living room, but it's hardly normal at this time. We saw earlier the PC industry has done a good job in the last decade of making our machines better and better and better.

And in fact, two years ago on this stage at CES I talked about the first step to the new normal in the living room. A new class of devices that we call the entertainment PC, we're starting to broach that category difference between the PC and consumer electronics devices.

This machine laid the groundwork for devices that would give consumers this ultimate flexibility that we've been talking about.

Since then, there's been a lot of work. Processing power continues to grow, as you've seen. Core Duo gives us that new threshold we talked about earlier.

Broadband to the home has continued to grow. It's estimated today there are one billion broadband users in homes all around the world. A billion broadband pairs of eyeballs out there.

Online content has exploded. In 2005, there were twice as many Internet video download streams as there were in 2004. A total of 21 billion Internet stream videos in 2005.

Over 50 percent of the U.S. Internet population

watched online videos last year.

So on top of these things, the industry has also been doing a lot of work on open standards. Digital Living Network Alliance came together and has given us the ability to have that protection of content end to end, across a multitude of vendors' machines.

And, of course, interoperability. The thing we as consumers care most about. Will this stuff all work together? As we redefined interoperability, it's allowed us to speed product development across the industry.

But despite all of this, what consumers really have today is an Internet video experience that's largely experienced from a chair in front of a computer at a distance of two or three feet.

What I think consumers really want, and what they tell us they want is online content on that big screen in their living room, in their bedroom, from the couch, or sitting on the bed.

And in order for us to deliver this, we have to integrate the big screen capabilities, the PC capabilities, and the Internet experience. When we do that, we will staff what consumers have been asking us to give them.

Well, today, Intel is introducing a new hardware platform to deliver to that satisfaction. We call it

Viiv. It's designed from the ground up for the digital entertainment experience.

So what is Viiv? Viiv is a combination of hardware and software that delivers a new media experience.

There's three fundamental new features to this technology.

The first is that we've made the PC much more CE-like. And we'll show you how that works in a minute.

The second is we've incorporated Dual-Core technology into the machines to be able to handle the needs of digital media types. Using Core Duo, they can make the machines much smaller, quieter, cooler, so they can handle the ergonomic needs that all of us have in our living rooms.

And together with Microsoft's Media Center Edition operating system, the new Viiv hardware and their software delivers a new baseline capability to handle digital media inside the home.

But there was the third and large missing piece, and that's content. The most important thing we've been doing in the last couple of years is working with the content industry to get premium content available on the Internet into devices like these.

Ultimately, Viiv is all about enabling a new experience in the home. Putting the consumer in control.

(Clip shown.)

We believe that Viiv will completely change what you expect from home entertainment.

To take us on a tour of this new normal, I would like to bring out Don MacDonald, Vice President and General Manager of Intel's Digital Home Group.

Don?

DON MACDONALD: Hi, Paul.

You know, we've been working a long time preparing the world and consumers for the excitement of Viiv. And I'm absolutely thrilled to be here today to participate in the official unveiling of this technology.

I don't have the cape, but I have engineers working every day to turn logic into magic. And that's what we started off with, three vectors that we were designing for.

Viiv had to be very, very easy to use. It had to have the performance to enable new capabilities that would thrill consumers. And finally, it had to be very, very simple to connect that to the other devices and services in and around the home.

So what I would like to do is to show you an example of a Viiv PC. This one is a new Viiv PC from Shuttle, and it's based on the Core Duo. And you can see they are discrete and under the television.

And it's based on Microsoft MCE, of course. That's the operating system we chose. And you can see the results. It really has led to a beautiful consumer experience.

So Viiv, just by picking up the remote control, is easy to use. And the first thing you will notice is they work hard to make it easy to have the consumer have a simple experience. In this case, this is on and off.

So we turn the television off, we turn the Viiv PC off. And with one click, we can actually resume playing back on the Viiv PC.

The LCD takes longer to power up and down than the Viiv does. So that really is a good example of magic on a PC basis.

The second thing is Viiv is based on multi core. In this case, it was the Core Duo.

And the reason we've done that is we really need to have this optimal performance for the demanding environment of the living room or around the home.

So the technology is really exciting. But obviously, what's most important is the experience that consumers have. And in this case they're going to experience a fabulous consumer experience thanks to the performance and design of Viiv.

And that means Hi Definition audio, Hi Definition

video and, most importantly of all, highly personalized and customized content.

At the heart of Viiv experience, content is everything.

So we design Viiv from the ground up for a world of connected and digital devices, content and services.

And as we announced in December, just behind Paul, you can actually see some of the alliances and exciting partners we worked with to bring premium online services through Viiv working with the content partners.

So today you have over 60 companies working as part of the Viiv team to deliver gaming, TV, movies, music, photo services. And these kind of services will be available in all the countries where we've decided to launch the Viiv PC. We're going to add more all the time.

Let me give you a couple of quick examples of some services. We're going to see more throughout the presentation. But let me give you a couple of quick ones.

Here, using the remote control, we'll just go into the system here.

You know it's getting close to being March Madness, so I think I'll start with this basketball here, or some sport, rather.

We'll start with ESPN. The first thing you'll notice actually is the logo. And the logo itself, as Paul mentioned earlier, everything we do is based on standards. Unfortunately, standards are necessary, but are not sufficient.

We have to do a huge amount of hidden work on top of standards to make sure that our devices, the televisions they connect to, the networking, the content and services are designed for as simple experience as consumers demand.

So that's something the consumer won't see and shouldn't have to see. So when you say that, it's a sign of confidence these things have been tested to play nicely together.

In this case, you're familiar with March Madness coming up.

But now, thanks to the Viiv technologies and the ability to get the content when and where you want it, ESPN is offering a new customized solution called ESPN in motion. This is exclusive to Viiv users.

It will download your favorite sports events in Hi Definition. So you'll get to watch your favorite Hi Definition sports when you want to.

Let's have a look at this. This is a quick clip. In this case, it's accessing my Viiv PC. It's bringing

up the content that was stored for me. I think this is Army versus Duke, if there's any fans out here.

See the stunning quality. And Viiv was designed to bring more of this into your living room.

Let's just go back, in the interest of time. When you talk about sports or online entertainment, clearly digital entertainment is symbolized by gaming.

So in this case, what I would like to do is actually show a new and unique, and is called Gametap from Turner Broadcasting. When you put them together with Viiv, you get some really unique capabilities.

You probably saw the user interface. It's stunning. It's a pleasure to use. We're gaming. My demo team asked me not to throw this on the floor. So in this case, let's just wake up the controller. We'll go down.

Stand back here. Actually, in this particular case, help me here. Okay, it's helping me more than I wanted to.

Here we go.

Okay, so there's the user interface. The Gametap, you have more than 300 of the world's most favorite games available to you.

So let's just try this again. Sorry about that.

Okay, there we go.

So we click on here.

Now, what happens is, because it's dynamic, Turner will actually begin to provide and update games throughout your period on here. So you've got lots of Galaga, but there's all the different types of systems and games and types.

So I'll just play this one. And seeing, let's just start this one. Also get some original content from Turner.

As the game is loading, it tells you of new services coming. It has a bit of fun.

(Clip is played.)

Then you get to play your game. But in the interest of time, I'm going to resist to play the games.

But that's just two of more than 60 services, by the way.

When you think about bringing Internet to the living room, you think about kicking back on your sofa and enjoying your Hi Definition movies. So in this particular case what I'm going to do is -- let me just get back to the screen here. I'm going to start a Hi Definition movie.

In this case it will be, let's just slide across to, "March of the Penguins." That's a beautiful film. Take notice of the high quality audio and actual picture.

We'll just let that run for a second and turn the

volume down.

Over here what we can expect is the consumers enjoy the benefits of spectacular support for the Viiv program. We have some examples of PPT from more than 110 OEM's who are supports. And these are available in a variety of shapes and sizes.

So if you thought you knew everything about the PC's, you're wrong. Look at these.

One here from TCL. A gorgeous design. It's very thin and slender.

You can't quite see that. See if I can turn that around slightly. Look how thin this is.

Another one, Acer here.

And as we begin to look at these, the Core Duo allows the slimmest, thinnest, and quietest of systems. So if you really are into very small Viiv PC's, there's a selection you might be able to see on the camera, which are actually tiny, gorgeous, and quiet.

This one here from Box One is so quiet and cool, it doesn't actually even have a fan. So it's a fanless design, again with the high performance with the low power.

So we're enjoying tremendous momentum.

And these are affordable prices. Even though this is the first day of availability, you can expect to see

prices below \$900 from day one of launch.

MR. OTELLINI: When will these systems be available?

DON MACDONALD: Actually, these are available today, or they'll be available in the next few weeks. So it's immediate availability, Paul.

MR. OTELLINI: I see.

DON MACDONALD: Okay, so Viiv will continue to evolve. In fact, you can expect more services and new capabilities as you go forward.

So when you see that "Enjoy with Viiv" logo, you know whether you buy a television, a set top box, or any networking device that contains the logo, you know that Intel and our partners have done a great deal of work to make it simple to connect and enable those capabilities.

Let me just give you an example of one. Where's my remote control? Here we go.

This is a 50-inch plasma television from Lucky Gold Star. What it's doing is it's being connected through some of these new capabilities to the Viiv PC in the living room. So this could be in the kitchen or in a different room in the house.

What I'm going to do quickly is just, actually just play another video clip. And what it's doing is, there, it's actually streaming in a protected manner.

Hi Definition content from the Viiv PC in room one can stream across the network and begin playing this or a different movie stored on the hard disk over to a screen that's in this particular living room. So we're streaming Hi Definition.

This is a new capability that allows you to acquire, manage, and enjoy your content in new and exciting ways. Now, we have features with Hi Definition media. And regardless of where your content is stored, whether it's on this notebook as we saw from Michael and the guys from Dell, or some of the other PC's in your house, you simply use the remote to identify, acquire, and play.

It really is supposed to be that simple. And that's what Viiv is all about.

We spoke about Viiv talking to the PC. So we have one movie running over here, we have the Viiv PC serving up content here.

And over here we have a third one, if you can get the stream running, please, where the same Viiv PC is serving yet a third stream of Hi Definition content, in this case on this notebook and using Cyberlink software to connect through the digital media adapter, this notebook to the basic Viiv PC. So multiple people in the home can enjoy the gorgeous content availability.

Though we showed a brand new television, we have a

device called a digital media adapter which will be enjoyed with Viiv logo. So you can connect that to an existing television if you're not ready to purchase a new television.

So Viiv will be in your living room, whether or not the Viiv PC is in your living room. You get to choose.

MR. OTELLINI: And the content as it moves around the house maintains its protection?

DON MACDONALD: It does. If it's personal content, it doesn't. If it is protected content, as you saw, it will securely move around the network in your home, so you can serve it up and enjoy it.

MR. OTELLINI: If I buy a Viiv today, can I upgrade it?

DON MACDONALD: Absolutely. You can buy a PC with confidence. And as we deliver more capabilities, you'll be able to take advantage of those later on in the year with a simple download.

So we're very excited by this,, Paul. We've got a tremendous amount of momentum. And as you'll see in the rest of the presentation, we're not the only ones. It's really a fabulous program. And we're very, very excited.

MR. OTELLINI: Super. Thank you, Don.

DON MACDONALD: Thanks, Paul.

MR. OTELLINI: We tried to show you that Viiv

is a new digital entertainment experience. It combines all kinds of great technology, great content.

We tried to make it very simple in terms of user friendly devices inside your home. In our mind, it's not a battle between various devices, it's all about making all of these devices work together in a very simple fashion.

So what does this all mean? I believe it means we're at the threshold of a new digital entertainment era. Viiv is going to bring the experience of digital entertainment to where it belongs, on the big screen.

This is nothing short of revolutionizing entertainment.

We don't do this without a number of content partners to bring this experience to life.

We're thrilled to introduce some of them to you here today.

(Clip played.)

I'm pleased to introduce Chase Carey, who is the President and CEO of DIRECTV. And Intel and DIRECTV have been working together to enable entertainment services on Viiv. And today for the first time you'll start seeing digital premium pay TV content available on PC's.

CHASE CAREY: Thanks, Paul. It's great to be here. DIRECTV has been a leader of innovation in the

television business since we launched over ten years ago. We first provided HD programming. The first to lead the way with integrated DVR in a set top box.

We're excited to be working with Intel to bring a whole new level. We will provide a whole home experience for our customers.

MR. OTELLINI: How does Viiv help do you that?

CHASE CAREY: What Viiv is going to do is to provide content to the consumers in a secure basis throughout the house. DIRECTV has prided itself on being at the forefront in providing the best content in the business, whether it's a Sunday Ticket package, which has original programming like CD USA, which is for the music business. Interactive product like our mixed channels, or massive gaming league.

We're going to work with Intel to develop an integrated satellite tuner PC that will enable this DIRECTV content to be accessed throughout the home on the laptops, PC's, the handhelds, the other devices in the home, so that we really take what today we're proud to have the best television experience in the business, and we're going to take it to another level letting consumers access it.

MR. OTELLINI: So we'll take the DIRECTV digital signal and put it into these entertainment PC's

that are out there.

Is there anything else on the other side of the cable we could do?

CHASE CAREY: We are particularly excited that the set top box we're developing here will not just enable us to take our television content and access throughout the devices in the home, but we're going to be able to take the PC content and provide access to it on set, on the big screen TV set.

So in essence, the big screen TV set can really play a role throughout the household at the center of the experience we're developing. So the content associated with a PC, music or photos, you can now, you'll be able to access on the highest quality device in the home, the big screen TV.

MR. OTELLINI: So this new set top box will have the integrated media adapter technology and allow you to see all the personal content and international content now on the screens.

CHASE CAREY: This set top box is what's going to enable us to bring this experience. And we're going to be able to bring this experience to the market in record time, because it's going to be based on the open DLNA standard.

We're truly excited about it. We look forward to

working with Intel to develop this next generation of DIRECTV for our 15 million plus customers. And we think it will be a great future for both of us.

MR. OTELLINI: So do I. And we're excited about delivering breakthrough content with this collaboration.

CHASE CAREY: Thanks, Paul.

MR. OTELLINI: Thank you, Chase.

The digital media explosion is not just happening in the United States. In fact, some would argue it's happening even faster outside the United States. Viiv is going to bring the world to your living room.

(Clip played.)

Innovation and online entertainment is happening around the world. In the United States, we're starting to read headlines that talk about the end of television as you know it. All referring to this, this content coming to the, a variety of digital devices all served up over the Internet.

We're also seeing a new wave of Internet portal business models. Portals are beginning to increasingly feature digital media as major parts of their business models.

The leader in online video programming is offering a wide range of channels that make it easy to see music

videos, concerts, comedy, science fiction, and original programs in a whole lot of new ways. We're happy to be working with them as well.

(Clip played.)

I'm happy to introduce Jon Miller, who is Chairman and CEO of America Online.

JON MILLER: Thank you very much, Paul.

MR. OTELLINI: I said before that the platform doesn't matter without content. AOL is a visionary and driving leadership of online entertainment over the Internet. And now AOL is driving online content to Viiv.

JON MILLER: It's great to be here. It's an exciting time for us, and to be part of what Intel is doing with Viiv.

When you talk about content online, it's a time that's come. People want what they want. They want to watch it On Demand. They want to personalize it.

It's been talked about for so long, and now it's a reality and it's time for this to be a big success.

MR. OTELLINI: I was surprised at the amount of video. What kind of content is on AOL?

JON MILLER: We have over 20,000 assets that are original and licensed that we license through AOL, and we have a lineup, a financial lineup, highest quality of programming. You can see some of the logos of the

different things we offer.

In addition to the programming itself, we have a new format. AOL Hi-Q, which delivers DVD quality over the Internet. It's not the grainy stuff you're used to seeing. This is full screen quality.

And working with Intel and the Viiv platform, we can bring this great content in this high quality format from PC's to big screen experiences, mobile experiences, in crystal clear Hi-Q format.

MR. OTELLINI: I understand you've created a forum to enjoy this from your couch.

JON MILLER: Absolutely. I think everyone has been waiting for a ten-foot format. Now we can do that with the same thing you get on a PC. We have a format that works great in the remote control environment.

I think we can take a look at that.

MR. OTELLINI: Okay.

(Clip played.)

JON MILLER: It's a simple interface. You can scroll the menus. There are arrows on the remote. You can have a Viiv-enabled living room. You can share and personalize your photo collections. And AOL Radio, which offers hundreds of CD-quality radio channels, including the XM channels.

It's also fun to browse. But with over 20,000

assets, you have to be able to search as well. So let's talk about search.

And say, Paul, what would you like to see?

MR. OTELLINI: How about the Dave Matthews band?

JON MILLER: Glad you asked. Let's have a look.

You can easily get to the search screens. Navigate to music. Talk about the artist and get to the Dave Matthews Band. And you click on that, and bingo, you're in there watching the Dave Matthews Band.

Notice, this is important, there's an ad at the bottom. This is an ad-supported free service to the consumer.

MR. OTELLINI: Wow, that looks terrific.

JON MILLER: There's so much more, movie trailers, games, there's television shows.

In the world of television, we announced a few months ago, In2TV, we're working with Warner Brothers, our sister division, and we're talking about 14,000 series of television now brought to you over the Internet.

Paul, I'm sure you're too young to remember "Welcome Back Kotter."

MR. OTELLINI: Wasn't that John Travolta, when

he played Vinnie?

JON MILLER: Indeed. Let's take a look.

This is what it looks like. This is the real thing served over the Internet. Look at the quality of that picture.

(Clip played.)

Now, there's tremendous fan base for shows like this. That was based off the original 1975 source tape. That is the real quality offered today.

In addition, there's Kung Fu, Wonder Woman, Babylon 5, and many, many more. And I think when you look at this, you see the opportunities to go into many different genres.

If we could go to the Heroes and Horror channel, the Babylon 5, and take a look at the quality of this, which is a more recent series.

In addition, notice it's supported by ads. Again, this is free to the consumer ad supported.

(Clip played.)

Again, 14,000 series with terrific production, a traffic platform for viewing television. I hope you'll agree it never looked so good.

MR. OTELLINI: The ad even looked great. Free to the consumer. And all from the comfort of my couch. We're really thrilled to see this whole new amount of

content coming online from AOL. Actually, we are excited about the model you're building for advertizers.

JON MILLER: Thank you. We're glad you're advertizing with us.

I think it's a pivotal moment. What we're seeing now, you got to go careful, but convergence. Great platform form, technology. A business model that supports it which is free and ad supported to the consumer, I think we're about to see this take off.

This has always been the promise, and by the power of the Internet we're really seeing it being fulfilled.

So thank you, Paul, for having us be a part of it.

MR. OTELLINI: Our pleasure.

We've seen broadcasters embracing this new content delivery type.

I think the ultimate in on-demand experiences is sports. In the next coming weeks, the eyes of the world are going to turn to Torino for the 20th Olympic games. The represents an opportunity for broadcasters and the rights owners to be able to extend their franchise.

Intel is excited to be working with NBC to bring the Olympics to Viiv.

(Clip played.)

MR. OTELLINI: So showing you music and TV and sports programming. All of this brings more choices.

More choices to us as consumers, and more choices to the content makers.

The one thing we haven't talked about yet is Hollywood.

Two years ago, we stood up on this stage with Morgan Freeman and Lori McCreary, and we said together we would deliver premium films to your home over the Internet. We've been working very hard on this project. And last July, we announced the formation of a new company called ClickStar.

And ClickStar has been busy ever since.

(Clip played.)

MR. OTELLINI: Ladies and gentlemen, please welcome Morgan Freeman and Lori McCreary.

Thank you. How are you?

Boy, it sure looks like ClickStar is offering something unique in the world. A revolution how films are going to be made and viewed and broadcast.

LORI MCCREARY: ClickStar's mission is to be the online destination for premium entertainment. And we'll do that with artist-created channels created by and featuring some of our favorite stars.

MORGAN FREEMAN: ClickStar will offer Broadband Debuts of first run movies within weeks of their release in the theaters.

MR. OTELLINI: I like that.

LORI MCCREARY: What's really exciting to us as producers is we have global distribution opportunities not only for American films, but for films worldwide.

MORGAN FREEMAN: While you all have been busy building this cool Viiv platform -- can I get one?

MR. OTELLINI: Absolutely. We can make one for you.

MORGAN FREEMAN: So while you've been doing this, we've been working with some of the most creative minds in our industry to revolutionize the way films can be made, released and viewed. Right?

LORI MCCREARY: As you can imagine, it's a huge undertaking.

MORGAN FREEMAN: We're not planning on doing this alone, Paul. I can tell you this right now.

MR. OTELLINI: Good. I was worried.

MORGAN FREEMAN: Ladies and gentlemen, it is with great pride and pleasure that I welcome to the stage those great creative minds that I just mentioned earlier: Danny Devito, Tom Hanks, Tom Shadyac, and Brad Silberling.

(Applause.)

TOM HANKS: We've been back stage for three hours hanging out.

MR. OTELLINI: It's theater, baby.

It is great to have all you guys here.

TOM HANKS: Really great to be here. We're excited about it.

DANNY DEVITO: ClickStar is going to afford us, give us the opportunity to get our movies out there, creative movies that we have our hearts set on making. And I'm very proud to be here.

And thank you very much, Morgan, Lori, Paul, and you guys.

TOM SHADYAC: We were actually just back stage. I directed Morgan in "Bruce Almighty," where he played God.

Can I push the new "Almighty" coming out next Christmas?

We were we were actually just all having ideas about movies, and different forms of entertainment which we can now have the freedom to bring because of things like ClickStar. I'm excited about the ideas.

When Morgan brought ClickStar to my attention, it came about the idea of the translation of ideas to people who could now instantly access in India, or other countries.

And I'm excited, because we've been talking about ideas that can really not just entertain, but changes

that.

Morgan, thank you for allowing me to be a part of this.

TOM HANKS: I think this is great, but I just came to Vegas to blow 800 bucks at the crap tables.

There were some free sandwiches back stage.

Seriously, Tom and Lori brought us together two years ago. A cold call out of the blue. We've been meeting about every six months or so. The end result is what you see right here.

Danny Devito is getting a phone call right now, on the phone.

DANNY DEVITO: Hello. Hi, Rhea. I'm in Vegas, but it's like --

TOM HANKS: When are you coming home?

For crying out loud.

DANNY DEVITO: Really, there's no girls here.

Okay. I'll talk to you later, Hon. Okay. Bye.

TOM HANKS: She's making a movie with Danny's daughter at this very moment. That's why they're talking.

DANNY DEVITO: Sorry, buddy.

TOM HANKS: Let me see if I can get my pace back again. And see if I ever work with Danny Devito.

The future is here in the form of ClickStar. Yes,

it has a great opportunity for motion pictures. But there's a number of projects, ideas, creative content that might only exist on ClickStar. That might not be seen in any other venue. Not television, and certainly not on DVD.

What the opportunity is for the creative people, the writers, the producers, the directors, and even the actors, their own material from start to finish and get it in front of the audience that wants to see it by way of ClickStar.

If that happens, that's good both for the industry and for the art form.

MORGAN FREEMAN: Here here. Here here.

LORI MCCREARY: So Paul --

(Applause.)

LORI MCCREARY: I want to go back to what you mentioned a little while ago about the commitment we made two years ago at CES, where Morgan and you and I stood here and said we were going to release a film in the theaters and at the same time on Broadband.

Well, we like to keep our promises.

MR. OTELLINI: Can you tell me more?

MORGAN FREEMAN: Yeah, as a matter of fact.

We are very excited to announce today the first online film premiere for ClickStar in 2006. It's called,

"10 Items or Less," written and directed by Brad Silberling. Many of you know him from "Lemony Snicket."

Thank for being here, Brad.

BRAD SILBERLING: Pleasure. Thank you. It's fantastic. Great to get to Las Vegas and plug your film.

I'm most excited, frankly, about my lead. His name is Morgan Freeman. We heard very promising things about him. A fine young actor.

MR. OTELLINI: We love the lead, but can you tell us about the film?

BRAD SILBERLING: Absolutely. Morgan is going to star opposite Spain's luminary actress, Paz Vega, whom you saw last year in "Spanglish."

DANNY DEVITO: I'm having to get in there. You send me a script? I would like a camera. You want to craft service?

LORI MCCREARY: Brad, can you tell us what convinced you to do a ClickStar?

BRAD SILBERLING: It's an intimate human comedy that seemed like a perfect opportunity to have the most intimate experience actually for this work to be viewed in. That's the home. I mean that, and frankly a pristine presentation.

Because, of course, directors, we're never control freaks.

TOM HANKS: Wait a --

MORGAN FREEMAN: Wait a minute.

DANNY DEVITO: What the? Why, I ought to knock your block off.

BRAD SILBERLING: The bottom line, making, I think making and telling stories in a way that we like to tell. That's really it for a director. So I think the idea of getting to bring these stories directly to the audience, that is literally creative freedom for us.

MR. OTELLINI: Even though it's going to be on the Internet, I've never been to a Hollywood premier. Hint hint. Any chance?

MORGAN FREEMAN: You stick with me.

If you can't make it to the theater, anyone in the world who has the service will have front row seats right in the comfort of their own home.

DANNY DEVITO: Hey, come on.

MORGAN FREEMAN: Don't scare me.

MR. OTELLINI: That's great. Congratulations. You guys do this for a living.

TOM HANKS: Bring the AOL guy out? We forgot our cape with the big hats.

MR. OTELLINI: I want to congratulate Brad on the release of your upcoming movie.

And I want to thank most of you for being here.

Danny, Tom, Brad, of course, and Lori, Morgan. Thank you very much for making this a very exciting day.

MORGAN FREEMAN: Thank you.

MR. OTELLINI: What you have just seen is a phenomenal line of content for Viiv. Viiv literally changes how you watch television, how you watch the Internet, how you watch sports, how you go to the movies. All around the world.

Today on Viiv there are more two million songs available, 100,000 music videos, over 10,000 television shows, over a thousand movies, hundreds of games, and all of them on one Viiv.

Welcome to the new normal.

In the last hour, I took us on a whirlwind tour of what's possible.

We set the stage for a number of new normals.

A rising baseline of capability everywhere in our lives.

We introduced two new platforms: Centrino Duo that will change Entertainment On the Go, and Viiv that will change television in the living room.

Both of these are powered by a revolutionary microprocessor called Core Duo.

It's an exciting time filled with promise.

This year, 100 million people will discover digital

technology for the first time; 150 million people will discover wireless technology for the first time.

For all of these people, the freedom and the power that they enjoy will create a new normal in their lives.

They'll leap ahead in their lifestyles, and then they're going to move on, to the next leap, and the next leap, and the one after that.

That's the new normal.

A rising baseline of fun.

It's made possible by the right technologies, and standards, and platforms. But it's brought to life by the human imagination.

The stage is set. Let's go have some fun.

Thank you very much.

(Applause.)