Sun Microsystems is a leading maker of UNIX-based, number-crunching workstation computers, storage devices, and servers for powering corporate computer networks and Web sites. The company makes computers that use its own microprocessors - SPARC and UNIX operating systems - Solaris. Sun revenues had a meteoric rise during the dot.com boom followed by an equally shattering bust during 2001. Buffeted between the high volume, low margin model of Dell and the computer services model adopted by IBM, Sun vacillated in its finding a profitable niche of its own. Recently it has chosen to leverage its strengths in software, rallying around Java (a programming language creating software that can run unchanged on any kind of computer) and N1 - a set of computing utilities for Data Center automation and future software Orion to run Grid Computing to form its core strategy. Sun sells to customers in the telecommunications, financial, healthcare, retail, government, manufacturing, and education markets.

### Financials

<table>
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<tr>
<th></th>
<th>2003E</th>
<th>2002</th>
<th>2001</th>
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<tr>
<td>Revenue</td>
<td>$11,872</td>
<td>$12,496</td>
<td>$18,250</td>
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<tr>
<td>Cost of Goods Sold</td>
<td>$8,228</td>
<td>$5,056</td>
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<td>Gross Profit Margin</td>
<td>41.8%</td>
<td>39.3%</td>
<td>44.9%</td>
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<tr>
<td>SG&amp;A Expense</td>
<td>$3,362</td>
<td>$3,812</td>
<td>$4,445</td>
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<tr>
<td>Operating Income</td>
<td>$39</td>
<td>-$1,248</td>
<td>$1,311</td>
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<tr>
<td>Total Net Income</td>
<td>$106</td>
<td>-$587</td>
<td>$927</td>
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</table>

### Headquarters

4150 Network Circle
Santa Clara, CA 95054
650-960-1300
http://www.sun.com/

### Management

President & CEO - Scott McNealy
CIO - H. William Howard
EVP - Crawford Beveridge
EVP & CTO - Greg Papadopoulos
EVP, Software Group - Jonathan Schwartz
EVP, Sun Services - Patricia Sueltz
EVP, Marketing & Strategy - Mark Tollow
EVP, WW Operations – Marissa Peterson
EVP, Enterprise Systems Products - Clark Masters
EVP, Network Storage Products – Mark Canepa
EVP, Volume System Products – Neil Knox
SVP, Marketing, Volume Sys Pdcs – Souheil Saliba
CTO, Volume System Products – Subodh Kapat

### Business

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Sun Microsystems
Revenue vs. Gross Margin 2002

Sun Services Rev 2002
- Education: 10%
- Professional Services: 35%
- Maintenance/Support: 55%

Sun Products Rev 2002
- Servers: 52%
- Storage: 25%
- Network: 5%
- SW: 10%
- Other: 4%

Sun Microsystems
Revenue vs. Gross Margin 2002
- Servers
- Storage
- Maintain/Support
- Professional Services
- Network
- Microelectronics
- Workstations
- Education

Revenue
$0, $1,000, $2,000, $3,000, $4,000, $5,000, $6,000

Gross Margin
0%, 20%, 40%, 60%, 80%, 100%
Systems and Technology

**Special Servers (Netra Series)**
- Netra CT410
- Netra CT810
- SunFire Blades
- SunFire V100
- Sun LX50

**Standard Servers**
- Sun StorEdge 3000

**Storage**
- Sun StorEdge L7, L8

**Entry-Level**

**MidRange**
- SunFire V1280
- SunFire V880
- SunFire V480
- SunFire 280R

**DataCenter**
- Sun Fire 6800
- Sun Fire 4800
- Sun Fire 12K
- Sun Fire 15K
- Sun StorEdge L180
- Sun StorEdge 1000 and 5000 Series T1

**Peripherals**
- Netra CT410
- Netra CT810
- Netra 120
- Netra 20
- Sun StorEdge L100, L200, L500

**Utilization Suite**
- Policy based auto archiving
- "Instant" recoverability

**Traffic Manager**
- Dynamic load balancing across HBA's
- Automatic path failover

**ESM**
- Industry's first CIM compliant SAN manager
- End to end diagnostics
- Industry’s first CIM compliant SAN manager
- "Instant" recoverability

**SRM**
- Predictive trending
- Scriptable agents

**Performance Suite**
- True SAN file sharing
- Massive scale and performance

**Utilization Suite**
- Policy based auto archiving
- "Instant" recoverability
<table>
<thead>
<tr>
<th><strong>Desktops/Wkstns.</strong></th>
<th><strong>Servers</strong></th>
<th><strong>Telco Systems</strong></th>
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<tr>
<td>Sun Blade 150</td>
<td><strong>Entry-Level Servers</strong></td>
<td><strong>Servers</strong></td>
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<tr>
<td>Sun Blade 2000</td>
<td>Sun Enterprise 250</td>
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<tr>
<td></td>
<td>Sun Fire 280R</td>
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<tr>
<td></td>
<td>Sun Fire B1600</td>
<td>Netra t 1405</td>
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<td>Sun Fire V100</td>
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<td>Sun LX50</td>
<td>Netra CT 810</td>
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<td>Sun Fire V60x</td>
<td>Netra ct 1600</td>
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<td>Netra E1</td>
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<td><strong>Midrange Servers</strong></td>
<td>Netra st A1000</td>
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<td>Sun Fire 3800</td>
<td>Netra st D1000</td>
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<td>Sun Fire 4800</td>
<td><strong>Storage</strong></td>
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<td>Netra E1</td>
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<td>Sun Fire V1280</td>
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<td><strong>High-End Servers</strong></td>
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<td>Sun StorEdge 3900 series</td>
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<td>Sun StorEdge T3/T3+</td>
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<td>Sun StorEdge D240 Media Tray</td>
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<td>Sun StorEdge MultiPack/-FC</td>
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<td>SPARCstorage UniPack</td>
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<td><strong>Tape Libraries</strong></td>
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<td>Sun StorEdge L180</td>
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<td>Sun StorEdge L6000</td>
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<td>SPARCstorage FlexiPack</td>
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### Financials

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<th>2002</th>
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<td>$15,721</td>
<td>$18,250</td>
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<td>Cost of Goods Sold</td>
<td>$5,648</td>
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<td>Gross Profit</td>
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<td>Gross Profit Margin</td>
<td>52%</td>
<td>52%</td>
<td>44.9%</td>
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<td>SG&amp;A Expense</td>
<td>$4,436</td>
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<td>Operating Income</td>
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<td>Operating Margin</td>
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<td>Net Income</td>
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<td>Net Profit Margin</td>
<td>9%</td>
<td>12%</td>
<td>5%</td>
<td>-4%</td>
<td>0.8%</td>
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#### Stock Performance

- **HPQ**
- **IBM**
- **DELL**
- **SUNW**

**Sun Micro Rev 2002 by Geography**

- **Europe**: 29%
- **US**: 46%
- **Japan**: 9%
- **ROW**: 16%

**Sun Microsystem - Financials**

- **Revenues**
- **Gross Profit**
- **Oper Income**
- **Net Income**

**Stock Performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>HPQ</th>
<th>IBM</th>
<th>DELL</th>
<th>SUNW</th>
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<td>May03</td>
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<td>Jul03</td>
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</tbody>
</table>
World Wide IT Market Forecast

WW Storage Market Rev 2002-06
Storage Software

WW Server Market Share Gains 2Q03
Revenue vs. Mkt. Share Gains
### W.W. Server Market Share

- **IBM**: 22%
- **CPQ**: 17%
- **SUN**: 17%
- **HP**: 15%
- **DELL**: 6%
- **Other**: 23%

### WW Server Market Shares

- **2002 Shipments**
  - **HPQ**: 31%
  - **NEC**: 2%
  - **Sun**: 6%
  - **IBM**: 14%
  - **Dell**: 19%

### W. W. Storage SW Market

- **EMC**: 25%
- **Veritas**: 16%
- **IBM**: 16%
- **CPQ**: 3%
- **HP**: 2%
- **Other**: 37%
- **Sun**: 1%

### W.W. Disk Storage Market

- **CPQ**: 18%
- **EMC**: 18%
- **IBM**: 11%
- **SUN**: 10%
- **HP**: 9%
- **Other**: 32%

### W.W. Services Market

- **IBM**: 9%
- **EOS**: 5%
- **Fujitsu**: 3%
- **Anderson**: 3%
- **CSC**: 3%
- **Sun**: 1%
- **Other**: 76%
Software

Integrated Apps:
- Afara
- Ariba
- ATG
- Broadvision
- Clustra
- Gridware
- Innosoft
- Intershop
- Interworld
- iPlanet (Sun-Netscape Alliance)
- Open Market
- Oracle
- Pirus
- Star Division
- Terraspring
- Trans (Critical Path)

Web/App Server:
- BEA (WebLogic)
- Iplanet

Billing/IBP & P:
- Portal
- iPlanet
- Just-in-time

Performance:
- Inktomi
- Resonate
- TimesTen

Content Management:
- Bulldog
- Interwoven
- Vignette
- Virage

Interactive Media:
- Macromedia
- RealNetworks

Portal Builders:
- Autonomy
- Epicentric
- Lotus
- TIBCO.net

Catalogs & Configurators:
- Selectica
- Trilogy

Workflow/Collaboration:
- FileNet
- Documentum
- Lotus

Security & Payment:
- Baltimore
- Entrust
- ISS
- Trintech

E-marketplace:
- Moai Technologies
- Trading Dynamics (Ariba)

Profiling/Personalization:
- Accrue
- Andromedia (Macromedia)
- Engage
- net.Geneis
- NetPerceptions

Customer Care:
- Graham
- Siebel
- Vantive (Peoplesoft)

Storage Management:
- VERITAS