

SUN MICROSYSTEMS, INC.
OPERATIONS ANALYSIS – CONSOLIDATED (UNAUDITED)

STATEMENTS OF OPERATIONS (in millions except per share amounts)	FY 2006					FY 2005					FY 2004	
	Q1	Q2	Q3	Q4	FY06	Q1	Q2	Q3	Q4	FY05	Q4	FY04
						(Restated)	(Restated)	(Restated)			(Restated)	
NET REVENUES												
Products	1,704	2,108	2,035	2,524	8,371	1,676	1,840	1,683	1,927	7,126	2,066	7,355
Services	1,022	1,229	1,142	1,304	4,697	952	1,001	944	1,047	3,944	1,044	3,830
TOTAL	2,726	3,337	3,177	3,828	13,068	2,628	2,841	2,627	2,974	11,070	3,110	11,185
Growth vs. prior year (%)	3.7%	17.5%	20.9%	28.7%	18.0%	3.6%	-1.6%	-0.9%	-4.4%	-1.0%	4.3%	-2.2%
Growth vs. prior quarter (%)	-8.3%	22.4%	-4.8%	20.5%		-15.5%	8.1%	-7.5%	13.2%		17.3%	
COST OF SALES												
Products	966	1,223	1,152	1,486	4,827	949	1,065	975	1,130	4,119	1,238	4,290
Cost of settlement	0	0	0	0	0	55	0	0	0	55	0	0
Total	966	1,223	1,152	1,486	4,827	1,004	1,065	975	1,130	4,174	1,238	4,290
Services	558	693	658	703	2,612	551	578	565	613	2,307	648	2,379
TOTAL	1,524	1,916	1,810	2,189	7,439	1,555	1,643	1,540	1,743	6,481	1,886	6,669
% of revenue	55.9%	57.4%	57.0%	57.2%	56.9%	59.2%	57.8%	58.6%	58.6%	58.5%	60.6%	59.6%
GROSS MARGIN												
Products	738	885	883	1,038	3,544	727	775	708	797	3,007	828	3,065
% of product revenue	43.3%	42.0%	43.4%	41.1%	42.3%	43.4%	42.1%	42.1%	41.4%	42.2%	40.1%	41.7%
Cost of settlement	0	0	0	0	0	(55)	0	0	0	(55)	0	0
% of product revenue	0.0%	0.0%	0.0%	0.0%	0.0%	-3.3%	0.0%	0.0%	0.0%	-0.8%	0.0%	0.0%
Total product margin	738	885	883	1,038	3,544	672	775	708	797	2,952	828	3,065
% of product revenue	43.3%	42.0%	43.4%	41.1%	42.3%	40.1%	42.1%	42.1%	41.4%	41.4%	40.1%	41.7%
Services gross margin	464	536	484	601	2,085	401	423	379	434	1,637	396	1,451
% of service revenue	45.4%	43.6%	42.4%	46.1%	44.4%	42.1%	42.3%	40.1%	41.5%	41.5%	37.9%	37.9%
Total excluding settlement	1,202	1,421	1,367	1,639	5,629	1,128	1,198	1,087	1,231	4,644	1,224	4,516
% of revenue	44.1%	42.6%	43.0%	42.8%	43.1%	42.9%	42.2%	41.4%	41.4%	42.0%	39.4%	40.4%
Cost of settlement	0	0	0	0	0	(55)	0	0	0	(55)	0	0
% of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	-2.1%	0.0%	0.0%	0.0%	-0.5%	0.0%	0.0%
TOTAL GROSS MARGIN	1,202	1,421	1,367	1,639	5,629	1,073	1,198	1,087	1,231	4,589	1,224	4,516
% of revenue	44.1%	42.6%	43.0%	42.8%	43.1%	40.8%	42.2%	41.4%	41.4%	41.5%	39.4%	40.4%
R&D	439	541	523	543	2,046	416	447	450	472	1,785	518	1,926
% of revenue	16.1%	16.2%	16.5%	14.2%	15.7%	15.8%	15.7%	17.1%	15.9%	16.1%	16.7%	17.2%
PURCHASED IN PROCESS R&D	60	0	0	0	60	0	0	0	0	0	69	70
% of revenue	2.2%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%	0.6%
SG&A	828	1,056	1,020	1,133	4,037	670	726	735	788	2,919	849	3,317
% of revenue	30.4%	31.6%	32.1%	29.6%	30.9%	25.5%	25.6%	28.0%	26.5%	26.4%	27.3%	29.7%
RESTRUCTURING CHARGES	12	10	36	228	286	108	24	44	86	262	150	344
% of revenue	0.4%	0.3%	1.1%	6.0%	2.2%	4.1%	0.8%	1.7%	2.9%	2.4%	4.8%	3.1%
IMPAIRMENT EXPENSE	0	0	0	70	70	0	0	0	0	0	49	49
% of revenue	0.0%	0.0%	0.0%	1.8%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	0.4%
TOTAL OPERATING EXPENSES	1,339	1,607	1,579	1,974	6,499	1,194	1,197	1,229	1,346	4,966	1,635	5,706
% of revenue	49.1%	48.2%	49.7%	51.6%	49.7%	45.4%	42.1%	46.8%	45.3%	44.9%	52.6%	51.0%
OPERATING INCOME (LOSS)	(137)	(186)	(212)	(335)	(870)	(121)	1	(142)	(115)	(377)	(411)	(1,190)
Operating margin	-5.0%	-5.6%	-6.7%	-8.8%	-6.7%	-4.6%	0.0%	-5.4%	-3.9%	-3.4%	-13.2%	-10.6%
Interest and other income, net	44	25	26	19	114	31	33	37	32	133	30	94
Gain (loss) on equity investments, net	13	14	4	(4)	27	(4)	9	2	(1)	6	(6)	(64)
Settlement income	0	0	0	54	54	0	0	54	0	54	1,597	1,597
PRETAX INCOME (LOSS)	(80)	(147)	(182)	(266)	(675)	(94)	43	(49)	(84)	(184)	1,210	437
Pretax income (loss) margin	-2.9%	-4.4%	-5.7%	-6.9%	-5.2%	-3.6%	1.5%	-1.9%	-2.8%	-1.7%	38.9%	3.9%
INCOME TAX PROVISION (BENEFIT)	43	76	35	35	189	39	39	(21)	(134)	(77)	430	825
TAX RATE (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NET INCOME (LOSS) (Reported)*****	(123)	(223)	(217)	(301)	(864)	(133)	4	(28)	50	(107)	780	(388)
Growth vs. prior year (%)	7.5%	-5675.0%	-675.0%	-702.0%	-707.5%	53.8%	103.2%	96.3%	-93.6%	72.4%	178.5%	88.5%
Growth vs. prior quarter (%)	-346.0%	-81.3%	2.7%	-38.7%		-117.1%	103.0%	-800.0%	278.6%		203.4%	
Net income (loss) margin	-4.5%	-6.7%	-6.8%	-7.9%	-6.6%	-5.1%	0.1%	-1.1%	1.7%	-1.0%	25.1%	-3.5%
EPS (Diluted) (Reported)	(0.04)	(0.07)	(0.06)	(0.09)	(0.25)	(0.04)	0.00	(0.01)	0.01	(0.03)	0.23	(0.12)
Growth vs. prior year (%)	0.0%	-100.0%	-500.0%	-1000.0%	-733.3%	55.6%	100.0%	95.7%	-95.7%	75.0%	174.2%	-88.7%
Growth vs. prior quarter (%)	-500.0%	-75.0%	14.3%	-50.0%		-117.4%	100.0%	N/A	100.0%		200.0%	
SHARES (CSE)(Diluted)	3,407	3,424	3,443	3,475	3,437	3,343	3,400	3,376	3,410	3,368	3,348	3,277
OUTSTANDING SHARES	3,409	3,458	3,470	3,505	3,505	3,344	3,375	3,381	3,408	3,408	3,336	3,336

The information above has been restated to reflect the adjustments that are further discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the SEC on September 13, 2005.

(in millions)	FY 2006					FY 2005					FY 2004	
	Q1	Q2	Q3	Q4	FY06	Q1	Q2	Q3	Q4	FY05	Q4	FY04
REVENUE BY GEOGRAPHY												
UNITED STATES (\$M)	1,159	1,373	1,325	1,523	5,380	1,105	1,130	982	1,175	4,392	1,355	4,768
Growth vs. prior year (%)	4.9%	21.5%	34.9%	29.6%	22.5%	-4.9%	-6.9%	-5.3%	-13.3%	-7.9%	2.1%	-5.5%
Growth vs. prior quarter (%)	-1.4%	18.5%	-3.5%	14.9%		-18.5%	2.3%	-13.1%	19.7%		30.7%	
INTERNATIONAL AMERICAS (\$M)	141	194	207	273	815	110	165	144	171	590	158	562
Growth vs. prior year (%)	28.2%	17.6%	43.8%	59.6%	38.1%	-5.2%	8.6%	5.9%	8.2%	5.0%	9.7%	3.5%
Growth vs. prior quarter (%)	-17.5%	37.6%	6.7%	31.9%		-30.4%	50.0%	-12.7%	18.8%		16.2%	
EMEA (\$M)	970	1,239	1,119	1,375	4,703	973	1,037	1,009	1,133	4,152	1,087	3,942
Growth vs. prior year (%)	0.0%	19.5%	10.9%	21.4%	13.3%	18.4%	0.6%	0.7%	4.2%	5.3%	7.6%	4.2%
Growth vs. prior quarter (%)	-14.4%	27.7%	-9.7%	22.9%		-10.5%	6.6%	-2.7%	12.3%		8.5%	
APAC (\$M)	456	531	526	657	2,170	440	509	492	495	1,936	510	1,913
Growth vs. prior year (%)	3.6%	4.3%	6.9%	32.7%	12.1%	0.9%	3.7%	3.4%	-2.9%	1.2%	1.8%	-7.1%
Growth vs. prior quarter (%)	-7.9%	16.4%	-0.9%	24.9%		-13.7%	15.7%	-3.3%	0.6%		7.1%	
% of Total Revenue												
UNITED STATES (%)	42.5%	41.2%	41.7%	39.8%	41.2%	42.1%	39.8%	37.4%	39.6%	39.7%	43.5%	42.7%
INTERNATIONAL AMERICAS (%)	5.2%	5.8%	6.5%	7.1%	6.2%	4.2%	5.8%	5.5%	5.7%	5.3%	5.1%	5.0%
EMEA (%)	35.6%	37.1%	35.2%	35.9%	36.0%	37.0%	36.5%	38.4%	38.1%	37.5%	35.0%	35.2%
APAC (%)	16.7%	15.9%	16.6%	17.2%	16.6%	16.7%	17.9%	18.7%	16.6%	17.5%	16.4%	17.1%
PRODUCTS AND SERVICES REVENUE												
COMPUTER SYSTEMS PRODUCTS (\$M)	1,274	1,438	1,474	1,811	5,997	1,354	1,505	1,391	1,576	5,826	1,639	5,854
Growth vs. prior year (%)	-5.9%	-4.5%	6.0%	14.9%	2.9%	5.6%	-4.0%	1.9%	-3.8%	-0.5%	3.7%	-6.2%
Growth vs. prior quarter (%)	-19.2%	12.9%	2.5%	22.9%		-17.4%	11.2%	-7.6%	13.3%		20.1%	
DATA MANAGEMENT PRODUCTS (\$M)	430	670	561	713	2,374	322	335	292	351	1,300	427	1,501
Growth vs. prior year (%)	33.5%	100.0%	92.1%	103.1%	82.6%	-8.5%	-10.9%	-15.6%	-17.8%	-13.4%	0.9%	-3.2%
Growth vs. prior quarter (%)	22.5%	55.8%	-16.3%	27.1%		-24.6%	4.0%	-12.8%	20.2%		23.4%	
SUPPORT SERVICES (\$M)	835	953	904	986	3,678	745	774	734	778	3,031	792	2,999
Growth vs. prior year (%)	12.1%	23.1%	23.2%	26.7%	21.3%	1.9%	3.9%	0.4%	-1.8%	1.1%	4.9%	5.5%
Growth vs. prior quarter (%)	7.3%	14.1%	-5.1%	9.1%		-5.9%	3.9%	-5.2%	6.0%		8.3%	
CLIENT SOLUTIONS & EDUCATIONAL SERVICES (\$M)	187	276	238	318	1,019	207	227	210	269	913	252	831
Growth vs. prior year (%)	-9.7%	21.6%	13.3%	18.2%	11.6%	21.1%	14.1%	0.5%	6.7%	9.9%	12.5%	4.3%
Growth vs. prior quarter (%)	-30.5%	47.6%	-13.8%	33.6%		-17.9%	9.7%	-7.5%	28.1%		20.6%	
NET BOOKINGS, SUN ONLY (\$M)												
NET BOOKINGS, SUN ONLY (\$M)	2,413	3,018	2,680	3,376	11,487	2,453	2,976	2,536	3,078	11,043	3,179	11,314
Growth vs. prior year (%)	-1.6%	1.4%	5.7%	9.7%	4.0%	-3.3%	-0.1%	-3.1%	-3.2%	-2.4%	5.3%	0.1%
Growth vs. prior quarter (%)	-21.6%	25.1%	-11.2%	26.0%		-22.8%	21.3%	-14.8%	21.4%		21.5%	
PRODUCT BACKLOG, SUN ONLY (\$M)*	718	1,021	980	1,099		659	792	701	805		834	

* Our product backlog includes orders for which customer-requested delivery is scheduled within six months and orders that have been specified by the customers for which products have been shipped but revenue has been deferred.

BALANCE SHEETS (in millions)	FY 2006					FY 2005					FY 2004	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q4	
						(Restated)	(Restated)	(Restated)			(Restated)	
CASH & ST INVESTMENTS	2,501	2,449	2,872	4,065		3,520	3,639	3,135	3,396		3,601	
ACCOUNTS RECEIVABLE, NET	2,087	2,289	2,301	2,702		1,730	1,840	2,020	2,231		2,339	
RAW MATERIALS	82	95	49	68		71	64	75	48		82	
WORK IN PROCESS	183	134	125	97		158	157	121	121		134	
FINISHED GOODS	286	321	400	375		187	208	192	262		248	
TOTAL INVENTORIES	551	550	574	540		416	429	388	431		464	
OTHER CURRENT ASSETS	998	933	966	875		1,102	1,220	1,419	1,133		1,159	
TOTAL CURRENT ASSETS	6,137	6,221	6,713	8,182		6,768	7,128	6,962	7,191		7,563	
PP&E, NET	1,901	1,914	1,880	1,806		1,918	1,903	1,851	1,769		1,996	
GOODWILL	2,466	2,472	2,487	2,569		406	406	441	441		406	
LT MARKETABLE DEBT SECURITIES	2,032	1,827	1,557	783		3,913	3,825	4,222	4,128		4,007	
OTHER NON-CURRENT ASSETS, NET	1,938	1,874	1,733	1,586		804	774	704	661		833	
TOTAL ASSETS	14,474	14,308	14,370	14,926		13,809	14,036	14,180	14,190		14,805	
SHORT TERM BORROWINGS	512	508	505	503		0	0	0	0		257	
ACCOUNTS PAYABLE	1,091	1,214	1,315	1,446		807	963	1,071	1,167		1,057	
ACCRUED LIABILITIES & OTHER	2,147	1,905	1,918	2,223		2,108	2,049	2,090	1,951		2,199	
DEFERRED REVENUES	1,507	1,541	1,684	1,988		1,346	1,313	1,399	1,648		1,617	
TOTAL CURRENT LIABILITIES	5,257	5,168	5,422	6,160		4,261	4,325	4,560	4,766		5,130	
LT DEBT	603	593	585	575		1,163	1,145	1,116	1,123		1,175	
LT DEFERRED REVENUES	549	469	472	546		524	519	519	544		557	
OTHER NON-CURRENT OBLIGATIONS	1,410	1,585	1,504	1,301		1,504	1,482	1,429	1,083		1,460	
STOCKHOLDERS' EQUITY	6,655	6,493	6,387	6,344		6,357	6,565	6,556	6,674		6,483	
TOTAL LIABILITIES & SE	14,474	14,308	14,370	14,926		13,809	14,036	14,180	14,190		14,805	
CASH FLOW	Q1	Q2	Q3	Q4	FY06	Q1	Q2	Q3	Q4	FY05	Q4	FY04
OPERATING ACTIVITIES	224	(191)	197	410	640	124	52	(2)	195	369	2,172	2,226
INVESTING ACTIVITIES	(770)	(214)	217	1,346	579	157	(475)	(345)	238	(425)	(1,604)	(2,311)
FINANCING ACTIVITIES	3	90	34	172	299	(235)	99	18	84	(34)	67	211
KEY METRICS	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q4	
INVENTORY TURNS (hist.)	13.4	13.7	10.8	15.3		15.9	14.7	15.0	14.5		15.2	
INVENTORY TURNS-PRODUCT ONLY (hist.)	8.6	8.8	6.9	9.9		10.3	9.4	9.7	9.3		9.8	
DAYS SALES OUTSTANDING	69	62	65	64		59	58	69	68		68	
DAYS PAYABLES OUTSTANDING	(64)	(57)	(65)	(59)		(47)	(53)	(63)	(60)		(50)	
DAYS OF SUPPLY ON HAND	33	26	29	22		24	23	23	22		22	
LT DEBT/EQUITY (%)	9.1%	9.1%	9.2%	9.1%		18.3%	17.4%	17.0%	16.8%		18.1%	
ROE (12 mo. avg.)(%)	-1.5%	-4.9%	-7.8%	-13.4%		-3.8%	-1.6%	9.6%	-1.6%		-6.3%	
BOOK VALUE PER SHARE (\$)	1.95	1.89	1.84	1.81		1.90	1.95	1.94	1.96		1.94	
PRICE PER SHARE @ CLOSE	3.87	4.36	4.97	4.15		4.13	5.44	4.03	3.73		4.33	
ROA (12 mo. avg.)(%)	-0.7%	-2.3%	-3.6%	-6.0%		-1.7%	-0.7%	4.4%	-0.8%		-2.9%	
DEPREC. & AMORT. (\$M)	189	265	228	224		187	191	191	198		231	
CAPITAL INVESTMENTS (\$M)	48	82	63	122		56	85	58	58		60	
SPARES INVESTMENTS (\$M)	20	20	13	20		12	30	26	22		15	
NUMBER OF EMPLOYEES	38,588	38,802	38,312	38,061		32,449	31,855	31,999	31,117		34,962	
REV. PER EMP. (12 mo.)(\$K)	289.4	300.6	314.8	343.3		347.5	352.5	350.2	355.8		319.9	
GM PER EMP. (12mo.)(\$K)	122.3	127.3	134.6	147.9		140.9	143.2	143.2	147.5		129.2	
OP EXP AS % OF REV (12mo.)	45.8%	47.3%	48.1%	49.7%		50.0%	49.3%	46.9%	44.9%		51.0%	
NET INCOME (LOSS) PER EMP. (12mo.)(\$K)	(2.5)	(8.4)	(13.2)	(22.7)		(7.2)	(3.2)	19.5	(3.4)		(11.1)	

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SUN MICROSYSTEMS, INC.
OPERATIONS ANALYSIS – CONSOLIDATED (UNAUDITED)

NON-GAAP CALCULATION OF NET INCOME (LOSS) EXCLUDING SPECIAL ITEMS	FY 2006					FY 2005					FY 2004	
	Q1	Q2	Q3	Q4	FY06	Q1	Q2	Q3*	Q4***	FY05*	Q4	FY04
	(in millions except per share amounts)					(Restated)	(Restated)	(Restated)			(Restated)	
GAAP net income (loss)****, *****	(123)	(223)	(217)	(301)	(864)	(133)	4	(28)	50	(107)	780	(388)
Purchased in-process research and development	60	0	0	0	60	0	0	0	0	0	69	70
Restructuring charges	12	10	36	228	286	108	24	44	86	262	150	344
Loss (gain) on equity investments, net	(13)	(14)	(4)	4	(27)	4	(9)	(2)	1	(6)	6	64
Impairment expense	0	0	0	70	70	0	0	0	0	0	49	49
Settlement income	0	0	0	(54)	(54)	0	0	(54)	0	(54)	(1,597)	(1,597)
Settlement of litigation**	0	0	0	0	0	55	0	0	0	55	0	0
Valuation allowance on deferred tax assets	0	0	0	0	0	0	0	(34)	0	(34)	0	300
Related tax effects	(4)	(3)	(4)	(8)	(19)	(7)	(6)	(7)	(6)	(26)	367	367
Net income (loss) excluding special items	(68)	(230)	(189)	(61)	(548)	27	13	(81)	131	90	(176)	(791)
Growth vs. prior year (%)	-351.9%	-1869.2%	133.3%	-146.6%	-708.9%	110.3%	113.0%	68.1%	174.4%	111.4%	-355.1%	-6691.7%
EPS (Diluted) excluding special items	(0.02)	(0.07)	(0.06)	(0.02)	(0.16)	0.01	0.00	(0.02)	0.04	0.03	(0.05)	(0.24)
Growth vs. prior year (%)	-300.0%	-100.0%	-100.0%	-150.0%	-633.3%	112.5%	100.0%	75.0%	180.0%	112.5%	-350.0%	-100.0%
SHARES (CSE)(Diluted)	3,407	3,424	3,443	3,475	3,437	3,356	3,400	3,376	3,392	3,368	3,327	3,277
OUTSTANDING SHARES	3,409	3,458	3,470	3,505	3,505	3,344	3,375	3,381	3,408	3,408	3,336	3,336

* The non-GAAP calculation of Net income (loss) excluding special items for the three month period ended March 27, 2005 and year ended June 30, 2005 includes a \$69 million benefit for the impact of the change in Dutch withholding tax legislation which was effected in the third quarter of fiscal 2005 and a \$213 million benefit arising from adjustments to our income tax reserves resulting from the conclusion of a U.S. and foreign income tax audit.

** Included in Cost of sales – products

*** The non-GAAP calculation of net income excluding special items for the three months ended June 30, 2005 includes a \$213 million benefit arising from adjustments to our income tax reserves resulting from the conclusion of a U.S. and foreign income tax audit.

**** Net loss for the three months ended June 30, 2006, three months ended March 26, 2006, three months ended December 25, 2005 and three months ended September 25, 2005 included \$63 million, \$57 million, \$55 million and \$50 million of stock-based compensation expense or approximately \$0.02 per share, \$0.02 per share, \$0.02 per share and \$0.01 per share, respectively.

***** Net loss for the three months ended June 30, 2006, three months ended March 26, 2006, three month ended December 25, 2005 and three months ended September 25, 2005 included \$86 million, \$145 million and \$122 million of purchase price accounting adjustments and intangible asset amortization relating to our recent acquisitions or approximately 0.02 per share, \$0.03 per share, \$0.04 per share and \$0.04 per share, respectively.

The information above has been restated to reflect the adjustments that are further discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the SEC on September 13, 2005.