



SUN MICROSYSTEMS Financial Analyst Meeting September 5, 2007

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This presentation contains forward-looking statements regarding the future results and performance of Sun Microsystems, Inc., including statements regarding FY08 guidance, including expected revenue growth, gross margins, operating expenses, restructuring costs, Q408 operating income, amortization of intangibles, stock based compensation expense, net interest income and full year tax provision; potential FY08 and FY09 income statement and balance sheet scenarios; expected operating income for FY09; expected cash flow from operations in FY08 and FY09; expected capital expenditures in FY08 and FY09; the storage focus in FY08; the expected time frame for implementing the Integrated Business Information Solution; and future cost initiatives. These forward-looking statements involve risks and uncertainties and actual results could differ materially from those predicted in any such forward-looking statements. Factors that could cause Sun's actual results to differ materially from those contained in such forward-looking statements include: risks associated with developing, designing, manufacturing and distributing new products; lack of success in technological advancements; pricing pressures; lack of customer acceptance and implementation of new products and technologies; the possibility of errors or defects in new products; a material acquisition, restructuring or other event that results in significant charges; competition; adverse business conditions; failure to retain key employees; the cancellation or delay of projects; Sun's reliance on single-source suppliers; risks associated with Sun's ability to purchase a sufficient amount of components to meet demand; inventory risks; risks associated with Sun's international customers and operations; delays in product development; Sun's dependence on significant customers and specific industries; and Sun's dependence on channel partners. Please also refer to Sun's periodic reports that are filed from time to time with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2007. Sun assumes no obligation to, and does not currently intend to, update these forward-looking statements except as required by law.






The Journey to 10% and New Ways to Look at Sun

Michael Lehman
CFO and EVP Corporate Resources



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- Financial Models
FY07, 08, 09
 - ERP Transformation
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P&L Forward Looking

\$M	FY06	FY07	FY08 Scenarios ¹	
	Actuals	Actuals	3% Growth	5% Growth
Total Revenue	\$13,068	\$13,873	\$14,300	\$14,600
Total Gross Margin	\$5,629	\$6,265	\$6,400	\$6,700
% of Revenue	43.1%	45.2%	45%	46%
R&D/SG&A	\$6,085	\$5,859	\$5,800	\$5,600
IPRD/Impairment	\$130	\$0	\$0	\$0
Restructuring	\$284	\$97	\$150	\$150
Total Operating Expense	\$6,499	\$5,956	\$5,950	\$5,750
% of Revenue	49.7%	42.9%	42%	39%
Operating Income	(\$870)	\$309	\$450	\$950
% of Revenue	-6.7%	2.2%	3%	6.5%
Net interest and Other Income	\$195	\$274	\$190	\$200
Income Tax Provision	\$189	\$110	\$220	\$220
Net Income (GAAP)	(\$864)	\$473	\$420	\$930
Operating Income	(\$870)	\$309	\$450	\$950
Amortization of Acq. Related Intangibles	\$330	\$313	\$290	\$290
Stock Based Compensation	\$225	\$214	\$230	\$230
Depreciation and Amortization	\$575	\$517	\$540	\$540
Modified EBITDA (Non-GAAP)²	\$260	\$1,353	\$1,510	\$2,010
% of Revenue	2.0%	9.8%	10.6%	13.8%

FY08 Guidance

- Low to mid single digit Revenue growth
- Gross Margins: 43% - 46%
- Opex at current exchange rates & excluding restructuring : \$5.6B to \$5.8B
- Restructuring Costs of \$100M-\$150M
- Q408 GAAP Operating Income: 8%
- Amortization of Intangibles: \$250M - \$275M*
- Stock Based Comp Expense: \$225M - \$250M
- Net Interest Income: \$200M to \$225M
- Full Year Tax Provision: \$200M -\$250M

* STK & SBYN only

¹These hypothetical scenarios for FY08 are provided for information purposes only and do not represent Sun's specific expectations or guidance with respect to results for FY08. Actual results may differ.

² Modified EBITDA (Non-GAAP) represents Operating Income excluding the following expenses: Amortization of Acquisition-Related Intangibles, Stock Based Compensation, and Depreciation and Amortization.

P&L Forward Looking

\$M	FY06	FY07	FY08 Scenarios ¹		FY08	FY09 Scenarios ¹		FY09
	Actuals	Actuals	3% Growth	5% Growth	Sell Side Avg ²	3% Growth	5% Growth	Sell Side Avg ²
Total Revenue	\$13,068	\$13,873	\$14,300	\$14,600	\$14,355	\$14,700	\$15,300	\$14,963
Total Gross Margin	\$5,629	\$6,265	\$6,400	\$6,700	\$6,489	\$6,800	\$7,200	\$6,849
% of Revenue	43.1%	45.2%	45%	46%	45.2%	46%	47%	45.8%
R&D/SG&A	\$6,085	\$5,859	\$5,800	\$5,600	\$5,659	\$5,150	\$5,660	\$5,455
IPRD/Impairment	\$130	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Restructuring	\$284	\$97	\$150	\$150	\$150*	\$150	\$0	\$0
Total Operating Expense	\$6,499	\$5,956	\$5,950	\$5,750	\$5,809	\$5,300	\$5,660	\$5,455
% of Revenue	49.7%	42.9%	42%	39%	40.5%	36%	37%	36.5%
Operating Income	(\$870)	\$309	\$450	\$950	\$680	\$1,500	\$1,540	\$1,394
% of Revenue	-6.7%	2.2%	3%	6.5%	4.7%	10%	10%	9.3%
Amortization of Acq. Related Intangibles	\$330	\$313	\$290	\$290		\$245	\$245	
Stock Based Compensation	\$225	\$214	\$230	\$230		\$230	\$230	
Depreciation and Amortization	\$575	\$517	\$540	\$540		\$585	\$585	
Modified EBITDA (Non-GAAP)³	\$260	\$1,353	\$1,510	\$2,010		\$2,560	\$2,600	
% of Revenue	2.0%	9.8%	10.6%	13.8%		17.4%	17.0%	

¹These hypothetical scenarios for FY08 and FY09 are provided for information purposes only and do not represent Sun's specific expectations or guidance with respect to results for FY08 or FY09. Actual results may differ.

²Represents the average estimates of Sell Side analysts available as of August 31, 2007, consisting of 14 analysts for the FY08 estimates and 13 analysts for the FY09 estimates. Analyst estimates have been modified to include the estimated \$150 million restructuring charge for FY08 for comparison purposes. Sun does not endorse or adopt these analyst estimates.

³Modified EBITDA (Non-GAAP) represents Operating Income excluding the following expenses: Amortization of Acquisition-Related Intangibles, Stock Based Compensation, and Depreciation and Amortization.

Cash & Balance Sheet Metrics

\$M	FY06 Actuals	FY07 Actuals	FY08	FY09
Cash Flow from Operations	\$567	\$958	\$1,000 - \$1,500	\$1,500 - \$2,000
Capital Expenditures	\$315	\$488 ¹	\$500 - \$600	\$400 - \$500

\$M	FY06 Actuals	FY07 Actuals	FY08 ²	FY09 ²
Net Income After Tax/ 12Mo Avg Shareholder's Equity	(\$864) \$6,470	\$473 \$6,813		
Return on Equity³	-13.4%	6.9%	7% - 15%	20% - 30%

\$M	FY06 Actuals	FY07 Actuals	FY08 ²	FY09 ²
Op Income After Tax ⁴	(\$1,059)	\$199		
<i>Total Assets</i>	<i>\$15,082</i>	<i>\$15,838</i>		
<i>Cash and Marketable Debt Securities</i>	<i>(\$4,848)</i>	<i>(\$5,942)</i>		
<i>Non-Interest bearing Current Liabilities</i>	<i>(\$5,662)</i>	<i>(\$5,450)</i>		
Invested Capital at 6/30	\$4,572	\$4,446		
Return on Invested Capital⁵	-23.2%	4.5%	5% - 15%	20% - 30%

¹Excluding proceeds from sale of assets.

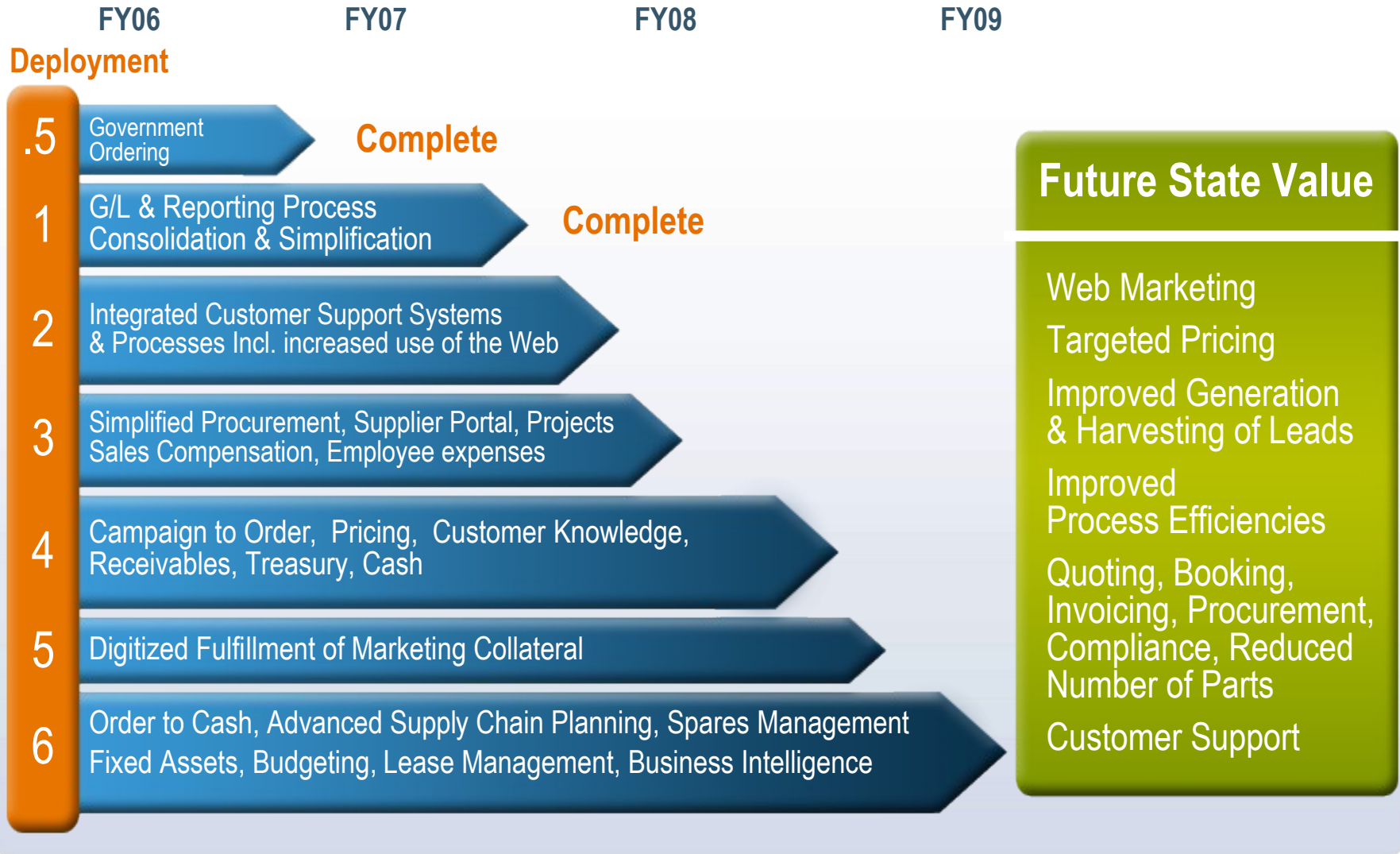
²These percentages represent hypothetical scenarios for FY08 and FY09 based on the assumptions set forth on the previous page and are provided for information purposes only and do not represent Sun's expectations or guidance with respect to results for FY08 or FY09.

³Return on Equity is equal to Net Income After Tax divided by 12 Month Average Shareholder Equity.

⁴Operating Income After Tax represents Operating Income (\$870M for FY06 and \$309M for FY07) less Income Tax Provision (\$189M for FY06 and \$110M for FY07). The Return on Invested Capital calculation assumes that all Income Tax provisions relate to Operating Income.

⁵Return on Invested Capital is equal to Operating Income After Tax divided by ending Total Assets, less Cash & Marketable Debt Securities, less Non Interest Bearing Current Liabilities.

ERP Transformation



Cost Initiatives

- Restructuring Charges between \$100M-150M over next several quarters
 - > Majority related to cash severance costs
 - > Majority expected to be incurred by end of 1HFY08
- Real Estate
- WWOPs Initiatives
- Managing Attrition

A Year in Review



- We've Made Great Progress
- Growth is now our #1 Priority
- Opportunity Is Everywhere
- We're on Track for 10% operating margin for FY09





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