

CRAY

2
0
0
2

annual
report



Fellow Shareholders:

Early in 2002 we established three principal corporate goals for the year: be profitable, raise at least \$20 million through equity funding or new government support for research and development, and ship the first production Cray X1™ system to a customer. Through the tremendous efforts of our employees we achieved all of these goals. Even better, we were profitable in each quarter of 2002. The year culminated in the first production shipment of the Cray X1 system — a particularly satisfying accomplishment given the product's four-year development cycle amidst major corporate integration challenges and a worldwide economic downturn.

Despite the economic slowdown and restrictions on capital spending, our 2002 revenue grew 16% to \$155.1 million. Our net profit was \$5.4 million, compared with a 2001 net loss of \$35.2 million. These results reflect Cray's strong customer relationships and product performance, coupled with government support for our research and development activities and tight internal expense controls.

Laying the Groundwork

Our significant accomplishments in 2002 laid a solid foundation for growth:

- Following the installation and customer acceptance of five early-production systems, we formally announced the availability of the Cray X1 system in November 2002 and in December shipped the first production Cray X1 system from our manufacturing facility in Chippewa Falls, Wisconsin.
- We entered into a contract valued at more than \$90 million with Sandia National Laboratories to design, and deliver in 2004, a high-bandwidth, massively-parallel system, called Red Storm.
- Our MTA-2™ system was accepted by the Naval Research Laboratory, where it is being used by the Department of Defense research community to investigate applications using its unique multi-threading attributes.
- We received a contract from the Defense Advanced Research Projects Agency to participate in an advanced research program aimed at making "trans-petaflops systems" more robust, easier to program and more broadly applicable. We are partnering with researchers from Stanford University, University of Notre Dame and California Institute of Technology/Jet Propulsion Laboratory in this Cascade program.

Our 2002 achievements enabled us to raise \$48 million through the public sale of shares in early 2003, providing us with a solid financial foundation for growth.

Building for the Future

The emergence of the Cray X1 system is a major milestone toward our goal of enabling scientists and engineers to run their applications at sustained petaflops speed by the end of this decade. Our product roadmap is focused on this commitment. Other key initiatives, including the Red Storm contract, the Cascade program and further experience with multi-threaded technology, will accelerate our progress toward this goal.

With a strong product portfolio, a healthy set of technology development initiatives and a solid financial foundation, all of us at Cray look forward to 2003 and the years ahead. We have the opportunity to achieve significant revenue growth and accelerate profitability. I want to thank our customers, suppliers, employees, Directors and shareholders for their continued support of Cray and our vision to be the premier provider of computational solutions for the world's most challenging technical problems.

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Rottsoik". The signature is stylized and fluid.

James E. Rottsoik
Chairman, President & Chief Executive Officer

Investor Information

BOARD OF DIRECTORS

David N. Cutler
Senior Distinguished Engineer
Microsoft Corporation

Daniel J. Evans
Chairman
Daniel J. Evans Associates

Kenneth W. Kennedy, Jr.
John & Ann Doerr Professor of
Computational Engineering
Rice University

Stephen C. Kiely
Chairman & Chief Executive Officer
Stratus Technologies Inc.

William A. Owens
Vice Chairman &
Co-Chief Executive Officer
Teledesic LLC

James E. Rottsoik
Chairman, President &
Chief Executive Officer
Cray Inc.

Burton J. Smith
Chief Scientist
Cray Inc.

OFFICERS

Christopher Jehn
Vice President
Government Programs

Kenneth W. Johnson
Vice President
Legal, General Counsel & Secretary

Lori C. Kaiser
Vice President
Marketing & Strategic Planning

David R. Kiefer
Vice President
Product Engineering & Manufacturing

Gerald E. Loe
Vice President
Worldwide Sales & Services

Scott J. Poteracki
Vice President
Finance & Chief Financial Officer

James E. Rottsoik
Chairman, President &
Chief Executive Officer

Richard M. Russell
Vice President
Asia Pacific Sales & Services

Burton J. Smith
Chief Scientist

CORPORATE SCIENTISTS

David Callahan
Susan L. Coatney
William T. Moore, Jr.
Steven L. Scott

CRAY ANNUAL MEETING MAY 21, 2003 2:00PM

411 First Avenue South
Seattle, WA 98104-2860

**TRANSFER AGENT &
REGISTRAR**
Mellon Investor Services LLC
Shareholder Relations
PO Box 3315
South Hackensack, NJ 07606

or

85 Challenger Road
Ridgefield Park, NJ 07660

Telephone
800-522-6645
Hearing Impaired
TDD 800-231-5469
Foreign Shareholders
201-329-8660
Foreign Shareholders
TDD 201-329-8354

Website
www.melloninvestor.com

LEGAL COUNSEL

Stoel Rives LLP
Seattle, WA

INDEPENDENT PUBLIC ACCOUNTANTS

Deloitte & Touche LLP
Seattle, WA

STOCK MARKET INFORMATION

Cray Inc. Common Stock is traded
on NASDAQ National Market
System under the symbol CRAY.

SEC WEBSITE LINK

www.sec.gov/cgi-bin/srch-edgar?CRAY+INC.

PUBLIC INFORMATION

Obtain a copy of the company's 10-K
filed with the Securities & Exchange
Commission and other company
information, without charge, by
writing or calling:

Cray Inc.
Investor Relations
411 First Avenue South
Suite 600
Seattle, WA 98104-2860

Telephone
866-729-2729

CORPORATE HEADQUARTERS

Cray Inc.
411 First Avenue South
Suite 600
Seattle, WA 98104-2860

Telephone 206-701-2000
Fax 206-701-2500

OTHER PRINCIPAL OFFICES

Cray Inc.
1340 Mendota Heights Road
Mendota Heights, MN 55120-1128

Cray Inc.
900 Lowater Road
Chippewa Falls, WI 54729-0080

INTERNET

E-Mail info@cray.com
Website www.cray.com

EQUAL OPPORTUNITY

Cray Inc. is an equal opportunity
and affirmative action employer.

CORPORATE HEADQUARTERS

Cray Inc.

411 First Avenue South
Suite 600
Seattle, WA 98104-2860

Telephone 206-701-2000 • Fax 206-701-2500