*"Many view the NeXTSTEP operating system as the most advanced on the market today. Embodying a hot technology called object-oriented programming, it lets customers quickly write new programs and mold existing ones to new uses." —Business Week, January 25, 1993*

*"We found the [NeXTSTEP] object-oriented development environment very easy to work with," explains Mike Adelson of Chrysler Financial. "We believe it will enable us to develop business applications faster." —Information Week, October 5, 1992*

*"…NeXTSTEP has long been the most approachable of the Unix operating systems available… Corporations looking for an extraordinarily powerful development system with an elegant interface, built-in multimedia and strong PostScript-based output control should give NeXTSTEP a serious look." —PC Week, September 14, 1992*

*"… NeXT offers what maybe the best development and operating environment, NeXTstep, in the desktop-computer business." —PC Magazine, May 12, 1992*

*"NeXTSTEP's Interface Builder and its supporting utilities and Objective C compiler provide the easiest-to-use, most powerful programming environment we have seen to date… NeXTSTEP has always been a programmer's playground. Now it's even better." —Infoworld, December 7, 1992*

*"NeXTSTEP made it much easier and faster for companies' in-house programmers to customize software to handle important parts of their businesses… O'Connor & Associates, a Chicago options and futures firm, claims its engineers can write a complex trading program in three months with NeXTSTEP—vs. over two years on a Sun workstation." —Fortune, January 20, 1993*

*"…NeXTSTEP makes customizing a system easier than anything else I've seen... What might take days of procedural programming to accomplish elsewhere can be reduced to a few hours of tying existing objects together under NeXTSTEP." —Byte Magazine, October 1992*

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## V. NeXT in Transition

### Managing the Transition to a Software-only Company

*NeXT is restructuring its operations to devote more resources to all aspects of its software business. Because NeXT is no longer a hardware supplier, NeXT is eliminating its hardware-related operations. NeXT emerges from this transition a stronger company in every respect.*

In its transition to a purely software company, NeXT emerges as a significantly more focused company, having a clear mission: to be one of the dominant suppliers of object-oriented software for client/server computing in the industry.

In order to apply 100% of its energies to this software mission, NeXT has significantly restructured its organization and operations. The primary goal has been to sharply focus the company on object-oriented systems software. For this reason, NeXT has expanded its software team while, at the same time, eliminating those functions such as hardware engineering and manufacturing not in keeping with its fundamental mission as a supplier of object-oriented systems software. The decision to eliminate hardware operations was a difficult one for NeXT to make, particularly in view of NeXT's history of award-winning hardware innovation. But however difficult, it was a necessary outcome of NeXT's fundamental decision to focus on software that will run on the most widely accepted mainstream hardware platforms in the industry.

NeXT emerges from this transition not only a more focused company, but also a stronger business. NeXT as a software company has a leaner 200-person operation, a healthy cash balance, and a strong capital base. NeXT also has a pipeline of orders for NeXTSTEP and emerging alliances with hardware manufacturers which would have been difficult or impossible to develop if NeXT had remained a manufacturer of proprietary hardware.

### NeXTSTEP on Intel Processors

*NeXTSTEP on Intel processors will be delivered to customers on May 25, 1993.*

NeXTSTEP for Intel processors will be delivered to customers beginning on May 25, 1993. This version of NeXTSTEP includes the same operating system, the same user interface and the same development tools as NeXTSTEP for the Motorola 68040 product family. Applications written for the Motorola architecture require little more than a simple recompilation. Most applications have been ported from Motorola to Intel architectures in less than one day.

### NeXTSTEP-ready Intel Hardware

*Many suppliers are shipping Intel-based computers capable of running NeXTSTEP today. And key hardware suppliers will provide complete solutions, including factory-loaded NeXTSTEP.*

By focusing on the Intel architecture, NeXT is turning the commoditization of the PC industry to its own advantage. NeXTSTEP runs on a broad range of Intel 486 and Pentium™ hardware. IDC estimates that 26 million 486 computers will be sold in 1993. Many of these will be capable of running NeXTSTEP requiring little or no upgrade to do so.

Popular computer brands with configurations ready to run NeXTSTEP include: Compaq, Dell, Epson, Gateway, Lucky Goldstar and NEC. NeXTSTEP will also run on transportable and battery powered portables from such popular manufacturers as Altima, Compaq, NEC and Toshiba.

(Please consult the *NeXTSTEP Hardware Compatibility Guide* for additional information on suppliers and configurations of NeXTSTEP-ready computers.)

*NeXTSTEP: equally good for developing in-house custom applications and deploying shrinkwrap applications.*

*"The combination of NeXTSTEP's interface features makes it, by far, the easiest Unix system to use. It reigns as the best example of Unix done right: It's aimed at ordinary users rather than traditional Unix users." —Byte Magazine, October 1992*

## Integrating the Corporate Desktop with NeXTSTEP

Applications development is not the entire story behind the success of NeXTSTEP. Today's corporate customers not only need to develop custom software, they also need to integrate all of their information resources, custom and shrinkwrap alike, in a consistent user interface.

The most advanced corporations today are engaged in organization-wide integration, replacing the myriad of PCs, terminals and workstations serving different purposes with one desktop computer environment capable of integrating a wide range of information resources from back-end databases through custom applications and commercial 'off the shelf' software. In so doing, they are unifying the desktop around one graphical user interface. NeXTSTEP provides an excellent, no-compromise foundation for desktop integration. Thanks to its object-oriented architecture all applications—custom *and* shrinkwrap—can be seamlessly and tightly integrated into one consistent, easy to use end-user environment.

NeXT's customers want the best of both the old and new worlds: advanced NeXTSTEP applications development and functionality together with compatibility with the older world of DOS and Windows. Beyond DOS file system compatibility, NeXTSTEP will offer significant interoperability with Microsoft Windows applications. All NeXTSTEP applications can work side by side with DOS, Windows, 3270 and X/Motif applications running in NeXTSTEP windows.

No other vendor—including Microsoft—offers a software platform that is as good for developing and deploying custom software and for integrating these with commercially available productivity tools. Of critical importance, enterprise-wide client/server computing requires a client that can be an outstanding platform for *both* shrinkwrap productivity applications *and* custom applications supporting the enterprise's unique business processes. This is why organizations as different as Chrysler Financial, Preferred Health Care, DARPA, Bozell Jacobs, UBS Securities, the Alberta Motor Vehicles Department and McCaw Cellular have all chosen NeXTSTEP as a cornerstone of their desktop integration strategy.

NeXT believes that these trends—the growth of the market for object-oriented systems software, the spread of custom applications for corporate client/server architectures, a growing corporate interest in desktop integration, and the availability of inexpensive workstation-class personal computers—all support NeXT's decision to focus the company on the development of leading-edge and robust software for object-oriented computing.

## NeXTSTEP's Custom Software Advantage

*"Developers positively love it… there is simply no better environment for building graphical applications…People who are now using the NeXT are nothing short of gaga over it, and their lust is justified." —Byte Magazine, Outlook '92*

NeXTSTEP has demonstrated the order-of-magnitude advantage of truly object-oriented system software over conventional environments in developing shrinkwrap-quality custom applications quickly and reducing the development, maintenance and related lifecycle costs of those applications.

> *Users, developers, and integrators all reap the benefits of NeXTSTEP's object-oriented scheme. No one who works with a NeXT machine feels like a second-class citizen. In contrast, the immensely popular Windows environment does not extend its benefits to developers, at least not if those developers use Microsoft's own C/C++ tools (which run under DOS).*
>
> *—Byte, October, 1992*

*"Brilliant. The easiest Unix system on the market… almost the perfect interface. Consistent interface style across applications, a common underlying object-oriented OS, an astounding set of capabilities…The smooth feel of the interface is light years ahead of anything else available for a Unix user…a seamless computer experience—that shames other advanced systems." —SunWorld, March 1992*

For developers, the benefits of NeXTSTEP's thorough object-orientation are:

- Applications are developed five to ten times faster because objects encourage reusability of software components.
- Applications built out of separate modules are easier to maintain.
- Existing NeXTSTEP objects provide very high levels of functionality such as database access, text editing, printing, spell-checking, and faxing—raising the quality of every NeXTSTEP application.
- Distributed Object technology allows the objects comprising a single applications to reside on different machines over a network.

For users, the benefits include:

- In highly competitive industries such as financial services and telecommunications where time-to-market is everything, applications are completed far more quickly.
- Applications work alike and are easier to learn since they all use the same interface components.
- Custom and third-party applications integrate easily, since all applications are composed of communicating objects.
- Applications support richer kinds of information since object-oriented computing was designed to integrate multimedia information easily.

> *'Programmers felt NeXTSTEP was the only viable choice,' says Vince Jordan, WilTel's director of software development…'What we're building here is a step above anything I've seen on the market…The benefits of object technology far outweighed procedural programming—especially in the amount of time it takes to build and test the application,' Jordan says. 'Others who have built similar systems told me I'm doing in two years what would otherwise take four to eight years,' he says.*
>
> *—Infoworld, August 24, 1992*

*NeXTSTEP will enable a revolution in the software industry: a market for reusable software components.*

Beyond its obvious benefits to corporate developers and users, the object-oriented revolution will also help the software industry by creating a new market for commercially reusable objects.

> *Nine months ago we predicted that an object marketplace would begin to appear," said Doug McLeod, an analyst at International Data Corporation (IDC). "NeXT's ObjectWare catalog is tangible evidence that this prediction is coming true with NeXTSTEP released in June 1992… Given that NeXTSTEP has been object-oriented from the beginning, it's not surprising that the trend toward component-based software is happening on NeXT first.*

None of these features, individually, offers a complete, object-oriented system. Together, they offer a tightly integrated *architecture* designed at the lowest levels of the system to support object-oriented computing.

*VARS gave NeXTSTEP "the highest score among all companies in all categories. In its three years on the market, NeXTSTEP has attracted developers with its labor saving abilities to build applications… By providing an easier way to build applications, the NeXTSTEP operating system has allowed VARs and developers to customize more applications, which has helped NeXT gain entry into commercial markets." —VARBUSINESS, September, 1992*

Those who have recognized the superiority of NeXT's object-oriented system software include:

- ***Corporate Computing***, which named NeXTSTEP for Intel processors one of the 'best buys' for 1993
- The **Software Publisher's Association**, which gave NeXTSTEP the Fluegelman Award for innovative software
- ***Computer Language*** magazine, which awarded NeXTSTEP its Productivity Award for interactive application development environments
- The Italian computer industry's annual **SMAU** trade show which gave NeXTSTEP its industrial design award for 1992
- ***VARBUSINESS*** magazine which awarded NeXT its first place workstation award for 1992 based on the strengths of NeXTSTEP

Given the opportunity that this market will provide over the next several years and NeXTSTEP's significant lead, NeXT has decided to focus all of its energies on developing and delivering the industry's most advanced object-oriented software for corporate desktops.

*"NeXTSTEP…is probably the most respected piece of software on the planet…The underlying reason for NeXT's success is objects…The level of applications you can create in the standard environment is much higher on NeXT than anywhere else."*

## IV. NeXTSTEP and Corporate Computing in the '90's

Desktop corporate computing will be driven by three trends in the 90's:

1. Client/server computing
2. Custom in-house applications
3. The movement to integrate information assets and unify the desktop with a single, consistent user interface

### Client/Server Computing

*Client/server computing needs an object-oriented foundation. NeXT's distributed object technology provides that foundation.*

The adoption of client/server computing is being fueled in part by downsizing, as organizations move database-intensive applications off of larger systems to corporate desktops and servers. Organizations relying on custom applications bring end users both substantially improved ease of use as well as expanded access to information. And these organizations are viewing this new kind of GUI-based database application as their competitive edge, particularly if custom applications can be developed and deployed more quickly. Like the movement toward object-oriented operating systems, the database-oriented client/server marketplace will expand dramatically over the next several years.

The promise of database-intensive client/server computing cannot be realized unless that architecture is built on an object-oriented foundation. NeXTSTEP offers a solid foundation for building this new class of corporate custom applications: the easiest to use (and build) graphical user interface in the industry, a thorough object-oriented architecture, and a distributed object framework for client/server computing.

## II. NeXT's Opportunity: To Lead the Object-Oriented Software Market

*"It's NeXTSTEP system software is years ahead of its potential rivals, such as Microsoft's Cairo and Apple and IBM's Taligent systems." —Business Week, January 25, 1993*

> *Few in the industry dispute that NeXTSTEP accomplishes today what Taligent, Microsoft and others are aiming for by 1995.*
>
> *—Open Information Systems, January 1993*

*Object-oriented desktop operating systems will eclipse traditional OS revenues by the mid-90's, creating a new, multi-billion dollar market.*

A broad spectrum of industry analysts predicts that object-oriented systems software will be one of the most important enabling technologies of the 1990's. The market for desktop object-oriented systems software, in its infancy today, will be enormous. According to initial estimates from International Data Corporation (IDC), annual revenues from object-oriented system software will surpass $2 billion by 1996, exceeding revenues from traditional desktop operating systems.

## III. Why NeXT Will Lead the Market

*NeXTSTEP will be in its fourth major release before Cairo or Taligent ship their first release.*

With 50,000 users, NeXTSTEP has the largest installed base of object-oriented systems software in the industry. NeXT also enjoys a seven-year lead in developing object-oriented software, a lead that has allowed NeXTSTEP to mature as a complete and integrated architecture. NeXTSTEP will have already shipped its fourth release by the time that NeXT's only foreseeable competitors—Microsoft's Cairo and Taligent's OS—ship the initial release of their products in two to three years.

### NeXTSTEP: A Seven-Year Lead in Object-Oriented Software

*"'NeXTSTEP is the only object-oriented environment out there,' said Nancy Battey, an analyst at IDC in Mountain View. 'They have a huge lead.'" —San Jose Mercury News, September 20, 1992*
.

> *NeXTSTEP today delivers the kind of object-oriented environment that potential rivals such as Microsoft Corp.'s Cairo or Apple Computer, Inc. and IBM's Taligent systems cannot guarantee until mid-decade.*
>
> *—Computerworld, January 25, 1993*

Only one vendor offers a complete object-oriented systems software solution today: NeXTSTEP from NeXT Computer, Inc. As the New York Times reported on January 6, 1993:

> *NeXTSTEP software is generally acknowledged to be substantially ahead of operating systems still under development by industry leaders like IBM, Apple and Microsoft…*

The development of NeXTSTEP began in 1986. NeXTSTEP, now in its third generation, is a well-integrated object-oriented solution and includes:

- An operating system based on industry-standard UNIX®, providing kernel-level system features optimized for object-orientation.
- A complete programming environment for rapidly prototyping and developing commercial-grade applications built out of reusable objects, including applications which integrate server, mini- or mainframe-based relational databases. These development tools include programming languages, an applications kit comprising more than one hundred reusable objects, and tools for managing objects and creating user interfaces.
- An advanced, easy-to-use graphical user interface common to all applications—in-house and commercial.

## NeXTSTEP Enters the Mainstream

For the past year, NeXT has been evolving toward a purely software-driven company, beginning in January, 1992, with the announcement of NeXT's plans to port NeXTSTEP to the Intel® architecture.

For the past eighteen months, NeXT's customers have advocated that NeXT become a software-only company. This course of action made increasing sense as a new generation of broadly available, inexpensive and appropriate hardware for NeXTSTEP began shipping in 1992. With the arrival of NeXTSTEP on Intel processors, NeXT has made the decision to cease designing and manufacturing its own NeXTstation® hardware.

*Customers want NeXTSTEP on industry-standard platforms.*

This customer-driven decision was made for several reasons. First, NeXT's customers want the benefit of NeXTSTEP on industry-standard, user-customizable platforms available from multiple suppliers. To encourage the broadest possible acceptance of NeXTSTEP on the widest range of hardware, NeXT understood that it needed to level the playing field as a platform-neutral software supplier and give customers maximum choice and flexibility in the selection of hardware to run NeXTSTEP.

Second, NeXT's customers want NeXTSTEP to proliferate broadly on corporate desktops and to capture significant market share. For the past year, NeXT has realized that the goal of broad market share for NeXTSTEP was at odds with the goal of winning acceptance for a proprietary hardware platform. In the past, to adopt NeXTSTEP required making a commitment to NeXT's own hardware as well as to NeXTSTEP itself. In the future, because of the widespread availability of Intel hardware, the NeXT-related costs of deploying NeXTSTEP widely will be significantly reduced, resulting in shortened technology adoption and procurement decisions.

Third, today, many hardware vendors offer inexpensive and powerful platforms capable of running NeXTSTEP well and freeing NeXT to invest in those software technologies to which NeXT can add unique value.

*Focusing on the mainstream expands the market for all. NeXTSTEP developers.*

Finally, one of the most compelling reasons for focusing all of NeXT's energies on industry-standard platforms is to expand the size of the NeXTSTEP marketplace. Today, more than three hundred applications ship for NeXTSTEP, including products from WordPerfect, Oracle, Sybase, Adobe, Lotus, Insignia, Altsys, Pages, Lighthouse and Appsoft. NeXT's focus on expanding the market share for NeXTSTEP on standard hardware platforms should greatly increase the number of applications available for NeXTSTEP during the next year.

# NeXT in Transition

*NeXT has made the decision to become a software company in order to devote all of its resources to becoming a leader in object-oriented software for client/server computing.*

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## I. Overview: From Hardware to Software

Over the past two years, NeXT has been successful in selling its object-oriented NeXTSTEP® systems to major corporations, government institutions and higher education. In 1992, sales increased 10% worldwide to reach $140 million. Commercial acceptance of NeXTSTEP, coupled with the commoditization of the hardware business, has convinced NeXT to choose being a first-tier software company leading the object-oriented computing revolution over being a second-tier supplier of hardware in a market increasingly differentiated merely by hardware price/performance.

### NeXT's Mission

*Mission: to lead the object-oriented computing revolution.*

NeXT's mission is to provide state-of-the-art, robust and reliable object-oriented software that allows users to rapidly develop and deploy client/server applications. NeXT's corporate goal is to be an industry leader in object-oriented computing on the broadest array of mainstream hardware platforms. NeXTSTEP is currently shipping in a limited release for Intel platforms and will be available in an unrestricted release in May. NeXT plans on making NeXTSTEP an industry standard available on a number of popular, high-performance architectures.

*Product lines: object-oriented system software, development tools, reusable objects and groupware available on mainstream hardware.*

As NeXT moves forward, the company will emphasize technologies where NeXT adds unique value. NeXT will invest in four product lines:

1. Object-oriented systems software
2. Software development tools such as programming languages and NeXT's database integration tool, Database Kit™
3. ObjectWare®—programmer-modifiable object building blocks providing a high level of pre-built functionality
4. Groupware applications such as electronic mail