

## Press Release

**Santa Clara, Calif., January 23, 2007**

**Sun Microsystems Welcomes Endorsement and Investment From KKR**

**KKR Private Equity Investors, L.P. to Invest in Sun Through \$700 Million of Senior Convertible Notes**

Sun Microsystems, Inc. (Nasdaq: SUNW) today announced a \$700 million private placement transaction with KKR Private Equity Investors, L.P. (Euronext Amsterdam: KPE), the publicly traded fund of Kohlberg Kravis Roberts & Co. ("KKR"), one of the oldest and most experienced private equity firms. The investment will be in the form of \$350 million of convertible senior notes due in 2012, and \$350 million of convertible senior notes due in 2014. Closing of the investment is scheduled for January 26, 2007, and is subject to meeting customary closing conditions. A nominee of KKR will be presented for appointment to the Sun Microsystems Board of Directors upon or shortly following the close of this transaction.

"We are excited to have the support of one of the world's premiere private equity firms. KKR has a stellar track record of creating value for shareholders, and bringing insight and opportunity to the companies in which it invests. This investment is an important validation of our strategy and competitive assets, and reflects endorsements from key customers, along with improving financial performance and market share gains," said Jonathan Schwartz, CEO of Sun Microsystems. "Sun is clearly becoming a vendor of choice in the race to build out the Internet's global infrastructure -- and we intend to use proceeds from this placement to pursue strategic opportunities for growth. We're looking forward to working with KKR to leverage its expertise, assets, global reach and relationships."

George R. Roberts, a founding member of KKR, said, "Sun Microsystems is a leader and innovator in the global technology marketplace. Jonathan Schwartz and his team have demonstrated remarkable vision and strong discipline in executing its turnaround strategy. This leadership, coupled with the world-class products and services for which Sun has always been known, underscores the Company's ability to sustain its recent momentum and the gains it has made in the marketplace. We are pleased to have the opportunity to pursue this investment through KKR Private Equity Investors in order to help Sun to best capitalize on its substantial growth potential."

The 2012 and 2014 notes will pay interest semi-annually at a rate of 0.625% and 0.750% per annum respectively. The 2012 and 2014 notes will be convertible, at the holder's option during specified periods, at a conversion price of \$7.21 per share. Upon conversion, Sun Microsystems will deliver cash up to the principal amount and, at its option, cash or stock equal to the remaining conversion value. KPE's \$700 million investment in Sun Microsystems includes financing provided to KPE by a major bank in the amount of \$350 million.

Sun Microsystems will use a portion of the offering proceeds to fund convertible note hedge transactions which it entered into concurrently with the private placement transaction. These transactions are intended to offset the dilution to Sun's common stock resulting from potential future conversion of the notes. Concurrent with entering into the convertible note hedges, Sun Microsystems also entered into separate transactions to sell warrants to purchase shares of its common stock. These transactions will generally have the effect of increasing the effective conversion price of the notes. The warrants associated with the 2012 notes have an exercise price that represents an approximate 60% premium to

the closing price of Sun Microsystems common stock on January 22, 2007. The warrants associated with the 2014 notes have an exercise price that represents an approximate 75% premium to the closing price of Sun Microsystems common stock on January 22, 2007.

The counterparty to these transactions, or its affiliates, may purchase shares of Sun Microsystems common stock or enter into derivative transactions in Sun Microsystems common stock concurrently with or following the pricing of the notes.

Today's announcement does not constitute an offer to sell or the solicitation of an offer to buy securities.

#### **About Sun Microsystems, Inc.**

A singular vision -- "The Network Is The Computer(™)" -- guides Sun in the development of technologies that power the world's most important markets. Sun's philosophy of sharing innovation and building communities is at the forefront of the next wave of computing: the Participation Age. Sun can be found in more than 100 countries and on the Web at <http://sun.com>.

#### **About KKR Private Equity Investors**

KKR Private Equity Investors, L.P. ("KPE") is a Guernsey-based limited partnership that seeks to create long-term value primarily by participating in private equity investments sponsored by KKR. Formed in April 2006 to provide complementary capital for KKR-sponsored private equity funds, KPE enables certain public market investors to invest in KKR-sponsored investments. KPE plans to invest at least 75% of its assets in KKR-sponsored private equity investments. Up to 25% of KPE's assets may be committed to opportunistic and other investments identified by KKR that are outside the scope of KKR's traditional private equity investments. KPE makes its investments through another Guernsey limited partnership, KKR PEI Investments, L.P., as its sole limited partner.

The common units and related restricted depositary units of KPE are subject to a number of ownership and transfer restrictions. Information concerning these ownership and transfer restrictions is included on the Investor Relations section of KPE's website at <http://www.kkrpei.com>.

#### **About KKR**

KKR is one of the world's oldest and most experienced private equity firms specializing in management buyouts, with offices in New York, Menlo Park, California, London, Paris, Hong Kong and Tokyo. In recent years KKR has participated in several of the largest private equity technology investments in history, including SunGard Data Systems, NXP Semiconductors and Avago Technologies. Other KKR technology industry investments include Aricent, Amphenol, RELTEC, Wincor Nixdorf, Tenovis and Zhong Technologies. Over the past thirty years, KKR has invested in more than 149 transactions with a total value of US\$274 billion. For more information, please visit <http://www.kkr.com>.

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and other applicable laws regarding Sun's, KKR's and KPE's plans and expectations with respect to KPE's investment in Sun, including statements regarding the form of the investment; the closing date of the investment; the use of proceeds from the investment; Sun's plans with respect to convertible note hedging transactions and sales of warrants to purchase shares of its common stock; and the relationship of Sun and KKR following the closing of the investment, including the appointment of a KKR nominee to Sun's board. 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 actual results to differ materially from those contained in these projections and forward-looking statements include risks related to: the satisfaction of the closing conditions for the investment; the possibility that Sun will decide to use the proceeds from the investment for purposes other than those described above; the satisfaction of the formal requirements for the appointment of an additional director to Sun's board; and the deterioration of the relationship between Sun and KKR/KPE. Please also refer to Sun's periodic reports that are filed from time to time with the Securities and

Exchange Commission. Sun, KKR and KPE assume no obligation to, and do not currently intend to, update these forward-looking statements.

NOTE: Sun, Sun Microsystems, the Sun logo, Solaris, and The Network Is The Computer are trademarks or registered trademarks of Sun Microsystems, Inc. in the United States and other countries.

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