2017 ANNUAL LETTER

INVESTING FOR THE FUTURE

From Henry Kravis & George Roberts

KKR

Investing For the Future

HENRY KRAVIS & GEORGE ROBERTS

A full decade after the financial crisis that froze markets and upended so many countries, companies, and industries, it's clear that many things have changed about the investing landscape and the world in which we operate. But we aren't looking backwards.

Investing for the future, in our people, businesses, culture, and communities is what will help us continue to build on our strengths and allow us to keep delivering for our investors while also making a meaningfully positive impact on the world.

Last year, we set out to have what we called internally a "year of outcomes," meaning strong performance for the companies in which we invest and robust returns for our investors, stakeholders, and employees.

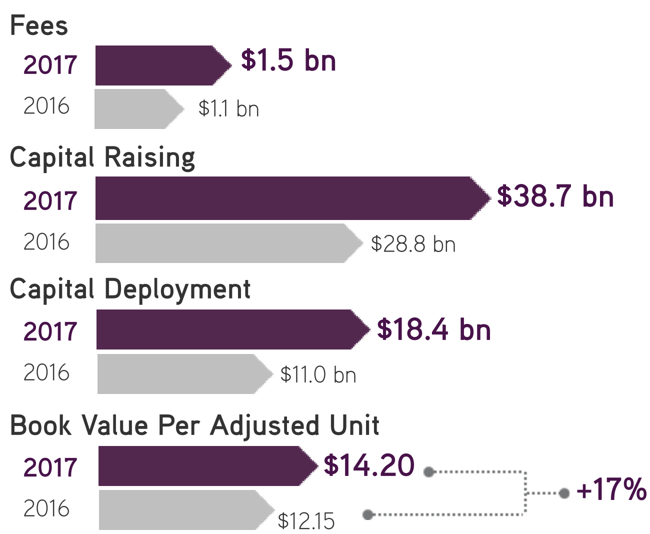
2017 brought incredible success. We had solid performance across our flagship funds and grew our assets under management by 30%. Our capital markets business had a record level of activity, we made a sizable investment in our mid-market lending platform, and we expanded into new businesses such as our Core Investment strategy.

Overall, it was one of our strongest years as a public company and we credit that to our team of dedicated executives together with our culture of collaboration and to the clients and partners who trust us.

In this letter, we will review our 2017 performance and discuss the power of our collaborative culture. We will also discuss how we are investing for our future through an even greater focus on ESG, our culture and keeping our people connected.

2017 Highlights

The Year of Outcomes



AUM
+30% year-over-year

FPAUM
+16% year-over-year

42% Return
vs 22% for S&P

2017 IN REVIEW

Performance for the year was strong and broad-based as evidenced by the chart below that displays gross returns for 2017 across our flagship, carry-paying funds. Of particular note, strong portfolio company performance within our flagship Private Equity funds resulted in 34% appreciation for these funds in 2017, outpacing the MSCI World Index by almost 11% on a total return basis.

Investment Performance
2017 Gross Return

Private Equity		Real Assets		Credit	
North American XI	34%	Real Estate I	**12%**	Special Situations II	**18%**
Asia II		Infrastructure II	**15%**	Mezzanine	**20%**
Europe IV		Energy Income & Growth	**9%**	Lending Partners II	**10%**

The strategies shown above consist of KKR's strategies that generate carry. The funds shown within each strategy represent the flagship funds within each sub-strategy with at least $1bn in committed capital and that have been investing for at least two years. For Private Equity the funds represent the flagship funds within each major geographic region. Past performance is no guarantee of future results.

FUNDRAISING

Over the course of the year, we raised $39 billion of new capital from a growing and increasingly diverse base of fund investors. We closed Asia III, our $9.3 billion private equity fund focused on this strategically important region. We also continued to scale our Real Estate platform with capital raised across our flagship real estate credit vehicle in addition to our European and Americas Real Estate funds. Inflows for our healthcare growth strategy – focused on investing in innovative products and services in the health care space – combined with new capital raised in our private credit and Core Investment strategies, were additional contributors to the growth in firm-wide assets under management in 2017.

CAPITAL DEPLOYMENT

One of the challenges all investment managers faced in 2017 was to deploy capital at a time when valuations were high across many markets and geographies.

Over the year we deployed $18 billion while maintaining our investment discipline and finding opportunities where we felt advantaged as we invested behind our views.

Asia, broadly, is an example of a region where valuations weren't excessive. In 2017 we invested more capital in the region than we have in any single year in our history. Japanese corporate carve-out opportunities exemplified a broad investment theme we have continued to invest behind.

In a number of occasions, we partnered with our portfolio companies and invested behind strategic M&A transactions where synergies played an important part in the opportunities we saw. A notable example of this was an add-on investment in Internet Brands, an online media and software services company. We initially invested in Internet Brands in 2014 and have been working alongside management to deepen their reach into the healthcare vertical. As part of this, we supported the $2.8 billion acquisition of WebMD, a well-known digital healthcare destination for physicians and consumers, with $1 billion in new equity.

2017 was also an active year within our Infrastructure strategy. Global capital needs across Infrastructure are enormous and in 2017 we invested more across our Infrastructure strategies than we had in the previous three years combined, with the majority of investment activity occurring outside of the U.S.

In our Public Markets segment, we've found opportunities in Alternative Credit, specifically direct lending, where we've directly originated senior debt financings for enterprises unable to obtain attractive financing elsewhere. KKR Credit's focus on sourcing, structuring, and diligencing financing solutions for a diverse mix of upper-middle market private companies and sponsors resulted in approximately $3 billion of deployment in 2017, or over half of our Public Markets deployment.

MONETIZATIONS

We reported after-tax distributable earnings of $1.6 billion in 2017, driven in large part by nearly $1.3 billion of gross realized performance income. Our Private Equity funds distributed over $11 billion to our limited partners during the year. Exits were broad-based geographically, with a blend of secondary offerings and strategic sale activity.

The largest monetization in 2017 was our final sale in U.S. Foods, one of the largest foodservice distributors, for $2.0 billion. In November, U.S. Foods was the winner of KKR's second annual Eco-Innovation Award resulting from their responsibly sourced and sustainable product lines.

THE POWER OF COLLABORATION

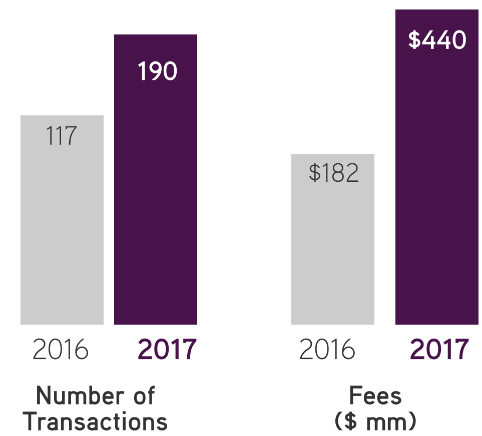
We often talk about the benefits of our structure and our business model - which marries third party capital with our capital markets business and balance sheet - because we believe that we have built something different.

We have a capital markets business that does everything from taking companies public to underwriting new deals (all for both KKR and independent companies) to syndicating debt and equity. And we have long-dated capital in our funds, ready to deploy in virtually every asset class. Individually, these funds and businesses are generating returns for our fund investors and unitholders, but when they are paired, they create an unrivaled competitive advantage.

We see our balance sheet as a key differentiator, giving us the ability to invest in everything we do, seed new strategies and support existing ones. Nowhere was the power of our model more prevalent last year than in Europe, with the acquisition of two new Infrastructure investments, Q-Park and Telxius.

Outstanding Growth

KKR Capital Markets was a significant driver of firm-wide revenue in 2017



Q PARK & TELXIUS

Q-Park manages over 800,000 parking spaces in ten countries across Europe, and Telxius provides critical telecom infrastructure via an international fiber optic cable network and mobile towers in five countries.

Both of these investments required significantly more capital than our Infrastructure II Fund could responsibly commit. Instead of passing on the attractive opportunities, we leveraged the Credit and Capital Markets teams' capabilities and syndicated excess capital to co-investors while simultaneously underwriting a portion of the debt for each transaction.

NEW LEADERSHIP AND OUR PEOPLE

KKR's success is predicated on having the right people in the right positions and a culture that allows them to thrive. We're proud of the collaborative culture we've built and the way we invest and serve our communities. But there's always room to do more. We continue to promote from within and work to ensure our growing firm maintains a close-knit, inclusive culture.

Last year, we invested in KKR's leadership to ensure future success by promoting two long-tenured executives, Joe Bae and Scott Nuttall, to serve as Co-Presidents and Co-Chief Operating Officers. Joe and Scott are now jointly responsible for the execution and implementation of our strategy.

We also promoted or hired 23 Members and 44 Managing Directors to our senior executive ranks. These promotions help solidify our leadership structure and retention policies.

Preserving and enhancing our culture of collaboration is an important way we'll continue to attract and retain top talent. We know that people join and stay at KKR because they are given great responsibility and they believe in the overarching purpose of our work. Our employees work simultaneously to support the goals of companies in which we invest and those who have entrusted their capital with us.

Keeping our teams connected also leads to more and better investments, something we saw over and over again in 2017. Our teams worked across borders and oceans to combine the best of KKR's intellectual property and our businesses to create positive outcomes for our investors.

But we know that we must continue to evolve to meet the needs of the modern workforce. We are focused on making sure that we keep doors open and ideas flowing as we look ahead, particularly as we design new office spaces for our teams in Menlo Park, New York, London and Dublin.

We also remain focused on increasing our overall diversity which will continue to be a strategic priority for the firm. Having people from diverse backgrounds means diversity of ideas and thoughts. It helps us make better decisions, and can lead to enhanced performance. To address this, we think it's important to offer good role models, good benefits and flexibility, in addition to partnering with organizations who focus on pipelining, investing and developing diverse talent. That's why in 2014 we created an Inclusion & Diversity Council (IDC) including 11 of our senior most people with a global point of view. Through the IDC, we have focused on advancing recruiting and retention by understanding our core issues and making sure we leverage our learnings to properly effect change. We view hiring more diverse candidates as only one step in advancing diversity and inclusion across our firm and industry. Ultimately, once we make a new hire, we want to integrate them, better understand what's important to them, and ensure our unconscious biases don't get in the way in making sure they feel fully part of the organization.

After all, our single greatest strength is our people, their intellectual capital and commitment to the firm.

RESPONSIBLE INVESTING & CITIZENSHIP

Another critical part of investing for the future and creating value for our investors is being a responsible partner. Since we launched our first cross-portfolio ESG-related program, the Green Solutions Platform, ten years ago, two facets have been mainstays of our approach to value creation: a partnership with leading nonprofits with specialized related knowledge and a focus on driving meaningful changes to achieve measurable results. By providing resources and tools, such as a multi-part sustainability webinar series, handbooks, and assessments, we aim to help portfolio companies protect and grow value by thoughtfully managing their relevant environmental, social, and governance (ESG) issues. While we have formally considered key ESG issues since 2008, our focus has continued to evolve as the world changes and is becoming a bigger part of how we evaluate our strategy.

But it's not just us; we know that our current and potential fund investors also care deeply about these issues. Our discussions are rarely about why we do what we do, but how we can do more. Like many of our fund investors, we're interested in putting more capital to work to help tackle some of the world's toughest environmental and social challenges while continuing to generate financial returns.

We are also helping tackle some of those challenges through our global citizenship. This has always played an important role in our firm, reflecting the values we have instilled since our inception.

In addition to supporting organizations covering a range of issues such as cancer research, access to clean drinking water, and education through our matching program, our people are spending time in their communities.

Through KKR's 40 for 40 program, now in its second year, employees receive 40 hours of paid time to volunteer with causes that resonate with them. Examples include one of our employees jumping on a plane after Hurricane Harvey to help with relief efforts in Texas, another who worked with refugees on the Syrian border, and another who spent a week teaching fourth grade. No matter the issue, we know that showing up and investing time is an important way to help.

We also announced two partnerships with leading nonprofits working to close the gender gap in technology: Girls Who Code in the U.S. and Code First: Girls in the U.K. We firmly believe achieving outstanding performance requires diversity across genders, ethnicities, nationalities, sexual orientations and other life experiences.

We're proud to help organizations tackle important social and environmental challenges across the world and are committed to doing the same at KKR.

BUILDING ON OUR STRENGTH

While global stock markets soared in 2017, volatility has recently moved in and tempered those gains.

Last year, we took a number of important steps to prepare for our future in a volatile world by enhancing the permanency of our model.

We've grown our permanent and long-term capital base, particularly through the addition of new strategic investor partnerships and the expansion of our middle market-lending platform. We also listed KKR Real Estate Finance Trust, and our business development company, Corporate Capital Trust, which account for approximately $5 billion in permanent capital. Coupled with our new $9.5 billion Core Investment business and our exciting, recently closed middle market lending partnership with FS Investments, we've grown our long-term capital to $42 billion from $11 billion. We hope to more than double our permanent capital base over time.

Having been in business 42 years in May, this time feels relatively normal. We are not bracing for the next crisis. Banks are strong and well capitalized; consumers are better protected. The whole system is better able to absorb losses and weather economic swings. That's not to say that we believe the current economic expansion – one of the longest in history – will continue forever. Our base case for some time has been that a modest economic slowdown will start in late 2019.

We believe some investors are paying too much for growth and simplicity and punishing businesses and opportunities viewed as being complicated. But that complexity is where we found many opportunities in 2017; we expect the same in the months ahead.

While we cannot predict the future, we do feel like the investing we've done and will continue to do internally and externally will build on and compound our successes, no matter the market conditions and underlying fundamentals.

Looking ahead, we feel good about the direction and growth of the firm, particularly given our unique combination of funds, sources of capital and vehicles through which to invest. We have the right talent in place to lead us into the future and ensure that we continue to generate returns for our fund investors, meaningfully impact our communities, and provide value for unitholders.

Henry R. Kravis
Co-Founder, Co-Chairman, Co-CEO

George R. Roberts
Co-Founder, Co-Chairman, Co-CEO

Non-GAAP Measures

This letter contains non-GAAP measures. GAAP Net Income Attributable to KKR & Co. L.P. Common Unitholders was $985 million in 2017 and KKR & Co. L.P. Capital Per Outstanding Common Unit – Basic was $13.79 as of December 31, 2017. For a full reconciliation of GAAP to non-GAAP measures, please see KKR's Annual Report on Form 10-K for the year-ended December 31, 2017, available at https://www.sec.gov/Archives/edgar/data/1404912/000140491218000005/kkr-2017123110xk.htm.

Forward-Looking Statements

This letter may contain forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements are based on KKR's beliefs, assumptions and expectations, taking into account all information currently available to it. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to KKR or are within its control. If a change occurs, KKR's business, financial condition, liquidity and results of operations, including but not limited to AUM, FPAUM, ENI, after-tax ENI, after-tax distributable earnings, capital invested, syndicated capital, uncalled commitments, cash and short-term investments, fee related earnings, fee and yield segment EBITDA, core interest expense and book value, may vary materially from those expressed in the forward-looking statements. The following factors, among others, could cause actual results to vary from the forward-looking statements: the possibility that certain assumptions with respect to the strategic BDC partnership could prove to be inaccurate; the challenges of operating a strategic BDC partnership with a third party; the volatility of the capital markets; failure to realize the benefits of or changes in KKR's business strategies including the ability to realize the anticipated synergies from acquisitions, strategic partnerships or other transactions; availability, terms and deployment of capital; availability of qualified personnel and expense of recruiting and retaining such personnel; changes in the asset management industry, interest rates or the general economy; underperformance of KKR's investments and decreased ability to raise funds; the degree and nature of KKR's competition; and whether a conversion from a partnership to a corporation will be made, and if made, the timing, terms or benefits of such conversion. All forward looking statements speak only as of the date hereof. KKR does not undertake any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made except as required by law. In addition, KKR's business strategy is focused on the long term and financial results are subject to significant volatility.

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