

KKR & CO. INC.

FORM 8-K (Current report filing)

Filed 04/27/12 for the Period Ending 04/27/12

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|-------------|---|
| Address | 9 WEST 57TH STREET, SUITE 4200 NEW YORK, NY, 10019 |
| Telephone | 212-750-8300 |
| CIK | 0001404912 |
| Symbol | KKR |
| SIC Code | 6282 - Investment Advice |
| Industry | Investment Management & Fund Operators |
| Sector | Financials |
| Fiscal Year | 12/31 |

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 27, 2012

KKR & CO. L.P.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction
of incorporation)*

001-34820

*(Commission
File Number)*

26-0426107

*(IRS Employer
Identification No.)*

**9 West 57th Street, Suite 4200
New York, New York**

(Address of principal executive offices)

10019

(Zip Code)

(212) 750-8300

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations

On April 27, 2012, KKR & Co. L.P. issued a press release announcing financial results for its first quarter ended March 31, 2012.

The press release is furnished as Exhibit 99.1 to this Report.

As provided in General Instruction B.2 of Form 8-K, the information in this Item 2.02 and the exhibit furnished by this Form 8-K shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| Exhibit 99.1 | Press release of KKR & Co. L.P., dated April 27, 2012, announcing results for the first quarter ended March 31, 2012 (This exhibit is furnished and not filed) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KKR & CO. L.P.

By: KKR Management LLC, its general partner

Date: April 27, 2012

By: /s/ William J. Janetschek

Name: William J. Janetschek

Title: Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| Exhibit 99.1 | Press release of KKR & Co. L.P., dated April 27, 2012, announcing results for the first quarter ended March 31, 2012 (This exhibit is furnished and not filed) |

KKR & Co. L.P. Announces First Quarter Results***Strong investment appreciation drives meaningful economic net income***

GAAP net income attributable to KKR & Co. L.P. was \$190.4 million for the quarter ended March 31, 2012, up from \$159.6 million for the quarter ended March 31, 2011.

Assets under management (“AUM”) totaled \$62.3 billion as of March 31, 2012, up from \$59.0 billion as of December 31, 2011.

Fee related earnings (“FRE”) were \$73.4 million for the quarter ended March 31, 2012, down from \$126.2 million for the quarter ended March 31, 2011.

Gross distributable earnings were \$111.5 million for the quarter ended March 31, 2012, down from \$192.9 million for the quarter ended March 31, 2011.

Economic net income (“ENI”) was \$727.2 million for the quarter ended March 31, 2012, down from \$742.5 million for the quarter ended March 31, 2011.

After-tax ENI was \$0.99 per adjusted unit for the quarter ended March 31, 2012, up from \$0.96 per adjusted unit for the quarter ended March 31, 2011.

Book value was \$6.1 billion on a segment basis as of March 31, 2012, representing \$8.67 per adjusted unit.

KKR & Co. L.P. declares a first quarter distribution of \$0.15 per common unit.

NEW YORK--(BUSINESS WIRE)--April 27, 2012-- **KKR & Co. L.P. (NYSE: KKR)** today reported its first quarter 2012 results.

For the quarter ended March 31, 2012, the carrying value of KKR’s private equity investment portfolio appreciated 9.0% driving ENI of \$727.2 million for the quarter ended March 31, 2012. This represented a decrease of \$15.3 million or 2.1%, as compared to ENI of \$742.5 million for the quarter ended March 31, 2011, primarily due to lower monitoring and transaction fees, partially offset by higher net carried interest earned from our private equity funds.

AUM and fee paying assets under management (“FPAUM”) were \$62.3 billion and \$47.2 billion, respectively as of March 31, 2012, increasing 5.6% and 1.7% from December 31, 2011, respectively. The increase in AUM was primarily attributable to continued investment appreciation during the period, partially offset by distributions to limited partners of our investment funds. FPAUM was higher primarily due to new capital raised. Neither of these measures includes capital-raising for our 11th North American private equity fund.

“Our strong ENI in the quarter was largely the result of 9% appreciation in the value of our private equity portfolio,” said Henry R. Kravis and George R. Roberts, Co-Chairmen and Co-Chief Executive Officers of KKR. “This performance, combined with continued progress especially in our energy, infrastructure, and alternative credit businesses, contributed to a strong start to the year.”

Note: Certain financial measures, including FRE, ENI, after-tax ENI, after-tax ENI per adjusted unit, fee related EBITDA, book value, cash and short-term investments and adjusted units, are not presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). See Exhibits A and B for a reconciliation of such measures to financial results prepared in accordance with GAAP. See calculation of gross distributable earnings under “Distribution Calculation.”

GAAP RESULTS

GAAP results for the quarter ended March 31, 2012 included net income attributable to KKR & Co. L.P. of \$190.4 million and net income attributable to KKR & Co. L.P. per common unit of \$0.80 on a diluted basis. For the quarter ended March 31, 2011, net income attributable to KKR & Co. L.P. was \$159.6 million and net income attributable to KKR & Co. L.P. per common unit was \$0.75 on a diluted basis. The increase was primarily due to a higher level of investment appreciation recorded in net gains (losses) from investment activities in the condensed consolidated statements of operations. This increase in net gains (losses) from investment activities was partially offset by (i) a decrease in fees primarily due to lower monitoring and transaction fees and (ii) an increase in compensation and benefits expense. The increase in compensation and benefits expense was primarily attributable to a higher carry pool allocation as a result of the recognition of higher carried interest during the quarter ended March 31, 2012 compared to the quarter ended March 31, 2011.

SEGMENT RESULTS

Private Markets

AUM was \$46.0 billion as of March 31, 2012, an increase of \$2.4 billion, or 5.5%, compared to AUM of \$43.6 billion as of December 31, 2011. The increase was primarily due to investment appreciation, partially offset by distributions to limited partners of our private equity funds arising from realizations.

FPAUM was \$38.0 billion as of March 31, 2012, an increase of \$0.1 billion, or 0.3%, compared to FPAUM of \$37.9 billion as of December 31, 2011. The increase was primarily attributable to favorable changes in foreign exchange related to euro-denominated commitments and invested capital, partially offset by distributions to the limited partners of our private equity funds arising from realizations.

FRE was \$37.7 million for the quarter ended March 31, 2012, a decrease of \$52.9 million, or 58.4%, compared to FRE of \$90.6 million for the quarter ended March 31, 2011. The decrease was primarily driven by (i) lower monitoring fees as a result of \$68.8 million of termination payments on monitoring agreements with two portfolio companies during the quarter ended March 31, 2011, which impacted FRE by \$37.8 million net of associated fee credits, and (ii) lower transaction fees resulting from closing fewer transaction fee-generating investments.

ENI was \$265.3 million for the quarter ended March 31, 2012, a decrease of \$11.4 million, or 4.1%, compared to ENI of \$276.7 million for the quarter ended March 31, 2011. The decrease was primarily attributable to the decline in FRE discussed above, partially offset by higher net carried interest driven by a higher level of appreciation in our private equity portfolio.

Public Markets

AUM was \$16.3 billion as of March 31, 2012, an increase of \$0.9 billion, or 5.8%, compared to AUM of \$15.4 billion as of December 31, 2011. FPAUM was \$9.3 billion as of March 31, 2012, an increase \$0.8 billion, or 9.4%, compared to FPAUM of \$8.5 billion as of December 31, 2011. For both AUM and FPAUM, the increases were primarily attributable to new capital raised as well as appreciation in the net asset value of certain investment vehicles.

FRE was \$15.4 million for the quarter ended March 31, 2012, an increase of \$0.9 million, or 6.2%, compared to FRE of \$14.5 million for the quarter ended March 31, 2011. The increase was primarily due to a higher level of management fees related to new capital raised over the past year, partially offset by lower incentive fees earned in the first quarter of 2012.

ENI was \$23.9 million for the quarter ended March 31, 2012, an increase of \$8.0 million, or 50.3%, compared to ENI of \$15.9 million for the quarter ended March 31, 2011. The increase was primarily attributable to higher net carried interest due to investment appreciation of certain carry-earning investment vehicles.

Capital Markets and Principal Activities

FRE was \$20.2 million for the quarter ended March 31, 2012, a decrease of \$0.9 million, or 4.3%, compared to FRE of \$21.1 million for the quarter ended March 31, 2011. The decrease was primarily due to higher compensation expense in connection with increased headcount to support the expansion of the capital markets business.

ENI was \$438.0 million for the quarter ended March 31, 2012, a decrease of \$11.9 million, or 2.6%, compared to ENI of \$449.9 million for the quarter ended March 31, 2011. The decrease was primarily attributable to a lower level of investment income. While the fair value of our principal investments increased by a similar percentage during the first quarter of 2012 as they did in the first quarter of 2011, the appreciation was on a slightly smaller investment base.

CAPITAL AND LIQUIDITY

As of March 31, 2012, KKR had \$855.5 million of cash and short-term investments on a segment basis and \$500.0 million of outstanding debt obligations under its senior notes. KKR's availability for further borrowings was approximately \$750.0 million (which does not include a \$500.0 million revolving credit facility for use in its capital markets business that was undrawn as of March 31, 2012).

As of March 31, 2012, KKR's portion of total uncalled commitments to its investment funds was \$594.9 million, consisting of the following (amounts in thousands):

| | Commitments | |
|-----------------------------------|--------------------|----------------|
| Private Markets | | |
| European Fund III | \$ | 266,900 |
| 2006 Fund | | 107,400 |
| Asian Fund | | 64,300 |
| Infrastructure | | 40,400 |
| E2 Investors (Annex Fund) | | 28,100 |
| Natural Resources | | 16,200 |
| China Growth Fund | | 6,900 |
| Other Private Markets Commitments | | 4,000 |
| Total Private Markets Commitments | | <u>534,200</u> |
| Public Markets | | |
| Mezzanine Fund | | 29,400 |
| Direct Lending | | 24,400 |
| Special Situations Vehicles | | 6,900 |
| Total Public Markets Commitments | | <u>60,700</u> |
| Total Uncalled Commitments | \$ | <u>594,900</u> |

DISTRIBUTION

A distribution of \$0.15 per common unit will be paid on May 21, 2012 to unitholders of record as of the close of business on May 7, 2012.

CONFERENCE CALL

A conference call to discuss KKR's financial results will be held on Friday, April 27, 2012 at 10:00 a.m. EDT. The conference call may be accessed by dialing (888) 401-4685 (U.S. callers) or +1 (719) 325-2490 (non-U.S. callers); a pass code is not required. Additionally, the conference call will be broadcast live over the Internet and may be accessed through the Public Investors section of KKR's website at http://ir.kkr.com/kkr_ir/kkr_events.cfm. A replay of the live broadcast will be available on KKR's website or by dialing (888) 203-1112 (U.S. callers) and +1 (719) 457-0820 (non-U.S. callers), pass code 8483281, beginning approximately two hours after the broadcast.

From time to time, KKR may use its website as a channel of distribution of material company information. Financial and other important information regarding KKR is routinely posted and accessible on the Public Investors section of KKR's website at http://ir.kkr.com/kkr_ir/alerts.cfm. In addition, you may automatically receive email alerts and other information about KKR by enrolling your email address at the "Email Alerts" area of the Public Investors section of the website.

ABOUT KKR

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is a leading global investment firm with \$62.3 billion in assets under management as of March 31, 2012. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platform. KKR is publicly traded on the New York Stock Exchange (NYSE: KKR). For additional information, please visit KKR's website at www.kkr.com.

FORWARD-LOOKING STATEMENTS

This release contains certain 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 of its future performance, 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, FRE, gross distributable earnings, ENI, after-tax ENI, fee related EBITDA, committed and syndicated dollars invested, uncalled commitments, core interest expense, cash and short-term investments 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 general volatility of the capital markets; failure to realize the benefits of or changes in KKR's business strategies; 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; and the degree and nature of KKR's competition. 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. Additional information about factors affecting KKR is available in KKR & Co. L.P.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on February 27, 2012, and other filings with the SEC, which are available at www.sec.gov.

KKR
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (GAAP BASIS - UNAUDITED)
(Amounts in thousands, except common unit and per common unit amounts)

| | Quarter Ended | |
|---|-------------------|-------------------|
| | March 31, 2012 | March 31, 2011 |
| Revenues | | |
| Fees | \$ 116,307 | \$ 231,843 |
| Expenses | | |
| Compensation and Benefits | 372,410 | 356,554 |
| Occupancy and Related Charges | 15,197 | 12,554 |
| General, Administrative and Other | 57,651 | 54,644 |
| Total Expenses | 445,258 | 423,752 |
| Investment Income (Loss) | | |
| Net Gains (Losses) from Investment Activities | 3,086,865 | 2,487,209 |
| Dividend Income | 172,939 | 4,808 |
| Interest Income | 76,199 | 65,368 |
| Interest Expense | (18,005) | (17,252) |
| Total Investment Income (Loss) | 3,317,998 | 2,540,133 |
| Income (Loss) Before Taxes | 2,989,047 | 2,348,224 |
| Income Taxes | 17,072 | 30,783 |
| Net Income (Loss) | 2,971,975 | 2,317,441 |
| Net Income (Loss) Attributable to | | |
| Redeemable Noncontrolling Interests | 5,272 | - |
| Net Income (Loss) Attributable to | | |
| Noncontrolling Interests | 2,776,267 | 2,157,876 |
| Net Income (Loss) Attributable to KKR & Co. L.P. | \$ 190,436 | \$ 159,565 |
| Distributions Declared per KKR & Co. L.P. Common Unit | \$ 0.15 | \$ 0.21 |
| Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit | | |
| Basic | \$ 0.83 | \$ 0.75 |
| Diluted (a) | \$ 0.80 | \$ 0.75 |
| Weighted Average Common Units Outstanding | | |
| Basic | 229,099,335 | 213,479,630 |
| Diluted (a) | 237,832,106 | 213,509,630 |

(a) KKR Holdings L.P. units have been excluded from the calculation of diluted earnings per common unit given that the exchange of these units would proportionally increase KKR & Co. L.P.'s interests in KKR's business and would have an anti-dilutive effect on earnings per common unit as a result of certain tax benefits KKR & Co. L.P. is assumed to receive upon the exchange.

KKR
STATEMENTS OF OPERATIONS AND OTHER SELECTED FINANCIAL INFORMATION
TOTAL REPORTABLE SEGMENTS (UNAUDITED)
(Amounts in thousands, except unit and per unit amounts)

| | Quarter Ended | | |
|--|--------------------------|--------------------------|--------------------------|
| | March 31, 2012 | December 31, 2011 | March 31, 2011 |
| Fees | | | |
| Management and incentive fees: | | | |
| Management fees | \$ 128,643 | \$ 127,556 | \$ 127,550 |
| Incentive fees | 9,670 | 6,084 | 12,013 |
| Management and incentive fees | <u>138,313</u> | <u>133,640</u> | <u>139,563</u> |
| Monitoring and transaction fees: | | | |
| Monitoring fees | 25,822 | 21,797 | 90,427 |
| Transaction fees | 44,298 | 128,338 | 87,276 |
| Fee credits | (19,343) | (36,862) | (72,992) |
| Net monitoring and transaction fees | <u>50,777</u> | <u>113,273</u> | <u>104,711</u> |
| Total fees | <u>189,090</u> | <u>246,913</u> | <u>244,274</u> |
| Expenses | | | |
| Compensation and benefits | 62,724 | 65,038 | 63,140 |
| Occupancy and related charges | 14,461 | 14,353 | 11,859 |
| Other operating expenses | 38,549 | 50,947 | 43,072 |
| Total expenses (a) | <u>115,734</u> | <u>130,338</u> | <u>118,071</u> |
| Fee Related Earnings | <u>73,356</u> | <u>116,575</u> | <u>126,203</u> |
| Investment income (loss) | | | |
| Gross carried interest | 469,364 | 96,503 | 332,121 |
| Less: allocation to KKR carry pool | (191,506) | (40,410) | (139,515) |
| Less: management fee refunds (b) | (40,708) | (1,993) | (4,804) |
| Net carried interest | <u>237,150</u> | <u>54,100</u> | <u>187,802</u> |
| Other investment income (loss) | 419,907 | 117,039 | 430,175 |
| Total investment income (loss) | <u>657,057</u> | <u>171,139</u> | <u>617,977</u> |
| Income (Loss) before noncontrolling interests in Income of consolidated entities | 730,413 | 287,714 | 744,180 |
| Income (Loss) attributable to noncontrolling interests | <u>3,211</u> | <u>2,220</u> | <u>1,660</u> |
| Economic Net Income (Loss) | <u>\$ 727,202</u> | <u>\$ 285,494</u> | <u>\$ 742,520</u> |
| Provision for Income Taxes | 43,383 | 59,988 | 88,739 |
| Economic Net Income (Loss), After Taxes (c) | <u>\$ 683,819</u> | <u>\$ 225,506</u> | <u>\$ 653,781</u> |
| Economic Net Income (Loss), After Taxes per Adjusted Unit (c) | <u>\$ 0.99</u> | <u>\$ 0.33</u> | <u>\$ 0.96</u> |
| Assets Under Management | \$ 62,292,600 | \$ 59,008,600 | \$ 61,043,200 |
| Fee Paying Assets Under Management | \$ 47,226,500 | \$ 46,397,300 | \$ 45,716,600 |
| Committed Dollars Invested and Syndicated Capital | \$ 1,033,000 | \$ 3,734,500 | \$ 1,555,800 |
| Uncalled Commitments | \$ 11,015,100 | \$ 11,400,500 | \$ 13,303,600 |
| Other Information | | | |
| Fee Related Earnings | \$ 73,356 | \$ 116,575 | \$ 126,203 |
| Plus: depreciation and amortization | 2,553 | 2,528 | 2,641 |
| Fee Related EBITDA | <u>\$ 75,909</u> | <u>\$ 119,103</u> | <u>\$ 128,844</u> |
| Gross Distributable Earnings | <u>\$ 111,486</u> | <u>\$ 195,725</u> | <u>\$ 192,938</u> |
| GAAP interest expense | \$ 18,005 | \$ 20,393 | \$ 17,252 |
| Less: interest expense related to debt obligations from investment financing arrangements | 8,073 | 9,598 | 6,557 |
| Core Interest Expense (c) | <u>\$ 9,932</u> | <u>\$ 10,795</u> | <u>\$ 10,695</u> |

- (a) Excludes a \$16.3 million and \$5.5 million charge for non-cash equity based compensation during the quarters ended March 31, 2012 and December 31, 2011, associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan. There was no non-cash equity based compensation charge associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan for the quarter ended March 31, 2011.
 - (b) As of March 31, 2012, \$66.0 million of carried interest is subject to management fee refunds, which may reduce carried interest in future periods.
 - (c) See definitions for after-tax ENI, adjusted units, and core interest expense under “Notes to Reportable Segments.”
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KKR
STATEMENTS OF OPERATIONS AND OTHER SELECTED FINANCIAL INFORMATION
PRIVATE MARKETS SEGMENT (UNAUDITED)
(Amounts in thousands)

| | Quarter Ended | | |
|--|--------------------------|--------------------------|--------------------------|
| | March 31, 2012 | December 31, 2011 | March 31, 2011 |
| Fees | | | |
| Management and incentive fees: | | | |
| Management fees | \$ 106,912 | \$ 106,716 | \$ 110,257 |
| Incentive fees | - | - | - |
| Management and incentive fees | <u>106,912</u> | <u>106,716</u> | <u>110,257</u> |
| Monitoring and transaction fees: | | | |
| Monitoring fees | 25,822 | 21,797 | 90,427 |
| Transaction fees | 11,667 | 65,148 | 53,178 |
| Fee credits | (17,706) | (34,799) | (70,787) |
| Net monitoring and transaction fees | <u>19,783</u> | <u>52,146</u> | <u>72,818</u> |
| Total fees | <u>126,695</u> | <u>158,862</u> | <u>183,075</u> |
| Expenses | | | |
| Compensation and benefits | 44,486 | 46,139 | 45,975 |
| Occupancy and related charges | 12,805 | 12,902 | 10,575 |
| Other operating expenses | 31,675 | 42,825 | 35,884 |
| Total expenses | <u>88,966</u> | <u>101,866</u> | <u>92,434</u> |
| Fee Related Earnings | <u>37,729</u> | <u>56,996</u> | <u>90,641</u> |
| Investment income (loss) | | | |
| Gross carried interest | 454,505 | 96,115 | 329,047 |
| Less: allocation to KKR carry pool | (185,562) | (40,255) | (138,285) |
| Less: management fee refunds | (40,708) | (1,993) | (4,804) |
| Net carried interest | 228,235 | 53,867 | 185,958 |
| Other investment income (loss) | 1,652 | (364) | 1,067 |
| Total investment income (loss) | <u>229,887</u> | <u>53,503</u> | <u>187,025</u> |
| Income (Loss) before noncontrolling interests | | | |
| in Income of consolidated entities | 267,616 | 110,499 | 277,666 |
| Income (Loss) attributable to noncontrolling interests | <u>2,296</u> | <u>651</u> | <u>927</u> |
| Economic Net Income (Loss) | <u>\$ 265,320</u> | <u>\$ 109,848</u> | <u>\$ 276,739</u> |
| Assets Under Management | \$ 45,986,400 | \$ 43,627,900 | \$ 46,239,100 |
| Fee Paying Assets Under Management | \$ 37,974,800 | \$ 37,869,700 | \$ 37,883,600 |
| Committed Dollars Invested | \$ 576,200 | \$ 2,148,400 | \$ 809,700 |
| Uncalled Commitments | \$ 9,596,700 | \$ 10,070,300 | \$ 12,071,700 |

KKR
STATEMENTS OF OPERATIONS AND OTHER SELECTED FINANCIAL INFORMATION
PUBLIC MARKETS SEGMENT (UNAUDITED)
(Amounts in thousands)

| | Quarter Ended | | |
|--|-------------------------|-------------------------|-------------------------|
| | March 31, 2012 | December 31, 2011 | March 31, 2011 |
| Fees | | | |
| Management and incentive fees: | | | |
| Management fees | \$ 21,731 | \$ 20,840 | \$ 17,293 |
| Incentive fees | 9,670 | 6,084 | 12,013 |
| Management and incentive fees | <u>31,401</u> | <u>26,924</u> | <u>29,306</u> |
| Monitoring and transaction fees: | | | |
| Monitoring fees | - | - | - |
| Transaction fees | 2,422 | 4,151 | 3,729 |
| Fee credits | (1,637) | (2,063) | (2,205) |
| Net monitoring and transaction fees | <u>785</u> | <u>2,088</u> | <u>1,524</u> |
| Total fees | <u>32,186</u> | <u>29,012</u> | <u>30,830</u> |
| Expenses | | | |
| Compensation and benefits | 11,382 | 12,166 | 11,159 |
| Occupancy and related charges | 1,418 | 1,189 | 955 |
| Other operating expenses | 3,977 | 3,834 | 4,208 |
| Total expenses | <u>16,777</u> | <u>17,189</u> | <u>16,322</u> |
| Fee Related Earnings | <u>15,409</u> | <u>11,823</u> | <u>14,508</u> |
| Investment income (loss) | | | |
| Gross carried interest | 14,859 | 388 | 3,074 |
| Less: allocation to KKR carry pool | (5,944) | (155) | (1,230) |
| Less: management fee refunds | - | - | - |
| Net carried interest | 8,915 | 233 | 1,844 |
| Other investment income (loss) | (23) | (93) | (351) |
| Total investment income (loss) | <u>8,892</u> | <u>140</u> | <u>1,493</u> |
| Income (Loss) before noncontrolling interests | | | |
| in Income of consolidated entities | 24,301 | 11,963 | 16,001 |
| Income (Loss) attributable to noncontrolling interests | <u>431</u> | <u>119</u> | <u>138</u> |
| Economic Net Income (Loss) | <u>\$ 23,870</u> | <u>\$ 11,844</u> | <u>\$ 15,863</u> |
| Assets Under Management | \$ 16,306,200 | \$ 15,380,700 | \$ 14,804,100 |
| Fee Paying Assets Under Management | \$ 9,251,700 | \$ 8,527,600 | \$ 7,833,000 |
| Committed Dollars Invested | \$ 206,200 | \$ 434,200 | \$ 317,400 |
| Uncalled Commitments | \$ 1,418,400 | \$ 1,330,200 | \$ 1,231,900 |

KKR
STATEMENTS OF OPERATIONS
CAPITAL MARKETS AND PRINCIPAL ACTIVITIES SEGMENT (UNAUDITED)
(Amounts in thousands)

| | Quarter Ended | | |
|--|-------------------|-------------------|-------------------|
| | March 31, 2012 | December 31, 2011 | March 31, 2011 |
| Fees | | | |
| Management and incentive fees: | | | |
| Management fees | \$ - | \$ - | \$ - |
| Incentive fees | - | - | - |
| Management and incentive fees | - | - | - |
| Monitoring and transaction fees: | | | |
| Monitoring fees | - | - | - |
| Transaction fees | 30,209 | 59,039 | 30,369 |
| Fee credits | - | - | - |
| Net monitoring and transaction fees | 30,209 | 59,039 | 30,369 |
| Total fees | 30,209 | 59,039 | 30,369 |
| Expenses | | | |
| Compensation and benefits | 6,856 | 6,733 | 6,006 |
| Occupancy and related charges | 238 | 262 | 329 |
| Other operating expenses | 2,897 | 4,288 | 2,980 |
| Total expenses | 9,991 | 11,283 | 9,315 |
| Fee Related Earnings | 20,218 | 47,756 | 21,054 |
| Investment income (loss) | | | |
| Gross carried interest | - | - | - |
| Less: allocation to KKR carry pool | - | - | - |
| Less: management fee refunds | - | - | - |
| Net carried interest | - | - | - |
| Other investment income (loss) | 418,278 | 117,496 | 429,459 |
| Total investment income (loss) | 418,278 | 117,496 | 429,459 |
| Income (Loss) before noncontrolling interests | | | |
| in Income of consolidated entities | 438,496 | 165,252 | 450,513 |
| Income (Loss) attributable to noncontrolling interests | 484 | 1,450 | 595 |
| Economic Net Income (Loss) | \$ 438,980 | \$ 166,702 | \$ 451,108 |
| Syndicated Capital | \$ 250,600 | \$ 1,151,900 | \$ 428,700 |

KKR
STATEMENTS OF OPERATIONS
TOTAL REPORTABLE SEGMENTS - ACTUAL (UNAUDITED)
Quarter Ended March 31, 2012
(Amounts in thousands)

| | <u>Private Markets Segment</u> | <u>Public Markets Segment</u> | <u>Capital Markets and Principal Activities Segment</u> | <u>Total Reportable Segments</u> |
|--|------------------------------------|-----------------------------------|---|--|
| Fees | | | | |
| Management and incentive fees: | | | | |
| Management fees | \$ 106,912 | \$ 21,731 | \$ - | \$ 128,643 |
| Incentive fees | - | 9,670 | - | 9,670 |
| Management and incentive fees | <u>106,912</u> | <u>31,401</u> | <u>-</u> | <u>138,313</u> |
| Monitoring and transaction fees: | | | | |
| Monitoring fees | 25,822 | - | - | 25,822 |
| Transaction fees | 11,667 | 2,422 | 30,209 | 44,298 |
| Fee credits | <u>(17,706)</u> | <u>(1,637)</u> | <u>-</u> | <u>(19,343)</u> |
| Net monitoring and transaction fees | <u>19,783</u> | <u>785</u> | <u>30,209</u> | <u>50,777</u> |
| Total fees | <u>126,695</u> | <u>32,186</u> | <u>30,209</u> | <u>189,090</u> |
| Expenses | | | | |
| Compensation and benefits | 44,486 | 11,382 | 6,856 | 62,724 |
| Occupancy and related charges | 12,805 | 1,418 | 238 | 14,461 |
| Other operating expenses | <u>31,675</u> | <u>3,977</u> | <u>2,897</u> | <u>38,549</u> |
| Total expenses | <u>88,966</u> | <u>16,777</u> | <u>9,991</u> | <u>115,734</u> |
| Fee Related Earnings | <u>37,729</u> | <u>15,409</u> | <u>20,218</u> | <u>73,356</u> |
| Investment income (loss) | | | | |
| Gross carried interest | 454,505 | 14,859 | - | 469,364 |
| Less: allocation to KKR carry pool | (185,562) | (5,944) | - | (191,506) |
| Less: management fee refunds | <u>(40,708)</u> | <u>-</u> | <u>-</u> | <u>(40,708)</u> |
| Net carried interest | 228,235 | 8,915 | - | 237,150 |
| Other investment income (loss) | <u>1,652</u> | <u>(23)</u> | <u>418,278</u> | <u>419,907</u> |
| Total investment income (loss) | <u>229,887</u> | <u>8,892</u> | <u>418,278</u> | <u>657,057</u> |
| Income (Loss) before noncontrolling interests | | | | |
| in Income of consolidated entities | 267,616 | 24,301 | 438,496 | 730,413 |
| Income (Loss) attributable to noncontrolling interests | 2,296 | 431 | 484 | 3,211 |
| Economic Net Income (Loss) | <u><u>\$ 265,320</u></u> | <u><u>\$ 23,870</u></u> | <u><u>\$ 438,012</u></u> | <u><u>\$ 727,202</u></u> |

KKR
STATEMENTS OF OPERATIONS
TOTAL REPORTABLE SEGMENTS - ACTUAL (UNAUDITED)
Quarter Ended December 31, 2011
(Amounts in thousands)

| | <u>Private Markets Segment</u> | <u>Public Markets Segment</u> | <u>Capital Markets and Principal Activities Segment</u> | <u>Total Reportable Segments</u> |
|--|------------------------------------|-----------------------------------|---|--|
| Fees | | | | |
| Management and incentive fees: | | | | |
| Management fees | \$ 106,716 | \$ 20,840 | \$ - | \$ 127,556 |
| Incentive fees | - | 6,084 | - | 6,084 |
| Management and incentive fees | <u>106,716</u> | <u>26,924</u> | <u>-</u> | <u>133,640</u> |
| Monitoring and transaction fees: | | | | |
| Monitoring fees | 21,797 | - | - | 21,797 |
| Transaction fees | 65,148 | 4,151 | 59,039 | 128,338 |
| Fee credits | <u>(34,799)</u> | <u>(2,063)</u> | <u>-</u> | <u>(36,862)</u> |
| Net monitoring and transaction fees | <u>52,146</u> | <u>2,088</u> | <u>59,039</u> | <u>113,273</u> |
| Total fees | <u>158,862</u> | <u>29,012</u> | <u>59,039</u> | <u>246,913</u> |
| Expenses | | | | |
| Compensation and benefits | 46,139 | 12,166 | 6,733 | 65,038 |
| Occupancy and related charges | 12,902 | 1,189 | 262 | 14,353 |
| Other operating expenses | <u>42,825</u> | <u>3,834</u> | <u>4,288</u> | <u>50,947</u> |
| Total expenses | <u>101,866</u> | <u>17,189</u> | <u>11,283</u> | <u>130,338</u> |
| Fee Related Earnings | <u>56,996</u> | <u>11,823</u> | <u>47,756</u> | <u>116,575</u> |
| Investment income (loss) | | | | |
| Gross carried interest | 96,115 | 388 | - | 96,503 |
| Less: allocation to KKR carry pool | (40,255) | (155) | - | (40,410) |
| Less: management fee refunds | <u>(1,993)</u> | <u>-</u> | <u>-</u> | <u>(1,993)</u> |
| Net carried interest | 53,867 | 233 | - | 54,100 |
| Other investment income (loss) | <u>(364)</u> | <u>(93)</u> | <u>117,496</u> | <u>117,039</u> |
| Total investment income (loss) | <u>53,503</u> | <u>140</u> | <u>117,496</u> | <u>171,139</u> |
| Income (Loss) before noncontrolling interests | | | | |
| in Income of consolidated entities | 110,499 | 11,963 | 165,252 | 287,714 |
| Income (Loss) attributable to noncontrolling interests | 651 | 119 | 1,450 | 2,220 |
| Economic Net Income (Loss) | <u>\$ 109,848</u> | <u>\$ 11,844</u> | <u>\$ 163,802</u> | <u>\$ 285,494</u> |

KKR
STATEMENTS OF OPERATIONS
TOTAL REPORTABLE SEGMENTS - ACTUAL (UNAUDITED)
Quarter Ended March 31, 2011
(Amounts in thousands)

| | <u>Private Markets Segment</u> | <u>Public Markets Segment</u> | <u>Capital Markets and Principal Activities Segment</u> | <u>Total Reportable Segments</u> |
|--|------------------------------------|-----------------------------------|---|--|
| Fees | | | | |
| Management and incentive fees: | | | | |
| Management fees | \$ 110,257 | \$ 17,293 | \$ - | \$ 127,550 |
| Incentive fees | - | 12,013 | - | 12,013 |
| Management and incentive fees | <u>110,257</u> | <u>29,306</u> | <u>-</u> | <u>139,563</u> |
| Monitoring and transaction fees: | | | | |
| Monitoring fees | 90,427 | - | - | 90,427 |
| Transaction fees | 53,178 | 3,729 | 30,369 | 87,276 |
| Fee credits | <u>(70,787)</u> | <u>(2,205)</u> | <u>-</u> | <u>(72,992)</u> |
| Net monitoring and transaction fees | <u>72,818</u> | <u>1,524</u> | <u>30,369</u> | <u>104,711</u> |
| Total fees | <u>183,075</u> | <u>30,830</u> | <u>30,369</u> | <u>244,274</u> |
| Expenses | | | | |
| Compensation and benefits (a) | 45,975 | 11,159 | 6,006 | 63,140 |
| Occupancy and related charges | 10,575 | 955 | 329 | 11,859 |
| Other operating expenses | <u>35,884</u> | <u>4,208</u> | <u>2,980</u> | <u>43,072</u> |
| Total expenses | <u>92,434</u> | <u>16,322</u> | <u>9,315</u> | <u>118,071</u> |
| Fee Related Earnings | <u>90,641</u> | <u>14,508</u> | <u>21,054</u> | <u>126,203</u> |
| Investment income (loss) | | | | |
| Gross carried interest | 329,047 | 3,074 | - | 332,121 |
| Less: allocation to KKR carry pool | (138,285) | (1,230) | - | (139,515) |
| Less: management fee refunds | <u>(4,804)</u> | <u>-</u> | <u>-</u> | <u>(4,804)</u> |
| Net carried interest | 185,958 | 1,844 | - | 187,802 |
| Other investment income (loss) | <u>1,067</u> | <u>(351)</u> | <u>429,459</u> | <u>430,175</u> |
| Total investment income (loss) | <u>187,025</u> | <u>1,493</u> | <u>429,459</u> | <u>617,977</u> |
| Income (Loss) before noncontrolling interests | | | | |
| in Income of consolidated entities | 277,666 | 16,001 | 450,513 | 744,180 |
| Income (Loss) attributable to noncontrolling interests | 927 | 138 | 595 | 1,660 |
| Economic Net Income (Loss) | <u>\$ 276,739</u> | <u>\$ 15,863</u> | <u>\$ 449,918</u> | <u>\$ 742,520</u> |

KKR
BALANCE SHEETS
TOTAL REPORTABLE SEGMENTS (UNAUDITED)
(Amounts in thousands, except per unit amounts)

As of March 31, 2012

| | Private Markets Segment | Public Markets Segment | Capital Markets and Principal Activities Segment | Total Reportable Segments |
|-------------------------------------|-------------------------------|------------------------------|--|---------------------------------|
| Cash and short-term investments | \$ 237,040 | \$ 7,467 | \$ 611,041 | \$ 855,548 |
| Investments | - | - | 5,023,016 (a) | 5,023,016 |
| Unrealized carry | 589,268 | 10,362 | - | 599,630 |
| Other assets | 151,620 | 65,088 | 80,362 | 297,070 |
| Total assets | \$ 977,928 | \$ 82,917 | \$ 5,714,419 | \$ 6,775,264 |
| Debt obligations | \$ - | \$ - | \$ 500,000 | \$ 500,000 |
| Other liabilities | 158,523 | 11,631 | 9,032 | 179,186 |
| Total liabilities | 158,523 | 11,631 | 509,032 | 679,186 |
| Noncontrolling interests | 910 | 383 | 17,629 | 18,922 |
| Book value | \$ 818,495 | \$ 70,903 | \$ 5,187,758 | \$ 6,077,156 |
| Book value per adjusted unit | \$ 1.17 | \$ 0.10 | \$ 7.40 | \$ 8.67 |

As of December 31, 2011

| | Private Markets Segment | Public Markets Segment | Capital Markets and Principal Activities Segment | Total Reportable Segments |
|-------------------------------------|-------------------------------|------------------------------|--|---------------------------------|
| Cash and short-term investments | \$ 296,717 | \$ 8,087 | \$ 684,637 | \$ 989,441 |
| Investments | - | - | 4,743,406 | 4,743,406 |
| Unrealized carry | 419,523 | 1,447 | - | 420,970 |
| Other assets | 139,432 | 58,360 | 63,799 | 261,591 |
| Total assets | \$ 855,672 | \$ 67,894 | \$ 5,491,842 | \$ 6,415,408 |
| Debt obligations | \$ - | \$ - | \$ 500,000 | \$ 500,000 |
| Other liabilities | 128,590 | 8,153 | 49,329 | 186,072 |
| Total liabilities | 128,590 | 8,153 | 549,329 | 686,072 |
| Noncontrolling interests | (1,358) | 729 | 19,381 | 18,752 |
| Book value | \$ 728,440 | \$ 59,012 | \$ 4,923,132 | \$ 5,710,584 |
| Book value per adjusted unit | \$ 1.06 | \$ 0.09 | \$ 7.14 | \$ 8.29 |

(a) See Capital Markets and Principal Activities segment schedule of investments that follows on pages 14 and 15.

KKR
CAPITAL MARKETS AND PRINCIPAL ACTIVITIES SEGMENT SCHEDULE OF INVESTMENTS
(Amounts in thousands, except percentage amounts)

| Investment | As of March 31, 2012 | | |
|---|----------------------|---------------------|---|
| | Cost | Fair Value | Fair Value as a Percentage of Investments |
| Co-Investments in Portfolio Companies of | | | |
| Private Equity Funds: | | | |
| Dollar General Corporation | \$ 126,329 | \$ 643,460 | 12.7% |
| HCA Inc. | 171,227 | 374,194 | 7.4% |
| Alliance Boots GmbH | 301,352 | 333,262 | 6.6% |
| The Nielsen Company B.V. | 156,839 | 312,723 | 6.2% |
| Samson Resources Corporation | 237,514 | 237,514 | 4.7% |
| NXP B.V. | 207,963 | 209,673 | 4.1% |
| U.S. Foodservice, Inc. | 100,000 | 140,000 | 2.8% |
| Biomet, Inc. | 151,444 | 121,155 | 2.4% |
| ProSiebenSat.1 Media AG | 226,913 | 105,933 | 2.1% |
| First Data Corporation | 135,258 | 94,680 | 1.9% |
| KION Group GmbH | 128,058 | 73,048 | 1.4% |
| Energy Future Holdings Corp. | 200,000 | 10,000 | 0.2% |
| PagesJaunes Groupe S.A. | 235,201 | - | 0.0% |
| | <u>2,378,098</u> | <u>2,655,642</u> | <u>52.5%</u> |
| Private Equity Investment Vehicles | | | |
| KKR 2006 Fund L.P. | 839,024 | 936,040 | 18.5% |
| KKR European Fund III L.P. | 164,042 | 177,005 | 3.5% |
| KKR Millennium Fund L.P. | 143,653 | 154,582 | 3.1% |
| KKR Asian Fund L.P. | 94,799 | 138,564 | 2.7% |
| KKR European Fund II L.P. | 89,611 | 74,692 | 1.5% |
| KKR European Fund L.P. | 60,922 | 41,811 | 0.8% |
| KKR E2 Investors, L.P. | 12,187 | 19,101 | 0.4% |
| KKR China Growth Fund L.P. | 3,024 | 4,272 | 0.1% |
| Co-Investment Vehicles | 600 | 674 | 0.0% |
| | <u>1,407,862</u> | <u>1,546,741</u> | <u>30.6%</u> |
| Private Equity Total | <u>3,785,960</u> | <u>4,202,383</u> | <u>83.1%</u> |
| Energy & Infrastructure | | | |
| Infrastructure Fund | 14,490 | 14,524 | 0.3% |
| Co-Investment Vehicles | 10,477 | 11,668 | 0.2% |
| Natural Resources | 6,759 | 5,797 | 0.1% |
| Energy & Infrastructure Total | <u>31,726</u> | <u>31,989</u> | <u>0.6%</u> |
| Private Markets Total | <u>3,817,686</u> | <u>4,234,372</u> | <u>83.7%</u> |
| Public Markets Investment Vehicles | | | |
| Liquid Credit SMAs/Funds | 170,000 | 184,877 | 3.7% |
| Long/Short Equities Funds | 100,000 | 97,962 | 1.9% |
| Direct Lending | 58,321 | 59,831 | 1.2% |
| Special Situations Vehicles | 16,507 | 18,365 | 0.4% |
| Mezzanine Fund | 15,253 | 16,820 | 0.3% |
| Public Markets Total | <u>360,081</u> | <u>377,855</u> | <u>7.5%</u> |
| Other | <u>419,216</u> | <u>410,789</u> | <u>8.8%</u> |
| Total Investments | <u>\$ 4,596,983</u> | <u>\$ 5,023,016</u> | <u>100.0%</u> |

KKR
CAPITAL MARKETS AND PRINCIPAL ACTIVITIES SEGMENT SCHEDULE OF INVESTMENTS, CONTINUED
(Amounts in thousands, except percentage amounts)

| Investment | As of March 31, 2012 | | |
|---|----------------------|---------------------|---|
| | Cost | Fair Value | Fair Value as a Percentage of Investments |
| Significant Aggregate Investments: (a) | | | |
| Dollar General Corporation | \$ 175,540 | \$ 852,699 | 17.0% |
| HCA Inc. | 217,011 | 463,394 | 9.2% |
| Alliance Boots GmbH | 352,382 | 391,717 | 7.8% |
| The Nielsen Company B.V. | 172,841 | 341,613 | 6.8% |
| Samson Resources Corporation | 283,143 | 283,143 | 5.6% |
| | <u>1,200,917</u> | <u>2,332,566</u> | <u>46.4%</u> |
| Other investments | 3,396,066 | 2,690,450 | 53.6% |
| Total Investments | \$ 4,596,983 | \$ 5,023,016 | 100.0% |
| Investments by Geography: | | | |
| North America | \$ 2,890,629 | \$ 3,674,885 | 73.2% |
| Europe | 1,504,208 | 1,080,726 | 21.5% |
| Asia-Pacific | 202,146 | 267,405 | 5.3% |
| Total Investments | \$ 4,596,983 | \$ 5,023,016 | 100.0% |
| Investments by Industry: | | | |
| Financial Services | \$ 1,193,186 | \$ 1,122,500 | 22.3% |
| Retail | 432,157 | 1,121,643 | 22.3% |
| Healthcare | 819,442 | 1,061,559 | 21.1% |
| Media/Telecom | 766,758 | 584,752 | 11.6% |
| Technology | 397,209 | 428,301 | 8.5% |
| Energy | 614,583 | 344,996 | 6.9% |
| Industrial | 254,765 | 228,615 | 4.6% |
| Consumer Products | 92,957 | 91,393 | 1.8% |
| Other | 25,926 | 39,257 | 0.9% |
| Total Investments | \$ 4,596,983 | \$ 5,023,016 | 100.0% |

(a) The significant aggregate investments include investments in portfolio companies with individual fair values of 5% or more of the Capital Markets and Principal Activities segment investments balance as of March 31, 2012. The fair value figures include the co-investment and the limited partner and/or general partner interests in the underlying portfolio company.

KKR
ASSETS UNDER MANAGEMENT AND FEE PAYING ASSETS UNDER MANAGEMENT
(Amounts in thousands)

| Assets Under Management | | | |
|--|------------------------------------|-----------------------------------|--|
| | Private Markets Segment | Public Markets Segment | Total Reportable Segments |
| Quarter Ended March 31, 2012 | | | |
| December 31, 2011 | \$ 43,627,900 | \$ 15,380,700 | \$ 59,008,600 |
| New Capital Raised | 59,500 | 494,900 | 554,400 |
| Distributions | (751,200) | (121,800) (a) | (873,000) |
| Foreign Exchange | 51,200 | - | 51,200 |
| Change in Value | 2,999,000 | 552,400 | 3,551,400 |
| March 31, 2012 | \$ 45,986,400 | \$ 16,306,200 | \$ 62,292,600 |
| Trailing Twelve Months Ended March 31, 2012 | | | |
| March 31, 2011 | \$ 46,239,100 | \$ 14,804,100 | \$ 61,043,200 |
| New Capital Raised | 2,340,400 | 1,826,200 | 4,166,600 |
| Distributions | (4,741,400) | (1,068,200) (b) | (5,809,600) |
| Foreign Exchange | (151,900) | - | (151,900) |
| Change in Value | 2,300,200 | 744,100 | 3,044,300 |
| March 31, 2012 | \$ 45,986,400 | \$ 16,306,200 | \$ 62,292,600 |
| Fee Paying Assets Under Management | | | |
| | Private Markets Segment | Public Markets Segment | Total Reportable Segments |
| Quarter Ended March 31, 2012 | | | |
| December 31, 2011 | \$ 37,869,700 | \$ 8,527,600 | \$ 46,397,300 |
| New Capital Raised | 58,800 | 511,100 | 569,900 |
| Distributions | (123,300) | (42,400) (a) | (165,700) |
| Foreign Exchange | 151,900 | - | 151,900 |
| Change in Value | 17,700 | 255,400 | 273,100 |
| March 31, 2012 | \$ 37,974,800 | \$ 9,251,700 | \$ 47,226,500 |
| Trailing Twelve Months Ended March 31, 2012 | | | |
| March 31, 2011 | \$ 37,883,600 | \$ 7,833,000 | \$ 45,716,600 |
| New Capital Raised | 2,190,000 | 1,629,900 | 3,819,900 |
| Distributions | (1,624,300) | (638,300) (b) | (2,262,600) |
| Foreign Exchange | (463,100) | - | (463,100) |
| Change in Value | (11,400) | 427,100 | 415,700 |
| March 31, 2012 | \$ 37,974,800 | \$ 9,251,700 | \$ 47,226,500 |

- (a) No redemptions during the period.
 - (b) Includes \$371.5 million of redemptions.
-

KKR
INVESTMENT VEHICLE SUMMARY* (UNAUDITED)
As of March 31, 2012
(Amounts in millions, except percentages)

| | Investment Period | | Commitment | Uncalled Commitment | Percentage Committed by General Partner | Amount Invested | Realized | Remaining Cost | Remaining Fair Value |
|--|--------------------------|-----------------|--------------------|----------------------------|--|------------------------|--------------------|-----------------------|-----------------------------|
| | Commencement Date | End Date | | | | | | | |
| Private Markets | | | | | | | | | |
| Private Equity Funds | | | | | | | | | |
| China Growth Fund | 11/2010 | 11/2016 | \$ 1,010.0 | \$ 737.9 | 1.0 % | \$ 272.1 | \$ - | \$ 272.1 | \$ 366.0 |
| E2 Investors (Annex Fund) | 8/2009 | 11/2012 | 539.3 | 385.1 | 4.2 % | 154.2 | - | 154.2 | 247.2 |
| European Fund III | 3/2008 | 3/2014 | 5,950.3 | 3,263.8 | 4.6 % | 2,686.5 | - | 2,686.5 | 2,825.6 |
| Asian Fund | 7/2007 | 7/2013 | 3,983.2 | 1,221.6 | 2.5 % | 2,761.6 | 211.1 | 2,616.2 | 4,453.7 |
| 2006 Fund | 9/2006 | 9/2012 | 17,642.2 | 1,459.2 | 2.1 % | 16,183.0 | 4,367.1 | 13,886.7 | 16,831.7 |
| European Fund II | 11/2005 | 10/2008 | 5,750.8 | - | 2.1 % | 5,750.8 | 1,554.1 | 4,654.1 | 4,128.7 |
| Millennium Fund | 12/2002 | 12/2008 | 6,000.0 | - | 2.5 % | 6,000.0 | 7,252.5 | 3,319.5 | 4,951.1 |
| European Fund | 12/1999 | 12/2005 | 3,085.4 | - | 3.2 % | 3,085.4 | 8,325.6 | 95.2 | 507.9 |
| Total Private Equity Funds | | | 43,961.2 | 7,067.6 | | 36,893.6 | 21,710.4 | 27,684.5 | 34,311.9 |
| Co-Investment Vehicles | Various | Various | 2,290.8 | 362.7 | Various | 1,928.1 | 723.0 | 1,730.3 | 2,579.5 |
| Total Private Equity | | | 46,252.0 | 7,430.3 | | 38,821.7 | 22,433.4 | 29,414.8 | 36,891.4 |
| Energy & Infrastructure | | | | | | | | | |
| Natural Resources | Various | Various | 1,094.0 | 862.2 | Various | 231.8 | 14.4 | 226.9 | 194.3 |
| Infrastructure | Various | Various | 780.8 | 623.5 | 6.4 % | 157.3 | - | 157.3 | 157.6 |
| Co-Investment Vehicles | Various | Various | 1,863.3 | 680.7 | Various | 1,182.6 | 87.8 | 1,182.6 | 1,315.7 |
| Energy & Infrastructure Total | | | 3,738.1 | 2,166.4 | | 1,571.7 | 102.2 | 1,566.8 | 1,667.6 |
| Private Markets Total | | | 49,990.1 | 9,596.7 | | 40,393.4 | 22,535.6 | 30,981.6 | 38,559.0 |
| Public Markets | | | | | | | | | |
| Special Situations Vehicles | Various | Various | 2,031.8 | 641.8 | Various | 1,390.0 | 69.1 | 1,390.0 | 1,516.2 |
| Mezzanine Fund | 3/2010 | 8/2015 | 987.0 | 644.3 | 4.6 % | 342.7 | 8.1 | 342.7 | 369.6 |
| Direct Lending | 12/2011 | 12/2014 | 251.3 | 132.3 | 33.1 % | 119.0 | - | 119.0 | 122.1 |
| Public Markets Total | | | 3,270.1 | 1,418.4 | | 1,851.7 | 77.2 | 1,851.7 | 2,007.9 |
| Grand Total | | | \$ 53,260.2 | \$ 11,015.1 | | \$ 42,245.1 | \$ 22,612.8 | \$ 32,833.3 | \$ 40,566.9 |

* Reflects investment vehicles for which KKR has the ability to earn carried interest.

KKR
DISTRIBUTION CALCULATION
(Amounts in thousands, except unit and per unit amounts)

| | Quarter Ended | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2012 | December 31, 2011 | March 31, 2011 |
| FRE | \$ 73,356 | \$ 116,575 | \$ 126,203 |
| Realized cash carry | 44,927 | 83,226 | 73,227 |
| Less: local income taxes | (3,586) | (1,856) | (4,832) |
| Less: noncontrolling interests | (3,211) | (2,220) | (1,660) |
| Gross distributable earnings | 111,486 | 195,725 | 192,938 |
| Distributable earnings to KKR & Co. L.P. | 37,800 | 65,059 | 61,103 |
| Less: estimated current corporate income taxes | (4,022) | (22,924) | (14,597) |
| Net cash available for distribution | \$ 33,778 | \$ 42,135 | \$ 46,506 |
| Additional distribution (a) | - | 29,530 | - |
| Total distribution | \$ 33,778 | \$ 71,665 | \$ 46,506 |
| Distribution per KKR & Co. L.P. common unit | \$ 0.15 | \$ 0.32 | \$ 0.21 |
| Outstanding KKR & Co. L.P. common units | 231,698,206 | 227,150,182 | 216,317,787 |

(a) Additional distribution is provided primarily from certain realizations on investments within KKR's Capital Markets and Principal Activities segment and was calculated in accordance with our distribution policy to cover certain tax liabilities. The amount of any additional distribution in the future should not be expected to be consistent or regularly declared.

DISTRIBUTION POLICY

KKR intends to make quarterly cash distributions in amounts that in the aggregate are expected to constitute substantially all of the cash earnings of its investment management business each year in excess of amounts determined by KKR to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its investment funds and to comply with applicable law and any of its debt instruments or other agreements. KKR does not intend to distribute gains on principal investments, other than certain additional distributions that KKR may determine to make. These additional distributions, if any, are intended to cover certain tax liabilities, as calculated by KKR. When KKR & Co. L.P. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships. For purposes of KKR's distribution policy, its distributions are expected to consist of (i) FRE, (ii) carry distributions received from KKR's investment funds which have not been allocated as part of its carry pool, and (iii) any additional distributions for certain taxes as described above. This amount is expected to be reduced by (i) corporate and applicable local taxes, if any, (ii) non-controlling interests, and (iii) amounts determined by KKR to be necessary or appropriate for the conduct of its business and other matters as discussed above.

The declaration and payment of any distributions are subject to the discretion of the board of directors of the general partner of KKR & Co. L.P. and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all or that such distributions will be sufficient to pay any particular KKR unit holder's actual U.S. or non-U.S. tax liability.

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Notes to Reportable Segments (Unaudited)

The reportable segments for KKR's business are presented prior to giving effect to the allocation of income (loss) between KKR & Co. L.P. and KKR Holdings L.P. and as such represent the business in total .

KKR discloses the following financial measures in this earnings release that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to investors in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are included elsewhere within this earnings release.

Fee related earnings ("FRE") is comprised of segment operating revenues less segment operating expenses and is used by management as an alternative measurement of the operating earnings of KKR and its business segments before investment income. We believe this measure is useful to investors as it provides additional insight into the operating profitability of our fee generating management companies and capital markets businesses. The components of FRE on a segment basis differ from the equivalent GAAP amounts on a consolidated basis as a result of: (i) the inclusion of management fees earned from consolidated funds that were eliminated in consolidation; (ii) the exclusion of fees and expenses of certain consolidated entities; (iii) the exclusion of charges relating to the amortization of intangible assets; (iv) the exclusion of charges relating to carry pool allocations; (v) the exclusion of non-cash equity charges and other non-cash compensation charges borne by KKR Holdings or incurred under the KKR & Co. L.P. 2010 Equity Incentive Plan; (vi) the exclusion of certain reimbursable expenses; and (vii) the exclusion of certain non-recurring items.

Economic net income (loss) ("ENI") is a measure of profitability for KKR's reportable segments and is used by management as an alternative measurement of the operating and investment earnings of KKR and its business segments. We believe this measure is useful to investors as it provides additional insight into the overall profitability of KKR's businesses inclusive of investment income and carried interest. ENI is comprised of: (i) FRE; plus (ii) segment investment income (loss), which is reduced for carry pool allocations and management fee refunds; less (iii) certain economic interests in KKR's segments held by third parties. ENI differs from net income (loss) on a GAAP basis as a result of: (i) the exclusion of the items referred to in FRE above; (ii) the exclusion of investment income (loss) relating to noncontrolling interests; and (iii) the exclusion of income taxes.

After-tax ENI is used to measure KKR's implied ENI on a fully diluted basis. We believe this measure is useful to investors as it provides an indication of KKR's ENI as if all outstanding KKR Holdings units had been exchanged for common units of KKR & Co. L.P. After-tax ENI is calculated by deducting from ENI the implied income tax provision that has been calculated assuming that all income is allocated to KKR & Co. L.P., which would occur following an exchange of all KKR Holdings units for common units of KKR & Co. L.P. The assumptions and methodology used to calculate the implied income tax provision are consistent with those used in calculating the tax provision for KKR & Co. L.P. under GAAP. The implied income tax provision does not give effect to any tax savings or deductions that may result from the exchange of KKR Holdings units.

Assets under management ("AUM") represent the assets from which KKR is entitled to receive fees or a carried interest and general partner capital. We believe this measure is useful to investors as it provides additional insight into KKR's capital raising activities and the overall activity in its investment funds and vehicles. KKR calculates the amount of AUM as of any date as the sum of: (i) the fair value of the investments of KKR's investment funds plus uncalled capital commitments from these funds; (ii) the fair value of investments in KKR's co-investment vehicles; (iii) the net asset value of certain of KKR's fixed income products; (iv) the value of outstanding structured finance vehicles; and (v) the fair value of other assets managed by KKR. KKR's definition of AUM is not based on any definition of AUM that may be set forth in the agreements governing the investment funds, vehicles or accounts that it manages or calculated pursuant to any regulatory definitions.

Fee paying AUM ("FPAUM") represents only those assets under management from which KKR receives fees. We believe this measure is useful to investors as it provides additional insight into the capital base upon which KKR earns management fees. This relates to KKR's capital raising activities and the overall activity in its investment funds and vehicles, for only those funds and vehicles where KKR receives fees (i.e., excluding vehicles that receive only carried interest or general partner capital). FPAUM is the sum of all of the individual fee bases that are used to calculate KKR's fees and differs from AUM in the following respects: (i) assets from which KKR does not receive a fee are excluded (i.e., assets with respect to which it receives only carried interest) and (ii) certain assets, primarily in its private equity funds, are reflected based on capital commitments and invested capital as opposed to fair value because fees are not impacted by changes in the fair value of underlying investments.

Committed dollars invested is the aggregate amount of capital commitments that have been invested by KKR's investment funds and carry-yielding co-investment vehicles and is used as a measure of investment activity for KKR and its business segments during a given period. We believe this measure is useful to investors as it provides additional insight into KKR's investment of committed capital. Such amounts include: (i) capital invested by fund investors and co-investors with respect to which KKR is entitled to a fee or carried interest and (ii) capital invested by KKR's investment funds and vehicles.

Syndicated capital is the aggregate amount of debt or equity capital in transactions originated by KKR investment funds and vehicles, which has been distributed to third parties in exchange for a fee. It does not include capital committed to such transactions by carry-yielding co-investment vehicles, which is instead reported in committed dollars invested. Syndicated capital is used as a measure of investment activity for KKR and its business segments during a given period, and we believe that this measure is useful to investors as it provides additional insight into levels of syndication activity in KKR's Capital Markets and Principal Activities segment and across its investment platform.

Uncalled commitments are used as a measure of unfunded capital commitments that KKR's investment funds and carry-paying co-investment vehicles have received from partners to contribute capital to fund future investments. We believe this measure is useful to investors as it provides additional insight into the amount of capital that is available to KKR's investment funds and vehicles to make future investments.

Adjusted units are used as a measure of the total equity ownership of KKR that is held by KKR & Co. L.P. and KKR Holdings and represent the fully diluted unit count using the if-converted method. We believe this measure is useful to investors as it provides an indication of the total equity ownership of KKR as if all outstanding KKR Holdings units had been exchanged for common units of KKR & Co. L.P.

Core interest expense is used by management as an alternative measurement of interest expense incurred by KKR on a segment basis and excludes interest expense related to debt obligations from investment financing arrangements related to certain of KKR's private equity funds, investment vehicles and principal investments. These financing arrangements are not direct obligations of the general partners of KKR's private equity funds or its management companies. On a segment basis, interest expense is included in other investment income. We believe this measure is useful to investors as it provides an indication of the amount of interest expense borne by KKR excluding interest expense that is allocated to KKR's investment funds and vehicles and other noncontrolling interest holders. Additionally, we believe this measure is useful for analyzing KKR's ability to service its debt obligations.

Book value is a measure of the net assets of KKR's reportable segments and is used by management primarily in assessing the unrealized value of our investment portfolio, including carried interest, as well as our overall liquidity position. We believe this measure is useful to investors as it provides additional insight into the assets and liabilities of KKR excluding the assets and liabilities that are allocated to noncontrolling interest holders. Book value differs from the equivalent GAAP amounts on a consolidated basis primarily as a result of the exclusion of ownership interests in consolidated investment vehicles and other entities that are attributable to noncontrolling interests.

Fee related EBITDA is comprised of FRE before the impact of depreciation of fixed assets and amortization of intangible assets and is used by management as a measure of the cash earnings of KKR and its business segments before investment income. We believe this measure is useful to investors as it provides additional insight into the amount of cash earnings generated by KKR's management companies and capital markets businesses.

Cash and short-term investments represent cash and liquid short-term investments in high-grade, short-duration cash management strategies used by KKR to generate additional yield on our excess liquidity and is used by management in evaluating KKR's liquidity position. We believe this measure is useful to investors as it provides additional insight into KKR's available liquidity. Cash and short-term investments differ from cash and cash equivalents on a GAAP basis as a result of the inclusion of liquid short-term investments in cash and short-term investments.

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EXHIBIT A

RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. L.P. PER COMMON UNIT (GAAP BASIS - UNAUDITED)
TO AFTER TAX ENI PER ADJUSTED UNIT

(Amounts in thousands, except common unit and per common unit amounts)

| | Quarter Ended March 31, 2012 | Quarter Ended December 31, 2011 | Quarter Ended March 31, 2011 |
|--|---------------------------------|------------------------------------|---------------------------------|
| Net income (loss) attributable to KKR & Co. L.P. per common unit | \$ 0.83 | \$ 0.20 | \$ 0.75 |
| Weighted Average Common Units Outstanding | 229,099,335 | 225,382,001 | 213,479,630 |
| Net income (loss) attributable to KKR & Co. L.P. | 190,436 | 46,137 | 159,565 |
| Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P. | 404,191 | 133,301 | 408,904 |
| Plus: Non-cash equity based charges | 114,341 | 83,688 | 141,982 |
| Plus: Amortization of intangibles and other, net | 1,162 | 1,046 | 1,286 |
| Plus: Income taxes | 17,072 | 21,322 | 30,783 |
| Economic net income (loss) | 727,202 | 285,494 | 742,520 |
| Less: Provision for income taxes | (43,383) | (59,988) | (88,739) |
| Economic net income (loss) after taxes | 683,819 | 225,506 | 653,781 |
| Adjusted units | 692,097,188 | 689,335,706 | 683,037,420 |
| Economic net income (loss) after taxes per adjusted unit | \$ 0.99 | \$ 0.33 | \$ 0.96 |

RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. L.P. (GAAP BASIS - UNAUDITED)
TO ECONOMIC NET INCOME (LOSS), FEE RELATED EARNINGS AND FEE RELATED EBITDA

(Amounts in thousands)

| | Quarter Ended March 31, 2012 | Quarter Ended December 31, 2011 | Quarter Ended March 31, 2011 |
|--|---------------------------------|------------------------------------|---------------------------------|
| Net income (loss) attributable to KKR & Co. L.P. | \$ 190,436 | \$ 46,137 | \$ 159,565 |
| Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P. | 404,191 | 133,301 | 408,904 |
| Plus: Non-cash equity based charges | 114,341 | 83,688 | 141,982 |
| Plus: Amortization of intangibles and other, net | 1,162 | 1,046 | 1,286 |
| Plus: Income taxes | 17,072 | 21,322 | 30,783 |
| Economic net income (loss) | 727,202 | 285,494 | 742,520 |
| Plus: Income attributable to segment noncontrolling interests | 3,211 | 2,220 | 1,660 |
| Plus: Investment income (loss) | (657,057) | (171,139) | (617,977) |
| Fee related earnings | 73,356 | 116,575 | 126,203 |
| Plus: depreciation and amortization | 2,553 | 2,528 | 2,641 |
| Fee related EBITDA | \$ 75,909 | \$ 119,103 | \$ 128,844 |

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EXHIBIT A (CONTINUED)
RECONCILIATION OF KKR & CO. L.P. PARTNERS' CAPITAL (GAAP BASIS - UNAUDITED)
TO BOOK VALUE AND BOOK VALUE PER ADJUSTED UNIT
(Amounts in thousands, except common unit and per common unit amounts)

| | As of March 31, 2012 | As of December 31, 2011 |
|--|-------------------------|----------------------------|
| KKR & Co. L.P. partners' capital | \$ 1,510,273 | \$ 1,328,698 |
| Plus: Noncontrolling interests held by KKR Holdings L.P. | 4,560,614 | 4,342,157 |
| Plus: Equity impact of KKR Management Holdings Corp. and other | 6,269 | 39,729 |
| Book value | 6,077,156 | 5,710,584 |
| Adjusted units | 701,042,870 | 689,392,861 |
| Book value per adjusted unit | \$ 8.67 | \$ 8.29 |

RECONCILIATION OF CASH AND CASH EQUIVALENTS (GAAP BASIS - UNAUDITED)
TO CASH AND SHORT-TERM INVESTMENTS (SEGMENT BASIS)
(Amounts in thousands)

| | As of March 31, 2012 | As of December 31, 2011 |
|--|-------------------------|----------------------------|
| Cash and cash equivalents | \$ 611,213 | \$ 843,261 |
| Plus: Liquid short-term investments | 244,335 | 146,180 |
| Cash and short-term investments | \$ 855,548 | \$ 989,441 |

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EXHIBIT B

RECONCILIATION OF WEIGHTED AVERAGE GAAP COMMON UNITS OUTSTANDING TO WEIGHTED AVERAGE ADJUSTED UNITS

The following table provides a reconciliation of KKR's Weighted Average GAAP Common Units Outstanding to Weighted Average Adjusted Units.

| | Quarter Ended | | |
|---|--------------------|--------------------|--------------------|
| | March 31, 2012 | December 31, 2011 | March 31, 2011 |
| Weighted Average GAAP Common Units Outstanding - Basic | 229,099,335 | 225,382,001 | 213,479,630 |
| Weighted Average Unvested Common Units(a) | 8,732,771 | 5,979,031 | 30,000 |
| Weighted Average GAAP Common Units Outstanding - Diluted | 237,832,106 | 231,361,032 | 213,509,630 |
| Adjustments: | | | |
| Weighted Average KKR Holdings Units(b) | 454,265,082 | 457,974,674 | 469,527,790 |
| Weighted Average Adjusted Units | 692,097,188 | 689,335,706 | 683,037,420 |

RECONCILIATION OF GAAP COMMON UNITS OUTSTANDING TO ADJUSTED UNITS

The following table provides a reconciliation of KKR's GAAP Common Units Outstanding to Adjusted Units.

| | As of | As of |
|--|--------------------|--------------------|
| | March 31, 2012 | December 31, 2011 |
| GAAP Common Units Outstanding - Basic | 231,698,206 | 227,150,182 |
| Invested Common Units(a) | 17,678,453 | 6,028,444 |
| GAAP Common Units Outstanding - Diluted | 249,376,659 | 233,178,626 |
| Adjustments: | | |
| KKR Holdings Units(b) | 451,666,211 | 456,214,235 |
| Book Value Per Adjusted Units | 701,042,870 | 689,392,861 |

(a) Represents equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan. The issuance of common units of KKR & Co. L.P. pursuant to awards under its equity incentive plan dilutes KKR common unitholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR business.

(b) Common units that may be issued by KKR & Co. L.P. upon exchange of units in KKR Holdings L.P. for KKR common units.

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