

KKR & CO. INC.

FORM 8-K (Current report filing)

Filed 02/09/12 for the Period Ending 02/09/12

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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): February 9, 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 February 9, 2012, KKR & Co. L.P. issued a press release announcing financial results for its fourth quarter and year ended December 31, 2011.

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**Exhibit No. Description

Exhibit 99.1 Press release of KKR & Co. L.P., dated February 9, 2012, announcing results for the fourth quarter and year ended December 31, 2011 (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: February 9, 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 February 9, 2012, announcing results for the fourth quarter and year ended December 31, 2011 (This exhibit is furnished and not filed) |

KKR & Co. L.P. Announces Fourth Quarter and Full Year 2011 Results

Record distributable earnings driven by higher transaction activity, fee related earnings, and investment realization

GAAP net income (loss) attributable to KKR & Co. L.P. was \$46.1 million and \$1.9 million for the quarter and year ended December 31, 2011, respectively, down from \$180.6 million and \$333.2 million in the comparable periods of 2010.

Assets under management (“AUM”) totaled \$59.0 billion as of December 31, 2011, up from \$58.7 billion as of September 30, 2011.

Fee related earnings (“FRE”) were \$116.6 million and \$417.2 million for the quarter and year ended December 31, 2011, respectively, up from \$95.1 million and \$318.3 million in the comparable periods of 2010.

Gross distributable earnings were \$195.7 million and \$596.3 million for the quarter and year ended December 31, 2011, respectively, up from \$157.3 million and \$486.0 million in the comparable periods of 2010.

Economic net income (loss) (“ENI”) was \$285.5 million and \$750.9 million for the quarter and year ended December 31, 2011, respectively, down from \$714.6 million and \$2,139.8 million in the comparable periods of 2010.

After-tax ENI was \$0.33 and \$0.73 per adjusted unit for the quarter and year ended December 31, 2011, respectively, down from \$1.02 and \$2.83 per adjusted unit in the comparable periods of 2010.

Book value was \$5.7 billion on a segment basis as of December 31, 2011, representing \$8.29 per adjusted unit.

KKR & Co. L.P. declares a fourth quarter distribution of \$0.32 per common unit, bringing year-to-date distributions for 2011 to \$0.74 per common unit, up from \$0.60 per common unit in the comparable period of 2010.

NEW YORK--(BUSINESS WIRE)--February 9, 2012-- **KKR & Co. L.P. (NYSE: KKR)** today reported its fourth quarter and full year 2011 results.

FRE was \$116.6 million and \$417.2 million for the quarter and year ended December 31, 2011, respectively, up 22.6% and 31.1% from the comparable periods of 2010. The increase in both comparative periods was principally attributable to higher transaction fees resulting from greater capital markets transaction activity and an increase in private equity capital deployment as well as additional management fees reflecting new capital raised.

AUM and fee paying assets under management (“FPAUM”) were \$59.0 billion and \$46.4 billion, respectively as of December 31, 2011. Both AUM and FPAUM were up slightly from September 30, 2011 due to new capital raised as well as investment appreciation during the period, partially offset by distributions to limited partners of our investment funds. Neither of these measures includes capital-raising for our 11th North American private equity fund, which at this preliminary stage has so far reached approximately \$6 billion. This figure includes a first close on over \$5.5 billion of commitments with the expectation of at least another \$500 million in the near term, subject to documentation. The final size of the fund will not be known until the final close of the fund in approximately one year.

Our private equity investments appreciated 1.8% and 4.0% for the quarter and year ended December 31, 2011, respectively. ENI was \$285.5 million and \$750.9 million for the quarter and year ended December 31, 2011, respectively, down from \$714.6 million and \$2,139.8 million in the comparable periods of 2010. The decrease in both comparable periods was primarily due to a lower level of net carried interest earned from our private equity funds and investment income earned from our principal investments. While the fair value of our private equity portfolio and principal investments increased during the quarter and year ended December 31, 2011, the level of appreciation was lower than that in the comparable periods of 2010.

“By working across businesses in a volatile environment, we were able to monetize our ideas more effectively in 2011, resulting in 31% growth in annual fee related earnings and our highest-ever unitholder distribution as a public company,” said Henry R. Kravis and George R. Roberts, Co-Chairmen and Co-Chief Executive Officers of KKR. “This progress has carried over into 2012 with strong momentum in fundraising since the start of 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 and year ended December 31, 2011 included net income (loss) attributable to KKR & Co. L.P. of \$46.1 million and \$1.9 million, respectively, and net income (loss) per common unit attributable to KKR & Co. L.P. of \$0.20 and \$0.01, respectively. For the quarter and year ended December 31, 2010, net income (loss) attributable to KKR & Co. L.P. was \$180.6 million and \$333.2 million, respectively, and net income (loss) per common unit attributable to KKR & Co. L.P. was \$0.86 and \$1.62, respectively. The decrease in both comparative periods was primarily due to a lower level of investment appreciation recorded in net gains (losses) from investment activities in the consolidated and combined statements of operations. While the fair value of our private equity portfolio and principal investments increased during the quarter and year ended December 31, 2011, the level of appreciation was lower than that in the comparable periods of 2010.

SEGMENT RESULTS

Private Markets

AUM and FPAUM as of December 31, 2011 were \$43.6 billion and \$37.9 billion, respectively, both relatively unchanged from September 30, 2011. New capital raised during the period as well as appreciation in the fair value of our private equity portfolio was largely offset by distributions to the limited partners of our private equity funds arising from realizations.

FRE was \$57.0 million for the quarter ended December 31, 2011, an increase of \$15.9 million, or 38.7%, compared to FRE of \$41.1 million for the quarter ended December 31, 2010. The increase was primarily attributable to higher transaction fees and an increase in management fees related to new capital raised.

FRE was \$226.6 million for the year ended December 31, 2011, an increase of \$44.3 million, or 24.3%, compared to FRE of \$182.3 million for the year ended December 31, 2010. The increase was primarily driven by (i) higher monitoring fees as a result of \$76.6 million of termination payments on monitoring agreements with three portfolio companies during the year ended December 31, 2011, which impacted FRE by \$39.7 million net of associated fee credits; (ii) higher transaction fees resulting from closing more transaction fee-generating investments; and (iii) an increase in management fees related to new capital raised. These increases were partially offset by higher compensation and other operating expenses in connection with the expansion of this business.

ENI was \$109.8 million for the quarter ended December 31, 2011, a decrease of \$152.2 million, or 58.1%, compared to ENI of \$262.0 million for the quarter ended December 31, 2010. ENI was \$362.8 million for the year ended December 31, 2011, a decrease of \$421.8 million, or 53.8%, compared to ENI of \$784.6 million for the year ended December 31, 2010. The decrease in both comparative periods was primarily due to lower net carried interest driven by a lower level of appreciation in our private equity portfolio. While the fair value of our private equity portfolio increased during the quarter and year ended December 31, 2011, the level of appreciation was lower than that in the comparable periods of 2010.

Public Markets

AUM was \$15.4 billion as of December 31, 2011, an increase of \$0.4 billion, or 2.7%, compared to AUM of \$15.0 billion as of September 30, 2011. FPAUM was \$8.5 billion as of December 31, 2011, an increase of \$0.2 billion, or 2.4%, compared to FPAUM of \$8.3 billion as of September 30, 2011. For both AUM and FPAUM, the increases were principally attributable to new capital raised as well as appreciation in the net asset value of certain investment vehicles, partially offset by distributions and redemptions.

FRE was \$11.8 million for the quarter ended December 31, 2011, a decrease of \$4.5 million, or 27.6%, compared to FRE of \$16.3 million for the quarter ended December 31, 2010. The decrease was primarily due to higher compensation expense as a result of the expansion of this business as well as lower incentive and transaction fees earned in the fourth quarter of 2011. These factors were partially offset by an increase in management fees related to new capital raised.

FRE was \$59.6 million for the year ended December 31, 2011, an increase of \$2.6 million, or 4.6%, compared to FRE of \$57.0 million for the year ended December 31, 2010. The increase was primarily due to growth in management fees related to new capital raised, partially offset by higher compensation and other operating expenses in connection with the expansion of this business including the development of the equity strategies platform.

ENI was \$11.8 million for the quarter ended December 31, 2011, a decrease of \$6.0 million, or 33.7%, compared to ENI of \$17.8 million for the quarter ended December 31, 2010. The decrease was primarily due to the decline in FRE discussed above.

ENI was \$58.0 million for the year ended December 31, 2011, a decrease of \$2.1 million, or 3.5%, compared to ENI of \$60.1 million for the year ended December 31, 2010. The decrease was primarily due to a reversal of previously recognized net carried interest as a result of a decline in the carrying value of certain carry-earning investment vehicles.

Capital Markets and Principal Activities

FRE was \$47.8 million for the quarter ended December 31, 2011, an increase of \$10.1 million, or 26.8%, compared to FRE of \$37.7 million for

the quarter ended December 31, 2010. FRE was \$130.9 million for the year ended December 31, 2011, an increase of \$51.8 million, or 65.5%, compared to FRE of \$79.1 million for the year ended December 31, 2010. The increase in both comparative periods was primarily driven by a higher level of capital markets transaction activity, partially offset by higher compensation and other operating expenses in connection with the expansion of this business.

ENI was \$163.8 million for the quarter ended December 31, 2011, a decrease of \$271.1 million, or 62.3%, compared to ENI of \$434.9 million for the quarter ended December 31, 2010. ENI was \$330.2 million for the year ended December 31, 2011, a decrease of \$964.9 million, or 74.5%, compared to ENI of \$1,295.1 million for the year ended December 31, 2010. The decrease in both comparative periods was primarily attributable to a lower level of investment income. While the fair value of our principal investments increased during the fourth quarter and full year of 2011, the level of appreciation was lower than in the comparable periods of 2010.

CAPITAL AND LIQUIDITY

As of December 31, 2011, KKR had cash and short-term investments on a segment basis of \$989.4 million 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 December 31, 2011).

As of December 31, 2011, KKR's portion of total uncalled commitments to its investment funds was \$665.2 million, consisting of the following (amounts in thousands):

| | <u>Commitments</u> | |
|-----------------------------------|--------------------|----------------|
| <u>Private Markets</u> | | |
| European Fund III | \$ | 266,900 |
| 2006 Fund | | 126,200 |
| Asian Fund | | 64,300 |
| Infrastructure Fund | | 36,000 |
| E2 Investors (Annex Fund) | | 28,100 |
| Natural Resources | | 18,800 |
| China Growth Fund | | 7,200 |
| Other Private Markets Commitments | | 9,100 |
| Total Private Markets Commitments | | <u>556,600</u> |
| <u>Public Markets</u> | | |
| Lending Partners | | 71,000 |
| Mezzanine Fund | | 32,800 |
| Special Situations Vehicles | | 4,800 |
| Total Public Markets Commitments | | <u>108,600</u> |
| Total Uncalled Commitments | \$ | <u>665,200</u> |

DISTRIBUTION

A distribution of \$0.32 per common unit will be paid on March 6, 2012 to unitholders of record as of the close of business on February 20, 2012.

CONFERENCE CALL

A conference call to discuss KKR's financial results will be held on Thursday, February 9, 2012 at 10:00 a.m. EDT. The conference call may be accessed by dialing (888) 811-5456 (U.S. callers) or +1 (913) 312-0391 (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 Investor 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 5999497, 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 Investor section of KKR's website at www.kkr.com. 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 \$59.0 billion in assets under management as of December 31, 2011. 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 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, 2010, filed with the SEC on March 7, 2011, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011, filed with the SEC on May 5, 2011, August 5, 2011 and November 8, 2011, and other filings with the SEC, which are available at www.sec.gov.

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

| | Quarter Ended | | Year Ended | |
|---|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Revenues | | | | |
| Fees | \$ 209,357 | \$ 146,267 | \$ 723,620 | \$ 435,386 |
| Expenses | | | | |
| Compensation and Benefits | 190,832 | 299,123 | 868,749 | 1,344,455 |
| Occupancy and Related Charges | 15,197 | 10,124 | 54,282 | 39,692 |
| General, Administrative and Other | 124,108 | 109,655 | 290,974 | 378,516 |
| Total Expenses | <u>330,137</u> | <u>418,902</u> | <u>1,214,005</u> | <u>1,762,663</u> |
| Investment Income (Loss) | | | | |
| Net Gains (Losses) from Investment Activities | 514,580 | 2,986,845 | 981,858 | 7,755,090 |
| Dividend Income | 117,944 | 441,781 | 225,073 | 1,250,293 |
| Interest Income | 102,968 | 55,766 | 321,943 | 226,824 |
| Interest Expense | (20,393) | (18,706) | (72,758) | (53,099) |
| Total Investment Income (Loss) | <u>715,099</u> | <u>3,465,686</u> | <u>1,456,116</u> | <u>9,179,108</u> |
| Income (Loss) Before Taxes | 594,319 | 3,193,051 | 965,731 | 7,851,831 |
| Income Taxes | <u>21,322</u> | <u>14,362</u> | <u>89,245</u> | <u>75,360</u> |
| Net Income (Loss) | 572,997 | 3,178,689 | 876,486 | 7,776,471 |
| Net Income (Loss) Attributable to Redeemable Noncontrolling Interests | 4,318 | - | 4,318 | - |
| Net Income (Loss) Attributable to Noncontrolling Interests | 522,542 | 2,998,110 | 870,247 | 7,443,293 |
| Net Income (Loss) Attributable to KKR & Co. L.P. | <u>\$ 46,137</u> | <u>\$ 180,579</u> | <u>\$ 1,921</u> | <u>\$ 333,178</u> |
| Distributions Declared per KKR & Co. L.P. Common Unit | \$ 0.32 | \$ 0.29 | \$ 0.74 | \$ 0.60 |
| Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit | | | | |
| Basic | \$ 0.20 | \$ 0.86 | \$ 0.01 | \$ 1.62 |
| Diluted (a) | \$ 0.20 | \$ 0.86 | \$ 0.01 | \$ 1.62 |
| Weighted Average Common Units Outstanding | | | | |
| Basic | 225,382,001 | 209,383,219 | 220,235,469 | 206,031,682 |
| Diluted (a) | 231,361,032 | 209,413,219 | 222,519,174 | 206,039,244 |

(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 | | | Year Ended | |
|--|--------------------------|----------------------------|--------------------------|--------------------------|----------------------------|
| | December 31, 2011 | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Fees | | | | | |
| Management and incentive fees: | | | | | |
| Management fees | \$ 127,556 | \$ 134,049 | \$ 119,043 | \$ 515,384 | \$ 453,286 |
| Incentive fees | 6,084 | - | 8,427 | 34,243 | 38,832 |
| Management and incentive fees | <u>133,640</u> | <u>134,049</u> | <u>127,470</u> | <u>549,627</u> | <u>492,118</u> |
| Monitoring and transaction fees: | | | | | |
| Monitoring fees | 21,797 | 20,892 | 22,108 | 163,769 | 86,932 |
| Transaction fees | 128,338 | 98,631 | 86,774 | 349,130 | 220,383 |
| Fee credits | (36,862) | (28,793) | (21,671) | (150,858) | (64,899) |
| Net monitoring and transaction fees | <u>113,273</u> | <u>90,730</u> | <u>87,211</u> | <u>362,041</u> | <u>242,416</u> |
| Total fees | <u>246,913</u> | <u>224,779</u> | <u>214,681</u> | <u>911,668</u> | <u>734,534</u> |
| Expenses | | | | | |
| Compensation and benefits (a) | 65,038 | 66,663 | 55,594 | 257,951 | 206,334 |
| Occupancy and related charges | 14,353 | 12,675 | 10,124 | 51,009 | 39,715 |
| Other operating expenses | 50,947 | 47,199 | 53,872 | 185,555 | 170,163 |
| Total expenses | <u>130,338</u> | <u>126,537</u> | <u>119,590</u> | <u>494,515</u> | <u>416,212</u> |
| Fee Related Earnings | <u>116,575</u> | <u>98,242</u> | <u>95,091</u> | <u>417,153</u> | <u>318,322</u> |
| Investment income (loss) | | | | | |
| Gross carried interest | 96,503 | (366,387) | 416,442 | 263,621 | 1,207,070 |
| Less: allocation to KKR carry pool | (40,410) | 151,191 | (169,305) | (108,325) | (455,872) |
| Less: management fee refunds (b) | (1,993) | 21,115 | (24,412) | (17,587) | (143,446) |
| Net carried interest | 54,100 | (194,081) | 222,725 | 137,709 | 607,752 |
| Other investment income (loss) | 117,039 | (494,412) | 398,389 | 202,758 | 1,218,128 |
| Total investment income (loss) | <u>171,139</u> | <u>(688,493)</u> | <u>621,114</u> | <u>340,467</u> | <u>1,825,880</u> |
| Income (Loss) before noncontrolling interests in Income of consolidated entities | 287,714 | (590,251) | 716,205 | 757,620 | 2,144,202 |
| Income (Loss) attributable to noncontrolling interests | <u>2,220</u> | <u>1,840</u> | <u>1,592</u> | <u>6,671</u> | <u>4,409</u> |
| Economic Net Income (Loss) | <u>\$ 285,494</u> | <u>\$ (592,091)</u> | <u>\$ 714,613</u> | <u>\$ 750,949</u> | <u>\$ 2,139,793</u> |
| Provision for Income Taxes | 59,988 | 29,634 | 17,400 | 248,082 | 210,196 |
| Economic Net Income (Loss), After Taxes (c) | <u>\$ 225,506</u> | <u>\$ (621,725)</u> | <u>\$ 697,213</u> | <u>\$ 502,867</u> | <u>\$ 1,929,597</u> |
| Economic Net Income (Loss), After Taxes per Adjusted Unit (c) | <u>\$ 0.33</u> | <u>\$ (0.91)</u> | <u>\$ 1.02</u> | <u>\$ 0.73</u> | <u>\$ 2.83</u> |
| Assets Under Management | \$ 59,008,600 | \$ 58,720,800 | \$ 60,997,500 | \$ 59,008,600 | \$ 60,997,500 |
| Fee Paying Assets Under Management | \$ 46,397,300 | \$ 46,221,200 | \$ 46,011,100 | \$ 46,397,300 | \$ 46,011,100 |
| Committed Dollars Invested | \$ 2,582,600 | \$ 1,807,200 | \$ 2,691,000 | \$ 6,014,000 | \$ 5,253,300 |
| Uncalled Commitments | \$ 11,400,500 | \$ 12,807,200 | \$ 14,074,700 | \$ 11,400,500 | \$ 14,074,700 |
| Other Information | | | | | |
| Fee Related Earnings | \$ 116,575 | \$ 98,242 | \$ 95,091 | \$ 417,153 | \$ 318,322 |
| Plus: depreciation and amortization | 2,528 | 2,147 | 2,790 | 9,925 | 11,664 |
| Fee Related EBITDA | <u>\$ 119,103</u> | <u>\$ 100,389</u> | <u>\$ 97,881</u> | <u>\$ 427,078</u> | <u>\$ 329,986</u> |
| Gross Distributable Earnings | <u>\$ 195,725</u> | <u>\$ 104,395</u> | <u>\$ 157,346</u> | <u>\$ 596,306</u> | <u>\$ 486,035</u> |
| GAAP interest expense | \$ 20,393 | \$ 17,742 | \$ 18,706 | \$ 72,758 | \$ 53,099 |
| Less: interest expense related to debt obligations from investment financing arrangements | 9,598 | 7,233 | 7,535 | 30,160 | 28,622 |
| Core Interest Expense (c) | <u>\$ 10,795</u> | <u>\$ 10,509</u> | <u>\$ 11,171</u> | <u>\$ 42,598</u> | <u>\$ 24,477</u> |

- (a) Excludes a \$5.5 million and \$16.7 million charge for non-cash equity based compensation during the quarter and year ended December 31, 2011, respectively, associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan. Excludes a \$6.8 million charge for non-cash equity based compensation during the quarter ended September 30, 2011 associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan.
 - (b) As of December 31, 2011, \$91.4 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 | | | Year Ended | |
|--|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| | December 31, 2011 | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Fees | | | | | |
| Management and incentive fees: | | | | | |
| Management fees | \$ 106,716 | \$ 106,748 | \$ 102,684 | \$ 430,400 | \$ 396,227 |
| Incentive fees | - | - | - | - | - |
| Management and incentive fees | <u>106,716</u> | <u>106,748</u> | <u>102,684</u> | <u>430,400</u> | <u>396,227</u> |
| Monitoring and transaction fees: | | | | | |
| Monitoring fees | 21,797 | 20,892 | 22,108 | 163,769 | 86,932 |
| Transaction fees | 65,148 | 40,196 | 30,942 | 166,654 | 96,000 |
| Fee credits | (34,799) | (27,229) | (15,673) | (144,928) | (52,563) |
| Net monitoring and transaction fees | <u>52,146</u> | <u>33,859</u> | <u>37,377</u> | <u>185,495</u> | <u>130,369</u> |
| Total fees | <u>158,862</u> | <u>140,607</u> | <u>140,061</u> | <u>615,895</u> | <u>526,596</u> |
| Expenses | | | | | |
| Compensation and benefits (a) | 46,139 | 47,390 | 42,396 | 185,709 | 159,561 |
| Occupancy and related charges | 12,902 | 11,273 | 9,206 | 45,694 | 36,395 |
| Other operating expenses | 42,825 | 40,768 | 47,392 | 157,901 | 148,357 |
| Total expenses | <u>101,866</u> | <u>99,431</u> | <u>98,994</u> | <u>389,304</u> | <u>344,313</u> |
| Fee Related Earnings | <u>56,996</u> | <u>41,176</u> | <u>41,067</u> | <u>226,591</u> | <u>182,283</u> |
| Investment income (loss) | | | | | |
| Gross carried interest | 96,115 | (360,282) | 414,025 | 266,211 | 1,202,070 |
| Less: allocation to KKR carry pool | (40,255) | 148,749 | (168,338) | (109,361) | (453,872) |
| Less: management fee refunds | (1,993) | 21,115 | (24,412) | (17,587) | (143,446) |
| Net carried interest | <u>53,867</u> | <u>(190,418)</u> | <u>221,275</u> | <u>139,263</u> | <u>604,752</u> |
| Other investment income (loss) | (364) | (1,942) | (111) | (549) | (1,643) |
| Total investment income (loss) | <u>53,503</u> | <u>(192,360)</u> | <u>221,164</u> | <u>138,714</u> | <u>603,109</u> |
| Income (Loss) before noncontrolling interests | | | | | |
| in Income of consolidated entities | 110,499 | (151,184) | 262,231 | 365,305 | 785,392 |
| Income (Loss) attributable to noncontrolling interests | <u>651</u> | <u>790</u> | <u>259</u> | <u>2,536</u> | <u>839</u> |
| Economic Net Income (Loss) | <u>\$ 109,848</u> | <u>\$ (151,974)</u> | <u>\$ 261,972</u> | <u>\$ 362,769</u> | <u>\$ 784,553</u> |
| Assets Under Management | | | | | |
| Assets Under Management | \$ 43,627,900 | \$ 43,744,400 | \$ 46,223,900 | \$ 43,627,900 | \$ 46,223,900 |
| Fee Paying Assets Under Management | \$ 37,869,700 | \$ 37,936,800 | \$ 38,186,700 | \$ 37,869,700 | \$ 38,186,700 |
| Committed Dollars Invested | \$ 2,148,400 | \$ 1,654,900 | \$ 2,371,500 | \$ 5,033,300 | \$ 4,555,700 |
| Uncalled Commitments | \$ 10,070,300 | \$ 11,243,600 | \$ 12,625,900 | \$ 10,070,300 | \$ 12,625,900 |

(a) Excludes a \$3.4 million and \$8.3 million charge for non-cash equity based compensation during the quarter and year ended December 31, 2011, respectively, associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan. Excludes a \$4.2 million charge for non-cash equity based compensation during the quarter ended September 30, 2011 associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan.

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

| | Quarter Ended | | | Year Ended | |
|--|-------------------------|------------------------|-------------------------|-------------------------|-------------------------|
| | December 31, 2011 | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Fees | | | | | |
| Management and incentive fees: | | | | | |
| Management fees | \$ 20,840 | \$ 27,301 | \$ 16,359 | \$ 84,984 | \$ 57,059 |
| Incentive fees | 6,084 | - | 8,427 | 34,243 | 38,832 |
| Management and incentive fees | <u>26,924</u> | <u>27,301</u> | <u>24,786</u> | <u>119,227</u> | <u>95,891</u> |
| Monitoring and transaction fees: | | | | | |
| Monitoring fees | - | - | - | - | - |
| Transaction fees | 4,151 | 3,760 | 9,292 | 11,996 | 19,117 |
| Fee credits | (2,063) | (1,564) | (5,998) | (5,930) | (12,336) |
| Net monitoring and transaction fees | <u>2,088</u> | <u>2,196</u> | <u>3,294</u> | <u>6,066</u> | <u>6,781</u> |
| Total fees | <u>29,012</u> | <u>29,497</u> | <u>28,080</u> | <u>125,293</u> | <u>102,672</u> |
| Expenses | | | | | |
| Compensation and benefits (a) | 12,166 | 12,144 | 7,586 | 46,133 | 29,910 |
| Occupancy and related charges | 1,189 | 1,097 | 612 | 4,059 | 2,375 |
| Other operating expenses | 3,834 | 3,807 | 3,580 | 15,483 | 13,430 |
| Total expenses | <u>17,189</u> | <u>17,048</u> | <u>11,778</u> | <u>65,675</u> | <u>45,715</u> |
| Fee Related Earnings | <u>11,823</u> | <u>12,449</u> | <u>16,302</u> | <u>59,618</u> | <u>56,957</u> |
| Investment income (loss) | | | | | |
| Gross carried interest | 388 | (6,105) | 2,417 | (2,590) | 5,000 |
| Less: allocation to KKR carry pool | (155) | 2,442 | (967) | 1,036 | (2,000) |
| Less: management fee refunds | - | - | - | - | - |
| Net carried interest | <u>233</u> | <u>(3,663)</u> | <u>1,450</u> | <u>(1,554)</u> | <u>3,000</u> |
| Other investment income (loss) | (93) | 288 | 188 | 505 | 718 |
| Total investment income (loss) | <u>140</u> | <u>(3,375)</u> | <u>1,638</u> | <u>(1,049)</u> | <u>3,718</u> |
| Income (Loss) before noncontrolling interests | | | | | |
| in Income of consolidated entities | 11,963 | 9,074 | 17,940 | 58,569 | 60,675 |
| Income (Loss) attributable to noncontrolling interests | <u>119</u> | <u>164</u> | <u>157</u> | <u>599</u> | <u>537</u> |
| Economic Net Income (Loss) | <u>\$ 11,844</u> | <u>\$ 8,910</u> | <u>\$ 17,783</u> | <u>\$ 57,970</u> | <u>\$ 60,138</u> |
| Assets Under Management | \$ 15,380,700 | \$ 14,976,400 | \$ 14,773,600 | \$ 15,380,700 | \$ 14,773,600 |
| Fee Paying Assets Under Management | \$ 8,527,600 | \$ 8,284,400 | \$ 7,824,400 | \$ 8,527,600 | \$ 7,824,400 |
| Committed Dollars Invested | \$ 434,200 | \$ 152,300 | \$ 319,500 | \$ 980,700 | \$ 697,600 |
| Uncalled Commitments | \$ 1,330,200 | \$ 1,563,600 | \$ 1,448,800 | \$ 1,330,200 | \$ 1,448,800 |

(a) Excludes a \$1.8 million and \$8.0 million charge for non-cash equity based compensation during the quarter and year ended December 31, 2011, respectively, associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan. Excludes a \$2.5 million charge for non-cash equity based compensation during the quarter ended September 30, 2011 associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan.

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

| | Quarter Ended | | | Year Ended | |
|--|-------------------|---------------------|-------------------|-------------------|---------------------|
| | December 31, 2011 | September 30, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 |
| Fees | | | | | |
| Management and incentive fees: | | | | | |
| Management fees | \$ - | \$ - | \$ - | \$ - | \$ - |
| Incentive fees | - | - | - | - | - |
| Management and incentive fees | - | - | - | - | - |
| Monitoring and transaction fees: | | | | | |
| Monitoring fees | - | - | - | - | - |
| Transaction fees | 59,039 | 54,675 | 46,540 | 170,480 | 105,266 |
| Fee credits | - | - | - | - | - |
| Net monitoring and transaction fees | 59,039 | 54,675 | 46,540 | 170,480 | 105,266 |
| Total fees | 59,039 | 54,675 | 46,540 | 170,480 | 105,266 |
| Expenses | | | | | |
| Compensation and benefits (a) | 6,733 | 7,129 | 5,612 | 26,109 | 16,863 |
| Occupancy and related charges | 262 | 305 | 306 | 1,256 | 945 |
| Other operating expenses | 4,288 | 2,624 | 2,900 | 12,171 | 8,376 |
| Total expenses | 11,283 | 10,058 | 8,818 | 39,536 | 26,184 |
| Fee Related Earnings | 47,756 | 44,617 | 37,722 | 130,944 | 79,082 |
| Investment income (loss) | | | | | |
| Gross carried interest | - | - | - | - | - |
| Less: allocation to KKR carry pool | - | - | - | - | - |
| Less: management fee refunds | - | - | - | - | - |
| Net carried interest | - | - | - | - | - |
| Other investment income (loss) | 117,496 | (492,758) | 398,312 | 202,802 | 1,219,053 |
| Total investment income (loss) | 117,496 | (492,758) | 398,312 | 202,802 | 1,219,053 |
| Income (Loss) before noncontrolling interests | | | | | |
| in Income of consolidated entities | 165,252 | (448,141) | 436,034 | 333,746 | 1,298,135 |
| Income (Loss) attributable to noncontrolling interests | 1,450 | 886 | 1,176 | 3,536 | 3,033 |
| Economic Net Income (Loss) | \$ 163,802 | \$ (449,027) | \$ 434,858 | \$ 330,210 | \$ 1,295,102 |

(a) Excludes a \$0.3 million and \$0.4 million charge for non-cash equity based compensation during the quarter and year ended December 31, 2011 associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan. Excludes a \$0.1 million charge for non-cash equity based compensation during the quarter ended September 30, 2011 associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan

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

| | Private Markets Segment | Public Markets Segment | Capital Markets and Principal Activities Segment | Total Reportable Segments |
|---|----------------------------|---------------------------|--|---------------------------------|
| 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 | (34,799) | (2,063) | - | (36,862) |
| 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 (a) | 46,139 | 12,166 | 6,733 | 65,038 |
| Occupancy and related charges | 12,902 | 1,189 | 262 | 14,353 |
| Other operating expenses | 42,825 | 3,834 | 4,288 | 50,947 |
| 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 | (1,993) | - | - | (1,993) |
| Net carried interest | <u>53,867</u> | <u>233</u> | <u>-</u> | <u>54,100</u> |
| Other investment income (loss) | (364) | (93) | 117,496 | 117,039 |
| 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> |

(a) Excludes a \$5.5 million charge for non-cash equity based compensation associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan (Private Markets – \$3.4 million; Public Markets – \$1.8 million; Capital Markets and Principal Activities – \$0.3 million).

KKR
STATEMENTS OF OPERATIONS
TOTAL REPORTABLE SEGMENTS - ACTUAL (UNAUDITED)
Quarter Ended September 30, 2011
(Amounts in thousands)

| | Private Markets Segment | Public Markets Segment | Capital Markets and Principal Activities Segment | Total Reportable Segments |
|--|----------------------------|---------------------------|--|---------------------------------|
| Fees | | | | |
| Management and incentive fees: | | | | |
| Management fees | \$ 106,748 | \$ 27,301 | \$ - | \$ 134,049 |
| Incentive fees | - | - | - | - |
| Management and incentive fees | <u>106,748</u> | <u>27,301</u> | <u>-</u> | <u>134,049</u> |
| Monitoring and transaction fees: | | | | |
| Monitoring fees | 20,892 | - | - | 20,892 |
| Transaction fees | 40,196 | 3,760 | 54,675 | 98,631 |
| Fee credits | (27,229) | (1,564) | - | (28,793) |
| Net monitoring and transaction fees | <u>33,859</u> | <u>2,196</u> | <u>54,675</u> | <u>90,730</u> |
| Total fees | <u>140,607</u> | <u>29,497</u> | <u>54,675</u> | <u>224,779</u> |
| Expenses | | | | |
| Compensation and benefits (a) | 47,390 | 12,144 | 7,129 | 66,663 |
| Occupancy and related charges | 11,273 | 1,097 | 305 | 12,675 |
| Other operating expenses | 40,768 | 3,807 | 2,624 | 47,199 |
| Total expenses | <u>99,431</u> | <u>17,048</u> | <u>10,058</u> | <u>126,537</u> |
| Fee Related Earnings | <u>41,176</u> | <u>12,449</u> | <u>44,617</u> | <u>98,242</u> |
| Investment income (loss) | | | | |
| Gross carried interest | (360,282) | (6,105) | - | (366,387) |
| Less: allocation to KKR carry pool | 148,749 | 2,442 | - | 151,191 |
| Less: management fee refunds | 21,115 | - | - | 21,115 |
| Net carried interest | <u>(190,418)</u> | <u>(3,663)</u> | <u>-</u> | <u>(194,081)</u> |
| Other investment income (loss) | (1,942) | 288 | (492,758) | (494,412) |
| Total investment income (loss) | <u>(192,360)</u> | <u>(3,375)</u> | <u>(492,758)</u> | <u>(688,493)</u> |
| Income (Loss) before noncontrolling interests | | | | |
| in Income of consolidated entities | (151,184) | 9,074 | (448,141) | (590,251) |
| Income (Loss) attributable to noncontrolling interests | 790 | 164 | 886 | 1,840 |
| Economic Net Income (Loss) | <u>\$ (151,974)</u> | <u>\$ 8,910</u> | <u>\$ (449,027)</u> | <u>\$ (592,091)</u> |

(a) Excludes a \$6.8 million charge for non-cash equity based compensation associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan (Private Markets – \$4.2 million; Public Markets – \$2.5 million; Capital Markets and Principal Activities – \$0.1 million).

KKR
STATEMENTS OF OPERATIONS
TOTAL REPORTABLE SEGMENTS - ACTUAL (UNAUDITED)
Quarter Ended December 31, 2010
(Amounts in thousands)

| | Private Markets Segment | Public Markets Segment | Capital Markets and Principal Activities Segment | Total Reportable Segments |
|---|------------------------------------|-----------------------------------|---|--|
| Fees | | | | |
| Management and incentive fees: | | | | |
| Management fees | \$ 102,684 | \$ 16,359 | \$ - | \$ 119,043 |
| Incentive fees | - | 8,427 | - | 8,427 |
| Management and incentive fees | <u>102,684</u> | <u>24,786</u> | <u>-</u> | <u>127,470</u> |
| Monitoring and transaction fees: | | | | |
| Monitoring fees | 22,108 | - | - | 22,108 |
| Transaction fees | 30,942 | 9,292 | 46,540 | 86,774 |
| Fee credits | (15,673) | (5,998) | - | (21,671) |
| Net monitoring and transaction fees | <u>37,377</u> | <u>3,294</u> | <u>46,540</u> | <u>87,211</u> |
| Total fees | <u>140,061</u> | <u>28,080</u> | <u>46,540</u> | <u>214,681</u> |
| Expenses | | | | |
| Compensation and benefits | 42,396 | 7,586 | 5,612 | 55,594 |
| Occupancy and related charges | 9,206 | 612 | 306 | 10,124 |
| Other operating expenses | 47,392 | 3,580 | 2,900 | 53,872 |
| Total expenses | <u>98,994</u> | <u>11,778</u> | <u>8,818</u> | <u>119,590</u> |
| Fee Related Earnings | <u>41,067</u> | <u>16,302</u> | <u>37,722</u> | <u>95,091</u> |
| Investment income (loss) | | | | |
| Gross carried interest | 414,025 | 2,417 | - | 416,442 |
| Less: allocation to KKR carry pool | (168,338) | (967) | - | (169,305) |
| Less: management fee refunds | (24,412) | - | - | (24,412) |
| Net carried interest | <u>221,275</u> | <u>1,450</u> | <u>-</u> | <u>222,725</u> |
| Other investment income (loss) | (111) | 188 | 398,312 | 398,389 |
| Total investment income (loss) | <u>221,164</u> | <u>1,638</u> | <u>398,312</u> | <u>621,114</u> |
| Income (Loss) before noncontrolling interests in Income of consolidated entities | 262,231 | 17,940 | 436,034 | 716,205 |
| Income (Loss) attributable to noncontrolling interests | 259 | 157 | 1,176 | 1,592 |
| Economic Net Income (Loss) | <u>\$ 261,972</u> | <u>\$ 17,783</u> | <u>\$ 434,858</u> | <u>\$ 714,613</u> |

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

| | Private Markets Segment | Public Markets Segment | Capital Markets and Principal Activities Segment | Total Reportable Segments |
|--|----------------------------|---------------------------|--|---------------------------------|
| Fees | | | | |
| Management and incentive fees: | | | | |
| Management fees | \$ 430,400 | \$ 84,984 | \$ - | \$ 515,384 |
| Incentive fees | - | 34,243 | - | 34,243 |
| Management and incentive fees | 430,400 | 119,227 | - | 549,627 |
| Monitoring and transaction fees: | | | | |
| Monitoring fees | 163,769 | - | - | 163,769 |
| Transaction fees | 166,654 | 11,996 | 170,480 | 349,130 |
| Fee credits | (144,928) | (5,930) | - | (150,858) |
| Net monitoring and transaction fees | 185,495 | 6,066 | 170,480 | 362,041 |
| Total fees | 615,895 | 125,293 | 170,480 | 911,668 |
| Expenses | | | | |
| Compensation and benefits (a) | 185,709 | 46,133 | 26,109 | 257,951 |
| Occupancy and related charges | 45,694 | 4,059 | 1,256 | 51,009 |
| Other operating expenses | 157,901 | 15,483 | 12,171 | 185,555 |
| Total expenses | 389,304 | 65,675 | 39,536 | 494,515 |
| Fee Related Earnings | 226,591 | 59,618 | 130,944 | 417,153 |
| Investment income (loss) | | | | |
| Gross carried interest | 266,211 | (2,590) | - | 263,621 |
| Less: allocation to KKR carry pool | (109,361) | 1,036 | - | (108,325) |
| Less: management fee refunds | (17,587) | - | - | (17,587) |
| Net carried interest | 139,263 | (1,554) | - | 137,709 |
| Other investment income (loss) | (549) | 505 | 202,802 | 202,758 |
| Total investment income (loss) | 138,714 | (1,049) | 202,802 | 340,467 |
| Income (Loss) before noncontrolling interests | | | | |
| in Income of consolidated entities | 365,305 | 58,569 | 333,746 | 757,620 |
| Income (Loss) attributable to noncontrolling interests | 2,536 | 599 | 3,536 | 6,671 |
| Economic Net Income (Loss) | \$ 362,769 | \$ 57,970 | \$ 330,210 | \$ 750,949 |

(a) Excludes a \$16.7 million charge for non-cash equity based compensation associated with equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan (Private Markets – \$8.3 million; Public Markets – \$8.0 million; Capital Markets and Principal Activities – \$0.4 million).

KKR
STATEMENTS OF OPERATIONS
TOTAL REPORTABLE SEGMENTS - ACTUAL (UNAUDITED)
Year Ended December 31, 2010
(Amounts in thousands)

| | Private Markets Segment | Public Markets Segment | Capital Markets and Principal Activities Segment | Total Reportable Segments |
|---|------------------------------------|-----------------------------------|---|--|
| Fees | | | | |
| Management and incentive fees: | | | | |
| Management fees | \$ 396,227 | \$ 57,059 | \$ - | \$ 453,286 |
| Incentive fees | - | 38,832 | - | 38,832 |
| Management and incentive fees | <u>396,227</u> | <u>95,891</u> | <u>-</u> | <u>492,118</u> |
| Monitoring and transaction fees: | | | | |
| Monitoring fees | 86,932 | - | - | 86,932 |
| Transaction fees | 96,000 | 19,117 | 105,266 | 220,383 |
| Fee credits | (52,563) | (12,336) | - | (64,899) |
| Net monitoring and transaction fees | <u>130,369</u> | <u>6,781</u> | <u>105,266</u> | <u>242,416</u> |
| Total fees | <u>526,596</u> | <u>102,672</u> | <u>105,266</u> | <u>734,534</u> |
| Expenses | | | | |
| Compensation and benefits | 159,561 | 29,910 | 16,863 | 206,334 |
| Occupancy and related charges | 36,395 | 2,375 | 945 | 39,715 |
| Other operating expenses | 148,357 | 13,430 | 8,376 | 170,163 |
| Total expenses | <u>344,313</u> | <u>45,715</u> | <u>26,184</u> | <u>416,212</u> |
| Fee Related Earnings | <u>182,283</u> | <u>56,957</u> | <u>79,082</u> | <u>318,322</u> |
| Investment income (loss) | | | | |
| Gross carried interest | 1,202,070 | 5,000 | - | 1,207,070 |
| Less: allocation to KKR carry pool | (453,872) | (2,000) | - | (455,872) |
| Less: management fee refunds | (143,446) | - | - | (143,446) |
| Net carried interest | <u>604,752</u> | <u>3,000</u> | <u>-</u> | <u>607,752</u> |
| Other investment income (loss) | (1,643) | 718 | 1,219,053 | 1,218,128 |
| Total investment income (loss) | <u>603,109</u> | <u>3,718</u> | <u>1,219,053</u> | <u>1,825,880</u> |
| Income (Loss) before noncontrolling interests in Income of consolidated entities | 785,392 | 60,675 | 1,298,135 | 2,144,202 |
| Income (Loss) attributable to noncontrolling interests | 839 | 537 | 3,033 | 4,409 |
| Economic Net Income (Loss) | <u>\$ 784,553</u> | <u>\$ 60,138</u> | <u>\$ 1,295,102</u> | <u>\$ 2,139,793</u> |

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

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 (a) | 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 |

As of December 31, 2010

| | Private Markets Segment | Public Markets Segment | Capital Markets and Principal Activities Segment | Total Reportable Segments |
|-------------------------------------|-------------------------------|------------------------------|--|---------------------------------|
| Cash and short-term investments | \$ 229,729 | \$ 10,007 | \$ 516,544 | \$ 756,280 |
| Investments | - | - | 4,831,798 | 4,831,798 |
| Unrealized carry | 523,002 | 3,001 | - | 526,003 |
| Other assets | 194,424 | 53,222 | 39,730 | 287,376 |
| Total assets | \$ 947,155 | \$ 66,230 | \$ 5,388,072 | \$ 6,401,457 |
| Debt obligations | \$ - | \$ - | \$ 500,000 | \$ 500,000 |
| Other liabilities | 104,248 | 10,193 | 45,837 | 160,278 |
| Total liabilities | 104,248 | 10,193 | 545,837 | 660,278 |
| Noncontrolling interests | (1,750) | 766 | 16,537 | 15,553 |
| Book value | \$ 844,657 | \$ 55,271 | \$ 4,825,698 | \$ 5,725,626 |
| Book value per adjusted unit | \$ 1.24 | \$ 0.08 | \$ 7.06 | \$ 8.38 |

(a) See Capital Markets and Principal Activities segment schedule of investments that follows on pages 16 and 17.

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

| Investment | As of December 31, 2011 | | |
|---|-------------------------|---------------------|---|
| | Cost | Fair Value | Fair Value as a Percentage of Investments |
| Co-investments in portfolio companies of private equity funds: | | | |
| Dollar General Corporation | \$ 122,998 | \$ 578,299 | 12.2% |
| HCA Inc. | 171,227 | 333,205 | 7.0% |
| The Nielsen Company B.V. | 156,839 | 309,545 | 6.5% |
| Alliance Boots GmbH | 301,352 | 303,081 | 6.4% |
| Samson Resources | 263,586 | 263,586 | 5.6% |
| U.S. Foodservice, Inc. | 100,000 | 130,000 | 2.7% |
| Biomet, Inc. | 151,443 | 121,155 | 2.6% |
| NXP B.V. | 207,963 | 121,108 | 2.6% |
| ProSiebenSat.1 Media AG | 226,913 | 103,458 | 2.2% |
| First Data Corporation | 135,258 | 81,155 | 1.7% |
| KION Group GmbH | 128,058 | 58,882 | 1.2% |
| Energy Future Holdings Corp. | 200,000 | 20,000 | 0.4% |
| PagesJaunes Groupe S.A. | 235,201 | - | 0.0% |
| | <u>2,400,838</u> | <u>2,423,474</u> | <u>51.1%</u> |
| Private Equity Investment Vehicles | | | |
| KKR 2006 Fund L.P. | 852,474 | 891,266 | 18.8% |
| KKR European Fund III L.P. | 164,042 | 169,312 | 3.6% |
| KKR Millennium Fund L.P. | 148,223 | 152,284 | 3.2% |
| KKR Asian Fund L.P. | 94,799 | 127,049 | 2.7% |
| KKR European Fund II L.P. | 89,611 | 67,539 | 1.4% |
| KKR European Fund L.P. | 82,529 | 59,416 | 1.3% |
| KKR E2 Investors, L.P. | 12,187 | 18,318 | 0.4% |
| KKR China Growth Fund L.P. | 2,749 | 3,944 | 0.1% |
| Co-Investment Vehicles | 770 | 804 | 0.0% |
| Private Equity Investment Vehicles | <u>1,447,384</u> | <u>1,489,932</u> | <u>31.5%</u> |
| Private Equity Total | <u>3,848,222</u> | <u>3,913,406</u> | <u>82.6%</u> |
| Energy & Infrastructure | | | |
| Infrastructure Fund | 13,887 | 13,402 | 0.3% |
| Co-Investment Vehicles | 10,453 | 11,817 | 0.2% |
| Natural Resources | 4,220 | 3,076 | 0.1% |
| Energy & Infrastructure Total | <u>28,560</u> | <u>28,295</u> | <u>0.6%</u> |
| Private Markets Total | <u>3,876,782</u> | <u>3,941,701</u> | <u>83.2%</u> |
| Public Markets Investment Vehicles | | | |
| Liquid Credit SMAs/Funds | 170,000 | 176,759 | 3.7% |
| Long/Short Equities Funds | 100,000 | 97,155 | 2.0% |
| Lending Partners | 29,000 | 29,658 | 0.6% |
| Special Situations Vehicles | 17,998 | 18,397 | 0.4% |
| Mezzanine Fund | 12,065 | 12,847 | 0.3% |
| Public Markets Total | <u>329,063</u> | <u>334,816</u> | <u>7.0%</u> |
| Other | <u>479,351</u> | <u>466,889</u> | <u>9.8%</u> |
| Total Investments | <u>\$ 4,685,196</u> | <u>\$ 4,743,406</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 December 31, 2011 | | |
|---|----------------------------|----------------------------|---|
| | Cost | Fair Value | Fair Value as a Percentage of Investments |
| Significant Aggregate Investments: (a) | | | |
| Dollar General Corporation | \$ 170,654 | \$ 767,417 | 16.2% |
| HCA Inc. | 217,011 | 413,637 | 8.7% |
| Alliance Boots GmbH | 352,382 | 357,690 | 7.5% |
| Samson Resources | 339,287 | 339,287 | 7.2% |
| The Nielsen Company B.V. | 172,841 | 338,189 | 7.1% |
| | <u>1,252,175</u> | <u>2,216,220</u> | <u>46.7%</u> |
| Other investments | 3,433,021 | 2,527,186 | 53.3% |
| Total Investments | <u>\$ 4,685,196</u> | <u>\$ 4,743,406</u> | <u>100.0%</u> |
| Investments by Geography: | | | |
| North America | \$ 2,963,056 | \$ 3,556,986 | 75.0% |
| Europe | 1,534,843 | 958,045 | 20.2% |
| Asia-Pacific | 187,297 | 228,375 | 4.8% |
| Total Investments | <u>\$ 4,685,196</u> | <u>\$ 4,743,406</u> | <u>100.0%</u> |
| Investments by Industry: | | | |
| Retail | \$ 427,425 | \$ 1,014,440 | 21.4% |
| Healthcare | 817,646 | 979,100 | 20.6% |
| Financial Services | 1,203,158 | 889,697 | 18.8% |
| Media/Telecom | 763,764 | 566,047 | 11.9% |
| Other | 36,183 | 331,342 | 6.9% |
| Technology | 401,351 | 316,627 | 6.7% |
| Energy | 664,056 | 311,748 | 6.6% |
| Industrial | 268,992 | 236,416 | 5.0% |
| Consumer Products | 102,621 | 97,989 | 2.1% |
| Total Investments | <u>\$ 4,685,196</u> | <u>\$ 4,743,406</u> | <u>100.0%</u> |

(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 December 31, 2011. 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 December 31, 2011 | | | |
| September 30, 2011 | \$ 43,744,400 | \$ 14,976,400 | \$ 58,720,800 |
| New Capital Raised | 1,358,100 | 423,600 | 1,781,700 |
| Distributions | (2,043,800) | (248,800) (a) | (2,292,600) |
| Foreign Exchange | (70,200) | - | (70,200) |
| Change in Value | 639,400 | 229,500 | 868,900 |
| December 31, 2011 | \$ 43,627,900 | \$ 15,380,700 | \$ 59,008,600 |
| Year Ended December 31, 2011 | | | |
| December 31, 2010 | \$ 46,223,900 | \$ 14,773,600 | \$ 60,997,500 |
| New Capital Raised | 2,347,100 | 1,559,100 | 3,906,200 |
| Distributions | (6,463,100) | (1,435,000) (b) | (7,898,100) |
| Foreign Exchange | (57,100) | - | (57,100) |
| Change in Value | 1,577,100 | 483,000 | 2,060,100 |
| December 31, 2011 | \$ 43,627,900 | \$ 15,380,700 | \$ 59,008,600 |

| | Fee Paying Assets Under Management | | |
|--|------------------------------------|------------------------|---------------------------|
| | Private Markets Segment | Public Markets Segment | Total Reportable Segments |
| Quarter Ended December 31, 2011 | | | |
| September 30, 2011 | \$ 37,936,800 | \$ 8,284,400 | \$ 46,221,200 |
| New Capital Raised | 1,277,700 | 322,300 | 1,600,000 |
| Distributions | (1,142,900) | (243,800) (a) | (1,386,700) |
| Foreign Exchange | (213,000) | - | (213,000) |
| Change in Value | 11,100 | 164,700 | 175,800 |
| December 31, 2011 | \$ 37,869,700 | \$ 8,527,600 | \$ 46,397,300 |
| Year Ended December 31, 2011 | | | |
| December 31, 2010 | \$ 38,186,700 | \$ 7,824,400 | \$ 46,011,100 |
| New Capital Raised | 2,197,400 | 1,346,300 | 3,543,700 |
| Distributions | (2,276,500) | (1,070,600) (b) | (3,347,100) |
| Foreign Exchange | (222,900) | - | (222,900) |
| Change in Value | (15,000) | 427,500 | 412,500 |
| December 31, 2011 | \$ 37,869,700 | \$ 8,527,600 | \$ 46,397,300 |

(a) Includes \$200.0 million of redemptions.

(b) Includes \$801.1 million of redemptions.

KKR
INVESTMENT VEHICLE SUMMARY* (UNAUDITED)
As of December 31, 2011
(Amounts in millions, except percentages)

| | Investment Period | | Amount | | | | | | | |
|--|-------------------|----------|--------------------|----------------------|---|--------------------|--------------------|--------------------|--------------------|--|
| | Commencement Date | End Date | Commitment | Uncalled Commitments | Percentage Committed by General Partner | Invested | Realized | Remaining Cost | Fair Value | |
| Private Markets | | | | | | | | | | |
| Private Equity Funds | | | | | | | | | | |
| China Growth Fund | 11/2010 | 11/2016 | \$ 1,010.0 | \$ 767.4 | 1.0% | \$ 242.6 | \$ - | 242.6 | 331.3 | |
| E2 Investors (Annex Fund) | 8/2009 | 11/2012 | 535.5 | 381.3 | 4.2% | 154.2 | - | 154.2 | 230.4 | |
| European Fund III | 3/2008 | 3/2014 | 5,902.9 | 3,216.3 | 4.6% | 2,686.6 | - | 2,686.5 | 2,668.1 | |
| Asian Fund | 7/2007 | 7/2013 | 3,983.2 | 1,230.0 | 2.5% | 2,753.2 | 191.9 | 2,635.1 | 4,027.5 | |
| 2006 Fund | 9/2006 | 9/2012 | 17,642.2 | 1,821.3 | 2.1% | 15,820.9 | 4,297.5 | 13,528.0 | 15,377.8 | |
| European Fund II | 11/2005 | 10/2008 | 5,750.8 | - | 2.1% | 5,750.8 | 1,554.1 | 4,654.1 | 3,665.0 | |
| Millennium Fund | 12/2002 | 12/2008 | 6,000.0 | - | 2.5% | 6,000.0 | 6,916.1 | 3,435.3 | 4,811.1 | |
| European Fund | 12/1999 | 12/2005 | 3,085.4 | - | 3.2% | 3,085.4 | 7,981.2 | 164.0 | 715.8 | |
| Total Private Equity Funds | | | 43,910.0 | 7,416.3 | | 36,493.7 | 20,940.8 | 27,499.8 | 31,827.0 | |
| Co-Investment Vehicles | Various | Various | 2,240.7 | 335.2 | Various | 1,905.5 | 715.7 | 1,707.7 | 2,346.2 | |
| Total Private Equity | | | 46,150.7 | 7,751.5 | | 38,399.2 | 21,656.5 | 29,207.5 | 34,173.2 | |
| Energy & Infrastructure | | | | | | | | | | |
| Natural Resources | Various | Various | 1,094.7 | 1,001.4 | Various | 93.3 | 14.4 | 88.4 | 59.8 | |
| Infrastructure | Various | Various | 780.2 | 633.6 | Various | 146.6 | - | 146.6 | 139.5 | |
| Co-Investment Vehicles | Various | Various | 1,863.3 | 683.8 | Various | 1,179.5 | 68.8 | 1,179.5 | 1,331.6 | |
| Energy & Infrastructure Total | | | 3,738.2 | 2,318.8 | | 1,419.4 | 83.2 | 1,414.5 | 1,530.9 | |
| Private Markets Total | | | 49,888.9 | 10,070.3 | | 39,818.6 | 21,739.7 | 30,622.0 | 35,704.1 | |
| Public Markets | | | | | | | | | | |
| Special Situations Vehicles | Various | Various | 2,007.5 | 437.7 | Various | 1,569.8 | 29.2 | 1,569.8 | 1,596.6 | |
| Mezzanine Fund | 3/2010 | 8/2015 | 987.0 | 719.5 | 4.6% | 267.5 | 3.4 | 267.5 | 282.4 | |
| Lending Partners | 12/2011 | 12/2014 | 202.0 | 173.0 | 49.5% | 29.0 | - | 29.0 | 29.7 | |
| Public Markets Total | | | 3,196.5 | 1,330.2 | | 1,866.3 | 32.6 | 1,866.3 | 1,908.7 | |
| Grand Total | | | \$ 53,085.4 | \$ 11,400.5 | | \$ 41,684.9 | \$ 21,772.3 | \$ 32,488.3 | \$ 37,612.8 | |

* 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 | | | Year Ended | |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2011 | September 30, 2011 | December 30, 2010 | December 31, 2011 | December 30, 2010 |
| FRE | \$ 116,575 | \$ 98,242 | \$ 95,091 | \$ 417,153 | \$ 318,322 |
| Realized cash carry | 83,226 | 12,937 | 68,958 | 202,115 | 184,153 |
| Less: local income taxes | (1,856) | (4,944) | (5,111) | (16,291) | (12,031) |
| Less: noncontrolling interests | (2,220) | (1,840) | (1,592) | (6,671) | (4,409) |
| Gross distributable earnings | 195,725 | 104,395 | 157,346 | 596,306 | 486,035 |
| Distributable earnings to KKR & Co. L.P. | 65,059 | 34,075 | 49,014 | 193,876 | 147,621 |
| Less: estimated current corporate income taxes | (22,924) | (11,035) | (13,880) | (57,048) | (48,897) |
| Net cash available for distribution | \$ 42,135 | \$ 23,040 | \$ 35,134 | \$ 136,828 | \$ 98,724 |
| Additional distribution (a) | 29,530 | - | 27,000 | 29,530 | 27,000 |
| Total distribution | \$ 71,665 | \$ 23,040 | \$ 62,134 | \$ 166,358 | \$ 125,724 |
| Distribution per KKR & Co. L.P. common unit | \$ 0.32 | \$ 0.10 | \$ 0.29 | \$ 0.74 | \$ 0.60 |
| Outstanding KKR & Co. L.P. common units | 227,150,182 | 222,944,668 | 212,770,091 | | |

(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.

KKR

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 is set forth in the agreements governing the investment funds, vehicles or accounts that it manages or calculated pursuant to any regulatory requirements.

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.



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.

KKR
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)

| | Quarter Ended December 31, 2011 | Quarter Ended September 30, 2011 | Quarter Ended December 31, 2010 | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|--|------------------------------------|-------------------------------------|------------------------------------|---------------------------------|---------------------------------|
| Net income (loss) attributable to KKR & Co. L.P. per common unit | \$ 0.20 | \$ (1.09) | \$ 0.86 | \$ 0.01 | \$ 1.62 |
| Weighted Average Common Units Outstanding | 225,382,001 | 222,733,648 | 209,383,219 | 220,235,469 | 206,031,682 |
| Net income (loss) attributable to KKR & Co. L.P. | 46,137 | (243,402) | 180,579 | 1,921 | 333,178 |
| Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P. | 133,301 | (484,879) | 411,413 | 185,352 | 899,277 |
| Plus: Non-cash equity based charges | 83,688 | 123,858 | 107,040 | 470,221 | 824,193 |
| Plus: Amortization of intangibles and other, net | 1,046 | 797 | 1,219 | 4,210 | 7,785 |
| Plus: Income taxes | 21,322 | 11,535 | 14,362 | 89,245 | 75,360 |
| Economic net income (loss) | 285,494 | (592,091) | 714,613 | 750,949 | 2,139,793 |
| Less: Provision for income taxes | (59,988) | (29,634) | (17,400) | (248,082) | (210,196) |
| Economic net income (loss) after taxes | 225,506 | (621,725) | 697,213 | 502,867 | 1,929,597 |
| Adjusted units | 689,335,706 | 683,024,625 | 683,037,420 | 685,386,132 | 683,014,982 |
| Economic net income (loss) after taxes per adjusted unit | \$ 0.33 | \$ (0.91) | \$ 1.02 | \$ 0.73 | \$ 2.83 |

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 December 31, 2011 | Quarter Ended September 30, 2011 | Quarter Ended December 31, 2010 | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|--|------------------------------------|-------------------------------------|------------------------------------|---------------------------------|---------------------------------|
| Net income (loss) attributable to KKR & Co. L.P. | \$ 46,137 | \$ (243,402) | \$ 180,579 | \$ 1,921 | \$ 333,178 |
| Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P. | 133,301 | (484,879) | 411,413 | 185,352 | 899,277 |
| Plus: Non-cash equity based charges | 83,688 | 123,858 | 107,040 | 470,221 | 824,193 |
| Plus: Amortization of intangibles and other, net | 1,046 | 797 | 1,219 | 4,210 | 7,785 |
| Plus: Income taxes | 21,322 | 11,535 | 14,362 | 89,245 | 75,360 |
| Economic net income (loss) | 285,494 | (592,091) | 714,613 | 750,949 | 2,139,793 |
| Plus: Income attributable to segment noncontrolling interests | 2,220 | 1,840 | 1,592 | 6,671 | 4,409 |
| Plus: Investment income (loss) | (171,139) | 688,493 | (621,114) | (340,467) | (1,825,880) |
| Fee related earnings | 116,575 | 98,242 | 95,091 | 417,153 | 318,322 |
| Plus: depreciation and amortization | 2,528 | 2,147 | 2,790 | 9,925 | 11,664 |
| Fee related EBITDA | \$ 119,103 | \$ 100,389 | \$ 97,881 | \$ 427,078 | \$ 329,986 |

KKR
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 December 31, 2011 | As of December 31, 2010 |
|--|----------------------------|----------------------------|
| KKR & Co. L.P. partners' capital | \$ 1,328,698 | \$ 1,326,493 |
| Plus: Noncontrolling interests held by KKR Holdings L.P. | 4,342,157 | 4,346,388 |
| Plus: Equity impact of KKR Management Holdings Corp. and other | 39,729 | 52,745 |
| Book value | 5,710,584 | 5,725,626 |
| Adjusted units | 689,392,861 | 683,037,420 |
| Book value per adjusted unit | \$ 8.29 | \$ 8.38 |

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

| | As of December 31, 2011 | As of December 31, 2010 |
|--|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 843,261 | \$ 738,693 |
| Plus: Liquid short-term investments | 146,180 | 17,587 |
| Cash and short-term investments | \$ 989,441 | \$ 756,280 |

KKR
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 | | |
|---|--------------------|--------------------|--------------------|
| | December 31, 2011 | September 30, 2011 | December 31, 2010 |
| Weighted Average GAAP Common Units Outstanding - Basic | 225,382,001 | 222,733,648 | 209,383,219 |
| Weighted Average Unvested Common Units(a) | 5,979,031 | - | 30,000 |
| Weighted Average GAAP Common Units Outstanding - Diluted | 231,361,032 | 222,733,648 | 209,413,219 |
| Adjustments: | | | |
| Weighted Average KKR Holdings Units(b) | 457,974,674 | 460,290,977 | 473,624,201 |
| Weighted Average Adjusted Units | 689,335,706 | 683,024,625 | 683,037,420 |

| | Year Ended | |
|---|--------------------|--------------------|
| | December 31, 2011 | December 31, 2010 |
| Weighted Average GAAP Common Units Outstanding - Basic | 220,235,469 | 206,031,682 |
| Adjustments: | | |
| Weighted Average Unvested Common Units(a) | 2,283,705 | 7,562 |
| Weighted Average GAAP Common Units Outstanding - Diluted | 222,519,174 | 206,039,244 |
| Adjustments: | | |
| Weighted Average KKR Holdings Units(b) | 462,866,958 | 476,975,738 |
| Weighted Average Adjusted Units | 685,386,132 | 683,014,982 |

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 |
|--|--------------------|--------------------|
| | December 31, 2011 | December 31, 2010 |
| GAAP Common Units Outstanding - Basic | 227,150,182 | 212,770,091 |
| Unvested Common Units(a) | 6,028,444 | 30,000 |
| GAAP Common Units Outstanding - Diluted | 233,178,626 | 212,800,091 |
| Adjustments: | | |
| KKR Holdings Units(b) | 456,214,235 | 470,237,329 |
| Adjusted Units | 689,392,861 | 683,037,420 |

(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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