

# KKR & CO. INC.

## **FORM 8-K** (Current report filing)

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**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): **November 2, 2010**

**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 57<sup>th</sup> 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 1.01 Entry into a Material Definitive Agreement

On November 2, 2010, KKR & Co. L.P. (the “Partnership”), KKR Management Holdings L.P. (“Management Holdings”), KKR Fund Holdings L.P. (“Fund Holdings” and together with Management Holdings, the “KKR Group Partnerships”), KKR Holdings L.P. (“Holdings”), KKR Group Holdings L.P. and KKR Group Limited entered into an Amended and Restated Exchange Agreement (the “Amended and Restated Exchange Agreement”) to amend and restate the Exchange Agreement, dated July 14, 2010 (the “Original Exchange Agreement”), by and among the Partnership, the KKR Group Partnerships and Holdings. A description of the material provisions of the Original Exchange Agreement has previously been reported by the Partnership in its prospectus filed pursuant to Rule 424(b) of the Securities Act of 1933 on October 1, 2010.

The amendments to the Original Exchange Agreement include:

- Permitting Holdings to limit the number of KKR Group Partnerships Units (each KKR Group Partnership Unit consists of one Class A partner interest in each of the KKR Group Partnerships held together) that may be exchanged in any quarter.
- Providing the right to cancel all or a portion of any exchange under certain conditions.
- Providing that certain exchanges of units of Fund Holdings will be with a new subsidiary of the Partnership. As a result, 1% of the income of the new subsidiary in respect of such exchanged Fund Holdings units will be included as taxable income of KKR Management Holdings Corp., and the income tax character of that portion of income if distributed to unitholders may differ from what it would have been absent the amendment. If additional taxes result from the inclusion of this new subsidiary, Holdings will make payments to KKR Management Holdings Corp. in respect of those taxes. The Partnership expects that the effect of these changes with respect to any particular unitholder, which may be positive, negative or neutral depending on the unitholder and character of income, will be immaterial.

The description of the Amended and Restated Exchange Agreement is qualified in its entirety by reference to the Amended and Restated Exchange Agreement that is filed herewith as Exhibit 10.1 and incorporated herein by reference.

## Item 2.02 Results of Operations.

On November 3, 2010, KKR & Co. L.P. issued a press release announcing financial results for its third quarter ended September 30, 2010.

The press release is furnished as Exhibit 99.1 to this Report and is hereby incorporated by reference in this Item 2.02.

As provided in General Instruction B.2 of Form 8-K, the information in this Item 2.02 and Exhibit 99.1 contained in 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>
10.1	Amended and Restated Exchange Agreement
99.1	Press release of KKR & Co. L.P., dated November 3, 2010 (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: November 3, 2010

By: \_\_\_\_\_/s/ William J. Janetschek

Name: William J. Janetschek

Title: Chief Financial Officer

EXHIBIT INDEX

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**AMENDED AND RESTATED EXCHANGE AGREEMENT**

AMENDED AND RESTATED EXCHANGE AGREEMENT (the “Agreement”), dated as of November 2, 2010, among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P., KKR Subsidiary Partnership L.P. and KKR Group Limited.

WHEREAS, the original Exchange Agreement among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P. and KKR & Co. L.P. was executed as of July 14, 2010 (the “Original Exchange Agreement”) in order to provide the parties with certain rights and obligations with respect to the exchange of certain Group Partnership Units for Common Units by certain persons;

WHEREAS, the parties to the Original Exchange Agreement together with KKR Group Holdings L.P. and KKR Group Limited now desire to enter into this Agreement to amend and restate the Original Exchange Agreement in its entirety as more fully set forth below;

WHEREAS, the right to exchange Group Partnership Units set forth in Section 2.1(a) below, once exercised, represents a several, and not a joint and several, obligation of the Group Partnerships (on a *pro rata* basis), and no Group Partnership shall have any obligation or right to acquire Group Partnership Units issued by another Group Partnership;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**ARTICLE I.  
DEFINITIONS**Section 1.1      Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

“Agreement” has the meaning set forth in the preamble of this Agreement.

“Base Exchange” has the meaning set forth in Section 2.1(a)(i) of this Agreement.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York are authorized or required by law to close.

“Charitable Exchange” means a direct or indirect exchange of Group Partnership Units pursuant to this Agreement by a KKR Holdings Affiliated Person for the purpose of making a gratuitous transfer of any Common Units received in the exchange to a Charity.

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“Charity” means any organization that is organized and operated for a purpose described in Section 170(c) of the Code (determined without reference to Section 170(c)(2)(A) of the Code) and described in Sections 2055(a) and 2522 of the Code.

“Code” means the Internal Revenue Code of 1986, as amended.

“Common Unit” means a partnership interest in the Issuer representing a fractional part of the partnership interests in the Issuer of all limited partners of the Issuer having the rights and obligations specified with respect to Common Units in the Issuer Partnership Agreement.

“Corporate Holdco” means a corporation (or other entity classified as a corporation for United States federal income tax purposes) that (i) is wholly owned by a KKR Holdings Affiliated Person, (ii) owns solely Group Partnership I Units, (iii) was formed solely for the purpose of owning such Group Partnership I Units, and (iv) has never owned any assets other than Group Partnership I Units or engaged in any other business, or such other corporation designated a Corporate Holdco by a Group Partnership General Partner.

“Delaware Arbitration Act” has the meaning set forth in Section 3.8(c).

“Exchange” means a Charitable Exchange, a Non-U.S. Exchange or a Base Exchange, as the case may be.

“Exchange Rate” means the number of Common Units for which a Group Partnership Unit is entitled to be exchanged. On the date of this Agreement, the Exchange Rate shall be 1 for 1, which Exchange Rate shall be subject to modification as provided in Section 2.4.

“Fair Market Value” means, as of a given time, (i) if Common Units are traded on a securities exchange, then the volume-weighted average price of a Common Unit based on the trades during the most recent completed trading day as reported by the principal securities exchange on which Common Units are traded and (ii) if Common Units are not traded on a securities exchange, the fair market value of such asset as reasonably determined by the conflicts committee of the board of directors of the Issuer General Partner.

“General Exchange” means an Exchange in respect of a General Notice Date.

“General Quarterly Exchange Date” means, unless the Issuer cancels such Quarterly Exchange Date pursuant to either Section 2.2(c) or 2.9 hereof, the date set by the Issuer General Partner that is (i) at least 60 days after the General Notice Date in respect of that Quarter and (ii) (unless otherwise required by Section 409A of the Code) no earlier than the first day following the end of the Quarter that is immediately prior to the day that employees of the Issuer General Partner or the Issuer’s Subsidiaries would be permitted to trade under the Issuer’s Insider Trading Policy.

“General Notice Date” means, with respect to each Quarter, the date set by the Issuer General Partner by which KKR Holdings or a KKR Holdings Affiliated Person is required to provide notice of an Exchange for that Quarter.

“Group Partnership I” means KKR Management Holdings L.P., a Delaware limited partnership, and any successor thereto.

“Group Partnership I General Partner” means KKR Management Holdings Corp., and any successor thereto.

“Group Partnership I Units” means the Class A partnership units of Group Partnership I (and partnership units of any subsequently formed Group Partnership whose interests are held by the Issuer through a Group Partnership Holdco).

“Group Partnership II” means KKR Fund Holdings L.P., a Cayman limited partnership, and any successor thereto.

“Group Partnership II Units” means the Class A partnership units of Group Partnership II (and partnership units of any subsequently formed Group Partnership whose interests the Issuer holds directly or indirectly through entities that are transparent for U.S. federal income tax purposes).

“Group Partnership Agreements” means, collectively, the Amended and Restated Limited Partnership Agreement of Group Partnership I and the Amended and Restated Limited Partnership Agreement of Group Partnership II (and the partnership agreement then in effect of any future partnership designated as a Group Partnership), as each may be amended, supplemented or restated from time to time.

“Group Partnership General Partners” means Group Partnership I General Partner and KKR Group Holdings L.P., and any successor thereto (and the general partner of any future partnership designated as a Group Partnership).

“Group Partnership Holdco” means Group Partnership I General Partner (and any future entity that is classified as an association taxable as a corporation for U.S. federal income tax purposes, is directly or indirectly owned by the Issuer and formed for the purposes of holding partnership units of a Group Partnership).

“Group Partnership Unit” means, collectively, one partnership unit in each of Group Partnership I and Group Partnership II (and any future partnership designated as a Group Partnership) issued under its respective Group Partnership Agreement.

“Group Partnerships” means, collectively, Group Partnership I and Group Partnership II (and any future partnership designated as a Group Partnership).

“Issuer” means KKR & Co. L.P., a Delaware limited partnership, and any successor thereto.

“Issuer General Partner” means KKR Management LLC, a Delaware limited partnership, and any successor thereto.



“Insider Trading Policy” means the insider trading policy of the Issuer applicable to the employees of the Issuer General Partner or the Issuer’s Subsidiaries, as such insider trading policy may be amended, supplemented or restated from time to time.

“Issuer Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of the Issuer, dated July 14, 2010, as such agreement of limited partnership may be amended, supplemented or restated from time to time.

“KKR Group Holdings” means KKR Group Holdings L.P., a limited partnership formed under the laws of the Cayman Islands, and any successor thereto.

“KKR Holdings” means KKR Holdings L.P., a limited partnership formed under the laws of the Cayman Islands, and any successor thereto, and its Subsidiaries.

“KKR Holdings Affiliated Person” means each Person that is as of the date of this Agreement or becomes from time to time (i) a general partner or a limited partner of KKR Holdings pursuant to the terms of the KKR Holdings Partnership Agreement or (ii) a general partner, limited partner or holder of any other type of equity interest of any Person included in clause (i) above.

“KKR Holdings Partnership Agreement” means the Amended and Restated Limited Partnership Agreement of KKR Holdings, as amended, supplemented or restated from time to time.

“Non-U.S. Exchange” means a direct or indirect exchange of Group Partnership Units pursuant to this Agreement by a Non-U.S. KKR Holdings Affiliated Person.

“Non-U.S. KKR Holdings Affiliated Person” means a KKR Holdings Affiliated Person that is not (i) an individual citizen or resident of the United States, (ii) a corporation (or other entity classified as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States (or any political subdivision thereof), or (iii) a partnership (or other entity classified as a partnership for United States federal income tax purposes) created or organized in or under the laws of the United States (or any political subdivision thereof) or that has at least one partner who is an individual citizen or resident of the United States; provided that a partnership (or other entity classified as a partnership for United States federal income tax purposes) created or organized in or under the laws of the United States (or any political subdivision thereof) to which a Person who is a Non-U.S. KKR Holdings Affiliated Person has transferred interests in KKR Holdings prior to an Exchange shall be treated as a Non-U.S. KKR Holdings Affiliated Person.

“Notice Date” means, with respect to each Quarter, either an REU Notice Date and/or a General Notice Date, as the context may require.

“Person” means an individual, corporation, limited liability company, partnership, joint venture, trust, estate, unincorporated organization, association (including any group, organization, co-tenancy, plan, board, council or committee), government (including a country, state, county, or any other governmental or political subdivision, agency or instrumentality thereof) or other entity (or series thereof).

“Public Offering” means a public offering of Common Units pursuant to an effective registration statement under the Securities Act, other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form.

“Quarter” means, unless the context requires otherwise, a fiscal quarter of the Issuer.

“Quarterly Exchange Date” means, with respect to each Quarter, either an REU Quarterly Exchange Date and/or a General Quarterly Exchange Date, as the context may require.

“REU Exchange” means an Exchange in respect of an REU Notice Date.

“REU Quarterly Exchange Date” means, unless the Issuer cancels such Quarterly Exchange Date pursuant to either Section 2.2(c) or 2.9 hereof, the date set by the Issuer General Partner that is (i) at least 60 days after the REU Notice Date in respect of that Quarter and (ii) (unless otherwise required by Section 409A of the Code) no earlier than the first day following the end of the Quarter that is immediately prior to the day that employees of the Issuer General Partner or the Issuer’s Subsidiaries would be permitted to trade under the Issuer’s Insider Trading Policy.

“REU Notice Date” means with respect to each Quarter, the date set by the Issuer General Partner by which KKR Holdings is required to provide notice of an Exchange for that Quarter to satisfy its expected obligation on the REU Notice Date to provide Common Units on the REU Quarterly Exchange Date to holders of restricted equity units under the KKR Holdings L.P. Equity Plan.

“Sale Period” has the meaning set forth in Section 2.8 of this Agreement.

“Sale Transaction” has the meaning set forth in Section 2.9 of this Agreement.

“Subsidiaries” means any corporation, partnership, joint venture or other legal entity of which KKR Holdings (either alone or through or together with any other subsidiary), owns, directly or indirectly, 50% or more of the stock or other equity interests.

“Subsidiary Partnership” means KKR Subsidiary Partnership L.P., a limited partnership organized under the laws of Delaware.

“Transfer Agent” means such bank, trust company or other Person as shall be appointed from time to time by the Issuer pursuant to the Issuer Partnership Agreement to act as registrar and transfer agent for the Common Units.

**ARTICLE II.**  
**EXCHANGE OF GROUP PARTNERSHIP UNITS**

Section 2.1      Exchange of Group Partnership Units .

(a)      Subject to the provisions of the Group Partnership Agreements and the Issuer Partnership Agreement and to the provisions of Section 2.2 hereof, KKR Holdings or a KKR Holdings Affiliated Person shall be entitled on any General Quarterly Exchange Date, and KKR Holdings shall be entitled on any REU Quarterly Exchange Date, to surrender Group Partnership Units held by KKR Holdings or a KKR Holdings Affiliated Person as follows:

(i)      KKR Holdings or a KKR Holdings Affiliated Person may surrender Group Partnership Units to the Group Partnerships in exchange for either (at the option of the Group Partnerships) (x) the delivery on a *pro rata* basis (determined by reference to the relative fair market values of the Group Partnership I Units and Group Partnership II Units) by the Group Partnerships of a number of Common Units (acquired from the Issuer) equal to the number of Group Partnership Units surrendered multiplied by the Exchange Rate or (y) cash in an amount equal to the Fair Market Value on the date of such exchange of the Common Units that KKR Holdings or a KKR Holdings Affiliated Person would receive pursuant to clause (x) (any such exchange, a “Base Exchange”). Simultaneous with any such Exchange pursuant to clause (x) above, Group Partnership I Units shall be issued to Group Partnership Holdco and Group Partnership II Units shall be issued to Subsidiary Partnership in an amount equal to the number of Group Partnership I Units or Group Partnership II Units surrendered to each such Group Partnership. Any election by the Group Partnerships to deliver cash to KKR Holdings or a KKR Holdings Affiliated Person, as the case may be, pursuant to clause (y) above, shall be subject to the prior approval of the conflicts committee of the board of directors of the Issuer General Partner.

(ii)      For purposes of making a Charitable Exchange or a Non-U.S. Exchange, a KKR Holdings Affiliated Person may surrender Group Partnership Units to the Issuer in exchange for the delivery of a number of Common Units equal to the number of Group Partnership Units surrendered multiplied by the Exchange Rate, provided, however, the Issuer may instead require that the Group Partnership I units the KKR Holdings Affiliated Person intends to surrender be owned by one or more Corporate Holdcos prior to surrender, in which case the number of Common Units delivered pursuant to the Exchange will be equal to the total Group Partnership Units that are surrendered, taking into account those collectively owned by the Corporate Holdcos whose interest are surrendered, multiplied by the Exchange Rate.

(b)      In connection with any Charitable Exchange or Non-U.S. Exchange pursuant to Section 2.1(a)(ii) above, the Issuer shall direct that (i) any Group Partnership I Units or interests in Corporate Holdcos surrendered pursuant to such Exchange be transferred or issued directly to the Group Partnership Holdco that currently holds interests in the issuer of such Group Partnership I Units or that are held by such Corporate Holdco, and (ii) any Group Partnership II Units be transferred or issued directly to KKR Group Holdings or to the general partner of the issuer of such Group Partnership II Units surrendered.

(c)      Where KKR Holdings or a KKR Holdings Affiliated Person has exercised its right to surrender its Group Partnership Units to the Group Partnerships in a Base Exchange, Group Partnership Holdco (with respect to Group Partnership I Units ) and Subsidiary Partnership (with respect to Group Partnership II Units), shall have a superseding right to acquire

such interests for an amount of cash or Common Units equal to the amount of cash or Common Units (provided by the Issuer) that would be received pursuant to the Base Exchange.

(d) On the date the Exchange of the Group Partnership Units is effective, all rights of KKR Holdings or a KKR Holdings Affiliated Person as holder of such Group Partnership Units shall cease, and KKR Holdings or such KKR Holdings Affiliated Person shall be treated for all purposes as having become the Record Holder (as defined in the Issuer Partnership Agreement) of the Common Units which are the subject of the Exchange and shall be admitted as a Limited Partner (as defined in the Issuer Partnership Agreement) of the Issuer in accordance and upon compliance with Section 10.2 of the Issuer Partnership Agreement.

(e) Immediately prior to the time Group Partnership Units are surrendered for Exchange by a KKR Holdings Affiliated Person, KKR Holdings shall assign its rights together with its obligations hereunder in connection with an Exchange to such KKR Holdings Affiliated Person beneficially owning such Group Partnership Units.

(f) For the avoidance of doubt, any Exchange of Group Partnership Units shall be subject to the provisions of the Group Partnership Agreements.

Section 2.2      Exchange Procedures .

(a) KKR Holdings or a KKR Holdings Affiliated Person may exercise the right to Exchange Group Partnership Units set forth in Section 2.1(a) above by providing written notice of the Exchange no later than the applicable Notice Date (i) in the case of a Base Exchange, to each Group Partnership General Partner, Subsidiary Partnership and the Issuer substantially in the form of Exhibit A hereto, (ii) in the case of a Non-U.S. Exchange, to the Issuer substantially in the form of Exhibit B hereto and (iii) in the case of a Charitable Exchange, to the Issuer substantially in the form of Exhibit C hereto. Such notice shall be duly executed by such holder or such holder's duly authorized attorney in respect of the Group Partnership Units to be Exchanged and delivered during normal business hours at the principal executive offices of the Group Partnership General Partners and/or the registered office of the Issuer, as applicable.

(b) A KKR Holdings Affiliated Person may irrevocably revoke any such notice in writing on or before the applicable Quarterly Exchange Date but in no event earlier than the fourth trading day prior to such Quarterly Exchange Date, provided that the average of the mean between high and low trading prices on the New York Stock Exchange for the two trading days immediately preceding the fourth trading day prior to the Quarterly Exchange Date is at least 15% below the average of the mean between the high and low trading prices on the New York Stock Exchange for the two trading days immediately preceding the Notice Date in respect of such Quarterly Exchange Date, provided further that (i) no KKR Holdings Affiliated Person may make more than one such revocation with respect to any Quarterly Exchange Date that is within a twelve (12) month period of the Quarterly Exchange Date with respect to which such revocation was made and (ii) no KKR Holdings Affiliated Person that makes any such revocation in respect of a Quarterly Exchange Date may exercise the right to Exchange Group Partnership Units set forth in Section 2.1(a) in respect of the following Quarterly Exchange Date.

(c) In respect of each Quarterly Exchange Date:

(i) No later than two (2) weeks following the General Notice Date, KKR Holdings may determine a maximum number of Group Partnership Units that may be exchanged for Common Units on the General Quarterly Exchange Date. If the number of Group Partnership Units that KKR Holdings and any KKR Holdings Affiliated Persons have elected to Exchange on such General Quarterly Exchange Date pursuant to Section 2.1(a) above exceeds such maximum number, then the number of Group Partnership Units that KKR Holdings and each such KKR Holdings Affiliated Person will be permitted to Exchange on such General Quarterly Exchange Date will be reduced by proration or similar equitable criteria determined by KKR Holdings in its discretion so that the number of Group Partnership Units that KKR Holdings and all such KKR Holdings Affiliated Persons will be permitted to Exchange on such General Quarterly Exchange Date is equal to such maximum number.

(ii) If at any time after the Notice Date and prior to a Quarterly Exchange Date, the Issuer commences a Public Offering or determines that it is reasonably likely that to commence a Public Offering within ninety (90) days following such Quarterly Exchange Date, the Issuer and the Group Partnerships may cancel, at their option, all General Exchanges, all REU Exchanges or all Exchanges in respect of such Quarterly Exchange Date.

(iii) If a registration statement in respect of Common Units to be issued in any Exchanges in respect of a Quarterly Exchange Date is not effective on the day prior to such Quarterly Exchange Date, the Issuer and the Group Partnerships may cancel, at their option, all General Exchanges, all REU Exchanges or all Exchanges that are contemplated to be made pursuant to such registration statement in respect of such Quarterly Exchange Date.

(iv) If the Issuer undertakes to effect an underwritten offering of any Common Units to be issued in any Exchanges in respect of a Quarterly Exchange Date and the Issuer reasonably determines prior to such Quarterly Exchange Date that such underwritten offering will not occur, the Issuer and the Group Partnerships may cancel, at their option, all General Exchanges, all REU Exchanges or all Exchanges in respect of such Quarterly Exchange Date.

(d) Each KKR Holdings Affiliated Person beneficially owning the Group Partnership Units that are subject to Exchange pursuant to Section 2.1(a) above shall execute a written assignment and acceptance agreement with respect to such Group Partnership Units prior to such Exchange, which assignment and acceptance agreement shall be delivered during normal business hours at the registered office of KKR Holdings.

(e) As promptly as practicable following the surrender for Exchange of Group Partnership Units in the manner provided in this Article II, each Group Partnership, in the case of a Base Exchange, shall deliver or cause to be delivered at the principal executive offices of such Group Partnership or at the office of the Transfer Agent the number of Common Units issuable upon such Exchange, issued in the name of the KKR Holdings Affiliated Person or KKR Holdings or its designee, as applicable, and, the Issuer, in the case of a Charitable Exchange or Non-U.S. Exchange, shall deliver or cause to be delivered at the principal executive offices of

KKR Holdings or at the office of the Transfer Agent the number of Common Units issuable upon such Exchange, issued in the name of the KKR Holdings Affiliated Person or KKR Holdings or its designee, as applicable.

(f) The Issuer, in the case of a Charitable Exchange or Non-U.S. Exchange, or the Group Partnerships, in the case of a Base Exchange, may adopt reasonable procedures for the implementation of the exchange provisions set forth in this Article II, including, without limitation, procedures for the giving of notice of an election for Exchange.

Section 2.3 Blackout Periods and Ownership Restrictions. Notwithstanding anything to the contrary, KKR Holdings or a KKR Holdings Affiliated Person shall not be entitled to Exchange Group Partnership Units, and the Issuer and the Group Partnerships shall have the right to refuse to honor any request for Exchange of Group Partnership Units, (i) at any time or during any period if the Issuer or the Group Partnerships shall determine, based on the advice of counsel (which may be inside counsel), that there may be material non-public information that may affect the trading price per Common Unit at such time or during such period, (ii) if such Exchange would be prohibited under applicable law or regulation, (iii) to the extent such KKR Holdings Affiliated Person would be prohibited from holding Common Units under the Issuer Partnership Agreement, or (iv) to the extent such Exchange would not be permitted under the policies and procedures established by the general partner of KKR Holdings.

Section 2.4 Splits, Distributions and Reclassifications. The Exchange Rate shall be adjusted accordingly if there is: (1) any subdivision (by split, distribution, reclassification, recapitalization or otherwise) or combination (by reverse split, reclassification, recapitalization or otherwise) of the Group Partnership Units that is not accompanied by an identical subdivision or combination of the Common Units; or (2) any subdivision (by split, distribution, reclassification, recapitalization or otherwise) or combination (by reverse split, reclassification, recapitalization or otherwise) of the Common Units that is not accompanied by an identical subdivision or combination of the Group Partnership Units. In the event of a reclassification or other similar transaction as a result of which the Common Units are converted into another security, then KKR Holdings or a KKR Holdings Affiliated Person, as the case may be, shall be entitled to receive upon Exchange the amount of such security that KKR Holdings or such KKR Holdings Affiliated Person would have received if such Exchange had occurred immediately prior to the effective date of such reclassification or other similar transaction. Except as may be required in the immediately preceding sentence, no adjustments in respect of distributions shall be made upon the Exchange of any Group Partnership Unit.

Section 2.5 Common Units to be Issued. The Issuer covenants that if any Common Units require registration with or approval of any governmental authority under any foreign, U.S. federal or state law before such Common Units may be issued upon Exchange pursuant to this Article II, the Issuer shall use commercially reasonable efforts to cause such Common Units to be duly registered or approved, as the case may be. The Issuer shall use commercially reasonable efforts to list the Common Units required to be delivered upon Exchange prior to such delivery upon each national securities exchange or inter-dealer quotation system upon which the outstanding Common Units may be listed or traded at the time of such delivery. Nothing contained herein shall be construed to preclude the Issuer or the Group Partnerships from satisfying their obligations in respect of the Exchange of the Group

Partnership Units by delivery of Common Units which are held in the treasury of the Issuer or the Group Partnerships or any of their subsidiaries.

Section 2.6 Taxes. The delivery of Common Units upon Exchange of Group Partnership Units shall be made without charge to KKR Holdings or a KKR Holdings Affiliated Person for any stamp or other similar tax in respect of such issuance.

Section 2.7 Restrictions. The provisions of Section 7.05 of the Group Partnership Agreements shall apply, mutatis mutandis, to any Common Units issued upon Exchange of Group Partnership Units.

Section 2.8 Disposition of Common Units Issued. KKR Holdings covenants to cause any KKR Holdings Affiliated Person receiving Common Units as a result of an Exchange, other than a Charitable Exchange or Non-U.S. Exchange, under this Agreement (i) to use reasonable best efforts to sell or otherwise dispose (including to a Qualifying Entity) of any Common Units received in such an Exchange within ten (10) days of the receipt thereof or any specified shorter period as the Issuer General Partner determines to be in the best interests of the Issuer, (ii) to use reasonable best efforts to ensure that neither such KKR Holdings Affiliated Person's spouse nor any grantor trust which is treated as owned by such KKR Holdings Affiliated Person or his or her spouse owns any Common Units and (iii) to agree that no other Common Units will be acquired or held by such KKR Holdings Affiliated Person during such period other than through a Qualifying Entity. Any KKR Holdings Affiliated Person who receives Common Units as a result of an Exchange under this Agreement and who holds any such Common Units on the last day of the ten (10) day or shorter period referred to above shall agree to cause all such Common Units to be transferred immediately to a Qualifying Entity. The prior sentence and clause (i) of the first sentence shall not apply to a KKR Holdings Affiliated Person who receives Common Units as a result of an Exchange and who participates in a Rule 10b5-1 plan under which it has agreed (subject to any applicable floor price that is less than the Fair Market Value of the Common Units on the applicable Quarterly Exchange Date or any other applicable prohibition) to sell such Common Units prior to the earlier of (x) the next Quarterly Exchange Date and (y) ninety (90) days following the Quarterly Exchange Date in respect of such Exchange (the "Sale Period"), provided that such KKR Holdings Affiliated Person shall be obligated to cause any such Common Units that have not been sold during the Sale Period to be transferred to a Qualifying Entity as soon as practicable but in no event later than ten (10) days after the expiration of the Sale Period. For the purposes of this Agreement, a "Qualifying Entity" means a partnership, trust or other entity (other than a "grantor trust" or an entity otherwise disregarded as an entity separate from its owner for United States federal income tax purposes). For the avoidance of doubt, nothing contained herein shall prohibit any KKR Holdings Affiliated Person from owning an interest in a Qualifying Entity that owns Common Units.

Section 2.9 Subsequent Offerings. The Issuer may from time to time provide the opportunity for KKR Holdings or a KKR Holdings Affiliated Person to sell its Group Partnership Units to the Issuer, the Group Partnerships or any of their subsidiaries on terms no more beneficial than an Exchange (a "Sale Transaction"); provided that no Sale Transaction shall occur unless the Issuer cancels the nearest Quarterly Exchange Date scheduled to occur in the same fiscal year of the Issuer as such Sale Transaction. In connection with a Sale Transaction, KKR Holdings or such KKR Holdings Affiliated Person must provide notice to Issuer at least

thirty (30) days prior to the cash settlement of such Sale Transaction in respect of the Group Partnership Units to be sold or within such shorter period of time as may be agreed by the parties hereto. Such notice shall be delivered during normal business hours at the principal executive offices of the Issuer. For the avoidance of doubt, the total aggregate number of Quarterly Exchange Dates (treating the REU Quarterly Exchange Date and the General Quarterly Exchange Date for a Quarter as a single Quarterly Exchange Date) and Sale Transactions occurring during any fiscal year of the Issuer shall not exceed four (4).

### **ARTICLE III. GENERAL PROVISIONS**

Section 3.1 Amendment. The provisions of this Agreement may be amended by the affirmative vote or written consent of each of the Issuer, the Group Partnerships and KKR Holdings.

Section 3.2 Addresses and Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax, by electronic mail (delivery receipt requested) or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be as specified in a notice given in accordance with this Section 3.2):

(a) If to Group Partnership I General Partner, to:

9 West 57<sup>th</sup> Street, Suite 4200  
New York, NY 10019  
Attention: Chief Financial Officer  
Fax: 212-750-0003

(b) If to Subsidiary Partnership to:

9 West 57<sup>th</sup> Street, Suite 4200  
New York, NY 10019  
Attention: Chief Financial Officer  
Fax: 212-750-0003

(c) If to Group Partnership I or Group Partnership II to:

9 West 57<sup>th</sup> Street, Suite 4200  
New York, NY 10019  
Attention: Chief Financial Officer  
Fax: 212-750-0003

(d) If to KKR Holdings, to:



9 West 57<sup>th</sup> Street, Suite 4200  
New York, NY 10019  
Attention: Chief Financial Officer  
Fax: 212-750-0003

(e) If to the Issuer, to:

9 West 57<sup>th</sup> Street, Suite 4200  
New York, NY 10019  
Attention: Chief Financial Officer  
Fax: 212-750-0003

Section 3.3 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 3.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns. KKR Holdings may enforce the terms of this agreement in the name of or on behalf of any KKR Holdings Affiliated Person. Other than as expressly provided herein, nothing in this Agreement will be construed to give any person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

Section 3.5 Severability. If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions is not affected in any manner materially adverse to any party. Upon a determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 3.6 Integration. This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 3.7 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 3.8 Submission to Jurisdiction; Waiver of Jury Trial.

(a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity,

negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within thirty (30) days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of Section 3.8(a), in the case of matters relating to a Charitable Exchange or Non-U.S. Exchange, the Issuer may bring, and in the case of matters relating to a Base Exchange, KKR Holdings may cause any Group Partnership to bring, on behalf of the Issuer or such Group Partnership or on behalf of any KKR Holdings Affiliated Person, an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this paragraph.

(c) Notwithstanding any provision of this Agreement to the contrary, this Section 3.8 shall be construed to the maximum extent possible to comply with the laws of the State of Delaware, including the Delaware Uniform Arbitration Act (10 Del. C. § 5701 et seq.) (the “Delaware Arbitration Act”). If, nevertheless, it shall be determined by a court of competent jurisdiction that any provision or wording of this Section 3.8, including any rules of the International Chamber of Commerce, shall be invalid or unenforceable under the Delaware Arbitration Act, or other applicable law, such invalidity shall not invalidate all of this Section 3.8. In that case, this Section 3.8 shall be construed so as to limit any term or provision so as to make it valid or enforceable within the requirements of the Delaware Arbitration Act or other applicable law, and, in the event such term or provision cannot be so limited, this Section 3.8 shall be construed to omit such invalid or unenforceable provision.

Section 3.9 Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts for purposes of this Section 3.9.

Section 3.10 Tax Treatment. To the extent this Agreement imposes obligations upon a particular Group Partnership, or either Group Partnership General Partner, this Agreement shall be treated as part of the relevant Group Partnership Agreement as described in Section 761(c) of the Code and Sections 1.704-1(b)(2)(ii)(h) and 1.761-1(c) of the Treasury Regulations. The parties shall report any Base Exchange consummated hereunder (pursuant to which Common Units are delivered pursuant to Section 2.1(a)(i) or Section 2.1(c) hereof), in the case of Group Partnership I (or any other Group Partnership owned directly or indirectly by the Issuer through a Group Partnership Holdco), as a taxable sale of Group Partnership I Units by KKR Holdings or a KKR Holdings Affiliated Person to the Group Partnership I General Partner (or such other Group Partnership Holdco) and, in the case of Group Partnership II (or any other Group Partnership owned directly or indirectly by the Issuer through entities that are transparent

for U.S. federal income tax purposes), as a taxable sale of Group Partnership II Units by KKR Holdings or a KKR Holdings Affiliated Person to Subsidiary Partnership and no party shall take a contrary position on any income tax return, amendment thereof or communication with a taxing authority. The parties shall report any Charitable Exchange or Non-U.S. Exchange consummated pursuant to Section 2.1(a)(ii) hereof as a contribution of (i) Group Partnership I Units or Corporate Holdco interests, and (ii) Group Partnership II Units to the Issuer described in Section 721(a) of the Code, followed by a tax free contribution of such Group Partnership I Units or Corporate Holdco interests to the appropriate Group Partnership Holdco pursuant to Section 351 of the Code, and no party shall take a contrary position on any income tax return, amendment thereof or communication with a taxing authority.

Section 3.11      Tax Offset.

(a)      KKR Holdings shall pay to Group Partnership Holdco an amount equal to, without duplication, the sum of (i) any increase in the federal, state and/or local income tax payable in any year by Group Partnership Holdco as a result of income allocated to Group Partnership Holdco from Subsidiary Partnership plus (ii) the Unitholder Offset Amount plus (iii) any increase in the federal, state and/or local income tax payable in any year by Group Partnership Holdco as a result of any payments made pursuant to clauses (i), (ii) or (iii) of this Section 3.11(a). KKR Holdings may offset any payment due under this Section 3.11 by any amounts owing to KKR Holdings from Group Partnership Holdco in respect of the same period.

(b)      For purposes of this Section 3.11:

(i)      The “Unitholder Offset Amount” is the sum of the Foreign Offset Amount and the Individual Offset Amount.

(ii)      The “Foreign Offset Amount” is equal to the product of (x) 0.2 multiplied by (y) 0.25 multiplied by (z) the net U.S. federal taxable income allocated to the Group Partnership Holdco from Subsidiary Partnership (determined by excluding any items of income that would have been subject to U.S. withholding tax (determined without regard to any income tax treaty) if received directly from Subsidiary Partnership by a non-resident alien individual (within the meaning of Section 871 of the Code), including items of income that are treated as effectively connected with a U.S. trade or business).

(iii)      The “Individual Offset Amount” is equal to the product of (x) 0.25 multiplied by (y) the Dividend Rate Difference multiplied by (z) the net long-term capital gain (as defined in Section 1222(7) of the Code) allocated to the Group Partnership Holdco from Subsidiary Partnership.

(iv)      The “Dividend Rate Difference” is equal to the amount by which (x) the highest marginal U.S. federal income tax rate applicable to dividends received by a U.S. individual (assuming any holding period or other requirements necessary to qualify for any reduced rate are met) exceeds (z) the highest marginal U.S. federal income tax rate applicable to long-term capital gains of individuals; provided that if such

amount is less than zero (i.e., is a negative number), the Dividend Rate Difference shall be zero.

Section 3.12 Base Exchange Alternative. KKR Holdings shall have a one-time election applicable to all Base Exchanges that occur thereafter to modify Section 2.1(a)(i) such that Group Partnership II Units issued pursuant to the second sentence of Section 2.1(a)(i) shall be issued to KKR Group Holdings (or such successor general partner of the issuer of such Group Partnership II Units that is either the Issuer or a disregarded entity of the Issuer) rather than Subsidiary Partnership. In such case, KKR Group Holdings (or such successor) rather than Subsidiary Partnership shall have the superseding right described in Section 2.1(c) with respect to such Group Partnership II Units. In that case, notwithstanding Section 3.10, the parties shall report any Base Exchange, in the case of Group Partnership II, as a contribution to the Issuer described in Section 721(a) of the Code, and no party shall take a contrary position on any income tax return, amendment thereof or communication with a taxing authority. For the avoidance of doubt, Section 3.11 shall not apply in respect of any Group Partnership II Units issued pursuant to this Section 3.12.

Section 3.13 Applicable Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of Delaware.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered, all as of the date first set forth above.

[ *Signature Page Follows* ]

KKR & CO. L.P.

By: KKR Management LLC, its general partner

By: /s/ DAVID SORKIN  
Name: David Sorkin  
Title: Secretary

KKR MANAGEMENT HOLDINGS L.P.

By: KKR Management Holdings Corp., its general partner

By: /s/ DAVID SORKIN  
Name: David Sorkin  
Title: Secretary

KKR FUND HOLDINGS L.P.

By: KKR Group Holdings L.P., its general partner

By: KKR Group Limited, its general partner

By: /s/ DAVID SORKIN  
Name: David Sorkin  
Title: Director

KKR HOLDINGS L.P.

By: KKR Holdings GP Limited, its general partner

By: /s/ DAVID SORKIN  
Name: David Sorkin  
Title: Director

KKR GROUP HOLDINGS L.P.

By: KKR Group Limited, its general partner

By: /s/ DAVID SORKIN  
Name: David Sorkin  
Title: Director

[ *Signature Page to Exchange Agreement* ]

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KKR SUBSIDIARY PARTNERSHIP L.P.

By: KKR Group Holdings L.P., its general partner

By: KKR Group Limited, its general partner

By: /s/ DAVID SORKIN

Name: David Sorkin

Title: Director

KKR GROUP LIMITED

By: /s/ DAVID SORKIN

Name: David Sorkin

Title: Director

[ *Signature Page to Exchange Agreement* ]

[FORM OF]  
NOTICE OF BASE EXCHANGE

KKR Management Holding Corp.  
KKR Group Holdings L.P.  
KKR Subsidiary Partnership L.P.  
KKR & Co. L.P.  
KKR Holdings L.P.  
9 West 57<sup>th</sup> Street, Suite 4200  
New York, NY 10019

Reference is hereby made to the Amended and Restated Exchange Agreement (the “Exchange Agreement”), among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P. and KKR Group Limited as amended from time to time and to the First Amended and Restated Limited Partnership Agreement (the “Holdings LPA”) of KKR Holdings L.P.

The undersigned (the “Exchanging KKR Holdings Affiliated Person”) desires to exchange the number of units of KKR Holdings L.P. set forth on line B of the notice related hereto (the “Exchange Holdings Units”) for units of KKR Group Holdings L.P. and KKR Fund Holdings L.P. (the “Exchange Group Partnership Units”) and to exchange such Exchange Group Partnership Units for units of KKR & Co. L.P. pursuant to a Base Exchange (as defined in the Exchange Agreement). Accordingly, the Exchanging KKR Holdings Affiliated Person hereby (i) gives notice to KKR Holdings L.P. of its election to transfer units of KKR Holdings L.P. in exchange for units of KKR Group Holding L.P. and KKR Fund Holdings L.P. (the “Exchange Group Partnership Units”) pursuant to Section 9.2 of the Holdings LPA (the “Group Exchange”) and (ii) gives notice to KKR Management Holding Corp., KKR Group Holdings L.P., KKR Subsidiary Partnership L.P. and KKR & Co. L.P. of its election to exchange such Exchange Group Partnership Units for units of KKR & Co. L.P. in a Base Exchange pursuant to Section 2.2 of the Exchange Agreement (the “KKR Co Exchange” and together with the Group Exchange, the “Exchanges”). The Exchanging KKR Holdings Affiliated Person acknowledges that the number of units of KKR Holding L.P. to be exchanged pursuant to clause (i) in the preceding sentence shall be equal to the lesser of (x) the number of Exchange Holdings Units set forth on line B of the notice related hereto, (y) the number of Exchange Holdings Units that the general partner of KKR Holdings L.P. shall determine that the Exchanging KKR Holdings Affiliated Person is permitted to exchange pursuant to Section 9.2(b) of the Holdings LPA and (z) the number of Exchange Holdings Units corresponding to the number of units of KKR Group Holdings L.P. and KKR Fund Holdings L.P. that the Exchanging KKR Holdings Affiliated Person is permitted to exchange taking into account any limitations imposed pursuant to Section 2.2(c) of the Exchange Agreement.

Pursuant to the foregoing, the Exchanging KKR Holdings Affiliated Person (1) hereby represents that such Exchange Holdings Units shall immediately prior to the Group Exchange be owned by it, (2) hereby irrevocably constitutes and appoints any officer of the general partner of

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KKR Holdings L.P. as its attorney, with full power of substitution, to exchange the Exchange Holdings Units on the books of KKR Holdings L.P. for the Exchange Group Partnership Units on the books of KKR Management Holdings L.P. and KKR Fund Holdings L.P., with full power of substitution in the premises and (3) hereby irrevocably constitutes and appoints any officer of the general partner of KKR Management Holdings L.P. or KKR Fund Holdings L.P. as its attorney, with full power of substitution, to exchange the Exchange Group Partnership Units on the books of KKR Management Holdings L.P. and KKR Fund Holdings L.P. for units of KKR & Co. L.P. on the books of KKR & Co. L.P., with full power of substitution in the premises.

Furthermore, the Exchanging KKR Holdings Affiliated Person covenants:

1. to use reasonable best efforts to ensure that neither such person's spouse nor any grantor trust which is treated as owned by such person or his or her spouse owns any units of KKR & Co. L.P. and to agree that no units of KKR & Co. L.P. will be acquired or held by such person other than through a Qualifying Entity during the period between the Exchanges and the transfer of any unsold units of KKR & Co. L.P. to a Qualifying Entity as set forth in the following covenant, and
2. either:
  - a. if the Exchanging KKR Holdings Affiliated Person participates in a Section 10b5-1 plan under which it has agreed (subject to any applicable floor price on the applicable Quarterly Exchange Date (as defined in the Exchange Agreement) or any other applicable prohibition) to sell such units of KKR & Co. L.P. prior to the earlier of (x) the next Quarterly Exchange Date and (y) ninety (90) days following the Quarterly Exchange Date in respect of such KKR Co Exchange (the "Sale Period"), to cause all such units of KKR & Co. L.P. held on the expiration of the Sale Period to be immediately transferred to a Qualifying Entity, or
  - b. otherwise to use reasonable best efforts to sell or otherwise dispose of any units of KKR & Co. L.P. received in the KKR Co Exchange within ten (10) days of the receipt thereof or any specified shorter period as the general partner of KKR & Co. L.P. determines to be in the best interests of KKR & Co. L.P. and to cause all such units of KKR & Co. L.P. held on the last day of such ten (10) day or shorter period to be transferred immediately to a Qualifying Entity.

For the purposes of the foregoing, a "Qualifying Entity" means a partnership, trust or other entity (other than an entity disregarded as an entity separate from its owner for United States federal income tax purposes). For the avoidance of doubt, nothing contained herein shall prohibit any Exchanging KKR Holdings Affiliated Person from owning an interest in a Qualifying Entity that owns units of KKR & Co. L.P.

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[FORM OF]  
NOTICE OF NON-U.S. EXCHANGE

KKR & Co. L.P.  
KKR Holdings L.P.  
9 West 57<sup>th</sup> Street, Suite 4200  
New York, NY 10019

Reference is hereby made to the Amended and Restated Exchange Agreement (the “Exchange Agreement”), among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P. and KKR Group Limited as amended from time to time and to the First Amended and Restated Limited Partnership Agreement (the “Holdings LPA”) of KKR Holdings L.P.

The undersigned (the “Exchanging KKR Holdings Affiliated Person”) desires to exchange the number of units of KKR Holdings L.P. set forth on line B of the notice related hereto (the “Exchange Holdings Units”) for units of KKR Group Holdings L.P. and KKR Fund Holdings L.P. (the “Exchange Group Partnership Units”) and to exchange such Exchange Group Partnership Units for units of KKR & Co. L.P. pursuant to a Non-U.S. Exchange (as defined in the Exchange Agreement). Accordingly, the Exchanging KKR Holdings Affiliated Person hereby (i) gives notice to KKR Holdings L.P. of its election to transfer units of KKR Holdings L.P. in exchange for units of KKR Group Holding L.P. and KKR Fund Holdings L.P. (the “Exchange Group Partnership Units”) pursuant to Section 9.2 of the Holdings LPA (the “Group Exchange”) and (ii) gives notice to KKR & Co. L.P. of its election to exchange such Exchange Group Partnership Units for units of KKR & Co. L.P. in a Non-U.S. Exchange pursuant to Section 2.2 of the Exchange Agreement (the “KKR Co Exchange” and together with the Group Exchange, the “Exchanges”). The Exchanging KKR Holdings Affiliated Person acknowledges that the number of units of KKR Holding L.P. to be exchanged pursuant to clause (i) in the preceding sentence shall be equal to the lesser of (x) the number of Exchange Holdings Units set forth on line B of the notice related hereto, (y) the number of Exchange Holdings Units that the general partner of KKR Holdings L.P. shall determine that the Exchanging KKR Holdings Affiliated Person is permitted to exchange pursuant to Section 9.2(b) of the Holdings LPA and (z) the number of Exchange Holdings Units corresponding to the number of units of KKR Group Holdings L.P. and KKR Fund Holdings L.P. that the Exchanging KKR Holdings Affiliated Person is permitted to exchange taking into account any limitations imposed pursuant to Section 2.2(c) of the Exchange Agreement.

Pursuant to the foregoing, the Exchanging KKR Holdings Affiliated Person (1) hereby represents that such Exchange Holdings Units shall immediately prior to the Group Exchange be owned by it, (2) hereby irrevocably constitutes and appoints any officer of the general partner of KKR Holdings L.P. as its attorney, with full power of substitution, to exchange the Exchange Holdings Units on the books of KKR Holdings L.P. for the Exchange Group Partnership Units on the books of KKR Management Holdings L.P. and KKR Fund Holdings L.P., with full power of substitution in the premises and (3) hereby irrevocably constitutes and appoints any officer of the general partners of KKR Management Holdings L.P. or KKR Fund Holdings L.P. as its

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attorney, with full power of substitution, to exchange the Exchange Group Partnership Units on the books of KKR Management Holdings L.P. and KKR Fund Holdings L.P. for units of KKR & Co. L.P. on the books of KKR & Co. L.P., with full power of substitution in the premises.

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[FORM OF]  
NOTICE OF CHARITABLE EXCHANGE

KKR & Co. L.P.  
KKR Holdings L.P.  
9 West 57<sup>th</sup> Street, Suite 4200  
New York, NY 10019

Reference is hereby made to the Amended and Restated Exchange Agreement (the “Exchange Agreement”), among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P. and KKR Group Limited as amended from time to time and to the First Amended and Restated Limited Partnership Agreement (the “Holdings LPA”) of KKR Holdings L.P.

The undersigned (the “Exchanging KKR Holdings Affiliated Person”) desires to exchange the number of units of KKR Holdings L.P. set forth on line B of the notice related hereto (the “Exchange Holdings Units”) for units of KKR Group Holdings L.P. and KKR Fund Holdings L.P. (the “Exchange Group Partnership Units”) and to exchange such Exchange Group Partnership Units for units of KKR & Co. L.P. pursuant to a Charitable Exchange (as defined in the Exchange Agreement). Accordingly, the Exchanging KKR Holdings Affiliated Person hereby (i) gives notice to KKR Holdings L.P. of its election to transfer units of KKR Holdings L.P. in exchange for units of KKR Group Holding L.P. and KKR Fund Holdings L.P. (the “Exchange Group Partnership Units”) pursuant to Section 9.2 of the Holdings LPA (the “Group Exchange”) and (ii) gives notice to KKR & Co. L.P. of its election to exchange such Exchange Group Partnership Units for units of KKR & Co. L.P. in a Charitable Exchange pursuant to Section 2.2 of the Exchange Agreement (the “KKR Co Exchange” and together with the Group Exchange, the “Exchanges”). The Exchanging KKR Holdings Affiliated Person acknowledges that the number of units of KKR Holding L.P. to be exchanged pursuant to clause (i) in the preceding sentence shall be equal to the lesser of (x) the number of Exchange Holdings Units set forth on line B of the notice related hereto, (y) the number of Exchange Holdings Units that the general partner of KKR Holdings L.P. shall determine that the Exchanging KKR Holdings Affiliated Person is permitted to exchange pursuant to Section 9.2(b) of the Holdings LPA and (z) the number of Exchange Holdings Units corresponding to the number of units of KKR Group Holdings L.P. and KKR Fund Holdings L.P. that the Exchanging KKR Holdings Affiliated Person is permitted to exchange taking into account any limitations imposed pursuant to Section 2.2(c) of the Exchange Agreement.

Pursuant to the foregoing, the Exchanging KKR Holdings Affiliated Person (1) hereby represents that such Exchange Holdings Units shall immediately prior to the Group Exchange be owned by it, (2) hereby irrevocably constitutes and appoints any officer of the general partner of KKR Holdings L.P. as its attorney, with full power of substitution, to exchange the Exchange Holdings Units on the books of KKR Holdings L.P. for the Exchange Group Partnership Units on the books of KKR Management Holdings L.P. and KKR Fund Holdings L.P., with full power

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of substitution in the premises and (3) hereby irrevocably constitutes and appoints any officer of the general partners of KKR Management Holdings L.P. or KKR Fund Holdings L.P. as its attorney, with full power of substitution, to exchange the Exchange Group Partnership Units on the books of KKR Management Holdings L.P. and KKR Fund Holdings L.P. for units of KKR & Co. L.P. on the books of KKR & Co. L.P., with full power of substitution in the premises.

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***KKR & Co. L.P. Announces Third Quarter 2010 Results (1)***

**Assets under management (“AUM”) totaled \$55.5 billion as of September 30, 2010, up from \$50.4 billion as of September 30, 2009.**

**Fee related earnings (“FRE”) were \$69.5 million and \$223.2 million for the third quarter and the first nine months of 2010, respectively, up from pro forma(2) FRE of \$67.0 million and \$160.0 million in the comparable periods of 2009.**

**Economic net income (“ENI”) was \$317.3 million and \$1,425.2 million for the third quarter and the first nine months of 2010, respectively, down from pro forma ENI of \$822.7 million and \$1,438.7 million in the comparable periods of 2009.**

**GAAP net income attributable to KKR & Co. L.P. was \$ 8.9 million and \$152.6 million for the third quarter and first nine months of 2010, respectively(3).**

**Book value was \$5.2 billion on a segment basis as of September 30, 2010, representing \$7.63 per unit.**

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

**Consolidated Results**

KKR’s consolidated GAAP results for the quarter and nine months ended September 30, 2010 included net income attributable to KKR & Co. L.P. of \$8.9 million and \$152.6 million, respectively, and net income attributable to KKR & Co. L.P. per common unit of \$0.04 and \$0.74, respectively. For the quarter and nine months ended September 30, 2009, net income attributable to KKR & Co. L.P. was \$616.7 million and \$927.9 million, respectively. The decrease from both prior periods was primarily due to the following factors that were not applicable in 2009: (i) the allocation of approximately 70% of the earnings of KKR to KKR Holdings L.P., (ii) the issuance of equity-based awards which resulted in the recognition of non-cash compensation charges, and (iii) the recognition of corporate income tax expense. These factors were partially offset by the inclusion of the results of our principal segment assets that were included in noncontrolling interests in the comparative prior periods.

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(1) Certain financial measures contained herein, including fee related earnings and economic net income, are not presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). See page 7 for a reconciliation of such measures to financial results prepared in accordance with GAAP.

KKR refers to the group of affiliates that conduct the global asset management business of KKR & Co. L.P. Information contained herein relating to KKR’s reportable segments are presented prior to giving effect to the allocation of income between KKR & Co. L.P. and KKR Holdings L.P. and, as such, represent the business in total. KKR’s principals hold interests in KKR through KKR Holdings L.P., which owns interests representing 70% of KKR as of September 30, 2010. For the quarter and nine months ended September 30, 2010, net income (loss) attributable to KKR & Co. L.P. reflects only those amounts that are allocable to KKR & Co. L.P.’s 30% interest in KKR. Net income (loss) that is allocable to KKR’s principals’ 70% interest in KKR is reflected in net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P. and is not included in total KKR & Co. L.P. partners’ capital.

(2) On October 1, 2009 KKR & Co. L.P. and KKR & Co. (Guernsey) L.P. completed a transaction to combine their businesses (the “Business Combination”). Amounts indicated in this press release as being presented on a pro forma basis give effect to the Business Combination and related transactions as if they had been completed on January 1, 2009. See notes to KKR’s unaudited reportable segments on page 23 of this press release for a summary of the applicable adjustments as a result of the Business Combination.

(3) For the third quarter and first nine months of 2009, GAAP net income attributable to KKR & Co. L.P. was \$616.7 million and \$927.9 million, respectively. The 2010 and 2009 GAAP periods are not directly comparable as GAAP financial information prior to October 1, 2009 did not reflect certain adjustments that are applicable for periods after October 1, 2009 as a result of the Business Combination. See “Consolidated Results”.

## Total Reportable Segments

Management makes operating decisions, assesses performance and allocates resources based on financial and operating data and measures that are presented without giving effect to the consolidation of any of the funds that KKR manages. In addition, there are other components of KKR's reportable segment results that differ from the equivalent GAAP results on a consolidated basis. These differences are described in the Notes to KKR's Unaudited Reportable Segments on page 23.

AUM was \$55.5 billion as of September 30, 2010, an increase of \$1.1 billion or 2.0% compared to AUM of \$54.4 billion as of June 30, 2010. The increase was primarily due to an increase in the fair value of KKR's private equity portfolio and new capital raised in KKR's public markets segment, partially offset by distributions and, to a lesser extent, redemptions.

Fee paying assets under management ("FPAUM") were \$42.7 billion as of September 30, 2010, an increase of \$1.1 billion or 2.5% compared to FPAUM of \$41.6 billion as of June 30, 2010. The increase was primarily due to changes in foreign exchange related to Euro denominated commitments, new capital raised and increases in net asset values in certain vehicles within KKR's public markets segment, partially offset by redemptions and, to a lesser extent, distributions.

FRE was \$69.5 million for the quarter ended September 30, 2010, an increase of \$2.5 million or 3.7% compared to pro forma FRE of \$67.0 million for the quarter ended September 30, 2009. The increase is due primarily to higher capital markets fees as a result of increased overall activity and higher incentive fees earned in the public markets segment. These increases were partially offset by lower monitoring fees in the private markets segment as a result of a \$26.1 million termination payment on a monitoring agreement with a portfolio company during the third quarter of 2009, which impacted FRE by \$9.2 million net of associated fee credits.

For the nine months ended September 30, 2010, FRE was \$223.2 million, an increase of \$63.3 million or 39.6% compared to pro forma FRE of \$160.0 million for the nine months ended September 30, 2009. The increase was due primarily to (i) higher capital markets fees as a result of increased activity, (ii) higher incentive fees earned in the public markets segment, and (iii) higher transaction fees in the private markets segment as a result of the closing of more fee generating investments. These increases were partially offset by higher compensation expense as a result of improved performance and the expansion of KKR's business.

For the quarter ended September 30, 2010, ENI was \$317.3 million, a decrease of \$505.4 million or 61.4% compared to pro forma ENI of \$822.7 million for the quarter ended September 30, 2009. The decrease primarily reflects lower levels of appreciation of KKR's private equity portfolio when compared to the prior period. While the fair value of KKR's investments increased during the third quarter of 2010, the amount of net unrealized gains were lower than in 2009.

For the nine months ended September 30, 2010, ENI was \$1,425.2 million, a decrease of \$13.5 million or 0.9% compared to pro forma ENI of \$1,438.7 million for the nine months ended September 30, 2009. The decrease primarily reflects lower appreciation of KKR's principal investments when compared to the prior period, partially offset by the increase in FRE explained above.

## Private Markets

AUM in the private markets segment was \$41.9 billion as of September 30, 2010, an increase of \$0.8 billion or 2.1% compared to AUM of \$41.0 billion as of June 30, 2010. The increase was primarily due to an increase in the fair value of KKR's private equity portfolio, partially offset by distributions as a result of realizations.

FPAUM in the private markets segment was \$36.0 billion as of September 30, 2010, an increase of \$0.7 billion or 2.0% compared to FPAUM of \$35.3 billion as of June 30, 2010. The increase was primarily due to changes in foreign exchange related to Euro denominated commitments and invested capital.

FRE in the private markets segment was \$42.9 million for the quarter ended September 30, 2010, a decrease of \$11.5 million or 21.1% compared to pro forma FRE of \$54.3 million for the quarter ended September 30, 2009. The decrease was due primarily to (i) lower monitoring fees as a result of the recognition of a \$26.1 million termination payment on a monitoring agreement with a portfolio company during the third quarter of 2009, which impacted FRE by \$9.2 million net of associated fee credits, (ii) lower transaction fees as a result of the closing of fewer fee generating investments and (iii) higher compensation expense and other operating expenses in connection with the expansion of KKR's business.

FRE in the private markets segment was \$141.2 million for the nine months ended September 30, 2010, a decrease of \$6.5 million or 4.4% compared to pro forma FRE of \$147.7 million for the nine months ended September 30, 2009. The decrease was due primarily to higher compensation expense and other operating expenses in connection with the expansion of KKR's

business as well as lower monitoring fees as a result of the termination payment described above. These decreases were partially offset by higher transaction fees as a result of the closing of more fee generating investments.

ENI in the private markets segment was \$173.7 million for the quarter ended September 30, 2010, a decrease of \$129.9 million or 42.8% compared to pro forma ENI of \$303.6 million for the quarter ended September 30, 2009. The decrease was due primarily to lower net carried interest. While the fair value of KKR's investments increased during the third quarter of 2010, the amount of net unrealized gains was lower than the amount recorded during the third quarter of 2009.

ENI in the private markets segment was \$522.6 million for the nine months ended September 30, 2010, an increase of \$6.7 million or 1.3% compared to pro forma ENI of \$515.9 million for the nine months ended September 30, 2009. The increase was due primarily to higher gross carried interest driven by certain private equity funds that were not in a carry earning position during the 2009 period earning carried interest in 2010. This increase was partially offset by increases in the allocation to KKR's carry pool and management fee refunds. As of September 30, 2010, the amount subject to management fee refunds, which may reduce carried interest in future periods, totaled \$67.8 million.

### **Public Markets**

AUM in the public markets segment was \$13.6 billion as of September 30, 2010, an increase of \$0.3 billion or 1.9% compared to AUM of \$13.4 billion as of June 30, 2010. The increase was primarily due to new capital raised during the quarter and increases in the net asset value of certain vehicles, partially offset by redemptions.

FPAUM in the public markets segment was \$6.7 billion as of September 30, 2010, an increase of \$0.3 billion or 5.5% compared to FPAUM of \$6.3 billion as of June 30, 2010. The increase was primarily due to new capital raised during the quarter and increases in the net asset value of certain vehicles, partially offset by redemptions.

FRE in the public markets segment was \$13.2 million for the quarter ended September 30, 2010, an increase of \$6.5 million or 96.0% compared to pro forma FRE of \$6.7 million for the quarter ended September 30, 2009. For the nine months ended September 30, 2010, FRE was \$40.7 million, an increase of \$31.3 million compared to pro forma FRE of \$9.4 million for the nine months ended September 30, 2009. The increase in both comparative periods was due primarily to increased incentive fees earned from KKR Financial Holdings LLC ("KFN") as a result of KFN's financial performance exceeding certain required benchmarks, partially offset by increased compensation expense as a result of improved performance and the expansion of KKR's business.

ENI in the public markets segment was \$13.9 million for the quarter ended September 30, 2010, an increase of \$9.5 million compared to pro forma ENI of \$4.4 million for the quarter ended September 30, 2009. For the nine months ended September 30, 2010, ENI was \$42.4 million, an increase of \$37.4 million compared to pro forma ENI of \$5.0 million for the nine months ended September 30, 2009. The increase in both comparative periods was due primarily to the increases in FRE explained above.

### **Capital Markets and Principal Activities**

FRE in the capital markets and principal activities segment was \$13.4 million for the quarter ended September 30, 2010, an increase of \$7.5 million compared to pro forma FRE of \$6.0 million for the quarter ended September 30, 2009. For the nine months ended September 30, 2010, FRE was \$41.4 million, an increase of \$38.5 million compared to pro forma FRE of \$2.8 million for the nine months ended September 30, 2009. The increase in both comparative periods was due primarily to an increase in overall capital markets transaction activity resulting from an improved environment and the continued buildout of this business.

ENI in the capital markets and principal activities segment was \$129.7 million for the quarter ended September 30, 2010, a decrease of \$385.0 million or 74.8% compared to pro forma ENI of \$514.7 million for the quarter ended September 30, 2009. For the nine months ended September 30, 2010, ENI was \$860.2 million, a decrease of \$57.5 million or 6.3% compared to pro forma ENI of \$917.8 million for the nine months ended September 30, 2009. The decrease in both comparative periods was due primarily to lower appreciation of KKR's principal investments when compared to the prior period.

## **CAPITAL AND LIQUIDITY**

As of September 30, 2010, KKR had an available cash balance of \$1.1 billion and \$759.8 million of outstanding debt obligations. As of September 30, 2010, KKR's availability for further borrowings was approximately \$1.6 billion (which does not include a \$500.0 million revolving credit facility for use in its capital markets business that was undrawn as of September 30, 2010).

On September 29, 2010, KKR issued \$500 million in aggregate principal amount of 6.375% senior notes due in 2020. The notes are rated A- and A by Standard & Poor's and Fitch, respectively. Subsequent to September 30, 2010, KKR repaid \$154.1 million of outstanding borrowings under its revolving credit facilities using a portion of the proceeds from the senior notes offering.

As of September 30, 2010, KKR's portion of total uncalled commitments to its investment funds was \$1,129.4 million, consisting of the following (amounts in thousands):

	<b>Commitments</b>
<b>Private Markets</b>	
2006 Fund	\$ 438,909
European Fund III	399,150
Asian Fund	145,323
Infrastructure Fund	50,000
E2 Investors (Annex Fund)	30,833
Natural Resources I	7,500
Other Private Markets Commitments	532
<b>Total Private Markets Commitments</b>	<b>1,072,247</b>
<b>Public Markets</b>	
Mezzanine Fund	42,100
Capital Solutions Vehicles	15,100
<b>Total Public Markets Commitments</b>	<b>57,200</b>
<b>Total Uncalled Commitments</b>	<b>\$ 1,129,447</b>

## **DISTRIBUTION**

A distribution of \$0.15 per common unit will be paid on November 26, 2010 to unitholders of record as of the close of business on November 12, 2010.

## **CONFERENCE CALL**

A conference call to discuss KKR's financial results will be held on Wednesday, November 3, 2010 at 10:00 a.m. EDT. The conference call may be accessed by dialing (888) 437-9315 (U.S. callers) or +1 (719) 325-2481 (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 Investor Relations section of KKR's website at [http://www.kkr.com/kkr\\_ir/kkr\\_events.cfm](http://www.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 2324765, 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 on and accessible at Investor Relations section of KKR's website at [www.kkr.com](http://www.kkr.com). In addition, you may automatically receive email alerts and other information about KKR by enrolling your email by visiting the "Email Alerts" area in the Investment Relations section of KKR's website.

## **ABOUT KKR**

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is a leading global alternative asset manager with \$55.5 billion in assets under management as of September 30, 2010. With over 650 people and 14 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 platforms. KKR is publicly traded on the New York Stock Exchange (NYSE: KKR). For additional information, please visit KKR's website at [www.kkr.com](http://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 assets under management, fee paying assets under management, fee related earnings, economic net income, committed dollars invested, uncalled commitments 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 risk that the anticipated benefits of the business combination with KKR & Co. (Guernsey) L.P. may not be achieved; the general volatility of the capital markets; changes in KKR's business strategy; 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 prospectus filed with the SEC on October 5, 2010 and other filings with the SEC, which are available at [www.sec.gov](http://www.sec.gov).

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

	Quarter Ended		Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
<b>Revenues</b>				
Fees	\$ 96,018	\$ 110,863	\$ 289,119	\$ 201,415
<b>Expenses</b>				
Employee Compensation and Benefits	331,180	58,602	1,045,332	152,051
Occupancy and Related Charges	10,373	9,451	29,568	28,117
General, Administrative and Other	94,000	74,018	229,770	139,898
Fund Expenses	14,314	12,526	39,091	37,011
Total Expenses	449,867	154,597	1,343,761	357,077
<b>Investment Income (Loss)</b>				
Net Gains (Losses) from Investment Activities	1,450,124	4,047,337	4,768,245	5,545,468
Dividend Income	218,232	104,851	808,512	182,493
Interest Income	66,603	38,118	171,058	96,980
Interest Expense	(10,432)	(18,471)	(34,393)	(60,841)
Total Investment Income (Loss)	1,724,527	4,171,835	5,713,422	5,764,100
<b>Income (Loss) Before Taxes</b>	1,370,678	4,128,101	4,658,780	5,608,438
Income Taxes	16,263	4,115	60,998	5,805
<b>Net Income (Loss)</b>	1,354,415	4,123,986	4,597,782	5,602,633
Less: Net Income (Loss) Attributable to Noncontrolling Interests in Consolidated Entities	1,293,373	3,507,323	3,957,319	4,674,727
Less: Net Income (Loss) Attributable to Noncontrolling Interests Held by KKR Holdings L.P.	52,186	—	487,864	—
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	\$ 8,856	\$ 616,663	\$ 152,599	\$ 927,906
<b>Net Income Attributable to KKR &amp; Co. L.P. Per Common Unit (a)</b>				
Basic	\$ 0.04	\$ 0.04	\$ 0.74	\$ 0.74
Diluted (b)	\$ 0.04	\$ 0.04	\$ 0.74	\$ 0.74
<b>Weighted Average Common Units</b>				
Basic	204,902,226	204,902,226	204,902,226	204,902,226
Diluted (b)	204,902,226	204,902,226	204,902,226	204,902,226

(a) Prior to the Business Combination, KKR's business was conducted through a large number of entities as to which there was no single holding entity and no single capital structure upon which to calculate historical earnings per common unit information. Accordingly, earnings per common unit information has not been presented for historical periods prior to the Business Combination.

(b) For the quarter and nine months ended September 30, 2010, 478,105,194 of KKR Holdings 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**

**RECONCILIATION OF TOTAL REPORTABLE SEGMENTS FEE RELATED EARNINGS AND ECONOMIC NET INCOME  
TO NET INCOME ATTRIBUTABLE TO KKR & CO L.P. (GAAP BASIS - UNAUDITED)**

(Amounts in thousands)

	<u>Quarter Ended September 30, 2010</u>	<u>Nine Months Ended September 30, 2010</u>
Total reportable segments fee related earnings	\$ 69,506	\$ 223,231
Investment income	249,386	1,204,766
Less: Income attributable to noncontrolling interests	<u>(1,567)</u>	<u>(2,817)</u>
Economic net income (loss)	317,325	1,425,180
Income taxes	(16,263)	(60,998)
Amortization of intangibles and other, net	(1,678)	(6,566)
Non-cash equity based charges	(238,342)	(717,153)
Allocation to noncontrolling interests held by KKR Holdings L.P.	<u>(52,186)</u>	<u>(487,864)</u>
Net income attributable to KKR & Co. L.P.	<u>\$ 8,856</u>	<u>\$ 152,599</u>

	<u>Quarter Ended September 30, 2009 (a)</u>	<u>Nine Months Ended September 30, 2009 (a)</u>
Total pro forma reportable segments fee related earnings	\$ 67,033	\$ 159,950
Investment income	756,455	1,280,405
Less: Income attributable to noncontrolling interests	<u>(793)</u>	<u>(1,666)</u>
Pro forma economic net income (loss)	822,695	1,438,689
Allocation to carry pool	73,424	95,857
Carry allocated to former KKR principals	143,375	172,637
Income on capital invested by or on behalf of KKR principals prior to completion of the Business Combination	71,616	86,452
Economic interests associated with the KKR 1996 Fund	40,594	67,163
Elimination of management fees paid by KPE prior to completion of Business Combination	10,603	28,244
Financial results of KPE	(502,158)	(906,492)
Certain compensation adjustments	(4,251)	(12,753)
Income attributable to noncontrolling interests	<u>673</u>	<u>1,601</u>
Total actual economic net income (loss)	\$ 656,571	\$ 971,398
Costs relating to the Transactions	(34,846)	(34,846)
Income taxes	(4,115)	(5,805)
Amortization of intangibles and other, net	<u>(947)</u>	<u>(2,841)</u>
Net income attributable to KKR & Co. L.P.	<u>\$ 616,663</u>	<u>\$ 927,906</u>

- (a) The 2009 segment financial information is presented on a pro forma basis to give effect to the Business Combination and related transactions as if they were completed on January 1, 2009 whereas the 2009 GAAP financial information is presented on an actual basis. Accordingly, the reconciliations of segment financial information to GAAP financial information for the 2009 periods is presented in two parts: (i) a reconciliation of 2009 pro forma segment financial information to 2009 actual segment financial information and (ii) a reconciliation of 2009 actual segment financial information to 2009 actual GAAP information.

**KKR**  
**STATEMENTS OF OPERATIONS AND OTHER SELECTED FINANCIAL INFORMATION**  
**TOTAL REPORTABLE SEGMENTS (UNAUDITED)**  
(Amounts in thousands)

	Quarter Ended			Nine Months Ended	
	Actual September 30, 2010	Actual June 30, 2010	Pro Forma* September 30, 2009	Actual September 30, 2010	Pro Forma* September 30, 2009
<b>Fees</b>					
Management and incentive fees:					
Management fees	\$ 112,545	\$ 110,669	\$ 107,444	\$ 334,243	\$ 324,101
Incentive fees	9,555	8,350	4,472	30,405	4,472
Management and incentive fees	<u>122,100</u>	<u>119,019</u>	<u>111,916</u>	<u>364,648</u>	<u>328,573</u>
Monitoring and transaction fees:					
Monitoring fees	21,780	20,512	46,946	64,824	89,860
Transaction fees	40,634	37,441	37,419	133,609	51,986
Fee credits	(13,683)	(15,278)	(37,125)	(43,228)	(47,641)
Net monitoring and transaction fees	<u>48,731</u>	<u>42,675</u>	<u>47,240</u>	<u>155,205</u>	<u>94,205</u>
Total fees	<u>170,831</u>	<u>161,694</u>	<u>159,156</u>	<u>519,853</u>	<u>422,778</u>
<b>Expenses</b>					
Employee compensation and benefits	49,056	49,431	41,874	150,740	120,579
Other operating expenses	52,269	48,927	50,249	145,882	142,249
Total expenses	<u>101,325</u>	<u>98,358</u>	<u>92,123</u>	<u>296,622</u>	<u>262,828</u>
<b>Fee Related Earnings</b>	<u>69,506</u>	<u>63,336</u>	<u>67,033</u>	<u>223,231</u>	<u>159,950</u>
<b>Investment income (loss)</b>					
Gross carried interest	237,923	229,494	318,323	790,628	463,393
Less: allocation to KKR carry pool	(91,156)	(96,029)	(85,447)	(286,567)	(113,750)
Less: management fee refunds	(17,387)	(17,907)	—	(119,034)	—
Net carried interest	129,380	115,558	232,876	385,027	349,643
Other investment income (loss)	120,006	255,031	523,579	819,739	930,762
Total investment income (loss)	<u>249,386</u>	<u>370,589</u>	<u>756,455</u>	<u>1,204,766</u>	<u>1,280,405</u>
Income (Loss) before noncontrolling interests in Income of consolidated entities	318,892	433,925	823,488	1,427,997	1,440,355
Income (Loss) attributable to noncontrolling interests	<u>1,567</u>	<u>874</u>	<u>793</u>	<u>2,817</u>	<u>1,666</u>
<b>Economic Net Income (Loss)</b>	<u>\$ 317,325</u>	<u>\$ 433,051</u>	<u>\$ 822,695</u>	<u>\$ 1,425,180</u>	<u>\$ 1,438,689</u>
Assets Under Management	\$ 55,498,500	\$ 54,398,300	\$ 50,435,200	\$ 55,498,500	\$ 50,435,200
Fee Paying Assets Under Management	\$ 42,705,200	\$ 41,643,400	\$ 42,991,700	\$ 42,705,200	\$ 42,991,700
Committed Dollars Invested	\$ 540,400	\$ 879,200	\$ 1,070,100	\$ 2,562,300	\$ 1,651,000
Uncalled Commitments	\$ 13,750,900	\$ 13,498,200	\$ 14,244,300	\$ 13,750,900	\$ 14,244,300
<b>Other Information</b>					
Fee Related Earnings	\$ 69,506	\$ 63,336	\$ 67,033	\$ 223,231	\$ 159,950
Plus: Depreciation and Amortization	2,674	3,762	2,297	8,874	6,608
<b>Fee Related EBITDA</b>	<u>\$ 72,180</u>	<u>\$ 67,098</u>	<u>\$ 69,330</u>	<u>\$ 232,105</u>	<u>\$ 166,558</u>
GAAP interest expense	\$ 10,432	\$ 10,134	\$ 18,471	\$ 34,393	\$ 60,841
Less: interest expense related to debt obligations from investment financing arrangements	6,849	6,610	9,732	21,087	32,785
<b>Core Interest Expense (a)</b>	<u>\$ 3,583</u>	<u>\$ 3,524</u>	<u>\$ 8,739</u>	<u>\$ 13,306</u>	<u>\$ 28,056</u>

(a) Core interest expense excludes interest expense related to debt obligations from investment financing arrangements related to certain of KKR's private equity funds and similar financing arrangements related to the KPE Investment Partnership. These financing arrangements are not direct obligations of the general partner of KKR's private equity funds or its management companies. On a segment basis, interest expense is included in other investment income.

\* All amounts indicated in this press release as being presented on a pro forma basis give effect to the Business Combination and related transactions as if they were completed on January 1, 2009. See notes to KKR's unaudited reportable segments on page 23 of this press release.

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

	Quarter Ended			Nine Months Ended	
	Actual September 30, 2010	Actual June 30, 2010	Pro Forma* September 30, 2009	Actual September 30, 2010	Pro Forma* September 30, 2009
<b>Fees</b>					
Management and incentive fees:					
Management fees	\$ 98,337	\$ 97,046	\$ 95,193	\$ 293,543	\$ 287,891
Incentive fees	—	—	—	—	—
Management and incentive fees	<u>98,337</u>	<u>97,046</u>	<u>95,193</u>	<u>293,543</u>	<u>287,891</u>
Monitoring and transaction fees:					
Monitoring fees	21,780	20,512	46,946	64,824	89,860
Transaction fees	19,816	20,128	27,030	65,058	37,430
Fee credits	(12,941)	(13,872)	(37,125)	(36,890)	(47,641)
Net monitoring and transaction fees	<u>28,655</u>	<u>26,768</u>	<u>36,851</u>	<u>92,992</u>	<u>79,649</u>
Total fees	<u>126,992</u>	<u>123,814</u>	<u>132,044</u>	<u>386,535</u>	<u>367,540</u>
<b>Expenses</b>					
Employee compensation and benefits	37,861	38,463	33,636	117,165	97,066
Other operating expenses	46,246	43,237	44,067	128,154	122,745
Total expenses	<u>84,107</u>	<u>81,700</u>	<u>77,703</u>	<u>245,319</u>	<u>219,811</u>
<b>Fee Related Earnings</b>	<b><u>42,885</u></b>	<b><u>42,114</u></b>	<b><u>54,341</u></b>	<b><u>141,216</u></b>	<b><u>147,729</u></b>
<b>Investment income (loss)</b>					
Gross carried interest	236,792	228,413	318,323	788,045	463,393
Less: allocation to KKR carry pool	(90,704)	(95,597)	(85,447)	(285,534)	(113,750)
Less: management fee refunds	(17,387)	(17,907)	—	(119,034)	—
Net carried interest	128,701	114,909	232,876	383,477	349,643
Other investment income (loss)	2,524	(1,462)	16,927	(1,532)	20,016
Total investment income (loss)	<u>131,225</u>	<u>113,447</u>	<u>249,803</u>	<u>381,945</u>	<u>369,659</u>
Income (Loss) before noncontrolling interests in Income of consolidated entities	174,110	155,561	304,144	523,161	517,388
Income (Loss) attributable to noncontrolling interests	<u>394</u>	<u>436</u>	<u>543</u>	<u>580</u>	<u>1,476</u>
<b>Economic Net Income (Loss)</b>	<b><u>\$ 173,716</u></b>	<b><u>\$ 155,125</u></b>	<b><u>\$ 303,601</u></b>	<b><u>\$ 522,581</u></b>	<b><u>\$ 515,912</u></b>
Assets Under Management	\$ 41,878,700	\$ 41,031,100	\$ 37,498,800	\$ 41,878,700	\$ 37,498,800
Fee Paying Assets Under Management	\$ 36,032,300	\$ 35,317,500	\$ 37,149,600	\$ 36,032,300	\$ 37,149,600
Committed Dollars Invested	\$ 349,500	\$ 839,200	\$ 1,070,100	\$ 2,184,200	\$ 1,651,000
Uncalled Commitments	\$ 12,495,400	\$ 12,117,400	\$ 14,244,300	\$ 12,495,400	\$ 14,244,300

See notes to KKR's unaudited reportable segments on page 23 of this press release.

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

	Quarter Ended			Nine Months Ended	
	Actual September 30, 2010	Actual June 30, 2010	Pro Forma* September 30, 2009	Actual September 30, 2010	Pro Forma* September 30, 2009
<b>Fees</b>					
Management and incentive fees:					
Management fees	\$ 14,208	\$ 13,623	\$ 12,251	\$ 40,700	\$ 36,210
Incentive fees	9,555	8,350	4,472	30,405	4,472
Management and incentive fees	<u>23,763</u>	<u>21,973</u>	<u>16,723</u>	<u>71,105</u>	<u>40,682</u>
Monitoring and transaction fees:					
Monitoring fees	—	—	—	—	—
Transaction fees	1,672	2,330	—	9,825	—
Fee credits	(742)	(1,406)	—	(6,338)	—
Net monitoring and transaction fees	<u>930</u>	<u>924</u>	<u>—</u>	<u>3,487</u>	<u>—</u>
Total fees	<u>24,693</u>	<u>22,897</u>	<u>16,723</u>	<u>74,592</u>	<u>40,682</u>
<b>Expenses</b>					
Employee compensation and benefits	7,708	7,474	5,189	22,324	15,768
Other operating expenses	3,775	3,673	4,795	11,613	15,519
Total expenses	<u>11,483</u>	<u>11,147</u>	<u>9,984</u>	<u>33,937</u>	<u>31,287</u>
<b>Fee Related Earnings</b>	<u>13,210</u>	<u>11,750</u>	<u>6,739</u>	<u>40,655</u>	<u>9,395</u>
<b>Investment income (loss)</b>					
Gross carried interest	1,131	1,081	—	2,583	—
Less: allocation to KKR carry pool	(452)	(432)	—	(1,033)	—
Less: management fee refunds	—	—	—	—	—
Net carried interest	679	649	—	1,550	—
Other investment income (loss)	148	(126)	(2,236)	530	(4,307)
Total investment income (loss)	<u>827</u>	<u>523</u>	<u>(2,236)</u>	<u>2,080</u>	<u>(4,307)</u>
Income (Loss) before noncontrolling interests in Income of consolidated entities	14,037	12,273	4,503	42,735	5,088
Income (Loss) attributable to noncontrolling interests	<u>125</u>	<u>110</u>	<u>67</u>	<u>380</u>	<u>94</u>
<b>Economic Net Income (Loss)</b>	<u>\$ 13,912</u>	<u>\$ 12,163</u>	<u>\$ 4,436</u>	<u>\$ 42,355</u>	<u>\$ 4,994</u>
Assets Under Management	\$ 13,619,800	\$ 13,367,200	\$ 12,936,400	\$ 13,619,800	\$ 12,936,400
Fee Paying Assets Under Management	\$ 6,672,900	\$ 6,325,900	\$ 5,842,100	\$ 6,672,900	\$ 5,842,100
Committed Dollars Invested	\$ 190,900	\$ 40,000	\$ —	\$ 378,100	\$ —
Uncalled Commitments	\$ 1,255,500	\$ 1,380,800	\$ —	\$ 1,255,500	\$ —

See notes to KKR's unaudited reportable segments on page 23 of this press release.

**KKR**  
**STATEMENTS OF OPERATIONS AND OTHER SELECTED FINANCIAL INFORMATION**  
**CAPITAL MARKETS AND PRINCIPAL ACTIVITIES SEGMENT (UNAUDITED)**  
(Amounts in thousands)

	Quarter Ended			Nine Months Ended	
	Actual September 30, 2010	Actual June 30, 2010	Pro Forma* September 30, 2009	Actual September 30, 2010	Pro Forma* September 30, 2009
<b>Fees</b>					
Management and incentive fees:					
Management fees	\$ —	\$ —	\$ —	\$ —	\$ —
Incentive fees	—	—	—	—	—
Management and incentive fees	—	—	—	—	—
Monitoring and transaction fees:					
Monitoring fees	—	—	—	—	—
Transaction fees	19,146	14,983	10,389	58,726	14,556
Fee credits	—	—	—	—	—
Net monitoring and transaction fees	19,146	14,983	10,389	58,726	14,556
Total fees	19,146	14,983	10,389	58,726	14,556
<b>Expenses</b>					
Employee compensation and benefits	3,487	3,494	3,049	11,251	7,745
Other operating expenses	2,248	2,017	1,387	6,115	3,985
Total expenses	5,735	5,511	4,436	17,366	11,730
<b>Fee Related Earnings</b>	<b>13,411</b>	<b>9,472</b>	<b>5,953</b>	<b>41,360</b>	<b>2,826</b>
<b>Investment income (loss)</b>					
Gross carried interest	—	—	—	—	—
Less: allocation to KKR carry pool	—	—	—	—	—
Less: management fee refunds	—	—	—	—	—
Net carried interest	—	—	—	—	—
Other investment income (loss)	117,334	256,619	508,888	820,741	915,053
Total investment income (loss)	117,334	256,619	508,888	820,741	915,053
Income (Loss) before noncontrolling interests in Income of consolidated entities	130,745	266,091	514,841	862,101	917,879
Income (Loss) attributable to noncontrolling interests	1,048	328	183	1,857	96
<b>Economic Net Income (Loss)</b>	<b>\$ 129,697</b>	<b>\$ 265,763</b>	<b>\$ 514,658</b>	<b>\$ 860,244</b>	<b>\$ 917,783</b>

See notes to KKR's unaudited reportable segments on page 23 of this press release.

**KKR**  
**STATEMENTS OF OPERATIONS**  
**TOTAL REPORTABLE SEGMENTS - ACTUAL (UNAUDITED)**  
**Quarter Ended September 30, 2010**  
(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>
<b>Fees</b>				
Management and incentive fees:				
Management fees	\$ 98,337	\$ 14,208	\$ —	\$ 112,545
Incentive fees	—	9,555	—	9,555
Management and incentive fees	<u>98,337</u>	<u>23,763</u>	<u>—</u>	<u>122,100</u>
Monitoring and transaction fees:				
Monitoring fees	21,780	—	—	21,780
Transaction fees	19,816	1,672	19,146	40,634
Fee credits	(12,941)	(742)	—	(13,683)
Net monitoring and transaction fees	<u>28,655</u>	<u>930</u>	<u>19,146</u>	<u>48,731</u>
Total fees	<u>126,992</u>	<u>24,693</u>	<u>19,146</u>	<u>170,831</u>
<b>Expenses</b>				
Employee compensation and benefits	37,861	7,708	3,487	49,056
Other operating expenses	46,246	3,775	2,248	52,269
Total expenses	<u>84,107</u>	<u>11,483</u>	<u>5,735</u>	<u>101,325</u>
<b>Fee Related Earnings</b>	<b><u>42,885</u></b>	<b><u>13,210</u></b>	<b><u>13,411</u></b>	<b><u>69,506</u></b>
<b>Investment income (loss)</b>				
Gross carried interest	236,792	1,131	—	237,923
Less: allocation to KKR carry pool	(90,704)	(452)	—	(91,156)
Less: management fee refunds	(17,387)	—	—	(17,387)
Net carried interest	128,701	679	—	129,380
Other investment income (loss)	2,524	148	117,334	120,006
Total investment income (loss)	<u>131,225</u>	<u>827</u>	<u>117,334</u>	<u>249,386</u>
Income (Loss) before noncontrolling interests in Income of consolidated entities	174,110	14,037	130,745	318,892
Income (Loss) attributable to noncontrolling interests	<u>394</u>	<u>125</u>	<u>1,048</u>	<u>1,567</u>
<b>Economic Net Income (Loss)</b>	<b><u>\$ 173,716</u></b>	<b><u>\$ 13,912</u></b>	<b><u>\$ 129,697</u></b>	<b><u>\$ 317,325</u></b>

See notes to KKR's unaudited reportable segments on page 23 of this press release.



**STATEMENTS OF OPERATIONS**  
**TOTAL REPORTABLE SEGMENTS - ACTUAL (UNAUDITED)**  
**Quarter Ended June 30, 2010**  
(Amounts in thousands)

	Private Markets Segment	Public Markets Segment	Capital Markets and Principal Activities Segment	Total Reportable Segments
<b>Fees</b>				
Management and incentive fees:				
Management fees	\$ 97,046	\$ 13,623	\$ —	\$ 110,669
Incentive fees	—	8,350	\$ —	8,350
Management and incentive fees	<u>97,046</u>	<u>21,973</u>	<u>—</u>	<u>119,019</u>
Monitoring and transaction fees:				
Monitoring fees	20,512	—	—	20,512
Transaction fees	20,128	2,330	14,983	37,441
Fee credits	(13,872)	(1,406)	—	(15,278)
Net monitoring and transaction fees	<u>26,768</u>	<u>924</u>	<u>14,983</u>	<u>42,675</u>
Total fees	<u>123,814</u>	<u>22,897</u>	<u>14,983</u>	<u>161,694</u>
<b>Expenses</b>				
Employee compensation and benefits	38,463	7,474	3,494	49,431
Other operating expenses	43,237	3,673	2,017	48,927
Total expenses	<u>81,700</u>	<u>11,147</u>	<u>5,511</u>	<u>98,358</u>
<b>Fee Related Earnings</b>	<b><u>42,114</u></b>	<b><u>11,750</u></b>	<b><u>9,472</u></b>	<b><u>63,336</u></b>
<b>Investment income (loss)</b>				
Gross carried interest	228,413	1,081	—	229,494
Less: allocation to KKR carry pool	(95,597)	(432)	—	(96,029)
Less: management fee refunds	(17,907)	—	—	(17,907)
Net carried interest	114,909	649	—	115,558
Other investment income (loss)	(1,462)	(126)	256,619	255,031
Total investment income (loss)	<u>113,447</u>	<u>523</u>	<u>256,619</u>	<u>370,589</u>
<b>Income (Loss) before noncontrolling interests in Income of consolidated entities</b>				
	155,561	12,273	266,091	433,925
Income (Loss) attributable to noncontrolling interests	<u>436</u>	<u>110</u>	<u>328</u>	<u>874</u>
<b>Economic Net Income (Loss)</b>	<b><u>\$ 155,125</u></b>	<b><u>\$ 12,163</u></b>	<b><u>\$ 265,763</u></b>	<b><u>\$ 433,051</u></b>

See notes to KKR's unaudited reportable segments on page 23 of this press release.

**KKR**  
**STATEMENTS OF OPERATIONS**  
**TOTAL REPORTABLE SEGMENTS - PRO FORMA (UNAUDITED)**  
**Quarter Ended September 30, 2009**  
(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>
<b>Fees</b>				
Management and incentive fees:				
Management fees	\$ 95,193	\$ 12,251	\$ —	\$ 107,444
Incentive fees	—	4,472	—	4,472
Management and incentive fees	<u>95,193</u>	<u>16,723</u>	<u>—</u>	<u>111,916</u>
Monitoring and transaction fees:				
Monitoring fees	46,946	—	—	46,946
Transaction fees	27,030	—	10,389	37,419
Fee credits	(37,125)	—	—	(37,125)
Net monitoring and transaction fees	<u>36,851</u>	<u>—</u>	<u>10,389</u>	<u>47,240</u>
Total fees	<u>132,044</u>	<u>16,723</u>	<u>10,389</u>	<u>159,156</u>
<b>Expenses</b>				
Employee compensation and benefits	33,636	5,189	3,049	41,874
Other operating expenses	44,067	4,795	1,387	50,249
Total expenses	<u>77,703</u>	<u>9,984</u>	<u>4,436</u>	<u>92,123</u>
<b>Fee Related Earnings</b>	<b><u>54,341</u></b>	<b><u>6,739</u></b>	<b><u>5,953</u></b>	<b><u>67,033</u></b>
<b>Investment income (loss)</b>				
Gross carried interest	318,323	—	—	318,323
Less: allocation to KKR carry pool	(85,447)	—	—	(85,447)
Less: management fee refunds	—	—	—	—
Net carried interest	232,876	—	—	232,876
Other investment income (loss)	16,927	(2,236)	508,888	523,579
Total investment income (loss)	<u>249,803</u>	<u>(2,236)</u>	<u>508,888</u>	<u>756,455</u>
Income (Loss) before noncontrolling interests in Income of consolidated entities	304,144	4,503	514,841	823,488
Income (Loss) attributable to noncontrolling interests	<u>543</u>	<u>67</u>	<u>183</u>	<u>793</u>
<b>Economic Net Income (Loss)</b>	<b><u>\$ 303,601</u></b>	<b><u>\$ 4,436</u></b>	<b><u>\$ 514,658</u></b>	<b><u>\$ 822,695</u></b>

See notes to KKR's unaudited reportable segments on page 23 of this press release.

**KKR**  
**STATEMENTS OF OPERATIONS**  
**TOTAL REPORTABLE SEGMENTS - ACTUAL (UNAUDITED)**  
**Nine Months Ended September 30, 2010**  
(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>
<b>Fees</b>				
Management and incentive fees:				
Management fees	\$ 293,543	\$ 40,700	\$ —	\$ 334,243
Incentive fees	—	30,405	—	30,405
Management and incentive fees	<u>293,543</u>	<u>71,105</u>	<u>—</u>	<u>364,648</u>
Monitoring and transaction fees:				
Monitoring fees	64,824	—	—	64,824
Transaction fees	65,058	9,825	58,726	133,609
Fee credits	(36,890)	(6,338)	—	(43,228)
Net monitoring and transaction fees	<u>92,992</u>	<u>3,487</u>	<u>58,726</u>	<u>155,205</u>
Total fees	<u>386,535</u>	<u>74,592</u>	<u>58,726</u>	<u>519,853</u>
<b>Expenses</b>				
Employee compensation and benefits	117,165	22,324	11,251	150,740
Other operating expenses	128,154	11,613	6,115	145,882
Total expenses	<u>245,319</u>	<u>33,937</u>	<u>17,366</u>	<u>296,622</u>
<b>Fee Related Earnings</b>	<b><u>141,216</u></b>	<b><u>40,655</u></b>	<b><u>41,360</u></b>	<b><u>223,231</u></b>
<b>Investment income (loss)</b>				
Gross carried interest	788,045	2,583	—	790,628
Less: allocation to KKR carry pool	(285,534)	(1,033)	—	(286,567)
Less: management fee refunds	(119,034)	—	—	(119,034)
Net carried interest	<u>383,477</u>	<u>1,550</u>	<u>—</u>	<u>385,027</u>
Other investment income (loss)	(1,532)	530	820,741	819,739
Total investment income (loss)	<u>381,945</u>	<u>2,080</u>	<u>820,741</u>	<u>1,204,766</u>
Income (Loss) before noncontrolling interests in Income of consolidated entities	523,161	42,735	862,101	1,427,997
Income (Loss) attributable to noncontrolling interests	<u>580</u>	<u>380</u>	<u>1,857</u>	<u>2,817</u>
<b>Economic Net Income (Loss)</b>	<b><u>\$ 522,581</u></b>	<b><u>\$ 42,355</u></b>	<b><u>\$ 860,244</u></b>	<b><u>\$ 1,425,180</u></b>

See notes to KKR's unaudited reportable segments on page 23 of this press release.

**KKR**  
**STATEMENTS OF OPERATIONS**  
**TOTAL REPORTABLE SEGMENTS - PRO FORMA (UNAUDITED)**  
**Nine Months Ended September 30, 2009**  
**(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>
<b>Fees</b>				
Management and incentive fees:				
Management fees	\$ 287,891	\$ 36,210	\$ —	\$ 324,101
Incentive fees	—	4,472	—	4,472
Management and incentive fees	<u>287,891</u>	<u>40,682</u>	<u>—</u>	<u>328,573</u>
Monitoring and transaction fees:				
Monitoring fees	89,860	—	—	89,860
Transaction fees	37,430	—	14,556	51,986
Fee credits	(47,641)	—	—	(47,641)
Net monitoring and transaction fees	<u>79,649</u>	<u>—</u>	<u>14,556</u>	<u>94,205</u>
Total fees	<u>367,540</u>	<u>40,682</u>	<u>14,556</u>	<u>422,778</u>
<b>Expenses</b>				
Employee compensation and benefits	97,066	15,768	7,745	120,579
Other operating expenses	122,745	15,519	3,985	142,249
Total expenses	<u>219,811</u>	<u>31,287</u>	<u>11,730</u>	<u>262,828</u>
<b>Fee Related Earnings</b>	<b><u>147,729</u></b>	<b><u>9,395</u></b>	<b><u>2,826</u></b>	<b><u>159,950</u></b>
<b>Investment income (loss)</b>				
Gross carried interest	463,393	—	—	463,393
Less: allocation to KKR carry pool	(113,750)	—	—	(113,750)
Less: management fee refunds	—	—	—	—
Net carried interest	349,643	—	—	349,643
Other investment income (loss)	20,016	(4,307)	915,053	930,762
Total investment income (loss)	<u>369,659</u>	<u>(4,307)</u>	<u>915,053</u>	<u>1,280,405</u>
Income (Loss) before noncontrolling interests in Income of consolidated entities	517,388	5,088	917,879	1,440,355
Income (Loss) attributable to noncontrolling interests	<u>1,476</u>	<u>94</u>	<u>96</u>	<u>1,666</u>
<b>Economic Net Income (Loss)</b>	<b><u>\$ 515,912</u></b>	<b><u>\$ 4,994</u></b>	<b><u>\$ 917,783</u></b>	<b><u>\$ 1,438,689</u></b>

See notes to KKR's unaudited reportable segments on page 23 of this press release.

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

	As of September 30, 2010			
	Private Markets Segment	Public Markets Segment	Capital Markets and Principal Activities Segment	Total Reportable Segments
Cash and cash equivalents	\$ 284,571	\$ 15,149	\$ 772,719	\$ 1,072,439
Investments	—	—	4,520,464(a)	4,520,464
Unrealized carry	378,500	1,551	—	380,051
Other assets	139,847	50,440	28,519	218,806
Total assets	<u>\$ 802,918</u>	<u>\$ 67,140</u>	<u>\$ 5,321,702</u>	<u>\$ 6,191,760</u>
Debt obligations	\$ —	\$ —	\$ 759,788	\$ 759,788
Other liabilities	148,419	14,591	40,802	203,812
Total liabilities	<u>148,419</u>	<u>14,591</u>	<u>800,590</u>	<u>963,600</u>
Noncontrolling interests	(1,810)	844	20,590	19,624
Partners' capital	<u>\$ 656,309</u>	<u>\$ 51,705</u>	<u>\$ 4,500,522</u>	<u>\$ 5,208,536</u>
Book value per unit (b)	\$ 0.96	\$ 0.08	\$ 6.59	\$ 7.63

	As of December 31, 2009			
	Private Markets Segment	Public Markets Segment	Capital Markets and Principal Activities Segment	Total Reportable Segments
Cash and cash equivalents	\$ 51,015	\$ 9,089	\$ 496,554	\$ 556,658
Investments	—	—	4,108,359	4,108,359
Unrealized carry	156,149	—	—	156,149
Other assets	154,964	53,319	55,219	263,502
Total assets	<u>\$ 362,128</u>	<u>\$ 62,408</u>	<u>\$ 4,660,132</u>	<u>\$ 5,084,668</u>
Debt obligations	\$ —	\$ —	\$ 733,697	\$ 733,697
Other liabilities	84,936	12,300	85,802	183,038
Total liabilities	<u>84,936</u>	<u>12,300</u>	<u>819,499</u>	<u>916,735</u>
Noncontrolling interests	130	527	14,392	15,049
Partners' capital	<u>\$ 277,062</u>	<u>\$ 49,581</u>	<u>\$ 3,826,241</u>	<u>\$ 4,152,884</u>
Book value per unit (b)	\$ 0.41	\$ 0.07	\$ 5.60	\$ 6.08

(a) See Capital Markets and Principal Activities segment schedule of investments that follows in this press release.

(b) Book value per unit is based on 683,007,420 units on a fully diluted basis as of September 30, 2010, giving effect to the common units that may be issued by KKR & Co. L.P. upon exchange of units in KKR Holdings L.P. for KKR common units and equity awards granted under KKR & Co. L.P. 2010 Equity Incentive Plan.

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

Investment	As of September 30, 2010		
	Cost	Fair Value	Fair Value as a Percentage of Investments
<b>Private Equity Investments:</b>			
Co-investments in portfolio companies of private equity funds:			
Dollar General Corporation	\$ 183,332	\$ 612,852	13.6%
HCA Inc.	201,444	495,326	11.0
Alliance Boots GmbH.	301,352	282,809	6.2
The Nielsen Company B.V.	156,839	235,258	5.2
Biomet, Inc.	151,443	151,443	3.3
NXP B.V.	250,000	117,361	2.6
U.S. Foodservice, Inc.	100,000	100,000	2.2
First Data Corporation	135,258	81,155	1.8
ProSiebenSat.1 Media AG	226,913	47,486	1.0
Energy Future Holdings Corp.	200,000	40,000	0.9
KION Group GmbH.	128,058	30,074	0.7
PagesJaunes Groupe S.A.	235,201	—	—
Capmark Financial Group Inc.	137,321	—	—
	<u>2,407,161</u>	<u>2,193,764</u>	<u>48.5</u>
Private equity funds:			
KKR 2006 Fund L.P.	1,174,661	1,246,899	27.6
KKR Asian Fund L.P.	149,227	180,668	4.0
KKR European Fund, Limited Partnership	159,198	178,954	4.0
KKR Millennium Fund L.P.	197,391	178,136	3.9
KKR European Fund III, Limited Partnership	141,814	147,773	3.3
KKR European Fund II, Limited Partnership	96,234	69,721	1.5
KKR E2 Investors, L.P.	9,432	12,562	0.3
	<u>1,927,957</u>	<u>2,014,713</u>	<u>44.6</u>
Other Investments	364,217	311,987	6.9
<b>Total Investments</b>	<u>\$ 4,699,335</u>	<u>\$ 4,520,464</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 September 30, 2010		
	Cost	Fair Value	Fair Value as a Percentage of Investments
<b>Significant Aggregate Investments: (a)</b>			
Dollar General Corporation	\$ 264,880	\$ 847,245	18.7%
HCA Inc.	260,920	624,225	13.8
Alliance Boots GmbH	443,114	424,715	9.4
The Nielsen Company B.V.	172,841	257,662	5.7
Biomet, Inc.	256,358	256,358	5.7
	<u>1,398,113</u>	<u>2,410,205</u>	<u>53.3</u>
Other portfolio companies (b)	2,937,005	1,798,272	39.8
Other investments	364,217	311,987	6.9
	<u>\$ 4,699,335</u>	<u>\$ 4,520,464</u>	<u>100.0%</u>
<b>Investments by Geography:</b>			
North America	\$ 2,521,298	\$ 3,045,381	67.4%
Europe	1,754,780	1,032,535	22.8
Asia Pacific	423,257	442,548	9.8
	<u>\$ 4,699,335</u>	<u>\$ 4,520,464</u>	<u>100.0%</u>
<b>Investments by Industry:</b>			
Healthcare	\$ 1,008,235	\$ 1,348,177	29.8%
Retail	600,993	1,150,619	25.5
Financial Services	910,135	576,680	12.8
Media/Telecom	789,441	430,153	9.5
Technology	471,766	374,565	8.3
Industrial	330,580	271,354	6.0
Energy	421,306	177,561	3.9
Consumer Products	146,408	164,551	3.6
Other	20,471	26,804	0.6
	<u>\$ 4,699,335</u>	<u>\$ 4,520,464</u>	<u>100.0%</u>

(a) The significant aggregate private equity investments include the co-investment in the underlying portfolio company and the limited partner and/or general partner interests equal to the pro rata share of KKR's private equity fund investment with fair values in excess of 5% of the Capital Markets and Principal Activities Segment investment balance as of September 30, 2010.

(b) Other portfolio companies include aggregate private equity investments in portfolio companies with individual fair values less than 5% of the Capital Markets and Principal Activities Segment investments balance as of September 30, 2010.

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

**Assets Under Management**

	<u>Private Markets Segment</u>	<u>Public Markets Segment</u>	<u>Total Reportable Segments</u>
AUM as of June 30, 2010	\$ 41,031,100	\$ 13,367,200	\$ 54,398,300
New Capital Raised	—	416,900	416,900
Distributions	(1,279,700)	(260,100)	(1,539,800)
Foreign Exchange	296,200	—	296,200
Change in Value	1,831,100	95,800	1,926,900
AUM as of September 30, 2010	<u>\$ 41,878,700</u>	<u>\$ 13,619,800</u>	<u>\$ 55,498,500</u>

**Fee Paying Assets Under Management**

	<u>Private Markets Segment</u>	<u>Public Markets Segment</u>	<u>Total Reportable Segments</u>
FPAUM as of June 30, 2010	\$ 35,317,500	\$ 6,325,900	\$ 41,643,400
New Capital Raised	—	416,700	416,700
Distributions	(24,500)	(260,100)	(284,600)
Foreign Exchange	722,600	—	722,600
Change in Value	16,700	190,400	207,100
FPAUM as of September 30, 2010	<u>\$ 36,032,300</u>	<u>\$ 6,672,900</u>	<u>\$ 42,705,200</u>



KKR

INVESTMENT VEHICLE SUMMARY (UNAUDITED)

As of September 30, 2010

(Amounts in millions, except percentages)

	Investment Period		Amount						
	Commencement		Commitment	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost	Fair Value
	Date	End Date							
<b>Private Markets</b>									
<b>Private Equity Funds</b>									
E2 Investors (Annex Fund)	8/2009	11/2011	\$ 543.0	\$ 428.2	4.2%	\$ 114.8	\$ —	\$ 114.8	\$ 151.5
European Fund III	3/2008	3/2014	5,998.5	4,293.9	4.5%	1,704.6	—	1,704.6	1,751.1
Asian Fund	7/2007	7/2013	4,000.0	1,957.4	2.5%	2,042.6	—	2,042.6	2,582.0
2006 Fund	9/2006	9/2012	17,642.2	4,880.5	2.1%	12,761.7	1,731.2	11,979.5	13,096.2
European Fund II	11/2005	10/2008	5,750.8	—	2.1%	5,750.8	691.4	5,406.1	3,782.8
Millennium Fund	12/2002	12/2008	6,000.0	—	2.5%	6,000.0	5,764.0	4,144.4	5,560.9
European Fund	12/1999	12/2005	3,085.4	—	3.2%	3,085.4	6,263.5	553.2	2,106.5
<b>Total Private Equity Funds</b>			<b>43,019.9</b>	<b>11,560.0</b>		<b>31,459.9</b>	<b>14,450.1</b>	<b>25,945.2</b>	<b>29,031.0</b>
Co-Investment Vehicles	Various	Various	1,865.1	452.9	Various	1,412.0	189.9	1,354.6	1,955.6
Natural Resources I	3/2010	(1)	257.5	257.5	2.9%	—	—	—	—
Infrastructure Fund	9/2010	9/2016	225.0	225.0	22.2%	—	—	—	—
<b>Private Markets Total</b>			<b>45,367.5</b>	<b>12,495.4</b>		<b>32,871.9</b>	<b>14,640.0</b>	<b>27,299.8</b>	<b>30,986.6</b>
<b>Public Markets</b>									
Capital Solutions Vehicles	Various	Various	1,170.2	754.5	Various	415.7	—	415.7	439.5
Mezzanine Fund	3/2010	3/2015	528.6	501.0	8.5%	27.6	—	27.6	27.6
<b>Public Markets Total</b>			<b>1,698.8</b>	<b>1,255.5</b>		<b>443.3</b>	<b>—</b>	<b>443.3</b>	<b>467.1</b>
<b>Total</b>			<b>\$ 47,066.3</b>	<b>\$ 13,750.9</b>		<b>\$33,315.2</b>	<b>\$14,640.0</b>	<b>\$27,743.1</b>	<b>\$31,453.7</b>

(1) Third anniversary of the first acquisition.

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

	Quarter Ended September 30, 2010
FRE	\$ 69,506
Realized cash carry	98,852
Less: local income taxes	—
Less: noncontrolling interests	(1,567)
Gross distributable earnings	166,791
Earnings attributable to KKR & Co. L.P. (30%)	50,037
Less: estimated current corporate income taxes	(19,005)
Plus: tax distribution	—
Net cash available for distribution	\$ 31,032
Outstanding KKR & Co. L.P. units	204,902,226
Distribution per KKR & Co. L.P. unit	\$ 0.15

**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 asset 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 tax distributions, if any, to the extent that distributions for the relevant tax year were otherwise insufficient to cover certain tax liabilities of its partners, as calculated by KKR. When KKR & Co. L.P. receives distributions from the KKR Group Partnerships, KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships. For the purposes of KKR's distribution policy, its distributions are expected to consist of an amount consisting 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) certain tax distributions, if any. This amount is expected to be reduced by (i) corporate and applicable local taxes if any, (ii) noncontrolling 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 unitholder's actual U.S. or non-U.S. tax liability.

## **Notes to KKR's Unaudited Reportable Segments**

The reportable segments are presented prior to giving effect to the allocation of income between KKR & Co. L.P. and KKR Holdings L.P. and as such represents the business in total. For the quarter and nine months ended September 30, 2010, KKR's allocable portion of FRE and ENI would be calculated as approximately 30% of the amounts presented less applicable income taxes.

The FRE and ENI previously reported for periods prior to October 1, 2009 did not reflect certain adjustments that are applicable for periods after October 1, 2009 as a result of the Business Combination, which include items such as:

- the exclusion of approximately 40% of the carry allocated to KKR principals pursuant to its carry pool;
- the exclusion of carry allocated to former KKR principals;
- the exclusion of the capital invested by or on behalf of the general partners of KKR's private equity funds before the completion of the Business Combination and any returns thereon;
- the exclusion of the economic interests associated with the KKR 1996 Fund;
- the elimination of management fees paid by KKR & Co. (Guernsey) L.P. formerly known as KKR Private Equity Investors, L.P. ("KPE"), prior to the Business Combination, to KKR's management companies;
- the inclusion of the financial results of KPE; and
- certain compensation adjustments including: (a) the exclusion of bonuses earned by certain of KKR's principals which will not be borne by public investors and (b) the inclusion of salaries for KKR's senior principals.

Given the significance of these adjustments, the comparisons to all periods prior to October 1, 2009 in this press release are on a pro forma basis giving effect to the adjustments above. For a further discussion of adjustments related to the Business Combination please refer to KKR & Co. L.P.'s prospectus filed on October 5, 2010, which is available at the SEC's website at [www.sec.gov](http://www.sec.gov).

Key performance measures used in evaluating KKR's reportable business segments are summarized below. These measures are used by management for its segments in making resource deployment and other operational decisions.

**Fee related earnings ("FRE")** is comprised of segment operating revenues, less segment operating expenses. The components of FRE on a segment basis differ from the equivalent U.S. GAAP amounts on a combined basis as a result of: (i) the inclusion of management fees earned from consolidated funds that were eliminated in consolidation; (ii) the exclusion of expenses of consolidated funds; (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; (vi) the exclusion of certain reimbursable expenses and (vii) the exclusion of certain non-recurring items .

**Economic net income ("ENI")** is a measure of profitability for KKR's reportable segments and is comprised of: (i) FRE; plus (ii) segment investment income, 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 on a U.S. GAAP basis as a result of: (i) the exclusion of the items referred to in FRE above; (ii) the exclusion of investment income relating to noncontrolling interests; and (iii) the exclusion of income taxes.

**Assets under management ("AUM")** represent the assets from which KKR is entitled to receive fees or a carried interest and general partner capital. 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; and (iv) the value of outstanding structured finance vehicles. You should note that KKR's calculation of AUM may differ from the calculations of other asset managers and, as a result, its measurements of AUM may not be comparable to similar measures presented by other asset managers. 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.

**Fee paying AUM (“FPAUM”)** represents only those assets under management from which KKR receives fees. 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 during a given period. Such amounts include: (i) capital invested by fund investors and co-investors with respect to which KKR is entitled to a carried interest and (ii) capital invested by KKR.

**Uncalled commitments** represent 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.

The following should be considered when reviewing KKR’s reportable segments:

**Fee Credits** require KKR to share a portion of any monitoring and transaction fees received from portfolio companies with limited partners in certain of its investment funds. Fee credits exclude fees that are not attributable to a fund’s investment in a portfolio company and generally amount to 80% of monitoring and transaction fees after fund related expenses are recovered.

**KKR Carry Pool** represents a portion of the carried interest earned in relation to certain of KKR’s active and future investment funds and co-investment vehicles that will be allocated to its principals, other professionals and selected other individuals.

**Management Fee Refunds** represent 20% of any cash management fees earned from limited partners in the event that certain of KKR’s investment funds recognize a carried interest. At such time as the fund recognizes a carried interest in an amount sufficient to cover 20% of the management fees earned or a portion thereof, carried interest is reduced, not to exceed 20% of management fees earned.

**Noncontrolling interests** represent economic interests that will (i) allocate to a former principal an aggregate of 1% of profits and losses of its management companies until a future date and (ii) allocate to a third party investor an aggregate of 2% of the equity in its capital markets business.