

KKR & Co. L.P.

Earnings Release and Segment Realignment – January 2016

Long-Term Objectives

- ▶ Grow profits and book value to create an additional \$20+ billion of market cap
- ▶ Control headcount growth and limit complexity
- ▶ Control share count
- ▶ Limit shareholder dilution
- ▶ Keep ROE Attractive
- ▶ Limit Company Leverage

Note: The long-term objectives stated above are goals of the firm subject to uncertainty and change and constitute forward looking statements. See Legal Disclosures regarding forward looking statements. Company Leverage above refers to total debt obligations as reported on the company's total reportable segments balance sheet.

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Introduction

▶ **Since the release of our Q3 earnings, investor feedback has focused on the strategic shift in our capital management priorities**

- The introduction of a fixed distribution of \$0.16 per unit per quarter together with the \$500mm share buyback authorization

▶ **Today we will spend time on three additional topics introduced on the Q3 earnings call**

1) Key, firm-wide operating metrics

- We operate as one firm with a focus on an overall firm margin
- We believe the most appropriate financial metrics through which to evaluate our performance are **Total Segment** figures

2) Beginning with 4Q15 financial results, we are introducing a new, fourth segment – Principal Activities

- We are going to break out balance sheet performance as a standalone, fourth segment
- We are adjusting how operating expenses are allocated across segments including Principal Activities

3) Beginning with 4Q15 financial results, we are adjusting our AUM and FPAUM disclosures

- Both FPAUM and AUM will reflect, as appropriate: i) the impacts of capital commitments previously excluded from AUM; and ii) the pro rata portion of our strategic partnerships

Financial Metrics

- The metrics below are useful in evaluating our performance

Investment Performance

- Funds / strategies
- Balance sheet

Total Segment Financial Metrics

- Pre-tax ENI
- Total revenues
 - Pre-tax ENI Margin
- After-tax ENI
- After-tax ENI/Unit
- Cash earnings
- Cash earnings/Unit

Additional

- ROE
- Cash ROE
- Book value/unit
- AUM
- FPAUM

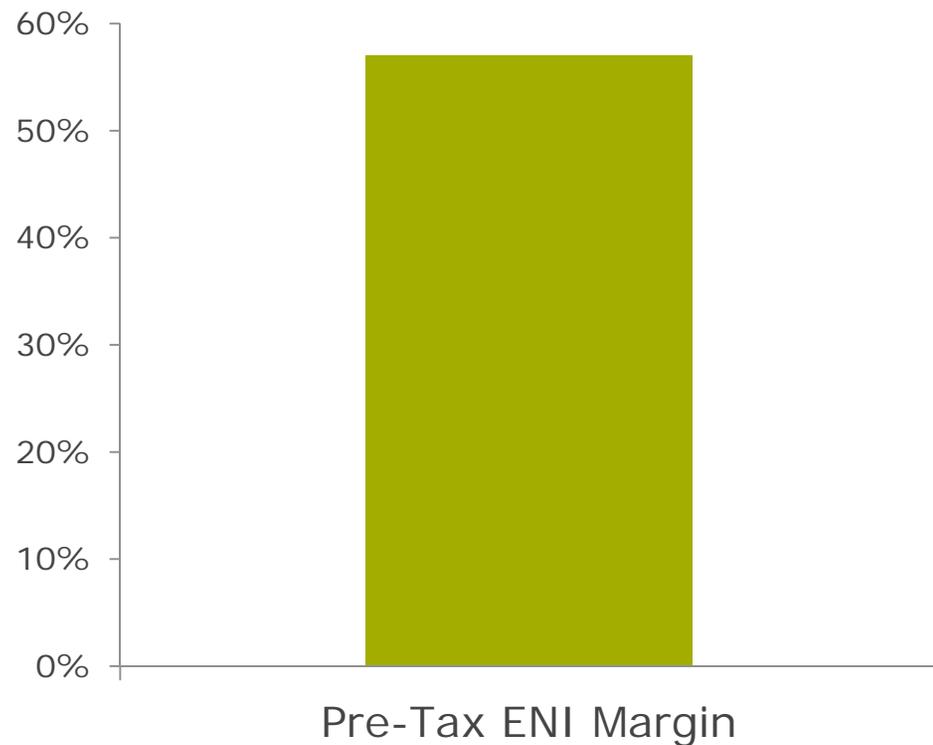
- Beginning Q4'15, our press release will focus on total firm performance:
 - Revenues for all four segments will be shown within the press release
 - Full segment P&Ls will not be included in the press release and will be reported in our subsequent quarterly and annual SEC filings

Note: Pre-Tax ENI listed in the Total Segment Financial Metrics column refers to ENI less equity-based compensation.

Margin Comparison

- Given our differentiated business model, and the significance of our balance sheet and capital markets businesses in particular, we historically run at a higher margin relative to the AUM-focused alternative asset management peer group

Since 2012, KKR has
operated at an
average margin of
57%



Note: Reflects ENI less equity-based compensation (Pre-Tax ENI).

Our Progress Since 2010

	2010	9/30/2015
Book Value / Unit	\$6.08	\$12.01 <small>With cumulative distributions of \$6.74 per unit paid out over this timeframe</small>
Reported AUM	\$52 bn	\$98.7 bn
Capital Commitments excluded from AUM ⁽¹⁾	\$0	\$10.7 bn
Pro Forma Pro Rata Portion of Strategic Partnerships⁽¹⁾	\$0	\$8.9 bn
Adjusted AUM	\$52 bn	\$118.3 bn
Reported Public Markets FPAUM	\$6.3 bn	\$36.7 bn

- Several of our businesses have scaled meaningfully since we went public including our balance sheet

This has led us to re-think how segments are reported and how expenses are allocated

- Capital commitments excluded from AUM and our pro rata portion of strategic partnerships have grown in significance

This, in turn, has led to us to revise how we report AUM and FPAUM

Note: 2010 reflects beginning of year. Presentation is as of 9/30/2015.

1) Not currently included within reported AUM. Pro Forma Pro Rata Portion of Strategic Partnerships includes Marshall Wace which closed in Q4 2015. See page 11 for additional information on capital commitments excluded from AUM and Pro Forma Pro Rata Portion of Strategic Partnerships.

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New Fourth Segment – Principal Activities

Why Introduce a New Segment?

- Our balance sheet has continued to increase in significance and is a meaningful contributor to our financial results
 - Book value per share has increased to \$12.01/unit as of 9/30/2015 and currently represents ~80% of our stock price⁽¹⁾
 - From 2011 through 2014, Investment Income contributed ~25% of total revenues
- Reporting the balance sheet as a separate segment is consistent with how it is managed within KKR

Expense Allocation

- Reflecting the underlying growth and development of KKR since we went public, we are adjusting how expenses are allocated across our segments
- This will include the allocation of a portion of expenses to Principal Activities, which is consistent with how it is managed
 - Expenses allocable to Principal Activities will be based on revenue and will be shifted from Private Markets, Public Markets and Capital Markets based on headcount
- Currently, all “corporate” expenses are applied against Private Markets, this will change going forward with corporate expenses allocated across segments based on revenues

1) As of 1/8/16.

Expense Allocation to Principal Activities – Step 1

- A portion of segment expenses, including “corporate” expenses, will be allocated to Principal Activities based largely on a trailing 4-year segment revenue basis

	2011	2012	2013	2014	Total		
Balances exclude investment income and represent fee and carry revenue only	Private Markets	\$865	\$1,789	\$1,945	\$1,833	\$6,432	
	Public Markets	123	194	351	399	1,067	
	Capital Markets	170	129	146	218	663	
	Investment Income	203	1,111	958	505	2,777	= ~25%
Total Segment Revenues	\$1,360	\$3,223	\$3,401	\$2,956	\$10,939		

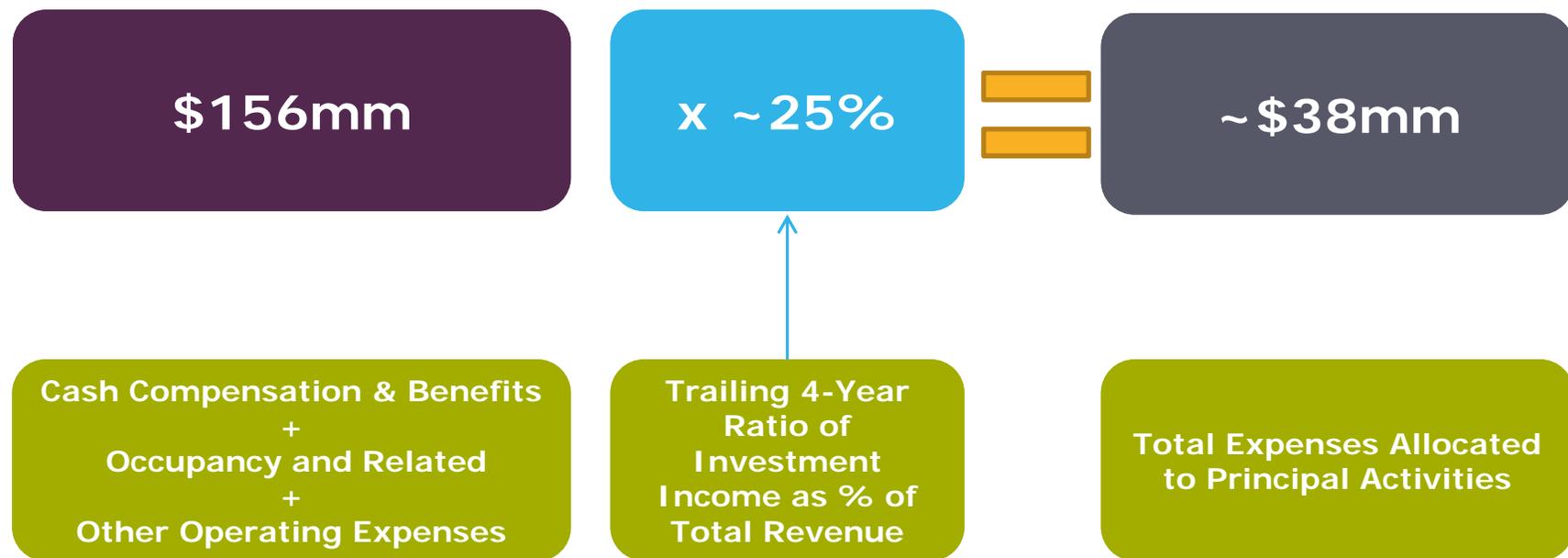
The ratio of Investment Income to Total Segment Revenues will be calculated on an annual basis and will be applied prospectively for each calendar year

Note: The trailing four-year average of Investment Income to Total Segment Revenues in 2014 and 2013 were ~32% and ~38%, respectively. The ~25% ratio of Investment Income to Total Segment Revenues shown as an example above would be used to allocate expenses for 2015. The ratio that would be used to allocate expenses for 2016 has not yet been calculated.

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Hypothetical Expense Allocation – Step 2

- The chart below walks through 3Q15 as an example



Note: The example above reflects a simplified hypothetical expense allocation for Q3 2015 under a new expense allocation methodology. The example does not show certain adjustments prior to the allocation of expenses to Principal Activities, namely the exclusion of certain direct segment and corporate allocation expenses. The example and its results may not reflect future results.

Impact on Fee Related Earnings

- There will be two main changes to Fee Related Earnings (FRE):
 - 1) Expenses allocated to Principal Activities will be excluded from FRE
 - 2) Incentive Fees and related compensation will be excluded from FRE
- The tables below walk through 3Q15 as an example

Reported		Adjusted	
Mgmt., Monitoring and Trans. Fees	\$244.9	FRE as Reported	\$89.9
Incentive Fees	0.9		
Fee Revenue	<u>245.8</u>	Add: Expenses to Principal Activities	38.1
Expenses:		Less: Incentive Fees	(0.9)
Cash Compensation and Benefits	88.0	Exclude 40% comp. load on incentive fees	0.4
Occupancy and Related	15.7		
Other Operating Expenses	<u>52.1</u>		
Total:	<u>155.8</u>	Adjusted FRE	<u>\$127.5</u>
FRE	\$89.9		

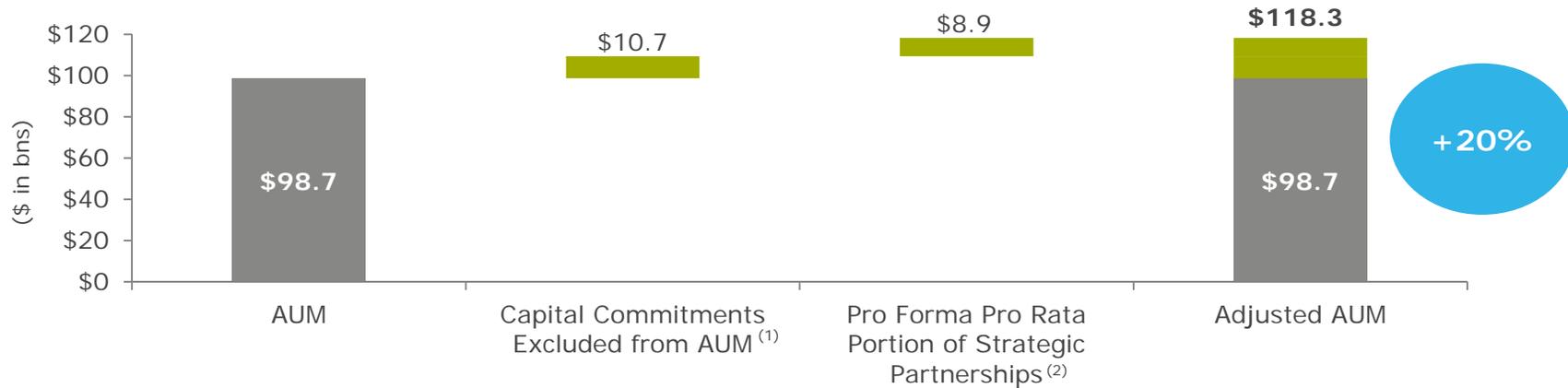
% Change = 42%

Note: Amounts above in \$ millions.

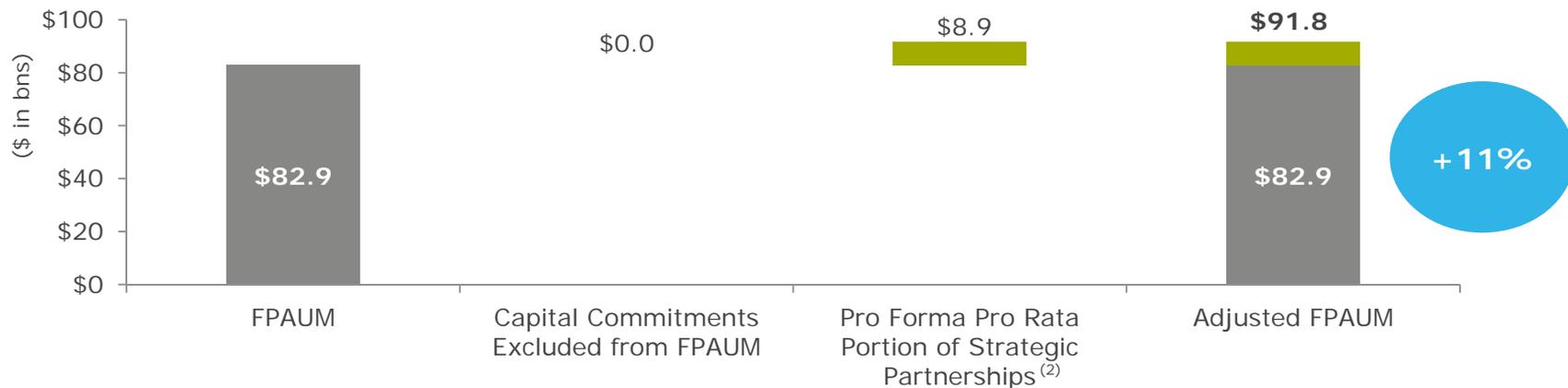
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Our Adjusted AUM/FPAUM Profile (as of 9/30/15)

AUM



FPAUM



(1) Capital Commitments excluded from AUM refers to commitments in connection with private and public markets investment vehicles for which we are currently not earning management fees or carried interest. Under the definitions in effect as of 9/30/2015, such commitments would not contribute to AUM or FPAUM unless and until we were entitled to receive fees or carried interest in accordance with our definition of AUM and FPAUM.

(2) Pro Rata Portion of Strategic Partnerships represents a portion of the AUM managed by entities in which KKR holds a minority stake and is calculated based on KKR's percentage stake in such entities multiplied by such entity's respective AUM or FPAUM, as applicable. Figures shown pro forma for Marshall Wace transaction which closed in Q4 2015.

How will the Press Release Change?

Topic	3Q15 Page(s)	Discussion
Total Segments	7	<ul style="list-style-type: none">• Little change• Will include Fee Related Earnings build
Individual Segment P&L	8 - 10	<ul style="list-style-type: none">• Revenue by segment to be included within press release• Segment P&Ls to be included within SEC filings
AUM/FPAUM	13, 14	<ul style="list-style-type: none">• To include Capital Commitments excluded from AUM and Pro Rata Portion of Strategic Partnerships in Press Release
Distribution Calculation	16	<ul style="list-style-type: none">• Page will be removed as page 2 already provides cash earnings disclosure

Appendix

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Appendix: Reconciliation of KKR & Co. L.P. Partners' Capital (GAAP Basis) to Book Value per Adjusted Unit

	As Of						
	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	September 30, 2015
KKR & Co. L.P. partners' capital	1,013,849	\$1,326,493	\$1,328,698	\$2,004,359	\$2,722,010	\$5,382,691	\$5,658,646
Noncontrolling interests held by KKR Holdings L.P.	3,072,360	4,346,388	4,342,157	4,981,864	5,116,761	4,661,679	4,482,900
Equity impact of KKR Management Holding Corp. and other	66,675	52,745	39,729	(29,039)	(76,171)	73,855	90,017
Book value	4,152,884	5,725,626	5,710,584	6,957,184	7,762,600	10,118,225	10,231,563
Adjusted units	683,007,420	683,037,420	689,392,861	704,780,484	716,676,699	838,020,974	851,670,762
Book value per adjusted unit	\$6.08	\$8.38	\$8.29	\$9.87	\$10.83	\$12.07	\$12.01

Note: Amounts in thousands, except common unit and per common unit amounts.

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