

KKR & Co. L.P.

July 2014

KKR's Business Model

Scott C. Nuttall

Multiplier Effect

Invest more behind ideas and relationships



Capture more from content we create



Bring ideas and products to more investors



Invest our own capital / seed new efforts



Multiplier Effect

History

	2004	2009	LTM
<u>Firm Revenues:</u>			
Fees	\$181	\$618	\$1,135
Carry (Gross)	532	580	1,343
Balance Sheet	N/A	353	917
Total Segment Revenues	\$713 mm	\$1,551 mm	\$3,395 mm
FPAUM	\$12 bn	\$43 bn	\$84 bn
Book Value	N/A	\$4.2 bn	\$8 bn → \$10 bn⁽¹⁾
Market Cap	N/A	\$5.8 bn	\$17 bn → \$20 bn⁽²⁾

Note: See Appendix for a reconciliation to the comparable GAAP metrics. LTM figures are as of 3/31/14 unless otherwise stated. Revenue figures represent the last twelve months as of 3/31/14.

(1) Represents post KFN figure and includes \$2.2 bn of net shareholders equity of KFN.

(2) Market cap as of 6/4/14.

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KKR—Global Leader in Alternative Asset Management

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Private Markets

\$61 bn AUM

- **Private Equity**
- ✓ **Energy**
- ✓ **Infrastructure**
- ✓ **Real Estate**

Public Markets

\$42 bn AUM

- **Leveraged Credit**
 - Leveraged Loans
 - High-Yield Bonds
- ✓ **Alternative Credit**
 - Mezzanine
 - Direct Lending
 - Special Situations
- ✓ **Hedge Funds**
 - Fund of Funds
 - Stakes, Seeding

Capital Markets & Principal Activities

\$10.7 bn of Cash and Investments⁽¹⁾

- ✓ **Capital Markets**
- ✓ **MerchCap Solutions**

Balance Sheet (\$8bn → \$10bn post KFN)

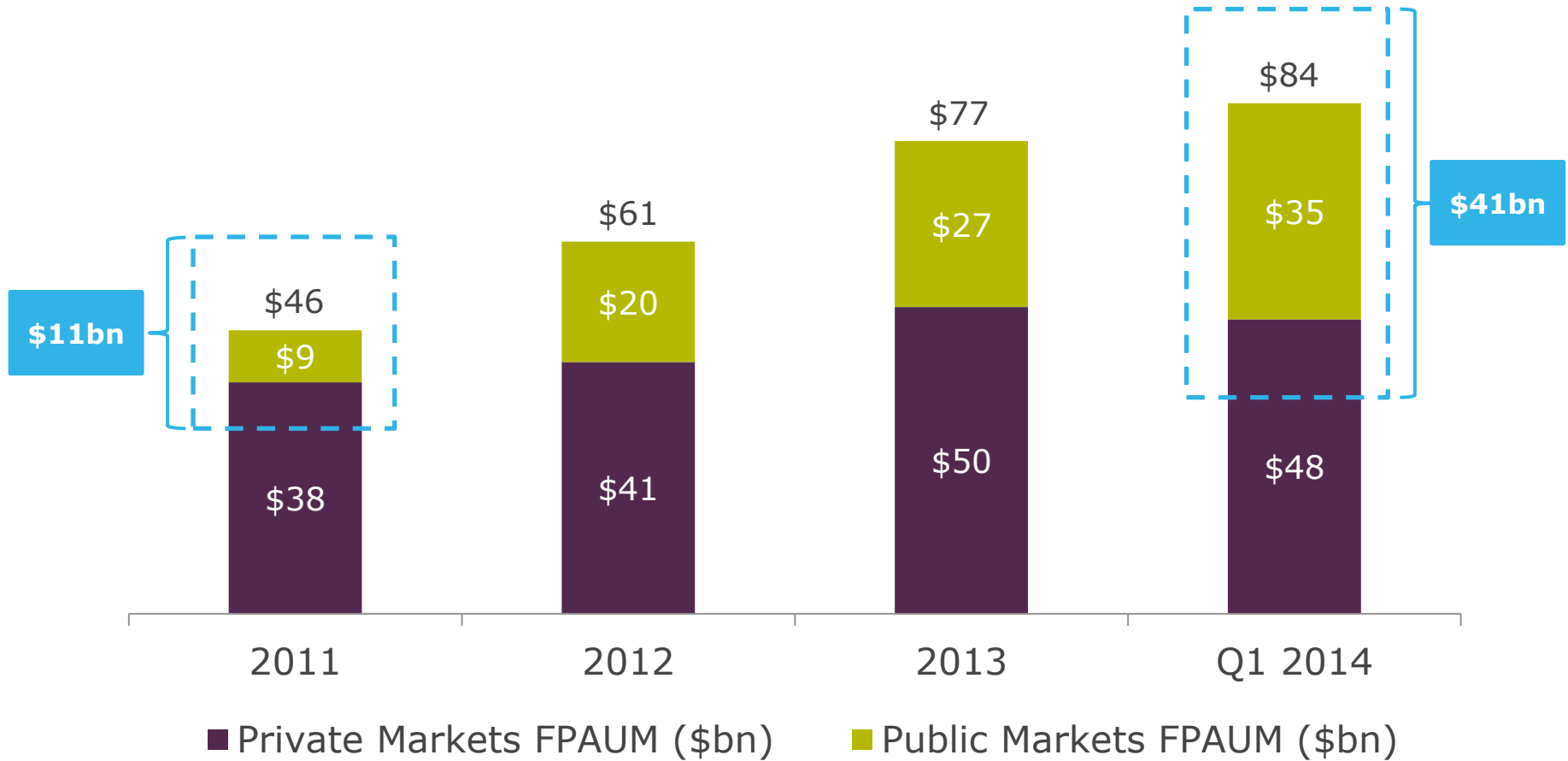
✓ Reflects new business since 2010

Note: Figures as of 3/31/14, unless otherwise stated.

(1) Represents post KFN figure and consists of KKR cash and investments of \$7.5 bn plus KFN unconsolidated balance sheet cash of \$0.2 bn and portfolio holdings of \$3.0 bn.

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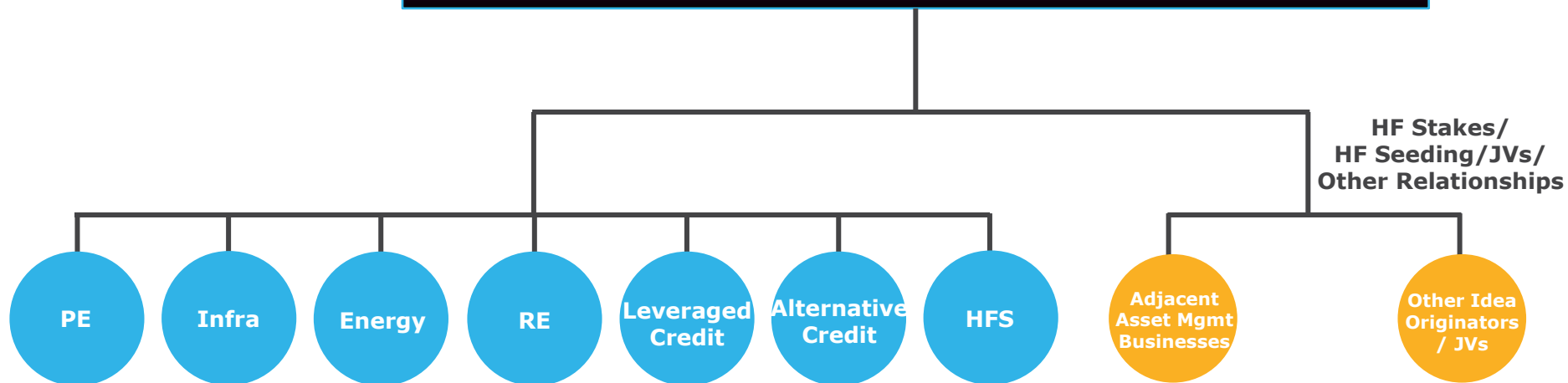
FPAUM Growth



Non PE FPAUM has grown from \$11 bn to \$41 bn

Our Model

Ways We
Monetize
Ideas



- **Scale what we have that is or can be differentiated**
- **Partner with others who are best in class and who we can help and who can help us**

It's Not Just About AUM

(Illustrative)

Traditional Model

Two \$500 mm Investments

- In a 20% carry Fund
- With a 15% IRR
- With a 1-year hold

Management Fees	\$12.5 mm
FRE Impact (40% Margin)	\$5
After Tax FRE Impact	\$3
Carry, Gross	\$30
Carry, Net	\$18
Total After Tax ENI	\$21 mm
Total Distributable Earnings (After Tax)	\$21 mm
Total Distribution Impact	\$21 mm
Book Value Impact	\$0



Need to go raise \$1 bn of new AUM once invested

KKR Approach

\$1 bn Investment

- Fund takes \$500 mm
- Firm syndicates \$250 mm
- Firm Balance Sheet takes \$250 mm

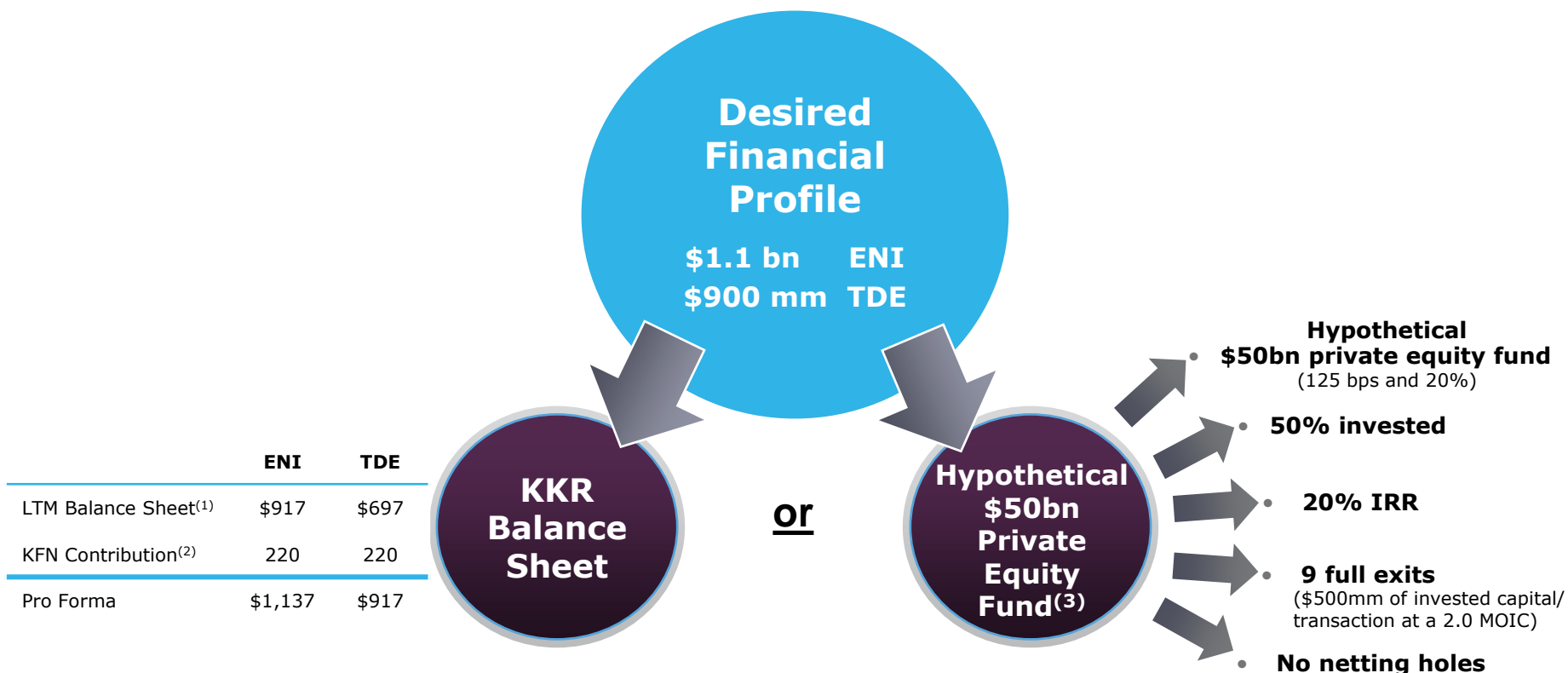
Management Fees	\$6.3 mm
FRE Impact (40% Margin)	\$2.5
After Tax FRE Impact	\$1.5
Carry, Gross	\$15
Carry, Net	\$9
Up-Front Fee—KCM, B/S	\$15
FRE Impact (70% Margin)	\$11
After Tax FRE Impact	\$6
Balance Sheet Gain	\$38
Distribution Impact	\$15
Total After Tax ENI	\$54 mm
Total Distributable Earnings (After Tax)	\$54 mm
Total Distribution Impact	\$32 mm
Book Value Impact	\$23 mm

KKR approach can hypothetically generate ~2.5x the Total Distributable Earnings impact plus Book Value growth using half of the AUM

KKR Approach allows us to do bigger deals

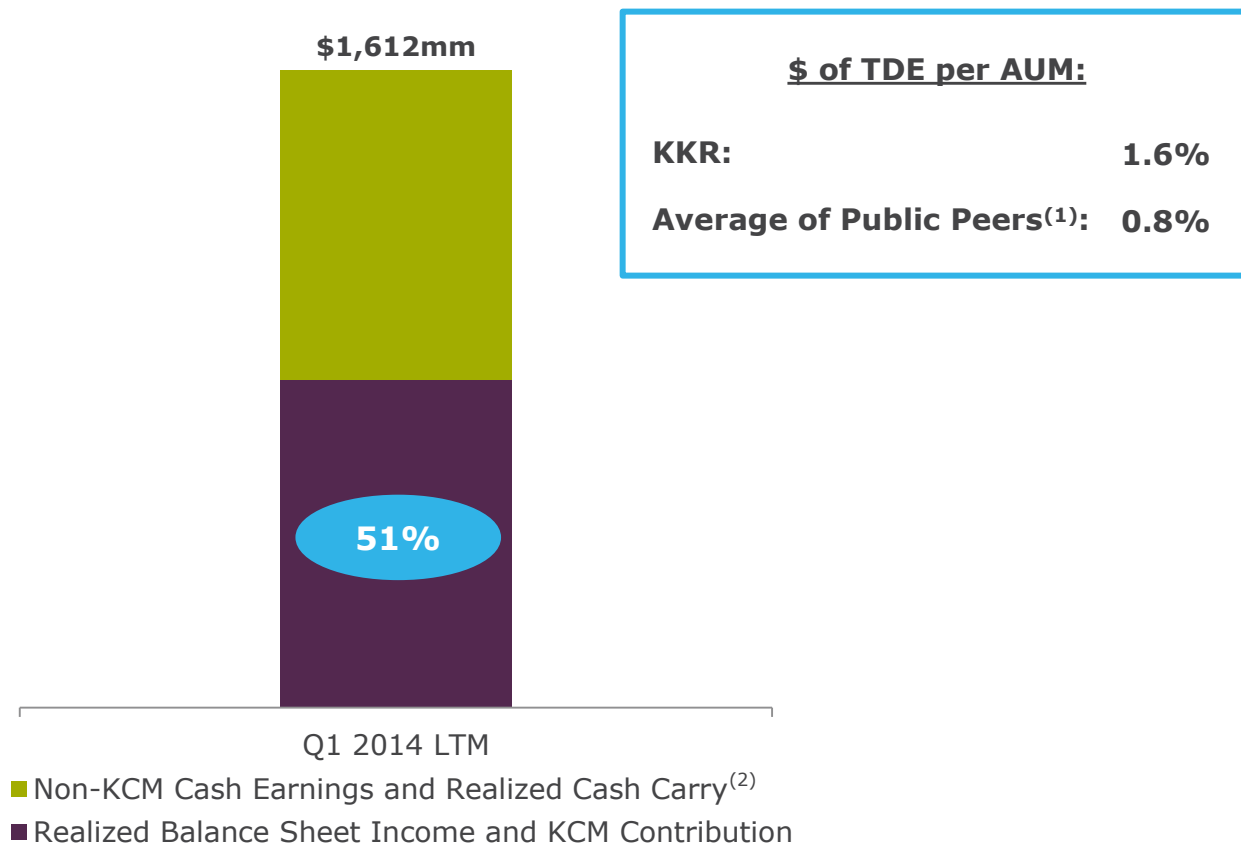
Note: The KKR approach uses the same assumptions with respect to carry, gross IRR and hold period as the traditional model, both of which are being presented as illustrative examples only. The financial results have been prepared on the basis of the specific assumptions set forth above, which assumptions are hypothetical and not representative of any actual or anticipated funds or transactions. Actual results and events may differ materially from the assumptions underlying this example. There can be no assurance that the example financial results will reflect actual financial results or reflect any actual investments, and actual results may be substantially different from those illustrated herein.

- KKR's investment advisory business with greater balance sheet participation is more profitable than a pure PE Fund model



(1) ENI of \$917mm represents LTM Total Other Investment Income (Loss) as of March 31, 2014. TDE of \$697 mm represents LTM Net Realized Principal Investment Income as of 3/31/14.
 (2) Assumes a 10% ROE on KFN's 3/31/14 book value of \$2.2 bn.
 (3) The hypothetical private equity fund above has been prepared on the basis of the specific assumptions set forth above, which assumptions are hypothetical and not representative of any actual or anticipated funds or transactions.

Our Total Distributable Earnings Profile



Our Business Model is Unique

(1) Public peers consist of APO, BX, CG and OAK.

(2) Non-KCM cash earnings figures are net of local income taxes and non-controlling interest.

Case Study—Dollar General

	Traditional PE	Old World	New World ⁽¹⁾
<u>Equity Invested:</u>			
Private Equity Fund	\$1,017 mm	\$1,017mm	\$1,017 mm
KCM Syndication with Carry	0	324/10%	500/10%
Balance Sheet Hold	0	0	300
Other	1,758	1,433	958
Total	\$2,775	\$2,775	\$2,775
<u>Simplified Economics (4.75x MOIC)</u>			
Profit on Investment	\$10,406	\$10,406	\$10,406
3% Transaction Fee	83	83	83
Capital Markets Fees Over Life of Investment	309	309	309
Total	10,798	10,798	10,798
<u>Economics Retained by KKR</u>			
Profit on Investment	\$763	\$885	\$2,075
3% Transaction Fee	6	16	30
Capital Markets Fees Over Life of Investment	0	69(22%)	69(22%)
Total	769	969	2,174
Participation Rate	7%	9%	20%

\$1.2bn More Profit!

(1) The financial results have been prepared on the basis of the specific assumptions set forth above, which assumptions are hypothetical and not representative of any actual or anticipated funds or transactions. Actual results and events may differ materially from the assumptions underlying this example. There can be no assurance that the example financial results will reflect actual financial results or reflect any actual investments, and actual results may be substantially different from those illustrated herein.

Our Business, Quite Simply

- We have 3 forms of revenue:
 - Fees
 - Carry
 - Balance Sheet
- We have 2 major buckets of expenses:
 - Compensation
 - Other Operating Costs

KKR's P&L—New Look

(Amounts in millions)

	2011	2012	2013	Q1 2014
Segment Revenues				
Fees	\$912	\$824	\$1,028	\$328
Gross Carried Interest	246	1,288	1,414	339
Investment Income (Loss) ⁽¹⁾	203	1,111	958	279
Total Segment Revenues	\$1,360	\$3,223	\$3,401	\$945
Segment Expenses				
Compensation & Benefits (Cash)	\$258	\$273	\$344	109
Compensation (Non-Cash) ⁽²⁾	17	63	115	39
Allocation to KKR Carry Pool	108	581	583	136
Occupancy and Related Charges	51	55	56	14
Other Operating Expenses	186	176	216	53
Total Segments Expenses	\$620	\$1,148	\$1,314	\$351
Economic Net Income (Loss)	\$734	\$2,068	\$2,081	\$591
Provision for Income Taxes	248	102	62	37
Economic Net Income (Loss) After Taxes	\$486	\$1,966	\$2,019	\$554
ENI Margin	54%	64%	61%	62%
Cash Margin	55%	67%	61%	63%
After-Tax ROE	9%	31%	27%	7% ⁽³⁾ (3-month)

(1) Figure is net of management fee refunds.

(2) Figure represents equity-based charges.

(3) Figure is non-annualized.

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What We've Created

- Our business:
 - 60+% margins⁽¹⁾
 - 20+% ROE (with no net leverage)
 - ~70% payout ratio
 - Global, flexible capital
 - Can invest in anything we like
 - Can maximally monetize what we see through funds, KCM, Balance Sheet

Note: Figures are representative of metric averages since 2010.
(1) Margin figure represents total ENI divided by total segment revenues.

Margin and FRE

(Illustrative)

- On an as-reported LTM basis (excluding KFN), the balance sheet contributed 27% of Total Segment Revenues, 43% of Total Distributable Earnings, and 45% of Economic Net Income

LTM Through March 31, 2014	Reported	Constant Margin Basis	% Change
Fees	\$1,135	\$1,135	
Margin	42%	64%	
Fee-related earnings	\$476	\$731	54%
Gross carried interest ⁽¹⁾	\$1,343	\$1,343	
Margin	59%	64%	
Net carried interest	\$794	\$865	9%
Other investment income	\$917	\$917	
Margin	100%	64%	
Net carried interest	\$917	\$591	-36%
Economic net income ⁽²⁾	\$2,187	\$2,187	0%
Margin	64%	64%	

Note: Dollars in millions.
 (1) Net of management fee refunds.
 (2) Before noncontrolling interests.

Goals—Simultaneous Equation

- Double our cash flow
- Keep culture

- Keep generating 20+% ROE
- Minimal leverage
- Limit equity dilution

How?



Scale our businesses

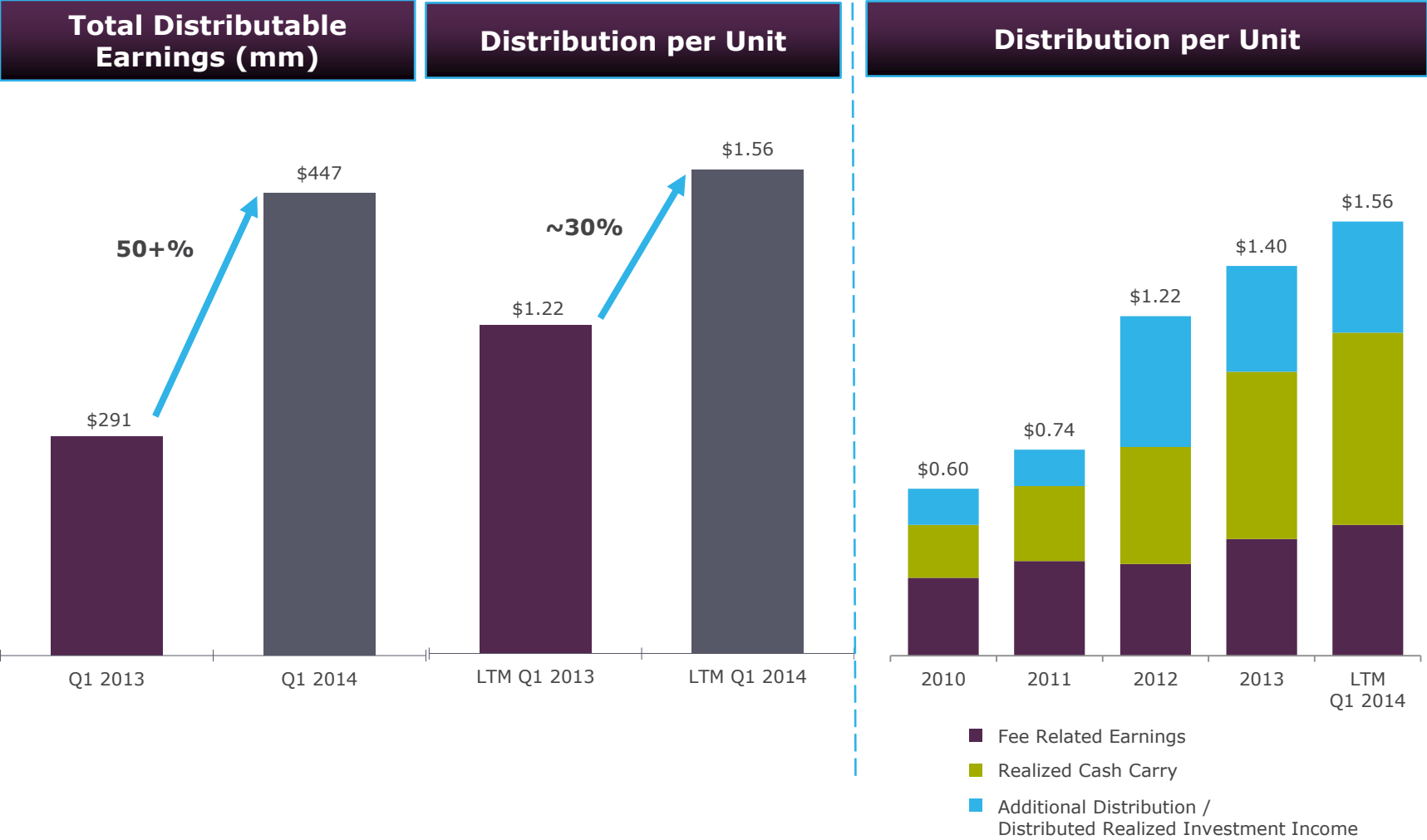


Make more money from what we are already doing

Note: Our goals above are subject to uncertainty and change and constitute forward looking statements. See Important Information regarding forward looking statements.

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Last Twelve Months Progress...



- ## 1 Scaling of Fund 1 → Fund 2

China Growth	Real Estate	Direct Lending
Natural Resources	EIGF	Mezzanine
Infrastructure	Special Sits	

} **\$10 bn⁽¹⁾ of Committed Capital**
- ## 2 Growth in Cash Carry Potential
- ## 3 Our Business Model / The Multiplier Effect

(1) Figure represents committed capital for first time funds listed.

Fund 1 to Fund 2—The Opportunity

(Illustrative)

KKR Fund 1s

China Growth
Natural Resources
Infrastructure
Real Estate
EIGF
Special Sits
Direct Lending
Mezzanine

**\$10 bn⁽¹⁾
of
Committed
Capital**

Assumptions

Management Fees:	1.25% (investment period) 0.75% (post-investment period)
Assumed IRR—Gross:	15%
Assumed Carry:	20% (less 40% carry pool)
Fund 2 vs. Fund 1:	2x committed capital

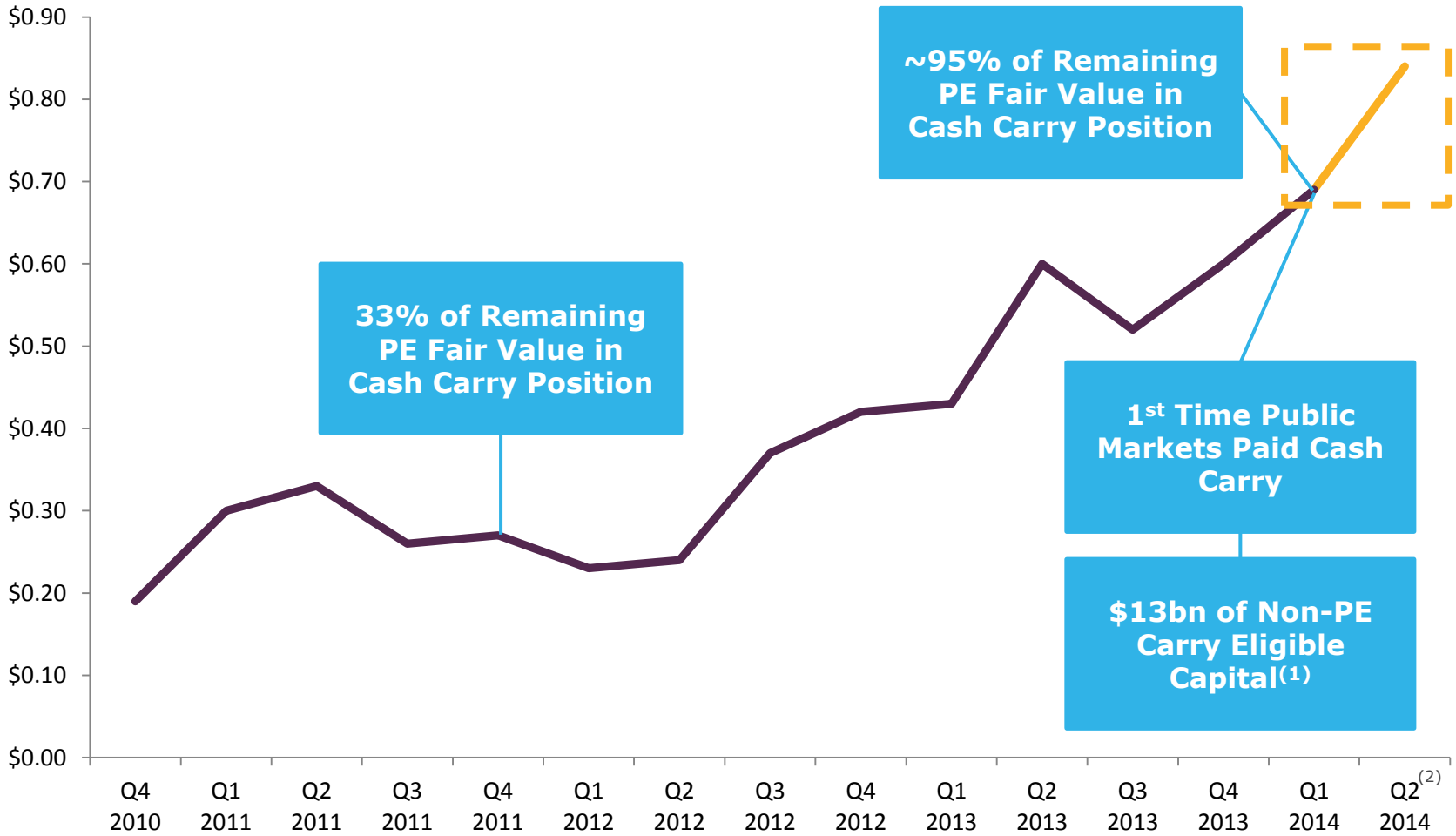
	Fund 1 (Annual)	Fund 1+2 (Annual)	
Funds Only	Management Fees-Gross	\$125mm	\$75mm + \$250mm = \$325mm
	Carry-Net	180	180 + 360 = 540
	Sub-Total	\$305mm	\$865mm
Funds + Multiplier Effect⁽¹⁾	Transaction Fees	\$15mm + \$15mm = \$30mm	\$30mm + \$30mm = \$60mm
	Syndication Fees	15	30
	Investment Income	75	75 + 150 = 225
	Sub-Total	\$120mm	\$315mm
	Total	\$425mm	\$1,180mm

Note: The example returns, fees and carry have been prepared on the basis of the specific assumptions set forth above, which assumptions are hypothetical and not representative of any actual or anticipated funds. Management fees for the Fund 1s listed above generally range from 1%-2% and carry generally ranges from 10% to 20%. Actual results and events may differ materially from the assumptions underlying this example. There can be no assurance that the example returns, fees and carry will reflect the actual returns, fees or carry of any fund, and actual results may be substantially different from those illustrated herein.

(1) Assumes fund capital is invested in 4 years with an average investment size of \$250mm per transaction. Assumes a 3% transaction fee per transaction with an 80%/20% fee split in favor of LPs. Also assumes in 50% of transactions that \$100mm of capital is syndicated with a 3% syndication fee and \$100mm of balance sheet capital is invested with a 3% transaction fee and a 15% gross IRR.

Our Cash Carry Potential Has Grown Significantly

Trailing 4 Quarters of Cash Carry / Unit



Note: Funds currently in position to pay cash carry may develop netting holes in the future, and existing netting holes may also increase or decrease, which may preclude the distribution of carry. See Important Information regarding forward looking statements.

(1) Figure includes Real Assets and Public Markets remaining fair value plus uncalled commitments per KKR's Q1 earnings release.

(2) Q2 2014 LTM only includes Q2-to-date 2014 as of 6/4/14.

In Summary

Invest more behind ideas and relationships



Capture more from content we create



Bring ideas and products to more investors



Invest our own capital / seed new efforts



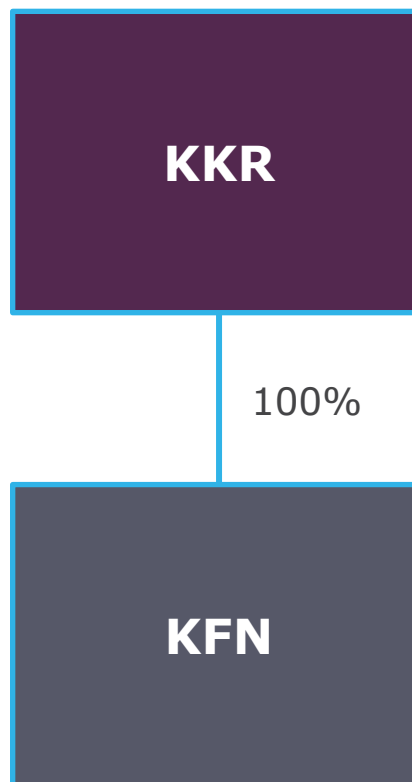
Multiplier Effect

KFN Overview

Michael R. McFerran

Introduction

- KKR's acquisition of KFN closed on April 30, 2014 in an all-stock transaction
- KFN became a subsidiary of KKR and will continue to be an SEC registrant
- KFN's notes (Junior Subordinated Notes due 2036 and 2037, Senior Notes due 2041 and 2042) and Perpetual Preferred Shares remain outstanding without recourse to any other KKR entity



- \$20bn market cap⁽¹⁾
- Credit ratings:
 - S&P: A (stable outlook)
 - Fitch: A (stable outlook)
- Credit ratings:
 - S&P: BBB (stable outlook)
 - Fitch: A- (stable outlook)

(1) Market cap as of 6/4/14.

KFN at a Glance

- KFN is a specialty finance company externally managed by KKR, with a \$3.2 bn portfolio of assets on an unconsolidated basis
 - Assets span a range of complementary asset classes, with the objective of generating both current income and capital appreciation
- Long-term liability structure with no holding company maturities until 2036 (excluding undrawn revolver⁽¹⁾)

Unconsolidated Balance Sheet (as of March 31, 2014)

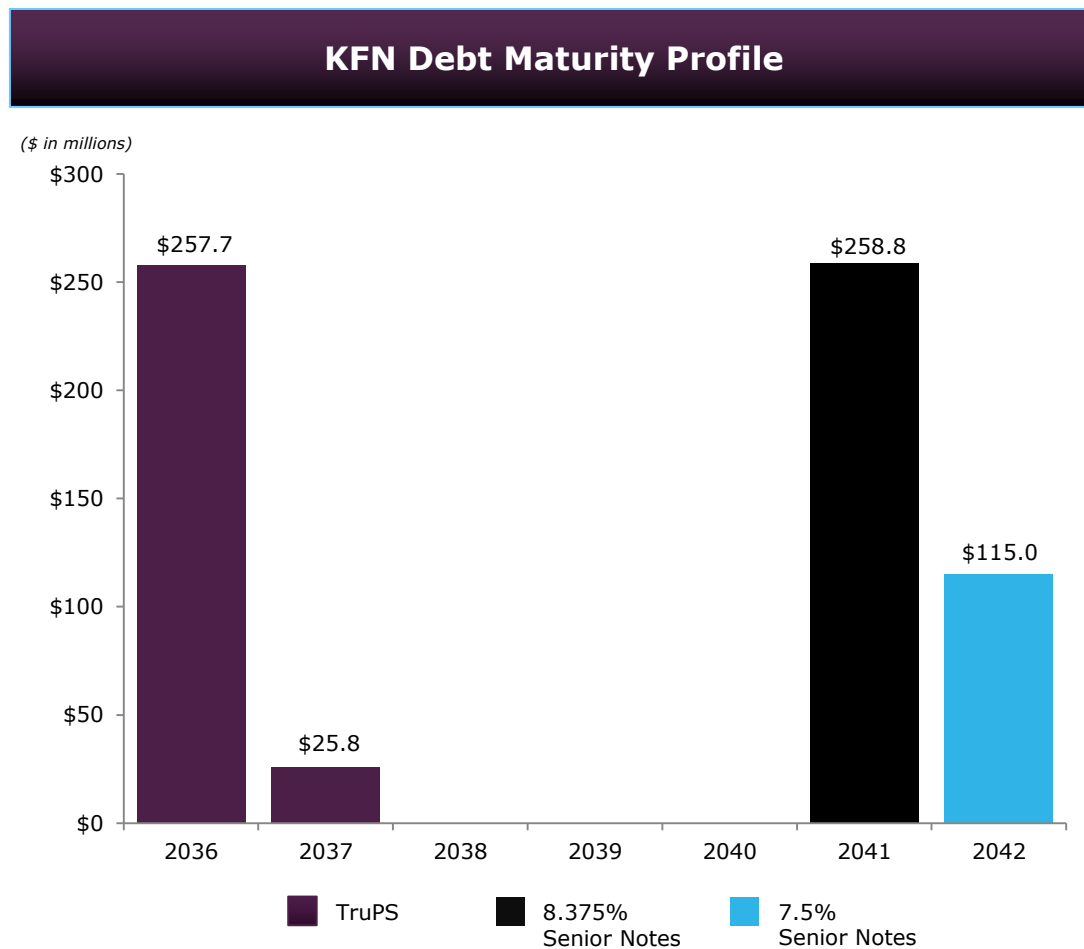
(Amounts in millions)

Cash	\$185	CLOs	45%
Portfolio Holdings	3,007	Direct Loans and High Yield Bonds	4%
Working Capital	33	Bank Loans and High Yield Bonds	49%
Total Assets	\$3,225	Mezzanine	3%
Junior Subordinated and Senior Notes	\$657	Special Situations	14%
Preferred Shares	\$350	Private Equity	3%
Shareholders' Equity	\$2,217	Specialty Finance	6%
		Natural Resources	16%
		Commercial Real Estate	7%
		RMBS	2%
		Portfolio Holdings	100%

(1) Has been terminated post acquisition.

KFN Debt Profile

- Debt consists of 30-year senior notes, 30-year trust preferred securities and perpetual preferred equity
- Investment-grade-rated by Fitch Ratings and Standard & Poor's⁽¹⁾
- No mark-to-market asset financing with next maturity in 2036.
- Weighted average maturity of debt outstanding totaling 26 years⁽²⁾



Note: As of March 31, 2014 unless otherwise noted. Excludes natural resources credit facility, which had \$49.9 million outstanding as of March 31, 2014.

(1) KFN is rated A- by Fitch Ratings and BBB by Standard & Poor's as of June 30, 2014.

(2) Calculated using the principal amount of recourse debt outstanding as of March 31, 2014.

KFN Financial Results: Fair Value vs. Bank Accounting

- Prior to acquisition, KFN's results were reported based on applying "bank accounting", which reflected the following:
 - Consolidation of CLOs (balance sheet and income/loss results reflected assets held in CLOs vs. the assets actually owned by KFN)
 - Loans were carried at amortized cost with a corresponding reserve for credit losses and bonds were carried at fair value with changes in value reflected in shareholders' equity
 - As results were reported based on historical GAAP, KFN's reported cash earnings were often different than reported GAAP results
- Prospectively, the consolidation of KFN into KKR's results will reflect KFN's actual assets owned and reported at fair value with changes in fair value being reflected in the segment P&L
- Distributable cash earnings will be consistent with KFN's results excluding unrealized gains/losses

CLO Overview

- What are CLOs?
 - CLOs (collateralized loan obligations) are securitizations of leveraged loans (generally senior secured) through which an SPV is formed to acquire loans with proceeds raised from the issuance of notes to investors
 - The equity interest in a CLO is held by the holders of the subordinated notes, which earn the net income of a CLO and hold the residual interest in the CLOs assets
 - CLOs issue floating rate notes that are collateralized by floating rate loans
 - The debt issued by CLOs is not subject to changes in the market value of a CLOs' holdings; this results in CLOs being insulated from market price volatility
 - The performance of CLOs is based upon the cash flow and credit performance of the loans owned by a CLO – credit fundamentals matter and market technicals don't
- Key terms in a CLO
 - Non-call period
 - Reinvestment period

Illustrative CLO Capital Structure \$500mm CLO Transaction

Class A1 Notes (AAA rated)	\$315
Class A2 Notes (AA rated)	50
Class B Notes (A rated)	40
Class C Notes (BBB rated)	25
Class D Notes (BB rated)	20
Subordinated Notes (Not rated)	50

\$367.5mm of rated notes issued to third parties

\$25mm of subordinated notes retained by KKR

\$25mm of subordinated notes issued to third parties

KKR Economics from \$25mm in CLO

Assumptions:

- \$500mm CLO transaction
- KKR retains \$25mm of subordinated notes; generate 13% ROE
- KKR syndicates 50% of \$475mm of total notes sold to third parties and earns 1%
- KKR earns 0.50% on portion of transaction it doesn't own (50% of subordinated notes x \$500mm)

KKR Revenue Build:

• Subordinated note income	\$3.25
• Syndication Income	2.40
• CLO management fee income	1.25
• Total Year 1 Income	\$6.90
• Years 2+ Income	\$4.50
Annual ROE on \$25mm	18%

Note: Dollar amounts in millions. The financial results have been prepared on the basis of the specific assumptions set forth above, which assumptions are hypothetical and not representative of any actual or anticipated funds or transactions. Actual results and events may differ materially from the assumptions underlying this example. There can be no assurance that the example financial results will reflect actual financial results or reflect any actual investments, and actual results may be substantially different from those illustrated herein.

Bank Loans and High Yield Debt Strategy: CLO Summary as of 3/31/14

(\$ in millions)	<u>2005-1</u>	<u>2005-2</u>	<u>2006-1</u>	<u>2007-1</u>	<u>2007-A</u>	<u>2011-1</u>	<u>2012-1</u>	<u>2013-1</u>	<u>2013-2</u>
Type	Syndicated	Syndicated	Syndicated	Syndicated	Syndicated	Negotiated; Static pool, no reinvestment, pro rate paydown	Syndicated	Syndicated	Syndicated
Reinvestment End Date	April 2011	May 2011	August 2012	May 2014	October 2010	No Reinvestment	December 2016	July 2017	January 2018
Non-Call Period End Date	April 2008	November 2009	August 2010	May 2012	October 2010	March 2014	December 2014	July 2015	January 2016
Current Quarter Cash Receipts⁽¹⁾	\$ 2.4	\$ 4.6	\$ 6.5	\$ 19.8	\$ 3.2	\$ 2.9	\$ 1.6	\$ 5.4	\$ -
LTM Cash Receipts⁽¹⁾	\$ 11.4	\$ 19.2	\$ 31.2	\$ 85.9	\$ 15.8	\$ 12.9	\$ 4.7	\$ 5.4	\$ -
Current Cost Basis of Capital in Transaction	\$ 97.5	\$ 162.5	\$ 259.5	\$ 499.8	\$ 20.4	\$ 164.5	\$ 26.6	\$ 60.9	\$ 44.8
Par Value of Notes Currently Held	\$ 85.5	\$ 98.5	\$ 48.0	\$ 502.1	\$ 25.7	\$ 164.5	\$ 26.9	\$ 60.9	\$ 44.8
Percentage of Subordinate Notes (Residual Interest) Held by KFN	100%	100%	100%	73%	63%	100%	60%	100%	100%

KKR's CLOs generated an annualized 14% cash return on invested capital for Q1-2014

Note: As of March 31, 2014.

(1) Reflects CLO payments of interest. Excludes principal cash flows.

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Key Takeaways

- \$3 bn of gross balance sheet assets sourced by KKR and managed by KKR
- Long—dated, low cost liabilities
- Sizable cash—yielding portfolio that meaningfully increases the more recurring portion of KKR’s distributions
- CLOs provide attractive cash yielding investments that benefit from being insulated from market value volatility of assets, benefit from a significant increase in short term rates, and are financed with long-dated non mark-to-market debt

KKR Segment Financials Review

William J. Janetschek

Overall Changes to Segment Financials

- We expect to modify how we build to Total Segment Revenues and Total Segment Expenses by segment
 - We have 3 forms of revenue: fees, carry, balance sheet earnings
 - We have two main types of expense: compensation and other operating costs
- Investment income is expected to no longer be attributable to only Capital Markets & Principal Activities—we expect investment income to span each segment based on the character of the income generated (KKR historical and KFN balance sheets)
- We expect to add new disclosure given the closing of the KFN transaction—Net Fee-Related Earnings, Interest and Dividends—to highlight the portion of our earnings that we deem to be more recurring in nature
- We expect After-Tax ENI / Unit to include non-cash compensation charges (previously this metric was reported before non-cash compensation)

The following pages show several examples as we would expect them to appear in our press release

Total Reportable Segments—New Version of Current Press Release Page 6

	Quarter Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Segment Revenues					
Management, Monitoring and Transaction Fees, Net					
Management Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Monitoring Fees	-	-	-	-	-
Transaction Fees	-	-	-	-	-
Fee Credits	-	-	-	-	-
Total Management, Monitoring and Transaction Fees, Net	-	-	-	-	-
Performance Fees					
Realized Carried Interest	-	-	-	-	-
Incentive Fees	-	-	-	-	-
Unrealized Carried Interest	-	-	-	-	-
Total Performance Fees	-	-	-	-	-
Investment Income (Loss)					
Net Realized Gains (Losses)	-	-	-	-	-
Net Unrealized Gains (Losses)	-	-	-	-	-
Total Realized and Unrealized	-	-	-	-	-
Net Interest and Dividends	-	-	-	-	-
Total Investment Income (Loss)	-	-	-	-	-
Total Segment Revenues	-	-	-	-	-
Segment Expenses					
Compensation and Benefits					
Cash Compensation and Benefits	-	-	-	-	-
Realized Allocation to Carry Pool	-	-	-	-	-
Unrealized Allocation to Carry Pool	-	-	-	-	-
Total Compensation and Benefits	-	-	-	-	-
Occupancy and related charges	-	-	-	-	-
Other operating expenses	-	-	-	-	-
Total Segment Expenses	-	-	-	-	-
Income (Loss) attributable to noncontrolling interests	-	-	-	-	-
Economic Net Income (Loss)	\$ -	\$ -	\$ -	\$ -	\$ -
Provision for Income Taxes	-	-	-	-	-
Economic Net Income (Loss), After Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Equity-based Charges	-	-	-	-	-
Economic Net Income (Loss), After Taxes and After Equity-based Charges	\$ -	\$ -	\$ -	\$ -	\$ -
Economic Net Income (Loss), After Taxes and After Equity-based Charges, Per Adjusted Unit	\$ -	\$ -	\$ -	\$ -	\$ -
Weighted Average Adjusted Units (Fully Diluted Basis)	-	-	-	-	-
Assets Under Management					
Fee Paying Assets Under Management	\$ -	\$ -	\$ -	\$ -	\$ -
Committed Dollars Invested and Syndicated Capital	\$ -	\$ -	\$ -	\$ -	\$ -
Uncalled Commitments	\$ -	\$ -	\$ -	\$ -	\$ -
Other Information					
Fee Related Earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Plus: Net interest and dividends	-	-	-	-	-
Plus: Depreciation and amortization	-	-	-	-	-
Net FRI, Interest and Dividends	\$ -	\$ -	\$ -	\$ -	\$ -
Total Distributable Earnings	\$ -	\$ -	\$ -	\$ -	\$ -
GAAP interest expense	\$ -	\$ -	\$ -	\$ -	\$ -
Less: interest expense related to debt obligations from investment financing arrangements	-	-	-	-	-
Core Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -

1 Total Segment Revenues now include Carried Interest and Other Investment Income (both realized and unrealized), which moved from Investment Income. Realized Investment Income is now broken out between Net Realized Gains and Net Interest and Dividends (Management Fee Refunds net against Unrealized Carry)

2 Total Segment Expenses now include allocation to KKR Carry Pool (both realized and unrealized), which moved from Investment Income to Compensation and Benefits

3 Economic Net Income will tie to the sum of the corresponding lines from Private Markets, Public Markets, and Capital Markets segments detail (see next page)

4 Equity-based Charges will be deducted from ENI at the Total Reportable Segment level to arrive at Economic Net Income, After Taxes and After Equity-based Charges

5 Other Information will highlight the portion of our earnings that is more recurring in nature. We expect that this will consist of FRI, interest & certain dividend income

Private Markets Segment—New Version of Current Press Release Page 8

	Quarter Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Segment Revenues					
Management, Monitoring and Transaction Fees, Net					
Management Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Monitoring Fees	-	-	-	-	-
Transaction Fees	-	-	-	-	-
Fee Credits	-	-	-	-	-
Total Management, Monitoring and Transaction Fees, Net	-	-	-	-	-
Performance Fees					
Realized Carried Interest	-	-	-	-	-
Incentive Fees	-	-	-	-	-
Unrealized Carried Interest	-	-	-	-	-
Total Performance Fees	-	-	-	-	-
Investment Income (Loss)					
Net Realized Gains (Losses)	-	-	-	-	-
Net Unrealized Gains (Losses)	-	-	-	-	-
Total Realized and Unrealized	-	-	-	-	-
Net Interest and Dividends	-	-	-	-	-
Total Investment Income (Loss)	-	-	-	-	-
Total Segment Revenues	-	-	-	-	-
Segment Expenses					
Compensation and Benefits					
Cash Compensation and Benefits	-	-	-	-	-
Realized Allocation to Carry Pool	-	-	-	-	-
Unrealized Allocation to Carry Pool	-	-	-	-	-
Total Compensation and Benefits	-	-	-	-	-
Occupancy and related charges	-	-	-	-	-
Other operating expenses	-	-	-	-	-
Total Segment Expenses	-	-	-	-	-
Income (Loss) attributable to noncontrolling interests	-	-	-	-	-
Economic Net Income (Loss)	\$ -	\$ -	\$ -	\$ -	\$ -
Assets Under Management	\$ -	\$ -	\$ -	\$ -	\$ -
Fee Paying Assets Under Management	\$ -	\$ -	\$ -	\$ -	\$ -
Committed Dollars Invested and Syndicated Capital	\$ -	\$ -	\$ -	\$ -	\$ -
Uncalled Commitments	\$ -	\$ -	\$ -	\$ -	\$ -

2 Total Segment Revenues changes are the same as the previous page

3 Total Segment Expenses changes are the same as the previous page; Equity-based Charges are not included in individual segment expenses (Private Markets, Public Markets, Capital Markets)

4 Economic Net Income from Private Markets, Public Markets, and Capital Markets segments detail will sum to ENI for Total Reportable Segments on the prior page

1 Investment Income will no longer be presented solely in the Capital Markets and Principal Activities segment. Instead, Investment Income will be attributed to each segment based on the character of the income generated during the period. KFN's investment income will be attributed to each segment in a similar manner. NOTE: this will cause historical ENI by segment to differ from that reported previously.

This format will be consistent across the Private Markets, Public Markets, and Capital Markets segment detail (corresponding to pages 8, 9, and 10 of the earnings release for the quarter ended March 31, 2014.)

KKR Balance Sheet—New Version of Current Press Release

Page 11

	As of June 30, 2014	As of December 31, 2013
Cash and short-term investments	\$ -	\$ -
Investments	-	-
Unrealized carry	-	-
Other assets	-	-
Total assets	\$ -	\$ -
Debt obligations - KKR	\$ -	\$ -
Debt obligations - KFN	-	-
Preferred shares - KFN	-	-
Other liabilities	-	-
Total liabilities	-	-
Noncontrolling interests	-	-
Book value	\$ -	\$ -
Book value per adjusted unit	\$ -	\$ -

1 Inclusion of KFN will result in three separate captions for KKR's debt obligations: Debt obligations – KKR, Debt obligations – KFN, and Preferred shares – KFN

KFN's balance sheet line items will otherwise be classified in a manner consistent with KKR's historical classification

(a) See Schedule of Investments on page X.

	As of June 30, 2014	As of December 31, 2013
(b) <u>Unrealized Carry</u>		
Private Markets	\$ -	\$ -
Public Markets	-	-
Total	\$ -	\$ -

Note: "Investments" includes assets used in the operation of KKR's asset management and broker-dealer businesses, including the general partner interests of its investment funds.

KKR

KKR Segment Schedule of Investments—New Version of Current Press Release Page 12

As of June 30, 2014

	Cost	Fair Value	Fair Value as a % of Total Investments
Private Equity Co-Investments	\$ -	\$ -	0%
Private Equity Funds 1	-	-	0%
Total Private Equity	-	-	0%
Energy	-	-	0%
Real Estate	-	-	0%
Infrastructure	-	-	0%
Total Real Assets	-	-	0%
Special Situations	-	-	0%
Mezzanine	-	-	0%
Direct Lending	-	-	0%
Alternative Credit	-	-	0%
CLOs	-	-	0%
Liquid Credit	-	-	0%
Long-Short Credit	-	-	0%
Total Credit	-	-	0%
Hedge Funds	-	-	0%
Specialty Finance	-	-	0%
Other	-	-	0%
Total Investments 2	\$ -	\$ -	0%

1 Holdings of Private Equity Funds will only be shown in the aggregate

2 KFN's investments will be combined with KKR's investments and included in the relevant caption within the Schedule of Investments (Credit, Real Estate, Energy and Private Equity)

Significant Aggregate Portfolio Company Investments: (a)

Portfolio Company #1	\$ -	\$ -	0%
Portfolio Company #2	-	-	0%
Portfolio Company #3	-	-	0%
Portfolio Company #4	-	-	0%
Portfolio Company #5	-	-	0%
Other investments	-	-	0%
Total Investments	\$ -	\$ -	0%

Note: "Investments" includes assets used in the operation of KKR's asset management and broker-dealer businesses, including the general partner interests of its investment funds.

KKR

KKR Distribution Calculation—New Version of Current Press Release Page 15

	Quarter Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Cash Revenues					
Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Realized cash carry	-	-	-	-	-
Net realized investment income - KKR	-	-	-	-	-
Net realized investment income - KFN ¹	-	-	-	-	-
Total Cash Revenue	-	-	-	-	-
Cash Expenses					
Realized cash carry allocated to carry pool	-	-	-	-	-
Compensation and benefits	-	-	-	-	-
Occupancy and related charges	-	-	-	-	-
Other operating expenses	-	-	-	-	-
Total Cash Expenses	-	-	-	-	-
Cash income (loss) before noncontrolling interests and local taxes	-	-	-	-	-
Less: local income taxes	-	-	-	-	-
Less: noncontrolling interests	-	-	-	-	-
Total Distributable Earnings	-	-	-	-	-
Less: estimated current corporate income taxes	-	-	-	-	-
Distributable Earnings, net of taxes	-	-	-	-	-
Less: Undistributed net realized principal investment income - KKR	-	-	-	-	-
Distributed Earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Distributable Earnings, net of taxes per KKR & Co. L.P. common unit	\$ -	\$ -	\$ -	\$ -	\$ -
Distribution per KKR & Co. L.P. common unit	\$ -	\$ -	\$ -	\$ -	\$ -
Components of Distribution per KKR & Co. L.P. Common unit					
After-tax FRE	\$ -	\$ -	\$ -	\$ -	\$ -
Realized Cash Carry	\$ -	\$ -	\$ -	\$ -	\$ -
Distributed Net Realized Investment Income - KKR	\$ -	\$ -	\$ -	\$ -	\$ -
Distributed Net Realized Investment Income - KFN ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Units Eligible For Distribution	-	-	-	-	-
Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%

- ¹ Distributable Earnings generated by KFN will be displayed in two places: a) we expect to include a separate line item within Cash Revenues—Net Realized Investment Income – KFN (which will include Net Realized Gains/(Losses) and Net Interest and Dividends); b) we expect to include a separate line item within the Components of the Distribution per KKR to reflect the distributable earnings of KFN on a per unit basis

Q2 Reminder

KFN

- Acquisition closed on April 30
 - \$2.3bn⁽¹⁾ decline in FPAUM
 - \$3.2bn⁽¹⁾ increase in cash and investments, \$1.0bn increase in debt, \$2.2bn increase in book value
 - 104mm common units issued
 - The earnings previously associated with the KFN management fee will be eliminated. Assuming no incentive fees and on an annual basis:
 - Management fees would decline by approximately \$40mm
 - Expense reimbursement would be reduced by approximately \$7.5mm
 - KFN investment income would increase by approximately \$47.5mm
 - 100% of KFN's cash earnings to be included in the second quarter distribution
 - Significant increase in the recurring component of our distribution

Q2 Distribution

- As we've previously mentioned, approximately \$0.50/unit of cash carry and realized balance sheet gains in the Q2 distribution through activity to June 4, 2013, subject to Board approval
 - FRE incremental
 - KFN contribution incremental

Additional

- EFH Chapter 11 filing made on April 29, 2014
 - No ENI impact; valued at zero as of 3/31/14
 - 2006 Fund remaining cost will decline by \$1.8bn, causing a decline in FPAUM
- Announced First Data investment will close in Q3, not Q2
 - \$500mm investment from 2006 Fund reserve, causing an increase in FPAUM in Q3
 - \$700mm investment from the balance sheet
 - \$2bn of new, third party capital raised through KCM; associated placement fee of ~\$40mm

(1) Figures as of 3/31/14.

Appendix

KKR Supplemental Statement of Operations and Other Selected Financial Information (Sample)—Total Reportable Segments (Unaudited)

(Amount in thousands, except unit and per unit amounts)

	LTM March 31, 2014
Segment Revenues	
Fees	\$ 1,134,839
Gross Carried Interest - net of Management Fee Refunds	1,343,216
Investment Income (Loss)	916,854
Total Segment Revenues	3,394,909
Segment Expenses	
Allocation to Carry Pool	549,555
Compensation and Benefits	377,525
Equity-based Charges	126,644
Occupancy and Related Charges	57,194
Other Operating Expenses	224,054
Total Segment Expenses	1,334,972
Income (Loss) attributable to noncontrolling interests	8,488
Economic Net Income (Loss) After Equity-based Charges	\$ 2,051,449
Provision for Income Taxes	78,065
Economic Net Income (Loss), After Taxes and Equity-based Charges	\$ 1,973,384

Segment Balance Sheet as of March 31, 2014

(Amount in thousands, except per unit amounts)

	Total Reportable Segments
Cash and short-term investments	\$ 2,139,940
Investments	5,380,306
Unrealized carry	1,276,776
Other assets	695,246
Total assets	\$ 9,492,268
Debt obligations	\$ 1,000,000
Other liabilities	271,668
Total liabilities	1,271,668
Noncontrolling interests	74,838
Book value	\$ 8,145,762
Book value per adjusted unit ⁽¹⁾	\$ 11.18

(1) Adjusted units represent the fully diluted unit count using the if-converted method. See the Appendix for a reconciliation of this item to the comparable GAAP measure.

Reconciliation of Net Income (Loss) Attributable to KKR & Co. L.P. (GAAP Basis) to Economic Net Income (Loss), Fee Related Earnings, Fee Related EBITDA, and Total Distributable Earnings (Unaudited)

(Amount in thousands)

	Quarter Ended					
	March 31, 2014		December 31, 2013			
Net income (loss) attributable to KKR & Co. L.P.	\$	210,041	\$	277,913	\$	193,439
Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P.		300,814		393,739		334,112
Plus: Non-cash equity based charges		77,528		60,331		81,650
Plus: Amortization of intangibles and other, net		20,169		45,265		29,185
Plus: Income taxes		21,702		12,401		9,356
Economic net income (loss)		630,254		789,649		647,742
Plus: Income attributable to segment noncontrolling interests		3,202		1,943		1,101
Less: Investment income (loss)		481,738		671,459		560,843
Fee related earnings		151,718		120,133		88,000
Plus: Depreciation and amortization		4,035		3,658		3,681
Fee related EBITDA	\$	155,753	\$	123,791	\$	91,681
Less: Depreciation and amortization		4,035		3,658		3,681
Plus: Realized cash carry		116,130		150,300		52,900
Plus: Net realized principal investment income		192,892		250,856		153,156
Less: Local income taxes and noncontrolling interests		13,932		10,938		3,442
Total distributable earnings	\$	446,808	\$	510,351	\$	290,614

Reconciliation of Net Income (Loss) Attributable to KKR & Co. L.P. (GAAP Basis) to Economic Net Income (Loss), Fee Related Earnings, Fee Related EBITDA, and Total Distributable Earnings (Unaudited)

(Amount in thousands)

	Year Ended		Year Ended		LTM	
	December 31, 2012		December 31, 2013		March 31, 2014	
Net income (loss) attributable to KKR & Co. L.P.	\$	560,836	\$	691,226	\$	707,828
Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P.		1,116,740		1,056,126		1,022,828
Plus: Non-cash equity based charges		400,207		307,514		303,392
Plus: Amortization of intangibles and other, net		9,683		102,789		93,773
Plus: Income taxes		43,405		37,926		50,272
Economic net income (loss)		2,130,871		2,195,581		2,178,093
Plus: Income attributable to segment noncontrolling interests		7,043		6,387		8,488
Less: Investment income (loss)		1,818,103		1,789,620		1,710,515
Fee related earnings		319,811		412,348		476,066
Plus: Depreciation and amortization		12,499		14,648		15,002
Fee related EBITDA	\$	332,310	\$	426,996	\$	491,068
Less: Depreciation and amortization		12,499		14,648		15,002
Plus: Realized cash carry		285,424		414,016		477,246
Plus: Net realized principal investment income		866,776		657,139		696,875
Less: Local income taxes and noncontrolling interests		22,615		27,625		38,115
Total distributable earnings	\$	1,449,396	\$	1,455,878	\$	1,612,072
Economic net income (loss), after taxes	\$	2,028,451	\$	2,133,980	\$	2,100,028
Less: Equity-based charges		62,877		114,709		126,644
Economic net income (loss), after taxes and equity-based charges	\$	1,965,574	\$	2,019,271	\$	1,973,384

KKR

Reconciliation of Net Income (Loss) Attributable to KKR & Co. L.P. (GAAP Basis) to Economic Net Income (Loss), Fee Related Earnings, Fee Related EBITDA, and Total Distributable Earnings (Unaudited)

(Amount in thousands)

	Year Ended	
	December 31, 2011	
Net income (loss) attributable to KKR & Co. L.P.	\$	1,921
Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P.		185,352
Plus: Non-cash equity based charges		470,221
Plus: Amortization of intangibles and other, net		4,210
Plus: Income taxes		89,245
Economic net income (loss)		750,949
Plus: Income attributable to segment noncontrolling interests		6,671
Less: Investment income (loss)		340,467
Fee related earnings		417,153
Plus: Depreciation and amortization		9,925
Fee related EBITDA	\$	427,078

KFN Reconciliation from Total Capital to Total Shareholders Equity

(Amount in thousands)

	As of March 31, 2014	
Portfolio holdings	\$	3,006,547
Plus: Working capital		33,328
Plus: Cash		185,073
Total capital	\$	3,224,948
Less: Allocation of holding company debt		645,862
Total shareholder's equity	\$	2,579,086

(Amount in millions)

Total capital	\$	3,225
Less: Junior Subordinated and Senior Notes /Preferred Shares		1,007
Adjusted shareholder's equity	\$	2,217

Reconciliation of GAAP Common Units Outstanding to Adjusted Units

	As of March 31, 2014	As of December 31, 2013
GAAP Common Units Outstanding - Basic	300,354,288	288,143,327
Unvested Common Units ⁽¹⁾	30,098,382	24,164,354
Other Exchangable Securities	4,904,472	-
GAAP Common Units Outstanding - Diluted	335,357,142	312,307,681
Adjustments:		
KKR Holdings Units ⁽²⁾	393,357,457	404,369,018
Adjusted Units	728,714,599	716,676,699
Adjustments:		
Unvested Common Units	(30,098,382)	(24,164,354)
Unvested Other Exchangable Securities	(2,545,602)	-
Adjusted Units Eligible For Distribution	696,070,615	692,512,345

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

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

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

(Amount in thousands, except unit and per unit amounts)

	As of December 31, 2009	As of March 31, 2014
KKR & Co. L.P. partners' capital	\$ 1,013,849	\$ 3,011,683
Noncontrolling interests held by KKR Holdings L.P.	3,072,360	5,118,491
Equity impact of KKR Management Holdings Corp. and other	<u>66,675</u>	<u>15,588</u>
Book value	4,152,884	8,145,762
Adjusted units ⁽¹⁾	683,007,420	728,714,599
Book value per adjusted unit	\$ 6.08	\$ 11.18

(1) Adjusted units represent the fully diluted unit count using the if-converted method. See the Appendix for a reconciliation of this item to the comparable GAAP measure.

Reconciliation of GAAP Cash and Cash Equivalents to Cash and Short-Term Investments

(Amount in thousands)

	As of March 31, 2014	
Cash and cash equivalents	\$	1,324,925
Liquid short-term investments		815,015
Cash and short-term investments	\$	<u>2,139,940</u>

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