



KKR & Co. L.P. Announces Third Quarter 2010 Results

November 3, 2010

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 forma² 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, respectively³.

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.

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 buildup 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):

Commitments

Private Markets

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
Total Private Markets Commitments	1,072,247

Public Markets

Mezzanine Fund	42,100
Capital Solutions Vehicles	15,100
Total Public Markets Commitments	57,200
Total Uncalled Commitments	\$ 1,129,447

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. 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. 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.

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.

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".

KKR

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS (GAAP BASIS - UNAUDITED)

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

	Quarter Ended September 30, 2010	September 30, 2009	Nine Months Ended September 30, 2010	September 30, 2009
Revenues				
Fees	\$ 96,018	\$ 110,863	\$ 289,119	\$ 201,415
Expenses				
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
Investment Income (Loss)				
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
Income (Loss) Before Taxes	1,370,678	4,128,101	4,658,780	5,608,438
Income Taxes	16,263	4,115	60,998	5,805
Net Income (Loss)	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	-
Net Income (Loss) Attributable to KKR & Co. L.P.	\$ 8,856	\$ 616,663	\$ 152,599	\$ 927,906
Net Income Attributable to KKR & Co. L.P. Per Common Unit (a)				
Basic	\$ 0.04		\$ 0.74	
Diluted (b)	\$ 0.04		\$ 0.74	
Weighted Average Common Units				
Basic	204,902,226		204,902,226	
Diluted (b)	204,902,226		204,902,226	