



# Banking and Financial Services Conference

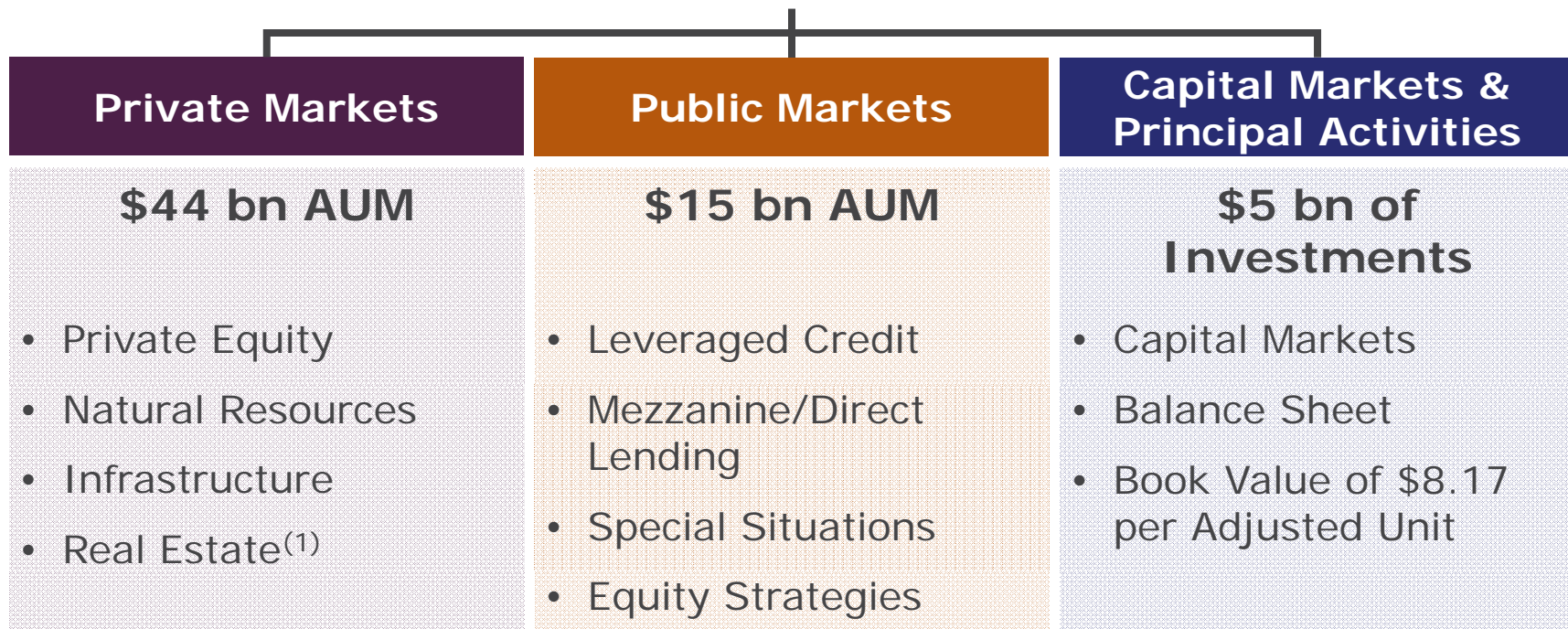
Henry R. Kravis ▪ November 15, 2011

# KKR Today

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- Diversified global platform with \$59 bn of AUM
- NYSE-listed partnership
- “One-firm” culture facilitates cross-pollination of industry investing themes across businesses

# KKR

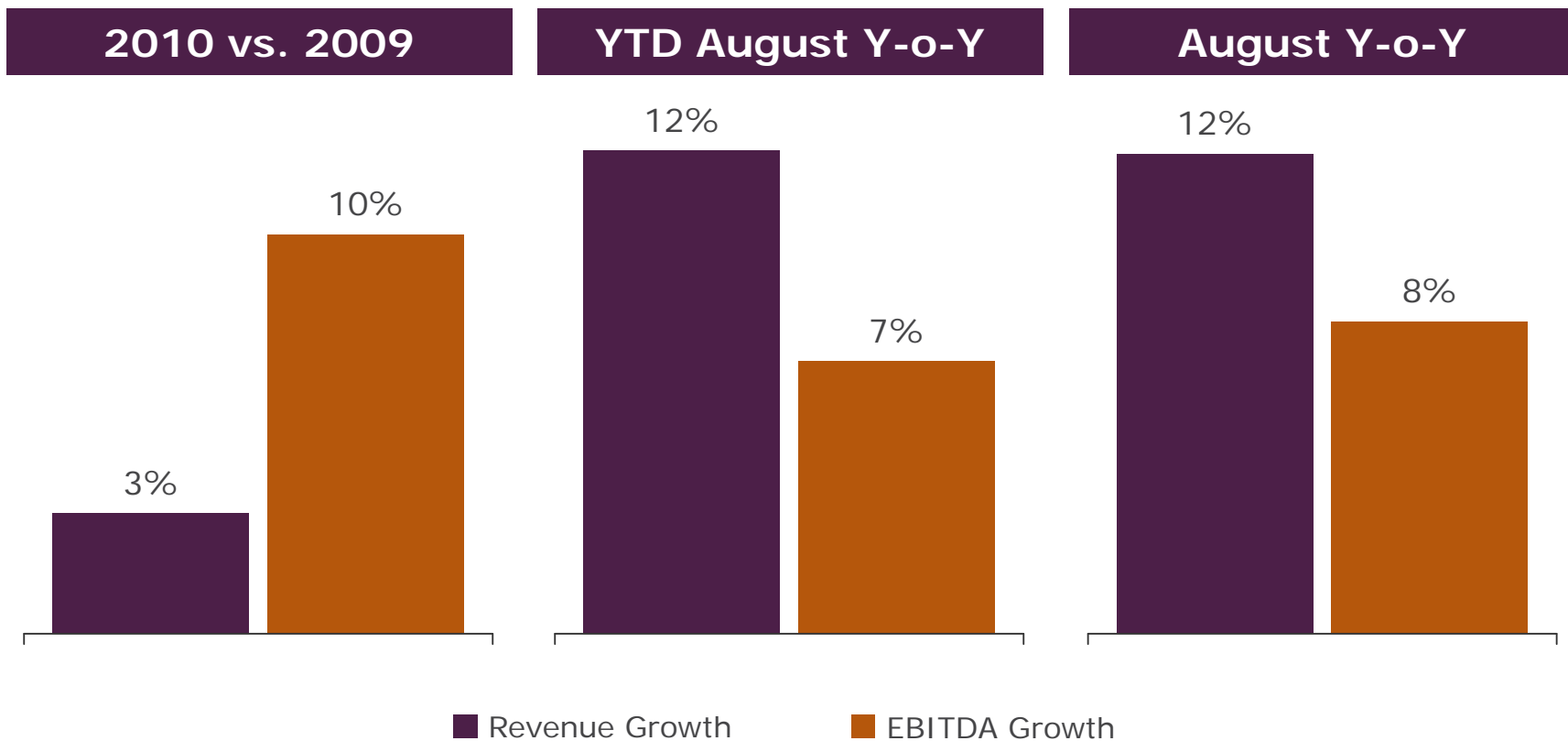


Note: Figures as of 9/30/2011.  
(1) Effort initiated in 2011; not yet contributing AUM.

**KKR**

# Opportunity in Dislocation: Current Private Equity Portfolio

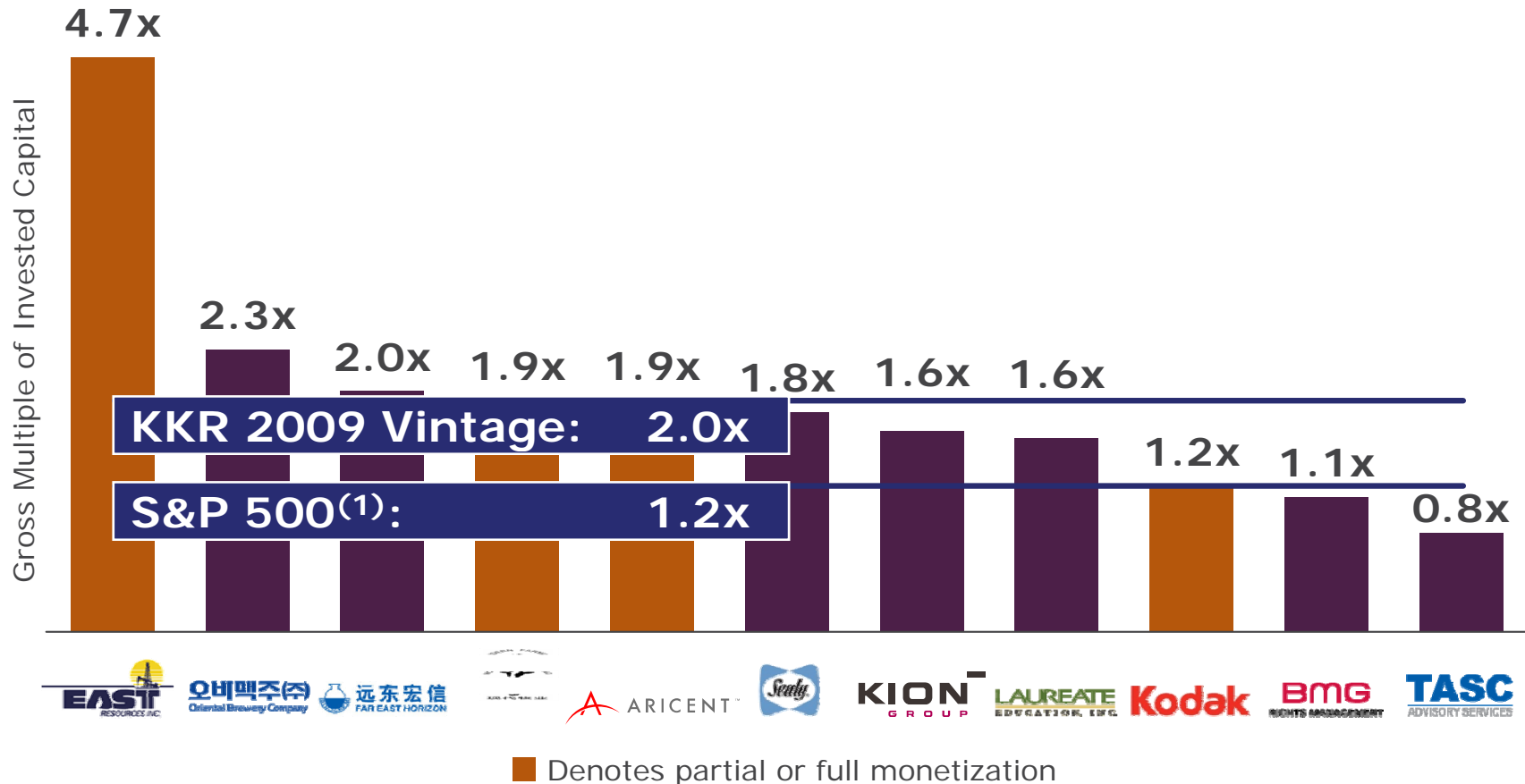
- 74 portfolio companies headquartered in 19 countries
  - ~900,000 employees
  - ~\$200 billion in revenue and ~\$40 billion in EBITDA



Note: Reflects calendar-year or calendar year-to-date performance information for all private equity portfolio companies in which KKR was invested and with available financial data as of the end of the period shown. Partial-year data does not include Level 2 investments. August data includes year-over-year information as of a month-end between 6/30 and 9/30 for six companies which do not provide KKR with monthly performance information.

# Opportunity in Dislocation: Recent Private Equity Investments

- KKR's historical outperformance during dislocations has been among our best, a trend that is demonstrated in our 2009 investments



Note: Figures as of 9/30/2011 on a US-dollar basis. Multiples shown before the effect of recycled capital, where applicable. 2009 investments in Modern Dairy, Aricent, Sealy, Kion, and Laureate were follow-ons, while Far East Horizon and BMG were initial investments with follow-on equity injected subsequent to 2009; multiples shown for these companies reflect only the valuation of equity contributed in 2009.

(1) S&P 500 Total Return Index; includes dividends reinvested. See Legal Disclosures for more information about the calculation of returns and the use of benchmarks.

## Opportunity in Dislocation: Real Assets

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- Opportunities beyond traditional private equity investments
- Driven in large part by supply/demand imbalance

**Vast need for capital is driving opportunities across...**

### Natural Resources

- Corporates seeking resources to fund costly unconventional development
- Non-core, conventional assets being divested

### Infrastructure

- \$1-3 trillion of annual global need for infrastructure investment<sup>(1)</sup>
- Governments constrained by revenue shortfalls

### Real Estate

- Very limited REIT activity
- Materially wider CMBS spreads
- Banks offloading assets

(1) Low end of range per CG/LA Infrastructure/Sterne Agee analysis and news articles dated March 2008; high end of range per "Infrastructure to 2030" report by the OECD.

## Opportunity in Dislocation: Public Markets Segment

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### Leveraged Credit

- Search for yield by clients typically focused on investment-grade debt
- ~75% of investment holdings are floating-rate securities

### Mezzanine/ Direct Lending

- Limited focus by banks on mid-market
- Limited senior debt availability
- ~\$900 bn of debt due for refinancing in next six years<sup>(1)</sup>
- ~\$400bn of uninvested private equity capital<sup>(2)</sup>

### Special Situations

- North America: late-cycle distressed, sector-specific dislocation
- Europe: distressed driven by deleveraging of bank balance sheets, dislocation due to sovereign concerns
- Asia/Australia: emergence of distressed assets

(1) JP Morgan as of September 2011.

(2) Preqin; data based on global fundraising as of October 2011.

## Opportunity in Dislocation: Capital Markets & Principal Activities

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- Capital Markets business and balance sheet are strategic assets that help all of our businesses to meet their full potential



## Implications for Our Profitability

		FY 2010	YTD 9/30/2011
<b>Fee Related Earnings</b> <ul style="list-style-type: none"> <li>• Long-dated, recurring base</li> <li>• Cash</li> </ul>		\$318 mm	\$300 mm
+			
<b>Net Carried Interest</b> <ul style="list-style-type: none"> <li>• Largely hurdle-free capital<sup>(1)</sup></li> <li>• All but one PE fund accruing carry</li> <li>• Mark-to-market</li> </ul>		\$608 mm	\$84 mm
+			
<b>Balance Sheet Income<sup>(2)</sup></b> <ul style="list-style-type: none"> <li>• 100% of investment gains</li> <li>• Mark-to-market</li> </ul>		\$1,214 mm	\$81 mm
<hr/>			
<b>Economic Net Income</b> <ul style="list-style-type: none"> <li>• Highly impacted by mark-to-market</li> </ul>		\$2,140 mm	\$465 mm

(1) No hurdle on existing private equity funds.

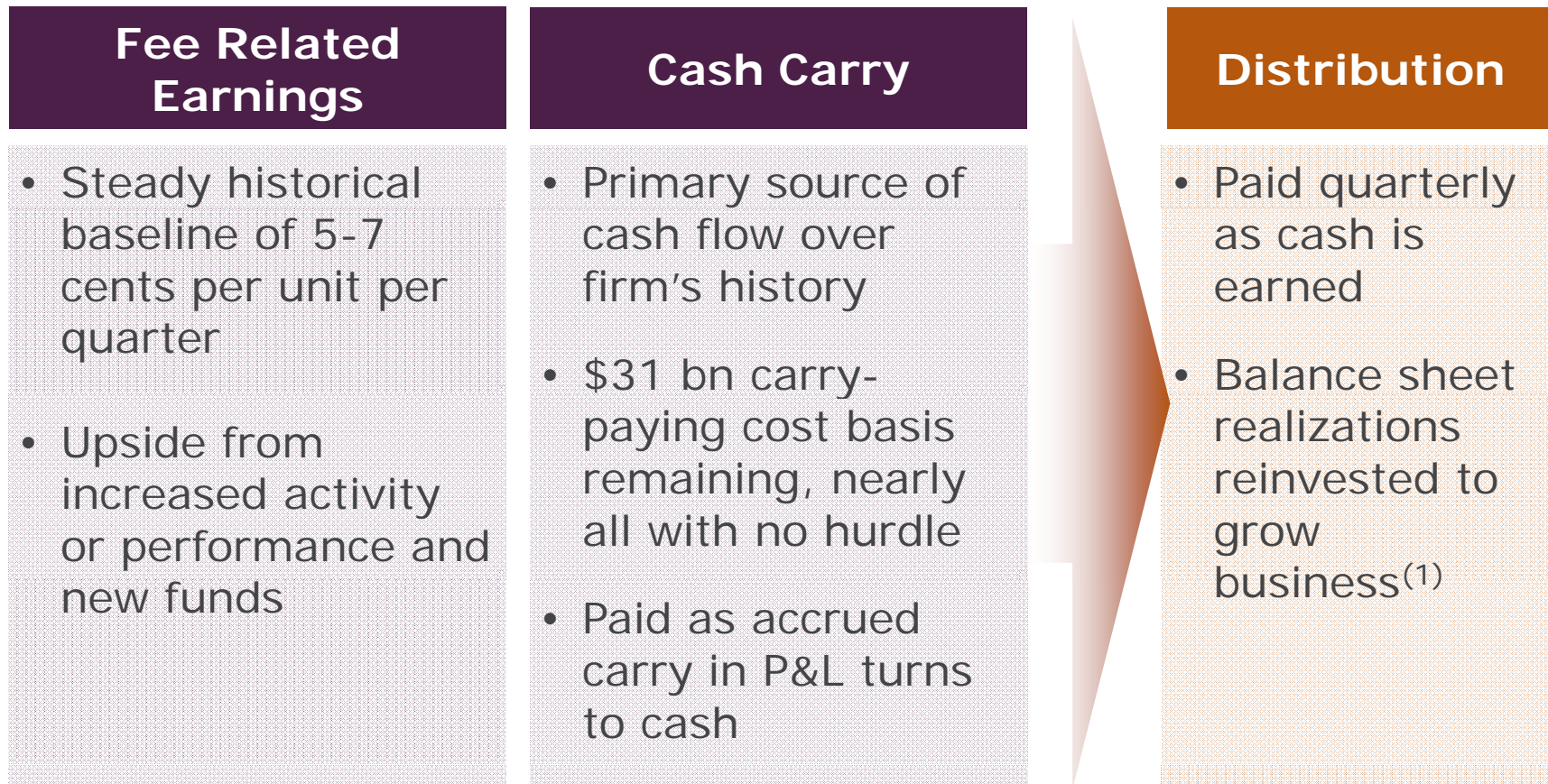
(2) Reduced by income attributable to noncontrolling interests.



## The Ultimate Benefit: Delivering Cash

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- Distribution today consists of a stable baseline (fee related earnings) with a meaningful option on the performance of our investments (cash carry)



(1) KKR may pay an additional distribution off the balance sheet to unitholders to cover certain tax liabilities calculated by KKR.

# Appendix

KKR

## Reconciliation of Fee Related Earnings and Economic Net Income to Net Income Attributable to KKR & Co. L.P.

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<i>Amounts in Thousands</i>	<b>Nine Months Ended September 30, 2011</b>	<b>Year Ended December 31, 2010</b>
<b>Total reportable segments fee related earnings</b>	<b>\$ 300,578</b>	<b>\$ 318,322</b>
Investment income (loss)	169,328	1,825,880
Less: Income attributable to noncontrolling interests	(4,451)	(4,409)
<b>Economic net income (loss)</b>	<b>465,455</b>	<b>2,139,793</b>
Income taxes	(67,923)	(75,360)
Amortization of intangibles and other, net	(3,164)	(7,785)
Non-cash equity based charges	(386,533)	(824,193)
Allocation to noncontrolling interests held by KKR Holdings L.P.	(52,051)	(899,277)
<b>Net (income) loss attributable to KKR &amp; Co. L.P.</b>	<b>\$ (44,216)</b>	<b>\$ 333,178</b>

# Reconciliation of GAAP Common Units Outstanding to Adjusted Units

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	<u>As of September 30, 2011</u>	<u>As of December 31, 2010</u>
<b>GAAP Common Units Outstanding - Basic</b>	<b>222,944,668</b>	<b>212,770,091</b>
Unvested Common Units <sup>(1)</sup>	3,739,066	30,000
<b>GAAP Common Units Outstanding - Diluted</b>	<b>226,683,734</b>	<b>212,800,091</b>
Adjustments:		
KKR Holdings Units <sup>(2)</sup>	460,079,957	470,237,329
<b>Adjusted Units</b>	<b><u>686,763,691</u></b>	<b><u>683,037,420</u></b>

(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.

# Legal Disclosures

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Unless otherwise indicated, any references to "Gross IRR" or "gross returns" and any references to "multiples of invested capital", "MOIC", or "gross multiples" or multiples of "cost" are to the aggregate, annual, compound, gross internal rate of return on investments or multiples of invested capital, respectively. Such amounts are calculated at investment level and, accordingly, do not reflect management fees, carried interest and transaction costs and other expenses to be borne by investors in a fund, which will reduce returns and in the aggregate are expected to be substantial. In the case of unrealized investments, the gross returns are based on internal valuations by KKR of unrealized investments as of the applicable date. The actual realized returns on a fund's unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions on which the valuations used in the prior performance data contained herein are based. Accordingly, the actual realized return of these unrealized investments may differ materially from the returns indicated herein.

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