

KKR & Co. L.P.
Form 10-Q
May 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2015

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the Transition period from _____ to _____.

Commission File Number 001-34820

KKR & CO. L.P.
(Exact name of Registrant as specified in its charter)
Delaware
(State or other Jurisdiction of
Incorporation or Organization)

26-0426107
(I.R.S. Employer
Identification Number)

9 West 57th Street, Suite 4200
New York, New York 10019
Telephone: (212) 750-8300
(Address, zip code, and telephone number, including
area code, of registrant's principal executive office.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

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Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 5, 2015, there were 441,909,905 Common Units of the registrant outstanding

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FORM 10-Q

For the Quarter Ended March 31, 2015

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. Without limiting the foregoing, statements regarding the expected synergies from the acquisitions of KKR Financial Holdings LLC, Avoca Capital, Prisma Capital Partners LP, and their affiliates may constitute forward-looking statements that are subject to the risk that the benefits and anticipated synergies from such transactions are not realized. Forward looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the Securities and Exchange Commission on February 27, 2015. These factors should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. We do not undertake any obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise.

In this report, references to "KKR," "we," "us," "our" and "our partnership" refer to KKR & Co. L.P. and its consolidated subsidiaries. Prior to KKR & Co. L.P. becoming listed on the New York Stock Exchange ("NYSE") on July 15, 2010, KKR Group Holdings L.P. ("Group Holdings") consolidated the financial results of KKR Management Holdings L.P. and KKR Fund Holdings L.P. (together, the "KKR Group Partnerships") and their consolidated subsidiaries. On August 5, 2014, KKR International Holdings L.P. became a KKR Group Partnership. Each KKR Group Partnership has an identical number of partner interests and, when held together, one Class A partner interest in each of the KKR Group Partnerships together represents one KKR Group Partnership Unit.

References to "our Managing Partner" are to KKR Management LLC, which acts as our general partner and unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity of the KKR Group Partnerships and are net of amounts that have been allocated to our principals and other employees and non-employee operating consultants in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings L.P., which we refer to as "KKR Holdings," and references to our "senior principals" are to our senior employees who hold interests in our Managing Partner entitling them to vote for the election of its directors.

References to non-employee operating consultants include employees of KKR Capstone and are not employees of KKR. KKR Capstone refers to a group of entities that are owned and controlled by their senior management. KKR Capstone is not a subsidiary or affiliate of KKR. KKR Capstone operates under several consulting agreements with KKR and uses the "KKR" name under license from KKR.

Prior to October 1, 2009, KKR's business was conducted through multiple entities for which there was no single holding entity, but were under common control of senior KKR principals, and in which senior principals and KKR's other principals and individuals held ownership interests (collectively, the "Predecessor Owners"). On October 1, 2009, we completed the acquisition of all of the assets and liabilities of KKR & Co. (Guernsey) L.P. (f/k/a KKR Private Equity Investors, L.P. or "KPE") and, in connection with such acquisition, completed a series of transactions

pursuant to which the business of KKR was reorganized into a holding company structure. The reorganization involved a contribution of certain equity interests in KKR's business that were held by KKR's Predecessor Owners to the KKR Group Partnerships in exchange for equity interests in the KKR Group Partnerships held through KKR Holdings. We refer to the acquisition of the assets and liabilities of KPE and to our subsequent reorganization into a holding company structure as the "KPE Transaction."

In this report, the term "GAAP" refers to accounting principles generally accepted in the United States of America.

We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to unitholders in assessing the overall performance of KKR's businesses. These financial measures should not be

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considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within "Condensed Consolidated Financial Statements (Unaudited)—Note 13. Segment Reporting" and later in this report under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Segment Balance Sheet."

This report uses the terms total distributable earnings, net realized investment income, assets under management or AUM, fee paying assets under management or FPAUM, fee related earnings or FRE, fee and yield earnings, economic net income or ENI, equity invested, gross dollars invested and syndicated capital. You should note that our calculations of these financial measures and other financial measures may differ from the calculations of other investment managers and, as a result, our financial measures may not be comparable to similar measures presented by other investment managers. These and other financial measures are defined in the section "Management's Discussion and Analysis of Financial Condition & Results of Operations—Key Financial Measures under GAAP—Segment Operating and Performance Measures" and "— Segment Balance Sheet —Liquidity—Liquidity Needs."

References to "our funds" or "our vehicles" refer to investment funds, vehicles and/or accounts advised, sponsored or managed by one or more subsidiaries of KKR including CLOs, unless context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund manager in which we may acquire a non-controlling interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted common units outstanding, or to our common units outstanding on a fully exchanged and diluted basis, reflect (i) actual common units outstanding, (ii) common units into which KKR Group Partnership Units not held by us are exchangeable pursuant to the terms of the exchange agreement described in this report, (iii) common units issuable in respect of exchangeable equity securities issued in connection with the acquisition of Avoca Capital ("Avoca"), and (iv) common units issuable pursuant to any equity awards actually issued under the KKR & Co. L.P. 2010 Equity Incentive Plan, which we refer to as our "Equity Incentive Plan," but do not reflect common units available for issuance pursuant to our Equity Incentive Plan for which grants have not yet been made.

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KKR & CO. L.P.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

(Amounts in Thousands, Except Unit Data)

	March 31, 2015	December 31, 2014
Assets		
Cash and Cash Equivalents	\$1,306,975	\$918,080
Cash and Cash Equivalents Held at Consolidated Entities	1,334,930	1,372,775
Restricted Cash and Cash Equivalents	53,362	102,991
Investments	60,971,453	60,167,626
Due from Affiliates	109,346	147,056
Other Assets	3,510,924	3,164,217
Total Assets	\$67,286,990	\$65,872,745
Liabilities and Equity		
Debt Obligations	\$11,717,676	\$10,837,784
Due to Affiliates	141,649	131,548
Accounts Payable, Accrued Expenses and Other Liabilities	3,270,120	3,199,352
Total Liabilities	15,129,445	14,168,684
Commitments and Contingencies	\$0	0
Redeemable Noncontrolling Interests	303,169	300,098
Equity		
KKR & Co. L.P. Partners' Capital (438,054,363 and 433,330,540 common units issued and outstanding as of March 31, 2015 and December 31, 2014, respectively)	5,633,520	5,403,095
Accumulated Other Comprehensive Income (Loss)	(32,154) (20,404)
Total KKR & Co. L.P. Partners' Capital	5,601,366	5,382,691
Noncontrolling Interests	46,253,010	46,004,377
Appropriated Capital	—	16,895
Total Equity	51,854,376	51,403,963
Total Liabilities and Equity	\$67,286,990	\$65,872,745

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued) (UNAUDITED)

(Amounts in Thousands)

The following presents the portion of the consolidated balances presented in the condensed consolidated statements of financial condition attributable to consolidated variable interest entities (“VIEs”) as of March 31, 2015 and December 31, 2014. The assets of consolidated collateralized loan obligation (“CLO”) vehicles, which comprise the majority of KKR’s consolidated VIEs, are held solely as collateral to satisfy the obligations of the CLO vehicles. KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these CLO vehicles beyond KKR’s beneficial interest therein and management fees generated from the CLO vehicles. The assets in each CLO vehicle can be used only to settle the debt of the related CLO vehicle. The noteholders and other creditors of the CLO vehicles have no recourse to KKR’s general assets. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any ongoing financial support to the CLO vehicles.

	March 31, 2015	December 31, 2014
Assets		
Cash and Cash Equivalents Held at Consolidated Entities	\$786,701	\$1,046,018
Investments	8,049,472	8,559,967
Other Assets	220,079	129,949
Total Assets	\$9,056,252	\$9,735,934
Liabilities		
Debt Obligations	\$7,158,322	\$7,615,340
Accounts Payable, Accrued Expenses and Other Liabilities	544,680	638,953
Total Liabilities	\$7,703,002	\$8,254,293

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in Thousands, Except Unit Data)

	Three Months Ended March 31,	
	2015	2014
Revenues		
Fees and Other	\$291,345	\$302,926
Expenses		
Compensation and Benefits	364,999	331,038
Occupancy and Related Charges	15,732	15,408
General, Administrative and Other	134,302	126,725
Total Expenses	515,033	473,171
Investment Income (Loss)		
Net Gains (Losses) from Investment Activities	1,919,825	1,972,180
Dividend Income	78,815	96,704
Interest Income	296,158	161,960
Interest Expense	(111,963)	(34,731)
Total Investment Income (Loss)	2,182,835	2,196,113
Income (Loss) Before Taxes	1,959,147	2,025,868
Income Taxes	16,138	21,702
Net Income (Loss)	1,943,009	2,004,166
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	1,933	10,637
Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	1,670,569	1,783,488
Net Income (Loss) Attributable to KKR & Co. L.P.	\$270,507	\$210,041
Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit		
Basic	\$0.62	\$0.72
Diluted	\$0.57	\$0.65
Weighted Average Common Units Outstanding		
Basic	434,874,820	293,490,461
Diluted	472,225,344	325,104,229

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(Amounts in Thousands)

	Three Months Ended March 31,	
	2015	2014
Net Income (Loss)	\$1,943,009	\$2,004,166
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustments	(22,426) 5,343
Comprehensive Income (Loss)	1,920,583	2,009,509
Less: Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests	1,933	10,637
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	1,659,564	1,787,760
Comprehensive Income (Loss) Attributable to KKR & Co. L.P.	\$259,086	\$211,112

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(Amounts in Thousands, Except Unit Data)

	KKR & Co. L.P.						Redeemable Noncontrolling Interests
	Common Units	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Appropriated Capital	Total Equity	
Balance at January 1, 2014	288,143,327	\$2,727,909	\$ (5,899)	\$ 43,235,001	\$—	\$45,957,011	\$ 627,807
Net Income (Loss)		210,041		1,775,868	7,620	1,993,529	10,637
Other Comprehensive Income (Loss)-Foreign Currency Translation (Net of Tax)			1,071	4,184	88	5,343	
Exchange of KKR Holdings L.P. Units and Other Exchangeable Securities to KKR & Co. L.P. Common Units	11,011,561	144,795	(274)	(144,521)		—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units		4,508	108			4,616	
Net Delivery of Common Units-Equity Incentive Plan	1,199,400	28,379				28,379	
Equity Based Compensation		39,353		38,175		77,528	
Acquisitions				56,495		56,495	
Capital Contributions				4,564,205		4,564,205	45,418
Capital Distributions		(138,308)		(3,666,167)		(3,804,475)	(18,286)
Balance at March 31, 2014	300,354,288	\$3,016,677	\$ (4,994)	\$ 45,863,240	\$ 7,708	\$48,882,631	\$ 665,576

	KKR & Co. L.P.						Redeemable Noncontrolling Interests
	Common Units	Partners' Capital	Accumulated Other Comprehensive	Noncontrolling Interests	Appropriated Capital	Total Equity	

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			Income (Loss)				
Balance at January 1, 2015	433,330,540	\$5,403,095	\$ (20,404)	\$ 46,004,377	\$ 16,895	\$51,403,963	\$ 300,098
Net Income (Loss)		270,507		1,670,569		1,941,076	1,933
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(11,421)	(11,005)		(22,426)	
Cumulative-effect adjustment from adoption of accounting guidance		(307)			(16,895)	(17,202)	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	4,723,823	59,495	(405)	(59,090)		—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units		198	76			274	
Equity Based Compensation		52,265		24,285		76,550	
Capital Contributions		0		1,880,114		1,880,114	2,485
Capital Distributions		(151,733)		(3,256,240)		(3,407,973)	(1,347)
Balance at March 31, 2015	438,054,363	\$5,633,520	\$ (32,154)	\$ 46,253,010	\$ —	\$51,854,376	\$ 303,169

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in Thousands)

	Three Months Ended March 31,	
	2015	2014
Operating Activities		
Net Income (Loss)	\$1,943,009	\$2,004,166
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Equity Based Compensation	76,550	77,528
Net Realized (Gains) Losses on Investments	(1,805,787)	(750,627)
Change in Unrealized (Gains) Losses on Investments	(114,038)	(1,221,553)
Other Non-Cash Amounts	(41,658)	(16,433)
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Change in Cash and Cash Equivalents Held at Consolidated Entities	(18,665)	(325,902)
Change in Due from / to Affiliates	32,340	(12,768)
Change in Other Assets	208,921	(49,654)
Change in Accounts Payable, Accrued Expenses and Other Liabilities	264,915	402,910
Investments Purchased	(5,656,487)	(10,400,657)
Proceeds from Sale of Investments and Principal Payments	6,054,272	9,389,630
Net Cash Provided (Used) by Operating Activities	943,372	(903,360)
Investing Activities		
Change in Restricted Cash and Cash Equivalents	49,629	(7,667)
Purchase of Furniture, Computer Hardware and Leasehold Improvements	(3,783)	(1,888)
Development of Oil and Natural Gas Properties	(42,791)	—
Proceeds from Sale of Oil and Natural Gas Properties	4,863	—
Net Cash Acquired (Paid for Acquisitions)	—	(58,922)
Net Cash Provided (Used) by Investing Activities	7,918	(68,477)
Financing Activities		
Distributions to Partners	(151,733)	(138,308)
Distributions to Redeemable Noncontrolling Interests	(1,347)	(18,286)
Contributions from Redeemable Noncontrolling Interests	2,485	45,418
Distributions to Noncontrolling Interests	(3,256,240)	(3,666,167)
Contributions from Noncontrolling Interests	1,880,114	4,564,205
Net Delivery of Common Units - Equity Incentive Plan	—	28,379
Proceeds from Debt Obligations	1,808,100	308,435
Repayment of Debt Obligations	(837,235)	(133,297)
Financing Costs Paid	(6,539)	—
Net Cash Provided (Used) by Financing Activities	(562,395)	990,379
Net Increase/(Decrease) in Cash and Cash Equivalents	388,895	18,542
Cash and Cash Equivalents, Beginning of Period	918,080	1,306,383
Cash and Cash Equivalents, End of Period	\$1,306,975	\$1,324,925

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued) (UNAUDITED)

(Amounts in Thousands)

	Three Months Ended March 31,	
	2015	2014
Supplemental Disclosures of Cash Flow Information		
Payments for Interest	\$100,334	\$40,143
Payments for Income Taxes	\$9,472	\$7,656
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Non-Cash Contributions of Equity Based Compensation	\$76,550	\$77,528
Cumulative effect adjustment from adoption of accounting guidance	\$(17,202)) \$—
Debt Obligations-Foreign Exchange Gains (Losses), Translation and Other	\$(100,525)) \$(7,356)
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units	\$274	\$4,616
Net Assets Acquired		
Cash and Cash Equivalents Held at Consolidated Entities	\$—	\$150,302
Investments	\$—	\$1,247,079
Other Assets	\$—	\$109,557
Debt Obligations	\$—	\$1,150,551
Accounts Payable, Accrued Expenses and Other Liabilities	\$—	\$153,892

See notes to condensed consolidated financial statements.

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1. ORGANIZATION

KKR & Co. L.P. (NYSE: KKR), together with its consolidated subsidiaries (“KKR”), is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside the capital it manages for fund investors and brings debt and equity investment opportunities to others through its capital markets business.

KKR & Co. L.P. was formed as a Delaware limited partnership on June 25, 2007 and its general partner is KKR Management LLC (the “Managing Partner”). KKR & Co. L.P. is the parent company of KKR Group Limited, which is the non-economic general partner of KKR Group Holdings L.P. (“Group Holdings”), and KKR & Co. L.P. is the sole limited partner of Group Holdings. Group Holdings holds a controlling economic interest in each of (i) KKR Management Holdings L.P. (“Management Holdings”) through KKR Management Holdings Corp., a Delaware corporation which is a domestic corporation for U.S. federal income tax purposes, (ii) KKR Fund Holdings L.P. (“Fund Holdings”) directly and through KKR Fund Holdings GP Limited, a Cayman Island limited company which is a disregarded entity for U.S. federal income tax purposes, and (iii) KKR International Holdings L.P. (“International Holdings”, and together with Management Holdings and Fund Holdings, the “KKR Group Partnerships”) directly and through KKR Fund Holdings GP Limited. Group Holdings also owns certain economic interests in Management Holdings through a wholly owned Delaware corporate subsidiary of KKR Management Holdings Corp. and certain economic interests in Fund Holdings through a Delaware partnership of which Group Holdings is the general partner with a 99% economic interest and KKR Management Holdings Corp. is a limited partner with a 1% economic interest. KKR & Co. L.P., through its indirect controlling economic interests in the KKR Group Partnerships, is the holding partnership for the KKR business.

KKR & Co. L.P. both indirectly controls the KKR Group Partnerships and indirectly holds Class A partner units in each KKR Group Partnership (collectively, “KKR Group Partnership Units”) representing economic interests in KKR’s business. The remaining KKR Group Partnership Units are held by KKR Holdings L.P. (“KKR Holdings”), which is not a subsidiary of KKR. As of March 31, 2015, KKR & Co. L.P. held approximately 54% of the KKR Group Partnership Units and principals through KKR Holdings held approximately 46% of the KKR Group Partnership Units. The percentage ownership in the KKR Group Partnerships will continue to change as KKR Holdings and/or principals exchange units in the KKR Group Partnerships for KKR & Co. L.P. common units or when KKR & Co. L.P. otherwise issues new KKR & Co. L.P. common units.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of KKR & Co. L.P. have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the instructions to Form 10-Q. The condensed consolidated financial statements (referred to hereafter as the “financial statements”), including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) such that the condensed consolidated financial statements are presented fairly and that estimates made in preparing the condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The December 31, 2014 condensed consolidated balance sheet data was derived from audited consolidated financial statements included in KKR’s Annual Report on Form 10-K for the year ended December 31, 2014, which include all disclosures required by GAAP. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in KKR & Co. L.P.’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”).

KKR & Co. L.P. consolidates the financial results of the KKR Group Partnerships and their consolidated subsidiaries, which include the accounts of KKR’s investment management and capital markets companies, the general partners of certain unconsolidated funds and vehicles, general partners of consolidated funds and their respective consolidated funds and certain other entities including certain CLOs. References in the accompanying financial statements to “principals” are to KKR’s senior employees and non-employee operating consultants who hold interests in KKR’s business through KKR Holdings, and references to “Senior Principals” are to KKR’s senior employees who hold interests in the Managing Partner entitling them to vote for the election of the Managing Partner’s directors.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of fees, expenses and investment income (loss) during the reporting periods. Such estimates include but are not limited to the valuation of investments and financial instruments. Actual results could differ from those estimates, and such differences could be material to the financial statements.

Principles of Consolidation

The types of entities KKR assesses for consolidation include (i) subsidiaries, including management companies, broker-dealers and general partners of investment funds that KKR manages, (ii) entities that have all the attributes of an investment company, like investment funds, (iii) CLOs and (iv) other entities, including entities that employ non-employee operating consultants. Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to its consolidation policy, KKR first considers whether an entity is considered a VIE and therefore whether to apply the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities (“VOEs”) under the voting interest model.

The consolidation rules were revised effective January 1, 2010 which had the effect of changing the criteria for determining whether a reporting entity is the primary beneficiary of a VIE. However, the adoption of these new

consolidation rules was indefinitely deferred (the “Deferral”) for a reporting entity’s interests in certain entities. In particular, entities that have all the attributes of an investment company such as investment funds generally meet the conditions necessary for the Deferral. Entities that are securitization or asset-backed financing entities such as CLOs would generally not qualify for the Deferral. Accordingly, when making the assessment of whether an entity is a VIE, KKR considers whether the entity being assessed meets the conditions for the Deferral and therefore would be subject to the rules that existed prior to January 1, 2010. Under both sets of rules, VIEs for which KKR is determined to be the primary beneficiary are consolidated and such VIEs generally include certain CLO vehicles and entities that employ non-employee operating consultants.

An entity in which KKR holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity’s activities that have a significant effect on the success of the legal entity or

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the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights.

With respect to VIEs such as KKR's investment funds that qualify for the Deferral and therefore apply the previous consolidation rules, KKR is determined to be the primary beneficiary if its involvement, through holding interests directly or indirectly in the VIE or contractually through other variable interests (e.g., carried interest), would be expected to absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. In cases where two or more KKR related parties hold a variable interest in a VIE, and the aggregate variable interest held by those parties would, if held by a single party, identify that party as the primary beneficiary, then KKR is determined to be the primary beneficiary to the extent it is the party within the related party group that is most closely associated with the VIE.

Under the voting interest model, KKR consolidates those entities it controls through a majority voting interest or through other means, including those VOEs in which the general partner is presumed to have control. KKR does not consolidate those VOEs in which the presumption of control by the general partner has been overcome through either the granting of substantive rights to the unaffiliated fund investors to either dissolve the fund or remove the general partner ("kick-out rights") or the granting of substantive participating rights.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE depends on the facts and circumstances surrounding each entity and therefore certain of KKR's investment funds may qualify as VIEs whereas others may qualify as VOEs.

With respect to KKR's consolidated funds that are not CLOs, KKR meets the criteria for the Deferral and therefore applies the consolidation rules that existed prior to January 1, 2010. For these funds, KKR generally has operational discretion and control, and fund investors have no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, also known as kick-out rights. As a result, a fund should be consolidated unless KKR has a nominal level of equity at risk. To the extent that KKR commits a nominal amount of equity to a given fund and has no obligation to fund any future losses, the equity at risk to KKR is not considered substantive and the fund is typically considered a VIE. In these cases, the fund investors are generally deemed to be the primary beneficiaries, and KKR does not consolidate the fund. In cases when KKR's equity at risk is deemed to be substantive, the fund is generally considered to be a VOE and KKR generally consolidates the fund under the VOE model.

With respect to CLOs, which are generally VIEs, the criteria for the Deferral are not met and therefore KKR applies the consolidation rules issued on January 1, 2010. In its role as collateral manager, KKR generally has the power to direct the activities of the CLO entities that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through both its residual interest in the CLO and the potential to earn an incentive fee, may have variable interests that represent an obligation to absorb losses of, or a right to receive benefits from, the CLO that could potentially be significant to the CLO. In cases where KKR has both (a) the power to direct the activities of the CLO that most significantly impact the CLOs economic performance and (b) the obligation to absorb losses of the CLO or the right to receive benefits from the CLO that could potentially be significant to the CLO, KKR consolidates the CLO.

Certain of KKR's funds and CLOs are consolidated by KKR notwithstanding the fact that KKR has only a minority economic interest in those funds and CLOs. KKR's financial statements reflect the assets, liabilities, fees, expenses, investment income (loss) and cash flows of the consolidated KKR funds and CLOs on a gross basis, and the majority of the economic interests in those funds and CLOs, which are held by fund investors or other third parties, are

attributed to noncontrolling interests in the accompanying financial statements. All of the management fees and certain other amounts earned by KKR from those funds and CLOs are eliminated in consolidation. However, because the eliminated amounts are earned from and funded by noncontrolling interests, KKR's attributable share of the net income (loss) from those funds and CLOs is increased by the amounts eliminated. Accordingly, the elimination in consolidation of such amounts has no effect on net income (loss) attributable to KKR or KKR partners' capital.

KKR's funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their investments in portfolio companies even if majority-owned and controlled. Rather, the consolidated funds and vehicles reflect their investments at fair value as described below in "Fair Value Measurements".

All intercompany transactions and balances have been eliminated.

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Variable Interest Entities — Collateralized Loan Obligations

As of January 1, 2015, KKR has adopted the measurement alternative included in ASU 2014-13, “Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity” (“ASU 2014-13”), and has applied the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of January 1, 2015. Refer to the condensed consolidated statements of changes in equity.

Pursuant to ASU 2014-13, KKR measures both the financial assets and financial liabilities of the consolidated CLOs in its condensed consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. KKR believes the fair value of the financial assets of the consolidated CLOs, which are Level II assets within the GAAP hierarchical levels, are more observable than the fair value of the financial liabilities of the consolidated CLOs, which are Level III liabilities. As a result, the financial assets of the consolidated CLOs are being measured at fair value and the financial liabilities are being measured in consolidation as: (1) the sum of the fair value of the financial assets and the carrying value of any nonfinancial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by the reporting entity (other than those that represent compensation for services) and KKR’s carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by KKR) using a reasonable and consistent methodology. Under the measurement alternative, KKR’s condensed consolidated net income (loss) reflects KKR’s own economic interests in the consolidated CLOs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for collateral management services.

Prior to the adoption of ASU 2014-13, KKR elected the fair value option for the assets and liabilities of the consolidated CLO vehicles. KKR accounted for the difference between the fair value of the assets and the fair value of the liabilities of the consolidated CLOs in Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations. This amount was attributed to KKR and third party beneficial interest holders based on each beneficial holder’s residual interest in the consolidated CLOs. The amount attributed to third party beneficial interest holders was reflected in the condensed consolidated statements of operations in Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital and in the condensed consolidated statements of financial condition in Appropriated Capital within Equity. The amount was recorded as Appropriated Capital since the other holders of the CLOs’ beneficial interests, not KKR, received the benefits or absorbed the losses associated with their proportionate share of the CLOs’ assets and liabilities.

Business Combinations

Acquisitions are accounted for using the acquisition method of accounting. The purchase price of an acquisition is allocated to the assets acquired and liabilities assumed using the estimated fair values at the acquisition date. Transaction costs are expensed as incurred.

Oil and Natural Gas Properties

KKR proportionately consolidates working and royalty interests in oil and natural gas producing properties, which as a result of the acquisition of KKR Financial Holdings LLC (“KFN”) on April 30, 2014 became more significant.

Oil and natural gas producing activities are accounted for under the successful efforts method of accounting. Under this method, exploration costs, other than the costs of drilling exploratory wells, are charged to expense as incurred. Costs that are associated with the drilling of successful exploration wells are capitalized if proved reserves are found. Lease acquisition costs are capitalized when incurred. Costs associated with the drilling of exploratory wells that do not find proved reserves, geological and geophysical costs and costs of certain nonproducing leasehold costs are charged to expense as incurred.

Expenditures for repairs and maintenance, including workovers, are charged to expense as incurred.

The capitalized costs of producing oil and natural gas properties are depleted on a field-by-field basis using the units-of production method based on the ratio of current production to estimated total net proved oil, natural gas and natural gas liquid reserves. Proved developed reserves are used in computing depletion rates for drilling and development costs and total proved reserves are used for depletion rates of leasehold costs.

Estimated dismantlement and abandonment costs for oil and natural gas properties, net of salvage value, are capitalized at their estimated net present value and amortized on a unit-of-production basis over the remaining life of the related proved developed reserves.

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Whenever events or changes in circumstances indicate that the carrying amounts of oil and natural gas properties may not be recoverable, KKR evaluates the proved oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. The determination of recoverability is made based upon estimated undiscounted future net cash flows. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flow analysis, with the carrying value of the related asset. Unproved oil and natural gas properties are assessed periodically and, at a minimum, annually on a property-by-property basis, and any impairment in value is recognized when incurred and is recorded in General, Administrative, and Other expense in the condensed consolidated statements of operations.

Intangible Assets

Intangible assets consist primarily of contractual rights to earn future fee income, including management and incentive fees, and are recorded in Other Assets in the accompanying condensed consolidated statements of financial condition. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives and amortization expense is included within General, Administrative and Other in the accompanying condensed consolidated statements of operations. Intangible assets are reviewed for impairment when circumstances indicate impairment may exist. KKR does not have any indefinite-lived intangible assets.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually or more frequently if circumstances indicate impairment may have occurred. Goodwill is recorded in Other Assets in the accompanying condensed consolidated statements of financial condition.

Redeemable Noncontrolling Interests

Redeemable Noncontrolling Interests represent noncontrolling interests of certain investment vehicles and funds that are subject to periodic redemption by fund investors following the expiration of a specified period of time (typically between one and three years), or may be withdrawn subject to a redemption fee during the period when capital may not be otherwise withdrawn. Fund investors interests subject to redemption as described above are presented as Redeemable Noncontrolling Interests in the accompanying condensed consolidated statements of financial condition and presented as Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in the accompanying condensed consolidated statements of operations.

When redeemable amounts become legally payable to fund investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying condensed consolidated statements of financial condition. For all consolidated investment vehicles and funds in which redemption rights have not been granted, noncontrolling interests are presented within Equity in the accompanying condensed consolidated statements of financial condition as noncontrolling interests.

Noncontrolling Interests

Noncontrolling interests represent (i) noncontrolling interests in consolidated entities and (ii) noncontrolling interests held by KKR Holdings.

Noncontrolling Interests in Consolidated Entities

Noncontrolling interests in consolidated entities represent the non-redeemable ownership interests in KKR that are held primarily by:

- (i) third party fund investors in KKR's funds;
- (ii) third parties holding an aggregate of 1% of the carried interest received by the general partners of KKR's funds and 1% of KKR's other profits (losses) until a future date;
 - certains former principals and their designees representing a portion of the carried interest received by the general
- (iii) partners of KKR's private equity funds that was allocated to them with respect to private equity investments made during such former principals' tenure with KKR prior to October 1, 2009;
- (iv) certain principals and former principals representing all of the capital invested by or on behalf of the general partners of KKR's private equity funds prior to October 1, 2009 and any returns thereon;

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- (v) third parties in KKR's capital markets business;
- (vi) holders of exchangeable equity securities representing ownership interests in a subsidiary of a KKR Group Partnership issued in connection with the acquisition of Avoca; and
- (vii) holders of the 7.375% Series A LLC Preferred Shares of KFN whose rights are limited to the assets of KFN.

Noncontrolling Interests held by KKR Holdings

Noncontrolling interests held by KKR Holdings include economic interests held by principals in the KKR Group Partnerships. Such principals receive financial benefits from KKR's business in the form of distributions received from KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. These financial benefits are not paid by KKR and are borne by KKR Holdings.

The following table presents the calculation of noncontrolling interests held by KKR Holdings:

	Three months ended March 31,	
	2015	2014
Balance at the beginning of the period	\$4,661,679	\$5,116,761
Net income (loss) attributable to noncontrolling interests held by KKR Holdings (a)	239,008	300,814
Other comprehensive income (loss), net of tax (b)	(11,077)) 2,469
Impact of the exchange of KKR Holdings units to KKR & Co. L.P. common units (c)	(58,140)) (144,521)
Equity based compensation	20,517	35,150
Capital contributions	250	460
Capital distributions	(132,274)) (192,642)
Balance at the end of the period	\$4,719,963	\$5,118,491

(a) Refer to the table below for calculation of Net income (loss) attributable to noncontrolling interests held by KKR Holdings.

(b) Calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.

(c) Calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. L.P. common units pursuant to the exchange agreement during the reporting period. The exchange agreement provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. L.P. common units.

Net income (loss) attributable to KKR & Co. L.P. after allocation to noncontrolling interests held by KKR Holdings, with the exception of certain tax assets and liabilities that are directly allocable to KKR Management Holdings Corp., is attributed based on the percentage of the weighted average KKR Group Partnership Units held by KKR and KKR Holdings, each of which hold equity of the KKR Group Partnerships. However, primarily because of the (i) contribution of certain expenses borne entirely by KKR Holdings, (ii) the periodic exchange of KKR Holdings units for KKR & Co. L.P. common units pursuant to the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the KKR & Co. L.P. 2010 Equity Plan ("Equity Incentive Plan"), equity allocations shown in the condensed consolidated statement of changes in equity differ from their respective pro-rata ownership interests in KKR's net assets.

The following table presents net income (loss) attributable to noncontrolling interests held by KKR Holdings:

	Three months ended March 31,	
	2015	2014
Net income (loss)	\$1,943,009	\$2,004,166
Less: Net income (loss) attributable to Redeemable Noncontrolling Interests	1,933	10,637
	1,431,561	1,482,674

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Less: Net income (loss) attributable to Noncontrolling Interests in consolidated entities and appropriated capital		
Plus: Income taxes attributable to KKR Management Holdings Corp.	6,053	10,947
Net income (loss) attributable to KKR & Co. L.P. and KKR Holdings	\$515,568	\$521,802
Net income (loss) attributable to noncontrolling interests held by KKR Holdings	\$239,008	\$300,814

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Investments

Investments consist primarily of private equity, real assets, credit, investments of consolidated CLOs, and other investments. Investments are carried at their estimated fair values, with unrealized gains or losses resulting from changes in fair value reflected as a component of Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations. Investments denominated in currencies other than the U.S. dollar are valued based on the spot rate of the respective currency at the end of the reporting period with changes related to exchange rate movements reflected as a component of Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 4, "Investments."

The following describes the types of securities held within each investment class.

Private Equity —Consists primarily of equity investments in operating businesses.

Real Assets —Consists primarily of investments in (i) energy related assets, principally oil and natural gas producing properties held through consolidated investment vehicles, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses.

Credit —Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), distressed and opportunistic debt and interests in unconsolidated CLOs.

Investments of Consolidated CLOs — Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs.

Other —Consists primarily of (i) investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit and investments of consolidated CLOs as well as (ii) equity method investments.

Equity Method

Equity method investments include (i) certain investments in private equity funds, real assets funds and credit funds, which are not consolidated, and (ii) certain investments in operating companies in which KKR is deemed to exert significant influence. Under the equity method of accounting, KKR's share of earnings (losses) from equity method investments is reflected as a component of Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations. Because the underlying investments of unconsolidated investment funds are reported at fair value, the carrying value of these equity method investments representing KKR's interests in unconsolidated funds approximates fair value. The carrying value of equity method investments in certain operating companies, which KKR is determined to exert significant influence, is determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions. In some cases, KKR has elected the fair value option to account for certain of these equity method investments.

Fair Value Measurements

Investments and other financial instruments are measured and carried at fair value. The majority of investments and other financial instruments are held by the consolidated funds and vehicles. KKR's funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments at fair value. KKR has retained the

specialized accounting for the consolidated funds and vehicles in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments held by KKR's funds are reflected as a component of Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations.

For investments and other financial instruments that are not held in a consolidated fund or vehicle, KKR has elected the fair value option since these investments and other financial instruments are similar to those in the consolidated funds and vehicles. Such election is irrevocable and is applied on an investment by investment basis at initial recognition. Unrealized gains and losses resulting from changes in fair value are reflected as a component of Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations. The methodology for measuring the fair value of such investments and other financial instruments is consistent with the methodologies applied to investments and other financial instruments that are held in consolidated funds and vehicles. In addition, KKR has elected the fair value option for the investments of the consolidated CLO vehicles.

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The carrying amounts of Other Assets, Accounts Payable, Accrued Expenses and Other Liabilities recognized on the condensed consolidated statements of financial condition (excluding fixed assets, goodwill, intangible assets, oil & gas assets, net, contingent consideration and certain debt obligations) approximate fair value due to their short term maturities. Further information on KKR's debt obligations are presented in Note 9, "Debt Obligations."

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors. See Note 5, "Fair Value Measurements" for further information on KKR's valuation techniques that involve unobservable inputs. Assets and liabilities recorded at fair value in the statements of financial condition are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, as defined under GAAP, are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets and liabilities. The hierarchical levels defined under GAAP are as follows:

Level I

Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The type of investments and other financial instruments included in this category are publicly-listed equities, debt and securities sold short.

Level II

Inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level II inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. The type of investments and other financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLOs (beginning on January 1, 2015), convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

Level III

Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The types of assets and liabilities generally included in this category are private portfolio companies, real assets investments, credit investments and debt obligations of consolidated CLOs (prior to January 1, 2015) for which a sufficiently liquid trading market does not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. KKR's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by KKR in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which KKR recognizes at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. KKR does not adjust the quoted price for these investments, even in situations where KKR holds a large position and a sale could reasonably affect the quoted price.

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Management's determination of fair value is based upon the best information available for a given circumstance and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

Level II Valuation Methodologies

Financial assets and liabilities categorized as Level II consist primarily of credit investments, investments and debt obligations of consolidated CLOs, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

Credit investments and investments of consolidated CLOs: These investments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an asset. Ask prices represent the lowest price that KKR and others are willing to accept for an asset. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

Securities indexed to publicly listed securities: The securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

Restricted Equity Securities: The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

Derivatives: The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

CLO Debt Obligations: Beginning on January 1, 2015 with the adoption of ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

Level III Valuation Methodologies

Financial assets and liabilities categorized as Level III consist primarily of the following:

Private Equity Investments: KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Other inputs are also used in both

methodologies. However, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, KKR considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, the probability of such sale being completed. These factors can result in different weightings among investments in

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the portfolio and in certain instances may result in up to a 100% weighting to a single methodology. Across the Level III private equity investment portfolio, approximately 55.4% of the fair value is derived from investments that are valued based exactly 50% on market comparables and 50% on a discounted cash flow analysis. Less than 5% of the fair value of the Level III private equity investment portfolio is derived from investments that are valued either based 100% on market comparables or 100% on a discounted cash flow analysis.

When an illiquidity discount is to be applied, KKR seeks to take a uniform approach across its portfolio and generally applies a minimum 5% discount to all private equity investments. KKR then evaluates such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether KKR is unable to sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, KKR determines the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time KKR holds the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by KKR in its valuations.

Real Assets Investments: Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from, and are currently higher than, commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate, and certain real estate investments do not include a minimum illiquidity discount. The valuations of real assets investments also use other inputs.

Credit Investments: Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are valued by KKR based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

Other Investments: With respect to other investments including equity method investments for which the fair value election has been made, KKR generally employs the same valuation methodologies as described above for private

equity investments when valuing these other investments.

CLO Debt Obligations: Prior to January 1, 2015 and the adoption of ASU 2014-13, collateralized loan obligation senior secured and subordinated notes were initially valued at the transaction price and were subsequently valued using a third party valuation service. The approach used to estimate the fair values was the discounted cash flow method, which includes consideration of the cash flows of the debt obligation based on projected quarterly interest payments and quarterly amortization. The debt obligations were discounted based on the appropriate yield curve given the debt obligation's respective maturity and credit rating. The most significant inputs to the valuation of these financial instruments were default and loss expectations and discount margins. As described above in Fair Value Measurements - Summary of Significant Accounting Policies - Level II Valuation Methodologies, beginning on January 1, 2015, with the adoption of ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

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Key unobservable inputs that have a significant impact on KKR's Level III investment valuations as described above are included in Note 5 "Fair Value Measurements." KKR utilizes several unobservable pricing inputs and assumptions in determining the fair value of its Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of KKR's valuation methodologies. KKR's reported fair value estimates could vary materially if KKR had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if KKR only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies.

Level III Valuation Process

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review. KKR has a Private Markets valuation committee for private equity and real assets investments and a valuation committee for credit (including investments held by consolidated CLOs) and other investments. The Private Markets valuation committee is assisted by subcommittees in the valuation of real asset investments. Each of the Private Markets valuation committee and the credit valuation committee is assisted by a valuation team, which, except as noted below, is comprised only of employees who are not investment professionals responsible for preparing preliminary valuations or for oversight of the investments being valued. The valuation teams or subcommittees for real asset investments include investment professionals who participate in the preparation of preliminary valuations and oversight for those investments. The valuation committees and teams are responsible for coordinating and consistently implementing KKR's quarterly valuation policies, guidelines and processes. For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. These preliminary valuations are reviewed with the investment professionals by the applicable valuation team and are also reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which are less than pre-set value thresholds and which in the aggregate comprise less than 5% of the total value of KKR's Level III Private Markets investments. For most investments classified as Level III in Public Markets, in general, an independent valuation firm is engaged by KKR to provide third party valuations, or ranges of valuations from which KKR's investment professionals select a point in the range to determine the preliminary valuation, or an independent valuation firm is engaged by KKR to perform certain procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. All preliminary valuations in Private Markets and Public Markets are then reviewed by the applicable valuation committee, and after reflecting any input by their respective valuation committees, the preliminary valuations are presented to the firm's management committee. When these valuations are approved by this committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of KKR's board of directors and are then reported on to the board of directors.

Fees and Other

Fees and other consist primarily of (i) transaction fees earned in connection with successful investment transactions and from capital markets activities, (ii) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles, and separately managed accounts, (iii) monitoring fees from providing services to portfolio companies, (iv) revenue earned by oil and gas-producing entities that are consolidated and (v) consulting fees earned by entities that employ non-employee operating consultants.

For the three months ended March 31, 2015 and 2014, respectively, fees and other consisted of the following:

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	Three Months Ended	
	March 31,	
	2015	2014
Monitoring Fees	\$ 111,525	\$ 52,349
Transaction Fees	92,605	155,154
Management Fees	48,205	50,185
Oil and Gas Revenue	24,944	17,781
Consulting Fees	8,427	10,351
Incentive Fees	5,639	17,106
Total Fees and Other	\$ 291,345	\$ 302,926

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All fees presented in the table above, except for oil and gas revenue, are earned from KKR investment funds, vehicles and portfolio companies. Consulting fees are earned by certain consolidated entities that employ non-employee operating consultants from providing advisory and other services to portfolio companies and other companies and are recognized as the services are rendered. These fees are separately negotiated with each company for which services are provided and are not shared with KKR.

Monitoring, Transaction, Management, Consulting, and Incentive Fees Recognition

Monitoring, transaction, management, consulting and incentive fees are recognized when earned based on the contractual terms of the governing agreements and coincides with the period during which the related services are performed. In the case of transaction fees, the fees are recognized upon closing of the transaction. Monitoring fees may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

Oil and Gas Revenue Recognition

Oil and gas revenues are recognized when production is sold to a purchaser at fixed or determinable prices, when delivery has occurred and title has transferred and collectability of the revenue is reasonably assured. The oil and gas producing entities consolidated by KKR follow the sales method of accounting for natural gas revenues. Under this method of accounting, revenues are recognized based on volumes sold, which may differ from the volume to which the entity is entitled based on KKR's working interest. An imbalance is recognized as a liability only when the estimated remaining reserves will not be sufficient to enable the under-produced owners to recoup their entitled share through future production. Under the sales method, no receivables are recorded when these entities have taken less than their share of production and no payables are recorded when it has taken more than its share of production unless reserves are not sufficient.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers Topic 606 ("ASU 2014-09") which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Revenue recorded under ASU 2014-09 will depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In April 2015, the FASB proposed to defer the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017 and early adoption is not permitted. A full retrospective or modified retrospective approach is required. KKR is currently evaluating the impact the adoption of this guidance may have on its financial statements, including with respect to the timing of the recognition of carried interest.

Measurement of Financial Assets and Liabilities - Consolidated Collateralized Financing Entities

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" ("CFE"), such as CLOs. ASU 2014-13 provides an entity with an election to measure the financial assets and financial liabilities of a consolidated CFE on the basis of either the fair value of the CFE's financial assets or financial liabilities, whichever is more observable. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted and this guidance was early adopted by KKR on January 1, 2015 using a modified retrospective approach

by recording a cumulative-effect adjustment to equity as of the beginning of the annual period. Refer above to Variable Interest Entities - Collateralized Loan Obligations.
Going Concern

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably

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knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early adoption is permitted, and a prospective approach is required. The adoption of this guidance is not expected to have a material impact on KKR's financial statements.

Derivatives and Hedging

In November 2014, the FASB issued ASU No. 2014-16, Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity ("ASU 2014-16"). The guidance in ASU 2014-16 states that implied substantive terms and features of a hybrid financial instrument issued in the form of a stock should weigh each term and feature on the basis of relevant facts and circumstances. An entity should determine the nature of the host contract by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. ASU 2014-16 is effective for reporting periods starting after December 15, 2015 and for interim periods within the fiscal year. Early adoption is permitted, and a retrospective approach is permitted but not required. The adoption of this guidance is not expected to have a material impact on KKR's financial statements.

Consolidation

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"). The guidance in ASU 2015-02 eliminates the presumption that a general partner should consolidate a limited partnership and also eliminates the consolidation model specific to limited partnerships. The amendments also clarify how to treat fees paid to an asset manager or other entity that makes the decisions for the investment vehicle and whether such fees should be considered in determining when a variable interest entity should be reported on an asset manager's balance sheet. ASU 2015-02 is effective for reporting periods starting after December 15, 2015 and for interim periods within the fiscal year. Early adoption is permitted, and a full retrospective or modified retrospective approach is required. KKR is evaluating the impact on its financial statements and expects to deconsolidate certain investment funds, vehicles and entities upon adoption of this guidance.

Interest - Imputation of Interest

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). The guidance in ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted, and a retrospective approach is required. The adoption of this guidance is not expected to have a material impact on KKR's financial statements.

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3. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES

Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities) and other financial instruments, including those for which the fair value option has been elected. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments during a period. Upon disposition of an investment or financial instrument, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following table summarizes total Net Gains (Losses) from Investment Activities for the three months ended March 31, 2015 and 2014, respectively:

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)
Private Equity (a)	\$1,619,876	\$ 271,278	\$635,069	\$ 1,045,459
Credit and Other (a)	42,826	(275,975)	159,780	134,845
Investments of Consolidated CLOs (a)	(17,271)	92,903	(225)	16,450
Real Assets (a)	—	(100,112)	2,655	(10,353)
Foreign Exchange Forward Contracts and Options (b)	133,931	323,310	(8,439)	9,283
Securities Sold Short (b)	(1,637)	(21,802)	(16,013)	23,989
Other Derivatives	(7,679)	9,439	(18,009)	5,161
Foreign Exchange Gains (Losses) on Debt Obligations (c)	11,017	(108,511)	(2,236)	(2,882)
Foreign Exchange Gains (Losses) and Other (d)	24,724	(76,492)	(1,955)	(399)
Total Net Gains (Losses) from Investment Activities	\$1,805,787	\$ 114,038	\$750,627	\$ 1,221,553

(a) See Note 4 "Investments."

(b) See Note 7 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

(c) See Note 9 "Debt Obligations."

(d) Foreign Exchange Gains (Losses) includes foreign exchange gains (losses) on cash and cash equivalents and cash and cash equivalents held at consolidated entities.

4. INVESTMENTS

Investments consist of the following:

	Fair Value		Cost	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Private Equity	\$37,912,609	\$ 38,222,255	\$28,736,938	\$ 29,317,314
Credit	6,985,924	6,702,740	7,391,974	6,906,583
Investments of Consolidated CLOs	8,049,472	8,559,967	8,211,888	8,815,286
Real Assets	3,874,099	3,130,404	6,197,448	5,354,191
Other	4,149,349	3,552,260	3,851,655	3,182,917

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Total Investments	\$60,971,453	\$ 60,167,626	\$54,389,903	\$ 53,576,291
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As of March 31, 2015, investments which represented greater than 5% of total investments consisted of Walgreens Boots Alliance Inc. of \$4.4 billion and First Data Corporation of \$4.2 billion. As of December 31, 2014, investments which represented greater than 5% of total investments consisted of Walgreens Boots Alliance Inc. of \$5.5 billion and First Data Corporation of \$3.8 billion. In addition, as of March 31, 2015 and December 31, 2014, investments totaling \$10.1 billion and \$11.4 billion, respectively, were pledged as direct collateral against various financing arrangements. See Note 9 "Debt Obligations."

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The following table represents private equity investments by industry as of March 31, 2015 and December 31, 2014:

	Fair Value	
	March 31, 2015	December 31, 2014
Health Care	\$9,652,931	\$10,269,605
Financial Services	6,111,757	5,691,815
Technology	4,520,091	4,262,800
Retail	4,359,055	4,141,276
Manufacturing	4,217,880	4,227,859
Other	9,050,895	9,628,900
	\$37,912,609	\$38,222,255

In the table above, other investments represent private equity investments in the following industries: Consumer Products, Education, Forestry, Media, Services, Telecommunications, Transportation, Hotel/Leisure, Packaging, Mining, Agriculture and Recycling. None of these industries represents more than 10% of total private equity investments as of March 31, 2015.

The majority of the securities underlying private equity investments represent equity securities. As of March 31, 2015 and December 31, 2014, the fair value of investments that were other than equity securities amounted to \$602.2 million and \$577.0 million, respectively.

5. FAIR VALUE MEASUREMENTS

The following tables summarize the valuation of KKR's assets and liabilities reported at fair value by the fair value hierarchy levels described in Note 2 "Summary of Significant Accounting Policies" as of March 31, 2015 and December 31, 2014 including those investments, other financial instruments and debt obligations of consolidated CLOs for which the fair value option has been elected. Equity Method Investments for which the fair value option has not been elected have been excluded from the tables below.

Assets, at fair value:

	March 31, 2015			Total
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Observable Inputs (Level II)	Other Significant Unobservable Inputs (Level III)	
Private Equity	\$6,773,425	\$ 5,006,969	\$ 26,132,215	\$37,912,609
Credit	—	2,759,699	4,226,225	6,985,924
Investments of Consolidated CLOs	—	7,895,816	153,656	8,049,472
Real Assets	—	—	3,874,099	3,874,099
Other	806,462	432,407	2,381,303	3,620,172
Total	7,579,887	16,094,891	36,767,498	60,442,276
Foreign Exchange Contracts and Options	—	871,040	—	871,040
Other Derivatives	1,553	14,696	—	16,249
Total Assets	\$7,581,440	\$ 16,980,627	\$ 36,767,498	\$61,329,565

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	December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Private Equity	\$5,940,470	\$ 6,005,764	\$ 26,276,021	\$38,222,255
Credit	—	2,510,038	4,192,702	6,702,740
Investments of Consolidated CLOs	—	8,467,472	92,495	8,559,967
Real Assets	—	—	3,130,404	3,130,404
Other	573,983	276,051	2,133,001	2,983,035
Total	6,514,453	17,259,325	35,824,623	59,598,401
Foreign Exchange Contracts and Options	—	517,088	—	517,088
Other Derivatives	2,246	9,651	—	11,897
Total Assets	\$6,516,699	\$ 17,786,064	\$ 35,824,623	\$60,127,386

Liabilities, at fair value:

	March 31, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Securities Sold Short	\$583,069	\$ 576	\$—	\$583,645
Foreign Exchange Contracts and Options	—	102,598	—	102,598
Unfunded Revolver Commitments	—	4,788	—	4,788
Other Derivatives	—	71,266	—	71,266
Total Liabilities	\$583,069	\$ 179,228	\$—	\$762,297

	December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Securities Sold Short	\$630,794	\$ 2,338	\$—	\$633,132
Foreign Exchange Contracts and Options	—	71,956	—	71,956
Unfunded Revolver Commitments	—	3,858	—	3,858
Other Derivatives	—	75,150	—	75,150
Debt Obligations of Consolidated CLOs	—	—	7,615,340	7,615,340
Total Liabilities	\$630,794	\$ 153,302	\$7,615,340	\$8,399,436

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The following tables summarize changes in assets and liabilities reported at fair value for which Level III inputs have been used to determine fair value for the three months ended March 31, 2015 and 2014, respectively:

Three Months Ended March 31, 2015							
	Private Equity	Credit	Investments of Consolidated Real Assets CLOs	Other	Total Level III Investments	Debt Obligations of Consolidated CLOs	
Balance, Beg. of Period	\$26,276,021	\$4,192,702	\$92,495	\$3,130,404	\$2,133,001	35,824,623	\$7,615,340
Transfers In (1)	—	16,706	108,340	—	1,187	126,233	—
Transfers Out (2)	(1,212,235)	(12,860)	—	—	(1,710)	(1,226,805)	—
Acquisitions	—	—	—	—	—	—	—
Purchases	688,776	433,196	1,308	853,770	414,362	2,391,412	—
Sales	(327,054)	(196,667)	(3,138)	(9,963)	(99,163)	(635,985)	—
Settlements	—	57,567	(883)	—	1,969	58,653	—
Net Realized Gains (Losses)	145,084	(6,536)	—	—	1,229	139,777	—
Net Unrealized Gains (Losses)	561,623	(257,883)	(44,466)	(100,112)	(69,572)	89,590	—
Change in Accounting Principle (3)	—	—	—	—	—	—	(7,615,340)
Change in Other Comprehensive Income	—	—	—	—	—	—	—
Balance, End of Period	\$26,132,215	\$4,226,225	\$153,656	\$3,874,099	\$2,381,303	36,767,498	\$—
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities	\$712,482	\$(289,389)	\$(44,466)	\$(100,112)	\$(71,431)	207,084	\$—
Three Months Ended March 31, 2014							
	Level III Assets				Total Level III Investments	Level III Liabilities	
	Private Equity	Credit	Investments of Consolidated Real Assets CLOs	Other		Debt Obligations of Consolidated CLOs	
Balance, Beg. of Period	\$29,082,505	\$1,944,464	\$—	\$3,300,674	\$348,486	\$34,676,129	\$—
Transfers In (1)	—	—	—	—	—	—	—
Transfers Out (2)	(1,258,584)	—	—	—	—	(1,258,584)	—
Acquisitions	—	—	—	—	—	—	1,150,551
Purchases	2,122,439	453,205	—	496,219	406,465	3,478,328	—
Sales	(24,131)	(134,166)	—	(4,669)	(19,207)	(182,173)	—
Settlements	—	15,720	—	—	—	15,720	—
Net Realized Gains (Losses)	(695,318)	28,734	—	2,655	176	(663,753)	—

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Net Unrealized Gains (Losses)	1,649,418	9,409	—	(13,951)	42,718	1,687,594	2,239
Change in Other Comprehensive Income	—	—	—	—	—	—	—
Balance, End of Period	\$30,876,329	\$2,317,366	\$—	\$3,780,928	\$778,638	\$37,753,261	\$1,152,790
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities	\$954,100	\$38,032	\$—	\$(13,951)	\$43,665	\$1,021,846	\$2,239

The Transfers In noted in the tables above for credit, investments of consolidated CLOs and other investments are (1) principally attributable to certain investments that experienced an insignificant level of market activity during the period and thus were valued in the absence of observable inputs.

(2) The Transfers Out noted in the tables above for private equity investments are attributable to portfolio companies that are now valued using their publicly traded market price. The Transfers Out noted above for credit and other

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investments are principally attributable to certain investments that experienced a higher level of market activity during the period and thus were valued using observable inputs.

Upon adoption of ASU 2014-13, the debt obligations of consolidated CLOs are no longer Level III financial liabilities under the GAAP fair value hierarchy. As of March 31, 2015, the debt obligations of consolidated CLOs (3) are measured on the basis of the fair value of the financial assets of the CLO and are classified as Level II financial liabilities. See Note 2 " Summary of Significant Accounting Policies".

Total realized and unrealized gains and losses recorded for Level III investments are reported in Net Gains (Losses) from Investment Activities in the accompanying condensed consolidated statements of operations. There were no transfers between Level I and Level II during the three months ended March 31, 2015. There was one transfer for \$318.9 million between Level I and Level II for private equity investments during the three months ended March 31, 2014 attributable to a portfolio company that is now valued using its publicly traded market price.

The following table presents additional information about valuation methodologies and significant unobservable inputs used for investments that are measured at fair value and categorized within Level III as of March 31, 2015:

	Fair Value March 31, 2015	Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)	
Private Equity Investments	\$26,132,215						
Financial Services	\$5,683,574	Inputs to market comparable, discounted cash flow and transaction cost	Illiquidity Discount	10.2%	10% - 15%	Decrease	
			Weight Ascribed to Market Comparables	43.0%	38% - 100%	(4)	
			Weight Ascribed to Discounted Cash Flow	38.3%	0% - 50%	(5)	
		Market comparables		Weight Ascribed to Transaction Price	18.7%	0% - 25%	(6)
				Enterprise Value/LTM EBITDA Multiple	13.0x	11.4x - 13.4x	Increase
				Enterprise Value/Forward EBITDA Multiple	11.4x	10.4x - 11.7x	Increase
		Discounted cash flow		Weighted Average Cost of Capital	11.1%	9.5% - 11.5%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	10.4x	10.0x - 10.5x	Increase
		Technology	\$4,276,447	Inputs to market comparable, discounted cash flow and transaction cost	Illiquidity Discount	7.3%	0% - 20%
Weight Ascribed to Market Comparables	32.9%				0% - 100%	(4)	
Weight Ascribed to Discounted Cash Flow	32.8%				0% - 50%	(5)	
Weight Ascribed to Transaction Price	34.3%				0% - 100%	(6)	

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		Enterprise Value/LTM EBITDA Multiple	12.1x	5.9x - 15.9x	Increase
	Market comparables	Enterprise Value/Forward EBITDA Multiple	10.9x	5.3x - 12.9x	Increase
	Discounted cash flow	Weighted Average Cost of Capital	12.1%	8.1% - 20.7%	Decrease
		Enterprise Value/LTM EBITDA Exit Multiple	9.0x	5.5x - 10.0x	Increase
Healthcare	\$3,452,306	Illiquidity Discount	6.1%	2.5% - 15%	Decrease
	Inputs to market comparable, discounted cash flow and transaction cost	Weight Ascribed to Market Comparables	26.0%	0% - 50%	(4)
		Weight Ascribed to Discounted Cash Flow	35.7%	12.5% - 100%	(5)
		Weight Ascribed to Transaction Price	38.3%	0% - 75%	(6)
	Market comparables	Enterprise Value/LTM EBITDA Multiple	11.2x	9.6x - 13.2x	Increase
		Enterprise Value/Forward EBITDA Multiple	10.5x	8.8x - 11.9x	Increase
	Discounted cash flow	Weighted Average Cost of Capital	11.7%	9.0% - 13.2%	Decrease
		Enterprise Value/LTM EBITDA Exit Multiple	10.3x	7.5x - 11.5x	Increase
Retail	\$3,428,590	Illiquidity Discount	7.7%	5% - 20%	Decrease
	Inputs to market comparable, discounted cash flow and transaction	Weight Ascribed to Market Comparables	44.5%	0% - 50%	(4)
		Weight Ascribed to Discounted Cash Flow	44.6%	37.5% - 100%	(5)
		Weight Ascribed to Transaction Price	10.9%	0% - 25%	(6)

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	Fair Value March 31, 2015	Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)
Retail (cont.)		Market comparables	Enterprise Value/LTM EBITDA Multiple	11.0x	7.0x - 14.3x	(7) Increase
			Enterprise Value/Forward EBITDA Multiple	9.6x	6.7x - 11.0x	(7) Increase
		Discounted cash flow	Weighted Average Cost of Capital	10.6%	9.0% - 22.2%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	8.1x	6.0x - 10.8x	Increase
Manufacturing	\$3,392,657	Inputs to both market comparable and discounted cash flow	Illiquidity Discount	8.5%	5% - 21%	Decrease
			Weight Ascribed to Market Comparables	46.1%	33.3% - 50%	(4)
			Weight Ascribed to Discounted Cash Flow	53.9%	50% - 66.7%	(5)
			Enterprise Value/LTM EBITDA Multiple	11.6x	6.8x - 19.6x	Increase
		Market comparables	Enterprise Value/Forward EBITDA Multiple	10.6x	7.5x - 14.6x	Increase
			Control Premium	20.0%	20% - 20%	(8) Increase
		Discounted cash flow	Weighted Average Cost of Capital	14.0%	9.5% - 20.6%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	9.6x	7.0x - 10.5x	Increase
Other	\$5,898,641	Inputs to market comparable, discounted cash flow and transaction cost	Illiquidity Discount	11.6%	5% - 20%	Decrease
			Weight Ascribed to Market Comparables	47.3%	0% - 100%	(4)
			Weight Ascribed to Discounted Cash Flow	52.7%	0% - 100%	(5)
			Enterprise Value/LTM EBITDA Multiple	11.9x	6.9x - 19.7x	Increase
		Market comparables	Enterprise Value/Forward EBITDA Multiple	10.7x	6.5x - 14.8x	Increase
			Control Premium	15.8%	10% - 20%	(8) Increase
		Discounted cash flow	Weighted Average Cost of Capital	12.8%	8% - 25.3%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	9.9x	6.5x - 12.0x	Increase
Real Assets	\$3,874,099					
Energy	\$1,615,253			12.6%		Decrease

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		Discounted cash flow	Weighted Average Cost of Capital		8.9% - 17.6%	
			Average Price Per BOE (12)	\$30.50	\$25.46 - \$33.97	Increase
Infrastructure	\$944,891	Discounted cash flow	Weighted Average Cost of Capital	7.8%	5.7% - 12.5%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	8.7x	7.8x - 10.0x	Increase
Real Estate	\$1,313,955	Inputs to direct income capitalization and discounted cash flow	Weight Ascribed to Direct Income Capitalization	31.1%	0% - 100%	(10)
			Weight Ascribed to Discounted Cash Flow	68.9%	0% - 100%	(5)
		Direct Income Capitalization	Current Capitalization Rate	7.0%	4.5% - 11.9%	Decrease
		Discounted cash flow	Unlevered Discount Rate	9.7%	7.3% - 20%	Decrease
Credit (11)	\$4,379,881 (9)		Yield	11.3%	5.9% - 22.4%	Decrease
		Yield Analysis	Net Leverage	5.3x	0.4x - 12.6x	Decrease
			EBITDA Multiple	8.0x	0.7x - 14.9x	Increase

In the table above, Other Investments, within private equity investments, represents the following industries: Consumer Products, Education, Forestry, Media, Services, Telecommunications, Transportation, Hotels/Leisure, Mining, Agriculture and Recycling. None of these industries represents more than 10% of total Level III private equity investments as of March 31, 2015.

In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific (1) developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments. LTM means Last Twelve Months and EBITDA means Earnings Before Interest Taxes Depreciation and Amortization. (2) Inputs were weighted based on the fair value of the investments included in the range.

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- Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.
- (3) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the discounted cash flow approach and transaction price. The opposite would be true if the market comparables approach results in a lower valuation than the discounted cash flow approach and transaction price.
- (4) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the market comparables approach, transaction price and direct income capitalization approach. The opposite would be true if the discounted cash flow approach results in a lower valuation than the market comparables approach and transaction price.
- (5) The directional change from an increase in the weight ascribed to the transaction price would increase the fair value of the Level III investments if the transaction price results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price results in a lower valuation than the market comparables approach and discounted cash flow approach.
- (6) Ranges shown exclude inputs relating to a single portfolio company that was determined to lack comparability with other investments in KKR's private equity portfolio. This portfolio company had a fair value representing less than 0.5% of the total fair value of Private Equity Investments and had an Enterprise Value/LTM EBITDA Multiple and Enterprise Value/Forward EBITDA Multiple of 31.4x and 21.3x, respectively. The exclusion of this investment does not impact the weighted average.
- (7) Level III private equity investments whose valuations include a control premium represent less than 5% of total Level III private equity investments. The valuations for the remaining investments do not include a control premium.
- (8) Amounts include \$504.0 million of investments that were valued using dealer quotes or third party valuation firms.
- (9) The directional change from an increase in the weight ascribed to the direct income capitalization approach would increase the fair value of the Level III investments if the direct income capitalization approach results in a higher valuation than the discounted cash flow approach. The opposite would be true if the direct income capitalization approach results in a lower valuation than the discounted cash flow approach.
- (10) Includes Level III Credit Investments and Level III Investments of Consolidated CLOs.
- (11) The total Energy fair value amount includes multiple investments (in multiple locations throughout North America) that are held in multiple investment funds and produce varying quantities of oil, condensate, natural gas liquids, and natural gas. Commodity price may be measured using a common volumetric equivalent where one barrel of oil equivalent, or BOE, is determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or natural gas liquids. The price per BOE is provided to show the aggregate of all price inputs for the various investments over a common volumetric equivalent although the valuations for specific investments may use price inputs specific to the asset for purposes of our valuations. The discounted cash flows include forecasted production of liquids (oil, condensate, and natural gas liquids) and natural gas with a forecasted revenue ratio of approximately 36% liquids and 64% natural gas.
- (12)

In the table above, certain private equity investments may be valued at cost for a period of time after an acquisition as the best indicator of fair value. In addition, certain valuations of private equity investments may be entirely or partially derived by reference to observable valuation measures for a pending or consummated transaction.

The table above excludes Other Investments in the amount of \$2.4 billion comprised primarily of privately-held equity and equity-like securities (e.g. warrants) in companies that are neither private equity, real assets nor credit investments. These investments were valued using Level III valuation methodologies that are generally the same as those shown for private equity investments.

The various unobservable inputs used to determine the Level III valuations may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurements as noted in the table above.

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6. NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. L.P. PER COMMON UNIT

For the three months ended March 31, 2015 and 2014, basic and diluted Net Income (Loss) attributable to KKR & Co. L.P. per common unit were calculated as follows:

	Three Months Ended	
	March 31, 2015	March 31, 2014
Net Income (Loss) Attributable to KKR & Co. L.P.	\$270,507	\$210,041
Basic Net Income (Loss) Per Common Unit		
Weighted Average Common Units Outstanding - Basic	434,874,820	293,490,461
Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit - Basic	\$0.62	\$0.72
Diluted Net Income (Loss) Per Common Unit		
Weighted Average Common Units Outstanding - Basic	434,874,820	293,490,461
Weighted Average Unvested Common Units and Other Exchangeable Securities	37,350,524	31,613,768
Weighted Average Common Units Outstanding - Diluted	472,225,344	325,104,229
Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit - Diluted	\$0.57	\$0.65

Weighted Average Common Units Outstanding—Diluted primarily includes unvested equity awards that have been granted under the Equity Incentive Plan as well as exchangeable equity securities issued in connection with the acquisition of Avoca. Vesting or exchanges of these equity interests dilute KKR and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR Group Partnerships.

	Three Months Ended	
	March 31, 2015	March 31, 2014
Weighted Average KKR Holdings Units Outstanding	375,836,317	399,474,991

For the three months ended March 31, 2015 and 2014, KKR Holdings units have been excluded from the calculation of diluted Net Income (Loss) attributable to KKR & Co. L.P. per common unit since the exchange of these units would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

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7. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

Other Assets consist of the following:

	March 31, 2015	December 31, 2014
Foreign Exchange Contracts and Options (a)	\$871,040	\$517,088
Interest, Dividend and Notes Receivable (b)	617,626	594,288
Due from Broker (c)	467,933	561,554
Oil & Gas Assets, net (d)	455,481	460,658
Unsettled Investment Sales (e)	291,983	176,622
Deferred Tax Assets, net	266,289	237,982
Intangible Assets, net (f)	196,688	209,202
Goodwill (f)	89,000	89,000
Fixed Assets, net (g)	75,492	76,247
Receivables	56,244	55,876
Deferred Financing Costs	50,732	46,058
Derivative Assets	16,249	11,897
Deferred Transaction Related Expenses	14,218	14,981
Prepaid Expenses	13,890	8,812
Prepaid Taxes	6,334	31,267
Other	21,725	72,685
Total	\$3,510,924	\$3,164,217

Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net (a) Gains (Losses) from Investment Activities in the accompanying condensed consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(b) Represents interest and dividend receivables and promissory notes due from third parties. The promissory notes bear interest at rates ranging from 2.0% -3.0% per annum and mature between 2016 and 2018.

(c) Represents amounts held at clearing brokers resulting from securities transactions.

(d) Includes proved and unproved oil and natural gas properties under the successful efforts method of accounting, which is net of impairment write-downs, accumulated depreciation, depletion and amortization.

(e) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

(f) See Note 15 "Goodwill and Intangible Assets."

(g) Net of accumulated depreciation and amortization of \$126,823 and \$122,908 as of March 31, 2015 and December 31, 2014, respectively. Depreciation and amortization expense of \$3,914 and \$4,047 for the three months ended March 31, 2015 and 2014, respectively, is included in General, Administrative and Other in the accompanying condensed consolidated statements of operations.

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Accounts Payable, Accrued Expenses and Other Liabilities consist of the following:

	March 31, 2015	December 31, 2014
Amounts Payable to Carry Pool (a)	\$1,154,424	\$1,100,943
Unsettled Investment Purchases (b)	679,747	891,649
Securities Sold Short (c)	583,645	633,132
Due to Broker (d)	249,990	72,509
Accounts Payable and Accrued Expenses	103,497	130,023
Foreign Exchange Contracts and Options (e)	102,598	71,956
Derivative Liabilities	71,266	75,150
Accrued Compensation and Benefits	64,946	17,799
Interest Payable	63,399	61,643
Contingent Consideration Obligation (f)	42,600	40,600
Deferred Rent and Income	24,433	26,894
Taxes Payable	9,067	6,362
Other Liabilities	120,508	70,692
Total	\$3,270,120	\$3,199,352

(a) Represents the amount of carried interest payable to principals, professionals and other individuals with respect to KKR's active funds and co-investment vehicles that provide for carried interest.

(b) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.

Represents the obligations of KKR to deliver a specified security at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying condensed consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments. The cost bases for these instruments at March 31, 2015 and December 31, 2014 were \$556,782 and \$628,071, respectively.

(d) Represents amounts owed for securities transactions initiated at clearing brokers.

Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying condensed consolidated statements of operations.

See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(f) Represents the fair value of the contingent consideration related to the acquisition of Prisma.

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8. VARIABLE INTEREST ENTITIES

Consolidated VIEs

KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary, which predominately are CLO vehicles. In developing its conclusion that it is the primary beneficiary of these CLO vehicles, KKR determined that it has more than an insignificant variable interest in these CLO vehicles by virtue of its residual interest in these CLO vehicles and, in certain cases, the presence of an incentive collateral management fee. These two variable interests were determined to expose KKR to a more than insignificant amount of these CLO vehicles' variability relative to its anticipated economic performance. In addition, in KKR's role as collateral manager of these CLO vehicles, KKR has the power to direct the activities that most significantly impact the economic performance of the entities. In each case, KKR's variable interests represent an obligation to absorb losses of or a right to receive benefits from the entity that could potentially be significant to the entity. In consideration of these factors, KKR concluded that it was the primary beneficiary of these CLO vehicles for consolidation accounting purposes. The primary purpose of these CLO vehicles is to provide investment opportunities with the objective of generating current income for these CLO investors in exchange for management and/or incentive based fees. The investment strategies of these CLO vehicles are similar and the fundamental risks of these CLO vehicles have similar characteristics, which include loss of invested capital and loss of management fees and/or incentive based fees. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated CLO vehicles.

Unconsolidated VIEs

KKR holds variable interests in certain VIEs which are not consolidated as it is determined that KKR is not the primary beneficiary. VIEs that are not consolidated include (i) certain investment funds sponsored by KKR where the equity at risk to KKR is not considered substantive and (ii) certain CLO vehicles where KKR does not hold a variable interest that exposes KKR to a more than insignificant amount of the CLO vehicle's variability.

Investments in Unconsolidated Investment Funds

KKR's investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management fees and carried interests. KKR's maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, which was \$318.5 million at March 31, 2015. Accordingly disaggregation of KKR's involvement by type of unconsolidated investment fund would not provide more useful information. For these unconsolidated investment funds in which KKR is the sponsor, KKR may have an obligation as general partner to provide commitments to such investment funds. As of March 31, 2015, KKR's commitments to these unconsolidated investment funds was \$11.6 million. KKR has not provided any financial support other than its obligated amount as of March 31, 2015.

Investments in Unconsolidated CLO Vehicles

KKR provides collateral management services for, and has made nominal investments in, certain CLO vehicles that it does not consolidate. KKR's investments in the unconsolidated CLO vehicles, if any, are carried at fair value in the condensed consolidated statements of financial condition. KKR earns management fees, including subordinated management fees, for managing the collateral of the CLO vehicles. At March 31, 2015, combined assets under management in the pools of unconsolidated CLO vehicles were \$2.1 billion. KKR's maximum exposure to loss as a result of its investments in the residual interests of unconsolidated CLO vehicles is the carrying value of such investments, which was \$1.1 million at March 31, 2015. CLO investors in the CLO vehicles may only use the assets of the CLO to settle the debt of the related CLO, and otherwise have no recourse against KKR for any losses sustained in the CLO structures.

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As of March 31, 2015 and December 31, 2014, the maximum exposure to loss, before allocations to the carry pool, if any, for those VIEs in which KKR is determined not to be the primary beneficiary but in which it has a variable interest is as follows:

	March 31, 2015	December 31, 2014
Investments	\$319,603	\$375,061
Due from Affiliates, net	599	3,478
Maximum Exposure to Loss	\$320,202	\$378,539

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9. DEBT OBLIGATIONS

KKR borrows and enters into credit agreements and issues debt for its general operating and investment purposes and certain of its investment funds borrow to meet financing needs of their operating and investing activities. In connection with the acquisition of KFN on April 30, 2014, KKR consolidates and reports KFN's debt obligations which are non-recourse to KKR beyond the assets of KFN.

Fund financing facilities have been established for the benefit of certain KKR investment funds. When a KKR investment fund borrows from the facility in which it participates, the proceeds from the borrowings are strictly limited for their intended use by the borrowing investment fund. KKR's obligations with respect to these financing arrangements are generally limited to KKR's pro-rata equity interest in such funds.

In addition, consolidated CLO vehicles issue debt securities to third party investors which are collateralized by assets held by the CLO vehicle. KKR bears no obligation with respect to financing arrangements at KKR's consolidated CLO vehicles. Debt securities issued by CLO vehicles are supported solely by the assets held at the CLO vehicles and are not collateralized by assets of any other KKR entity. As described in Note 2 to these condensed consolidated financial statements, as a result of the adoption of ASU 2014-13, KKR measures debt securities of consolidated CLOs on the basis of the fair value of the financial assets of the CLO.

KKR's borrowings consisted of the following:

	March 31, 2015			December 31, 2014			
	Financing Available	Borrowing Outstanding	Fair Value	Financing Available	Borrowing Outstanding	Fair Value	
Revolving Credit Facilities:							
Corporate Credit Agreement	\$ 1,000,000	\$—	\$—	\$ 1,000,000	\$—	\$—	
KCM Credit Agreement	403,000	97,000	97,000	(i) 473,000	27,000	27,000	(i)
Notes Issued:							
KKR Issued 6.375% Notes Due 2020 (a)	—	498,856	587,000	(j) —	498,804	583,692	(j)
KKR Issued 5.500% Notes Due 2043 (b)	—	494,692	541,250	(j) —	494,644	566,250	(j)
KKR Issued 5.125% Notes Due 2044 (c)	—	998,553	1,039,000	(j) —	493,214	539,797	(j)
KFN Issued 8.375% Notes Due 2041 (d)	—	290,567	289,947	(k) —	290,861	287,359	(k)
KFN Issued 7.500% Notes Due 2042 (e)	—	123,585	125,488	(k) —	123,663	125,856	(k)
KFN Issued Junior Subordinated Notes (f)	—	247,320	221,775	—	246,907	228,087	
Other Consolidated Debt Obligations:							
KKR Fund Financing Facilities (g)	3,048,109	1,808,781	1,808,781	(l) 2,150,819	1,047,351	1,047,351	(l)
CLO Vehicles (h)	—	7,158,322	7,158,322	—	7,615,340	7,615,340	
	\$4,451,109	\$ 11,717,676	\$ 11,868,563	\$3,623,819	\$ 10,837,784	\$ 11,020,732	

(a) \$500 million aggregate principal amount of 6.375% senior notes of KKR due 2020.

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- (b) \$500 million aggregate principal amount of 5.500% senior notes of KKR due 2043.
- (c) \$1.0 billion aggregate principal amount of 5.125% senior notes of KKR due 2044.
- (d) KKR consolidates KFN and thus reports KFN's outstanding \$259 million aggregate principal amount of 8.375% senior notes due 2041.
- (e) KKR consolidates KFN and thus reports KFN's outstanding \$115 million aggregate principal amount of 7.500% senior notes due 2042.