KKR & Co. Inc.
Form 10-Q
May 03, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2019

or

o 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. INC.
(Exact name of Registrant as specified in its charter)

Delaware	26-0426107
(State or other Jurisdiction of Incorporation or Organization)	(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 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock	KKR	New York Stock Exchange
6.75% Series A Preferred Stock	KKR PR A	New York Stock Exchange
6.50% Series B Preferred Stock	KKR PR B	New York Stock Exchange

As of May 2, 2019, there were 543,943,670 shares of Class A common stock of the registrant outstanding.

Table of Contents

KKR & CO. INC.
FORM 10-Q
For the Quarter Ended March 31, 2019
TABLE OF CONTENTS

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (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 declaration and payment of dividends on common or preferred stock of KKR, the timing, manner and volume of repurchases of common stock pursuant to a repurchase program, and the expected synergies and benefits from acquisitions, reorganizations or strategic partnerships, may constitute forward-looking statements. 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 or cause the anticipated benefits and synergies from transactions to not be realized. We believe these factors include those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 (our "Annual Report"). These factors should be read in conjunction with the other cautionary statements that are included in this report, our Annual Report and in our other filings with the U.S. Securities and Exchange Commission (the "SEC"). We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

In this report, references to "KKR," "we," "us" and "our" refer to (i) KKR & Co. Inc. and its subsidiaries following the conversion from a Delaware limited partnership named KKR & Co. L.P. into a Delaware corporation named KKR & Co. Inc. on July 1, 2018 (the "Conversion") and (ii) KKR & Co. L.P. and its subsidiaries prior to the Conversion, in each case, except where the context requires otherwise. KKR & Co. L.P. became listed on the New York Stock Exchange ("NYSE") on July 15, 2010 under the symbol "KKR." KKR Management Holdings L.P., KKR Fund Holdings L.P. and KKR International Holdings L.P. are together referred to in this report as the "KKR Group Partnerships." 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." In connection with the 6.75% Series A Preferred Stock ("Series A Preferred Stock") and 6.50% Series B Preferred Stock ("Series B Preferred Stock") of KKR & Co. Inc., the KKR Group Partnerships have outstanding preferred units with economic terms designed to mirror those of the Series A Preferred Stock and Series B Preferred Stock, respectively. References to our Class A common stock, Series A Preferred Stock or Series B Preferred Stock for periods prior to the Conversion mean the common units, Series A preferred units and Series B preferred units of KKR & Co. L.P., respectively.

References to the "Class B Stockholder" are to KKR Management LLC, the holder of the sole share of our Class B common stock, and unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity interests in 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. ("KKR Holdings") and references to our "senior principals" are to our senior employees who hold interests in the Class B Stockholder.

References to "non-employee operating consultants" include employees of KKR Capstone, who 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. KKR is in the process of evaluating a potential acquisition of KKR Capstone.

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 stockholders in assessing the overall performance of KKR's businesses. These financial measures should not be 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

Table of Contents

measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within Note 14 "Segment Reporting" to our condensed consolidated financial statements and under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Segment and Other Operating and Performance Measures" and "—Segment Balance Sheet."

This report uses the terms assets under management ("AUM"), fee paying assets under management ("FPAUM"), after-tax distributable earnings, fee related earnings ("FRE"), capital invested, syndicated capital, and book value. 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 and Results of Operations—Key Segment and Other Operating and Performance Measures" and "Management's Discussion and Analysis of Financial Condition and Results of Operation—Segment Balance Sheet."

References to our "funds" or our "vehicles" refer to investment funds, vehicles and accounts advised, sponsored or managed by one or more subsidiaries of KKR, including collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") vehicles, unless the context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund manager with which we have formed a strategic partnership where we have acquired a non-controlling interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted Class A common stock outstanding, or to our Class A common stock outstanding on a fully exchanged and diluted basis, reflect (i) actual shares of Class A common stock outstanding, (ii) shares of Class A common stock into which KKR Group Partnership Units not held by us are exchangeable pursuant to the terms of the exchange agreement described in our Annual Report, (iii) shares of Class A common stock issuable in respect of exchangeable equity securities issued in connection with the acquisition of Avoca Capital ("Avoca"), all of which have been exchanged as of December 31, 2018, and (iv) Class A common stock issuable pursuant to any equity awards actually granted from the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan") or the KKR & Co. Inc. 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan" and, together with the 2010 Equity Incentive Plan, our "Equity Incentive Plans"). Our fully exchanged and diluted Class A common stock outstanding does not include (i) shares of Class A common stock available for issuance pursuant to the Equity Incentive Plans for which equity awards have not yet been granted and (ii) shares of Class A common stock that we have the option to issue in connection with our acquisition of additional interests in Marshall Wace LLP (together with its affiliates, "Marshall Wace").

The use of any defined term in this report to mean more than one entities, persons, securities or other items collectively is solely for convenience of reference and in no way implies that such entities, persons, securities or other items are one indistinguishable group. For example, notwithstanding the use of the defined terms "KKR," "we" and "our" in this report to refer to KKR & Co. Inc. and its subsidiaries, each subsidiary of KKR & Co. Inc. is a standalone legal entity that is separate and distinct from KKR & Co. Inc. and any of its other subsidiaries.

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
KKR & CO. INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)
(Amounts in Thousands, Except Share Data)

	March 31, 2019	December 31, 2018
Assets		
Cash and Cash Equivalents	$1,808,368	$1,751,287
Cash and Cash Equivalents Held at Consolidated Entities	911,450	693,860
Restricted Cash and Cash Equivalents	66,950	196,365
Investments	45,795,254	44,907,982
Due from Affiliates	734,195	657,189
Other Assets	2,687,802	2,536,692
Total Assets	$52,004,019	$50,743,375
Liabilities and Equity		
Debt Obligations	$22,262,369	$22,341,192
Due to Affiliates	254,781	275,584
Accounts Payable, Accrued Expenses and Other Liabilities	3,279,028	2,743,990
Total Liabilities	25,796,178	25,360,766
Commitments and Contingencies		
Redeemable Noncontrolling Interests	—	1,122,641
Stockholders' Equity (1)		
Series A and B Preferred Stock, $0.01 par value. 13,800,000 and 6,200,000 shares, respectively, issued and outstanding as of March 31, 2019 and December 31, 2018.	482,554	482,554
Class A Common Stock, $0.01 par value. 3,500,000,000 shares authorized, 533,922,902 and 534,857,237 shares, issued and outstanding as of March 31, 2019 and December 31, 2018, respectively.	5,339	5,349
Class B Common Stock, $0.01 par value. 1 share authorized, 1 share issued and outstanding as of March 31, 2019 and December 31, 2018.	—	—
Class C Common Stock, $0.01 par value. 499,999,999 shares authorized, 298,645,285 and 299,081,239 shares, issued and outstanding as of March 31, 2019 and December 31, 2018, respectively.	2,987	2,991
Additional Paid-In Capital	8,145,133	8,106,408
Retained Earnings	726,312	91,953
Accumulated Other Comprehensive Income (Loss)	(39,954)	(39,645)
Total KKR & Co. Inc. Stockholders' Equity	9,322,371	8,649,610
Noncontrolling Interests	16,885,470	15,610,358
Total Equity	26,207,841	24,259,968
Total Liabilities and Equity	$52,004,019	$50,743,375

(1) See Note 1 "Organization."

See notes to financial statements.

5

Table of Contents

KKR & CO. INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED) (Continued)
(Amounts in Thousands)

The following presents the portion of the consolidated balances presented in the consolidated statements of financial condition attributable to consolidated variable interest entities ("VIEs") as of March 31, 2019 and December 31, 2018. KKR's consolidated VIEs consist primarily of (i) certain collateralized financing entities ("CFEs") holding collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") and (ii) certain investment funds. With respect to consolidated VIEs, the following assets may only be used to settle obligations of these consolidated VIEs and the following liabilities are only the obligations of these consolidated VIEs. The noteholders, limited partners and other creditors of these VIEs have no recourse to KKR's general assets. Additionally, KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these VIEs beyond KKR's beneficial interest therein and any income generated from the VIEs. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any material ongoing financial support to the consolidated VIEs, beyond amounts previously committed, if any.

	March 31, 2019		
	Consolidated CFEs	Consolidated KKR Funds and Other Entities	Total
Assets			
Cash and Cash Equivalents Held at Consolidated Entities	$641,685	$84,032	$725,717
Restricted Cash and Cash Equivalents	—	35,692	35,692
Investments	15,021,345	15,294,693	30,316,038
Due from Affiliates	—	11,181	11,181
Other Assets	166,373	224,172	390,545
Total Assets	$15,829,403	$15,649,770	$31,479,173
Liabilities			
Debt Obligations	$14,472,392	$1,024,369	$15,496,761
Accounts Payable, Accrued Expenses and Other Liabilities	576,009	70,232	646,241
Total Liabilities	$15,048,401	$1,094,601	$16,143,002

	December 31, 2018		
	Consolidated CFEs	Consolidated KKR Funds and Other Entities	Total
Assets			
Cash and Cash Equivalents Held at Consolidated Entities	$428,850	$176,264	$605,114
Restricted Cash and Cash Equivalents	—	174,057	174,057
Investments	14,733,423	15,585,629	30,319,052
Due from Affiliates	—	11,832	11,832
Other Assets	148,221	223,054	371,275
Total Assets	$15,310,494	$16,170,836	$31,481,330
Liabilities			

Debt Obligations	$13,958,554	$1,392,987	$15,351,541
Accounts Payable, Accrued Expenses and Other Liabilities	579,408	126,333	705,741
Total Liabilities	$14,537,962	$1,519,320	$16,057,282

See notes to financial statements.

6

Table of Contents

KKR & CO. INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Amounts in Thousands, Except Share Data)

	Three Months Ended March 31, 2019	2018
Revenues		
Fees and Other	$ 372,548	$ 394,394
Capital Allocation-Based Income	814,932	78,212
Total Revenues	1,187,480	472,606
Expenses		
Compensation and Benefits	544,562	298,136
Occupancy and Related Charges	14,690	14,215
General, Administrative and Other	169,515	124,250
Total Expenses	728,767	436,601
Investment Income (Loss)		
Net Gains (Losses) from Investment Activities	1,203,878	472,800
Dividend Income	22,625	33,064
Interest Income	358,511	298,256
Interest Expense	(249,088)	(219,590)
Total Investment Income (Loss)	1,335,926	584,530
Income (Loss) Before Taxes	1,794,639	620,535
Income Tax Expense (Benefit)	167,593	17,641
Net Income (Loss)	1,627,046	602,894
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	25,674
Net Income (Loss) Attributable to Noncontrolling Interests	917,727	398,777
Net Income (Loss) Attributable to KKR & Co. Inc.	709,319	178,443
Series A Preferred Stock Dividends	5,822	5,822
Series B Preferred Stock Dividends	2,519	2,519
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 700,978	$ 170,102
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock		
Basic	$ 1.31	$ 0.36
Diluted	$ 1.27	$ 0.32
Weighted Average Shares of Class A Common Stock Outstanding		
Basic	533,892,474	487,704,838
Diluted	550,046,440	535,918,274

See notes to financial statements.

Table of Contents

KKR & CO. INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(Amounts in Thousands)

	Three Months Ended March 31,	
	2019	2018
Net Income (Loss)	$1,627,046	$602,894
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustments	2,366	3,624
Comprehensive Income (Loss)	1,629,412	606,518
Less: Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	25,674
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests	920,359	398,050
Comprehensive Income (Loss) Attributable to KKR & Co. Inc.	$709,053	$182,794

See notes to financial statements.

Table of Contents

KKR & CO. INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(Amounts in Thousands, Except Share Data)
The statement below for the three months ended March 31, 2018 represents KKR & Co. Inc. as a partnership prior to the Conversion:

	KKR & Co. L.P.								
	Common Units	Capital - Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Total Capital - Common Units	Capital - Series A Preferred Units	Capital - Series B Preferred Units	Noncontrolling Interests	Total Equity	Redeema Noncontr Interests
Balance at January 1, 2018	486,174,736	$6,722,863	$(19,481)	$6,703,382	$332,988	$149,566	$12,866,324	$20,052,260	$610,540
Net Income (Loss)		170,102		170,102	5,822	2,519	398,777	577,220	25,674
Other Comprehensive Income (Loss)-Foreign Currency Translation (Net of Tax)			4,351	4,351			(727)	3,624	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	3,067,306	51,221	(132)	51,089			(51,089)	—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other		4,205	17	4,222				4,222	
Equity-Based and Other Non-Cash Compensation		67,796		67,796			32,695	100,491	
Capital Contributions				—			1,270,723	1,270,723	56,950
Capital Distributions		(82,757)		(82,757)	(5,822)	(2,519)	(839,134)	(930,232)	(2,534
Balance at March 31, 2018	489,242,042	$6,933,430	$(15,245)	$6,918,185	$332,988	$149,566	$13,677,569	$21,078,308	$690,630

See notes to financial statements.

9

Table of Contents

KKR & CO. INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) (Continued)
(Amounts in Thousands, Except Share Data)
The statement below represents KKR & Co. Inc. as a corporation subsequent to the Conversion for the three months ended March 31, 2019:

	Three Months Ended March 31, 2019	
	Amounts	Shares
Preferred Stock		
Beginning of Period	482,554	20,000,000
End of Period	482,554	20,000,000
Class A Common Stock		
Beginning of Period	5,349	534,857,237
Exchange of KKR Holdings Units	4	435,954
Repurchases of Class A Common Stock	(14)	(1,370,289)
End of Period	5,339	533,922,902
Class B Common Stock		
Beginning of Period	—	1
End of Period	—	1
Class C Common Stock		
Beginning of Period	2,991	299,081,239
Cancellation of Class C Common Stock	(4)	(435,954)
End of Period	2,987	298,645,285
Additional Paid-In Capital		
Beginning of Period	8,106,408	
Exchange of KKR Holdings Units	7,137	
Tax Effects Resulting from Exchange of KKR Holdings Units and Other	5,255	
Repurchases of Class A Common Stock	(28,552)	
Equity-Based Compensation	54,885	
End of Period	8,145,133	
Retained Earnings		
Beginning of Period	91,953	
Net Income (Loss) Attributable to KKR & Co. Inc.	709,319	
Series A Preferred Stock Dividends ($0.421875 per share)	(5,822)	
Series B Preferred Stock Dividends ($0.406250 per share)	(2,519)	
Common Stock Dividends ($0.125 per share)	(66,619)	
End of Period	726,312	
Accumulated Other Comprehensive Income (Loss)		
Beginning of Period	(39,645)	
Foreign Currency Translation	(266)	
Exchange of KKR Holdings Units to Class A Common Stock	(43)	
End of Period	(39,954)	
Total KKR & Co. Inc. Stockholders' Equity	9,322,371	
Noncontrolling Interests (See Note 15 "Equity")	16,885,470	
Total Equity	$26,207,841	

See notes to financial statements.

Table of Contents

KKR & CO. INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in Thousands)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating Activities		
Net Income (Loss)	$1,627,046	$602,894
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Equity-Based and Other Non-Cash Compensation	78,268	96,227
Net Realized (Gains) Losses on Investments	(129,781)	(30,380)
Change in Unrealized (Gains) Losses on Investments	(1,074,097)	(442,420)
Capital Allocation-Based Income	(814,932)	(78,212)
Other Non-Cash Amounts	(12,111)	74,156
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Change in Consolidation and Other	(137,498)	—
Change in Due from / to Affiliates	(100,529)	(71,686)
Change in Other Assets	68,077	420,004
Change in Accounts Payable, Accrued Expenses and Other Liabilities	381,421	(41,480)
Investments Purchased	(5,301,227)	(9,515,686)
Proceeds from Investments	5,571,641	6,829,083
Net Cash Provided (Used) by Operating Activities	156,278	(2,157,500)
Investing Activities		
Purchases of Fixed Assets	(19,455)	(8,670)
Development of Oil and Natural Gas Properties	(451)	—
Net Cash Provided (Used) by Investing Activities	(19,906)	(8,670)
Financing Activities		
Preferred Stock Dividends	(8,341)	(8,341)
Common Stock Dividends	(66,619)	(82,757)
Distributions to Redeemable Noncontrolling Interests	—	(2,534)
Contributions from Redeemable Noncontrolling Interests	—	56,950
Distributions to Noncontrolling Interests	(856,086)	(839,134)
Contributions from Noncontrolling Interests	1,194,815	1,263,774
Repurchases of Class A Common Stock	(28,566)	—
Proceeds from Debt Obligations	1,581,043	3,588,463
Repayment of Debt Obligations	(1,806,203)	(2,750,750)
Financing Costs Paid	(2,795)	(7,500)
Net Cash Provided (Used) by Financing Activities	7,248	1,218,171
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,636	20,902
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash	145,256	(927,097)
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	2,641,512	3,735,361
Cash, Cash Equivalents and Restricted Cash, End of Period	$2,786,768	$2,808,264

See notes to financial statements.

Table of Contents

KKR & CO. INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)
(Amounts in Thousands)

	Three Months Ended March 31,	
	2019	2018
Supplemental Disclosures of Cash Flow Information		
Payments for Interest	$240,889	$207,703
Payments for Income Taxes	$8,901	$19,295
Payments for Operating Lease Liabilities	$12,291	$—
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Equity-Based and Other Non-Cash Contributions	$78,003	$100,491
Non-Cash Contributions from Noncontrolling Interests	$—	$6,949
Debt Obligations - Net Gains (Losses), Translation and Other	$(148,312)	$(11,724)
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of Class A Common Stock	$5,255	$4,222
Change in Consolidation and Other		
Investments	$(1,014,813)	$—
Due From Affiliates	$1,642	$—
Other Assets	$(19,703)	$—
Accounts Payable, Accrued Expenses and Other Liabilities	$(47,731)	$—
Redeemable Noncontrolling Interests	$(1,122,641)	$—

	March 31, 2019	December 31, 2018
Reconciliation to the Condensed Consolidated Statements of Financial Condition		
Cash and Cash Equivalents	$1,808,368	$1,751,287
Cash and Cash Equivalents Held at Consolidated Entities	911,450	693,860
Restricted Cash and Cash Equivalents	66,950	196,365
Cash, Cash Equivalents and Restricted Cash, End of Period	$2,786,768	$2,641,512

See notes to financial statements.

Table of Contents

KKR & CO. INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
(All Amounts in Thousands, Except Unit and Share Data, and Except Where Noted)

1. ORGANIZATION

KKR & Co. Inc. (NYSE: KKR), together with its subsidiaries ("KKR"), is a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR's portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business.

On July 1, 2018, KKR & Co. L.P. converted from a Delaware limited partnership to a Delaware corporation named KKR & Co. Inc. (the "Conversion"). Because the Conversion became effective on July 1, 2018, the prior period amounts in the accompanying condensed consolidated financial statements for the three months ended March 31, 2018, reflect KKR as a limited partnership and not a corporation. In this report, references to KKR & Co. Inc. for periods prior to the Conversion mean KKR & Co. L.P., and references to KKR's Class A common stock, Series A Preferred Stock and Series B Preferred Stock for periods prior to the Conversion mean common units, Series A preferred units and Series B preferred units of KKR & Co. L.P., respectively, in each case, except where the context requires otherwise. As a result of the Conversion, the financial impact to the condensed consolidated financial statements contained herein consisted of (i) reclassifications from partnership equity accounts to equity accounts reflective of a corporation and (ii) a partial step-up in the tax basis of certain assets resulting in the recognition of a net income tax benefit.

KKR & Co. Inc. is the parent company of KKR Group Holdings Corp., which is (i) a general partner of KKR Fund Holdings L.P. ("Fund Holdings") and KKR International Holdings L.P. ("International Holdings") and (ii) the sole stockholder of KKR Management Holdings Corp. (the general partner of KKR Management Holdings L.P. ("Management Holdings")) and KKR Fund Holdings GP Limited (the other general partner of Fund Holdings and International Holdings). Fund Holdings, Management Holdings and International Holdings are collectively referred to as the "KKR Group Partnerships."

KKR & Co. Inc. 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 & Co. Inc. As of March 31, 2019, KKR & Co. Inc. held approximately 64.1% of the KKR Group Partnership Units and principals through KKR Holdings held approximately 35.9% 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 shares of Class A common stock of KKR & Co. Inc. or when KKR & Co. Inc. otherwise issues or repurchases shares of Class A common stock of KKR & Co. Inc. The KKR Group Partnerships also have outstanding equity interests that provide for the carry pool and preferred units with economic terms that mirror the preferred stock issued by KKR & Co. Inc.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements of KKR & Co. Inc. 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 financial statements are presented fairly and that estimates made in preparing the 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, 2018 consolidated balance sheet data was derived from audited financial statements included in KKR's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (the "SEC") on February 15, 2019, and the financial statements should be read in conjunction with the audited financial statements included therein. Additionally, in the accompanying financial statements the condensed consolidated statements of financial condition are referred to hereafter as the “consolidated statements of financial condition”; the condensed consolidated statements of operations are referred to hereafter as the “consolidated statements of operations”; the condensed consolidated statements of comprehensive income (loss) are referred to hereafter as the “consolidated statements of comprehensive income (loss)”; the condensed consolidated statements of changes in equity are referred to hereafter as the “consolidated statements of changes in equity”; and the condensed consolidated statements of cash flows are referred to hereafter as the “consolidated statements of cash flows."

KKR consolidates the financial results of the KKR Group Partnerships and their consolidated entities, which include the accounts of KKR's investment management and capital markets companies, the general partners of certain unconsolidated investment funds, general partners of consolidated investment funds and their respective consolidated investment funds, and certain other entities including CFEs. 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.

All intercompany transactions and balances have been eliminated.

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 revenues, expenses, and investment income (loss) during the reporting periods. Such estimates include but are not limited to (i) the determination of the income tax provision and (ii) 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) CFEs 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 assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.

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."

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 the 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 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. Limited partnerships and other similar entities where unaffiliated limited partners have not been granted (i) substantive participatory rights or (ii) substantive rights to either dissolve the partnership or remove the general partner ("kick-out rights") are VIEs under condition (b) above. KKR's investment funds that are not CFEs (i) are generally limited partnerships, (ii) generally provide KKR with operational discretion and control, and (iii) generally have fund investors with no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, and, as such, the limited partners do not hold kick-out rights. Accordingly, most of KKR's investment funds are categorized as VIEs.

KKR consolidates all VIEs in which it is the primary beneficiary. A reporting entity is determined to be the primary beneficiary if it holds a controlling financial interest in a VIE. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (i) whether an entity in which KKR holds a variable interest is a VIE and (ii) whether KKR's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Fees earned by KKR that are customary and commensurate with the level of effort required to provide those services, and where KKR does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered variable interests. KKR factors in all economic interests including interests held through related parties, to determine if it holds a variable interest. KKR determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion when facts and circumstances change.

For entities that are determined not to be VIEs, these entities are generally considered VOEs and are evaluated under the voting interest model. KKR consolidates VOEs it controls through a majority voting interest or through other means.

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 CLOs (which are generally VIEs), in its role as collateral manager, KKR generally has the power to direct the activities of the CLO that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through its residual interest in the CLO 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 the power to direct the activities of the CLO that most significantly impact the CLO's economic performance and 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 is deemed to be the primary beneficiary and consolidates the CLO.

With respect to CMBS vehicles (which are generally VIEs), KKR holds unrated and non-investment grade rated securities issued by the CMBS, which are the most subordinate tranche of the CMBS vehicle. The economic performance of the CMBS is most significantly impacted by the performance of the underlying assets. Thus, the activities that most significantly impact the CMBS economic performance are the activities that most significantly impact the performance of the underlying assets. The special servicer has the ability to manage the CMBS assets that are delinquent or in default to improve the economic performance of the CMBS. KKR generally has the right to unilaterally appoint and remove the special servicer for the CMBS and as such is considered the controlling class of the CMBS vehicle. These rights give KKR the ability to direct the activities that most significantly impact the economic performance of the CMBS. Additionally, as the holder of the most subordinate tranche, KKR is in a first loss position and has the right to receive benefits, including the actual residual returns of the CMBS, if any. In these cases, KKR is deemed to be the primary beneficiary and consolidates the CMBS vehicle.

Investments

Investments consist primarily of private equity, real assets, credit, investments of consolidated CFEs, equity method, carried interest and other investments. Investments denominated in currencies other than the entity's functional currency 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 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, including growth equity investments.
Credit - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), originated, distressed and opportunistic debt, real estate mortgage loans, and interests in unconsolidated CLOs.
Investments of Consolidated CFEs - Consists primarily of (i) investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs and (ii) investments in originated, fixed-rate real estate mortgage loans held directly by the consolidated CMBS vehicles.
Real Assets - Consists primarily of investments in (i) energy related assets, principally oil and natural gas producing properties, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses.
Equity Method - Other - Consists primarily of (i) certain direct interests in operating companies in which KKR is deemed to exert significant influence under GAAP and (ii) certain interests in partnerships and joint ventures that hold private equity and real estate investments.
Equity Method - Capital Allocation-Based Income - Consists primarily of (i) the capital interest KKR holds as the general partner in certain investment funds, which are not consolidated and (ii) the carried interest component of the general partner interest, which are accounted for as a single unit of account.
Other - Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs.
Investments held by Consolidated Investment Funds
The consolidated investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments, including portfolio companies that are majority-owned and controlled by KKR's investment funds, at fair value. KKR has retained this specialized accounting for the consolidated funds in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments and other financial instruments held by the consolidated investment funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.
Certain energy investments are made through consolidated investment funds, including investments in working and royalty interests in oil and natural gas producing properties as well as investments in operating companies that operate in the energy industry. Since these investments are held through consolidated investment funds, such investments are reflected at fair value as of the end of the reporting period.
Investments in operating companies that are held through KKR's consolidated investment funds are generally classified within private equity investments and investments in working and royalty interests in oil and natural gas producing properties are generally classified as real asset investments.
Energy Investments held by KKR
Certain energy investments are made by KKR in working and royalty interests in oil and natural gas producing properties and not through investment funds. Oil and natural gas producing activities are accounted for under the successful efforts method of accounting and such working interests are consolidated based on the proportion of the working interests held by KKR. Accordingly, KKR reflects its proportionate share of the underlying consolidated statements of financial condition and consolidated statements of operations of the consolidated working interests on a gross basis and changes in the value of these working interests are not reflected as unrealized gains and losses in the consolidated statements of operations. Under the successful efforts 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.

Table of Contents

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.

Whenever events or changes in circumstances indicate that the carrying amounts of oil and natural gas properties may not be recoverable, KKR evaluates 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. Any impairment in value is recognized when incurred and is recorded in General, Administrative, and Other expense in the consolidated statements of operations.

Fair Value Option

For certain investments and other financial instruments, KKR has elected the fair value option. Such election is irrevocable and is applied on a financial instrument by financial instrument basis at initial recognition. KKR has elected the fair value option for certain private equity, real assets, credit, investments of consolidated CFEs, equity method - other and other financial instruments not held through a consolidated investment fund. Accounting for these investments at fair value is consistent with how KKR accounts for its investments held through consolidated investment funds. Changes in the fair value of such instruments are recognized in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Interest income on interest bearing credit securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest Income in the consolidated statements of operations.

Equity Method

For certain investments in entities over which KKR exercises significant influence but which do not meet the requirements for consolidation and for which KKR has not elected the fair value option, KKR uses the equity method of accounting. The carrying value of equity method investments, for which KKR has not elected the fair value option, 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.

For equity method investments for which KKR has not elected the fair value option, KKR records its proportionate share of the investee's earnings or losses based on the most recently available financial information of the investee, which in certain cases may lag the date of KKR's financial statements by no more than three calendar months. As of March 31, 2019, equity method investees for which KKR reports financial results on a lag include Marshall Wace LLP ("Marshall Wace"). KKR evaluates its equity method investments for which KKR has not elected the fair value option for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

The carrying value of investments classified as Equity Method - Capital Allocation-Based Income approximates fair value, because the underlying investments of the unconsolidated investment funds are reported at fair value.

Financial Instruments held by Consolidated CFEs

KKR measures both the financial assets and financial liabilities of the consolidated CFEs in its financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities which results in KKR's consolidated net income (loss) reflecting KKR's own economic interests in the consolidated CFEs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for services rendered.

For the consolidated CLOs, KKR has determined that the fair value of the financial assets of the consolidated CLOs is more observable than the fair value of the financial liabilities of the consolidated CLOs. 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 KKR (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).

For the consolidated CMBS vehicles, KKR has determined that the fair value of the financial liabilities of the consolidated CMBS vehicles is more observable than the fair value of the financial assets of the consolidated CMBS vehicles. As a result, the financial liabilities of the consolidated CMBS vehicles are being measured at fair value and the financial assets are being measured in consolidation as: (1) the sum of the fair value of the financial liabilities (other than the beneficial interests retained by KKR), the fair value of the beneficial interests retained by KKR and the carrying value of any nonfinancial liabilities that are incidental to the operations of the CMBS vehicles less (2) the carrying value of any nonfinancial assets that are incidental to the operations of the CMBS vehicles. The resulting amount is allocated to the individual financial assets.

Fair Value Measurements

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 under current market conditions. Except for certain of KKR's equity method investments (see "Equity Method" above) and debt obligations (as described in Note 10 "Debt Obligations"), KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. 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.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I - Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities and securities sold short.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, 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 - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

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

Table of Contents

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.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

Level II Valuation Methodologies

Credit Investments: These instruments 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 instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. 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.

Investments and Debt Obligations of Consolidated CLO Vehicles: Investments of consolidated CLO vehicles are reported within Investments of Consolidated CFEs and are valued using the same valuation methodology as described above for credit investments. Under ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

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.

Level III Valuation Methodologies

Investments and financial instruments 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. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. In addition, 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, an estimated probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology.

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 freely 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.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

Real Asset 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 can 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 approach, and where applicable, a market approach using comparable companies and transactions. Key inputs used in our valuations include (i) the weighted average cost of capital, (ii) future commodity prices, as quoted on indices and long-term commodity price forecasts, and (iii) the asset’s future operating performance.

Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Certain real estate investments are valued by KKR based on ranges of valuations determined by an independent valuation firm. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate. The valuations of real assets investments also use other inputs.

Table of Contents
Notes to Financial Statements (Continued)

Credit Investments: Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally 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.
Investments and Debt Obligations of Consolidated CMBS Vehicles: Under ASU 2014-13, KKR measures CMBS investments, which are reported within Investments of Consolidated CFEs on the basis of the fair value of the financial liabilities of the CMBS. Debt obligations of consolidated CMBS vehicles are valued based on discounted cash flow analyses. The key input is the expected yield of each CMBS security using both observable and unobservable factors, which may include recently offered or completed trades and published yields of similar securities, security-specific characteristics (e.g. securities ratings issued by nationally recognized statistical rating organizations, credit support by other subordinate securities issued by the CMBS and coupon type) and other characteristics.
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.
Revenues
For the three months ended March 31, 2019 and 2018, respectively, revenues consisted of the following:

	Three Months Ended March 31,	
	2019	2018
Management Fees	$188,408	$187,727
Fee Credits	(103,477)	(29,053)
Transaction Fees	188,203	158,653
Monitoring Fees	25,651	17,586
Incentive Fees	—	13,805
Expense Reimbursements	44,060	20,211
Oil and Gas Revenue	13,175	14,507
Consulting Fees	16,528	10,958
Total Fees and Other	372,548	394,394
Carried Interest	694,383	62,747
General Partner Capital Interest	120,549	15,465
Total Capital Allocation-Based Income	814,932	78,212
Total Revenues	$1,187,480	$472,606

Fees and Other
Fees and Other, as detailed above, are accounted for as contracts with customers. Under the guidance for contracts with customers, KKR is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) KKR satisfies its performance obligation. In

determining the transaction price, KKR has included variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

Table of Contents
Notes to Financial Statements (Continued)

The following table summarizes KKR's revenues from contracts with customers:

Revenue Type	Customer	Performance Obligation	Performance Obligation Satisfied Over Time or Point In Time (1)	Variable or Fixed Consideration	Payment Terms	Subject to Return Once Recognized	Classification of Uncollected Amounts (2)
Management Fees	Investment funds, CLOs and other vehicles	Investment management services	Over time as services are rendered	Variable consideration since varies based on fluctuations in the basis of the management fee over time	Typically quarterly or annually in arrears	No	Due from Affiliates
Transaction Fees	Portfolio companies and third party companies	Advisory services and debt and equity arranging and underwriting	Point in time when the transaction (e.g. underwriting) is completed	Fixed consideration	Typically paid on or shortly after transaction closes	No	Due from Affiliates (portfolio companies) Other Assets (third parties)
Monitoring Fees							
Recurring Fees	Portfolio companies	Monitoring services	Over time as services are rendered	Variable consideration since varies based on fluctuations in the basis of the recurring fee	Typically quarterly in arrears	No	Due from Affiliates
Termination Fees	Portfolio companies	Monitoring services	Point in time when the termination is completed	Fixed consideration	Typically paid on or shortly after termination occurs	No	Due from Affiliates
Incentive Fees	Investment funds and other vehicles	Investment management services that result in achievement of minimum investment return levels	Point in time at the end of the performance measurement period (quarterly or annually) if investment performance is achieved	Variable consideration since contingent upon the investment fund and other vehicles achieving more than stipulated investment return hurdles	Typically paid shortly after the end of the performance measurement period	No	Due from Affiliates
						No	

Expense Reimbursements	Investment funds and portfolio companies	Investment management and monitoring services	Point in time when the related expense is incurred	Fixed consideration	Typically shortly after expense is incurred		Due from Affiliates
Oil and Gas Revenues	Oil and gas wholesalers	Delivery of oil liquids and gas	Point in time when delivery has occurred and title has transferred	Fixed consideration	Typically shortly after delivery	No	Other Assets
Consulting Fees	Portfolio companies and other companies	Consulting and other services	Over time as services are rendered	Fixed consideration	Typically quarterly in arrears	No	Due from Affiliates

(1) For performance obligations satisfied at a point in time, there were no significant judgments made in evaluating when a customer obtains control of the promised service.

(2) For amounts classified in Other Assets, see Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities." For amounts classified in Due from Affiliates, see Note 13 "Related Party Transactions."

Management Fees

KKR provides investment management services to investment funds, CLOs, and other vehicles in exchange for a management fee. Management fees are determined quarterly based on an annual rate and are generally based upon a percentage of the capital committed or capital invested during the investment period. Thereafter, management fees are generally based on a percentage of remaining invested capital, net asset value, gross assets or as otherwise defined in the respective contractual agreements. Since some of the factors that cause the fees to fluctuate are outside of KKR's control, management fees are considered to be constrained and are therefore not included in the transaction price. Additionally, after the contract is established there are no significant judgments made when determining the transaction price.

Management fees earned from KKR's consolidated investment funds, CLOs, and other vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds, CLOs, and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity.

Table of Contents

Fee Credits

Under the terms of the management agreements with certain of its investment funds, KKR is required to share with such funds an agreed upon percentage of certain fees, including monitoring and transaction fees earned from portfolio companies ("Fee Credits"). Investment funds earn Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain costs incurred in connection with pursuing potential investments that do not result in completed transactions ("broken-deal expenses") and generally amount to 80% for older funds, or 100% for newer funds, of allocable monitoring and transaction fees after broken-deal expenses are recovered, although the actual percentage may vary from fund to fund. Fee Credits are recognized and owed to investment funds concurrently with the recognition of monitoring fees, transaction fees and broken-deal expenses. Since Fee Credits are payable to investment funds, amounts owed are generally applied as a reduction of the management fee that is otherwise billed to the investment fund. Fee credits are recorded as a reduction of revenues in the consolidated statement of operations. Fee credits owed to investment funds are recorded in Due to Affiliates on the consolidated statements of financial condition. See Note 13 "Related Party Transactions."

Transaction Fees

KKR (i) arranges debt and equity financing, places and underwrites securities offerings, and provides other types of capital markets services for companies seeking financing in its Capital Markets business line and (ii) provides advisory services in connection with successful Private Markets and Public Markets portfolio company investment transactions, in each case, in exchange for a transaction fee. Transaction fees are separately negotiated for each transaction and are generally based on (i) in our Capital Markets business line, a percentage of the overall transaction size and (ii) for Private Markets and Public Markets transactions, a percentage of either total enterprise value of an investment or a percentage of the aggregate price paid for an investment. After the contract is established, there are no significant judgments made when determining the transaction price.

Monitoring Fees

KKR provides services in connection with monitoring portfolio companies in exchange for a fee. Recurring monitoring fees are separately negotiated for each portfolio company. In addition, certain monitoring fee arrangements may provide for a termination payment following an initial public offering or change of control as defined in the contractual terms of the related agreement. These termination payments are recognized in the period when the related transaction closes. After the contract is established, there are no significant judgments made when determining the transaction price.

Incentive Fees

KKR provides investment management services to certain investment funds, CLOs and other vehicles in exchange for a management fee as discussed above and, in some cases an incentive fee when KKR is not entitled to a carried interest. Incentive fee rates generally range from 5% to 20% of investment gains. Incentive fees are considered a form of variable consideration as these fees are subject to reversal, and therefore the recognition of such fees is deferred until the end of each fund's measurement period (which is generally one year) when the performance-based incentive fees become fixed and determinable. Incentive fees are generally paid within 90 days of the end of the investment vehicles' measurement period. After the contract is established, there are no significant judgments made when determining the transaction price.

Expense Reimbursements

Providing investment management services to investment funds and monitoring KKR's portfolio companies require KKR to arrange for services on behalf of them. In those situations where KKR is acting as an agent on behalf of its investment funds or portfolio companies, it presents the cost of services on a net basis as a reduction of Revenues. In all other situations, KKR is primarily responsible for fulfilling the services and is therefore acting as a principal for those arrangements for accounting purposes. As a result, the expense and related reimbursement associated with those services is presented on a gross basis. Costs incurred are classified as Expenses and reimbursements of such costs are classified as Expense Reimbursements within Revenues on the consolidated statements of operations. After the contract is established, there are no significant judgments made when determining the transaction price.

Table of Contents
Notes to Financial Statements (Continued)

Oil and Gas Revenue
KKR directly holds certain working and royalty interests in oil and natural gas producing properties that are not held through investment funds. Oil and gas revenue is recognized when the performance obligation is satisfied, which occurs at the point in time when control of the product transfers to the customer. Performance obligations are typically satisfied through the monthly delivery of production. Revenue is recognized based on KKR's proportionate share of production from non-operated properties as marketed by the operator. After the contract is established, there are no significant judgments made when determining the transaction price.
Consulting Fees
Certain consolidated entities that employ non-employee operating consultants provide consulting and other services to portfolio companies and other companies in exchange for a consulting fee. Consulting fees are separately negotiated with each portfolio company for which services are provided and are not shared with KKR. After the contract is established, there are no significant judgments made when determining the transaction price.
Capital Allocation-Based Income
Capital allocation-based income is earned from those arrangements where KKR has a general partner capital interest and is entitled to a disproportionate allocation of investment income (referred to hereafter as "carried interest"). KKR accounts for its general partner interests in capital allocation-based arrangements as financial instruments under ASC 323, Investments - Equity Method and Joint Ventures ("ASC 323") since the general partner has significant governance rights in the investment funds in which it invests, which demonstrates significant influence. In accordance with ASC 323, KKR records equity method income based on the proportionate share of the income of the investment fund, including carried interest, assuming the investment fund was liquidated as of each reporting date pursuant to each investment fund's governing agreements. Accordingly, these general partner interests are accounted for outside of the scope of ASC 606. Other arrangements surrounding contractual incentive fees through an advisory contract are separate and distinct and accounted for in accordance with ASC 606. In these incentive fee arrangements, accounted for in accordance with ASC 606, KKR’s economics in the entity do not involve an allocation of capital. See "Incentive Fees" above.
Carried interest is allocated to the general partner based on cumulative fund performance to date, and where applicable, subject to a preferred return to the funds' limited partners. At the end of each reporting period, KKR calculates the carried interest that would be due to KKR for each investment fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and to make the required positive or negative adjustments. KKR ceases to record negative carried interest allocations once previously recognized carried interest allocations for an investment fund have been fully reversed. KKR is not obligated to make payments for guaranteed returns or hurdles and, therefore, cannot have negative carried interest over the life of an investment fund. Accrued but unpaid carried interest as of the reporting date is reflected in Investments in the consolidated statements of financial condition.
Income Taxes
KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR’s share of net taxable income. In addition, the KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.
Prior to the Conversion, KKR & Co. L.P.’s investment income and carried interest generally were not subject to U.S. corporate income taxes. Subsequent to the Conversion, all income earned by KKR & Co. Inc. is subject to U.S.

corporate income taxes.
See Note 11 "Income Taxes" for further information on the financial statement impact of the Conversion.

Table of Contents

Leases

At contract inception, KKR determines if an arrangement contains a lease by evaluating whether (i) the identified asset has been deployed in the contract explicitly or implicitly and (ii) KKR obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Additionally, at contract inception KKR will evaluate whether the lease is an operating or finance lease. Right-of-use ("ROU") assets represent KKR's right to use an underlying asset for the lease term and lease liabilities represent KKR's obligation to make lease payments arising from the lease.

ROU assets and the associated lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. The discount rate implicit in the lease is generally not readily determinable. Consequently, KKR uses its incremental borrowing rate based on the information available including, but not limited to, collateral assumptions, the term of the lease, and the economic environment in which the lease is denominated at the commencement date in determining the present value of the future lease payments. The ROU assets are recognized as the initial measurement of the lease liabilities plus any initial direct costs and any prepaid lease payments less lease incentives received, if any. The lease terms may include options to extend or terminate the lease which are accounted for when it is reasonably certain that KKR will exercise that option.

Operating lease expense is recognized on a straight-line basis over the lease term and is recorded within Occupancy and Related Charges in the accompanying consolidated statements of operations. The ROU assets are included in Other Assets and the lease liabilities are included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying consolidated statements of financial condition. See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

Recently Issued Accounting Pronouncements

Adopted in 2019

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASC 842") which has subsequently been amended. This guidance, among other items: (i) requires recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP, ASC 840; (ii) retains a distinction between finance leases and operating leases; and (iii) includes the classification criteria for distinguishing between finance leases and operating leases that are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under ASC 840.

The only material lease activity KKR is engaged in is the leasing of office space where KKR is the lessee under the terms of lease agreements, which have been determined to be operating leases. For operating leases, a lessee is required to: (a) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the consolidated statement of financial condition; (b) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis, and (c) classify all cash payments within operating activities in the consolidated statement of cash flows.

KKR adopted this guidance on the effective date, January 1, 2019, using the modified retrospective approach and electing the "Comparatives Under ASC 840 Approach." The Comparatives Under ASC 840 Approach allows an entity to elect not to recast its comparative periods in the period of adoption when transitioning to ASC 842. In doing so, KKR has provided the disclosures required by ASC 840 for the comparative periods. Additionally, KKR has elected the practical expedient package transition election for all leases. The practical expedient package under the new standard allows an entity not to have to reassess its prior conclusions about lease identification, lease classification and initial direct costs.

Upon adoption, KKR recorded ROU assets of $153.3 million and lease liabilities of $162.9 million, resulting in no cumulative-effect adjustment to retained earnings as of January 1, 2019.

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08"). This guidance amends the amortization period for certain purchased callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date. The guidance does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years and interim periods beginning after December 15, 2018. This guidance has been adopted as of January 1, 2019 and did not have a material impact to KKR.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"). Under ASC 740-10-45-15, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of tax expense for the period in which the law was enacted, even if the assets and liabilities related to items of accumulated other comprehensive income ("OCI"). ASU 2018-02 allows entities to elect to reclassify from accumulated OCI to retained earnings stranded tax effects that relate to the Tax Cuts and Jobs Act, which was enacted in December 2017 (the "2017 Tax Act") from the change in federal tax rate for all items accounted for in OCI. Entities can also elect to reclassify other stranded tax effects that relate to the 2017 Tax Act, but do not directly relate to the change in the federal tax rate. Tax effects that are stranded in OCI for other reasons may not be reclassified. In the period of adoption, entities that elect to reclassify the income tax effects of the 2017 Tax Act from accumulated OCI to retained earnings must disclose that they made such an election. Entities must also disclose a description of other income tax effects related to the 2017 Tax Act that are reclassified from accumulated OCI to retained earnings, if any. The guidance is effective for fiscal periods beginning after December 15, 2018, and interim periods within those fiscal years. This guidance has been adopted as of January 1, 2019 and did not have a material impact to KKR. KKR did not elect to reclassify stranded tax effects that relate to the 2017 Tax Act from accumulated OCI to retained earnings for all items accounted for in OCI. KKR's policy for releasing income tax effects from accumulated OCI is when all related units of account are liquidated, sold or extinguished.

Effective on January 1, 2020

Goodwill

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance simplifies the accounting for goodwill impairments by eliminating the second step from the goodwill impairment test. The ASU requires goodwill impairments to be measured on the basis of the fair value of a reporting unit relative to the reporting unit's carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. The ASU also (i) clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units related to an entity's testing of reporting units for goodwill impairment and (ii) clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is allowed for entities as of January 1, 2017, for annual and any interim impairment tests occurring after January 1, 2017. KKR is currently evaluating the impact of this guidance on the financial statements.

Implementation Costs Incurred in a Cloud Computing Arrangement

In August 2018, the FASB issued ASU No. 2018-15, which addresses a customer’s accounting for implementation costs incurred in a cloud computing arrangement ("CCA") that is a service contract. The ASU aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is permitted and this ASU can be applied on either a retrospective or prospective basis. KKR is currently evaluating the impact of this guidance on the financial statements.

Table of Contents

Notes to Financial Statements (Continued)

3. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES

Net Gains (Losses) from Investment Activities in the 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:

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity [1]	$68,568	$ 919,625	$988,193	$16,253	$ 158,369	$174,622
Credit [1]	(17,876)	8,669	(9,207)	1,263	58,150	59,413
Investments of Consolidated CFEs [1]	(10,530)	233,357	222,827	(26,516)	(48,403)	(74,919)
Real Assets [1]	29,547	89,581	119,128	12,957	59,297	72,254
Equity Method - Other [1]	20,133	156,906	177,039	9,210	135,604	144,814
Other Investments [1]	1,450	(30,361)	(28,911)	(244,199)	86,365	(157,834)
Foreign Exchange Forward Contracts and Options [2]	25,454	54,789	80,243	(32,614)	(63,118)	(95,732)
Securities Sold Short [2]	14,426	(80,772)	(66,346)	275,949	(29,874)	246,075
Other Derivatives [2]	1,465	(13,405)	(11,940)	3,642	(8,223)	(4,581)
Debt Obligations and Other [3]	(2,856)	(264,292)	(267,148)	14,435	94,253	108,688
Net Gains (Losses) From Investment Activities	$129,781	$ 1,074,097	$1,203,878	$30,380	$ 442,420	$472,800

(1) See Note 4 "Investments."

(2) See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

(3) See Note 10 "Debt Obligations."

4. INVESTMENTS

Investments consist of the following:

	March 31, 2019	December 31, 2018
Private Equity	$8,522,282	$7,349,559
Credit	7,649,787	9,099,135
Investments of Consolidated CFEs	15,021,345	14,733,423
Real Assets	3,213,813	3,157,954
Equity Method - Other	4,472,692	4,212,874
Equity Method - Capital Allocation-Based Income	4,203,980	3,584,415
Other Investments	2,711,355	2,770,622
Total Investments	$45,795,254	$44,907,982

As of March 31, 2019 and December 31, 2018, there were no investments which represented greater than 5% of total investments. The majority of the securities underlying private equity investments represent equity securities.

27

Table of Contents
Notes to Financial Statements (Continued)

5. FAIR VALUE MEASUREMENTS
The following tables summarize the valuation of assets and liabilities measured and reported at fair value by the fair value hierarchy. Investments classified as Equity Method - Other, for which the fair value option has not been elected, and Equity Method - Capital Allocation-Based Income have been excluded from the tables below.
Assets, at fair value:

	March 31, 2019				
	Level I	Level II	Level III		Total
Private Equity	$1,603,803	$86,933	$6,831,546		$8,522,282
Credit	—	1,119,308	6,530,479		7,649,787
Investments of Consolidated CFEs	—	12,937,610	2,083,735		15,021,345
Real Assets	—	—	3,213,813		3,213,813
Equity Method - Other	219,566	47,938	1,650,179		1,917,683
Other Investments	501,523	145,882	2,063,950		2,711,355
Total Investments	2,324,892	14,337,671	22,373,702		39,036,265
Foreign Exchange Contracts and Options	—	205,900	—		205,900
Other Derivatives	—	1,786	31,134	(1)	32,920
Total Assets	$2,324,892	$14,545,357	$22,404,836		$39,275,085

	December 31, 2018				
	Level I	Level II	Level III		Total
Private Equity	$1,156,977	$63,999	$6,128,583		$7,349,559
Credit	—	2,334,405	6,764,730		9,099,135
Investments of Consolidated CFEs	—	12,650,878	2,082,545		14,733,423
Real Assets	—	—	3,157,954		3,157,954
Equity Method - Other	245,225	43,943	1,503,022		1,792,190
Other Investments	480,192	173,844	2,116,586		2,770,622
Total Investments	1,882,394	15,267,069	21,753,420		38,902,883
Foreign Exchange Contracts and Options	—	177,264	—		177,264
Other Derivatives	—	3,879	37,116	(1)	40,995
Total Assets	$1,882,394	$15,448,212	$21,790,536		$39,121,142

(1) Includes derivative assets that were valued using a third-party valuation firm. The approach used to estimate the fair value of these derivative assets was generally the discounted cash flow method, which includes consideration of the current portfolio, projected portfolio construction, projected portfolio realizations, portfolio volatility (based on the volatility, correlation, and size of each underlying asset class), and the discounting of future cash flows to the reporting date.

Table of Contents
Notes to Financial Statements (Continued)

Liabilities, at fair value:

	March 31, 2019				
	Level I	Level II	Level III		Total
Securities Sold Short	$582,608	$—	$—		$582,608
Foreign Exchange Contracts and Options	—	17,200	—		17,200
Unfunded Revolver Commitments	—	—	56,792	(1)	56,792
Other Derivatives	—	23,769	17,200	(2)	40,969
Debt Obligations of Consolidated CFEs	—	12,557,821	1,914,571		14,472,392
Total Liabilities	$582,608	$12,598,790	$1,988,563		$15,169,961
	December 31, 2018				
	Level I	Level II	Level III		Total
Securities Sold Short	$344,124	$—	$—		$344,124
Foreign Exchange Contracts and Options	—	60,749	—		60,749
Unfunded Revolver Commitments	—	—	52,066	(1)	52,066
Other Derivatives	—	18,440	17,200	(2)	35,640
Debt Obligations of Consolidated CFEs	—	12,081,771	1,876,783		13,958,554
Total Liabilities	$344,124	$12,160,960	$1,946,049		$14,451,133

(1) These unfunded revolver commitments are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(2) Includes options issued in connection with the acquisition of the equity interest in Marshall Wace and its affiliates in November 2015 to increase KKR's ownership interest in periodic increments. The options are valued using a Monte-Carlo simulation valuation methodology. Key inputs used in this methodology that require estimates include Marshall Wace's dividend yield, assets under management volatility and equity volatility. See Note 4 "Investments."

Table of Contents
Notes to Financial Statements (Continued)

The following tables summarize changes in investments and debt obligations measured and reported at fair value for which Level III inputs have been used to determine fair value for the three months ended March 31, 2019 and 2018, respectively:

	For the Three Months Ended March 31, 2019							
	Level III Investments							Level III Debt Obligations
	Private Equity	Credit	Investments of Consolidated CFEs	Real Assets	Equity Method - Other	Other Investments	Total	Debt Obligations of Consolidated CFEs
Balance, Beg. of Period	$6,128,583	$6,764,730	$2,082,545	$3,157,954	$1,503,022	$2,116,586	$21,753,420	$1,876,783
Transfers In / (Out) Due to Changes in Consolidation	—	(1,598)	—	—	—	(42,864)	(44,462)	—
Transfers In	—	—	—	—	—	—	—	—
Transfers Out	(56,029)	—	—	—	—	—	(56,029)	—
Asset Purchases / Debt Issuances	409,621	811,957	—	67,302	137,909	95,135	1,521,924	—
Sales / Paydowns	(99,603)	(1,028,063)	(38,295)	(130,571)	(41,126)	(27,433)	(1,365,091)	—
Settlements	—	20,815	—	—	—	—	20,815	(2,731)
Net Realized Gains (Losses)	68,568	(15,198)	—	29,547	11,626	2,121	96,664	—
Net Unrealized Gains (Losses)	380,406	(24,806)	39,485	89,581	38,748	(79,595)	443,819	40,519
Change in Other Comprehensive Income	—	2,642	—	—	—	—	2,642	—
Balance, End of Period	$6,831,546	$6,530,479	$2,083,735	$3,213,813	$1,650,179	$2,063,950	$22,373,702	$1,914,571
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	$442,672	$(31,282)	$39,485	$92,900	$49,140	$(79,347)	$513,568	$40,519

	For the Three Months Ended March 31, 2018							
	Level III Investments							Level III Debt Obligations
	Private Equity	Credit	Investments of Consolidated CFEs	Real Assets	Equity Method - Other	Other Investments	Total	Debt Obligations of Consolidated CFEs
Balance, Beg. of Period	$2,172,290	$5,138,937	$5,353,090	$2,251,267	$1,076,709	$1,760,011	$17,752,304	$5,238,236
Transfers In / (Out) Due to Changes in Consolidation	—	—	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—	—	—
Transfers Out	—	—	—	—	—	—	—	—
Asset Purchases / Debt Issuances	727,626	890,113	—	540,898	2,037	64,757	2,225,431	—
Sales / Paydowns	(35,245)	(230,144)	(11,541)	(34,237)	(31,939)	(36,218)	(379,324)	—
Settlements	—	(53,825)	—	—	—	—	(53,825)	(11,541)
Net Realized Gains (Losses)	15,312	11,581	—	8,354	9,348	8,892	53,487	—
Net Unrealized Gains (Losses)	208,428	77,715	(83,150)	61,151	29,570	3,762	297,476	(88,528)
Change in Other Comprehensive Income	—	(15,522)	—	—	—	—	(15,522)	—
Balance, End of Period	$3,088,411	$5,818,855	$5,258,399	$2,827,433	$1,085,725	$1,801,204	$19,880,027	$5,138,167
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	$208,428	$86,754	$(83,150)	$61,151	$34,928	$10,442	$318,553	$(88,528)

30

Table of Contents
Notes to Financial Statements (Continued)

Total realized and unrealized gains and losses recorded for Level III assets and liabilities are reported in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations.
The following table presents additional information about valuation methodologies and significant unobservable inputs used for investments and debt obligations that are measured and reported at fair value and categorized within Level III as of March 31, 2019:

	Fair Value March 31, 2019	Valuation Methodologies	Unobservable Input(s) [(1)]	Weighted Average [(2)]	Range	Impact to Valuation from an Increase in Input [(3)]
Private Equity	$6,831,546					
Private Equity	$4,322,213		Illiquidity Discount	6.1%	5.0% - 15.0%	Decrease
		Inputs to market comparables and discounted cash flow and transaction price	Weight Ascribed to Market Comparables	30.5%	0.0% - 50.0%	(4)
			Weight Ascribed to Discounted Cash Flow	69.4%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	0.1%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	14.2x	6.9x - 23.7x	Increase
			Enterprise Value/Forward EBITDA Multiple	12.4x	6.2x - 17.2x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	10.7%	5.6% - 14.6%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	12.4x	6.0x - 15.0x	Increase
Growth Equity	$2,509,333		Illiquidity Discount	11.6%	5.0% - 20.0%	Decrease
		Inputs to market comparables, discounted cash flow and milestones	Weight Ascribed to Market Comparables	35.2%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	15.3%	0.0% - 75.0%	(5)
			Weight Ascribed to Milestones	49.5%	0.0% - 100.0%	(6)
		Scenario Weighting	Base	61.4%	40.0% - 80.0%	Increase
			Downside	16.0%	5.0% - 30.0%	Decrease
			Upside	22.6%	10.0% - 45.0%	Increase
Credit	$6,530,479		Yield	7.6%	3.5% - 23.4%	Decrease
		Yield Analysis	Net Leverage	2.1x		Decrease

			EBITDA Multiple	9.7x	0.2x - 14.1x 0.2x - 38.2x	Increase
Investments of Consolidated CFEs	$2,083,735 (9)					
Debt Obligations of Consolidated CFEs	$1,914,571	Discounted cash flow	Yield	5.8%	2.6% - 15.5%	Decrease
Real Assets	$3,213,813 (10)					
Energy	$1,711,998	Discounted cash flow	Weighted Average Cost of Capital	10.6%	9.5% - 14.1%	Decrease
			Average Price Per BOE (8)	$44.62	$38.98 - $47.75	Increase
Real Estate	$1,294,181	Inputs to direct income capitalization and discounted cash flow	Weight Ascribed to Direct Income Capitalization	32.2%	0.0% - 100.0%	(7)
			Weight Ascribed to Discounted Cash Flow	67.8%	0.0% - 100.0%	(5)
		Direct income capitalization	Current Capitalization Rate	5.9%	0.4% - 9.5%	Decrease
		Discounted cash flow	Unlevered Discount Rate	8.0%	4.8% - 18.0%	Decrease
Equity Method - Other	$1,650,179		Illiquidity Discount	9.5%	5.0% - 15.0%	Decrease
		Inputs to market comparables, discounted cash flow and transaction price	Weight Ascribed to Market Comparables	42.6%	0.0% - 75.0%	(4)
			Weight Ascribed to Discounted Cash Flow	39.4%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	18.0%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	12.0x	6.9x - 15.2x	Increase
			Enterprise Value/Forward EBITDA Multiple	11.2x	6.2x - 13.2x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	9.0%	5.6% - 13.0%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	10.4x	6.0x - 12.5x	Increase

31

Table of Contents
Notes to Financial Statements (Continued)

	Fair Value March 31, 2019	Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)
Other Investments	$2,063,950	(11)	Illiquidity Discount	10.2%	5.0% - 20.0%	Decrease
		Inputs to market comparables, discounted cash flow and transaction price	Weight Ascribed to Market Comparables	38.1%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	36.1%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	25.8%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	10.3x	1.3x - 14.6x	Increase
			Enterprise Value/Forward EBITDA Multiple	9.1x	1.2x - 11.7x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	17.2%	7.3% - 31.1%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	8.9x	6.5x - 9.1x	Increase

(1) 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 developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments and debt obligations. 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.

(3) 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.

(4) 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.

(5) 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, transaction price and direct income capitalization approach.

(6) The directional change from an increase in the weight ascribed to the transaction price or milestones would increase the fair value of the Level III investments if the transaction price or milestones results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price or milestones results in a lower valuation than the market comparables approach and discounted cash flow approach.

(7)

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.

(8) 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 ("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 88% liquids and 12% natural gas.

(9) KKR measures CMBS investments on the basis of the fair value of the financial liabilities of the CMBS vehicle. See Note 2 "Summary of Significant Accounting Policies."

(10) Includes one Infrastructure investment for $207.6 million that was valued using a discounted cash flow analysis. The significant inputs used included the weighted average cost of capital 6.8% and the enterprise value/LTM EBITDA Exit Multiple 10.0x.

(11) Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit, equity method - other or investments of consolidated CFEs.

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 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.

Table of Contents
Notes to Financial Statements (Continued)

6. FAIR VALUE OPTION

The following table summarizes the financial instruments for which the fair value option has been elected:

	March 31, 2019	December 31, 2018
Assets		
Private Equity	$3,235	$2,977
Credit	4,519,000	4,950,819
Investments of Consolidated CFEs	15,021,345	14,733,423
Real Assets	309,105	310,399
Equity Method - Other	1,917,683	1,792,190
Other Investments	225,867	235,012
Total	$21,996,235	$22,024,820
Liabilities		
Debt Obligations of Consolidated CFEs	$14,472,392	$13,958,554
Total	$14,472,392	$13,958,554

The following table presents the net realized and net unrealized gains (losses) on financial instruments for which the fair value option was elected:

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Assets						
Private Equity	$—	$194	$194	$71	$316	$387
Credit	(23,153)	20,942	(2,211)	(28,867)	2,656	(26,211)
Investments of Consolidated CFEs	(10,530)	233,357	222,827	(26,516)	(48,403)	(74,919)
Real Assets	703	2,436	3,139	428	(3,483)	(3,055)
Equity Method - Other	11,626	17,084	28,710	9,348	66,093	75,441
Other Investments	1,794	3,987	5,781	4,607	(7,878)	(3,271)
Total	$(19,560)	$278,000	$258,440	$(40,929)	$9,301	$(31,628)
Liabilities						
Debt Obligations of Consolidated CFEs	—	(252,281)	(252,281)	13,256	93,654	106,910
Total	$—	$(252,281)	$(252,281)	$13,256	$93,654	$106,910

Table of Contents

Notes to Financial Statements (Continued)

7. NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. INC. PER SHARE OF CLASS A COMMON STOCK

For the three months ended March 31, 2019 and 2018, basic and diluted Net Income (Loss) attributable to KKR & Co. Inc. per share of Class A common stock were calculated as follows:

	Three Months Ended March 31,	
	2019	2018
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$700,978	$170,102
Excess of carrying value over consideration transferred on redemption of KFN 7.375% Series A LLC Preferred Shares	—	3,102
Net Income (Loss) Available to KKR & Co. Inc. Class A Common Stockholders	$700,978	$173,204
Basic Net Income (Loss) Per Share of Class A Common Stock		
Weighted Average Shares of Class A Common Stock Outstanding - Basic	533,892,474	487,704,838
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Basic	$ 1.31	$ 0.36
Diluted Net Income (Loss) Per Share of Class A Common Stock		
Weighted Average Shares of Class A Common Stock Outstanding - Basic	533,892,474	487,704,838
Weighted Average Unvested Shares of Class A Common Stock and Other Exchangeable Securities	16,153,966	48,213,436
Weighted Average Shares of Class A Common Stock Outstanding - Diluted	550,046,440	535,918,274
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted	$ 1.27	$ 0.32

Weighted Average Shares of Class A Common Stock Outstanding - Diluted primarily includes unvested equity awards that have been granted under the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan" and, together with the KKR & Co. Inc. 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan"), the "Equity Incentive Plans"), as well as exchangeable equity securities issued in connection with the acquisition of Avoca. Vesting or exchanges of these equity interests dilute KKR & Co. Inc. and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR Group Partnerships.

For the three months ended March 31, 2019 and 2018, KKR Holdings units have been excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted since the exchange of these units would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

	Three Months Ended March 31,	
	2019	2018
Weighted Average KKR Holdings Units	298,858,418	335,016,218

Additionally, for the three months ended March 31, 2019, 5.0 million shares of KKR Class A common stock subject to a market price-based vesting condition were excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted since the vesting conditions have not been satisfied. See Note 12 "Equity Based Compensation."

Table of Contents
Notes to Financial Statements (Continued)

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

Other Assets consist of the following:

	March 31, 2019	December 31, 2018
Unsettled Investment Sales (1)	$129,141	$101,789
Receivables	64,802	27,258
Due from Broker (2)	485,127	396,512
Oil & Gas Assets, net (3)	210,865	225,256
Deferred Tax Assets, net	408,148	538,161
Interest Receivable	231,445	241,547
Fixed Assets, net (4)	466,264	451,206
Foreign Exchange Contracts and Options (5)	205,900	177,264
Intangible Assets, net (6)	9,125	9,863
Goodwill (7)	83,500	83,500
Derivative Assets	32,920	40,995
Deposits	7,284	7,299
Prepaid Taxes	73,054	69,165
Prepaid Expenses	27,106	23,551
Operating Lease Right of Use Assets (8)	146,165	—
Deferred Financing Costs	13,458	13,871
Other	93,498	129,455
Total	$2,687,802	$2,536,692

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

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

(3) 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. Depreciation, depletion and amortization amounted to $13.8 million and $7.1 million for the three months ended March 31, 2019 and 2018, respectively.

(4) Net of accumulated depreciation and amortization of $118.0 million and $113.5 million as of March 31, 2019 and December 31, 2018, respectively. Depreciation and amortization expense of $4.4 million and $3.7 million for the three months ended March 31, 2019 and 2018, respectively, is included in General, Administrative and Other in the accompanying consolidated statements of operations.

(5) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency 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 consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(6) Net of accumulated amortization of $63.5 million as of March 31, 2019 and December 31, 2018. Amortization expense of $0.5 million and $5.0 million for the three months ended March 31, 2019 and 2018, respectively, is included in General, Administrative and Other in the accompanying consolidated statements of operations.

(7) As of March 31, 2019, the carrying value of goodwill is recorded and assessed for impairment at the reporting unit.

(8) KKR's non-cancelable operating leases consist of leases for office space around the world. KKR is the lessee under the terms of the operating leases. For the three months ended March 31, 2019, the operating lease cost was $11.8 million.

Table of Contents
Notes to Financial Statements (Continued)

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

	March 31, 2019	December 31, 2018
Amounts Payable to Carry Pool [(1)]	$1,089,045	$922,977
Unsettled Investment Purchases [(2)]	507,731	541,165
Securities Sold Short [(3)]	582,608	344,124
Derivative Liabilities	40,969	35,640
Accrued Compensation and Benefits	166,294	107,887
Interest Payable	216,348	212,969
Foreign Exchange Contracts and Options [(4)]	17,200	60,749
Accounts Payable and Accrued Expenses	108,170	130,554
Taxes Payable	55,355	24,453
Uncertain Tax Positions	67,374	66,775
Unfunded Revolver Commitments	56,792	52,066
Operating Lease Liabilities [(5)]	152,073	—
Other Liabilities	219,069	244,631
Total	$3,279,028	$2,743,990

(1) 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.

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

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

(4) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency 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 consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(5) KKR's operating leases have remaining lease terms that range from one year to 14 years, some of which include options to extend the leases for up to three years. For the three months ended March 31, 2019, the weighted average remaining lease term and weighted average discount rate were 4.78 years and 2.64%, respectively.

Table of Contents
Notes to Financial Statements (Continued)

9. VARIABLE INTEREST ENTITIES
Consolidated VIEs
KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary as described in Note 2 "Summary of Significant Accounting Policies" and which are predominately CFEs and certain investment funds. The primary purpose of these VIEs is to provide strategy specific investment opportunities to earn investment gains, current income or both in exchange for management and performance based fees or carried interest. KKR's investment strategies for these VIEs differ by product; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated VIEs, beyond amounts previously committed, if any.
Unconsolidated VIEs
KKR holds variable interests in certain VIEs which are not consolidated as it has been determined that KKR is not the primary beneficiary. VIEs that are not consolidated predominantly include certain investment funds sponsored by KKR.
KKR's investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR's maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, including KKR's capital interest and any unrealized carried interest. 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, 2019, KKR's commitments to these unconsolidated investment funds was $2.3 billion. KKR has not provided any financial support other than its obligated amount as of March 31, 2019.
As of March 31, 2019 and December 31, 2018, the maximum exposure to loss, before allocations to the carry pool and noncontrolling interests, 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, 2019	December 31, 2018
Investments	$4,203,980	$3,610,502
Due from (to) Affiliates, net	490,990	410,489
Maximum Exposure to Loss	$4,694,970	$4,020,991

37

Table of Contents
Notes to Financial Statements (Continued)

10. DEBT OBLIGATIONS

KKR enters into credit agreements and issues debt for its general operating and investment purposes. KKR consolidates and reports debt obligations of KKR Financial Holdings LLC ("KFN"), which are non-recourse to KKR beyond the assets of KFN.

Certain of KKR's consolidated investment funds borrow to meet financing needs of their operating and investing activities. Fund financing facilities have been established for the benefit of certain investment funds. When an investment fund borrows from the facility in which it participates, the proceeds from the borrowings are 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 investment funds.

In certain other cases, KKR has majority-owned investment vehicles that make investments and purchase other assets with borrowings that are collateralized only by the investments and assets they own.

In addition, consolidated CFE vehicles issue debt securities to third-party investors which are collateralized by assets held by the CFE vehicle. Debt securities issued by CFEs are supported solely by the assets held at the CFEs and are not collateralized by assets of any other KKR entity. CFEs also may have warehouse facilities with banks to provide liquidity to the CFE. The CFE's debt obligations are non-recourse to KKR beyond the assets of the CFE.

KKR's borrowings consisted of the following:

	March 31, 2019				December 31, 2018			
	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	434,395	—	—		451,338	—	—	
KCM Short-Term Credit Agreement	750,000	—	—		750,000	—	—	
Notes Issued:								
KKR Issued 6.375% Notes Due 2020 (1)	—	499,122	523,900	(14)	—	498,975	523,500	(14)
KKR Issued 5.500% Notes Due 2043 (2)	—	491,921	537,235	(14)	—	491,836	508,615	(14)
KKR Issued 5.125% Notes Due 2044 (3)	—	990,831	1,030,140	(14)	—	990,740	974,320	(14)
KKR Issued 0.509% Notes Due 2023 (4)	—	224,386	223,695	(14)	—	226,895	227,298	(14)
KKR Issued 0.764% Notes Due 2025 (5)	—	44,435	45,402	(14)	—	44,923	45,161	(14)
KKR Issued 1.595% Notes Due 2038 (6)	—	91,767	96,510	(14)	—	92,817	94,568	(14)
KFN Issued 5.500% Notes Due 2032 (7)	—	493,689	502,524		—	493,568	496,359	
KFN Issued 5.200% Notes Due 2033 (8)	—	118,321	117,152		—	118,291	115,582	
KFN Issued 5.400% Notes Due 2033 (9)	—	68,705	69,689		—	68,683	68,780	
KFN Issued Junior Subordinated Notes (10)	—	232,471	197,478		—	232,142	203,135	
Other Debt Obligations:								
Financing Facilities of Consolidated Funds and Other	4,216,970	4,534,329	4,534,329		3,840,877	5,123,768	5,123,768	

(11)						
CLO Senior Secured Notes (12)	—	12,155,621	12,155,621	—	11,667,970	11,667,970
CLO Subordinated Notes (12)	—	402,200	402,200	—	413,801	413,801
CMBS Debt Obligations (13)	—	1,914,571	1,914,571	—	1,876,783	1,876,783
	$6,401,365	$22,262,369	$22,350,446	$6,042,215	$22,341,192	$22,339,640

(1) $500 million aggregate principal amount of 6.375% senior notes of KKR due 2020. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $0.6 million and $0.7 million as of March 31, 2019 and December 31, 2018, respectively.

(2) $500 million aggregate principal amount of 5.500% senior notes of KKR due 2043. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $3.5 million and $3.6 million as of March 31, 2019 and December 31, 2018, respectively.

(3) $1.0 billion aggregate principal amount of 5.125% senior notes of KKR due 2044. Borrowing outstanding is presented net of (i) unamortized note discount (net of premium) and (ii) unamortized debt issuance costs of $7.9 million and $8.0 million as of March 31, 2019 and December 31, 2018, respectively.

(4) ¥25 billion (or $225.6 million) aggregate principal amount of 0.509% senior notes of KKR due 2023. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.2 million and $1.3 million as of March 31, 2019 and December 31, 2018, respectively. These senior notes are denominated in Japanese Yen ("JPY").

Table of Contents
Notes to Financial Statements (Continued)

(5) ¥5.0 billion (or $45.1 million) aggregate principal amount of 0.764% senior notes of KKR due 2025. Borrowing outstanding is presented net of unamortized debt issuance costs of $0.7 million and $0.7 million as of March 31, 2019 and December 31, 2018, respectively. These senior notes are denominated in JPY.

(6) ¥10.3 billion (or $92.9 million) aggregate principal amount of 1.595% senior notes of KKR due 2038. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.2 million and $1.2 million as of March 31, 2019 and December 31, 2018, respectively. These senior notes are denominated in JPY.

(7) KKR consolidates KFN and thus reports KFN's outstanding $500.0 million aggregate principal amount of 5.500% senior notes due 2032. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $4.3 million and $4.4 million as of March 31, 2019 and December 31, 2018, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(8) KKR consolidates KFN and thus reports KFN's outstanding $120.0 million aggregate principal amount of 5.200% senior notes due 2033. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.7 million and $1.7 million as of March 31, 2019 and December 31, 2018, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(9) KKR consolidates KFN and thus reports KFN's outstanding $70.0 million aggregate principal amount of 5.400% senior notes due 2033. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.3 million and $1.3 million as of March 31, 2019 and December 31, 2018, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(10) KKR consolidates KFN and thus reports KFN's outstanding $258.5 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 5.2% and 5.0% and the weighted average years to maturity is 17.5 years and 17.8 years as of March 31, 2019 and December 31, 2018, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(11) Amounts include (i) borrowings at consolidated investment funds relating to financing arrangements with major financial institutions, generally to enable such investment funds to make investments prior to or without receiving capital from fund limited partners and (ii) borrowings by certain majority-owned investment vehicles that are collateralized only by the investments and assets they own. The weighted average interest rate is 4.9% and 4.6% as of March 31, 2019 and December 31, 2018, respectively. In addition, the weighted average years to maturity is 3.6 years and 3.3 years as of March 31, 2019 and December 31, 2018, respectively.

(12) CLO debt obligations are carried at fair value and are classified as Level II within the fair value hierarchy. See Note 5 "Fair Value Measurements."

(13) CMBS debt obligations are carried at fair value and are classified as Level III within the fair value hierarchy. See Note 5 "Fair Value Measurements."

(14) The notes are classified as Level II within the fair value hierarchy and fair value is determined by third party broker quotes.

Revolving Credit Facilities

KCM Credit Agreement

KKR Capital Markets maintains a revolving credit agreement with a major financial institution (the "KCM Credit Agreement") for use in KKR's capital markets business, which provides for revolving borrowings of up to $500 million with a $500 million sublimit for letters of credit. As of March 31, 2019 and December 31, 2018, no amounts were outstanding under the KCM Credit Agreement, however various letters of credit were outstanding in the amount of $65.6 million and $48.7 million, respectively, which reduce the overall borrowing capacity of the KCM Credit Agreement.

Other Debt Obligations

Debt Obligations of Consolidated CFEs

As of March 31, 2019, debt obligations of consolidated CFEs consisted of the following:

	Borrowing Outstanding	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior Secured Notes of Consolidated CLOs	$12,155,621	3.4	%	11.5
Subordinated Notes of Consolidated CLOs	402,200	(1)		11.7
Debt Obligations of Consolidated CMBS Vehicles	1,914,571	4.0	%	24.5
	$14,472,392			

(1) The subordinated notes do not have contractual interest rates but instead receive a pro rata amount of the net distributions from the excess cash flows of the respective CLO vehicle. Accordingly, weighted average borrowing rates for the subordinated notes are based on cash distributions during the period, if any.

Debt obligations of consolidated CFEs are collateralized by assets held by each respective CFE vehicle and assets of one CFE vehicle may not be used to satisfy the liabilities of another. As of March 31, 2019, the fair value of the consolidated CFE assets was $15.8 billion. This collateral consisted of Cash and Cash Equivalents Held at Consolidated Entities, Investments, and Other Assets.

Table of Contents
Notes to Financial Statements (Continued)

Debt Covenants
Borrowings of KKR contain various debt covenants. These covenants do not, in management's opinion, materially restrict KKR's operating business or investment strategies as of March 31, 2019. KKR is in compliance with its debt covenants in all material respects as of March 31, 2019.

11. INCOME TAXES
KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR’s share of net taxable income. In addition, the KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.
The Conversion resulted in KKR obtaining a partial step-up in the tax basis of certain assets that will be recovered as those assets are sold or the basis is amortized. KKR's overall tax provision is based on, among other things, the amount of such partial step-up in tax basis that is derived from an analysis of the basis of its former unitholders in their ownership of KKR common units at June 30, 2018. On the date of the Conversion, based on the information available to KKR at that time, KKR recorded an estimated net tax benefit and estimated net deferred tax asset of $257.1 million relating to this partial step-up in tax basis. Upon analysis of the basis of KKR's former unitholders in their ownership of KKR common units at June 30, 2018, based on the additional information made available to KKR after December 31, 2018, the final determination of the amount of partial step-up in tax basis resulted in an additional tax benefit of approximately $45.0 million.

The effective tax rates were 9.34% and 2.84% for the three months ended March 31, 2019 and 2018, respectively. The effective tax rate differs from the statutory rate primarily due to the following: (i) a substantial portion of the reported net income (loss) before taxes is not attributable to KKR but rather is attributable to noncontrolling interests held in KKR’s consolidated entities by KKR Holdings or by third parties, and (ii) the tax benefit recognized as a result of the final determination of the amount of the partial step-up in tax basis as a result of the Conversion. For periods prior to the Conversion, the effective rate also differs from the statutory rate as a result of investment income of certain entities and net carried interest of certain general partners of KKR investment funds that were not subject to U.S. federal income taxes prior to the Conversion.
During the three months ended March 31, 2019, there were no material changes to KKR’s uncertain tax positions and KKR believes there will be no significant increase or decrease to the uncertain tax positions within 12 months of the reporting date.

Table of Contents
Notes to Financial Statements (Continued)

12. EQUITY BASED COMPENSATION

The following table summarizes the expense associated with equity-based compensation for the three months ended March 31, 2019 and 2018, respectively.

	Three Months Ended March 31,	
	2019	2018
Equity Incentive Plans	$54,885	$67,796
KKR Holdings Principal Awards	23,666	27,282
Total [(1)]	$78,551	$95,078

(1) Includes $(0.3) million and $4.3 million of equity based compensation for the three months ended March 31, 2019 and 2018 related to employees of equity method investees. Such amounts are included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

Equity Incentive Plans

On March 29, 2019, the 2019 Equity Incentive Plan became effective. Following the effectiveness of the 2019 Equity Incentive Plan, KKR will not make any further grants under the 2010 Equity Incentive Plan, and the 2019 New Equity Incentive Plan became KKR's only plan for providing new equity-based awards. Outstanding awards under the 2010 Equity Incentive Plan will remain outstanding, unchanged and subject to the terms of the 2010 Equity Incentive Plan and their respective equity award agreements, until the vesting, expiration or lapse of such awards in accordance with their terms. There are no significant differences in the expense recognition between the 2010 Equity Incentive Plan and the 2019 New Equity Incentive Plan.

Under the 2019 Equity Incentive Plan, KKR is permitted to grant equity awards representing ownership interests in KKR & Co. Inc. Class A common stock. The total number of shares of Class A common stock that may be issued under the 2019 Equity Incentive Plan is equivalent to 15% of the aggregate number of the shares of Class A common stock and KKR Group Partnership Units (excluding KKR Group Partnership Units held by KKR & Co. Inc. or its wholly-owned subsidiaries), subject to annual adjustment. Vested awards under the Equity Incentive Plans dilute KKR & Co. Inc. common stockholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR Group Partnerships.

Equity awards have been granted under the Equity Incentive Plans and are generally subject to service-based vesting, typically over a three to five year period from the date of grant. In certain cases, these awards are subject to transfer restrictions and/or minimum retained ownership requirements. The transfer restriction period, if applicable, lasts for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, if applicable, certain of these awards are also subject to minimum retained ownership rules requiring the award recipient to continuously hold shares of Class A common stock equivalents equal to at least 15% of their cumulatively vested awards that have the minimum retained ownership requirement.

Expense associated with the vesting of these awards is based on the closing price of the KKR & Co. Inc. Class A common stock on the date of grant, discounted for the lack of participation rights in the expected dividends on unvested shares. The discount range for awards granted prior to December 31, 2015 was based on management's estimates of future dividends that the unvested equity awards would not be entitled to receive between the grant date and the vesting date which ranged from 8% to 56%.

The following table presents information regarding the discount for the lack of participation rights in the expected dividends for shares granted subsequent to December 31, 2015:

Date of Grant	Discount per share [(1)]
January 1, 2016 to December 31, 2016	$ 0.64
January 1, 2017 to December 31, 2017	$ 0.68
January 1, 2018 to June 30, 2018	$ 0.68

July 1, 2018 to Present	$ 0.50

(1) Represents the annual discount for the lack of participation rights on expected dividends. The total discount on any given tranche of unvested shares is calculated as the discount per share multiplied by the number of years in the applicable vesting period.

Table of Contents

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based upon expected turnover by class of recipient.

Market Condition Awards

On November 2, 2017, KKR's Co-Presidents and Co-Chief Operating Officers were each granted equity awards representing 2.5 million shares of KKR Class A common stock subject to a market price-based vesting condition ("Market Condition Awards"). These awards were granted under the 2010 Equity Incentive Plan. All of such awards will vest upon the market price of KKR Class A common stock reaching and maintaining a closing market price of $40 per share for 10 consecutive trading days on or prior to December 31, 2022, subject to the employee's continued service to the time of such vesting. If the $40 price target is not achieved by the close of business on December 31, 2022, the unvested Market Condition Awards will be automatically canceled and forfeited. These Market Condition Awards are subject to additional transfer restrictions and minimum retained ownership requirements after vesting. Due to the existence of the market condition, the vesting period for the Market Condition Awards is not explicit, and as such, compensation expense will be recognized over the period derived from the valuation technique used to estimate the grant-date fair value of the award (the "Derived Vesting Period").

The fair value of the Market Condition Awards at the date of grant was $4.02 per share based on a Monte-Carlo simulation valuation model due to the existence of the market condition described above. Below is a summary of the significant assumptions used to estimate the grant date fair value of the Market Condition Awards:

Closing KKR share price as of valuation date	$19.90
Risk Free Rate	2.02 %
Volatility	25.00%
Dividend Yield	3.42 %
Expected Cost of Equity	11.02%

In addition, the grant date fair value assumes that holders of the Market Condition Awards will not participate in dividends until such awards have met their vesting requirements.

Compensation expense is recognized over the Derived Vesting Period, which was estimated to be 3 years from the date of grant, on a straight-line basis.

As of March 31, 2019, there was approximately $10.7 million of estimated unrecognized compensation expense related to unvested Market Condition Awards and such awards did not meet their market-price based vesting condition.

As of March 31, 2019, there was approximately $340.4 million of total estimated unrecognized expense related to unvested awards, including Market Condition Awards. That cost is expected to be recognized as follows:

Year	Unrecognized Expense (in millions)
Remainder of 2019	$ 132.8
2020	131.8
2021	58.5
2022	16.4
2023	0.9
Total	$ 340.4

Table of Contents
Notes to Financial Statements (Continued)

A summary of the status of unvested awards granted under the Equity Incentive Plans, excluding Market Condition Awards as described above, from January 1, 2019 through March 31, 2019 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2019	33,400,183	$ 16.23
Granted	50,511	18.96
Vested	(15,440)	15.83
Forfeitures	(604,519)	17.43
Balance, March 31, 2019	32,830,735	$ 16.21

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.1 years.
A summary of the remaining vesting tranches of awards granted under the Equity Incentive Plans is presented below:

Vesting Date	Shares
April 1, 2019	8,917,856
October 1, 2019	4,733,416
April 1, 2020	7,135,649
October 1, 2020	3,607,073
April 1, 2021	4,093,420
October 1, 2021	2,134,028
April 1, 2022	916,731
October 1, 2022	1,201,390
October 1, 2023	91,172
	32,830,735

KKR Holdings Awards
KKR Holdings units are exchangeable for KKR Group Partnership Units and allow for their exchange into Class A common stock of KKR & Co. Inc. on a one-for-one basis. As of March 31, 2019 and 2018, KKR Holdings owned approximately 35.9% or 298,645,285 units and 40.5% or 333,648,078 units, respectively, of outstanding KKR Group Partnership Units. Awards for KKR Holdings units that have been granted are generally subject to service based vesting, typically over a three to five year period from the date of grant. They are also generally subject to transfer restrictions which last for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, the recipients are also subject to minimum retained ownership rules requiring them to continuously hold 25% of their vested interests. Upon separation from KKR, award recipients are subject to the terms of a confidentiality and restrictive covenants agreement that would require the forfeiture of certain vested and unvested units should the terms of the agreement be violated. Holders of KKR Holdings units are not entitled to participate in distributions made on KKR Group Partnership Units underlying their KKR Holdings units until such units are vested. All of the KKR Holdings units (except for less than 0.6% of the outstanding KKR Holdings units) have been granted as of March 31, 2019, and certain Holdings units remain subject to vesting.
The fair value of awards granted out of KKR Holdings is generally based on the closing price of KKR & Co. Inc. Class A common stock on the date of grant discounted for the lack of participation rights in the expected distributions on unvested units. KKR determined this to be the best evidence of fair value as KKR & Co. Inc. Class A common stock is traded in an active market and has an observable market price. Additionally, a KKR Holdings unit is an instrument with terms and conditions similar to those of KKR & Co. Inc. Class A common stock. Specifically, units in KKR Holdings and shares of KKR & Co. Inc. represent ownership interests in KKR Group Partnership Units and, subject to any vesting, minimum retained ownership requirements and transfer restrictions, each KKR Holdings unit is exchangeable into a KKR Group Partnership Unit and then into a share of KKR & Co. Inc. Class A common stock on a one-for-one basis.

In February 2016, approximately 28.9 million KKR Holdings units were granted that were originally subject to market condition and service-based vesting that were subsequently modified in November 2016 to eliminate the market condition vesting and instead require only service-based vesting in equal annual installments over a five year period. At the date of modification, total future compensation expense amounted to $320.9 million, net of estimated forfeitures, to be recognized over the remaining vesting period of the modified awards.

The awards described above were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding KKR & Co. Inc. Class A common stock on a fully-diluted basis. If and when vested, these awards will not dilute KKR's respective ownership interests in the KKR Group Partnerships.

KKR Holdings Awards give rise to equity-based compensation in the consolidated statements of operations based on the grant-date fair value of the award discounted for the lack of participation rights in the expected distributions on unvested units. This discount is consistent with that noted above for shares issued under the Equity Incentive Plans. Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based on expected turnover by class of recipient.

As of March 31, 2019, there was approximately $230.3 million of estimated unrecognized expense related to unvested KKR Holdings awards. That cost is expected to be recognized as follows:

Year	Unrecognized Expense (in millions)
Remainder of 2019	$ 70.7
2020	86.9
2021	47.2
2022	25.5
Total	$ 230.3

A summary of the status of unvested awards granted under the KKR Holdings Plan from January 1, 2019 through March 31, 2019 is presented below:

	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2019	24,123,993	$ 14.42
Granted	—	—
Vested	—	—
Forfeitures	(270,000)	16.28
Balance, March 31, 2019	23,853,993	$ 14.40

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.7 years.

A summary of the remaining vesting tranches of awards granted under the KKR Holdings Plan is presented below:

Vesting Date	Units
April 1, 2019	229,514
May 1, 2019	3,590,000
October 1, 2019	2,455,000
April 1, 2020	124,479
May 1, 2020	3,590,000
October 1, 2020	2,940,000
May 1, 2021	3,590,000
October 1, 2021	3,425,000
October 1, 2022	3,910,000
	23,853,993

Table of Contents
Notes to Financial Statements (Continued)

13. RELATED PARTY TRANSACTIONS

Due from Affiliates consists of:

	March 31, 2019	December 31, 2018
Amounts due from portfolio companies	$93,855	$82,204
Amounts due from unconsolidated investment funds	637,501	568,211
Amounts due from related entities	2,839	6,774
Due from Affiliates	$734,195	$657,189

Due to Affiliates consists of:

	March 31, 2019	December 31, 2018
Amounts due to KKR Holdings in connection with the tax receivable agreement	$108,270	$117,862
Amounts due to unconsolidated investment funds	146,511	157,722
Due to Affiliates	$254,781	$275,584

14. SEGMENT REPORTING

KKR operates through one operating and reportable segment. This single reportable segment reflects how the chief operating decision makers allocate resources and assess performance under KKR's "one-firm approach," which includes operating collaboratively across business lines, with predominantly a single expense pool.

KKR’s segment reporting is presented prior to giving effect to the allocation of income (loss) between KKR & Co. Inc. and KKR Holdings L.P. and as such represents the business in total. In addition, KKR’s segment reporting is presented without giving effect to the consolidation of the investment funds and CFEs that KKR manages as well as other consolidated entities that are not subsidiaries of KKR & Co. Inc. The segment measures used in KKR’s segment reporting, including segment revenues, segment expenses, after-tax distributable earnings, segment assets, segment liabilities, and segment book value are used by management in making operational and resource deployment decisions as well as assessing the overall performance of KKR’s business.

After-tax Distributable Earnings

After-tax distributable earnings is a performance measure of KKR’s earnings on a segment basis excluding mark-to-market gains (losses). Starting with the second quarter of 2018, it is defined as the amount of net realized earnings of KKR for a given reporting period, after deducting equity-based compensation. KKR revised the definition of after-tax distributable earnings starting in the second quarter of 2018, because it reflects how the chief operating decision makers allocate resources and assess the performance of KKR’s business. KKR believes that after-tax distributable earnings is useful to stockholders as it aligns KKR’s net realization performance with the manner in which KKR receives its revenues and determines the compensation of its employees. After-tax distributable earnings does not represent and is not used to calculate actual dividends under KKR’s dividend policy. Historically, equity-based compensation expense relating to the Equity Incentive Plans was not reflected in our calculation of after-tax distributable earnings. Under KKR’s segment presentation, equity-based compensation expense is included in after-tax distributable earnings as a component of compensation expense in order to reflect the dilutive nature of these non-cash equity-based awards. For comparability, after-tax distributable earnings for the comparable prior periods have been calculated using this definition.

Table of Contents
Notes to Financial Statements (Continued)

The following table sets forth information regarding KKR's segment results:

	As of and for the Three Months Ended	
	March 31, 2019	March 31, 2018
Segment Revenues		
Fees and Other, Net		
Management Fees	$292,296	$251,585
Transaction Fees	186,727	156,845
Monitoring Fees	25,651	17,530
Fee Credits	(107,416)	(43,774)
Total Fees and Other, Net	397,258	382,186
Realized Performance Income (Loss)		
Carried Interest	330,345	202,555
Incentive Fees	19,537	16,407
Total Realized Performance Income (Loss)	349,882	218,962
Realized Investment Income (Loss)		
Net Realized Gains (Losses)	44,712	7,875
Interest Income and Dividends	58,207	72,577
Total Realized Investment Income (Loss)	102,919	80,452
Total Segment Revenues	$850,059	$681,600
Segment Expenses		
Compensation and Benefits (1)	340,286	300,480
Occupancy and Related Charges	13,957	13,583
Other Operating Expenses	74,910	57,905
Total Segment Expenses	$429,153	$371,968
Segment Operating Earnings	420,906	309,632
Interest Expense	44,130	50,192
Preferred Dividends	8,341	8,341
Income (Loss) Attributable to Noncontrolling Interests	359	1,203
Income Taxes Paid	53,993	14,168
After-tax Distributable Earnings	$314,083	$235,728
Segment Assets	$18,770,564	$16,243,603
Segment Liabilities	$4,100,354	$3,736,797
Segment Book Value	$14,148,206	$11,983,289

(1) Includes equity-based compensation of $54.9 million and $67.8 million for the three months ended March 31, 2019 and 2018, respectively.

Table of Contents

KKR's business lines are differentiated primarily by their business objectives, investment strategies and sources of revenue, and are summarized below.

Through KKR's Private Markets business line, KKR manages and sponsors private equity funds and co-investment vehicles, which invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. In addition to its traditional private equity funds, KKR sponsors investment funds that invest in growth equity and core investments. KKR also manages and sponsors investment funds and co-investment vehicles that invest capital in real assets, such as infrastructure, energy, and real estate.

Through KKR's Public Markets business line, KKR operates its combined credit and hedge funds platforms. KKR's credit platform invests capital in leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit, and revolving credit strategies, and alternative credit strategies including special situations and private credit opportunities, such as direct lending and private opportunistic credit investment strategies. KKR's hedge funds platform consists of hedge fund partnerships with third-party hedge fund managers in which KKR owns a minority stake.

KKR's Capital Markets business line supports the firm, portfolio companies, and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing, placing and underwriting securities offerings and providing other types of capital markets services.

Through KKR's Principal Activities business line, KKR manages the firm's assets and deploys capital to support and grow its business lines including making capital commitments as general partner to its funds, to seed new business strategies or investments for new funds or to bridge capital selectively for its funds' investments. The Principal Activities business line also provides the required capital to fund the various commitments of KKR's Capital Markets business line or to meet regulatory capital requirements.

Table of Contents
Notes to Financial Statements (Continued)

The following tables provide KKR's segment revenues on a disaggregated basis by business line:

	Three Months Ended March 31, 2019				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total
Fees and Other, Net					
Management Fees	$183,221	$109,075	$—	$—	$292,296
Transaction Fees	99,017	27,456	60,254	—	186,727
Monitoring Fees	25,651	—	—	—	25,651
Fee Credits	(82,342)	(25,074)	—	—	(107,416)
Total Fees and Other, Net	225,547	111,457	60,254	—	397,258
Realized Performance Income (Loss)					
Carried Interest	330,345	—	—	—	330,345
Incentive Fees	675	18,862	—	—	19,537
Total Realized Performance Income (Loss)	331,020	18,862	—	—	349,882
Realized Investment Income (Loss)					
Net Realized Gains (Losses)	—	—	—	44,712	44,712
Interest Income and Dividends	—	—	—	58,207	58,207
Total Realized Investment Income (Loss)	—	—	—	102,919	102,919
Total	$556,567	$130,319	$60,254	$102,919	$850,059

	Three Months Ended March 31, 2018				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total
Fees and Other, Net					
Management Fees	$158,190	$93,395	$—	$ —	$251,585
Transaction Fees	46,689	2,558	107,598	—	156,845
Monitoring Fees	17,530	—	—	—	17,530
Fee Credits	(41,343)	(2,431)	—	—	(43,774)
Total Fees and Other, Net	181,066	93,522	107,598	—	382,186
Realized Performance Income (Loss)					
Carried Interest	202,555	—	—	—	202,555
Incentive Fees	—	16,407	—	—	16,407
Total Realized Performance Income (Loss)	202,555	16,407	—	—	218,962
Realized Investment Income (Loss)					
Net Realized Gains (Losses)	—	—	—	7,875	7,875
Interest Income and Dividends	—	—	—	72,577	72,577
Total Realized Investment Income (Loss)	—	—	—	80,452	80,452
Total	$383,621	$109,929	$107,598	$ 80,452	$681,600

Table of Contents
Notes to Financial Statements (Continued)

The following tables reconcile the most directly comparable financial measures calculated and presented in accordance with GAAP to KKR's segment information:

Revenues

	Three Months Ended	
	March 31, 2019	March 31, 2018
Total GAAP Revenues	$1,187,480	$472,606
Add: Management Fees - Consolidated Funds and Other	121,949	64,596
Deduct: Fee Credits - Consolidated Funds	3,939	14,721
Deduct: Capital Allocation-Based Income (GAAP)	814,932	78,212
Add: Segment Realized Carried Interest	330,345	202,555
Add: Segment Realized Investment Income (Loss)	102,919	80,452
Deduct: Revenue Earned by Other Consolidated Entities	29,703	25,465
Deduct: Expense Reimbursements	44,060	20,211
Total Segment Revenues	$850,059	$681,600

Expenses

	Three Months Ended	
	March 31, 2019	March 31, 2018
Total GAAP Expenses	$728,767	$436,601
Deduct: Equity-based and Other Compensation - KKR Holdings L.P.	23,743	32,695
Deduct: Segment Unrealized Performance Income Compensation	159,880	(43,123)
Deduct: Amortization of Intangibles	535	5,030
Deduct: Reimbursable Expenses	52,032	26,093
Deduct: Operating Expenses relating to Other Consolidated Entities	51,818	44,309
Add: Other	(11,606)	371
Total Segment Expenses	$429,153	$371,968

Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders

	Three Months Ended	
	March 31, 2019	March 31, 2018
GAAP Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$700,978	$170,102
Add: Net Income (Loss) Attributable to Noncontrolling Interests held by KKR Holdings L.P.	481,368	121,002
Add: Equity-based and Other Compensation - KKR Holdings L.P.	23,118	32,695
Add: Amortization of Intangibles and Other, net	56,153	47,709
Deduct: Unrealized Carried Interest	401,612	(111,732)
Deduct: Net Unrealized Gains (Losses)	819,402	207,862
Add: Unrealized Performance Income Compensation	159,880	(43,123)
Add: Income Tax Provision	167,593	17,641
Deduct: Income Taxes Paid	53,993	14,168
After-tax Distributable Earnings	$314,083	$235,728

Table of Contents
Notes to Financial Statements (Continued)

The items that reconcile KKR's reportable segment income (loss) attributable to noncontrolling interests to the corresponding consolidated amounts calculated and presented in accordance with GAAP for net income (loss) attributable to redeemable noncontrolling interests and income (loss) attributable to noncontrolling interests are primarily attributable to the impact of KKR Holdings L.P., KKR's consolidated funds, and certain other consolidated entities.

Assets

	As of March 31,	
	2019	2018
GAAP Assets	$52,004,019	$47,579,153
Impact of Consolidation of Investment Vehicles and Other Entities	(31,561,635)	(29,972,064)
Carry Pool Reclassification	(1,089,045)	(1,176,070)
Other Reclassifications	(582,775)	—
Impact of KKR Management Holdings Corp.	—	(187,416)
Segment Assets [(1)]	$18,770,564	$16,243,603

Liabilities

	As of March 31,	
	2019	2018
GAAP Liabilities	$25,796,178	$25,810,215
Impact of Consolidation of Investment Vehicles and Other Entities	(20,024,004)	(20,775,320)
Carry Pool Reclassification	(1,089,045)	(1,176,070)
Other Reclassifications	(582,775)	—
Impact of KKR Management Holdings Corp.	—	(122,028)
Segment Liabilities [(1)]	$4,100,354	$3,736,797

Stockholders' Equity

	As of March 31,	
	2019	2018
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	$8,839,817	$6,918,185
Impact of Consolidation of Investment Vehicles and Other Entities	246,793	254,777
Other Reclassifications	(17,446)	(17,446)
Noncontrolling Interests Held by KKR Holdings L.P.	5,079,042	4,893,161
Impact of KKR Management Holdings Corp.	—	(65,388)
Segment Book Value [(1)]	$14,148,206	$11,983,289

(1) As of March 31, 2019, KKR's segment assets, liabilities, and book value reflect KKR's tax assets and liabilities prepared under GAAP.

Table of Contents

15. EQUITY

Share Repurchase Program

KKR increased the available amount under its repurchase program to $500 million, which may be used for the repurchase of its shares of Class A common stock of KKR & Co. Inc. and retirement of equity awards issued pursuant to the Equity Incentive Plans. Under this repurchase program, shares of Class A common stock of KKR & Co. Inc. may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase any specific number of shares of Class A common stock of KKR & Co. Inc., and the program may be suspended, extended, modified or discontinued at any time. During the three months ended March 31, 2019, approximately 1.4 million shares of Class A common stock were repurchased pursuant to this program. There were no shares of Class A common stock repurchased pursuant to this program during the three months ended March 31, 2018. During the three months ended March 31, 2019 and 2018, no equity awards were retired pursuant to this program.

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 consolidated funds and certain other entities;

(ii) third parties entitled to up to 1% of the carried interest received by certain general partners of KKR's funds that have made investments on or prior to December 31, 2015;

(iii) certain former principals and their designees representing a portion of the carried interest received by the general 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; and

(v) third parties in KKR's capital markets business line.

Noncontrolling Interests held by KKR Holdings

Noncontrolling interests held by KKR Holdings include economic interests held by principals indirectly in the KKR Group Partnership Units. 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 & Co. Inc. and are borne by KKR Holdings.

Table of Contents

Notes to Financial Statements (Continued)

The following table presents the calculation of total noncontrolling interests:

	Three Months Ended March 31, 2019		
	Noncontrolling Interests in Consolidated Entities	Noncontrolling Interests Held by KKR Holdings	Total Noncontrolling Interests
Balance at the beginning of the period	$10,984,910	$4,625,448	$15,610,358
Net income (loss) attributable to noncontrolling interests [(1)]	436,359	481,368	917,727
Other comprehensive income (loss), net of tax [(2)]	2,511	121	2,632
Exchange of KKR Holdings Units to Class A Common Stock [(3)]	—	(7,094)	(7,094)
Equity-based and other non-cash compensation	—	23,118	23,118
Capital contributions	1,194,792	23	1,194,815
Capital distributions	(812,144)	(43,942)	(856,086)
Balance at the end of the period	$11,806,428	$5,079,042	$16,885,470

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

(2) With respect to noncontrolling interests held by KKR Holdings, calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.

(3) Calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. Inc. Class A common stock during the reporting period. The exchange agreement with KKR Holdings provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. Inc. Class A common stock.

Net income (loss) attributable to each of KKR & Co. Inc. Class A common stockholders and KKR Holdings, with the exception of certain tax assets and liabilities that are directly allocable to KKR & Co. Inc., is attributed based on the percentage of the weighted average KKR Group Partnership Units directly or indirectly held by KKR & Co. Inc. and KKR Holdings, each of which directly or indirectly holds 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. Inc. Class A common stock pursuant to the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the Equity Incentive Plans, equity allocations shown in the 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,	
	2019	2018
Net income (loss)	$1,627,046	$602,894
Less: Net income (loss) attributable to Redeemable Noncontrolling Interests	—	25,674
Less: Net income (loss) attributable to Noncontrolling Interests in consolidated entities	436,359	277,775
Less: Preferred Stock Dividends	8,341	8,341
Plus: Income tax expense (benefit) attributable to KKR & Co. Inc.	158,962	6,068
Net income (loss) attributable to KKR & Co. Inc. Class A Common Stockholders and KKR Holdings	$1,341,308	$297,172
Net income (loss) attributable to Noncontrolling Interests held by KKR Holdings	$481,368	$121,002

Redeemable Noncontrolling Interests

Redeemable Noncontrolling Interests represent noncontrolling interests of certain investment funds and vehicles that are subject to periodic redemption by fund investors following the expiration of a specified period of time (typically one year), 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 consolidated statements of financial condition and presented as Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in the accompanying consolidated statements of operations. There was no impact to Redeemable Noncontrolling Interests upon Conversion.

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 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 Stockholders' Equity in the accompanying consolidated statements of financial condition as noncontrolling interests.

The following table presents the rollforward of Redeemable Noncontrolling Interests:

	For the Three Months Ended March 31, 2019
Balance at the beginning of the period	$1,122,641
Changes in consolidation	(1,122,641)
Balance at the end of the period	$—

16. COMMITMENTS AND CONTINGENCIES

Funding Commitments

As of March 31, 2019, KKR had unfunded commitments consisting of $5,086.9 million to its active investment vehicles. In addition to the uncalled commitments to KKR's investment funds, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets in its Principal Activities business line and (ii) underwriting transactions, debt financing, and syndications in KKR's Capital Markets business line. As of March 31, 2019, these commitments amounted to $153.7 million and $516.2 million, respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. The unfunded commitments shown for KKR's Capital Markets business line are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown occurring after March 31, 2019. KKR's capital markets business has an arrangement with a third party, which reduces its risk when underwriting certain debt transactions, and thus our unfunded commitments as of March 31, 2019 are reduced to reflect the amount to be funded by such third party. In the case of purchases of investments or assets in KKR's Principal Activities business line, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

Non-cancelable Operating Leases

KKR's non-cancelable operating leases consist of leases of office space around the world. There are no material rent holidays, contingent rent, rent concessions or leasehold improvement incentives associated with any of these property leases. In addition to base rentals, certain lease agreements are subject to escalation provisions and rent expense is recognized on a straight line basis over the term of the lease agreement.

As of March 31, 2019, the approximate aggregate minimum future lease payments, net of sublease income, required on the operating leases are as follows:

April 2019 - March 2020	$50,312
April 2020 - March 2022	66,055
April 2022 - March 2024	26,828
April 2024 and thereafter	18,855
Total minimum payments required	162,050
Less: Imputed Interest	(9,977)
Total operating lease liabilities	$152,073

As of March 31, 2019, KKR has an additional operating lease for office space that has not yet commenced with minimum future lease payments of approximately $87.2 million over a lease term of 15 years.

53

As of December 31, 2018, the approximate aggregate minimum future lease payments, net of sublease income, required on the operating leases are as follows:

2019	$50,649
2020 - 2021	69,263
2022 - 2023	29,687
2024 and thereafter	76,332
Total minimum payments required (1)	$225,931

(1) Table depicts aggregate minimum future lease payments under ASC 840.

Contingent Repayment Guarantees

The partnership documents governing KKR's carry-paying investment funds and vehicles generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. As of March 31, 2019, no carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their March 31, 2019 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been approximately $2.1 billion. Carried interest is recognized in the consolidated statements of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Indemnifications and Other Guarantees

KKR may incur contingent liabilities for claims that may be made against it in the future. KKR enters into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, certain of KKR's investment funds and KFN have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that KKR has made and for certain investment vehicles that KKR manages. In addition, KKR has also provided credit support to certain of its subsidiaries' obligations in connection with a limited number of investment vehicles that KKR manages. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions, and KKR has also agreed to be liable for certain investment losses and/or for providing liquidity in the events specified in the governing documents of other investment vehicles. KKR has also provided credit support regarding repayment obligations to third-party lenders to certain of its employees, excluding its executive officers, in connection with their personal investments in KKR investment funds and to a hedge fund partnership regarding the ownership of its business. KKR also may become liable for certain fees payable to sellers of businesses or assets if a transaction does not close, subject to certain conditions, if any, specified in the acquisition agreements for such businesses or assets. KKR's maximum exposure under these arrangements is currently unknown and KKR's liabilities for these matters would require a claim to be made against KKR in the future.

54

Litigation

From time to time, KKR is involved in various legal proceedings, lawsuits and claims incidental to the conduct of KKR's business. KKR's business is also subject to extensive regulation, which may result in regulatory proceedings against it.

In December 2017, KKR & Co. L.P. and its Co-Chief Executive Officers were named as defendants in a lawsuit pending in Kentucky state court alleging, among other things, the violation of fiduciary and other duties in connection with certain separately managed accounts that Prisma Capital Partners LP, a former subsidiary of KKR, manages for the Kentucky Retirement Systems. Also named as defendants in the lawsuit are certain current and former trustees and officers of the Kentucky Retirement Systems, Prisma Capital Partners LP, and various other service providers to the Kentucky Retirement Systems and their related persons. The defendants' motion to dismiss was denied by the trial court in November 2018, but in April 2019 the Kentucky Court of Appeals vacated the trial court's opinion and order denying the motion to dismiss the case for lack of standing. The decision of the Court of Appeals has been appealed by plaintiffs to the Supreme Court of Kentucky.

KKR currently is and expects to continue to become, from time to time, subject to examinations, inquiries and investigations by various U.S. and non-U.S. governmental and regulatory agencies, including but not limited to the SEC, Department of Justice, state attorney generals, Financial Industry Regulatory Authority, or FINRA, and the U.K. Financial Conduct Authority. Such examinations, inquiries and investigations may result in the commencement of civil, criminal or administrative proceedings or fines against KKR or its personnel.

Moreover, in the ordinary course of business, KKR is and can be both the defendant and the plaintiff in numerous lawsuits with respect to acquisitions, bankruptcy, insolvency and other types of proceedings. Such lawsuits may involve claims that adversely affect the value of certain investments owned by KKR's funds.

KKR establishes an accrued liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. No loss contingency is recorded for matters where such losses are either not probable or reasonably estimable (or both) at the time of determination. Such matters may be subject to many uncertainties, including among others: (i) the proceedings may be in early stages; (ii) damages sought may be unspecified, unsupportable, unexplained or uncertain; (iii) discovery may not have been started or is incomplete; (iv) there may be uncertainty as to the outcome of pending appeals or motions; (v) there may be significant factual issues to be resolved or (vi) there may be novel legal issues or unsettled legal theories to be presented or a large number of parties. Consequently, management is unable to estimate a range of potential loss, if any, related to these matters. In addition, loss contingencies may be, in part or in whole, subject to insurance or other payments such as contributions and/or indemnity, which may reduce any ultimate loss.

It is not possible to predict the ultimate outcome of all pending legal proceedings, and some of the matters discussed above seek or may seek potentially large and/or indeterminate amounts. As of such date, based on information known by management, management has not concluded that the final resolutions of the matters above will have a material effect upon the financial statements. However, given the potentially large and/or indeterminate amounts sought or may be sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on KKR's financial results in any particular period.

17. SUBSEQUENT EVENTS

Common Stock Dividend

A dividend of $0.125 per share of Class A common stock of KKR & Co. Inc. was announced on April 30, 2019, and will be paid on May 28, 2019 to Class A common stockholders of record as of the close of business on May 13, 2019. KKR Holdings will receive its pro rata share of the distribution from the KKR Group Partnerships.

Preferred Stock Dividend

A dividend of $0.421875 per share of Series A Preferred Stock has been declared as announced on April 30, 2019 and set aside for payment on June 17, 2019 to holders of record of Series A Preferred Stock as of the close of business on June 1, 2019.

A dividend of $0.406250 per share of Series B Preferred Stock has been declared as announced on April 30, 2019 and set aside for payment on June 17, 2019 to holders of record of Series B Preferred Stock as of the close of business on June 1, 2019.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of KKR & Co. Inc., together with its consolidated subsidiaries, and the related notes included elsewhere in this report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on February 15, 2019 (our "Annual Report"), including the audited consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein. The historical condensed consolidated financial data discussed below reflects the historical results and financial position of KKR. In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors" in this report, our Annual Report, and our other filing with the SEC. Actual results may differ materially from those contained in any forward-looking statements.

The unaudited condensed consolidated financial statements and the related notes included elsewhere in this report are hereafter referred to as the "financial statements." Additionally, the condensed consolidated statements of financial condition are referred to herein as the “consolidated statements of financial condition”; the condensed consolidated statements of operations are referred to herein as the “consolidated statements of operations”; the condensed consolidated statements of comprehensive income (loss) are referred to herein as the “consolidated statements of comprehensive income (loss)”; the condensed consolidated statements of changes in equity are referred to herein as the “consolidated statements of changes in equity”; and the condensed consolidated statements of cash flows are referred to herein as the “ consolidated statements of cash flows."

Overview

We are a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. We aim to generate attractive investment returns for our fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with our portfolio companies. We invest our own capital alongside the capital we manage for fund investors and provide financing solutions and investment opportunities through our capital markets business.

Our business offers a broad range of investment management services to our fund investors and provides capital markets services to our firm, our portfolio companies and third parties. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 360 private equity investments in portfolio companies with a total transaction value in excess of $610 billion as of March 31, 2019. We have grown our firm by expanding our geographical presence and building businesses in areas such as leveraged credit, alternative credit, hedge funds, capital markets, infrastructure, energy, real estate, growth equity and core investments. Our balance sheet has provided a significant source of capital in the growth and expansion of our business, and has allowed us to further align our interests with those of our fund investors. Building on these efforts and leveraging our industry expertise and intellectual capital have allowed us to capitalize on a broader range of the opportunities we source. Additionally, we have increased our focus on meeting the needs of our existing fund investors and in developing relationships with new investors in our funds.

We seek to work proactively and collaboratively as one-firm across business lines, departments, and geographies, as appropriate, to achieve what we believe are the best results for our funds and the firm. Through our offices around the world, we have a pre-eminent global integrated platform for sourcing transactions, raising capital and carrying out capital markets activities. Our growth has been driven by value that we have created through our operationally focused investment approach, the expansion of our existing businesses, our entry into new lines of business, innovation in the products that we offer investors in our funds, an increased focus on providing tailored solutions to our clients and the

integration of capital markets distribution activities.
As a global investment firm, we earn management, monitoring, transaction and incentive fees and carried interest for providing investment management, monitoring and other services to our funds, vehicles, CLOs, managed accounts and portfolio companies, and we generate transaction-specific income from capital markets transactions. We earn additional investment income by investing our own capital alongside that of our fund investors, from other assets on our balance sheet and from the carried interest we receive from our funds and certain of our other investment vehicles. A carried interest entitles the sponsor of a fund to a specified percentage of investment gains that are generated on third-party capital that is invested.

Table of Contents

Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base; an integrated global investment platform; the expertise of operating consultants, senior advisors and other advisors; and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. These teams invest capital, a substantial portion of which is of a long duration and not subject to redemption. As of March 31, 2019, approximately 78% of our fee paying assets under management are not subject to redemption for at least 8 years from inception, providing us with significant flexibility to grow investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

Our Business Lines

Private Markets

Through our Private Markets business line, we manage and sponsor a group of private equity funds that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. In addition to our traditional private equity funds, we sponsor investment funds that invest in growth equity and core equity investments. We also manage and sponsor investment funds that invest capital in real assets, such as infrastructure, energy, and real estate. Our Private Markets business line includes separately managed accounts that invest in multiple strategies, which may include our credit strategies as well as our private equity and real assets strategies. These funds and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC-registered investment adviser. As of March 31, 2019, Private Markets business line had $108.1 billion of AUM and FPAUM of $71.6 billion, consisting of $47.4 billion in private equity (including growth equity and core investments), $18.4 billion in real assets (including infrastructure, energy, and real estate) and $5.8 billion in other related strategies.

The table below presents information as of March 31, 2019, relating to our current private equity, growth equity, core investment, and real asset funds and other investment vehicles in our Private Markets business line for which we have the ability to earn carried interest. This data does not reflect acquisitions or disposals of investments, changes in investment values, or distributions occurring after March 31, 2019.

	Investment Period (1)		Amount ($ in millions)							
	Start Date	End Date	Commitment (2)	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost (3)	Remaining Fair Value	Gross Accrued Carried Interest
Private Equity and Growth Equity Funds										
European Fund V	3/2019	(6)	$5,252.2	$5,252.2	7.6%	$—	$—	$—	$—	$—
Asian Fund III	4/2017	4/2023	9,000.0	6,654.5	5.6%	2,345.5	—	2,345.5	2,988.2	83.5
Americas Fund XII	1/2017	1/2023	13,500.0	8,219.7	6.0%	5,299.0	89.0	5,295.1	5,819.6	55.2
Health Care Strategic Growth Fund	12/2016	12/2021	1,331.0	1,133.7	11.3%	197.3	—	197.3	294.6	5.4
Next Generation Technology Growth Fund	3/2016	3/2021	658.9	149.5	22.5%	509.4	—	509.4	969.9	45.4
European Fund IV	12/2014	3/2019	3,513.9	920.3	5.6%	2,686.4	461.2	2,303.2	3,834.1	272.0
Asian Fund II	4/2013	4/2017	5,825.0	626.2	1.3%	6,205.5	2,761.9	4,546.4	6,895.5	469.4
North America Fund XI	9/2012	1/2017	8,718.4	837.1	2.9%	9,315.3	9,361.8	5,555.4	9,370.3	747.1
China Growth Fund (4)	11/2010	11/2016	1,010.0	—	1.0%	1,010.0	726.9	579.1	580.9	(0.5)
European Fund III (4)	3/2008	3/2014	5,560.4	223.5	5.1%	5,336.9	10,374.7	436.1	520.2	18.7
Asian Fund (4)	7/2007	4/2013	3,983.3	—	2.5%	3,945.9	8,474.5	179.1	230.7	11.4
2006 Fund (4)	9/2006	9/2012	17,642.2	337.7	2.1%	17,304.5	29,816.6	3,592.7	5,723.8	420.3
European Fund II (4)	11/2005	10/2008	5,750.8	—	2.1%	5,750.8	8,479.3	—	58.8	4.6
Millennium Fund (4)	12/2002	12/2008	6,000.0	—	2.5%	6,000.0	14,123.1	—	6.1	1.3
Private Equity and Growth Equity Funds			87,746.1	24,354.4		65,906.5	84,669.0	25,539.3	37,292.7	2,133.8
Co-Investment Vehicles and	Various	Various	9,750.6	4,305.3	Various	5,667.6	4,082.1	3,800.2	5,112.8	242.3

Other										
Total Private Equity and Growth Equity Funds			97,496.7	28,659.7		71,574.1	88,751.1	29,339.5	42,405.5	2,376.1
Real Assets										
Energy Income and Growth Fund	9/2013	6/2018	1,974.2	59.3	12.9%	1,961.1	648.3	1,407.6	1,609.1	—
Natural Resources Fund (4)	Various	Various	887.4	1.7	Various	885.7	119.2	198.3	168.3	—
Global Energy Opportunities	Various	Various	979.2	329.4	Various	479.6	95.5	343.2	295.2	—
Global Infrastructure Investors	9/2011	10/2014	1,040.2	25.4	4.8%	1,047.6	1,295.2	377.9	553.0	19.8
Global Infrastructure Investors II	10/2014	6/2018	3,040.3	393.4	4.1%	2,877.0	339.5	2,614.8	3,334.4	72.5
Global Infrastructure Investors III	6/2018	6/2024	7,166.8	6,668.0	3.8%	498.8	—	498.8	466.6	—
Real Estate Partners Americas	5/2013	5/2017	1,229.1	352.7	16.3%	1,004.3	1,146.4	338.5	342.9	19.1
Real Estate Partners Americas II	5/2017	12/2020	1,921.2	1,308.0	7.8%	668.3	104.0	606.2	653.2	—
Real Estate Partners Europe	9/2015	6/2020	710.5	285.2	9.5%	438.5	22.3	422.1	518.0	8.3
Real Estate Credit Opportunity Partners	2/2017	4/2019	1,130.0	243.5	4.4%	886.5	71.5	886.5	916.1	4.9
Co-Investment Vehicles and Other	Various	Various	2,612.9	1,219.8	Various	1,393.1	706.2	1,389.9	1,619.8	4.5
Real Assets			$22,691.8	$10,886.4		$12,140.5	$4,548.1	$9,083.8	$10,476.6	$129.1
Other										
Core Investment Vehicles	Various	Various	9,500.0	6,342.0	36.8%	3,158.0	—	3,158.0	3,941.6	33.9
Unallocated Commitments (5)			2,540.3	2,540.3	Various	—	—	—	—	—

Private Markets Total	$132,228.8	$48,428.4		$86,872.6	$93,299.2	$41,581.3	$56,823.7	$2,539.1

(1) The start date represents the date on which the general partner of the applicable fund commenced investment of the fund's capital or the date of the first closing. The end date represents the earlier of (i) the date on which the general partner of the applicable fund was or will be required by the fund's governing agreement to cease making investments on behalf of the fund, unless extended by a vote of the fund investors, and (ii) the date on which the last investment was made.

(2) The commitment represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. Foreign currency commitments have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on March 31, 2019, in the case of uncalled commitments.

(3) The remaining cost represents the initial investment of the general partner and limited partners, reduced for returns of capital, with the limited partners' investment further reduced for any realized gains from which the general partner did not receive a carried interest.

(4) The "Invested" and "Realized" columns do not include the amounts of any realized investments that restored the unused capital commitments of the fund investors, if any.

(5) "Unallocated Commitments" represent unallocated commitments from our strategic investor partnerships.

(6) Six years from first investment date.

Table of Contents

The table below presents information as of March 31, 2019, relating to the historical performance of certain of our Private Markets investment vehicles since inception, which we believe illustrates the benefits of our investment approach. This data does not reflect additional capital raised since March 31, 2019, or acquisitions or disposals of investments, changes in investment values or distributions occurring after that date. However, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of future results.

	Amount		Fair Value of Investments					
Private Markets Investment Funds	Commitment	Invested	Realized [4]	Unrealized	Total Value	Gross IRR [5]	Net IRR [5]	Gross Multiple of Invested Capital [5]
($ in millions)								
Legacy Funds [1]								
1976 Fund	$31.4	$31.4	$537.2	$—	$537.2	39.5 %	35.5 %	17.1
1980 Fund	356.8	356.8	1,827.8	—	1,827.8	29.0 %	25.8 %	5.1
1982 Fund	327.6	327.6	1,290.7	—	1,290.7	48.1 %	39.2 %	3.9
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5	34.5 %	28.9 %	6.0
1986 Fund	671.8	671.8	9,080.7	—	9,080.7	34.4 %	28.9 %	13.5
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2	12.1 %	8.9 %	2.4
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3	23.6 %	16.8 %	2.1
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9	18.0 %	13.3 %	2.1
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3	26.1 %	19.9 %	3.1
Included Funds								
European Fund (1999) [2]	3,085.4	3,085.4	8,757.7	—	8,757.7	26.9 %	20.2 %	2.8
Millennium Fund (2002)	6,000.0	6,000.0	14,123.1	6.1	14,129.2	22.0 %	16.1 %	2.4
European Fund II (2005) [2]	5,750.8	5,750.8	8,479.3	58.8	8,538.1	6.1 %	4.5 %	1.5
2006 Fund (2006)	17,642.2	17,304.5	29,816.6	5,723.8	35,540.4	11.8 %	9.2 %	2.1
Asian Fund (2007)	3,983.3	3,945.9	8,474.5	230.7	8,705.2	18.9 %	13.7 %	2.2
European Fund III (2008) [2]	5,560.4	5,336.9	10,374.7	520.2	10,894.9	16.9 %	11.8 %	2.0
E2 Investors (Annex Fund) (2009) [2]	195.8	195.8	199.6	—	199.6	0.6 %	0.5 %	1.0
China Growth Fund (2010)	1,010.0	1,010.0	726.9	580.9	1,307.8	8.0 %	3.3 %	1.3
Natural Resources Fund (2010)	887.4	885.7	119.2	168.3	287.5	(22.3)%	(24.2)%	0.3
Global Infrastructure Investors (2011) [2]	1,040.2	1,047.6	1,295.2	553.0	1,848.2	15.1 %	13.1 %	1.8
North America Fund XI (2012)	8,718.4	9,315.3	9,361.8	9,370.3	18,732.1	24.6 %	19.5 %	2.0
Asian Fund II (2013)	5,825.0	6,205.5	2,761.9	6,895.5	9,657.4	18.3 %	13.4 %	1.6
Real Estate Partners Americas (2013)	1,229.1	1,004.3	1,146.4	342.9	1,489.3	18.9 %	13.9 %	1.5
Energy Income and Growth Fund (2013)	1,974.2	1,961.1	648.3	1,609.1	2,257.4	5.9 %	3.3 %	1.2
Global Infrastructure Investors II (2014) [2]	3,040.3	2,877.0	339.5	3,334.4	3,673.9	14.2 %	11.7 %	1.3
European Fund IV (2015) [2]	3,513.9	2,686.4	461.2	3,834.1	4,295.3	25.2 %	18.9 %	1.6
Real Estate Partners Europe (2015) [2]	710.5	438.5	22.3	518.0	540.3	17.7 %	10.9 %	1.2
	658.9	509.4	—	969.9	969.9	59.6 %	48.3 %	1.9

Next Generation Technology Growth Fund (2016)								
Health Care Strategic Growth Fund (2016)	1,331.0	197.3	—	294.6	294.6	86.3 %	26.6 %	1.5
Americas Fund XII (2017) (3)	13,500.0	5,299.0	89.0	5,819.6	5,908.6	—	—	—
Real Estate Credit Opportunity Partners (2017) (3)	1,130.0	886.5	71.5	916.1	987.6	—	—	—
Asian Fund III (2017) (3)	9,000.0	2,345.5	—	2,988.2	2,988.2	—	—	—
Real Estate Partners Americas II (2017) (3)	1,921.2	668.3	104.0	653.2	757.2	—	—	—
Core Investment Vehicles (2017) (3)	9,500.0	3,158.0	—	3,941.6	3,941.6	—	—	—
Global Infrastructure Investors III (2018) (2)(3)	7,166.8	498.8	—	466.6	466.6	—	—	—
European Fund V (2019) (2)(3)	5,252.2	—	—	—	—	—	—	—
Subtotal - Included Funds	119,627.0	82,613.5	97,372.7	49,795.9	147,168.6	15.8 %	11.7 %	1.9
All Funds	$ 136,101.5	$ 99,088.0	$ 147,642.0	$ 49,795.9	$ 197,437.9	25.6 %	18.8 %	2.0

(1) These funds were not contributed to KKR as part of the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) on October 1, 2009 (the "KPE Transaction").

59

Table of Contents

(2) The following table presents information regarding investment funds with euro-denominated commitments. Such amounts have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on March 31, 2019, in the case of unfunded commitments.

Private Markets Investment Funds	Commitment (€ in millions)
European Fund	€196.5
European Fund II	€2,597.5
European Fund III	€2,882.8
E2 Investors (Annex Fund)	€55.5
European Fund IV	€1,626.1
Global Infrastructure Investors	€30.0
Global Infrastructure Investors II	€243.8
Real Estate Partners Europe	€276.6
Global Infrastructure Investors III	€987.0
European Fund V	€1,598.5

(3) The gross IRR, net IRR and gross multiple of invested capital are calculated for our investment funds that made their first investment at least 24 months prior to March 31, 2019. None of the Americas Fund XII, Real Estate Credit Opportunity Partners, Asian Fund III, Real Estate Partners Americas II, our Core Investment Vehicles, Global Infrastructure Investors III, or European Fund V has invested for at least 24 months as of March 31, 2019. We therefore have not calculated gross IRRs, net IRRs and gross multiples of invested capital with respect to those funds.

(4) An investment is considered realized when it has been disposed of or has otherwise generated disposition proceeds or current income that has been distributed by the relevant fund. In periods prior to the three months ended September 30, 2015, realized proceeds excluded current income such as dividends and interest. Realizations have not been shown for those investment funds that have either made their first investment more recently than 24 months prior to March 31, 2019 or have not had any realizations.

(5) IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period. Net IRRs are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses. Gross IRRs are calculated before giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses.

The gross multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. Such amounts do not give effect to the allocation of realized and unrealized carried interest or the payment of any applicable management fees or organizational expenses.

KKR's Private Markets funds may utilize third-party financing facilities to provide liquidity to such funds. The above net and gross IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund, and the use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. KKR's Private Markets funds also generally provide in certain circumstances, which vary depending on the relevant fund documents, for a portion of capital returned to investors to be restored to unused commitments as recycled capital. For KKR's Private Markets funds that have a preferred return, we take into account recycled capital in the calculation of IRRs and multiples of invested capital because the calculation of the preferred return includes the effect of recycled capital. For KKR's Private Markets funds that do not have a preferred return, we do not take recycled capital into account in the calculation of IRRs and multiples of invested capital. The inclusion of recycled capital generally causes invested and realized amounts to be higher and IRRs and multiples of invested capital to be lower than had recycled capital not been included. The inclusion of recycled capital would reduce the composite net IRR of all Included Funds by 0.1% and the composite net IRR of all Legacy Funds by 0.5% and would reduce the composite multiple of invested capital of Included Funds by less than 0.1 and the composite multiple of invested capital of Legacy Funds by 0.4.

Public Markets

Through our Public Markets business line, we operate our combined credit and hedge funds platforms. Our credit business invests capital in (i) leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and (ii) alternative credit strategies, including special situations and private credit strategies such as direct lending and private opportunistic credit (or mezzanine) investment strategies. The funds, CLOs, separately managed accounts, investment companies registered under the Investment Company Act of 1940 (the "Investment Company Act"), including business development companies ("BDCs"), and alternative investment funds ("AIFs") in our leveraged credit and alternative credit strategies are managed by KKR Credit Advisors (US) LLC, which is an SEC-registered investment adviser and KKR Credit Advisors (Ireland) Unlimited Company, regulated by the Central Bank of Ireland ("CBI"). Our Public Markets business line also includes our hedge funds platform, which consists of strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake (which we refer to as "hedge fund partnerships"). Our hedge fund partnerships offer a variety of investment strategies, including hedge fund-of-funds, equity hedge funds and credit hedge funds. Our BDC platform consists of BDCs advised by FS/KKR Advisor, LLC (“FS/KKR Advisor”), which began serving as the investment adviser to BDCs that were previously advised or sub-advised by KKR and Franklin Square Holdings, L.P. (“FS Investments”) following the completion of our strategic partnership with FS Investments on April 9, 2018 (the “FS Investments Transaction”).

Table of Contents

We intend to continue to grow the Public Markets business line by leveraging our global investment platform, experienced investment professionals and the ability to adapt our investment strategies to different market conditions to capitalize on investment opportunities that may arise at various levels of the capital structure and across market cycles.

As of March 31, 2019, our Public Markets business line had $91.4 billion of AUM, comprised of $36.1 billion of assets managed in our leveraged credit strategies (which include $2.5 billion of assets managed in our opportunistic credit strategy and $1.9 billion of assets managed in our revolving credit strategy), $6.6 billion of assets managed in our special situations strategy, $23.7 billion of assets managed in our private credit strategies, $24.3 billion of assets managed through our hedge fund platform, and $0.7 billion of assets managed in other strategies. Our private credit strategies include $17.5 billion of assets managed in our direct lending strategy and $6.2 billion of assets managed in our private opportunistic credit strategy. Assets managed through our hedge fund platform represent KKR's pro rata portion of AUM of our hedge fund partnerships. Our BDC platform has approximately $17.0 billion in combined assets under management, which are reflected in the AUM of our leveraged credit strategies and alternative credit strategies above. We report all of the assets under management of the BDCs in our BDC platform.
Credit

Performance
We generally review our performance in our credit platform by investment strategy.

Our leveraged credit strategies principally invest through separately managed accounts, BDCs, CLOs and investment funds. In certain cases, these strategies have meaningful track records and may be compared to widely-known indices. The following table presents information regarding larger leveraged credit strategies managed by KKR from inception to March 31, 2019. However, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

Leveraged Credit Strategies: Inception-to-Date Annualized Gross Performance vs. Benchmark by Strategy

Leveraged Credit Strategy	Inception Date	Gross Returns	Net Returns	Benchmark [1]	Benchmark Gross Returns
Bank Loans Plus High Yield	Jul 2008	7.73 %	7.11 %	65% S&P/LSTA Loan Index, 35% BoAML HY Master II Index [2]	6.07 %
Opportunistic Credit [3]	May 2008	12.23%	10.27%	BoAML HY Master II Index [3]	6.35 %
Bank Loans	Apr 2011	5.17 %	4.57 %	S&P/LSTA Loan Index [4]	4.14 %
High-Yield	Apr 2011	6.81 %	6.22 %	BoAML HY Master II Index [5]	6.18 %
Bank Loans Conservative	Apr 2011	4.52 %	3.92 %	S&P/LSTA BB-B Loan Index [6]	4.14 %
European Leveraged Loans [7]	Sep 2009	4.99 %	4.47 %	CS Inst West European Leveraged Loan Index [8]	4.41 %
High-Yield Conservative	Apr 2011	6.19 %	5.61 %	BoAML HY BB-B Constrained [9]	6.11 %
European Credit Opportunities [7]	Sept 2007	5.47 %	4.57 %	S&P European Leveraged Loans (All Loans) [10]	4.25 %
Revolving Credit [11]	May 2015	N/A	N/A	N/A	N/A

(1) The benchmarks referred to herein include the S&P/LSTA Leveraged Loan Index (the "S&P/LSTA Loan Index"), S&P/LSTA U.S. B/BB Ratings Loan Index (the "S&P/LSTA BB-B Loan Index"), the Bank of America Merrill Lynch High Yield Master II Index (the "BoAML HY Master II Index"), the BofA Merrill Lynch BB-B US High Yield Index (the "BoAML HY BB-B Constrained"), the Credit Suisse Institutional Western European Leveraged

Loan Index (the "CS Inst West European Leveraged Loan Index"), and S&P European Leveraged Loans (All Loans). The S&P/LSTA Loan Index is a daily tradable index for the U.S. loan market that seeks to mirror the market-weighted performance of the largest institutional loans that meet certain criteria. The S&P/ LSTA BB-B Loan Index is comprised of loans in the S&P/LSTA Loan Index, whose rating is BB+, BB, BB-, B+, B or B-. The BoAML HY Master II Index is an index for high-yield corporate bonds. It is designed to measure the broad high-yield market, including lower-rated securities. The BoAML HY BB-B Constrained is a subset of the BoAML HY Master II Index including all securities rated BB1 through B3, inclusive. The CS Inst West European Leveraged Loan Index contains only institutional loan facilities priced above 90, excluding TL and TLa facilities and loans rated CC, C or are in default. The S&P European Leveraged Loan Index reflects the market-weighted performance of institutional leveraged loan portfolios investing in European credits. While the returns of our leveraged credit strategies reflect the reinvestment of income and dividends, none of the indices presented in the chart above reflect such reinvestment, which has the effect of increasing the reported relative performance of these strategies as compared to the indices. Furthermore, these indices are not subject to management fees, incentive allocations, or expenses.

(2) Performance is based on a blended composite of Bank Loans Plus High Yield strategy accounts. The benchmark used for purposes of comparison for the Bank Loans Plus High Yield strategy is based on 65% S&P/LSTA Loan Index and 35% BoAML HY Master II Index.

(3) The Opportunistic Credit strategy invests in high-yield securities and corporate loans with no preset allocation. The Benchmark used for purposes of comparison for the Opportunistic Credit strategy presented herein is based on the BoAML HY Master II Index. Funds within this strategy may utilize third-party financing facilities to enhance investment returns. In cases where financing facilities are used, the amounts drawn on the facility are deducted from the assets of the fund in the calculation of net asset value, which tends to increase returns when net asset value grows over time and decrease returns when net asset value decreases over time.

Table of Contents

(4) Performance is based on a composite of portfolios that primarily invest in leveraged loans. The benchmark used for purposes of comparison for the Bank Loans strategy is based on the S&P/LSTA Loan Index.
(5) Performance is based on a composite of portfolios that primarily invest in high-yield securities. The benchmark used for purposes of comparison for the High Yield strategy is based on the BoAML HY Master II Index.
(6) Performance is based on a composite of portfolios that primarily invest in leveraged loans rated B-/Baa3 or higher. The benchmark used for purposes of comparison for the Bank Loans Conservative strategy is based on the S&P/LSTA BB-B Loan Index.
(7) The returns presented are calculated based on local currency.
(8) Performance is based on a composite of portfolios that primarily invest in higher quality leveraged loans. The benchmark used for purposes of comparison for the European Leveraged Loans strategy is based on the CS Inst West European Leveraged Loan Index.
(9) Performance is based on a composite of portfolios that primarily invest in high-yield securities rated B or higher. The benchmark used for purposes of comparison for the High-Yield Conservative strategy is based on the BoAML HY BB-B Constrained Index.
(10) Performance is based on a composite of portfolios that primarily invest in European institutional leveraged loans. The benchmark used for purposes of comparison for the European Credit Opportunities strategy is based on the S&P European Leveraged Loans (All Loans) Index.
(11) This strategy has not called any capital as of March 31, 2019. As a result, the gross and net return performance measures are not meaningful and are not included above.

Our alternative credit strategies primarily invest in more illiquid instruments through private investment funds, BDCs and separately managed accounts. The following table presents information regarding our Public Markets alternative credit commingled funds where investors are subject to capital commitments from inception to March 31, 2019. Some of these funds have been investing for less than 24 months, and thus their performance is less meaningful and not included below. In addition, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

Alternative Credit Strategies: Fund Performance

		Amount		Fair Value of Investments						
Public Markets Investment Funds	Inception Date	Commitment	Invested (1)	Realized (1)	Unrealized	Total Value	Gross IRR (2)	Net IRR (2)	Multiple of Invested Capital (3)	Gross Accrued Carried Interest
($ in Millions)										
Special Situations Fund	Dec 2012	$2,274.3	$2,272.7	$1,436.2	$1,211.9	$2,648.1	4.3 %	2.3 %	1.2	$—
Special Situations Fund II	Dec 2014	3,524.7	2,348.7	176.8	2,412.8	2,589.6	5.3 %	2.9 %	1.1	—
Mezzanine Partners	Mar 2010	1,022.8	913.9	1,060.1	292.6	1,352.7	12.8%	8.2 %	1.5	65.1
Private Credit Opportunities Partners II	Dec 2015	2,245.1	1,013.3	27.0	1,014.8	1,041.8	4.3 %	2.6 %	1.0	—
Lending Partners	Dec 2011	460.2	405.3	434.9	63.2	498.1	6.0 %	4.5 %	1.2	—
Lending Partners II	Jun 2014	1,335.9	1,179.1	1,009.1	518.6	1,527.7	11.3%	9.1 %	1.3	44.2
	Apr 2017	1,497.8	432.2	35.3	456.9	492.2	N/A	N/A	N/A	4.8

Lending Partners III										
Lending Partners Europe	Mar 2015	847.6	544.2	93.4	510.4	603.8	8.6 %	5.3 %	1.1	—
Other Alternative Credit Vehicles	Various	8,460.1	4,422.3	2,859.7	3,032.0	5,891.7	N/A	N/A	N/A	80.4
Unallocated Commitments (4)	Various	450.0	—	—	—	—	N/A	N/A	N/A	—
All Funds		$22,118.5	$13,531.7	$7,132.5	$9,513.2	$16,645.7				$194.5

(1) Recycled capital is excluded from the amounts invested and realized.
(2) These credit funds utilize third-party financing facilities to provide liquidity to such funds, and in such an event, IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund. The use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period and are calculated taking into account recycled capital. Net IRRs presented are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.
(3) The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the investors. The use of financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate multiples of invested capital, which tends to increase multiples when fair value grows over time and decrease multiples when fair value decreases over time. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees and are calculated without taking into account recycled capital.
(4) "Unallocated Commitments" represent unallocated commitments from our strategic investor partnerships.

Table of Contents

Public Markets AUM and Vehicle Structures
The table below presents information as of March 31, 2019, based on the investment funds, vehicles or accounts offered by our Public Markets business line. Our funds, vehicles and accounts have been sorted based upon their primary investment strategies. However, the AUM and FPAUM presented for each line in the table includes certain investments from non-primary investment strategies, which are permitted by their investment mandates, for purposes of presenting the fees and other terms for such funds, vehicles and accounts.

($ in millions)	AUM	FPAUM	Typical Management Fee Rate	Incentive Fee / Carried Interest	Preferred Return	Duration of Capital
Leveraged Credit:						
Leveraged Credit SMAs/Funds	$19,822	$18,478	0.10% - 1.10%	Various (1)	Various (1)	Subject to redemptions
CLOs	13,323	13,323	0.40% - 0.50%	Various (1)	Various (1)	10-14 Years (2)
Total Leveraged Credit	33,145	31,801				
Alternative Credit: (3)						
Special Situations	6,838	4,376	0.90% - 1.75% (4)	10.00 - 20.00%	7.00 - 12.00%	8-15 Years (2)
Private Credit	10,035	4,318	0.50% - 1.50%	10.00 - 20.00%	5.00 - 8.00%	8-15 Years (2)
Total Alternative Credit	16,873	8,694				
Hedge Funds (5)	24,328	18,582	0.50% - 2.00%	Various (1)	Various (1)	Subject to redemptions
BDCs (6)	17,038	17,038	0.60%	8.00%	7.00%	Indefinite
Total	$91,384	$76,115				

(1) Certain funds and CLOs are subject to a performance fee in which the manager or general partner of the funds share up to 20% of the net profits earned by investors in excess of performance hurdles (generally tied to a benchmark or index) and are subject to a provision requiring the funds and vehicles to regain prior losses before any performance fee is earned.
(2) Duration of capital is measured from inception. Inception dates for CLOs were between 2013 and 2018 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2018.
(3) Our alternative credit funds generally have investment periods of three to five years and our newer alternative credit funds generally earn fees on invested capital during the investment period.
(4) Lower fees on uninvested capital in certain vehicles.
(5) Hedge Funds represent KKR's pro rata portion of AUM and FPAUM of our hedge fund partnerships, which consist of minority stakes in third-party hedge fund managers.
(6) Consists of our BDC platform advised by FS/KKR Advisor, LLC. We report all of the assets under management of the BDCs in AUM and FPAUM.

Capital Markets

Our Capital Markets business line is comprised of our global capital markets business, which is integrated with KKR's other business lines, and serves our firm, our portfolio companies and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing, placing and underwriting securities offerings, and providing other types of capital markets services that may result in the firm receiving fees, including underwriting, placement, transaction and syndication fees, commissions, underwriting discounts, interest payments and other compensation, which may be payable in cash or securities, in respect of the activities described above.

Our capital markets business underwrites credit facilities and arranges loan syndications and participations. When we are sole arrangers of a credit facility, we may advance amounts to the borrower on behalf of other lenders, subject to repayment. When we underwrite an offering of securities on a firm commitment basis, we commit to buy and sell an issue of securities and generate revenue by purchasing the securities at a discount or for a fee. When we act in an agency capacity or best efforts basis, we generate revenue for arranging financing or placing securities with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee. Our capital markets business also provides syndication services in respect of co-investments in transactions participated in by KKR funds or third-party clients, which may entitle the firm to receive syndication fees, management fees and/or a carried interest.

The capital markets business has a global footprint, with local presence and licenses to carry out certain broker-dealer activities in various countries in North America, Europe, Asia-Pacific and the Middle East. Our flagship capital markets subsidiary is KKR Capital Markets LLC, an SEC-registered broker-dealer and a member of the Financial Industry Regulation Authority ("FINRA").

Table of Contents

Principal Activities

Through our Principal Activities business line, we manage the firm's own assets on our balance sheet and deploy capital to support and grow our business lines. Typically, the funds in our Private Markets and Public Markets business lines contractually require us, as general partner of the funds, to make sizable capital commitments from time to time. We believe making general partner commitments assists us in raising new funds from limited partners by demonstrating our conviction in a given fund's strategy. We also use our balance sheet to acquire investments in order to help establish a track record for fundraising purposes in new strategies. We may also use our own capital to seed investments for new funds, to bridge capital selectively for our funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired business or hedge fund partnership may be reported in our other business lines.

Our Principal Activities business line also provides the required capital to fund the various commitments of our Capital Markets business line when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. Our Principal Activities business line also holds assets that may be utilized to satisfy regulatory requirements for our Capital Markets business line and risk retention requirements for our CLOs.

We also make opportunistic investments through our Principal Activities business line, which include co-investments alongside our Private Markets and Public Markets funds as well as Principal Activities investments that do not involve our Private Markets or Public Markets funds.

We endeavor to use our balance sheet strategically and opportunistically to generate an attractive risk-adjusted return on equity in a manner that is consistent with our fiduciary duties, in compliance with applicable laws, and consistent with our one-firm approach.

The chart below presents the holdings of our Principal Activities business line by asset class as of March 31, 2019.

Holdings by Asset Class [(1)]

(1) This presentation includes our capital commitments to our funds. Assets and revenues of other asset managers with which KKR has formed hedge fund partnerships where KKR does not hold more than 50% ownership interest are not included in Principal Activities but are reported in the financial results of our other business lines. Private Equity includes KKR private equity funds, co-investments alongside such KKR-sponsored private equity funds, core private equity funds, and other opportunistic investments. However, equity investments in other asset classes, such as real estate, alternative credit and energy appear in these other asset classes. Other Credit consists of other leveraged credit and specialty finance strategies.

Table of Contents

Business Environment

Economic and Market Conditions

Economic Conditions. As a global investment firm, we are affected by financial and economic conditions globally. Global and regional economic conditions have a substantial impact on our financial condition and results of operations, impacting the values of the investments we make, our ability to exit these investments profitably, our ability to raise capital from investors, and our ability to make new investments. Financial and economic conditions in the United States, European Union, Japan, China, and other major economies are significant contributors to the global economy.

As of March 31, 2019, key economic indicators of U.S. economic growth showed positive signs in the first quarter of 2019, while the widely-held expectation remained that the U.S. economy will grow at a slower rate in 2019 than last year. After raising its benchmark interest rate four times in 2018, the U.S. Federal Reserve suggested in March 2019 that it would not raise the rate in 2019 and on May 1, 2019, announced its decision to keep the rate unchanged. In the United States, real GDP growth was 3.2%, on a seasonally adjusted annualized basis, for the quarter ended March 31,