

KKR & Co. L.P.  
Form 425  
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Pursuant to Rule 425 under the  
Securities Act of 1933, as amended

Subject Company: KKR Private Equity Investors, L.P.

Registration No.: 333-144335

**KKR Private Equity Investors Reports Results for Quarter Ended**

**September 30, 2008**

*NAV per Unit of \$18.85 as of September 30, 2008*

Guernsey, Channel Islands, November 3, 2008 KKR Private Equity Investors, L.P. (Euronext Amsterdam: KPE), a Guernsey limited partnership that invests its assets in private equity and opportunistic investments identified by Kohlberg Kravis Roberts & Co. ( KKR ), today reported its financial results for the quarter and nine months ended September 30, 2008. As of September 30, 2008, KPE's net asset value ( NAV ) was \$3,862.3 million, or \$18.85 per unit.

George R. Roberts, Co-Founder of KKR and Co-Chairman of KPE's Managing Partner's Board of Directors, commented, "As the decline in KPE's quarterly NAV evidences, some of our investments faced reduced valuations during the third quarter as a result of the extraordinary turbulence in the global capital markets. We are redoubling our already extensive efforts to improve the operations of our companies in anticipation of a weaker economic environment. The vast majority of our companies continue to perform well - growing revenues, growing EBITDA, increasing margins and paying down debt - due to our continuous focus on long term value creation.

Results of Operations

Operating results of KPE for the quarter ended September 30, 2008 are highlighted as follows:

- Net unrealized depreciation on investments and foreign currency transactions was \$649.0 million. The most significant changes in the unrealized fair value of investments from June 30, 2008 to September 30, 2008 were:

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A decrease of \$132.8 million in the value of the investment in Energy Future Holdings Corp. ( EFH ), which was marked from 1.4 times cost as of June 30, 2008 to 1.0 times as of September 30, 2008;

- A net decrease of \$95.4 million in the value of the investment in NXP B.V. ( NXP ), which was marked on a U.S. dollar basis from 0.9 times cost as of June 30, 2008 to 0.5 times as of September 30, 2008, and the related foreign currency exchange contract;
  - A decrease of \$81.2 million in the value of the investment in Aero Technical Support & Services S.à r.l. ( ACTS ), which was marked on both a Canadian dollar and U.S. dollar basis from 0.7 times cost as of June 30, 2008 to nil as of September 30, 2008;
  - A decrease of \$62.9 million in the value of the convertible senior note investment in Sun Microsystems, Inc. ( Sun );
  - A net decrease of \$45.7 million in the value of the investment in KION Group GmbH ( KION ), which was marked on a Euro basis from 1.0 times cost as of June 30, 2008 to 0.7 times as of September 30, 2008, and
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the related foreign currency exchange contract. Including the impact of foreign currency translation, the KION investment was marked on a U.S. dollar basis from 1.0 times to 0.8 times as of September 30, 2008;

- A decrease of \$45.2 million in the value of the investment in Capmark Financial Group Inc. ( Capmark ), which was marked from 1.1 times cost as of June 30, 2008 to 0.8 times as of September 30, 2008;
  - A decrease of \$44.6 million in the value of the investment in Alliance Boots GmbH ( Boots ), which related entirely to the impact of the change in the exchange rate from British pounds sterling to U.S. dollars during the quarter ended September 30, 2008;
  - A net decrease of \$32.5 million in the value of the convertible preferred stock investment in Orient Corporation ( Orico ) and the related foreign currency exchange contract;
  - A decrease of \$25.5 million in the value of a fixed income investment;
  - A decrease of \$21.2 million in the value of the investment in The Nielsen Company, B.V. ( Nielsen ), which was marked from 1.2 times cost as of June 30, 2008 to 1.1 times as of September 30, 2008; and
  - A net increase of \$21.4 million in the value of the investment in PagesJaunes Groupe S.A. ( PagesJaunes ), based on a market quotation on a U.S. dollar basis and the related foreign currency exchange contract.
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- Net investment loss was \$27.2 million, which principally represented general and administrative expenses, interest expense and management fees, offset by interest and dividend income;
  - Net realized loss on investments and foreign currency was \$19.7 million. The net realized loss was primarily comprised of \$2.8 million from the sale of opportunistic investments in public equities and derivative instruments and \$17.9 million from the sale of investments by Strategic Capital Institutional Fund, Ltd. ( SCF ); and
  - The net decrease in net assets resulting from operations was \$695.9 million and KPE s total return was (15.3) percent during the quarter.

Operating results of KPE for the nine months ended September 30, 2008 are highlighted as follows:

- Net unrealized depreciation on investments and foreign currency transactions was \$999.5 million. The most significant changes in the unrealized fair value of investments from December 31, 2007 to September 30, 2008 were:
- A net decrease of \$154.2 million in the value of the investment in PagesJaunes, based on a market quotation on a U.S. dollar basis and the related foreign currency exchange contract;
- A decrease of \$156.9 million in the value of the convertible senior note investment in Sun;

- A net decrease of \$145.1 million in the value of the investment in ProSieben, which was marked on a Euro basis from 0.7 times cost as of December 31, 2007 to 0.1 times as of September 30, 2008, and the related foreign currency exchange contract. Including the impact of foreign currency translation, the ProSieben investment was marked on a U.S. dollar basis from 0.8 times to 0.1 times as of September 30, 2008;
  - A decrease of \$118.4 million in the value of the investment in ACTS, which was marked on both a Canadian dollar and U.S. dollar basis from 1.0 times cost as of December 31, 2007 to nil as of September 30, 2008;
  - A net decrease of \$93.3 million in the value of the investment in NXP, which was marked on a U.S. dollar basis from 0.9 times cost as of December 31, 2007 to 0.5 times as of September 30, 2008, and the related foreign currency exchange contract;
  - A decrease of \$75.1 million in the value of the investment in Capmark, which was marked from 1.3 times cost as of December 31, 2007 to 0.8 times as of September 30, 2008;
  - A decrease of \$62.1 million in the value of the investment in Legrand Holdings S.A., based on a market quotation on a U.S. dollar basis;
  - A net decrease of \$41.2 million in the value of the investment in KION, which was marked on a Euro basis from 1.0 times as of December 31, 2007 to 0.7 times as of September 30, 2008, and the related foreign currency exchange contract. Including foreign currency, the KION investment was marked on a U.S. dollar basis from 1.1 times to 0.8 times as of September 30, 2008;
  - A decrease of \$41.9 million in the value of the investment in Boots, which related entirely to the impact of the change in the exchange rate from British pounds sterling to U.S. dollars during the nine months ended September 30, 2008;
  - A decrease of \$37.8 million in the value of a fixed income investment;
  - A net decrease of \$37.2 million in the value of the convertible preferred stock investment in Orico and the related foreign currency exchange contract; and
  - An increase of \$21.2 million in the value of the investment in Nielsen, which was marked from 1.0 times cost as of December 31, 2007 to 1.1 times as of September 30, 2008.
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- Net investment loss was \$66.8 million, which principally represented interest expense, management fees and general and administrative expenses, offset by interest and dividend income;
  - Net realized loss on investments and foreign currency was \$58.2 million. The net realized loss was primarily comprised of \$29.1 million from the sale of opportunistic investments in public equities and related derivative instruments, \$25.2 million from the sale of investments by SCF and \$23.5 million from the secondary sales of investments in limited partner interests of the KKR 2006 Fund and the KKR Millennium Fund, offset by realized gains of \$16.0 million from the

sale of Demag Holdings, S.à r.l., the partial sale of security holdings in Rockwood Holdings, Inc. and the final disposition of KSL Holdings La Costa by KKR s private equity funds; and

- The net decrease in net assets resulting from operations was \$1,124.5 million and KPE s total return was (22.6) percent during the nine months ended September 30, 2008.

#### Investments

KPE invests its capital as the sole limited partner of KKR PEI Investments, L.P. (the Investment Partnership ). As of September 30, 2008, the fair value of the Investment Partnership s portfolio of private equity investments, net of related financing, and opportunistic investments was \$4,313.9 million, which consisted of:

- Investments of \$1,557.8 million in the following KKR private equity funds:
  - KKR 2006 Fund L.P.
  - KKR Millennium Fund L.P.
  - KKR European Fund, Limited Partnership
  - KKR European Fund II, Limited Partnership
  - KKR Asian Fund, L.P.
  - KKR European Fund III, Limited Partnership
- Co-investments of \$2,149.8 million in the following portfolio companies of KKR s private equity funds:
  - Alliance Boots GmbH
  - Biomet, Inc.
  - Capmark Financial Group Inc.
  - Dollar General Corporation
  - Energy Future Holdings Corp.
  - First Data Corporation

- HCA Inc.
- KION Group GmbH
- The Nielsen Company B.V.
- NXP B.V.
- PagesJaunes Groupe S.A.
- ProSiebenSat. 1 Media AG
- U.S. Foodservice, Inc.
  
- Negotiated equity investments of \$325.0 million, net of related financing in the following companies:
  - Orient Corporation
  - Sun Microsystems, Inc.
  - Aero Technical Support & Services S.à r.l.
  
- Opportunistic investments of \$281.3 million as follows:
  - Investments by KKR Strategic Capital Institutional Fund, Ltd.
  - Fixed income investments
  - Investments in publicly traded securities

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Please refer to the schedule of investments as of September 30, 2008, included elsewhere in this release, for detail of the amounts listed above.

Subsequent to September 30, 2008, the Investment Partnership invested an additional \$30.1 million in ProSieben, which was comprised of a \$28.0 million co-investment and a \$2.1 million pro rata share in KKR's private equity funds' investment.

### Commitments

As of September 30, 2008, the Investment Partnership's remaining capital commitments related to limited partner interests in KKR's private equity funds were as follows, with amounts in thousands:

|  |    |         |
|--|----|---------|
| KKR 2006 Fund L.P.                         | \$ | 431,987 |
| KKR European Fund III, Limited Partnership |    | 291,192 |
| KKR Asian Fund L.P.                        |    | 220,960 |
| KKR Millennium Fund L.P.                   |    | 4,440   |
| KKR European Fund II, Limited Partnership  |    | 1,010   |
|  | \$ | 949,589 |

We expect that the unfunded capital commitments presented above will be called over a period of several years, if not longer.

### Liquidity and Capital Resources

As of September 30, 2008, the Investment Partnership had a cash balance of \$142.7 million. As of September 30, 2008, the Investment Partnership had drawn \$503.3 million of its \$1.0 billion five-year senior secured credit facility established on June 11, 2007.

Subsequent to September 30, 2008 and through October 31, 2008, the Investment Partnership received \$325.2 million of proceeds from a \$351.0 million credit facility drawdown request to fund potential working capital needs, which resulted in availability for further borrowings under the credit facility of \$171.5 million as of October 31, 2008. As a result of this drawdown and the subsequent investment described above, the Investment Partnership's cash balance increased, on a pro forma basis, to approximately \$437.8 million as of October 31, 2008. The difference between the proceeds received and the drawdown request was due to the amount not funded by Lehman Commercial Paper Inc. (Lehman). Lehman, an original lender under the credit facility with an initial aggregate \$75.0 million commitment, has declared bankruptcy and was responsible for funding an additional \$37.3 million in commitments as of October 31, 2008. Due to Lehman's bankruptcy, we believe that Lehman will not fund any part of its remaining commitments. Therefore, the remaining availability of \$171.5 million, absent Lehman's bankruptcy, has effectively been reduced to \$134.2 million in unfunded commitments as of October 31, 2008, or from \$1.0 billion to \$925.0 million in total commitments, unless Lehman's commitments are assigned to another existing or new lender. There can be no assurance that any lender will assume any part of Lehman's commitment under the credit facility.





Business Environment

Global financial markets have experienced considerable declines in the valuations of equity and debt securities, an acute contraction in the availability of credit and the failure of a number of leading financial institutions during the second half of fiscal 2007 and through 2008 to date. Uncertainty regarding the value of assets and the ability of counterparties to meet their obligations, and a lack of transparency regarding the magnitude of risk inherent in certain investments, spread from the residential real estate market to financial markets generally. As a result, sources of liquidity may be not only more difficult, but also impossible to obtain in the current market environment. In addition, subsequent to September 30, 2008 and through October 31, 2008, there has been a further decline in the global economy and financial markets. Until the close of the fourth quarter and the completion of the year-end valuation process, KPE and the Investment Partnership will not know the exact impact of this decline on their year-end valuations or results of operations. The state of the financial markets may also adversely impact other aspects of the business, operations, investments or prospects of KPE and the Investment Partnership in ways that are not currently foreseeable.

Business Combination Transaction

As announced on July 27, 2008, KPE and KKR & Co. L.P. have entered into an agreement providing for the acquisition of all of the assets and assumption of all of the liabilities of KPE by KKR & Co. L.P. U.S. Securities and Exchange Commission review of the registration statement related to the transaction is continuing. Subject to the satisfaction or waiver of the conditions to closing, the parties remain committed to completing the transaction, but do not at this point expect the transaction to close until 2009.

Financial Report

KPE has posted its interim financial report, which includes its unaudited financial statements and the unaudited consolidated financial statements of the Investment Partnership, to its website ([www.kkrprivateequityinvestors.com](http://www.kkrprivateequityinvestors.com)). KPE encourages investors to carefully read these documents accompanying this news release.

Information for Investors Teleconference and Webcast

KPE will discuss its financial results and the status of the previously announced business combination, described above, on a teleconference to be broadcast live on the Internet on Monday, November 3, 2008 at 3:00 p.m. CET (Amsterdam) / 2:00 p.m. GMT (Guernsey/London) / 9:00 a.m. EDT (New York City). A webcast (listen only) of the teleconference can be accessed via the Investor Relations section of KPE's website at [www.kkrprivateequityinvestors.com](http://www.kkrprivateequityinvestors.com), as well as on KKR's website at [www.kkr.com](http://www.kkr.com).

**About KPE**

KKR Private Equity Investors, L.P. (Euronext Amsterdam: KPE) is a Guernsey limited partnership that seeks to create long-term value by participating in private equity and opportunistic investments selected, evaluated, structured, monitored and exited by investment professionals of Kohlberg Kravis Roberts & Co. ( KKR ). As of September 30, 2008, over 90% of KPE s \$4.7 billion portfolio was comprised of limited partner interests in six KKR private equity funds, co-investments in 13 companies alongside the private equity funds and negotiated equity investments. The remainder of KPE s portfolio as of September 30, 2008 was invested in opportunistic and temporary investments. KPE

is governed by its general partner's board of directors, which has a majority of independent directors, and makes its investments as the sole limited partner of another Guernsey limited partnership, KKR PEI Investments, L.P.

The common units and related restricted depositary units of KPE are subject to a number of ownership and transfer restrictions. Information concerning these ownership and transfer restrictions is included in the Investor Relations section of KPE's website at [www.kkrprivateequityinvestors.com](http://www.kkrprivateequityinvestors.com).

#### No Offering Statement

This release does not constitute an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from KPE and that will contain detailed information about KPE and management, as well as financial statements.

#### Forward-Looking Statements

This release may contain certain forward-looking statements with respect to the financial condition, results of operations, liquidity, investments, business, net asset value and prospects of KPE and the transaction with KKR & Co. L.P. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future, and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. KPE does not undertake to update any of these forward-looking statements.

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Additional Information about the Transaction and Where to Find It

This release contains information in respect of the proposed transaction involving KKR & Co. L.P. and KPE. In connection with the proposed transaction, KKR & Co. L.P. has filed with the Securities Exchange Commission ( SEC ) an amendment to its existing Registration Statement on Form S-1 (file no. 333-144335) and will be filing other documents regarding the proposed transaction with the SEC. **INVESTORS AND SECURITY HOLDERS OF KPE ARE URGED TO READ THE REGISTRATION STATEMENT AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** The final prospectus contained in the registration statement will be mailed or otherwise disseminated to the holders of KPE s common units. Holders of KPE s common units will be able to obtain free copies of the final prospectus (when available) and other documents filed with the SEC by KKR & Co. L.P. through the web site maintained by the SEC at [www.sec.gov](http://www.sec.gov). Free copies of the final prospectus (when available) and other documents filed with the SEC can also be obtained by directing a request to KKR& Co. L.P., 9 W. 57th Street, Suite 4200, New York, New York 10019, Attention: Investor Relations.

FINANCIAL SCHEDULES FOLLOW

## KKR PRIVATE EQUITY INVESTORS, L.P.

## STATEMENTS OF ASSETS AND LIABILITIES (UNAUDITED)

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

|  | September 30,<br>2008 | December 31,<br>2007 |
|--|-----------------------|----------------------|
| <b>ASSETS:</b>   |                       |                      |
| Investments in limited partner interests of KKR PEI Investments, L.P., at fair value                         | \$ 3,866,154          | \$ 4,984,533         |
| Cash and cash equivalents  | 3,630                 | 452                  |
| Prepaid expenses   | 279                   | 141                  |
| Total assets   | 3,870,063             | 4,985,126            |
| <b>LIABILITIES:</b>  |                       |                      |
| Accrued liabilities  | 7,769                 | 1,823                |
| Due to affiliate   |                       | 930                  |
| Total liabilities  | 7,769                 | 2,753                |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |                       |                      |
| NET ASSETS   | \$ 3,862,294          | \$ 4,982,373         |
| <b>NET ASSETS CONSIST OF:</b>  |                       |                      |
| Partners' capital contributions, net (common units outstanding of 204,902,226 and 204,550,001, respectively) | \$ 4,834,517          | \$ 4,830,110         |
| Distributable earnings (loss)  | (972,223)             | 152,263              |
|  | \$ 3,862,294          | \$ 4,982,373         |
| Net asset value per common unit  | \$ 18.85              | \$ 24.36             |
| Market price per common unit   | \$ 9.40               | \$ 18.16             |

## KKR PRIVATE EQUITY INVESTORS, L.P.

## STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in thousands)

|   | Quarter Ended         |                       | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2008 | September 30,<br>2007 | September 30,<br>2008 | September 30,<br>2007 |
| NET INVESTMENT INCOME (LOSS) ALLOCATED FROM KKR PEI INVESTMENTS, L.P.:  |                       |                       |                       |                       |
| Investment income   | \$ 9,814              | \$ 26,582             | \$ 40,535             | \$ 109,764            |
| Expenses  | 23,646                | 31,472                | 91,230                | 64,210                |
|   | (13,832)              | (4,890)               | (50,695)              | 45,554                |
| INVESTMENT INCOME Interest income   | 27                    | 28                    | 87                    | 56                    |
| EXPENSES General and administrative expenses  | 13,430                | 1,507                 | 16,173                | 4,369                 |
| NET INVESTMENT INCOME (LOSS)  | (27,235)              | (6,369)               | (66,781)              | 41,241                |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS AND FOREIGN CURRENCY ALLOCATED FROM KKR PEI INVESTMENTS, L.P.: |                       |                       |                       |                       |
| Net realized gain (loss)  | (19,683)              | 104,814               | (58,204)              | 121,418               |
| Net change in unrealized appreciation (depreciation)  | (648,964)             | (119,665)             | (999,501)             | 123,019               |
| Net gain (loss) on investments and foreign currency transactions  | (668,647)             | (14,851)              | (1,057,705)           | 244,437               |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS   | \$ (695,882)          | \$ (21,220)           | \$ (1,124,486)        | \$ 285,678            |

## KKR PRIVATE EQUITY INVESTORS, L.P.

## STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED)

(Amounts in thousands)

|  |    |             |
|--|----|-------------|
| NET ASSETS DECEMBER 31, 2006   | \$ | 5,035,599   |
| NET DECREASE IN NET ASSETS FROM OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2007:         |    |             |
| Net investment income  |    | 19,029      |
| Net loss on investments and foreign currency transactions                                |    | (23,163)    |
| Net decrease in net assets resulting from operations                                     |    | (4,134)     |
| Distribution to unitholders  |    | (49,092)    |
| NET ASSETS DECEMBER 31, 2007   | \$ | 4,982,373   |
| NET DECREASE IN NET ASSETS FROM OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008: |    |             |
| Net investment loss  |    | (66,781)    |
| Net loss on investments and foreign currency transactions                                |    | (1,057,705) |
| Net decrease in net assets resulting from operations                                     |    | (1,124,486) |
| Partners' capital contributions (issued 352,225 common units)                            |    | 4,407       |
| NET ASSETS SEPTEMBER 30, 2008  | \$ | 3,862,294   |

## KKR PRIVATE EQUITY INVESTORS, L.P.

## STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in thousands)

|   | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|
|   | September 30,<br>2008 | September 30,<br>2007 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                       |                       |
| Net increase (decrease) in net assets resulting from operations   | \$ (1,124,486)        | \$ 285,678            |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to cash and cash equivalents provided by (used in) operating activities: |                       |                       |
| Net investment loss (income) allocated from KKR PEI Investments, L.P.   | 50,695                | (45,554)              |
| Net loss (gain) on investments and foreign currency transactions allocated from KKR PEI Investments, L.P.   | 1,057,705             | (244,437)             |
| Share-based compensation expense  | 37                    | 16                    |
| Changes in operating assets and liabilities:  |                       |                       |
| Distribution received from KKR PEI Investments, L.P.  | 9,979                 | 54,082                |
| Increase in prepaid expenses  | (138)                 | (114)                 |
| Increase in accrued liabilities   | 5,909                 | 257                   |
| Decrease in due to affiliate  | (930)                 | (123)                 |
| Net cash flows provided by (used in) operating activities   | (1,229)               | 49,805                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                       |                       |
| Partners' capital contributions   | 4,407                 |                       |
| Distribution to unitholders   |                       | (49,092)              |
| Net cash flow provided by (used in) financing activities  | 4,407                 | (49,092)              |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>3,178</b>          | <b>713</b>            |
| CASH AND CASH EQUIVALENTS Beginning of period   | 452                   | 1,116                 |
| CASH AND CASH EQUIVALENTS End of period   | \$ 3,630              | \$ 1,829              |



## KKR PEI INVESTMENTS, L.P. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (UNAUDITED)

(Amounts in thousands)

|   | September 30,<br>2008 | December 31,<br>2007 |
|---|-----------------------|----------------------|
| <b>ASSETS:</b>  |                       |                      |
| Investments, at fair value:   |                       |                      |
| Opportunistic investments Class A (cost of \$198,390 and \$512,607, respectively)   | \$ 128,736            | \$ 458,792           |
| Co-investments in portfolio companies of private equity funds Class B (cost of \$2,635,583 and \$2,635,583, respectively) | 2,149,776             | 2,653,039            |
| Negotiated equity investments Class B (cost of \$992,582 and \$992,582, respectively)                                     | 674,981               | 985,557              |
| Private equity funds Class C (cost of \$1,693,367 and \$1,813,751, respectively)  | 1,557,779             | 1,847,887            |
| Non-private equity fund Class D (cost of \$182,512 and \$195,869, respectively)   | 152,626               | 189,345              |
|   | 4,663,898             | 6,134,620            |
| Cash and cash equivalents   | 142,669               | 255,415              |
| Cash and cash equivalents held by a non-private equity fund   | 1,051                 | 1,091                |
| Restricted cash   | 21,083                | 42,237               |
| Other assets  | 6,274                 | 8,044                |
| Total assets  | 4,834,975             | 6,441,407            |
| <b>LIABILITIES:</b>   |                       |                      |
| Accrued liabilities   | 51,898                | 30,730               |
| Due to affiliates   | 5,112                 | 11,961               |
| Securities sold, not yet purchased (proceeds of \$22,833)   | 24,556                |                      |
| Options written (proceeds of \$324 and \$7,290, respectively)   | 288                   | 5,265                |
| Unrealized loss on foreign currency exchange contracts and interest rate swap, net  | 25,280                | 46,051               |
| Other liabilities   | 171                   | 182                  |
| Revolving credit agreement  | 503,319               | 1,002,240            |
| Long-term debt  | 350,000               | 350,000              |
| Total liabilities   | 960,624               | 1,446,429            |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |                       |                      |
| NET ASSETS  | \$ 3,874,351          | \$ 4,994,978         |
| <b>NET ASSETS CONSIST OF:</b>   |                       |                      |
| Partners' capital contributions   | \$ 4,836,568          | \$ 4,836,568         |
| Distributable earnings (loss)   | (962,217)             | 158,410              |
|   | \$ 3,874,351          | \$ 4,994,978         |

See accompanying notes to the unaudited consolidated financial statements.

## KKR PEI INVESTMENTS, L.P. AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS (UNAUDITED)

(Amounts in thousands, except percentage amounts)

| Investment  | Class | Cost         | September 30, 2008 |            | Fair Value as a Percentage of Net Assets |
|---|-------|--------------|--------------------|------------|--|
|   |       |              |                    | Fair Value |  |
| <b>INVESTMENTS BY TYPE:</b>   |       |              |                    |            |  |
| Opportunistic investments:  | A     |              |                    |            |  |
| Fixed income investments  |       | \$ 143,967   | \$ 93,861          |            | 2.4%                                     |
| Public equities common stocks   |       | 54,423       | 34,875             |            | 0.9                                      |
|   |       | 198,390      | 128,736            |            | 3.3                                      |
| <b>Co-investments in portfolio companies of private equity funds:</b> |       |              |                    |            |  |
|   | B     |              |                    |            |  |
| HCA Inc.  |       | 250,000      | 300,000            |            | 7.7                                      |
| Alliance Boots GmbH.  |       | 301,352      | 267,115            |            | 6.9                                      |
| Dollar General Corporation  |       | 250,000      | 250,000            |            | 6.4                                      |
| The Nielsen Company B.V.  |       | 200,000      | 220,000            |            | 5.7                                      |
| Biomet, Inc.  |       | 200,000      | 200,000            |            | 5.2                                      |
| Energy Future Holdings Corp.  |       | 200,000      | 200,000            |            | 5.2                                      |
| First Data Corporation  |       | 200,000      | 200,000            |            | 5.2                                      |
| NXP B.V.  |       | 250,000      | 125,000            |            | 3.2                                      |
| Capmark Financial Group Inc.  |       | 137,321      | 108,000            |            | 2.8                                      |
| U.S. Foodservice, Inc.  |       | 100,000      | 100,000            |            | 2.6                                      |
| KION Group GmbH.  |       | 112,824      | 84,506             |            | 2.2                                      |
| PagesJaunes Groupe S.A.   |       | 235,201      | 74,041             |            | 1.9                                      |
| ProSiebenSat.1 Media AG   |       | 198,885      | 21,114             |            | 0.5                                      |
|   |       | 2,635,583    | 2,149,776          |            | 55.5                                     |
| <b>Negotiated equity investments:</b>                                 |       |              |                    |            |  |
|   | B     |              |                    |            |  |
| Sun Microsystems, Inc. convertible senior notes                       |       | 701,164      | 511,000            |            | 13.2                                     |
| Orient Corporation convertible preferred stock                        |       | 169,706      | 163,981            |            | 4.2                                      |
| Aero Technical Support & Services S.à r.l                             |       | 121,712      |                    |            |  |
|   |       | 992,582      | 674,981            |            | 17.4                                     |
| <b>Private equity funds:</b>  |       |              |                    |            |  |
|   | C     |              |                    |            |  |
| KKR 2006 Fund L.P.  |       | 1,123,013    | 1,065,489          |            | 27.5                                     |
| KKR Millennium Fund L.P.  |       | 199,278      | 173,619            |            | 4.5                                      |
| KKR European Fund, Limited Partnership                                |       | 202,115      | 171,584            |            | 4.4                                      |
| KKR European Fund II, Limited Partnership                             |       | 95,944       | 75,135             |            | 1.9                                      |
| KKR Asian Fund L.P.   |       | 64,040       | 64,260             |            | 1.7                                      |
| KKR European Fund III, Limited Partnership                            |       | 8,977        | 7,692              |            | 0.2                                      |
|   |       | 1,693,367    | 1,557,779          |            | 40.2                                     |
| <b>Non-private equity funds Investments by KKR</b>                    |       |              |                    |            |  |
| Strategic Capital Institutional Fund, Ltd.                            | D     | 182,512      | 152,626            |            | 4.0                                      |
|   |       | \$ 5,702,434 | \$ 4,663,898       |            | 120.4%                                   |



| Investment                       | September 30, 2008 |              | Fair Value as a Percentage of Net Assets |
|----------------------------------|--------------------|--------------|--|
|                                  | Cost               | Fair Value   |  |
| <b>INVESTMENTS BY GEOGRAPHY:</b> |                    |              |  |
| North America                    | \$ 3,733,168       | \$ 3,350,039 | 86.5%                                    |
| Europe                           | 1,640,648          | 978,560      | 25.2                                     |
| Asia Pacific                     | 328,618            | 335,299      | 8.7                                      |
|                                  | \$ 5,702,434       | \$ 4,663,898 | 120.4%                                   |
| <b>INVESTMENTS BY INDUSTRY:</b>  |                    |              |  |
| Health Care                      | \$ 1,078,382       | \$ 1,084,982 | 28.0%                                    |
| Financial Services               | 1,009,633          | 945,423      | 24.4                                     |
| Technology                       | 1,133,813          | 799,581      | 20.6                                     |
| Retail                           | 624,793            | 590,121      | 15.2                                     |
| Media/Telecom                    | 932,738            | 517,099      | 13.4                                     |
| Energy                           | 387,221            | 387,299      | 10.0                                     |
| Industrial                       | 440,813            | 263,076      | 6.8                                      |
| Consumer Products                | 75,870             | 53,606       | 1.4                                      |
| Chemicals                        | 19,171             | 22,711       | 0.6                                      |
|                                  | \$ 5,702,434       | \$ 4,663,898 | 120.4%                                   |

## KKR PEI INVESTMENTS, L.P. AND SUBSIDIARIES

## CONSOLIDATED SCHEDULES OF SECURITIES SOLD, NOT YET PURCHASED (UNAUDITED)

(Amounts in thousands)

| Instrument Type/Geography       | September 30, 2008 |           | December 31, 2007 |          |
|---------------------------------|--------------------|-----------|-------------------|----------|
|                                 | Fair Value         | Proceeds  | Fair Value        | Proceeds |
| Public equities, common stock:  |                    |           |                   |          |
| North America                   | \$ 22,377          | \$ 20,937 | \$                | \$       |
| Europe                          | 2,179              | 1,896     |                   |          |
|                                 | \$ 24,556          | \$ 22,833 | \$                | \$       |
| <b>Instrument Type/Industry</b> |                    |           |                   |          |
| Public equities, common stock:  |                    |           |                   |          |
| Financial Services              | \$ 15,829          | \$ 13,757 | \$                | \$       |
| Retail                          | 5,869              | 5,949     |                   |          |
| Health Care                     | 2,858              | 3,127     |                   |          |
|                                 | \$ 24,556          | \$ 22,833 | \$                | \$       |

## CONSOLIDATED SCHEDULES OF OPTIONS WRITTEN (UNAUDITED)

(Amounts in thousands)

| Geography/Instrument Type/Industry           | September 30, 2008 |          | December 31, 2007 |          |
|--|--------------------|----------|-------------------|----------|
|  | Fair Value         | Proceeds | Fair Value        | Proceeds |
| North America public equities, common stock: |                    |          |                   |          |
| Energy                                       | \$ 130             | \$ 198   | \$ 5,265          | \$ 7,290 |
| Financial Services                           | 118                | 94       |                   |          |
| Health Care                                  | 40                 | 32       |                   |          |
|  | \$ 288             | \$ 324   | \$ 5,265          | \$ 7,290 |

## KKR PEI INVESTMENTS, L.P. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in thousands)

|  | Quarter Ended         |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 30,<br>2008 | September 30,<br>2007 | September 30,<br>2008 | September 30,<br>2007 |
| <b>INVESTMENT INCOME:</b>  |                       |                       |                       |                       |
| Interest income  | \$ 9,636              | \$ 23,560             | \$ 31,663             | \$ 86,783             |
| Dividend income, net of withholding taxes of \$85, \$139, \$334 and \$765, respectively                  | 199                   | 3,078                 | 8,955                 | 23,209                |
| Total investment income  | 9,835                 | 26,638                | 40,618                | 109,992               |
| <b>EXPENSES:</b>   |                       |                       |                       |                       |
| Management fees  | 11,560                | 15,093                | 38,298                | 34,550                |
| Incentive fees   |                       | (850)                 |                       | 926                   |
| Interest expense   | 11,351                | 16,057                | 48,775                | 25,663                |
| Dividend expense   | 194                   |                       | 1,090                 |                       |
| General and administrative expenses  | 567                   | 1,208                 | 3,178                 | 3,134                 |
| Total expenses   | 23,672                | 31,508                | 91,341                | 64,273                |
| NET INVESTMENT INCOME (LOSS)   | (13,837)              | (4,870)               | (50,723)              | 45,719                |
| <b>REALIZED AND UNREALIZED GAIN (LOSS)<br/>FROM INVESTMENTS AND FOREIGN<br/>CURRENCY:</b>                |                       |                       |                       |                       |
| Net realized gain (loss), net of withholding tax (benefit) of \$0, \$488, \$(37) and \$977, respectively | (19,722)              | 105,033               | (58,324)              | 121,671               |
| Net change in unrealized appreciation (depreciation)   | (650,315)             | (119,914)             | (1,001,580)           | 123,274               |
| Net gain (loss) on investments and foreign currency transactions   | (670,037)             | (14,881)              | (1,059,904)           | 244,945               |
| NET INCREASE (DECREASE) IN NET ASSETS<br>RESULTING FROM OPERATIONS                                       | \$ (683,874)          | \$ (19,751)           | \$ (1,110,627)        | \$ 290,664            |

## KKR PEI INVESTMENTS, L.P. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED)

(Amounts in thousands)

|  | General<br>Partner | Limited<br>Partner | Total        |
|--|--------------------|--------------------|--------------|
| NET ASSETS DECEMBER 31, 2006   | \$ 10,454          | \$ 5,035,945       | \$ 5,046,399 |
| DECREASE IN NET ASSETS FROM OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2007:           |                    |                    |              |
| Net investment income  | 150                | 25,833             | 25,983       |
| Net realized gain on investments and foreign currency transactions                     | 236                | 113,196            | 113,432      |
| Net change in unrealized depreciation on investments and foreign currency transactions | (283)              | (136,359)          | (136,642)    |
| Net increase in net assets resulting from operations                                   | 103                | 2,670              | 2,773        |
| Fair value of distributions  | (112)              | (54,082)           | (54,194)     |
| DECREASE IN NET ASSETS   | (9)                | (51,412)           | (51,421)     |
| NET ASSETS DECEMBER 31, 2007   | 10,445             | 4,984,533          | 4,994,978    |
| DECREASE IN NET ASSETS FROM OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008:   |                    |                    |              |
| Net investment loss  | (28)               | (50,695)           | (50,723)     |
| Net realized loss on investments and foreign currency transactions                     | (120)              | (58,204)           | (58,324)     |
| Net change in unrealized depreciation on investments and foreign currency transactions | (2,079)            | (999,501)          | (1,001,580)  |
| Net decrease in net assets resulting from operations                                   | (2,227)            | (1,108,400)        | (1,110,627)  |
| Fair value of distributions  | (21)               | (9,979)            | (10,000)     |
| DECREASE IN NET ASSETS   | (2,248)            | (1,118,379)        | (1,120,627)  |
| NET ASSETS SEPTEMBER 30, 2008  | \$ 8,197           | \$ 3,866,154       | \$ 3,874,351 |

## KKR PEI INVESTMENTS, L.P. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in thousands)

|   | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|
|   | September 30,<br>2008 | September 30,<br>2007 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                       |                       |
| Net increase (decrease) in net assets resulting from operations   | \$ (1,110,627)        | \$ 290,664            |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to cash and cash equivalents provided by (used in) operating activities: |                       |                       |
| Amortization of deferred financing costs  | 652                   | 294                   |
| Net realized loss (gain)  | 58,324                | (121,671)             |
| Net change in unrealized depreciation (appreciation) on investments   | 1,022,351             | (162,996)             |
| Increase (decrease) in unrealized loss on foreign currency exchange contracts and interest rate swap  | (20,771)              | 39,722                |
| Changes in operating assets and liabilities:  |                       |                       |
| Purchase of opportunistic investments   | (78,567)              | (707,094)             |
| Purchase of securities to settle short sales  | (214,458)             |                       |
| Purchase of options   | (5,884)               |                       |
| Purchase of co-investments in portfolio companies of private equity funds   |                       | (1,485,440)           |
| Purchase of negotiated equity investments   |                       | (520,870)             |
| Purchase of investments by private equity funds   | (208,969)             | (1,044,418)           |
| Purchase of investments by KKR Strategic Capital Institutional Fund, Ltd.   | (14,249)              | (123,135)             |
| Proceeds from sale of opportunistic investments   | 357,417               | 499,764               |
| Proceeds from securities sold short, not yet purchased  | 240,856               |                       |
| Proceeds from options written   | 2,529                 | 10,101                |
| Proceeds from sale of investments by private equity funds   | 321,787               | 156,017               |
| Proceeds from sale of investments by KKR Strategic Capital Institutional Fund, Ltd.   | 2,400                 | 15,629                |
| Decrease in cash and cash equivalents held by a non-private equity fund   | 40                    |                       |
| Decrease in time deposit  |                       | 1,000,000             |
| Decrease in other assets  | 1,118                 | 32,103                |
| Decrease (increase) in restricted cash  | 21,154                | (18,558)              |
| Increase in accrued liabilities   | 21,168                | 25,972                |
| Increase (decrease) in due to affiliates  | (6,849)               | 5,612                 |
| Decrease in other liabilities   | (11)                  | (17,983)              |
| Effect of exchange rate fluctuations on cash and cash equivalents   |                       | 6,923                 |
| Net cash flows provided by (used in) operating activities   | 389,411               | (2,119,364)           |



|  | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|
|  | September 30,<br>2008 | September 30,<br>2007 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                     |                       |                       |
| Payments on borrowings under the revolving credit agreement                      | (492,157)             |                       |
| Borrowings under the revolving credit agreement                                  |                       | 999,266               |
| Deferred financing costs   |                       | (4,405)               |
| Distributions to partners  | (10,000)              | (54,194)              |
| Net cash flows provided by (used in) financing activities                        | (502,157)             | 940,667               |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                 | <b>(112,746)</b>      | <b>(1,178,697)</b>    |
| CASH AND CASH EQUIVALENTS Beginning of period                                    | 255,415               | 2,139,621             |
| CASH AND CASH EQUIVALENTS End of period  | \$ 142,669            | \$ 960,924            |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>                                       |                       |                       |
| Interest paid  | \$ 40,127             | \$                    |
| <b>NON-CASH FINANCING ACTIVITIES:</b>  |                       |                       |
| Increase in long-term debt related to Sun financing                              | \$                    | \$ 350,000            |
| Increase (decrease) in revolving credit agreement - foreign currency adjustments | (6,764)               | 11,279                |