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THE CARLYLE GROUP

GLOBAL ALTERNATIVE ASSET MANAGEMENT

THE CARLYLE GROUP 2009 ANNUAL REPORT



*One Carlyle*

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THE CARLYLE GROUP

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Washington, DC 20004

[www.carlyle.com](http://www.carlyle.com)

2009 ANNUAL REPORT



Together, the diverse pieces that form the One Carlyle global platform provide a powerful means to create value for our investors. Our platform—one of the most diverse of any global alternative asset management firm—offers a strong foundation to weather challenging economic conditions. In 2009, despite unprecedented uncertainty, we worked aggressively to preserve and grow our portfolio of investments. Our 67 funds across asset classes, regions and sectors generated diversified revenue streams that enabled us to enter 2010 in a strong position. Across six continents, our teams of investment professionals seek to uncover opportunities to generate growth and produce top-tier returns for our investors in the years ahead.

THE CARLYLE GROUP  
our global platform

FROM DIVERSITY COMES STRENGTH

That's why product and geographic diversification is a fundamental tenet of our business model. You'll see diversification in everything we do: in our diverse family of funds, our investors, our geographic reach, our investment professionals, and in our diverse sector expertise.

Our diversification enables us to locate opportunities that others might miss. It builds strength. And from strength comes leadership. For more than 22 years, this strategy has fueled our growth and rewarded our investors.

Now, as we look ahead, we see a future that is increasingly global, one that demands an increasingly varied set of skills. As a firm that has built itself around global alternative asset management, we're ready for that future today.

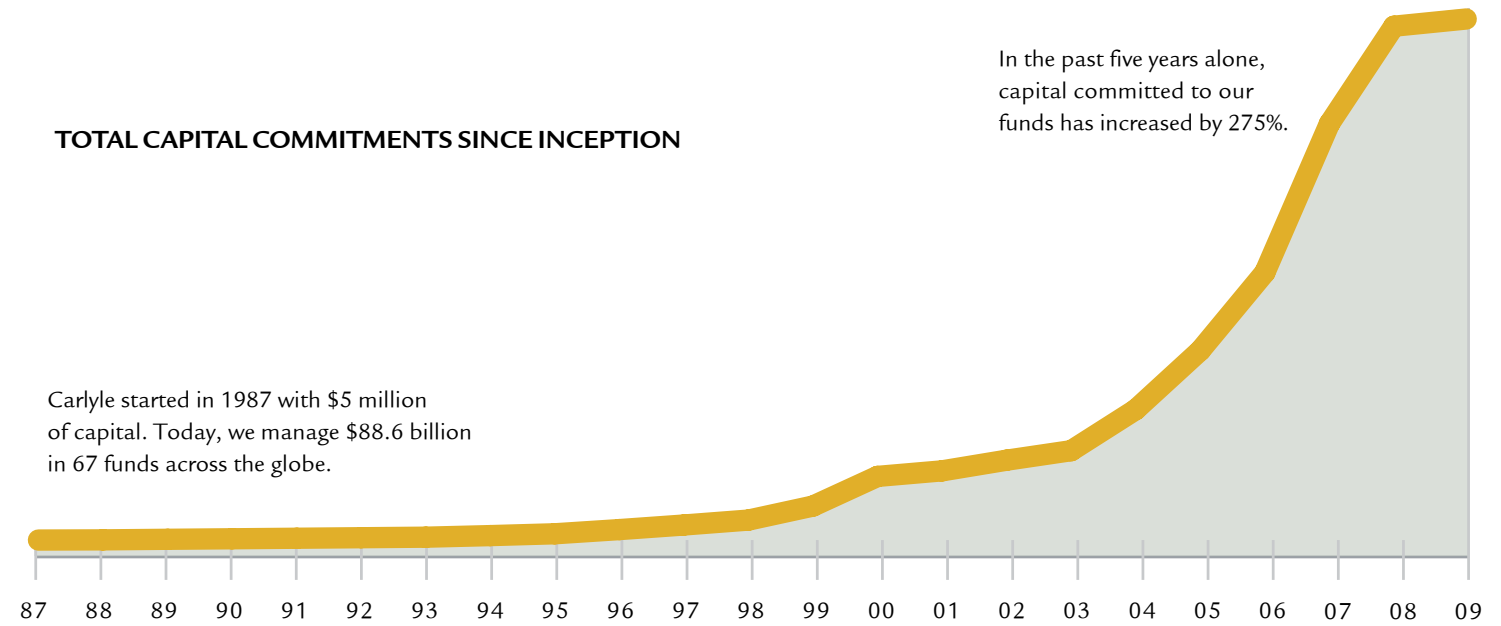
**WHAT SETS CARLYLE APART?** Above all, we believe it's our ability to combine a global vision with local insight. By assembling a team of more than 420 outstanding investment professionals in 19 countries around the world, we have created a network of specialized knowledge that we utilize every day in an effort to uncover superior opportunities in diverse industries and varied locations across the globe. We call our collaborative spirit One Carlyle, and we leverage it to serve our investors in myriad ways throughout our organization.

**CONSERVATIVE. DISCIPLINED. METHODICAL.** These are the tenets that define our investment philosophy and process. It's an approach that has generated superior returns for our investors since our founding in 1987.

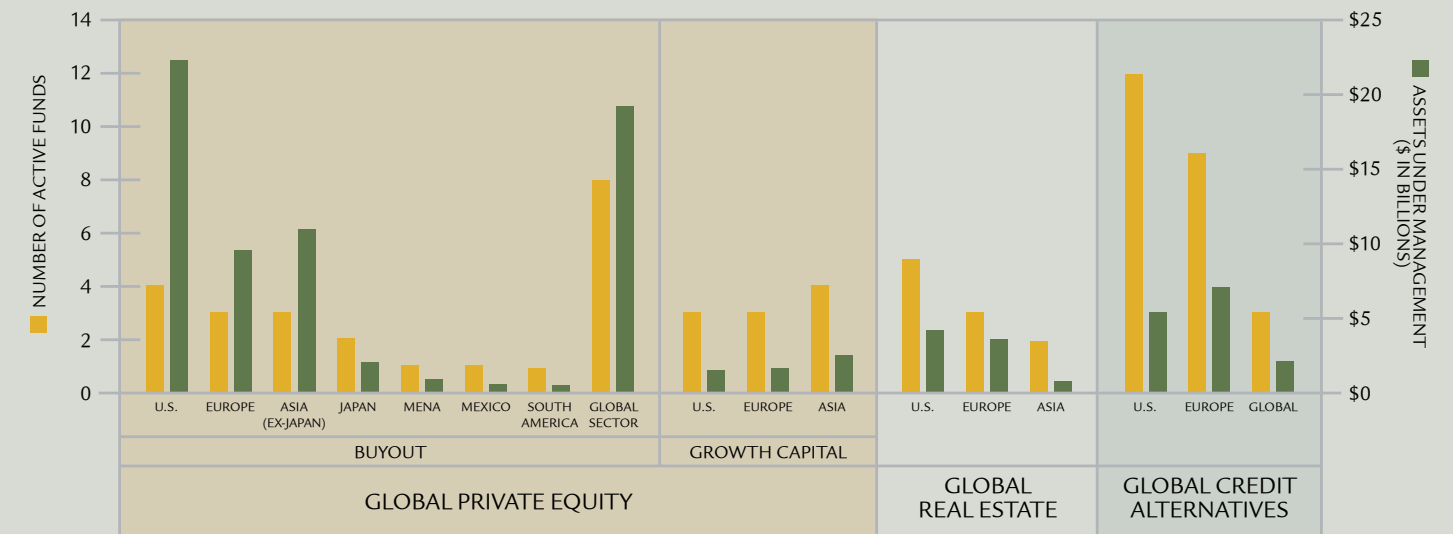
Over the last 22 years, we have invested more than \$59.6 billion in 952 corporate private equity and real estate transactions. Today, more than 1,300 investors from 72 countries entrust Carlyle with their capital. We always remember that we work for our investors, and we continually strive to reward their trust by creating and enhancing value.

By drawing on the extraordinary talents of Carlyle's professionals around the world and by focusing on solid investing principles, we will continue to pursue opportunities wherever they are.

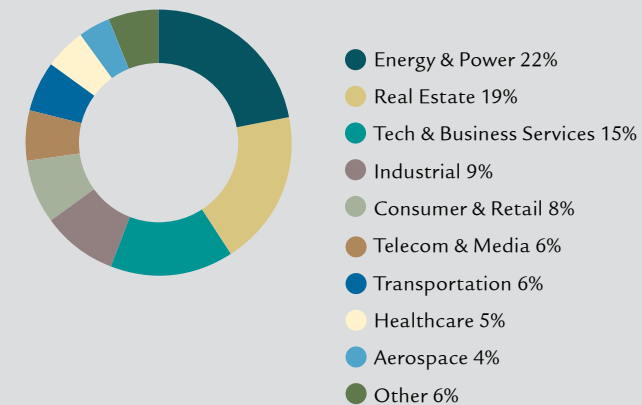
TOTAL CAPITAL COMMITMENTS SINCE INCEPTION



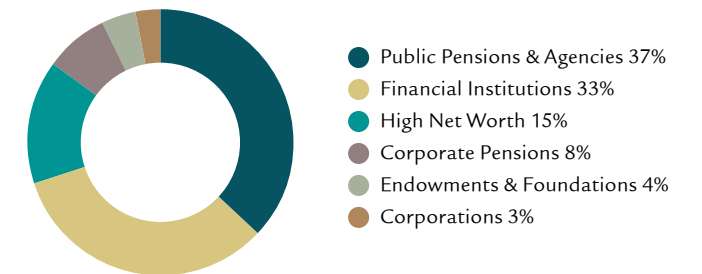
NUMBER OF ACTIVE FUNDS AND ASSETS UNDER MANAGEMENT



CURRENT INVESTMENTS BY INDUSTRY



1300+ INVESTORS FROM 72 COUNTRIES





*From Left*  
William E. Conway, Jr.  
David M. Rubenstein  
Daniel A. D'Aniello

## LETTER FROM THE FOUNDERS

FINANCIAL STRENGTH.

PRODUCT DIVERSITY.

SECTOR EXPERTISE.

GEOGRAPHIC REACH.

These attributes enabled Carlyle to make it through the Great Recession in very good shape. Our firm is strong and healthy: in 2009 we utilized our global platform to deploy more than \$5.2 billion on six continents across buyouts, real estate, growth capital and credit alternatives. Our portfolio is in good condition and is improving. The many components of our global model have served our investors well through peaks and troughs in the markets.

In 2008 and 2009, we witnessed a tectonic shift in the way private equity operates. In the absence of available and low-cost credit, our world changed: deals were fewer and smaller; equity was up and debt down; fundraising was difficult; distributions were minimal; and full exits were scant. In the latter half of 2009, though, fear gave way to cautious optimism amid the fits and starts of the global recovery. The return to growth across major developed markets was inconsistent, but there was reason to believe brighter days were ahead.

Above all, the unprecedented events of the past two years affirmed the differentiating importance of the operational expertise and management know-how that we have been building for the past two decades. Working closely with management teams across our portfolio of approximately 260 companies, we attempted to preserve and enhance liquidity, hunkered down and sought to ensure that virtually all of our portfolio companies survived the Great Recession. Meanwhile, our more than 420 investment professionals and team of operational advisors and partners helped management teams effectively allocate resources and implement productivity measures, including repurchasing and restructuring portfolio company debt. Unfortunately, a few of our companies failed. For example, in our European portfolio, both IMO Car Wash and Edscha went into administration. Our investment in IMO Car Wash resulted in a complete write-off; while we received almost 30% of our investment in Edscha from a dividend recapitalization a few years ago. In Japan, WILLCOM filed for bankruptcy.

The unprecedented events of the past two years affirmed the differentiating importance of the operational expertise and management know-how that we have been building for the past two decades.

Our intense focus on our portfolio companies through the worst of the storm paid off, as the overwhelming majority of them are emerging from the recession in better shape than when they entered it.

However, our intense focus on our portfolio companies through the worst of the storm paid off, as the overwhelming majority of them are emerging from the recession in better shape than when they entered it.

A significant component of our efforts to enhance liquidity across our global portfolio involved accessing public markets. We realized several substantial listings on public equity markets in 2009 and early 2010, including:

- **China Forestry Holdings.** Plantation forest operator in China listed on the Hong Kong Stock Exchange, generating total gross proceeds of \$200 million.
- **China Pacific Insurance (Group) Co.** China's third-largest insurance group listed 861.3 million H shares on the Hong Kong Stock Exchange in an equity raise that totaled more than \$3.1 billion.
- **Concord Medical Services Holdings.** Operator of China's largest network of radiotherapy and diagnostic imaging centers listed on the New York Stock Exchange, raising \$132 million.
- **Kaisa Group Holdings.** Real estate developer in China's Pearl River Delta region listed on the Hong Kong Stock Exchange, raising \$445 million.
- **SS&C Technologies Holdings.** A global provider of financial services software based in Connecticut listed on the NASDAQ, selling 10.7 million shares of common stock at an initial price of \$15 per share.

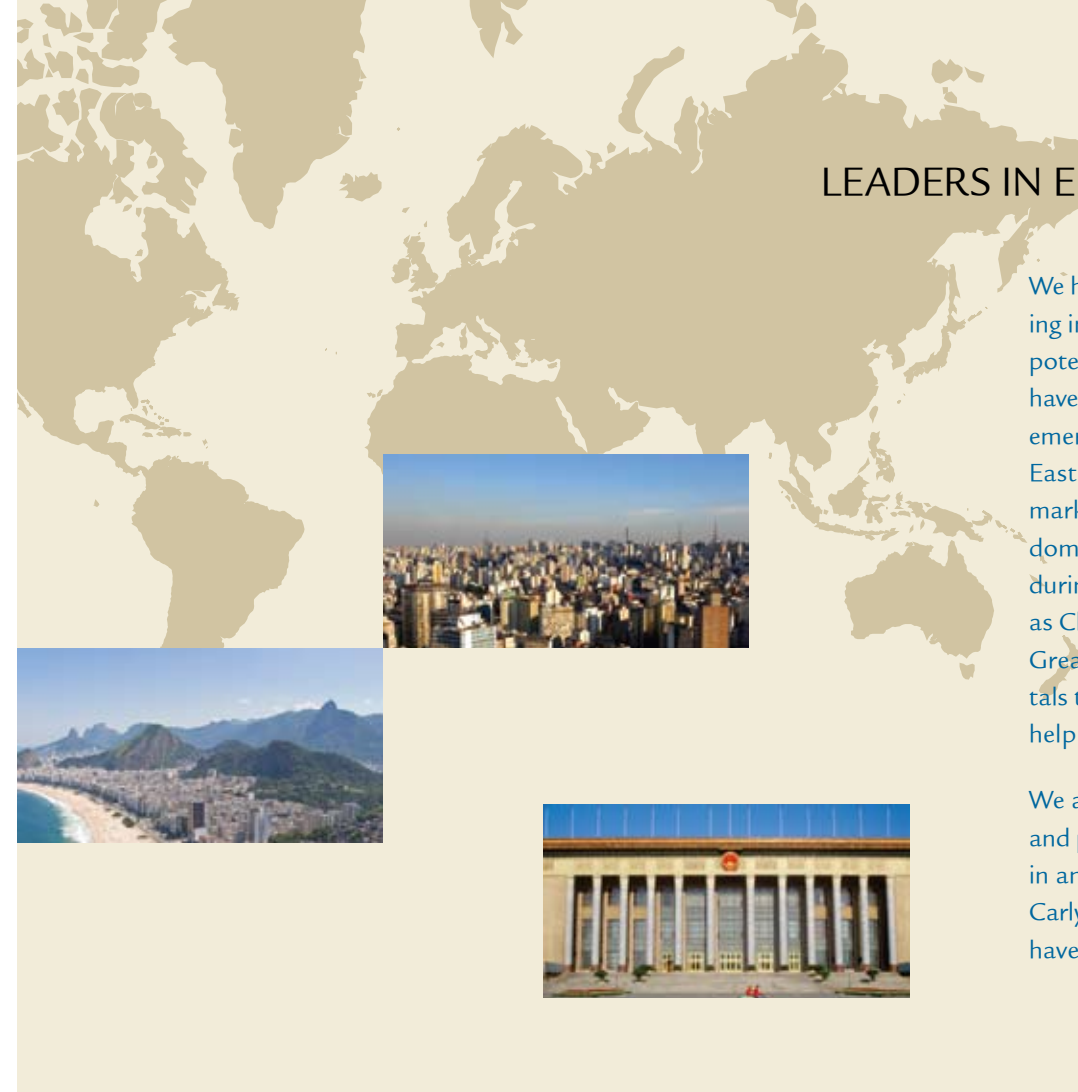
While taking good care of our global portfolio, we also focused on making a handful of what we think will be terrific investments that come about in times of severe market dislocation. In 2009, we invested and committed \$5.2 billion in 27 countries, including \$2.7 billion in 47 new corporate and real estate transactions with a cumulative enterprise value of more than \$4.4 billion. Notable new investments included:

- **BankUnited.** In May 2009, Carlyle Global Financial Services Partners, L.P., Carlyle Partners V, L.P. and Carlyle Strategic Partners II, L.P. led a consortium of investors in the acquisition of BankUnited from the Federal Deposit Insurance Corporation. This transaction was named the "Financial Institution Deal of the Year" by *Investment Dealer's Digest*.
- **Guangdong Yashili Group.** In August 2009, Carlyle Asia Partners III, L.P. acquired a 17.3% stake in Yashili, one of China's largest infant formula companies. As part of the investment, Carlyle will commit resources to further strengthen Yashili's management expertise, enhance research and development capabilities and create a world-class quality control system.

## LEADERS IN EMERGING MARKETS

We have a history of locating and investing in markets that we believe have excellent potential for growth. Over the last decade, we have increased our investment activity in the emerging markets of China, India, the Middle East and, more recently, Brazil. Now emerging markets such as these, supported by resilient domestic markets, are leading global growth during the economic recovery. Countries such as China and India, which largely escaped the Great Recession, have attractive fundamentals that cushioned the downturn and should help ensure future growth.

We anticipate that our growing knowledge and presence in emerging economies will result in an increasing number of opportunities for Carlyle, such as the innovative partnerships we have already formed in China and Brazil.



- **Broadleaf Co.** In November 2009, Carlyle Japan Partners II, L.P. acquired Broadleaf, one of the largest auto after-market software providers to the repair and inspection industry in Japan.
- **Medical Park Sağlık Hizmetleri.** In December 2009, Carlyle MENA Partners, L.P. acquired a 40% stake in Medical Park Hospital Group, Turkey's second-largest health-care services company.

We managed each investment in our global real estate portfolio in an effort to preserve value and create exit liquidity. In addition to these activities, our teams focused on identifying and pursuing down-cycle transactions. Accordingly, we invested \$524 million in 23 new real estate transactions during 2009. We also took advantage of dislocated markets through our significant purchases of residential mortgage-backed securities (RMBS). Where others saw obstacles, we saw opportunity, purchasing more than \$500 million of RMBS during the 12 months ended December 31, 2009.

Despite the challenges in the fundraising markets, Carlyle had final closes on nine funds totaling \$15.6 billion in capital commitments from January 2009 through March 2010.

Despite the challenges in the fundraising markets, Carlyle had final closes on nine funds totaling \$15.6 billion in capital commitments from January 2009 through March 2010. The funds include Carlyle Asia Partners III, L.P. at \$2.55 billion; Carlyle Asia Growth Partners IV, L.P. at \$1.04 billion; Carlyle Asia Real Estate Partners II, L.P. at \$485 million; Carlyle Global Financial Services Partners, L.P. at \$1.1 billion; Carlyle MENA Partners, L.P. at \$500 million; Carlyle Mezzanine Partners II, L.P. at \$553 million; Riverstone/Carlyle Global Energy and Power Fund IV, L.P. at \$6.0 billion; Riverstone/Carlyle Renewable and Alternative Energy Fund II, L.P. at \$3.4 billion; and a small global credit fund.

In 2009, we reaffirmed our commitment to emerging markets in a variety of ways, including the formation of innovative partnerships. We recently announced partnerships in China to form two separate RMB-denominated funds. One is a partnership between Carlyle Asia Partners, which focuses on larger enterprises, and the Beijing Municipal Bureau of Financial Work; while the other joins Carlyle Asia Growth Partners, which focuses on small to medium-sized companies, with Fosun Group, the largest privately owned investment conglomerate in China. Each of these funds will help expand our investment capabilities in this rapidly growing country, further localizing our operation and contributing to the healthy development of the local private equity industry.

Carlyle also formed a partnership with Banco do Brasil to make buyout and growth capital investments in Brazil. Like China, we believe that Brazil is rich with opportunities for investment. In early 2010, we announced our South America Buyout team's first investment, in collaboration with Carlyle Partners V, L.P.: CVC Brasil Operadora e Agência de Viagens, Latin America's largest tour operator. We believe this transaction is representative of the high-quality opportunities within Brazil and other Latin American countries.

In 2010, financing markets, while improving, still are not fully healed. Economic fundamentals in developed markets will also remain challenged due to high unemployment, weak housing markets and slow growth in consumer spending. Furthermore, sovereign indebtedness will likely remain an issue of global importance and a drag on the global economic recovery.

Despite these issues, we believe that the investment discipline, geographic and product diversity, and focus on value that helped us weather the storm will enable us to thrive as we emerge from the Great Recession. Carlyle's strength is augmented by the

## BUILDING A BETTER BUSINESS AND STRONGER COMMUNITIES IN NEW AND ENDURING WAYS

At Carlyle, we believe that building a better business means investing responsibly. We evaluate investments not solely on their performance potential, but also on the environmental, public health, safety and social implications of the investment. Working in partnership with the Environmental Defense Fund, we jointly developed our industry's first business review process that looks for opportunities for operational improvement and value creation through enhanced environmental management of potential investments. We also work to strengthen the cities and towns across the globe in which we operate. We are teaming up with Junior Achievement to help young people develop skills to succeed in the global economy. And through our Volunteer and Wealth Sharing Program, we encourage employees to take time away from work to volunteer with colleagues for good causes to add value in communities where they live and work.



Responsible investing, community involvement and a concern for the environment are part of Carlyle's approach to business.

underlying diversity of our global portfolio and the financial stability it offers to the firm. Furthermore, our ample available capital supplements this strength and gives us the flexibility and speed to pursue high-quality investments in this uncertain climate. We believe the Carlyle edge, underpinned by financial strength, diversity and flexibility, provides a distinct competitive advantage.

During the past year, we renewed our commitment to communities by further integrating our responsible investment principles and promoting philanthropic activities. In 2009, we announced partnerships with various organizations to make a positive impact in communities in which we operate: our work with the Environmental Defense Fund will benefit both the environment and our portfolio companies; while our global partnership with Junior Achievement will foster financial literacy in primary and secondary schools around the world. In addition, our Volunteer and Wealth Sharing Program, introduced in 2005, encourages employees to volunteer within their communities and supports employee charitable giving by matching on a dollar-for-dollar basis up to \$2,000 per year for contributions made to educational and humanitarian organizations.

## LEADERSHIP AT CARLYLE

Our management team is stable, with co-founders and senior managing directors strongly committed to Carlyle. At the same time, we have identified future leaders who will contribute to the firm's growth and prosperity. The experience, ingenuity and sound judgment displayed by each of these individuals is inspiring. We intend to maintain our strong brand position by combining the wisdom of our founders with a new generation of proven investors and innovative thinkers.

In March 2010, **Peter J. Clare** was appointed Deputy Head of the U.S. Buyout group. This new role is in addition to his current responsibilities as Head of the Global Aerospace, Defense and Government Services Sector team. Pete is a Carlyle veteran, having joined the firm in 1992. He has been involved with and led many of our most successful investments, including Aviall, Avio, Booz Allen Hamilton, Landmark Aviation, Standard Aero and United Defense. From 1999 to 2001, Pete was a founding member of Carlyle Asia Partners; from 2001 to 2002, he played a significant role in the formation of Carlyle Strategic Partners.



Peter J. Clare  
Managing Director  
Washington, DC

At our core, we are a people business. We believe that our professionals are among the best and brightest in the industry. With approximately 860 employees, including more than 420 investment professionals, in 27 offices across 19 countries, we believe we have the capability to take advantage of opportunities wherever we create or uncover them. We also have a deep bench of investment professionals that we expect will contribute to the firm's growth and prosperity for years to come. The experience, ingenuity and sound judgment displayed by each of these individuals is inspiring, and their prodigious desire to continue building our brand gives us great comfort as we navigate this period of global uncertainty.

To complement this group of emerging leaders, we have added several seasoned professionals across the Carlyle platform. In the past year, we welcomed Gregory L. Summe as Vice Chairman of Global Buyouts and Michael J. Petrick as Global Head of Credit Alternatives and Capital Markets. These accomplished senior professionals join Carlyle at a pivotal time in our history. We have also strengthened our operating committee, chaired

by Glenn A. Youngkin. Leveraging the One Carlyle platform, our firm's expanded leadership is a tremendous advantage as it helps us pursue our strong commitment to excellence.

So, where are the opportunities? We are bullish on emerging markets, particularly China, India and Brazil, which have experienced a rapid rebound in economic performance driven by strong fundamentals. We believe there will be terrific, targeted opportunities in our home market, the United States. In the wake of the global crisis, the financial services industry is remaking itself. Our Global Financial Services team continues to identify ways to participate in this restructuring and recapitalization, and we expect their efforts to generate strong returns. The global energy and U.S. healthcare sectors also remain attractive arenas for future investment. We believe that the European recovery will lag that of Asia and America.

The Great Recession put Carlyle to the test. We are humbled and grateful to be able to say that we have passed that test in service to our investors. Our strength as a firm, range of products and geographies, and sector expertise provide the foundation for our stability and success. But it is the day-to-day efforts of our more than 860 remarkable professionals and the long-term confidence of our 1,300 investors who are our lifeblood.

The future is uncertain, but our mission remains clear: We will deploy our resources in creative and compelling ways in our efforts to create enduring value for our investors and the communities in which we live and operate.

William E. Conway, Jr.  
Managing Director

Daniel A. D'Aniello  
Managing Director

David M. Rubenstein  
Managing Director

Our strength as a firm, range of products and geographies, and sector expertise provide the foundation for our stability and success.

FINANCIAL STRENGTH:

\$88.6 billion under management

Carlyle operates from a position of financial strength. We have one of the largest global alternative asset management platforms. Our balance sheet is strong, and our assets under management are the second highest in the private equity industry. We had \$33.5 billion in capital ready to deploy at the close of 2009. And our portfolio is solid. These resources position us to create and seize opportunities.



CARLYLE STARTED in 1987 with \$5 million of capital. Today, we manage \$88.6 billion in 67 funds that are invested in some 260 companies across the globe. We oversee more than 520 corporate private equity and real estate investments with a total purchase price and equity invested of more than \$181 billion and \$45.4 billion, respectively.

We emerged from the Great Recession in a strong position. Our balance sheet is solid. Our firm is well capitalized. Our portfolio valuations are generally strong and improving. And our investment teams have the experience to home in on opportunities in an effort to create value as the markets continue to recover.

When we established The Carlyle Group, we also launched the conservative investment philosophy and disciplined investment process that we still seek to employ today. Quite simply, we seek to make sound investments in good companies with strong management teams and to structure transactions with relatively conservative amounts of debt. We believe this approach has helped Carlyle maintain solid financial footing even as the overall economy has faltered, and it's one reason we outperformed in the previous down cycle earlier in the last decade.

We entered the recent recession as one of the top global alternative asset management firms, and we have maintained—and even solidified—our leadership position as the economic recovery has begun to emerge. Our portfolios are considered by many third parties to be among the strongest in the industry, and we are considered an industry leader in accountability, transparency and corporate responsibility.





## ManorCare®

CEO: PAUL A. ORMOND

EMPLOYEES: APPROXIMATELY 60,000

ACQUISITION DATE: DECEMBER 2007

PURCHASE PRICE: \$6.2 BILLION

When Carlyle acquired ManorCare in 2007, **Stephen H. Wise** helped structure a \$4.6 billion commercial mortgage-backed security to support the transaction. Steve, who was named in *Investment Dealers' Digest's* 2010 Forty under Forty, has been investing in healthcare-related transactions for 13 years. He is a member of the boards of directors of HCR ManorCare, LifeCare, MultiPlan, as well as Qualicaps Group, which is part of the Carlyle Japan Partners, L.P. portfolio.

Stephen H. Wise  
Managing Director  
New York

### Providing solid financial growth and high quality of care

With strong occupancy rates and a diverse mix of patients, HCR ManorCare has continued to experience solid growth and increased cash flow since its acquisition by Carlyle Partners V, L.P. in December 2007. Considered by many to be among the best in the healthcare industry, the company's management team, led by CEO Paul A. Ormond since 1991, has successfully maintained high standards and quality of care, invested in technology, opened and expanded facilities, and reduced debt. EBITDA has grown 24% since acquisition and the company has reduced total debt by \$500 million.

Since Carlyle's acquisition, HCR ManorCare has completed multiple projects involving both new construction of skilled nursing facilities and expansion of existing facilities to meet the growing needs of an aging nation. These projects have added nearly 450 jobs in the past two years, with over 550 additional new jobs expected over the next 24 months.

HCR ManorCare, with an enterprise value of \$6.2 billion at acquisition, is the largest provider of skilled nursing facilities in the United States. Based in Toledo, Ohio, it has a broad geographic footprint with 277 skilled nursing facilities located across 30 states.

The Carlyle ManorCare team is led by **Karen H. Bechtel**, who spearheaded Carlyle's original investment in the company in 2007. One of the firm's Managing Directors and Head of the Global Healthcare team based in New York, Karen has invested more than \$1.5 billion of equity in U.S. healthcare companies since joining Carlyle in 2005. She brings 13 years of experience with healthcare-related investments to the leadership of the ManorCare team.

Karen H. Bechtel  
Managing Director  
New York



While the past 12 months have been challenging, we also saw opportunity and made what we believe to be extraordinary investments. We managed the portfolio vigorously and creatively, leveraging our industry expertise, management know-how, global network, capital markets expertise and the powerful One Carlyle collaborative spirit.

**PRESERVING AND GROWING PORTFOLIO VALUE**

We took a number of steps in an effort to preserve and enhance portfolio value in 2009. We intensified operational involvement with management and teams in the field. We endeavored to preserve and enhance liquidity and aggressively de-levered where possible through debt repurchases and by amending and extending debt to gain additional flexibility. We improved and strengthened management at many of our portfolio companies. At the same time, we pursued strategic acquisitions and mergers. Some examples:

**Helping a company access a growing market**

Carlyle was part of an investment group that provided RMB6.6 billion of new capital to China Pacific Insurance, the country's third-largest insurance group. At the time of the acquisition, the transaction was the largest private equity investment in China. Since Carlyle's investment, we supported China Pacific Insurance's initial public offerings in Shanghai in 2007 and in Hong Kong in 2009, raising a total of RMB30 billion (or US\$4.1 billion). Together, Carlyle's equity investment and IPO proceeds will allow the company to realize the full potential of the world's fastest-growing market.



- Britax, a global manufacturer of premium-brand children's car safety seats, realigned its organization to improve efficiencies, increase sales and continue investment in new products and technologies.
- ARINC, a global provider of transportation communications and systems engineering services, increased sales while reducing debt.
- In June 2009, Riverstone/Carlyle Renewable and Alternative Energy Fund II, L.P. committed \$400 million to create Pattern Energy Group Holdings, and recently raised an additional \$266 million in co-investment to supplement the fund's investment. Pattern is a renewable energy company focused on wind development primarily in the North American region.
- Schoolnet's strategic merger with CampusWare gives both companies a unique opportunity to enhance the products and services they provide.

We also supported four Chinese companies in successfully completing their public offerings, raising a combined total of \$3.8 billion. We remain committed to helping these companies fulfill their strategic and commercial objectives, just as we are committed to China for the long term.

**SEEKING OPPORTUNITY WHILE OTHERS SOUGHT SHELTER**

Many of our largest funds were raised within the last three years and are early in their investment period. For example, our U.S. buyout fund, Carlyle Partners V, L.P., launched at \$13.7 billion. Its investments include a majority stake in Booz Allen Hamilton, acquired for \$2.6 billion; HCR ManorCare, with an enterprise value of \$6.2 billion; HD Supply, acquired for \$8.8 billion; and OpenLink Financial, with an enterprise value of \$475 million.

Likewise, Carlyle Global Financial Services Partners, L.P. was launched to invest in management buyouts, growth capital opportunities and strategic minority investments in the financial services sector. Already the fund has made what we believe to be three excellent investments, including Florida-based BankUnited, acquired in 2009 with Carlyle Partners V, L.P., Carlyle Strategic Partners II, L.P. and co-investors for \$945 million.



Janine Feng  
Managing Director  
Hong Kong

**Janine Feng** is a Managing Director focused on buyout opportunities in Greater China. She oversaw Carlyle's investments in China Pacific Insurance as well as other investments, such as Chongqing Polycomp International Corporation, Pacific China Holdings and Zhejiang Kaiyuan Hotel Management. Janine has been with Carlyle since 1998 and has more than 15 years of investment experience, including transactions in structured and project finance.



### Proving the value of collaboration

Moncler Group is an Italian luxury apparel group that manages the brands Moncler, Henry Cotton's, Marina Yachting, and Coast, Weber & Ahaus. Moncler is also the licensee of the sportswear line of the brand Cerruti.

Since acquiring a 48% stake in Moncler in 2008, Carlyle has helped management develop and implement a strategy focused on international growth, which includes new store openings. In 2009, Moncler Group experienced a significant increase in sales and profitability, primarily due to the strong performance of the Moncler brand in both wholesale and retail channels and improved gross margin.

The company is planning a number of new store openings for the Moncler brand in 2010, including new stores in Beijing, Munich, New York and Salzburg, as well as in the Swiss resort towns of Lugano and Zermatt.

Moncler Group is an excellent example of our One Carlyle collaborative approach. Carlyle professionals from Hong Kong, Tokyo and the United States have suggested business development options, have helped with local recruiting and setting up joint ventures, and serve on Moncler boards of directors.



## MONCLER

CHAIRMAN: REMO RUFFINI

EMPLOYEES: APPROXIMATELY 1,060

ACQUISITION DATE: OCTOBER 2008

PURCHASE PRICE: €476 MILLION

ATTRACTING COMMITMENTS TO NEW FUNDS

We continue to attract commitments to new funds and the latest generations of funds. In 2009 and early 2010, a number of funds had final closings, including Carlyle Global Financial Services Partners, L.P. at \$1.1 billion, Carlyle MENA Partners, L.P. at \$500 million and Carlyle Asia Partners III, L.P. at \$2.55 billion. These funds are actively investing in companies as diverse as Guangdong Yashili Group, one of China's largest infant formula companies, and Medical Park Sağlık Hizmetleri, Turkey's second-largest healthcare services company. We are also continuing to pursue investment opportunities in other emerging markets.

Of our 20 funds that are currently active in their investment periods, 11 have deployed less than a third of their committed capital. We believe we are well positioned to take advantage of the extraordinary investment opportunities that present themselves in the wake of the Great Recession.

Late in 2009, we uncovered new investment opportunities in China when Carlyle Asia Growth Partners IV, L.P. committed to invest more than \$60 million in three high-growth companies. Jiangsu Rainbow Heavy Industries, China Agritech and iTour are all strong performers in their respective sectors of heavy industry, agriculture and consumer services. The transactions came just four months after the closing of the fund, Carlyle's fourth Asia growth fund, which raised \$1.04 billion in 14 months despite a difficult fundraising environment. The transactions reflect Carlyle's continuing confidence in the Asian markets and our ongoing enthusiasm for investment opportunities in China. These three investments also reflect Carlyle Asia Growth Partners' focus on companies with proven business models and solid leadership teams seeking long-term growth in domestic and overseas markets.

POSITIONED FOR FUTURE GROWTH AND FURTHER STRENGTH

Carlyle is quickly returning to an active investment pace: in 2009, we invested and committed \$5.2 billion in 27 countries. During the first three quarters of the year, the vast majority of these investments were in areas of distress, emerging markets or energy. But as the year drew to a close, our investments shifted toward more traditional opportunities. We expect our near-term exits to generate solid cash distributions.

Acknowledging that China's fast-growing economy makes it one of the most attractive investment destinations in the world, we launched two new RMB-denominated funds in early 2010, one based in Beijing and the other based in Shanghai. To date, we have invested more than \$2.5 billion in China in nearly 50 transactions. In January 2010, Carlyle was named the best private equity firm in Asia by

*The Asset* magazine. And for the second year in a row, Carlyle was ranked number one among the best private equity firms in China by ChinaVenture, a research and consulting institute in China.

While the world is changing at an increasingly rapid pace, we are continuing to build a strong global investment firm focused on investor interests and needs. Our management team is stable, with co-founders and senior managing directors strongly committed to the firm. At the same time, we are developing a new generation that is already beginning to assume leadership positions. These new leaders are dedicated to our core values of integrity and professionalism and sharing internal expertise across the firm.

Moving forward, our strategy, backed by 22 years of success, will continue: invest in companies with leadership positions in their product areas, back management teams with vision and operational discipline, and invest in growth. As ever, we hold our investments until we are satisfied that our work with management has achieved the desired results. We invest in businesses in which we are eager to put personal capital to work alongside that of our investors. In fact, we have committed nearly \$3.8 billion of our own capital to our funds, aligning our interests with those of our investors.

Our investment approach demands discipline above all else, yet also emphasizes the importance of quickly responding to new opportunities. We wield deep industry expertise through a decentralized organizational model, while at the same time subjecting all investment proposals to rigorous review by the firm's most experienced professionals.

Today, the Carlyle brand is among the strongest in the global investment industry. We intend to sustain that position by combining the wisdom of our founders with a new generation of proven investors and innovative thinkers.

ACHIEVEMENT 2009-2010

Through early 2010, we have committed nearly \$3.8 billion of our own capital to our funds, a greater amount of side-by-side commitment than our key competitors.



Carlyle was named Asia's best private equity firm by *The Asset* magazine in its 2009 Triple-A Asset Asian Awards. Receiving the award are Carlyle Managing Directors (from left) Wayne Wen-Tsui Tsou, Head of Carlyle Asia Growth Partners; Jason H. Lee, Head of Carlyle Asia Real Estate Partners; and Xiang-Dong (X.D.) Yang, Co-Head of Carlyle Asia Partners.

## PRODUCT DIVERSITY:

67 funds across multiple asset classes

Offering a variety of funds across various disciplines and regions gives our investors greater flexibility to allocate capital among multiple asset classes and throughout the capital structure.



DIVERSIFICATION IS ONE OF THE FUNDAMENTAL STRATEGIES of successful investing. Carlyle enables our investors to put this strategy to work by offering 18 fund groups and two joint ventures that are investing across six continents in multiple asset classes.

Our extensive product range is essential for a firm that has one of the most diverse sets of investors in the industry. At the end of 2009, Carlyle counted some 1,300 investors from 72 countries, with more than 93% of commitments representing investors who have invested in more than one Carlyle fund.

Our funds are managed by a diverse team of investment professionals. In virtually every market around the world, Carlyle's investment professionals are almost exclusively made up of nationals of the countries in which they operate. Our investment professionals have strong reputations, established contacts and knowledge about their local business climate and culture. The insights of these diverse teams of more than 420 investment professionals form a global vision that helps Carlyle in its efforts to create value from New York to Beijing, from Paris to Istanbul.

## GLOBAL PRIVATE EQUITY: INCREASING VALUE

The goal of our Global Private Equity investment professionals is straightforward: to increase the value of the companies in which the firm invests. These teams look closely at everything from high- to modest-growth firms to market-leading, large-cap companies in 11 core industry sectors on six continents. Then they put the proven Carlyle approach to work, collaborating with both company management and Carlyle colleagues around the world to find ways to improve the companies' operational performance and market position. In this way, and by aligning the interests of company management with those of investors, Carlyle continually focuses on maximizing value for investors across the globe.

**BUYOUT FUNDS.** Carlyle has 23 buyout funds, 15 of which are geographically focused on investment opportunities in the Americas, Asia, Europe, Japan, and the Middle East and North Africa (MENA). Eight additional buyout funds are focused on specific sectors: Carlyle Global Financial Services Partners, L.P.; Carlyle Infrastructure Partners, L.P.; and six global energy, power and renewable energy funds.



CEO: JOHN A. KANAS

EMPLOYEES: APPROXIMATELY 1,050

ACQUISITION DATE: MAY 2009

PURCHASE PRICE: \$945 MILLION

### Revitalizing a proud name in banking

Florida's BankUnited was reestablished as a strong and well-capitalized bank as the result of an investment made by Carlyle and other investors in 2009. Carlyle Global Financial Services Partners, L.P., Carlyle Partners V, L.P. and Carlyle Strategic Partners II, L.P. combined their capabilities and expertise in the acquisition. The investors, led by John A. Kanas, acquired the assets and most of the liabilities of the former BankUnited from the Federal Deposit Insurance Corporation. The group recapitalized the bank with \$900 million in new equity, making it one of the most well-capitalized financial institutions in the country.

Mr. Kanas, the former Chairman and CEO of North Fork Bancorporation, became BankUnited's Chairman and CEO. He brings more than 35 years of successful bank leadership to BankUnited. Under Mr. Kanas's leadership, BankUnited has hired several new, experienced bank managers to strengthen and complement the existing team. The bank also plans to introduce more products and services for individual and business customers.

Florida has generally been considered one of the most attractive banking markets in the United States with more than 5,000 banking offices throughout the state. BankUnited is the largest Florida-based bank with \$8 billion in deposits. Headquartered in Miami Lakes, it has more than 75 branches located in 13 coastal counties and employs more than 1,000 people across the state.

**P. Olivier Sarkozy** heads up Carlyle's \$1.1 billion global financial services fund. He joined Carlyle in 2008 and leads a team that includes 12 investment professionals with extensive experience across all sectors of the financial services industry. Since the fund's formation, Olivier has overseen investments in three financial institutions: The Bank of N.T. Butterfield & Son, BankUnited and Boston Private Financial Holdings.

"Private equity can play a significant role in recapitalizing financial services firms buffeted by today's tough markets," says **Jim Burr**. Since joining Carlyle as a Managing Director in our Global Financial Services team in 2008, Jim has helped Carlyle do just that. Recently, he was closely involved with Carlyle's investment in The Bank of N.T. Butterfield & Son, based in Hamilton, Bermuda, and was added to the bank's board of directors as part of the transaction.

Jim Burr  
Managing Director  
Charlotte

P. Olivier Sarkozy  
Managing Director  
New York



In 2009, our U.S. buyout fund, Carlyle Partners V, L.P., acquired OpenLink Financial, a provider of cross-asset trading, risk management and related portfolio management software solutions for the global commodity, energy and financial services markets. Based in New York, OpenLink's blue chip client base includes 12 of the top 25 largest commodity and energy companies by market capitalization, eight of the largest financial institutions and 11 of the largest central banks, as well as major hedge funds and public utilities. In response to the growing regulation of the derivatives market, OpenLink is well positioned to offer new products and services to its customers.

In Asia, Yangzhou Chengde Steel Tube, a Carlyle Asia Partners II, L.P. portfolio company, was awarded a contract in 2009 from India's leading boilermaker, Bharat Heavy Electricals, to supply about 4,000 tons of seamless steel pipes. This is the first time that Bharat has successfully validated a Chinese large-diameter seamless steel pipe supplier for its entire product range. The contract is an example of how Carlyle Asia Partners helps its portfolio companies enter new markets by leveraging Carlyle's global network. Also in 2009, China Pacific Insurance, China's third-largest insurance group, listed on the Hong

Kong Stock Exchange, raising a total of more than \$3.1 billion. In early 2010, a new RMB-denominated fund was established to invest alongside Carlyle and pursue independent investments in larger growth companies. The fund will help expand Carlyle's investment capabilities in Beijing and across China, furthering Carlyle's strategy of localizing our operation in China and contributing to the development of the local private equity industry.

Carlyle Japan Partners II, L.P. acquired two companies in 2009, including Chimney, a Japanese pub and restaurant operator focused on diversifying and expanding its operations beyond its current pub-centered business.

Carlyle MENA Partners, L.P. completed raising its first fund with equity commitments of \$500 million, and acquired a 40% stake in Medical Park Sağlık Hizmetleri, Turkey's second-largest healthcare services company. The investment will help expand the company and reduce debt.

Carlyle Infrastructure Partners, L.P. was part of a joint venture that entered into a 35-year public-private partnership with the State of Connecticut; Doctor's Associates, which is the parent company of SUBWAY Restaurants; and Subcon to redevelop, operate and maintain Connecticut's 23 highway service areas across the state. And Carlyle/Riverstone oversaw a major partnership formed by portfolio company Cobalt International Energy and Sonangol for oil drilling in the deepwater Gulf of Mexico and the deep-water offshore Angola.



Kazuhiro Yamada  
Managing Director  
Tokyo

As Managing Director of Carlyle Japan Partners, **Kazuhiro Yamada** focuses on Japanese buyout opportunities and has responsibilities to lead deal sourcing activities and oversee all new transactions. Based in Tokyo, he was integrally involved in the sourcing and execution of Carlyle's acquisitions of Asahi Security, AvanStrate, Covalent Materials, Gakusei Engokai, Kito and Rhythm. He sits on the boards of directors of Broadleaf, Covalent Materials and Kito.

### Building a new relationship

Carlyle Asia Real Estate Partners and South Korea's National Pension Service (NPS) acquired the KDX Toyosu Grandsquare, a 10-story office building in Tokyo built in 2008. The investment marks the first time Carlyle and NPS have made a joint investment. Each floor of KDX Toyosu Grandsquare offers approximately 50,000 square feet of office space. The building incorporates a number of environmentally friendly features, such as a rooftop garden which reduces the building's heat load.



KDX Toyosu  
Grandsquare, Tokyo

**GROWTH CAPITAL FUNDS.** Carlyle has 10 growth capital funds advised by three regionally focused teams in Asia, Europe and the United States. Each team has its own investment objectives.

Carlyle's U.S.-focused growth capital funds invest in lower middle-market companies with unrealized growth potential, with an emphasis on small buyout and expansion-stage growth equity transactions involving U.S. companies with global potential. In 2009, Carlyle U.S. Growth Fund III, L.P. made a \$5.4 million add-on investment in RMI, an Atlanta, Georgia-based software-as-a-service provider of transportation and supply chain solutions. This follow-on investment, as well as debt financing, enabled RMI to close on two strategic add-on acquisitions, at attractive valuations, to add new solutions and capabilities to further RMI's growth. The fund also made an additional investment in Apollo Global, a \$1 billion joint venture between Carlyle and Apollo Group (NASDAQ: APOL) to build an international education services business. The investment helped Apollo Global acquire BPP Holdings, a European provider of professional education and training.

Carlyle Europe Technology Partners pursues growth capital and small- to mid-cap buyout investments in companies characterized by technological innovation and leadership in sectors with positive dynamics. Last year, Carlyle invested in Groupe Marle, the largest independent medical forging company in Europe and second largest worldwide, and Personal & Informatik, a German human resources software and services vendor to small and medium-sized enterprises. Carlyle also completed several exits, including SmartTrust, a leading developer of infrastructure software for managing and securing mobile services; and with these exits, Carlyle has now fully exited all of its investments in Carlyle Europe Venture Partners, L.P.

Carlyle Asia Growth Partners is focused on private high-growth companies with strong local management teams and leading market positions in China, India and South Korea. In 2009, Carlyle committed to invest more than \$60 million in three diverse, high-growth companies based in China. In early 2010, Carlyle and the Fosun Group, the largest privately owned investment conglomerate in China, formed a



CEO: MIKE GARLAND

EMPLOYEES: APPROXIMATELY 80

ACQUISITION DATE: JUNE 2009

INITIAL COMMITMENT: \$400 MILLION

### Plugging into renewable energy

Some say part of the answer to the world's growing energy needs can be found in wind-generated power. In June 2009, Riverstone/Carlyle Renewable and Alternative Energy Fund II, L.P. committed \$400 million to create Pattern Energy Group Holdings, and recently raised an additional \$266 million in co-investment to supplement the fund's investment. Pattern is a renewable energy company focused on wind development primarily in the North American region. It is an independent, fully integrated energy company that develops, constructs, owns and operates renewable energy and transmission assets in the United States, Canada and parts of Latin America.

The team at Pattern includes more than 80 employees who have developed, financed and placed into operation more than two gigawatts of wind power in 11 states and four countries—enough to power more than 800,000 average American homes. Pattern has a development pipeline of more than four gigawatts of wind energy projects.

Since inception, Pattern has begun construction—and remains on time and on budget—on a 101-megawatt wind farm in California with an expected operational start date of November 2010; a 138-megawatt construction project in Manitoba, Canada, with an expected operational start date in late 2010; and has acquired a 283-megawatt operating wind farm in Texas. All of the projects have long-term financing and long-tenure power purchase agreements in place. It is estimated that these three projects will generate enough power for more than 200,000 homes.



strategic relationship to launch a Shanghai-based RMB-denominated fund. With an initial investment of \$100 million, the fund seeks to invest in high-growth companies in China as well as identify co-investment opportunities around the world with a business nexus to China.

**GLOBAL CREDIT ALTERNATIVES: SPECIALIZED EXPERTISE**

Carlyle Global Credit Alternatives comprises a team of 57 investment professionals based in London, Los Angeles, New York and Washington, DC. The team manages credit risk across the credit spectrum, including leveraged loans, bonds, mezzanine securities, and distressed equity and debt. Michael J. Petrick, who joined Carlyle in early 2010, leads Carlyle's Global Credit Alternatives business.

Carlyle Mezzanine Partners invests in debt and equity securities of leveraged buyouts, recapitalizations and growth financings. In 2009, the team completed fundraising for its second fund, Carlyle Mezzanine Partners II, L.P., with equity commitments of \$553 million. To date, the fund has invested \$257 million in 10 transactions.

Carlyle Strategic Partners invests in the debt and equity of operationally sound, financially distressed companies in Carlyle's core industries around the world. In 2009, MD Investors was formed by a group of Metaldyne's existing term lenders, led by Carlyle, to acquire the assets of Metaldyne via a Section 363 sales process under the U.S. Bankruptcy Code. This process created a powertrain-focused company that is expected to be a stable supplier to the global automotive industry.

Carlyle's structured credit group invests primarily in performing senior secured bank loans through collateralized loan obligations and synthetic structures. The group manages 18 vehicles in Europe and the United States, accounting for more than \$10 billion in assets under management. In 2009, Carlyle's structured credit funds saw dramatic improvement from the 2008 lows, with many funds making distributions to equity investors.

**GLOBAL REAL ESTATE: SEEKING OPPORTUNITY**

Carlyle has 10 real estate funds focused on investment opportunities in Asia, Europe and North America. In all, Carlyle has invested in 423 properties around the world with a total capitalization of \$37.4 billion, completed 168 full or partial realizations, and returned \$5.0 billion to investors.

In 2009, our U.S. real estate team, Carlyle Realty Partners, continued to focus on the RMBS sector. In a joint venture with Falcon Bridge Capital, Carlyle acquired \$501.1 million of RMBS. While adhering to strict investment criteria with conservative underwriting, Carlyle seeks to identify RMBS investments that offer solid underlying fundamentals yet are priced at distressed levels.

**Giving a strong company new life**

Metaldyne Corporation is a global manufacturer of highly engineered metal components for light vehicles and trucks. Carlyle began investing in the bank debt of Metaldyne—which it saw as a strong company in a down-cycle market—in 2008. When Metaldyne filed for Chapter 11 bankruptcy protection in May 2009, Carlyle saw the opportunity to team with other term lenders to create a new powertrain-focused company that is expected to be a stable supplier to the global automotive industry, a move Carlyle believes will benefit Metaldyne's customers and other stakeholders.

**Raymond A. Whiteman**, a 13-year Carlyle veteran, is Co-Head of the firm's distressed investment team. He is tasked with taking advantage of the global opportunities for distressed investing that result from the current turbulent economic and capital markets environment and excessive leverage on corporate balance sheets. Ray is based in Washington, DC, and currently serves on the boards of directors of Diversified Machine and Metaldyne Corporation.



Raymond A. Whiteman  
Managing Director  
Washington, DC

In Europe, highlights include major new leases in the Nordic region, despite a challenging rental market; new retail leases in Paris; and the completion of a new office building in Madrid, which is the headquarters for the Spanish National Registrars Association (Colegio de Registradores). Carlyle Europe Real Estate Partners also expanded its operations into the Benelux region, where the team is building a portfolio of student housing. In 2009, Carlyle sold five properties: three in France, one in Germany and one in Spain.

In Asia, Carlyle and the Korean National Pension Service jointly acquired KDX Toyosu Grandsquare, a 10-story, class-A office building in Tokyo. In addition, five investments were sold in Asia in 2009. Two of these realized investments include Ocean International, an apartment building located in Beijing with 228 units on 23 floors that was converted from a residential tower to service apartments, and Lakefront Villas, a newly completed residential complex located in Shanghai. We believe these transactions during a volatile cycle in the market reflect the deep experience, knowledge and talent of our teams in Asia.



ACHIEVEMENT 2009

Our second U.S. mezzanine fund, Carlyle Mezzanine Partners II, L.P., completed fundraising with equity commitments of \$553 million.

## SECTOR EXPERTISE:

### A focus on 11 key areas

We are open to opportunities wherever they can be found or created, but we serve our investors best when we focus on sectors in which we have demonstrated expertise.



IN INVESTING, KNOWLEDGE IS POWER. The more we know about a company and its sector, the better prepared we are to see and take advantage of opportunities. Over the last 22 years, we have amassed specialized proficiency in 11 key sectors: aerospace and defense, automotive and transportation, consumer and retail, energy and power, financial services, healthcare, industrial, infrastructure, real estate, technology and business services, and telecommunications and media.

We endeavor to put this deep knowledge to work when performing due diligence on potential investments, as well as in our efforts to create value for the companies we acquire. With Carlyle's global platform, sector teams collaborate across the firm: a team pursuing an opportunity in Asia, for example, can draw on the industry expertise from Carlyle professionals in the United States.

In fact, teamwork is critical to Carlyle's competitive edge. Across the globe, teams regularly share ideas, resources and country-specific industry knowledge. Our strategy includes partnering with industry entrepreneurs, CEOs and COOs to add greater management and operational depth. These senior advisors work proactively with portfolio company management to help assess and implement strategies in an effort to create value.

**AEROSPACE & DEFENSE.** The Carlyle aerospace and defense team has leveraged its extensive industry experience to pursue proprietary investment opportunities across a wide range of industry subsectors. Our familiarity with the peaks and troughs of the commercial aerospace cycle and our experience in the defense contracting world enable us to evaluate opportunities from a long-term strategic perspective. This unique ability has enabled us to successfully complete a number of investments.

On many of these investment opportunities, Carlyle has worked closely with existing management teams looking to seize opportunities within the industry. A strategic partner and knowledgeable source of capital, Carlyle seeks to facilitate the completion of growth acquisitions, recapitalizations or going-private transactions at its portfolio companies.

In 2009, Carlyle Partners IV, L.P. portfolio company ARINC reduced its debt and continued to grow despite the challenging environment. In addition, Vought Aircraft Industries sold its South Carolina facility to Boeing in 2009. And in March 2010, Carlyle agreed to sell Vought to aircraft components maker Triumph Group in a transaction worth \$1.44 billion.

Booz Allen Hamilton experienced double-digit growth in 2009, driven by strong demand in the defense and security markets. Booz Allen Hamilton has been at the forefront of strategy and consulting for 95 years. The company focuses primarily on recession-resistant government services, providing a broad range of services in strategy, operations, organization and change, information technology, cybersecurity, systems engineering and program management.



## 666 FIFTH AVENUE

### Finding opportunities means knowing where to look

It pays to be constantly aware of changes in the market. For example, conditions in the market for RMBS demonstrate how rapid shifts in market liquidity can translate into attractive investment opportunities. In late 2008, financial groups—including investment banks and mortgage originators—held large inventories of RMBS and whole loans that were originally acquired for sale or investment. At the same time, traditional investors had backed away from making new investments. As a result, the RMBS market is generally characterized by limited investor interest and abundant supply. Taking a granular approach with conservative underwriting, we seized the opportunity—basing our decisions on fundamental research in the residential sector. Through December 2009, Carlyle Realty Partners V, L.P. and Carlyle Realty Distressed Partners I, II and III committed nearly \$1.1 billion to RMBS investments. This commitment covers 58 individual transactions, of which 97% have an investment-grade rating (92% rated AAA).

**Robert G. Stuckey** has headed up Carlyle's U.S. real estate funds for almost 12 years. He guides the U.S. real estate team on all investments, including acquiring a controlling interest in the retail portion of New York City's 666 Fifth Avenue building with Crown Acquisitions. The 90,000-square-foot retail property, which is located in one of the most prestigious retail corridors in the United States, is one of only a few to offer 200 feet of uninterrupted retail frontage on Fifth Avenue. Since acquiring the property in July 2008, Carlyle has bought out below-market leases with Hickey Freeman and Brooks Brothers and retented a majority of the space with long-term at-market leases with Abercrombie & Fitch and UNIQLO.

Robert G. Stuckey  
Managing Director  
Washington, DC



**AUTOMOTIVE & TRANSPORTATION.** Carlyle is one of the few global alternative asset management firms with a focus on the automotive industry and the transportation sector. This focus has helped us generate a successful record of investing in companies that manufacture components and accessories for the world's major automakers. We also have extensive experience with companies that serve the transportation sector either from a manufacturing standpoint or as part of the global transportation network.

Carlyle recently exited its investment in AxleTech International for a sizable return on equity invested, when the company was acquired by General Dynamics. Since Carlyle acquired AxleTech in 2005, the company, which manufactures heavy-duty axles and suspension systems, repositioned itself, achieved profitable growth and expanded employment. Other companies in the automotive and transportation portfolio include Allison Transmission, Hertz Corporation, Jiangsu Sinorgchem Technology, Metaldyne and United Components.

**CONSUMER & RETAIL.** At 15% of GDP, Carlyle believes the massive consumer products arena presents significant investment opportunities. By partnering with seasoned industry executives and tapping into our global network, Carlyle expects to be well positioned to capture quality investments in target areas of the consumer products sector.

Last year, the Italian luxury apparel group Moncler experienced a 23% increase in sales, despite the tough economy. Working with Moncler's talented Chairman and Creative Director, Remo Ruffini, Carlyle supports the company's long-term strategy of controlled growth aimed at further strengthening the Moncler brand, image and positioning.

In Asia, investments were made in two consumer products companies, including Natural Beauty Bio-Technology, one of Greater China's largest skin care products and beauty spa service providers. Natural Beauty was founded in 1972 and is listed on the Hong Kong Stock Exchange.

**ENERGY & POWER.** Carlyle/Riverstone's global network enables it to serve both as a capital provider and strategic partner in buyout and growth equity opportunities on three continents. Its distinctive combination of investment and industry expertise has produced a strong track record. And its long-standing relationships with high-quality management teams help create value throughout market cycles.

**Alex Wagenberg** is a Managing Director focused on European buyout opportunities. Based in Barcelona, he has been involved in numerous investments, including Saprogal, an animal nutrition group in Portugal and Spain, and Applus+, a global certification company specializing in testing, inspection, certification and technological services.



Alex Wagenberg  
Managing Director  
Barcelona

In 2009, Dynamic Offshore Resources continued to generate significant free cash flow, enabling it to make accretive acquisitions. A Houston-based oil and gas company, Dynamic Offshore focuses on acquiring and developing properties in the Gulf of Mexico shelf region. Last year, the company made two acquisitions, adding more than 95 billion of cubic feet equivalent of reserves.

Gibson Energy Holdings also experienced strong levels of profitability last year. Based in Calgary, Canada, Gibson has a large network of assets, from 3.4 millions of barrels of crude storage capacity and a 16,000-barrel-per-day processing facility to 11 terminals and 290 miles of pipeline. In 2009, Gibson made several acquisitions that expand its truck-hauling capacity and provide entry into the prolific Saskatchewan Bakken basin.

**FINANCIAL SERVICES.** Carlyle established Global Financial Services Partners in 2007. The team has more than 100 years of collective experience across all sectors of the financial services industry, providing strong historical knowledge, working relationships with key financial services players and deep expertise to guide our investment choices. In 2009, Boston Private Financial Holdings, which owns a network of independently operated financial services firms across the United States, took decisive steps to further strengthen its balance sheet by divesting three affiliates.

Other financial services investments include three Asian companies. Housing Development Finance Corporation, a mortgage finance company and the largest lender to real estate developers in India with a 25% national market share, and TC Bank (formerly Ta Chong Bank), a midsized commercial bank in Taiwan, are part of the Carlyle Asia Partners II, L.P. portfolio. Repco Home Finance, a professionally managed housing finance company based in India, is part of the Carlyle Asia Growth Partners III, L.P. portfolio.

**HEALTHCARE.** Through both buyout and growth capital funding, Carlyle invests in healthcare companies led by seasoned management that hold a competitive edge in this dynamic industry.

In early 2010, MultiPlan, the largest independent preferred provider organization (PPO) in the United States, acquired Viant, another large independent PPO. Concord Medical Services Holdings, an operator of the largest network of radiotherapy and diagnostic imaging centers for cancer treatment and diagnosis in China, completed its initial public offering on the New York Stock Exchange, raising total gross proceeds of \$132 million.

**INDUSTRIAL.** Carlyle believes its industrial team has the experience and global resources to identify and capitalize on a wide range of investment opportunities. The team's strategy includes partnering with both strategic buyers and seasoned industry executives in efforts to improve the operations and competitive positioning of a portfolio company.



**Forging a new relationship**

In July 2009, Carlyle acquired 78% of Groupe Marle, the largest independent medical forging company in Europe and the second largest in the world. Marle has a 30-year track record of serving the orthopedic implant industry and specializes in the precision forging of hip implant stems. The company manufactures one in five hip implants produced annually in the world. Immediately after the transaction closed, Marle bought out the contract of its exclusive distributor for Germany and Switzerland, a move that will lead to approximately €300,000 of annual cost savings and enable the company to be more proactive in the German and Swiss markets.



**A landmark public-private partnership means upgrades for highway motorists and more than 300 new jobs.**

Motorists stopping at one of Connecticut's 23 highway service areas will see some changes soon. In November 2009, Carlyle entered into a joint venture called Connecticut Service Plazas with Doctor's Associates, which is the parent company of SUBWAY Restaurants, and Subcon, forming a 35-year public-private partnership with the State of Connecticut to redevelop, operate and maintain Connecticut's 23 highway service areas on Interstates 95 and 395 and Route 15 (The Wilbur Cross and Merritt Parkways). The current facilities were built in the 1940s and 1950s, and have had no significant capital improvements in the past 25 years.

The Connecticut Service Plazas transaction is an innovative public-private partnership through which private sector funding will help to rebuild public infrastructure. In this effort, Connecticut Service Plazas will pay for 100% of the improvements to the service areas in exchange for the right to operate the facilities for 35 years. The State will continue to own the facilities through the term of the agreement, and at the end of 35 years, the State will resume responsibility for the operations and maintenance of the facilities.

The new rest stops will include Dunkin' Donuts, which is a Carlyle portfolio company, and a variety of other local restaurants and shops, supplementing existing brands such as McDonald's. Connecticut Service Plazas will also provide improved fuel services and expanded convenience stores and tourism resources at the service areas. It also plans to implement environmental innovations including silver LEED design elements and truck idle reduction technology. Connecticut Service Plazas and its tenants expect to invest approximately \$178 million in improvements and upgrades to the service areas and create approximately 340 jobs. In total, the state is expected to receive approximately \$500 million in economic benefit from the redevelopment.



CEO: PAUL D. LANDINO

EMPLOYEES: APPROXIMATELY 750

ACQUISITION DATE: DECEMBER 2009

PURCHASE PRICE: \$178 MILLION

In 2009, China Forestry Holdings completed its initial public offering, raising total gross proceeds of \$200 million. One of the three largest privately held forestry plantations in China, the company manages and develops sustainable forests for harvesting and sales. Jiangsu Sinorgchem Technology made progress penetrating overseas markets, with support from Carlyle's global network and the company's new overseas sales effort. Sinorgchem is the largest Chinese supplier of a key chemical additive that helps prevent premature aging of rubber, especially automotive tires.

**INFRASTRUCTURE.** Carlyle Infrastructure Partners, L.P. invests in public and private infrastructure projects and assets primarily in the United States and Canada. Infrastructure investment demand continues to grow in the United States and Canada, where deferred maintenance and new construction costs are estimated to top \$1 trillion over the next five years. Private investment offers state and local governments an alternative way to meet these funding and operating demands beyond the traditional means of raising funds by increasing taxes and issuing bonds.

**REAL ESTATE.** Carlyle has experienced real estate teams on three continents. In the United States, Carlyle Realty Partners focuses primarily on major metropolitan markets, seeking investments in the office, hotel, industrial, retail and residential sectors. Its goal is to locate undervalued properties in its target markets with an objective of providing a swift return of capital to investors. In 2009, Carlyle leased an entire office building in San Jose, California, to Harmonic, Inc. for its new corporate headquarters. It was the largest new office/research and development lease in Silicon Valley in two years.

Carlyle Europe Real Estate Partners seeks investments in commercial property that can be repositioned by updating and improving the existing physical structure and by boosting occupancy rates and rental yields. Local teams of investment professionals, with strong connections to European real estate and corporate communities, actively seek properties in the primary target markets of France, Germany and Italy. In 2009, Carlyle leased some 67,000 square meters of office and residential space across Europe. In addition, Colmore Plaza became the first office building in Birmingham, England, to achieve the sought-after BREEAM Excellent In-Use accreditation, which measures a building's sustainability once it is occupied and in use. In Paris, the Tour 9 Redevelopment won the Grand Prix du SIMI Award in the category of best renovated building.

Carlyle Asia Real Estate Partners targets properties primarily in China and Japan. With a strong knowledge of local and global capital and property markets, combined with close working relationships with local operating partners, the team is able to create value through active asset management. Kaisa Group Holdings, which is jointly invested by Carlyle Asia Real Estate Partners II, L.P. and Carlyle Asia Growth Partners III, L.P., is one example of a Carlyle investment with a local, experienced property developer. Kaisa is focused on the residential sector in Shenzhen, China, and builds affordably priced high-quality, large-scale, mid-end properties that cater to the rising middle class, which is creating strong demand for home ownership in China. In 2009, despite the challenging market environment, Kaisa completed its initial public offering on the Hong Kong Stock Exchange, raising approximately \$445 million of gross proceeds and delivering strong revenue growth.

**TECHNOLOGY & BUSINESS SERVICES.** Drawing on its sector knowledge and the Carlyle network, the technology and business services team seeks to create proprietary deal flow and add value to businesses, principally those providing technology infrastructure and services to the enterprise market. The team focuses on a company's fundamentals to find and support businesses with excellent growth prospects.

One such example is SS&C Technologies Holdings, a provider of specialized software for the financial services industry. In March 2010, the company completed its initial public offering on the NASDAQ, selling 10.7 million shares of common stock at an initial price of \$15 per share. Based in Connecticut, SS&C has 25 offices globally and more than 1,200 employees who serve more than 4,500 clients.

**TELECOMMUNICATIONS & MEDIA.** The last decade has witnessed a communications revolution, from the advent of the Internet to the pervasiveness of mobile technology. Driven by these advances, the sector itself has changed radically, with new network economics, a new regulatory landscape and new types of content and applications.

Carlyle, with our cross-geographic, cross-industry collaboration, believes it has the experience and sophistication to identify opportunities in this challenging environment. The Mill is a case in point. A U.K.-based company that provides digital post-production services for the television advertising industry, The Mill continues to perform robustly relative to a very challenging television advertising market in which budgets are constrained and competition on price is harsh. Nonetheless, the company has grown market share. Carlyle has helped The Mill expand to the United States, where its new Los Angeles operation is outperforming forecasts.

### Educational solution provider makes the grade

Philadelphia-based Catapult Learning provides educational solutions that meet a wide variety of K-12 school needs, including supplemental instruction and professional development for teachers. Catapult provides services to more than 1,000 schools, including public, nonpublic and charter schools across the country. Last year, Catapult was selected as one of three qualified vendors by the New York City Department of Education to deliver Title I Instructional Services to private schools. The company was subsequently selected by the majority of the participating schools to deliver mathematics and reading educational support services.

**Brooke B. Coburn** (right) is Head of Carlyle Growth Partners, our U.S. small buyout and growth capital team. He focuses on investments in the education, technology, telecommunications, media and business services sectors. Since joining Carlyle in 1996, Brooke has been actively involved with investments in Apollo Global, Catapult Learning and Wall Street Institute. **Michael G. Gozycki** (left) is a Vice President who focuses on U.S. growth capital investments in software, education and technology-enabled business services. He is a member of the board of directors of Schoolnet.



Michael G. Gozycki  
Vice President  
Washington, DC

Brooke B. Coburn  
Managing Director  
Washington, DC

GEOGRAPHIC REACH:  
27 cities in 19 countries

Our geographic reach is unprecedented, extending from New York to Beijing, from Paris to Mumbai. We have learned that when we knock, opportunity answers.



EXPERIENCE HAS TAUGHT US that the best way to thrive in a range of markets is by hiring local people and encouraging them to work jointly as a global team. This cross-border collaboration creates synergies—from deal sourcing and due diligence to portfolio company development—that give Carlyle an important edge as investing becomes more and more international. In 2009, we invested and committed \$5.2 billion in 27 countries.

Our investment professionals have strong, established contacts and knowledge about the local business climate and culture, giving us perspectives on economies where we might otherwise be considered foreign. The insights of these diverse teams of more than 420 investment professionals—nearly three-quarters domiciled outside of the United States—form a global vision that puts us in a strong position to create value virtually anywhere in the world.

Carlyle's global reach also enables us to take advantage of opportunities in many areas of the world. For example, we believe the emerging markets of Brazil, China and India are poised to lead global growth during the economic recovery. In our view, these countries not only have excellent potential for direct investments, but may also enable our European, Japanese and U.S. portfolio companies to accelerate their growth through better reach in these markets. Our expanding knowledge about and presence in emerging economies should also help us as we invest in developed markets, as we will be able to offer our portfolio companies an entree into these very important emerging economies.

**NORTH AMERICA.** Nearly 60% of our assets under management are invested in North America, where Carlyle has built one of the strongest brands in the private equity industry. Diverse teams with deep expertise focus on buyout, growth capital, energy and power, infrastructure, real estate, and credit alternative transactions, as well as distressed situations.

### Asia: Leading the global recovery

The global economic downturn has had less of an effect on Asia than other areas of the world, and the region has experienced a more robust rebound than other markets. Asia's rapid economic growth, size, active government encouragement, strong banking system and desire to attract foreign investment make it attractive for a variety of investments.

Within Asia, China continues to outpace all other emerging markets with respect to economic growth. That makes it the most appealing market for investment activity. Perhaps more than any other country, China has a greater number of assets that could grow dramatically in value.



CEO: ZHANG LIDIAN

EMPLOYEES: APPROXIMATELY 5,000

ACQUISITION DATE: AUGUST 2009

PURCHASE PRICE: \$95.2 MILLION

### Improving the formula by sharing best practices

Seeing an opportunity to contribute to China's rapidly growing infant formula industry, Carlyle acquired a 17.3% stake in Guangdong Yashili Group in 2009. Yashili is one of China's largest infant formula companies and is well positioned to capitalize on increasing demand across the country. The investment will help Yashili contribute to the industry's ongoing transformation and modernization.

The transaction demonstrates Carlyle Asia Partners' creative thinking when addressing environmental, social and governance issues. As part of the acquisition, Carlyle committed to supporting Yashili to further strengthen management, quality control, and research and development capabilities. Carlyle will help recruit a chief quality officer to oversee Yashili's product quality control and supply chain protocols, and establish a Food Quality and Safety Advisory Committee comprising international and domestic experts to introduce best practices. And to strengthen infant nutritional research and product development, Carlyle will assist in forming collaborations with top-tier international research institutes.





With a collaborative spirit and a conservative, disciplined investment approach, Carlyle's investment professionals in North America have been a part of some of the largest private equity transactions on record. These include current portfolio companies: Hertz Corporation, which was acquired with co-investors for \$14.8 billion; HCR ManorCare, with an enterprise value of \$6.2 billion at acquisition; Booz Allen Hamilton, with an enterprise value of \$2.6 billion at acquisition; and Dunkin' Brands, acquired for \$2.4 billion.

**SOUTH AMERICA.** We established our South America buyout investment operation in 2007. Using a multi-disciplinary approach, the team seeks opportunities primarily in Brazil and other select South American countries, including Argentina, Chile, Colombia and Peru.

Based in São Paulo, the Carlyle South America Buyout team has deep knowledge of the target region and extensive investment experience in Latin America. In 2009, Carlyle formed a strategic alliance with Banco do Brasil, one of Latin America's largest financial institutions. This strategic alliance with a local partner and access to Carlyle's global resources enhance our ability to source and execute investments in Brazil.

**EUROPE.** Approximately 24% of our assets deployed are invested in Europe.

With offices in Barcelona, Frankfurt, London, Luxembourg, Madrid, Milan, Munich, Paris and Stockholm, Carlyle combines local insight into the pan-European market with the expertise of Carlyle's global network of investment professionals. Carlyle's European operations engage in buyout, technology, real estate and credit alternative transactions. Managing Director Gregor P. Böhm is Head of Carlyle Europe Partners and has been with Carlyle for nearly 13 years.

Corporate private equity investments across buyout and technology focus on backing strong management teams. Some current examples: the French telecommunications companies Numericable and Completel, with an aggregate enterprise value of €6.5 billion at acquisition; Applus+, one of the 10 largest companies in the testing and certification industry worldwide; Arsys Internet, a provider of Web site hosting, domain name registration and related services for small and medium-sized enterprises in Spain; and Moncler, an Italian luxury apparel group.

**ASIA.** Carlyle's Asia funds engage in buyout, growth capital and real estate investments from offices in Beijing, Hong Kong, Mumbai, Seoul, Shanghai, Singapore, Sydney and Tokyo. Approximately 17% of our deployed capital is invested in Asia.

ACHIEVEMENT 2009

We invested and committed \$5.2 billion across 27 countries.

**Achievement 2009: Four China-based public offerings**

Four Chinese portfolio companies advised by Carlyle's Asia buyout and growth capital teams successfully completed public offerings in Hong Kong and New York in 2009, raising a combined total of \$3.8 billion in gross proceeds. The broad participation in the public offerings by a large number of quality investors is testament to the strong growth potential of these companies and their leadership in the market.

**China Forestry Holdings**

China Forestry (0930.HK) is one of the three largest plantation forest operators in China. It manages and develops sustainable forests for harvesting and sales. Its logs are sold domestically for construction, furniture, interior decoration, wood products and the paper industries. The company raised total gross proceeds of \$200 million from the IPO.

**China Pacific Insurance (Group) Co.**

China Pacific (2601.HK), China's third-largest insurance group, listed 861.3 million H shares on the Hong Kong Stock Exchange, raising \$3.1 billion in the world's seventh-largest public offering of 2009.

**Concord Medical Services Holdings**

Concord Medical (NYSE: CCM) operates China's largest privately owned network of radiotherapy and diagnostic imaging centers for cancer treatment and diagnosis. Its network includes 83 centers based in 55 hospitals, spanning 36 cities across 21 provinces. Its IPO raised total gross proceeds of \$132 million.

**Kaisa Group Holdings**

Kaisa (1638.HK) is a developer in China's Pearl River Delta region with one of the largest land banks in the Greater Shenzhen area. The company raised \$445 million of gross proceeds and attracted a number of large investors from the property sector and major institutions. Kaisa is jointly invested by Carlyle Asia Growth Partners III, L.P. and Carlyle Asia Real Estate Partners II, L.P.



Feng Xiao  
Managing Director  
Beijing

**Feng Xiao** brings extensive experience in the restructuring and listing of a number of Chinese companies to Carlyle. Feng is a Beijing-based Managing Director focused on growth capital investments in China. Prior to joining Carlyle, he guided several Chinese companies through their IPOs, including China Construction Bank, China Post, China Telecom and Sinopec.

### South America: A region on the move

South America has emerged as a region with solid economic fundamentals and what we believe to be attractive investment opportunities. The area is characterized by a growing middle class, increasing disposable income and lower private equity penetration compared to other markets. Brazil has grown into the world's tenth-largest economy with a gross domestic product of \$1.5 trillion in 2009. The country's long-term economic fundamentals remain solid. During the recent economic decline, Brazil was among the last to suffer and one of the first to return to growth. Increasing disposable income is driving the growth of Brazil's domestic market while global demand has expanded the country's diversified export markets. In 2009, China became Brazil's largest trade partner.



Fernando Borges  
Managing Director  
São Paulo

**Fernando Borges** heads up our South America Buyout team. He leads a group that has extensive investment experience in Latin America with participation in some 30 private equity transactions. Prior to joining Carlyle, Fernando was a Managing Director at AIG Capital Partners and CEO of AIG Capital Investments do Brasil. He has had active participation and board tenure in 14 companies, experience that is invaluable when working with portfolio companies.



CHAIRMAN & FOUNDER:  
GUILHERME PAULUS

CEO: VALTER PATRIANI

EMPLOYEES:  
APPROXIMATELY 920

ACQUISITION DATE:  
DECEMBER 2009

### Carlyle's South America Buyout team takes off with its first investment in Brazil

Last year, our South America Buyout team, with additional equity capital from Carlyle Partners V, L.P., made its first investment, acquiring CVC Brasil Operadora e Agência de Viagens, the largest tourism operator in Latin America. CVC packages charter and commercial flights, cruises, hotels and receptive services into vacation packages, which it sells to more than two million passengers each year. Besides being the largest tour operator in Brazil with an estimated 65% market share, CVC also has a 33% share of the Brazilian cruise ship market.

The company sells a broad assortment of tour packages to both domestic and international destinations through more than 400 retail stores, approximately 8,000 independent travel agents and the Internet. Franchisee interest in new store development remains strong, even after CVC opened 103 new stores in 2009 for a total of 410.

CVC has more than 900 employees and generates more than 4,500 indirect jobs. The company is exploring a range of strategic initiatives, including pricing optimization, improved cash management and enhanced financial reporting and budgeting.



**Helping a healthcare company grow to meet high demand**

Turkey's second-largest healthcare services company, Medical Park Sağlık Hizmetleri was established in 2005 and had grown to own and operate 13 hospitals with 2,000 beds. In December 2009, Carlyle MENA Partners, L.P. acquired a 40% stake in the company in an all-equity investment that will be used to fund expansion and reduce debt. This is Carlyle's second investment in Turkey, an attractive emerging market with a large and relatively young workforce, expanding regional trade links, increasingly open economy and developing capital markets.

Following Carlyle's investment, Medical Park quickly embarked on developing a well-structured growth strategy. Following this strategic review, Medical Park made one new acquisition to raise the number of hospitals under management to 14. It also created one major new development project in Izmir, the third-largest city in Turkey, established a growth project for one of its oldest—yet most profitable—hospitals and started negotiations on new acquisition targets that will expand the company into new geographies.

In addition, under Carlyle's guidance, Medical Park management began developing best practices for management and reporting standards that are in line with much larger international peers.

Carlyle investment professionals in Asia seek to pursue transactions where our firm has a clear edge and believes it can add value to an investment through Carlyle's expertise and access to global resources. Carlyle's global network provides opportunities for Asian companies to operate in the world market through cross-border cooperation, targeted introductions and local knowledge. Carlyle also shares best practices with growing Asian companies, providing advice about operational improvements and strategies that can help boost competitiveness. At the same time, the Asia team spends significant time helping U.S. and European portfolio companies access the fast-growing Asia markets.

We believe Asia currently offers some of the best global investment opportunities. Within Asia, China presents the single-most attractive area for investment activity, largely due to its rapid economic growth, and continues to outpace all other economies—even other emerging markets. China also has strong domestic consumption trends, growth in manufacturing and industry, strong foreign reserves and a government that encourages investment.

Current investments include: China Pacific Insurance, China's third-largest insurance group; Coates Hire, the largest general equipment rental company in Australia with an enterprise value of \$2.2 billion at acquisition; Claris Lifesciences, a fast-growing, international pharmaceutical company based in India; China Forestry Holdings, one of the three largest privately held forestry plantations in China; Housing Development Finance Corporation, a mortgage finance company and the largest lender to real estate developers in India; Xtep, one of the largest sportswear companies in China; and Bon Sejour Grand, a portfolio of senior housing properties in Japan.

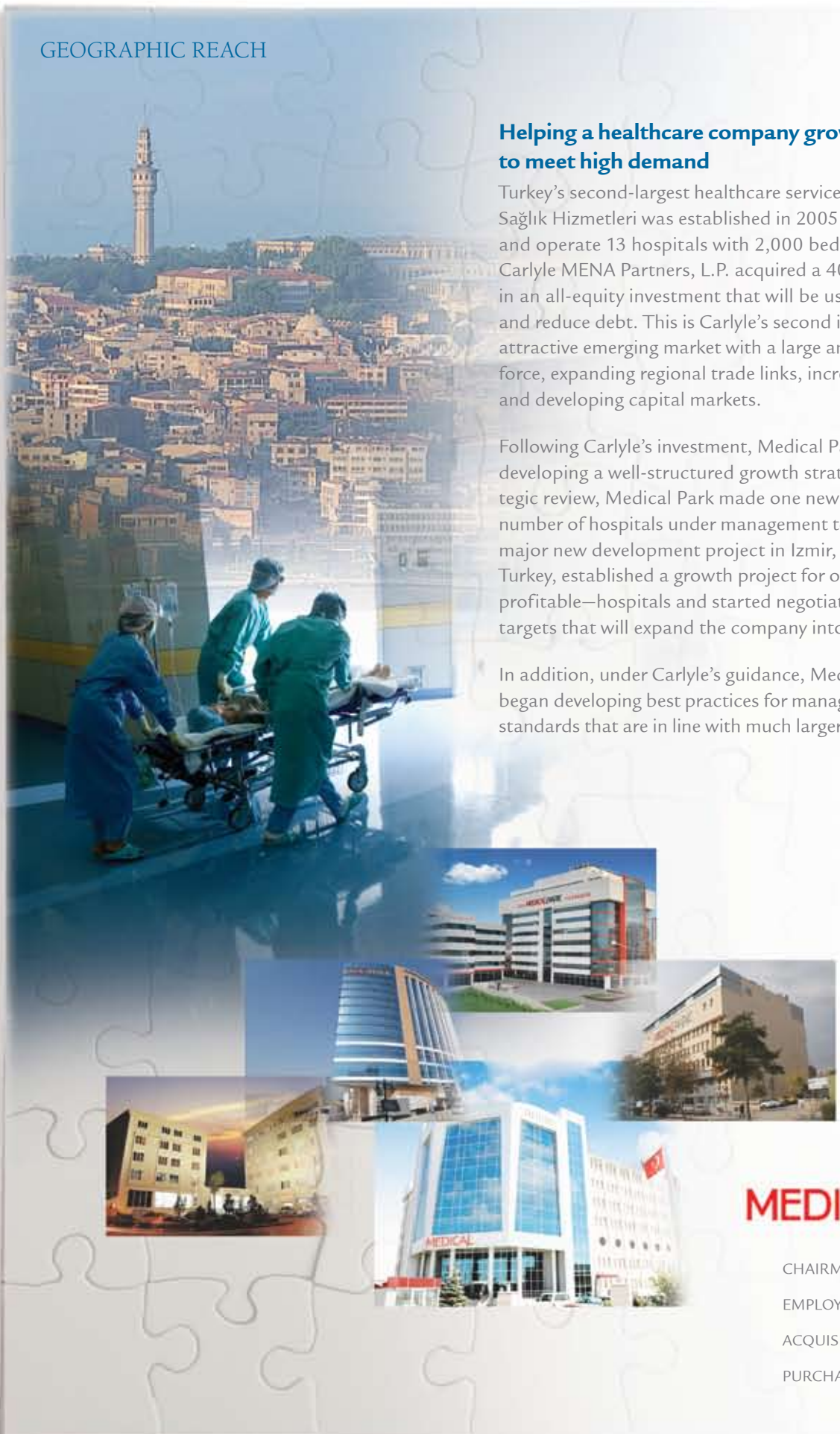
**MIDDLE EAST & NORTH AFRICA.** Carlyle was the first global alternative asset management firm to establish operations in the MENA region. With extensive local investment knowledge and experience, the team's investment advisory professionals target opportunities from offices in Beirut, Cairo, Dubai and Istanbul.

Carlyle MENA Partners takes a conservative, disciplined investment approach, focusing on high-quality companies that have leading market positions and healthy growth prospects. By leveraging Carlyle's global network, industry expertise and operational know-how, the team focuses on supporting portfolio company management in an effort to enhance performance and create value.

The MENA region has the world's fifth-largest gross domestic product and third-largest population. Its capital markets are maturing and large enough to provide exit opportunities, while liberalizing state agendas are creating opportunities for large-scale transactions by increasing privatizations.

**ACHIEVEMENT 2009**

Carlyle MENA Partners, L.P., our first fund focused on the Middle East and North Africa, completed fundraising with \$500 million of equity commitments.



**MEDICAL PARK**

CHAIRMAN: MUHARREM USTA  
 EMPLOYEES: APPROXIMATELY 5,200  
 ACQUISITION DATE: DECEMBER 2009  
 PURCHASE PRICE: \$109 MILLION



## CORPORATE RESPONSIBILITY

Creating lasting value for our investors means always remembering that every investment we make affects the lives of individuals and communities. And that means we must consider the environmental, social and governance implications of our investments. We firmly believe—and we want our investments to reflect this belief—that the stronger the community, the better the business.



That's why we helped develop and have integrated into our investment process the Private Equity Council Guidelines for Responsible Investment. We apply the guidelines to each new controlling, corporate investment and include an analysis in the investment committee memorandum. We are educating portfolio company management about the guidelines and are promoting their review at the board level on an annual basis. We plan to provide relevant updates on environmental, social and governance issues affecting our investments in our annual and quarterly reports to investors.

For example, in evaluating the BankUnited investment, the team noted the positive contribution the newly recapitalized bank could make in communities by adopting the Obama Administration's mortgage modification program to assist distressed homeowners. In addition, we are working with Guangdong Yashili Group, a Chinese infant formula company, to improve its quality control processes, enhance infant nutrition research and product development, and further strengthen rural assistance collaborations with dairy farmers by providing educational and professional assistance with raising cattle.

We believe that the guidelines for responsible investment are an essential part of best practices and good corporate governance. Their implementation enhances opportunity and innovation while providing a source of competitive advantage for Carlyle and our portfolio companies.



## PRIVATE EQUITY COUNCIL GUIDELINES FOR RESPONSIBLE INVESTMENT

1. Consider environmental, public health, safety, and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
2. Seek to be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
3. Seek to grow and improve the companies in which they invest for long-term sustainability and to benefit multiple stakeholders, including on environmental, social, and governance issues. To that end, Private Equity Council members will work through appropriate governance structures (e.g., board of directors) with portfolio companies with respect to environmental, public health, safety, and social issues, with the goal of improving performance and minimizing adverse impacts in these areas.
4. Seek to use governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
5. Remain committed to compliance with applicable national, state, and local labor laws in the countries in which they invest; support the payment of competitive wages and benefits to employees; provide a safe and healthy workplace in conformance with national and local law; and, consistent with applicable law, will respect the rights of employees to decide whether or not to join a union and engage in collective bargaining.
6. Maintain strict policies that prohibit bribery and other improper payments to public officials consistent with the U.S. Foreign Corrupt Practices Act, similar laws in other countries, and the OECD Anti-Bribery Convention.
7. Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that utilize child or forced labor or maintain discriminatory policies.
8. Provide timely information to their limited partners on the matters addressed herein, and work to foster transparency about their activities.
9. Encourage their portfolio companies to advance these same principles in a way which is consistent with their fiduciary duties.

### Governance

The Carlyle Group is committed to strong corporate governance, and we believe we have a clear and effective framework enabling us to maintain the highest ethical and business standards across the firm. Maintaining Carlyle's good name and the good name of our investors is paramount.

From the earliest years of the firm, Carlyle has invested heavily in its systems and controls. Carlyle performs most ongoing activities in-house, including investor relations, corporate communications, financial reporting and accounting oversight.

### Ownership

Carlyle is a private partnership, owned by a group of senior Carlyle professionals and two institutional investors. CalPERS, the California Public Employees Retirement System, owns 5.1%, and Mubadala Development Company, a strategic investment and development company headquartered in Abu Dhabi, owns 7.5%.

### Management

Carlyle is headquartered in Washington, DC and has offices in 19 countries. The firm is managed by its three Co-Founders and Managing Directors, William E. Conway, Jr., Daniel A. D'Aniello and David M. Rubenstein. The three founders are joined by Daniel F. Akerson and Glenn A. Youngkin on the firm's executive committee.

All investments made by Carlyle-sponsored funds are assessed and approved by investment committees comprising senior investment professionals. Investment advisory entities based in offices around the world provide the funds with investment advice.

Carlyle has also established an operating committee, an important step in the continued institutionalization of our firm. The operating committee is responsible for strategic planning, balance sheet management and new product development, among other critical functions. The operating committee is led by seven seasoned Carlyle professionals: Glenn A. Youngkin, Chair; Jeffrey W. Ferguson; David M. Marchick; Peter H. Nachtwey; Michael J. Petrick; Bruce E. Rosenblum; and Gregory L. Summe.

### Compliance Officer

Catherine Ziobro is Carlyle's Chief Compliance Officer and is based in Washington, DC. Ms. Ziobro is responsible for the oversight and management of Carlyle's compliance function.

### Conflicts of Interest

The Carlyle Group has adopted a Code of Conduct that sets forth the standards of ethical conduct for its employees. The firm also has a conflicts committee to help manage conflicts of interests that may arise during the conduct of its business.

### U.K. "Walker" Guidelines for Disclosure and Transparency

As a member of the British Venture Capital Association, The Carlyle Group believes that it is fully compliant with the Walker Guidelines for Disclosure and Transparency. The Carlyle Group's Web site [www.carlyle.com](http://www.carlyle.com) is regularly updated, and the information within it forms the basis upon which compliance with the Guidelines is maintained. This Annual Report is produced in addition to the Web site to deliver an overview of the firm and its activities.

### The Carlyle Group's U.K. Buyout Operation

CECP Investment Advisers Ltd. is a U.K. Financial Services Authority (FSA)-regulated entity based in London that provides investment advisory services to Carlyle's European buyout and growth capital investment funds, among other non-regulated services. The buyout funds include Carlyle Europe Partners, L.P., Carlyle Europe Partners II, L.P. and Carlyle Europe Partners III, L.P. The growth capital funds include Carlyle Europe Venture Partners, L.P., Carlyle Europe Technology Partners, L.P. and Carlyle Europe Technology Partners II, L.P. The advisory services provided by this U.K. FSA-regulated entity include providing advice and recommendations to the funds with respect to origination, investigation, structuring, financing, acquisition, monitoring and/or for the disposition of investments. It does not make investment decisions on behalf of the investment funds or have the authority to enter into contracts or commitments on behalf of the investment funds.

Andrew Burgess, Managing Director, heads Carlyle's U.K. buyout operation. Robert Easton, Managing Director and Chief Compliance Officer for CECP Investment Advisers, Ltd., and Michael Wand, Managing Director, co-head Carlyle's Europe technology operation. The U.K. companies in Carlyle's funds include ACIS Holdings, Alliance Boots, Britax Childcare, Ensus, Mill Digital Media, ReEnergy Advisory Group and Talaris (see [www.carlyle.com](http://www.carlyle.com) for details).

### Germany "BVK" Guidelines for Disclosure and Transparency

As a member of the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK), the German private equity and venture capital trade association, The Carlyle Group believes that it is fully compliant with the BVK Guidelines for Disclosure and Transparency. The Carlyle Group's Web site [www.carlyle.com](http://www.carlyle.com) is regularly updated, and the information within it forms the basis upon which compliance with the Guidelines is maintained. This Annual Report is produced in addition to the Web site to deliver an overview of the firm and its activities. Carlyle portfolio companies bigmouthmedia GmbH, H.C. Starck, KCS.net Holdings and Personal & Informatik will comply with the guidelines and the Annual Report will be published on the Web site.

### The Carlyle Group's German Buyout Operation

The Carlyle Group utilizes the services of Carlyle Beratungs GmbH, an independent advisory company based in Munich, Germany, which provides advisory services with respect to investment activity in Germany to Carlyle's buyout funds, Carlyle Europe Partners, L.P., Carlyle Europe Partners II, L.P. and Carlyle Europe Partners III, L.P. Dennis Schulze and Michael Schuster are Directors of this advisory entity. The advisory services provided include providing advice and recommendations to the funds with respect to origination, investigation, structuring, financing and monitoring. It does not make investment decisions on behalf of the investment funds or have the authority to enter into contracts or commitments on behalf of the investment funds.

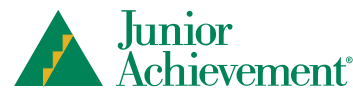
Gregor Böhm, Managing Director and Fund Head, and Norbert Reis, Managing Director, are specialists in German private equity providing advice to Carlyle's buyout funds.



**Giving back**

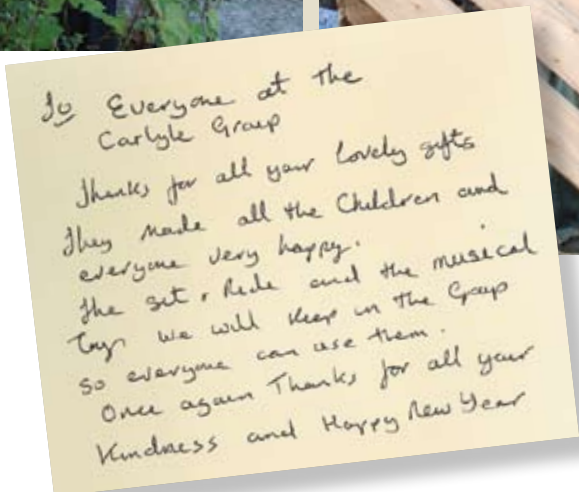
We care about the communities where our employees live and work. That's why we developed The Carlyle Group Volunteer and Wealth Sharing Program. It encourages employees to take two workdays per year to volunteer with colleagues for a charity or good cause in their local community. The program also supports Carlyle employees in their charitable giving by matching on a dollar-for-dollar basis up to \$2,000 per year for contributions made to educational and humanitarian organizations.

In 2009, Carlyle colleagues in London pitched in and helped clean the grounds of a park. In Luxembourg, employees joined together to paint the interior of a center for the disabled. In Tokyo, colleagues helped with an annual holiday card effort for an organization that provides support for people suffering from disaster or conflict. In Washington, DC, Carlyle colleagues organized and made donations for a prom for children with disabilities, made crafts with senior citizens, and helped build homes for low-income families with Habitat for Humanity for the fourth consecutive year.



**Promoting financial literacy**

"How can Greater Washington companies responsibly and effectively deal with the economic challenges facing the United States?" That was the topic of the 2009 Junior Achievement (JA) Essay Competition. JA is the world's largest organization dedicated to inspiring and preparing young people to succeed in a global economy. Each year, JA of the National Capital Area offers the competition, which is sponsored by Carlyle Co-Founder and Managing Director David M. Rubenstein. The first-place winner receives a \$20,000 scholarship, and nine additional runner-up winners each receive a \$10,000 scholarship. This is part of a wider effort to partner with JA across the globe. Local Carlyle offices are teaming up with JA affiliates to educate and mentor students about financial literacy, helping young people develop skills to create a better tomorrow for themselves and their communities.



A thank-you note received from the Room to Play Group, a preschool at the Greenside Community Centre in London, for holiday toys donated in 2009 by Carlyle employees.

**TOIGO.**

ROBERT TOIGO FOUNDATION

**Changing the face of the private equity sector**

We believe in the tremendous value diverse teams and experiences bring to the firm and the private equity sector as a whole. To that end, Carlyle and the Robert Toigo Foundation joined forces to launch the Toigo Private Equity MBA Fellowship in 2009, an industry initiative aimed at attracting minority MBA graduates to the sector. Carlyle has pledged \$1 million over four years to back Toigo's launch of the effort. A nonprofit organization, Toigo has supported the development of minority MBAs as finance leaders for the past 20 years.

In March 2010, the inaugural Toigo Private Equity MBA Fellowship was awarded to Tanaka Maswoswe, a graduate student at Harvard Business School. The fellowship is a year long, three-part rotation designed to give each Fellow unmatched exposure to the private equity sector. Fellows receive an annual stipend, as well as a \$50,000 MBA tuition payment to reduce their MBA loan exposure.



The inaugural Toigo Private Equity MBA Fellowship was awarded to Tanaka Maswoswe (seated right) in March 2010. With him, from Carlyle, are David M. Rubenstein (seated left), Co-Founder and Managing Director; Cedric L. Bobo (standing left), Vice President and Toigo Alumnus; and Allan M. Holt (standing right), Managing Director and Head of the U.S. Buyout group.



**Partnering with the Environmental Defense Fund to improve environmental and financial performance**

Through a working relationship established between Carlyle and the Environmental Defense Fund (EDF), the two firms jointly developed the private equity sector's first environmental management business review process. EcoValuScreen unlocks opportunities for operational improvement and value creation through enhanced environmental management of potential investments. "We believe that financial performance and environmental improvements are both complementary and in the best interests of our investors," says William E. Conway, Jr., Carlyle Co-Founder and Managing Director.

EcoValuScreen was developed in partnership with The Payne Firm, an international environmental consultancy, and builds on Carlyle's established due diligence practices and EDF's proven processes. It goes beyond the traditional

focus of risk mitigation during the due diligence process by identifying opportunities for operational enhancements that will lead to better environmental and financial performance before making an investment. This process enables Carlyle professionals to more effectively evaluate the operations of a target company, identify the most promising environmental management opportunities and incorporate them into the post-investment management, governance and reporting plans of our portfolio companies. EcoValuScreen is being implemented first in our U.S. and European buyout funds.

To develop EcoValuScreen, Payne, EDF and Carlyle's Andrew Marino, a Principal on the industrial sector team, examined more than 320 current and former Carlyle portfolio companies to identify opportunities to improve efficiency, reduce costs and minimize environmental impacts across five key areas—greenhouse gas emissions, waste management, water use, priority chemicals and forest products. The analysis revealed a high correlation between environmental impacts and common business activities that occur across Carlyle's investments. It also identified specific initiatives to enhance the environmental performance of these activities while driving financial savings.

Our Investor Services group provides a level of service that sets us apart in the alternative asset management industry. One of the largest groups of its kind, it provides timely information to more than 1,300 investors in 72 countries. It also communicates with and provides innovative solutions to Carlyle's portfolio companies, employees and owners to facilitate informed decisions and foster profitable growth.

We have invested significantly in systems, controls and human capital to provide superior service to our investors. The Investor Services group continues to strengthen Carlyle's internal global reporting systems and processes. Effective controls benefit investors by ensuring that our operations comply with contractual provisions and regulatory requirements. Adhering to U.S. generally accepted accounting principles, we report to investors on a quarterly basis. A password-protected online investor reporting system enables investors to monitor the performance of their investments via the Internet.

The Investor Services group is led by 12 group heads, each with an average of nearly 20 years of experience. It encompasses specialized teams, including fund management, legal and compliance, and information technology. The Investor Services group is instrumental in bringing together the many pieces of our global model to create the powerful One Carlyle platform to better serve our investors.

The teams within Investor Services work closely throughout each fund's life cycle, from fund formation and investments to portfolio monitoring and fund liquidation. And during the recent period of economic uncertainty, the teams have made a concerted effort to communicate more frequently with investment teams around the world to ensure investors are informed of events as they happen.



The Investor Services group is instrumental in bringing together the many pieces of our global model to create the powerful One Carlyle platform to better serve our investors.



**Investor Services Group Heads** (from left): Pamela L. Bentley—Corporate Accounting, David P. Roth—IT, Carolyn S. Weimer—Investor Relations Management, Lauren B. Dillard—Equity Management/Tax, Curtis L. Buser—Chief Accounting Officer, Christopher W. Ullman—Global Communications, Janet J. Andre—Administration, Jeffrey W. Ferguson—Legal & Compliance, Robert C. Konigsberg—Fund Management, Thomas B. Mayrhofer—Partnership Accounting, Lori R. Sabet—Human Resources, Nancy A. Palleschi—Global Conferences & Events

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