VALUE CREATION AT WORK

a closer look

THE CARLYLE GROUP

GLOBAL PRIVATE EQUITY

2007 ANNUAL REPORT

CONTENTS

Every day, in cities around the globe, Carlyle creates value by helping to build better businesses. By combining global vision with local insight, industry expertise and management know-how, we enable companies to develop, grow and become more competitive. That's value creation at work.

From teaching English to businesspeople in Indonesia to developing a new generation of intelligent eyeglass lenses that automatically adjust focusing power, the companies in which Carlyle invests touch the lives of millions of people around the world.

We call our approach to international teamwork *One Carlyle*. And we are single-minded when it comes to enhancing the value of our investments. It's the core of our commitment to our investors—a commitment to generate excellent returns as well as a dedication to integrity, ethics and professionalism.

How does Carlyle create value?

Talented people. Global network. Industry specialization. Operational expertise.

Carlyle's nearly 950 professionals operate out of 33 offices in 21 countries, collaborating across funds, industries and geographies, tapping into resident industry expertise and management know-how. That's value creation at work.


STOCKHOLM
LONDON
WARSAW
FRANKFURT
LUXEMBOURG
PARIS
MUNICH
MILAN
MADRID
BARCELONA
ISTANBUL
BEIRUT
CAIRO
DUBAI
MUMBAI
BEIJING
SEOUL
TOKYO
SHANGHAI
HONG KONG
SINGAPORE
SÃO PAULO
SYDNEY

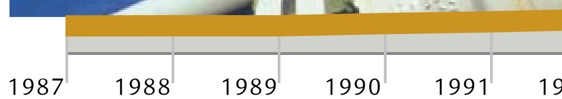
Who benefits from Carlyle's investment success?

Nurses, teachers, transit and sanitation workers, students, firefighters, professors, police. These are among the millions of beneficiaries of the public and private pension funds, university endowments and charitable foundations that form the majority of Carlyle's investor base.

In 2006 and 2007, Carlyle had its two best years ever, returning $19.1 billion in equity and profit to our investors, which also include financial institutions and high net worth individuals.

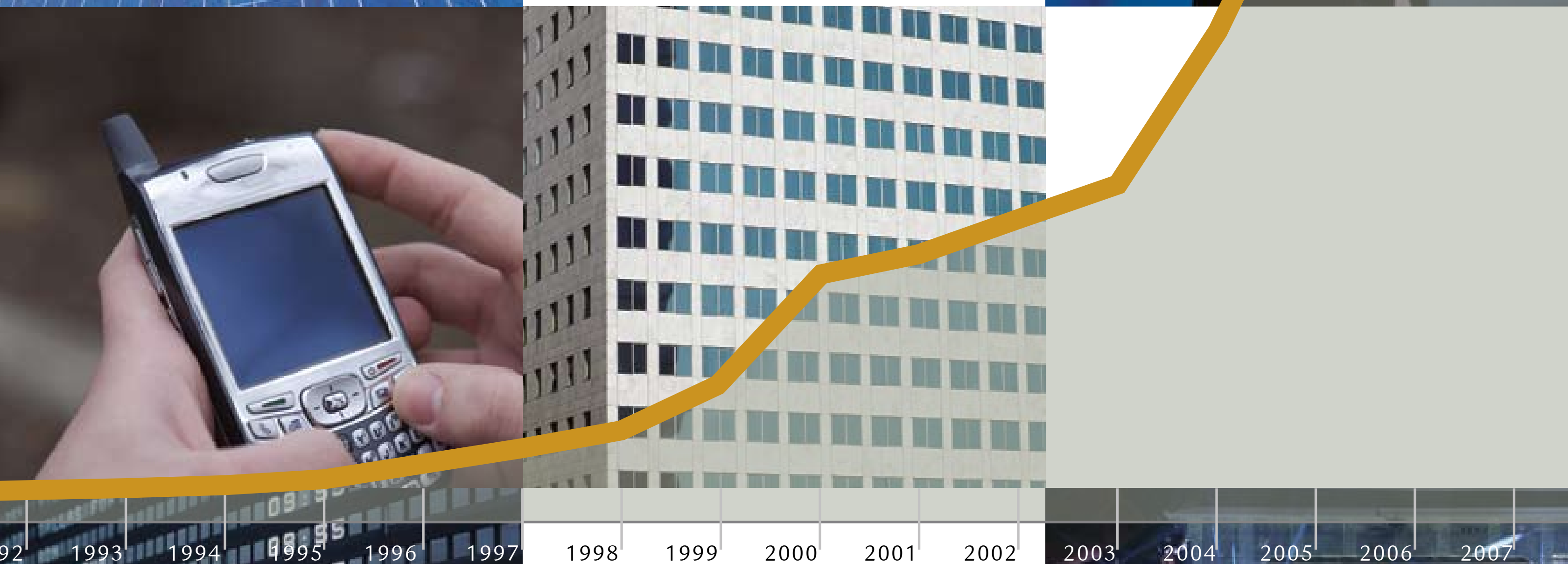
How does value creation impact growth?

Twenty years after its founding, Carlyle has become one of the world's largest private equity firms with more than $81 billion in assets under management.



TOTAL CAPITAL
COMMITMENTS
SINCE INCEPTION

In the past five years alone, capital committed to our funds has increased by 432%.



Carlyle started in 1987 with $5 million of capital. Today, we manage $81 billion in 60 funds across the globe.

The Carlyle Group a closer look

Our Mission

To be the premier global private equity firm, leveraging the insight of Carlyle's 500 investment professionals to generate extraordinary returns across a range of investment choices, while maintaining our good name and the good name of our investors.

Our Investment Approach

Global Vision/Local Insight. Carlyle recruits the finest investment professionals from around the world and encourages cross-border collaboration, creating synergies—from deal sourcing and due diligence to portfolio company development—that make the whole greater than the sum of the parts.

The Carlyle Edge. Carlyle commits capital to an investment only if we believe we have an edge, something that sets us apart from the competition, whether it's our global network, industry expertise or management know-how.

Conservative and Disciplined. A conservative and disciplined investment approach produces strong, consistent returns. Carlyle seeks to make sound investments in good companies with strong management teams and to structure its transactions with relatively conservative amounts of debt.

Industry Specialization. Carlyle focuses on sectors in which we have demonstrated expertise. This better enables us to source and create deals, conduct effective due diligence, develop strong relationships with management teams and identify potential buyers as part of a sound exit strategy.

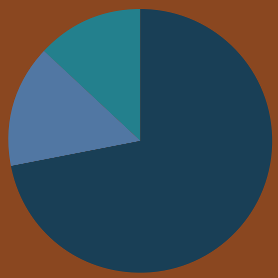
Value-Added Partner. Carlyle professionals work closely with portfolio companies, using their industry expertise and network to foster effective operational, financial and marketing strategies.

Our Industry

Private equity is a name that encompasses many disciplines and derives from the practice of investing primarily private capital in primarily privately held companies, real estate or other assets. Carlyle has three major business lines: Corporate Private Equity (leveraged buyouts, and venture and growth capital), Alternative Assets (leveraged finance, mezzanine and distressed) and Real Estate.

In its broadest application, private equity invests in assets (such as companies, real estate and debt) that are believed to be undervalued or underperforming. We invest capital, time, energy and talent to improve the asset's performance and prospects. We sell the asset with a goal of gaining a premium on the purchase price. Typically, investors keep 80% of the net profits and the private equity firm keeps 20%. Between 1991 and 2006, private equity firms worldwide returned more than $430 billion in profits to their investors, according to Private Equity Intelligence (London), 40% of which were public and private pension funds and foundations.

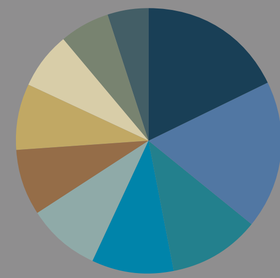
ASSETS UNDER MANAGEMENT BY INVESTMENT DISCIPLINE



- Corporate Private Equity 72%
- Alternative Assets 15%
- Real Estate 13%

$43 billion
of equity invested in 774 Corporate Private Equity and Real Estate transactions since 1987

INVESTMENTS BY INDUSTRY



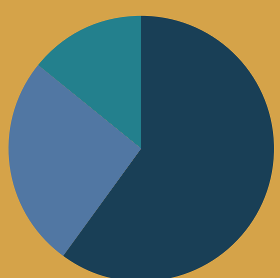
- Energy & Power 18%
- Real Estate 18%
- Telecom & Media 11%
- Consumer & Retail 10%
- Tech & Business Services 9%
- Industrial 8%
- Transportation 8%
- Healthcare 7%
- Aerospace 6%
- Other 5%

500
investment professionals with offices in 21 countries

$81 billion
of assets under management

60
funds across three asset classes

INVESTMENTS BY GEOGRAPHY

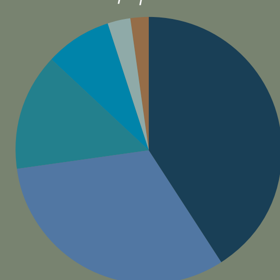


- North America 60%
- Europe 26%
- Asia 14%

$3.5 billion
of its own capital committed to its funds

1200 INVESTORS FROM 68 COUNTRIES

As of April 2008



- Public Pensions & Agencies 41%
- Financial Institutions 32%
- High Net Worth 14%
- Corporate Pensions 8%
- Endowments & Foundations 3%
- Corporations 2%

Letter from the founders

We believe Carlyle's investment funds are well positioned—and well equipped—to weather the current storm and profit from the extraordinary investment opportunities it is likely to create.

Last year marked The Carlyle Group's 20th anniversary. Since 1987, when Carlyle was founded with $5 million of capital and 10 employees, it has grown into one of the world's largest private equity firms. Our 500 investment professionals manage more than $81 billion in assets from 33 offices around the world. The firm has 60 active funds and more than 1,200 investors from nearly 70 countries. Our 224 active portfolio companies employ more than 350,000 people. In 2007, we invested $17.6 billion.

Institutions prosper and endure because of the lasting value they provide to their stakeholders. Carlyle's current size and stature are testaments to the value it has generated for its investors over the past 20 years. Last year was no exception. We returned $8.9 billion in equity and profit to our investors, a level exceeded in our history only by the $10.2 billion that we returned in 2006. Our long track record of making profitable investments places us firmly within the top quartile of private equity firms.

In 2007, we made a number of landmark investments, including:

Kinder Morgan. We purchased, with Riverstone Holdings and other partners, this U.S. gas pipeline company for nearly $20 billion—Carlyle's largest investment to date.

HD Supply. We purchased, with partners, this U.S. distributor of industrial supplies products for $8.5 billion.

Manor Care. We purchased this provider of post-acute care (post-hospitalization) services in the United States for $6.1 billion.

Applus Servicios Tecnológicos. We purchased, with partners, this Spanish provider of technological testing and inspection services for €1.3 billion.

Yangzhou Chengde Steel Tube Company. We purchased a 49% stake in this Chinese steel pipe supplier for $139 million.

We also realized investment returns on 67 of our Corporate Private Equity investments in 2007.[1] To date, we have realized an average return of 3.2 times invested equity[2] on those

1 Includes full and partial realizations.

2 All equity multiples are gross and include remaining value in addition to cash received. They measure proceeds before reduction by the cost of fees and carry attributable to the relevant investments. Carlyle's base fees range between 1.5% and 2.0% per annum of assets under management, and carry is typically 20% of profits. The investment returns noted for 2007 of 3.2 times invested equity are not representative of any one Carlyle investment fund or any other year, and there can be no guarantee that this performance will be replicated in any future year. Since 1987, Carlyle's return on invested equity across its realized and unrealized corporate private equity investments is 1.8 times.

From Left

Daniel A. D’Aniello

William E. Conway, Jr.

David M. Rubenstein

Louis V. Gerstner, Jr.
CHAIRMAN

investments. Examples of some of our more remarkable exits in 2007 include:

Firth Rixson. We sold this manufacturer of forged metal products for 9.7 times invested equity (or 10.8 times including U.S. dollar currency gains).

HT Troplast. We sold this European manufacturer of plastic products for 9.1 times invested equity.

Standard Aero and Landmark Aviation. We sold these providers of aftermarket services for the general aviation regional and defense aircraft markets for 2.8 times and 4.6 times invested equity, respectively.

Petroplus. Carlyle and our energy partner, Riverstone Holdings, realized 7.8 times equity invested from our investment in this European oil refiner and wholesaler.

Intelligence, Ltd. We sold this Japanese provider of job placement information for 5.2 times invested equity.

In addition to this transaction activity, Carlyle raised nearly $31 billion for 17 funds in 2007.

While we take pride in these achievements, Carlyle has never been a firm that rests on its laurels. We realize that past performance does not always presage future success. While 2007 was in many ways a record year for our firm and for our industry, it also witnessed a sea change in the global financial environment. Many of the markets in which we are most active have been affected. The challenge now is for us to deploy our resources to protect the investments we have already made and to simultaneously profit from the extraordinary opportunities to be found in the new environment. Throughout, we will be as disciplined and diligent as we have ever been before.

The credit crunch marks the end of the period of extraordinary liquidity that began in 2003. For Carlyle, the implications are threefold. First, LBO debt has become harder—and more expensive—to secure. Because the mega-buyouts of recent years were possible only as a result of lenders' willingness to provide billions of dollars of debt financing on attractive terms, we (and other private equity firms) are unlikely to participate in deals of this size until the credit markets recover. Second, the slowdown in economic growth resulting from the credit crunch will likely create a more challenging operating environment for some of our portfolio companies. And third, depressed asset prices may constrain our ability to exit from some of our current investments.

The *One Carlyle* collaborative spirit is the cultural cornerstone of the firm and an essential source of our competitive advantage. It enables us to leverage our resources many times over.

In January 2007, we warned our investment professionals that the then-excessive liquidity environment would inevitably deteriorate and instructed them to redouble their focus on minimizing risk. And in last year's annual report, we highlighted Carlyle's cautious approach, explaining, "If in 2007 economies begin to grow more slowly, stock markets decline a bit, and debt becomes more expensive and harder to secure, we will be ready." Our investment professionals heeded our advice, as demonstrated by the fact that in 2007 we were able to close all eight of the deals with committed financing in our buyout pipeline at the time the credit markets collapsed.

We were not, however, immune to the credit crunch. In 2006, we established Carlyle Capital Corporation (CCC) to invest primarily in mortgage-related securities issued by government-backed agencies and rated AAA by the credit rating agencies. Despite the low risk of default and historical stability of these securities, their value was impaired by the unprecedented meltdown in the mortgage market. In response, lenders increased the amount of collateral required to support CCC's borrowings. In early March of 2008, CCC was unable to meet a series of margin calls from its lenders and entered into a liquidation process. This occurred despite our best efforts to negotiate more stable financing arrangements for CCC and our provision of a $150 million line of credit to the fund.

We regret that CCC did not perform as planned. We do not believe the events surrounding CCC will have a measurable impact on our other funds or investments. They do, however, demonstrate the difficulty that companies with mortgage-related securities in their portfolios—even those rated AAA and issued by U.S. government-backed agencies—have experienced during the global credit crunch.

We believe Carlyle's other investment funds are well positioned—and well equipped—to weather the current storm and profit from the extraordinary investment opportunities it is likely to create. Long before last summer's deterioration in the financial markets, we were investing heavily in capabilities that we believe will help us generate value for our investors in a more challenging economic environment. We have the resources and expertise to take advantage of new and often fleeting investment opportunities, while at the

Responding proactively to changing conditions

Expanding our already extensive global footprint, with a particular focus on emerging markets

Deepening our already world-class pool of operating talent

Building an investment platform dedicated to the financial services sector

same time providing operational support and strategic guidance to our existing portfolio companies. We are responding proactively to changing conditions to ensure that we retain our competitive edge. For example, we are:

Deepening our already world-class pool of operating talent. Our investment professionals can draw upon the expertise of 18 senior advisors, each of whom has extensive experience at the pinnacle of his or her industry. Recent additions include Takeshi Isayama, former Vice Chairman of Nissan Motors, and Thomas Rabaut, former President and CEO of United Defense.

Expanding our already extensive global footprint, with a particular focus on emerging markets. We believe that the fast-growing economies of Asia, Latin America, Central and Eastern Europe, and the Middle East and North Africa (MENA) region are likely to generate many of the most attractive investment opportunities in the years ahead. Moreover, investments in these markets generally involve little to no leverage, making them largely immune to turmoil in the credit markets. In 2007, we hired a team to invest in Central and Eastern Europe and expanded the firm's presence in Asia, the MENA region and Latin America.

Building an investment platform dedicated to the financial services sector. We are investing in a world-class team to pursue opportunities in financial services companies that have seen their valuations impaired by the credit crunch. We believe there will be once-in-a-lifetime opportunities in this sector, and we intend to take full advantage of them.

These capabilities, while important in themselves, are inseparable from Carlyle's strength and versatility as an institution. 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.

And once we own a company, we work closely with management and our senior advisors to enhance its operational performance. This process has accounted for a growing proportion of our investment returns, and we believe it will become all the more important in the context of the current economic slowdown.

2007 was in many ways a record year for our firm. The challenge now is for us to deploy our resources to protect the investments we have already made and to simultaneously profit from the extraordinary opportunities to be found in the new environment.

Throughout, our investment professionals freely share their expertise across funds, industries and geographies with our *One Carlyle* approach. This collaborative spirit is the cultural cornerstone of the firm, and it enables us to leverage our resources many times over. It is an essential source of our competitive advantage.

We have built Carlyle to generate value for our investors during good times and bad, and we are confident that the firm will continue to do so in the current environment, as it has done consistently over the past 20 years. That said, we expect the credit markets to remain turbulent for the foreseeable future, and the rate of global economic growth may slow markedly. In the near term, we may be unable to generate returns on par with those of the past few years. Nevertheless, some of the investments we will make in the next year or so may well prove to be among the most profitable in the history of the firm.

In 2007, Mubadala Development Company joined CalPERS as a strategic investor in the Carlyle general partnership, purchasing a 7.5% stake for $1.35 billion, valuing the firm at $18 billion. We are pleased to be affiliated with two well-regarded institutional investors and believe our new partnership with Mubadala will bear significant fruit over the years in terms of enhancing global deal flow and providing joint investment opportunities.

We appreciate the support of our investors over the past 20 years. The firm operates on behalf of its investors, and their success is foremost in our mind when making investment decisions.

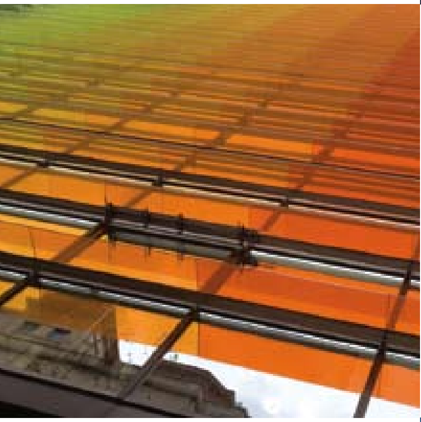
We look forward to continuing to work closely with our investors and to trying to replicate in the years ahead the kind of record we achieved in our first two decades.

William E. Conway, Jr.
Managing Director

Daniel A. D'Aniello
Managing Director

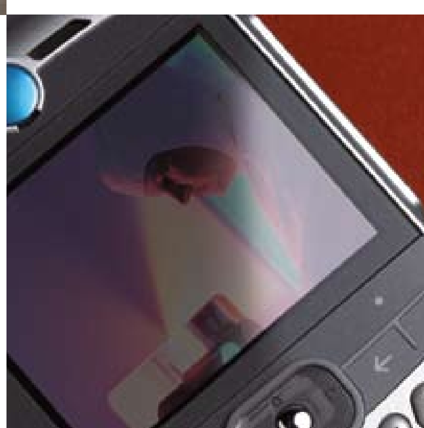
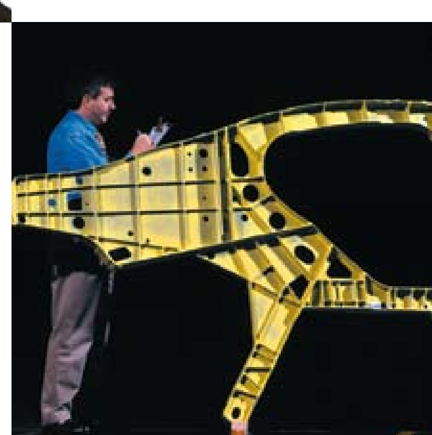
David M. Rubenstein
Managing Director









Guided by a commitment to strong ethics and professionalism, Carlyle has grown into one of the largest global private equity firms with 60 funds in three asset classes: Corporate Private Equity, Alternative Assets and Real Estate.

A key to our success is the *One Carlyle* approach, which promotes collaboration and information sharing throughout the firm. We also emphasize a disciplined value-oriented investment philosophy, and make integrity and reliability essential ingredients of everything we do.

Together, nearly 950 Carlyle professionals are focused on a common purpose of growing the value of our portfolio of investments and identifying investment opportunities around the world.

CORPORATE PRIVATE EQUITY

Across six continents, Carlyle's Corporate Private Equity investment professionals seek out companies—from entrepreneurial start-ups to market-leading large-cap companies—in nine core industries. Corporate Private Equity teams work with company management and Carlyle colleagues globally to take the companies to the next level of operational and performance excellence. As the company's performance excels, its value is likely to increase.

MAJOR ACHIEVEMENTS 2007

• Carlyle Partners IV, L.P. made seven investments with a total transaction value of $30.8 billion.

• A fifth U.S. buyout fund was launched, Carlyle Partners V, L.P., which made three investments.

• Carlyle Europe Partners III, L.P. made its first two investments, in Applus Servicios Tecnológicos for an enterprise value of €1.3 billion, then the largest investment undertaken by a private equity fund in Spain, and merged the marine division of Zodiac Group with Jandy Pool Products to create Zodiac Marine & Pool.

• Carlyle Asia Partners II, L.P. completed six transactions with a total transaction value exceeding $4.4 billion and established a Southeast Asia buyout team based in Singapore, becoming the largest Pan-Asian fund by geographical coverage.

• Carlyle Mexico Partners, L.P. invested in Arabela Holding, a direct seller of fragrances, beauty and personal care products, home goods and novelty items.

• Two new global energy funds were launched: Riverstone/Carlyle Global Energy and Power Fund IV, L.P. and Riverstone/Carlyle Renewable and Alternative Energy Fund II, L.P.

• Carlyle Infrastructure Partners, L.P. made its first investment, in Synagro Technologies, a wastewater treatment residuals management company.

• A third U.S.-focused venture and growth capital fund concluded fundraising, Carlyle Venture Partners III, L.P., with $605 million of equity commitments, Carlyle's largest U.S. venture fund to date. Carlyle Venture Partners III, L.P. also launched a joint venture with Apollo Group to invest in for-profit educational firms around the world.

• Carlyle made one new and one follow-on investment in its Europe technology funds, representing €34.9 million of equity commitments, and a third Europe technology fund was launched, Carlyle Europe Technology Partners II, L.P.

• Carlyle Asia Growth Partners III, L.P. invested $262 million in 18 new and follow-on transactions in eight sectors in China, India, Japan and South Korea.

Carlyle Corporate Private Equity comprises the firm's global buyout, energy and power, infrastructure, and venture and growth capital funds. Corporate Private Equity investment professionals advise 30 funds with a focus on opportunities in Asia, Australia, Europe, Japan, Latin America, the Middle East and North Africa, and North America. Since inception, Corporate Private Equity funds have invested more than $34.2 billion in more than 361 portfolio companies and distributed proceeds of $32.2 billion to investors.

In 2007, Carlyle Corporate Private Equity's portfolio companies generated $109 billion in revenue and employed more than 350,000 people around the world.

From New York to Tokyo, the *One Carlyle* collaborative approach is at work across all Carlyle Corporate Private Equity funds. Carlyle's local teams draw on the firm's global network of advisors, industry experts and CEOs from nine core industries to provide strategic and operational support. Sector teams, made up of specialists in these core industries, further add value to Corporate Private Equity investments.

The Carlyle value-creation process often involves facilitating customer introductions and business alliances to increase the revenues of portfolio companies. Carlyle also helps portfolio companies identify opportunities that enable growth, such as strategic acquisitions and expansions, to enhance the value of its investments.

Carlyle Corporate Private Equity professionals are distinguished by their deep local roots. Most investment professionals are native to the regions in which Carlyle invests, giving the firm a competitive edge in identifying opportunities for growth and value creation.

philosophy

Helping an entrepreneur take a business to the next level

A good idea can become a great company with the proper nurturing. That sums up the reason why Carlyle invested in philosophy, inc. Created in 1996 by Cristina Carlino, philosophy sells a variety of beauty products. After purchasing a majority share in the company in 2007, Carlyle worked with Ms. Carlino to make the company even better. Through Carlyle's management expertise and industry knowledge, the Carlyle team helped the company recruit a new CEO and CFO, enabling Ms. Carlino to focus on creative development, product innovation, communications, training and education.

Carlyle's acquisition of philosophy is another step in the firm's effort to partner with talented and dedicated entrepreneurs, such as Cristina Carlino, to build world-class brands in high-growth and high-quality businesses.

Carlyle Partners

Since its formation, Carlyle Partners has consistently delivered exceptional returns on its U.S. buyout investments. The team targets key industries in which it has significant expertise and takes a conservative approach to investing, conducting extensive due diligence on every transaction.

Established in 1990, the firm's first U.S. buyout fund, Carlyle Partners I, L.P., launched with $100 million in commitments from leading domestic and international investors. The second U.S. buyout fund, Carlyle Partners II, L.P., was launched in 1996 and has $1.3 billion of equity commitments. Carlyle Partners III, L.P. was launched in 2000 and has $3.9 billion of equity commitments.

The fourth U.S. buyout fund, Carlyle Partners IV, L.P. (CP IV), was launched in 2005 with $7.9 billion of equity commitments. In 2007, CP IV made the following seven investments with an aggregate transaction value of $30.8 billion:

- Allison Transmission, a global designer and manufacturer of automatic transmissions for the medium- and heavy-duty commercial vehicle markets. Carlyle invested in Allison along with Onyx Corporation.
- ARINC, a global provider of transportation communications and systems engineering services primarily serving four key industries: commercial and business aviation, airports, surface transportation and defense.
- Kinder Morgan, headquartered in North America, consists of a range of energy transportation, storage and distribution companies. Kinder Morgan has approximately 37,000 miles of pipelines and more than 165 terminals. Kinder Morgan's assets include the general partner interests of Kinder Morgan Energy Partners, L.P. (NYSE: KMP) and the ownership of the Natural Gas Pipeline Company of America. Carlyle made its investment in Kinder Morgan along with Riverstone Holdings, GS Capital Partners and American International Group.
- Open Solutions, a provider of software and software-enabled outsourcing solutions to banks, thrifts and credit unions. Carlyle made its investment in Open Solutions with Providence Equity Partners.
- philosophy, inc., which develops, manufactures and markets a full line of premium personal care products focused on skin care, fragrance, bath and shower, and cosmetics.
- PQ Corporation, a provider of silicate-based inorganic chemicals, primarily sodium silicate, zeolites and silica-based catalysts. The company also manufactures glass beads, which are used

A major provider to the aircraft industry takes off

Carlyle purchased Vought Aircraft Industries in 2000 from Northrop Grumman. Vought develops and manufactures structural assemblies for commercial, military and business aircraft. Vought was negatively impacted by the industry's downturn in 2001–2002. In response, Carlyle took a number of steps to strengthen the company, including investing additional equity in the company, bringing in a new management team, streamlining operations, cutting corporate overhead costs and forming a joint venture with Alenia North America that increased the amount of work Vought was doing for the Boeing 787 Dreamliner program. This joint venture alone employs close to 600 production and engineering people. In 2006, Vought opened a new plant in North Charleston, South Carolina, which added several hundred new employees. Today, the company is making the most of its position as a key supplier of aerostructures to both Boeing and Airbus.

primarily to provide retroreflectivity in road and highway paint and for metal finishing.

• Veyance Technologies, which manufactures and sells Goodyear Engineered Products-branded heavy-duty and lightweight conveyor belts; rubber track; automotive and heavy-duty truck belts, hose, tensioners and air springs; hydraulics; and industrial power transmission products.

In 2007, Carlyle launched its fifth U.S. buyout fund, Carlyle Partners V, L.P. (CP V). CP V made three investments in 2007: HD Supply, the second-largest wholesale distributor of industrial-related products in the United States and Canada; Manor Care, an owner and operator of skilled nursing and assisted living facilities in the United States; and Sequa Corporation, a diversified aerospace and industrial company comprising six businesses.

Carlyle Europe Partners

Employing Carlyle's conservative and disciplined investment approach, Carlyle Europe Partners creates partnerships with corporations and large family-owned businesses. Carlyle helps these organizations reposition and expand their businesses to attain leadership positions in European and other global markets.

Carlyle Europe Partners has built a strong, locally recruited investment advisory team with a range of industry experience, as well as expertise in management consultancy, banking and auditing. Based in Barcelona, London, Milan, Munich and Paris, these professionals have an intimate understanding of the local business and cultural environments where they seek opportunities to create value.

Carlyle Europe Partners comprises three European-focused buyout funds. The first fund, Carlyle Europe Partners, L.P., was launched in 1998 at €1 billion, and its current holdings include Edscha AG and Otor. Launched in 2003, Carlyle Europe Partners II, L.P. has €1.8 billion in commitments, and its current holdings include AZ Electronic Materials, H.C. Starck and Orizonia.

In July 2007, the third fund, Carlyle Europe Partners III, L.P. (CEP III), completed fundraising with €5.3 billion in commitments. CEP III made its first investment in 2007, working with Zodiac Group to merge its marine division with Jandy Pool Products to create Zodiac Marine & Pool, a major global supplier of swimming pool equipment. *Continued on page 24*

a closer look

Firth Rixson

CEO: DAVID C. MORTIMER

EMPLOYEES: APPROXIMATELY 1,800

ACQUISITION DATE: FEBRUARY 2003

PURCHASE PRICE: £152.5 MILLION

REALIZATION DATE: DECEMBER 2007

Forging a company into a major supplier

When Carlyle acquired Firth Rixson in 2003, it saw a company with strong niche positions in attractive markets, based on its unique technology and asset base. Headquartered in the United Kingdom, the company manufactures highly engineered forged, cast and other specialty metal products for the aerospace and general industrial markets.

THE OPPORTUNITY

Carlyle saw that Firth Rixson had excellent organic growth prospects, as well as potential for operational improvement. Upon acquiring the company, Carlyle merged it with one of its existing U.S. portfolio companies, Forged Metals, to deliver production efficiencies that would enable the enlarged group to better meet the needs of customers. In 2005, Firth Rixson became the first Western company utilizing the rolling process to establish its own facility in China. Over the course of Carlyle's investment, the company was repositioned as a global supplier to a multinational jet engine and industrial customer base. In 2007, Firth Rixson acquired Future Tech, a premier supplier of rough machining, a process used to prepare forged rings for finish machining and final fabrication. This vertically integrated the rough machining process at Firth Rixson's large seamless ring manufacturing facilities.

CREATING VALUE

During Carlyle's ownership of Firth Rixson, the scale of the business grew significantly through a successful acquisition strategy and a strong focus on operational excellence on the shop floor. Firth Rixson now operates 11 facilities across China, Europe and the United States and supplies products to every major aerospace engine manufacturer in the world.

Firth Rixson is founded in Sheffield, England.

1850

Carlyle acquires Firth Rixson, a U.K.-listed company, and takes the company private.

Carlyle merges Firth Rixson with Forged Metals, an existing U.S.-based Carlyle portfolio company.

2003

Acquires U.S.-based Schlosser Forge Company, with a 30-year history of serving the aerospace industry.

2004

Firth Rixson is the first Western ring roller to establish a facility in China.

2005

Signs five-year agreement with GE Aviation to supply seamless ring forgings for the GEnx engine.

Carlyle sells 36% stake to Lehman Bros.

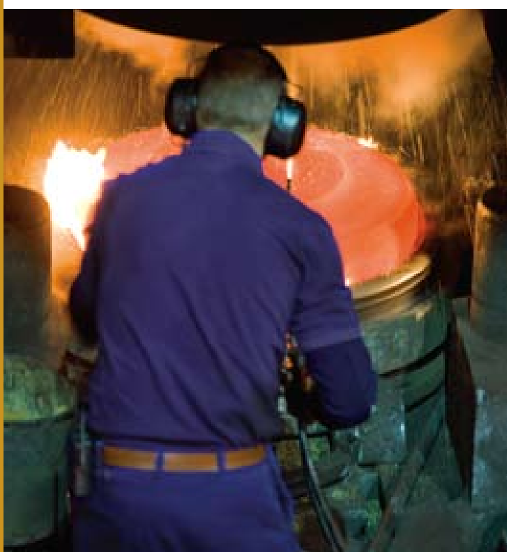
2006

Firth Rixson acquires Future Tech.

Carlyle exits its investment in Firth Rixson. The sale generates an aggregate transaction value of nearly $2 billion.

2007

BUILDING AN INDUSTRY LEADER








"The global Carlyle network enabled us to initiate business relationships with new customers around the world. That's one reason every major aerospace manufacturer in the world now uses Firth Rixson products."

DAVID C. MORTIMER,
CHIEF EXECUTIVE OFFICER,
FIRTH RIXSON

Continued from page 21 In 2007, CEP III also acquired Spanish certification group Applus Servicios Tecnológicos for an enterprise value of €1.3 billion, at the time the largest investment undertaken by a private equity fund in Spain. Headquartered in Barcelona, Applus is the leader in inspection, certification, testing and technological services in Spain. It operates in more than 30 countries worldwide and employs more than 9,000 people.

In March 2008, CEP III launched a €1.1 billion equity investment in telecommunications companies Numericable and Completel, acquiring a 37.85% stake from existing shareholders at an aggregate enterprise value of €6.5 billion. The equity investment was then the largest ever made by a single private equity firm in France. Numericable provides high-definition television, video on demand, high-speed Internet and telephony services over its network in France, covering close to 10 million households. Completel's corporate customers benefit from the largest alternative metropolitan fiber access network and the third-largest DSL network in France.

With a number of European companies interested in expanding their activities globally, Carlyle Europe Partners expects to continue to benefit from its ability to share resources with other Carlyle investment professionals, particularly those located in Eastern Europe, the Middle East and Latin America.

Carlyle Asia Partners

Carlyle's first buyout team focused on Asia was established in 1998. Carlyle Asia Partners, L.P., its first fund, launched with $750 million in commitments in 1999, and its second fund, Carlyle Asia Partners II, L.P., launched in 2006 at $1.8 billion.

Carlyle seeks control and strategic minority investments in Asia ex-Japan, encompassing Australia, China, India, South Korea, Southeast Asia and Taiwan. Espousing the firm's value-creation philosophy, Carlyle pursues long-term partnerships with Asian businesses. One key emphasis is to endeavor to maintain brand continuity and management independence in these Asian companies.

YANGZHOU CHENGDE STEEL TUBE

Providing tools for growth

After nearly 20 years of producing high-quality products, Yangzhou Chengde Steel Tube Company had become China's leading private, large-diameter, seamless steel pipe manufacturer. Yet the company's visionary chairman believed that a strategic partnership could help Yangzhou Chengde achieve even more. In March 2007, Carlyle became a strategic shareholder in the company. The investment in Yangzhou Chengde gave Carlyle a 49% stake in the company—and gave Yangzhou Chengde a partner with experience in export sales, management, recruitment and the global pipe industry.

Carlyle's investment will support Yangzhou Chengde's further growth in both domestic and overseas markets. Carlyle believes that the company's competitive cost structure, product quality and short production lead time can enable it to become a formidable player in the global market in the years ahead.

* Carlyle's stake in China Pacific Insurance Group was diluted from 19.9% to 17.3% after the company's A-share initial public offering in December 2007.

In 2007, Carlyle completed six investments in Asia with an aggregate transaction value of more than $4.4 billion.

These investments included a follow-on investment in China Pacific Insurance Group, China's third-largest life insurer, making it the largest deal in China to date by any private equity firm. Carlyle made a total capital investment of approximately $740 million for a 17.3%* stake in China Pacific Insurance.

Carlyle led the acquisition of Coates Hire Limited. The company was then merged with National Hire Limited to create Australia's largest equipment hire company. The transaction, valued at $2.6 billion, was the largest private equity investment in Asia since the start of the credit crunch and the second-largest ever sponsor-led public-to-private transaction in Australia.

Another significant private equity deal in Asia was Carlyle's $730 million investment in Ta Chong Bank for a 37% control stake in December 2007. Ta Chong Bank provides consumer and corporate banking services in Taiwan.

Carlyle's investment in Housing Development Finance Corporation, India's leading housing finance company, in July 2007, was then the largest equity investment in India measured by the amount of equity deployed.

Other transactions included investments in Yangzhou Chengde Steel Tube Company and Zhejiang Kaiyuan Hotel Management Company.

During the year, Carlyle established a Southeast Asia buyout team based in Singapore headed by Director Anand Balasubrahmanyan. Patrick Siewert and Herman Chang also joined Carlyle as Senior Directors with operational and management insight. Based in Hong Kong, Mr. Siewert focuses on investments in consumer-related businesses across Asia. Mr. Chang is based in Shanghai and focuses on industrial companies. Mr. Siewert, former President of Coca-Cola in Asia, and Mr. Chang, former President of Delphi in China, each have more than 12 years of senior management experience.

Altogether in 2007, 10 investment professionals were added in six offices, bringing the total number advising opportunities across Asia to 35.

a closer look

KITO

CEO: YOSHIO KITO

EMPLOYEES: APPROXIMATELY 1,430

ACQUISITION DATE: SEPTEMBER 2003

PURCHASE PRICE: ¥13.4 BILLION

One Carlyle value creation at work

Founded in 1932, Kito Corporation manufactures material handling equipment and provides related services for industrial applications, such as in distribution centers and factories. The company has more than 1,400 employees worldwide.

THE OPPORTUNITY

Challenged by Japan's economic depression that began in the early 1990s, Kito sought to focus on its core business and expand in overseas markets. But the company was unable to secure funding to support this strategic change. After evaluating the options of partnering with global strategic investors, Mr. Shinjiro Kito, a founding family member and then CEO, was confident that Carlyle—with its deep industrial sector expertise and access to its global network—was best suited to help Kito achieve its desired growth.

CREATING VALUE

After taking Kito private, the Carlyle-Kito team implemented significant reforms. Divesting its loss-making logistics systems business enabled the company to generate free cash flow and focus on its core business. Ex-Toyota operational efficiency consultants revamped factory operations, significantly reducing production lead times and inventory levels. A new management team at Kito's U.S. subsidiary transformed it into one of the company's largest profit contributors. Kito also established a new factory in China and increased its ownership in a Chinese joint venture. With Carlyle's support, Kito penetrated new overseas markets and its products are now distributed in more than 45 countries. These initiatives were conducted while preserving Kito's corporate culture, traditions and core values. In August 2007, Carlyle helped Kito return to the public markets through a re-listing on the Tokyo Stock Exchange, allowing the Japanese public to once again invest in a thriving company, now with a global reputation.

1932 — The Kito Manufacturing Company is founded in Omori, Tokyo.

2003 — Carlyle takes Kito, a Jasdaq-listed company, private.

2004 — Establishes Shanghai Kito Trading Company in China. Sells Logistics Systems division, generating free cash flow.

2005 — Completes new Jiangyin Kito Crane Company factory in China.

2006 — Establishes Kito Europe GmbH in Germany.

2007 — Kito returns to the public markets with a re-listing on the Tokyo Stock Exchange.

EXPANDING INTO A GLOBAL COMPANY

"As the company emerged out of the difficult economy during Carlyle's ownership, employees received increased compensation and, most importantly, brighter prospects through Kito's global expansion. It is not a dream, it is a reality."

YUTAKA HANAWA,
CHIEF OF PRODUCTION, SYSTEM GROUP,
AND VICE CHAIRMAN OF KITO'S LABOR UNION

Carlyle Japan Partners

The Japanese economy, the second-largest in the world, is home to some of the world's most successful companies. These companies are characterized by innovative technologies, dedicated and skilled workforces, and highly educated management teams. It's a combination that makes Japan an appealing market for private equity investments. That's why Carlyle formed a Japan-dedicated team in Tokyo in 2000. The team advises two buyout funds. Carlyle Japan Partners, L.P. is a ¥50 billion investment fund that launched in 2001, and Carlyle Japan Partners II, L.P. is a ¥215.6 billion fund that launched in 2006.

Each Japanese investment professional is well versed in both local business culture and global investing. Carlyle Japan Partners employs a pro-management approach, working closely and cooperatively with portfolio company management to enhance operational and financial efficiencies and pursue management excellence to promote the company's value with a mid- to long-term perspective.

With a conservative and disciplined investment approach, Carlyle Japan Partners aims to generate strong, consistent returns by focusing on companies in industries it knows best, supporting businesses and leading them to the next level.

The *One Carlyle* approach is an important part of Carlyle's business in Japan. For example, after acquiring Kito Corporation in 2003, the firm focused on overseas opportunities in conjunction with local Carlyle offices. Carlyle also helped the company open a regional office in Germany. Kito now has overseas subsidiaries and joint ventures in Canada, China, Thailand, the Philippines and the United States.

In 2007, Carlyle opened offices in Dubai (shown above), Cairo and Istanbul to target opportunities in the MENA region, which is experiencing robust economic growth.

Carlyle MENA Partners

Carlyle established an investment operation in 2007 to target opportunities in the Middle East and North Africa (MENA). Carlyle's approach in the MENA region mirrors its method throughout the world—field a team of proven, local investment advisory professionals with intimate knowledge of the region and leverage the firm's global network, industry expertise and operational know-how.

Carlyle MENA Partners seeks to add value to Carlyle portfolio companies by establishing local teams to address different parts of the region. Investment professionals in Cairo handle North Africa; a team in Dubai addresses companies in the Gulf Corporation Council countries, the Levant and Pakistan; and a third team in Istanbul provides investment expertise for companies in Turkey.

Carlyle is the first global private equity firm to establish a presence in this significant region, which has a population of 425 million and is experiencing robust economic growth. In early 2008, the Economist Intelligence Unit reported that gross domestic product in the MENA region is projected to grow an average of 5.8% per year from 2008 to 2012, compared to 0.8% and 1.4% in 2008 and 2009, respectively, for the United States, and 1.5% and 1.8%, respectively, for Western Europe. Carlyle's global network and industry expertise are important differentiators that can greatly benefit growing companies in the MENA region.

Carlyle Mexico Partners

Launched in 2005 and with $134 million in commitments, Carlyle Mexico Partners, L.P. is one of a few private equity buyout funds focused on Mexico. It also offers the benefits and synergies of Carlyle's global network. Carlyle Mexico Partners is advised exclusively by Mexican nationals, and each member has extensive local knowledge and is sensitive to the country's culture and business practices.

Carlyle invests in private and publicly owned high-growth businesses and opportunistic restructurings in Mexico. These companies, in Carlyle's core industries such as industrial, consumer and business services, are taking advantage of the converging economies of Mexico, the United States and Canada as a result of the North American Free Trade Agreement (NAFTA).

In 2007, Carlyle invested in Arabela Holding, a direct seller of fragrances, beauty and personal care products, home goods and novelty items. In addition to making attractively priced products available to a wide range of customers, Arabela has built an independent sales network of 120,000 individuals. The majority of these individuals are women of low socioeconomic background who are contributing additional income to their households in a flexible way. This is especially relevant in a country where many poor families seek new ways to improve their standard of living. Carlyle hopes to double the number of individuals earning commissions selling Arabela products.

Giving a local company global reach

In 2005, Carlyle purchased a majority stake in Hispanic Teleservices Corporation (HTC), a provider of customized bilingual call center services. Carlyle saw a company with an excellent service that had increasing demand, but whose growth was limited by a lack of business resources.

Carlyle's business network helped HTC access new clients, which represented more than 8% of sales in 2007. In addition, Carlyle's financial support enabled HTC to attract new customers who were reluctant to hire a small company. Carlyle also introduced an innovative plan that granted stock options to more than 40 employees, from middle to top management. While it is unusual for Mexican companies to provide these kinds of benefits to employees, management believes that the incentives were key to the company's success. After two years of Carlyle ownership, the total number of employees had more than tripled.

Hispanic Teleservices
Corporation

Building long-term relationships to create long-term value

Before Carlyle/Riverstone invested in Foresight Reserves, they invested in a relationship with the company. Foresight Reserves develops and operates coal mines and related infrastructure. Through its subsidiaries, Foresight owns or controls more than three billion tons of coal reserves in the Illinois and Northern Appalachian coal basins. The investment was completed after Carlyle/Riverstone worked with management for more than two years to form and execute a business plan.

Foresight is led by Christopher Cline, an industry leader in developing and operating coal mines over the last 25 years. Mr. Cline, along with other management, retains a substantial share of the company and selected Carlyle/Riverstone as the "right" partners to help Foresight achieve its long-term business plan and ultimate value creation. The company also has a strategic relationship with Natural Resource Partners (NYSE: NRP). NRP is a master limited partnership in which Foresight owns both limited partner and general partner interests.

Foresight Reserves, L.P.

Global Energy and Power Funds

In 2000, The Carlyle Group and Riverstone Holdings, LLC formed a partnership to conduct buyout and growth capital investments in the midstream, upstream, power and oilfield services sectors. Over time, the partnership's mandate expanded to include renewable and alternative sectors of the energy industry.

The partnership has established six funds: Carlyle/Riverstone Global Energy and Power Fund I, L.P. in 2001 with $222 million of equity commitments; Carlyle/Riverstone Global Energy and Power Fund II, L.P. in 2002 with $1.1 billion of equity commitments; Carlyle/Riverstone Global Energy and Power Fund III, L.P. in 2005 with $3.8 billion of equity commitments; and Carlyle/Riverstone Renewable Energy Infrastructure Fund I, L.P. in 2005 with $685 million of equity commitments. In 2007, a fourth energy and power fund and a second renewable and alternative energy fund were launched.

Carlyle/Riverstone continued its track record of relationship-driven transactions with its Foresight Reserves investment in 2007. Foresight develops and operates coal mines and related transportation infrastructure that capitalize on its reserve base of more than three billion tons of low-cost coal with multiple rail line and river access to market. The company's reserve base benefits from increasingly stringent environmental regulation that is forcing many coal-fired power plants to install advanced emission controls, enabling a growing number of power plants to burn Foresight's type of coal. Foresight represents another Carlyle/Riverstone investment case built upon buyout capital plus growth capital and conservative financial leverage.

In 2007, Carlyle/Riverstone successfully exited Kramer Junction,

Creating a more sustainable environment

Carlyle made its first infrastructure investment in 2007 when it acquired Synagro Technologies in a public-to-private transaction. Synagro recycles biosolids and other organic residuals in the United States and is the only national company focused exclusively on the estimated $8 billion organic residuals industry, which includes water and wastewater residuals.

After reviewing a broad range of strategic alternatives, Synagro concluded that a partnership with Carlyle would offer the best opportunity to maintain its role as an essential service provider, a key employer and a longtime community partner, while delivering a highly attractive cash premium to shareholders. The investment also gives Carlyle and its investors an opportunity to invest in a company that is helping to create a more sustainable environment.

SYNAGRO

A Residuals Management Company

the largest solar power plant in the world and its first renewable energy investment. The investment was made in January 2005 in partnership with Florida Power & Light, a U.S. renewable power company. During the investment period, the fully contracted, 150-megawatt facility was substantially recapitalized to improve reliability and operating margin, which ultimately made it an ideal asset for interested buyers.

Last year, Riverstone Holdings expanded its global reach by establishing an office in London, and added eight professionals to its team.

Carlyle Infrastructure Partners

Established in 2006, Carlyle Infrastructure Partners, L.P. is a $1.1 billion buyout fund that invests in both public and private infrastructure projects and businesses, primarily in the United States and Canada.

Carlyle Infrastructure Partners' approach is unique in that it taps both financial professionals and people who understand the public policy side of infrastructure. The team works in conjunction with the public sector to find cooperative methods of managing and investing in assets, to identify ways to create value from infrastructure and to provide public partners with an attractive risk-adjusted return.

The need to invest in infrastructure in the United States and Canada continues to grow, with recent estimates for deferred maintenance and new construction topping the $1 trillion mark over the next five years. Private investment offers state and local governments an alternative to meet funding and operating demands beyond the traditional means of tax increases and bond issuances.

Carlyle Infrastructure Partners includes 14 professionals based in Washington, DC and New York.

a closer look

Wall Street INSTITUTE

CEO: TIMOTHY F. DANIELS

EMPLOYEES: APPROXIMATELY 2,180

ACQUISITION DATE: FEBRUARY 2005

PURCHASE PRICE: $42 MILLION

Expanding opportunities for an education company and students worldwide

Founded more than 30 years ago in Italy, Wall Street Institute (WSI) operates and franchises English language instruction, a $50 billion global market projected to grow over time as English continues to increase its dominance as the global language of business. WSI targets a market of young professionals in 26 countries through a network of owned and franchised centers. Sylvan Learning purchased WSI from its founder in 1997.

THE OPPORTUNITY

At the time of Carlyle's investment, WSI parent company Laureate Education (formerly Sylvan Learning) had classified WSI as a discontinued business. Because WSI was not seen as a core operation, it suffered from undercapitalization, a lack of management resources and a narrowly focused regional strategy. Carlyle finalized the acquisition of WSI in 2005. Co-investor Citibank Private Equity participated in the final phase of the transaction. WSI formed a partnership with Carlyle to improve management resources and to acquire a greater level of capitalization.

CREATING VALUE

Carlyle augmented WSI's management team around the company's existing CEO, launched a highly successful initiative to sell WSI's language instruction services to corporations and greatly expanded the company's global presence, growing from 285 centers in 24 countries in 2005 to 385 centers in 26 countries at the end of 2007, including 27 new centers in China. Just as important, WSI is enriching the lives of people throughout the world by providing them with English language skills that make them more valuable to employers, as well as the opportunity to earn higher wages.

REACHING MORE STUDENTS IN MORE PLACES

1972 — The first WSI centers open in Italy, revolutionizing English language instruction.

2005 — Carlyle purchases WSI from Laureate Education, formerly Sylvan Learning Systems.

The WSI network includes more than 285 centers and operations in 24 countries with more than 134,000 students.

2006 — Acquires WSI China, with 18 centers in Beijing, Shanghai, Guangzhou and Shenzhen.

2007 — The WSI network grows to 385 centers in 26 countries with approximately 160,000 students worldwide.

2008 — Opens first WSI learning center in Russia, located in Moscow, with several more planned in the country.

"I really appreciate that Wall Street Institute focuses on teaching me how to understand and speak English, not memorizing a lot of grammar and vocabulary. It's easy to fit the classes into my schedule. In fact, I can take classes when it's convenient for me. Plus, the small classes mean I get the attention I need to really master the language."

AGNI WIDYASMARA, STUDENT,
WALL STREET INSTITUTE

CAMECA
SCIENCE & METROLOGY SOLUTIONS

Carlyle Venture and Growth Partners

Carlyle Venture and Growth Partners teams with world-class executives and entrepreneurs to build high-growth enterprises. Our California- and Washington, DC-based investment professionals pursue a growth-oriented investment strategy, investing in a mix of growth buyout, growth equity and early-stage venture capital transactions involving U.S. companies with global potential.

Carlyle targets companies that are both creating and benefiting from powerful global trends transforming the U.S. and world economies. For example, global demand for education is growing rapidly as upwardly mobile populations enter the workforce in the developing world, and as the developed world continues the transition from asset- and capital-intensive industries to an information economy founded upon a well-educated and flexible workforce. In addition to these powerful global trends, traditional education models are being reshaped by the proliferation of new technologies that facilitate distance learning.

Since the inception of its first fund, Carlyle Venture Partners, L.P. (CVP I) in 1997, Carlyle has been an active investor in the global education sector. CVP I provided early venture capital to Blackboard, a provider of enterprise software and services to the education industry. Today, Blackboard has a market capitalization of more than $1 billion and is listed on the NASDAQ (BBBB). Carlyle's other education-related investments include: Apollo Global, a joint venture between Carlyle and Apollo Group (NASDAQ: APOL) formed to build a global education services business; SchoolNet, a provider of infrastructure software solutions to K-12 schools; and Wall Street Institute, a provider of English language instruction services.

The team's second fund, Carlyle Venture Partners II, L.P. launched in 2001 with $602 million in commitments, invests in many technology, business services and healthcare device companies. Carlyle's investments include medical device companies Pixel Optics, Neovista, AqueSys and Proteus Biomedical, each representing breakthrough technologies that can improve the lives of people suffering from ophthalmologic or cardiovascular problems. Other investments include networking software firm LVL7, which was acquired by Cypress Semiconductors in 2007, and spinal surgery tools company Endius, which

Helping an established company grow globally

Carlyle acquired CAMECA, a French manufacturer of semiconductor metrology equipment and scientific instruments dedicated to micro- and nano-analysis, in 2005. The company was already a world leader in designing, manufacturing and servicing ion and electron probes, but Carlyle believed it could collaborate with CAMECA's management team to create additional growth opportunities.

Carlyle's guidance enabled CAMECA to complete the highly complementary acquisition of German ion probe manufacturer Atomika. The acquisition contributed to CAMECA's product offering and presence in Germany and Asia, and strengthened the company's position in the semiconductor capital equipment sector. The combination of Carlyle's technology experience, global reach and financial support enabled CAMECA to substantially expand its international presence and employment base, increasing revenues by more than 60%.

was acquired by Zimmer Holdings also in 2007. In addition, fabless fingerprint sensor developer AuthenTec successfully completed its initial public offering on the NASDAQ (AUTH) in 2007.

Carlyle's global reach makes its venture capital and growth equity platform unique in the industry. The investment team leverages the firm's global network to add value by helping small companies realize their full potential by tapping the Carlyle network to facilitate sales growth, both in the United States and abroad.

In 2007, Carlyle completed fund-raising on its third U.S.-focused venture and growth capital fund, Carlyle Venture Partners III, L.P. (CVP III), which has $605 million of equity commitments. As of December 31, 2007, CVP III had invested $129 million in nine companies.

Carlyle Europe Technology Partners

Carlyle Europe Technology Partners targets leveraged buyout transactions and expansion capital investments in small- to mid-cap technology companies. The team, based in London, includes investment professionals from a large number of European countries, including France, Germany, Ireland, Italy, Spain and the United Kingdom, and leverages Carlyle's network of offices to maintain a local presence across Europe.

The team advises a €222 million fund, Carlyle Europe Technology Partners, L.P. (CETP), which launched in 2005. CETP focuses on investments with an enterprise value between €25 million and €200 million in the technology, media and telecommunications industries, targeting European companies with a strong focus on technology or innovation with excellent growth potential and stable revenues.

The team's investment professionals have technical backgrounds in engineering and/or science and advanced degrees, enabling them to share with portfolio companies a specific understanding of their technologies.

Carlyle Europe Technology Partners actively supports its portfolio companies through board representation, strategic advice and guidance, as well as by tapping into Carlyle's global network to facilitate introductions to potential customers and partners. Carlyle Europe Technology Partners is known for providing a custom approach to its investments, tailoring its capital structure to the specific requirements of each project.

In 2007, Carlyle made one new and one follow-on investment in companies in the technology and media industries. The Mill offers digital post-production and video distribution services for the television advertising industry with offices in London, Los Angeles and New York. KCS.net, based in Switzerland, is a rapidly growing vendor of Microsoft-based enterprise resource planning solutions and related consulting services.

Also in 2007, a third Europe technology fund, Carlyle Europe Technology Partners II, L.P., was launched.

The team also advises Carlyle Europe Venture Partners, L.P., which is a €553 million fund that launched in 2000. The fund, which has 27 total investments, includes three remaining active investments: BFinance, an international financial services consultancy based in London that specializes in fund manager selection for institutional investors; Germany-based Cube Optics, whose advanced assembly and manufacturing platform enables the mass manufacture of low-cost, miniaturized products for data and telecommunications networks; and SmartTrust, a leading developer of infrastructure software for managing and securing mobile services headquartered in Sweden.

Carlyle Asia Growth Partners

Established in 2000, Carlyle's growth capital investment group in Asia advises three funds: Carlyle Asia Venture Partners I, L.P., launched in 2000 at $159 million; Carlyle Asia Venture Partners II, L.P., launched in 2001 at $164 million; and Carlyle Asia Growth Partners III, L.P., launched in 2006 at $680 million.

Currently one of the largest growth capital groups in Asia, Carlyle targets private high-growth companies with strong local management teams and leading market positions in China, India, Japan and South Korea. As the lead or sole financial investor in proprietary situations, Carlyle typically takes

Expanding through a strategic merger

In 2005, Target Media was the second-largest out-of-home flat-panel display advertising network operator in China. After investing $19.5 million in the company, Carlyle held a 30% ownership stake. Understanding the cost synergies and improved market positioning that would result from combining forces with its sole direct rival, Focus Media, Carlyle facilitated the merger of the two companies to create the largest private media company in China.

The merger immediately created the strongest platform in this high-growth space in China. After the merger was finalized, the combined company—Focus Media—significantly increased the size of its commercial location network and could offer advertisers the opportunity to deliver advertisements to larger and more segmented audiences. Today, Focus Media is the largest publicly listed media company in China, with market capitalization of more than $4 billion.

significant minority positions in target companies. With a sector-agnostic and country-specific approach, Carlyle seeks out and invests behind outstanding entrepreneurs and emerging leaders with a track record of profitability and a high-growth trajectory.

The regionally integrated team comprises seasoned investment professionals, each native to his or her respective country, and is spread across six offices in Beijing, Hong Kong, Mumbai, Seoul, Shanghai and Tokyo. Carlyle's post-investment approach is to be a hands-on, long-term, value-adding partner to the portfolio company CEO and senior management, leveraging the firm's global network and resources to accelerate the growth of the portfolio company.

In 2007, Carlyle invested $262 million in equity in 18 new and follow-on investments spanning eight sectors in China, India, Japan and South Korea. These investments include Xtep (China) Company, a fashion sportswear enterprise in China; Great Offshore Limited, an Indian company that provides services to oil and gas companies; and TOPIA Education, an after-school private education and tutoring institute in Korea.

Focus Media 分众传媒

ALTERNATIVE ASSETS

Carlyle Alternative Assets comprises investment professionals with extensive experience in leveraged finance. The teams invest in below investment-grade corporate loans, bonds, mezzanine debt, distressed opportunities and special situations across Europe and the United States. We believe the Alternative Assets teams add value to the overall firm, enabling Carlyle to finance more substantial transactions at a lower cost, finance larger transactions and ramp up its activity in the credit markets. Globally, Carlyle Alternative Assets has grown significantly in recent years, now managing more than $12 billion in capital through 21 funds.

MAJOR ACHIEVEMENTS 2007

- Launched and fully invested Carlyle's tenth U.S. loan fund, Carlyle High Yield Partners X, Ltd., at $400 million, and the first-ever fully managed synthetic loan fund.

- Invested $200 million in 10 transactions in Carlyle Mezzanine Partners, L.P.

- Launched a second U.S. mezzanine fund, Carlyle Mezzanine Partners II, L.P.

- Invested $320 million from Carlyle Strategic Partners I, L.P. and Carlyle Strategic Partners II, L.P.

- Launched Carlyle Strategic Partners II, L.P. in 2007, which concluded fundraising in early 2008 and has $1.35 billion in commitments.

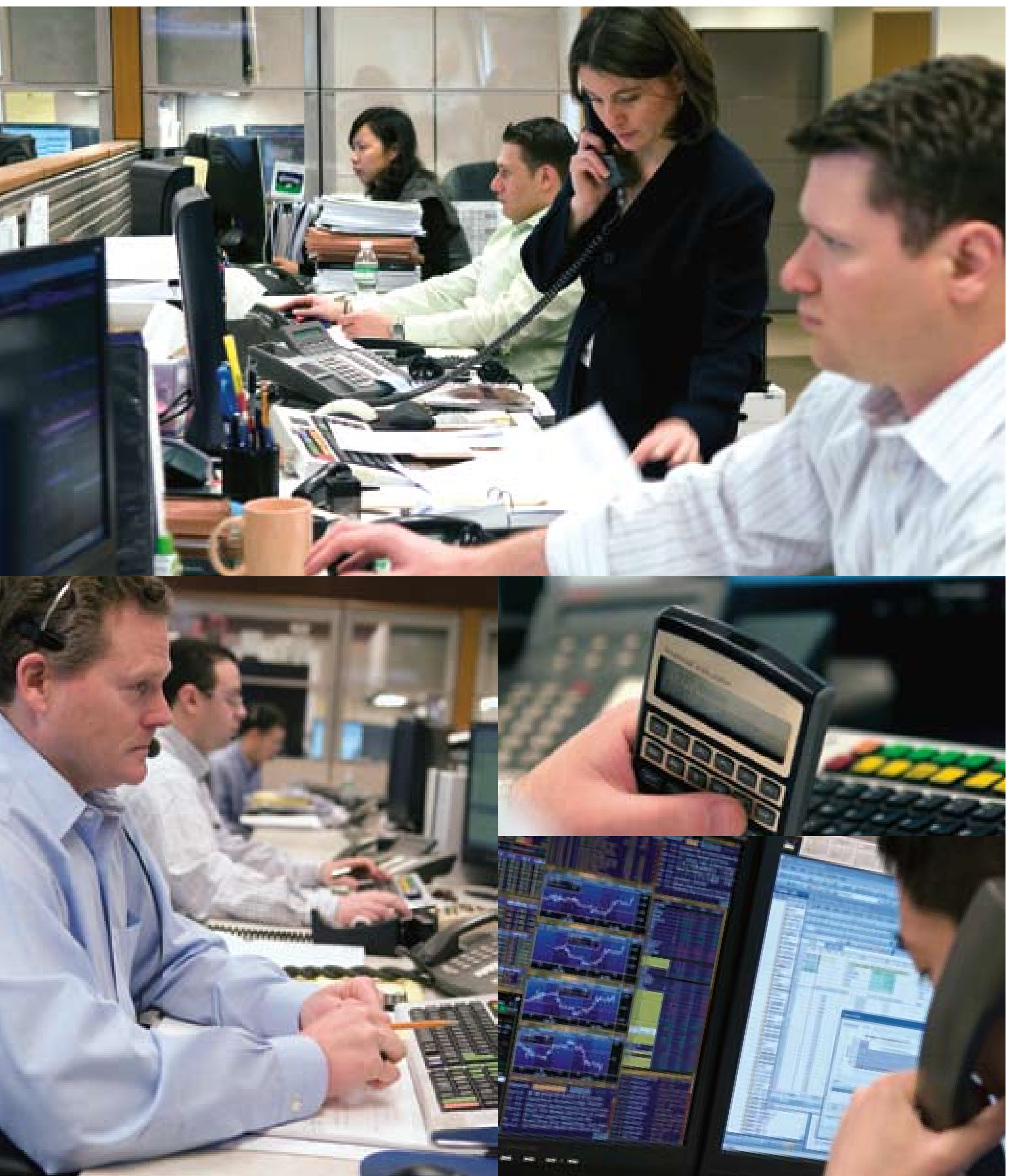
- Launched two new European leveraged finance funds, CELF Low Levered Partners PLC at €355 million and CELF Loan Partners IV PLC at €600 million, and Europe's first synthetic loan fund.

U.S. Leveraged Finance

Established in 1998, U.S. Leveraged Finance invests in below investment-grade corporate loans, bonds and special situations. The team focuses on industries in which Carlyle has extensive expertise: aerospace, consumer products, defense, energy and power, healthcare, industrial, telecommunications, media, transportation and technology. The team collaborates closely with other investment professionals across the firm, leveraging their insights into key trends at work in their focused sectors, which enhances its ability to identify and evaluate investment opportunities.

U.S. Leveraged Finance's investment professionals practice a disciplined investment and monitoring process and proactively manage risk exposure. The team focuses on fundamental value investing with a goal of generating above-average current income, capital appreciation and portfolio diversification.

As of March 31, 2008, U.S. Leveraged Finance manages nine cash and synthetic collateralized loan obligation (CLO) funds,



totaling more than $3.7 billion, and one credit opportunity fund, bringing total assets under management to $4.5 billion.

In 2007, U.S. Leveraged Finance launched its tenth U.S. loan fund, Carlyle High Yield Partners X, Ltd. (CHYP X), at $400 million. CHYP X utilizes a traditional CLO structure, including AAA through BB rated liabilities that were priced at near historic low spreads to LIBOR. The team locked in attractive liability spreads and positioned CHYP X to maximize returns to investors.

Also in 2007, U.S. Leveraged Finance closed the first-ever fully managed synthetic CLO fund, a five-year fund invested in U.S. and European loan credit default swaps. The fund has a diversified portfolio of more than 100 credits actively traded by Carlyle.

In early 2008, U.S. Leveraged Finance closed its eleventh U.S. loan fund, Carlyle Credit Partners Financing I, Ltd. (CCPF I), with $450 million in commitments. CCPF I utilizes a traditional CLO structure including AAA, AA and BBB rated liabilities.

To bolster its strengths and position it for further growth, U.S. Leveraged Finance hired Steve Sterling in 2007 as a Managing Director and Head of Research. Mr. Sterling has more than 20 years of leveraged credit experience in leadership, originator and credit roles, encompassing all major industry groups, company sizes and transaction types.

U.S. Leveraged Finance continues to build upon the success of its corporate credit business to expand its highly skilled, strategically focused leveraged finance platform and exploit the opportunities presented by the recent dislocation in the credit markets.

Helping a strong company become stronger

When Carlyle partnered with Century Park Capital to invest in Specialty Manufacturing in 2006, the company was already the top supplier of school bus safety components and bus interior lighting systems in North America. Specialty enjoys product market shares of more than 80%, and its primary product—the electric stop arm—is mandatory on all of the nearly 50,000 school buses manufactured in both the United States and Canada each year. Due to the nature of the school bus safety equipment market and the inherent liability associated with potential accidents, Specialty is specified as the preferred safety component supplier by the majority of state and local transit authorities.

In 2007, Carlyle and Century Park Capital saw an opportunity to create additional value by combining Transpec Worldwide with Specialty. The acquisition made Specialty the sole provider of stop arms, crossing arms and roof hatches in North America. Specialty also acquired Pretoria Transit Interiors, a leading manufacturer of interior lighting systems for the commercial transit bus industry. The two acquisitions diversified Specialty's product offerings and strengthened its position in the commercial transit market. With the addition of Transpec and Pretoria, the company has grown its earnings 48% since the time of Carlyle's original investment.

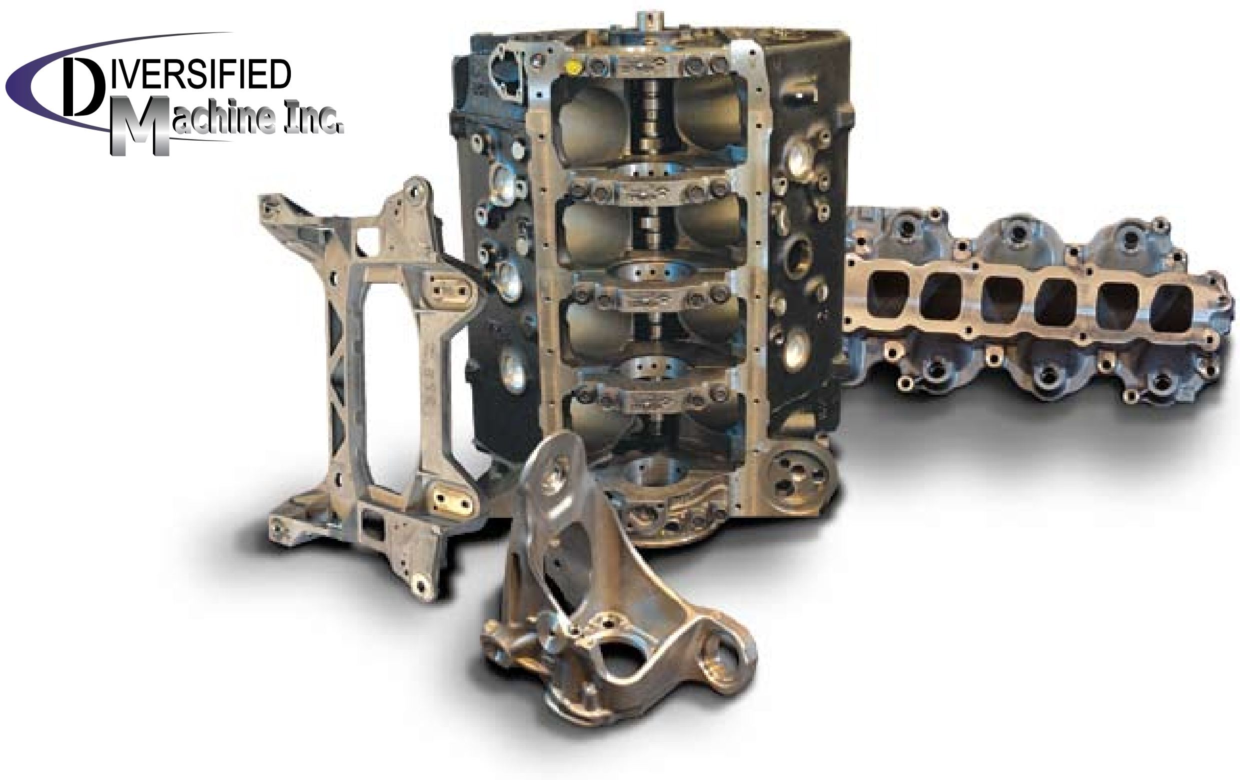
Carlyle Mezzanine Partners

Carlyle Mezzanine Partners was established in 2004 to invest in U.S. debt and equity securities of leveraged buyouts, recapitalizations and growth financings. The team pursues a generalist industry approach and leverages Carlyle's extensive expertise in industries such as automotive and transportation, aerospace and defense, media and telecommunications, healthcare, consumer and basic industrial manufacturing. Carlyle primarily invests in junior debt, preferred stock and minority common equity securities. Investing in debt securities allows Carlyle to provide current income on a quarterly basis.

Consistent with Carlyle's value-based investment philosophy, Carlyle Mezzanine Partners has a credit-based investment process with a focus on principal preservation and downside protection. Carlyle invests in companies with stable, recurring cash flow; reasonable growth expectations; defensible, market-leading positions; strong, motivated management teams; and sound corporate governance.

The team advises funds that have more than $800 million in commitments as of March 31, 2008. In 2007, Carlyle made 10 investments, including Hawkeye Group, a U.S. manufacturer of capital equipment and accessories for the production of concrete large-diameter pipe and manhole products; International Aluminum Corporation, an integrated manufacturer of exterior and interior doors, windows, frames, glazing systems, and other aluminum and vinyl products for commercial and residential applications; and Wastequip, the largest designer, manufacturer and marketer of non-mobile equipment used to collect, process and transport solid waste materials in North America.

SPECIALTY
MANUFACTURING, INC.



Carlyle Strategic Partners

Established in 2004, Carlyle Strategic Partners invests in the debt and equity of operationally sound, financially distressed companies around the world in Carlyle's core industries.

Carlyle Strategic Partners manages more than $1.5 billion in two funds, Carlyle Strategic Partners II, L.P., which was launched in 2007 and had its final close in early 2008 at $1.35 billion, and Carlyle Strategic Partners, L.P., which had its final close in 2006 at $211 million.

Through influence and control, Carlyle seeks to drive returns and value through its involvement in restructuring processes and at the management and board levels.

Diversified Machine is an excellent case in point. As the lead investor, Carlyle structured and executed the acquisition of UniBoring Inc. Subsequently renamed Diversified Machine, the precision machining company provides automotive powertrain components to the big three original equipment manufacturers and tier-one suppliers throughout North America. The management team engaged to turn around Diversified Machine is led by CEO Bruce Swift, an automotive industry veteran who has held a number of senior-level executive positions in the industry, including major assignments with Ford and Honda; COO Stephen M. Bay, a former Vice President at Metaldyne and Simpson Industries; and CFO Shankar Kiru, who has held various executive positions at Covisint and Allied Signal. The result: revenues have more than doubled in two years.

The combination of Carlyle's worldwide resources and the team's combined experience with distressed investing, private equity, restructuring and investment banking uniquely positions Carlyle Strategic Partners among investors in financially distressed companies.

Carlyle European Leveraged Finance

Carlyle European Leveraged Finance was established in 2004 to invest primarily in non-investment grade high yield loan and bond assets, predominantly relating to leveraged finance transactions. Carlyle's investment goal is to generate superior returns with consistent distributions through its proven asset-sourcing capability combined with disciplined credit and risk management methodologies.

Carlyle's long-standing close relationships with arrangers of leveraged finance in the European market and secondary market makers, its deal flow relationships with more than 30 counterparties and the support

A seasoned management team boosts employment

In 2005, Carlyle, as the lead investor, acquired a precision automotive component machining and manufacturing company out of bankruptcy. The company, now called Diversified Machine, manufactures, machines and assembles powertrain, transmission, and suspension components and modules for automotive customers, including the major U.S. automakers.

Carlyle was attracted to the company for two major reasons. First, the company's experienced and talented workforce had demonstrated an ability to combine quality products with professional service to attract a diverse customer base. Second, driven by the outsourcing trends of the major original equipment manufacturers, the value-added component-machining segment has shown growth potential.

With a new management team in place, Diversified Machine's revenues have grown from $130 million in 2005 to more than $340 million in 2007. Just as important, the employee base has grown from 375 in 2005 to more than 994 at the end of 2007, and is expected to grow to more than 1,225 in 2008.

of the firm's global network give Carlyle an advantage in sourcing assets from both the primary and secondary markets. To date, Carlyle has participated in deals with more than 70 private equity sponsors.

The team is based in London and has grown to 18 investment professionals, each with extensive experience in managing below investment-grade assets, particularly within securitization-based fund structures, such as collateralized debt obligations (CDOs). The team also augments its own credit analysis with industry sector expertise provided by other Carlyle investment professionals, helping it to source investment opportunities in those sectors.

Carlyle uses a proprietary credit monitoring system as part of its stringent portfolio monitoring process. This real-time risk management tool provides daily updates on risk and value ratings for each issuer, as well as rating agency information and outlook, and is used to make buy, hold or sell decisions.

Carlyle European Leveraged Finance currently advises seven funds with €4.1 billion of assets under management. In 2007, Carlyle launched two new European leveraged finance funds. CELF Low Levered Partners PLC, which closed in January at €355 million, is a low levered fund investing in below investment-grade debt. CELF Loan Partners IV PLC, closed in May at €600 million, invests in below investment-grade debt.

In late 2007, Carlyle launched Europe's first synthetic CLO fund, investing in European and U.S. loan credit default swaps.

In 2007, CELF won the *Risk* magazine CDO Manager of the Year award for its success in both product innovation and delivering excellent and consistent returns to its investors.

REAL ESTATE

Carlyle has 10 real estate funds focused on investment opportunities in Asia, Europe and the Americas. These teams share a value-oriented investment strategy focused on market fundamentals and a long-standing track record of success. Globally, since inception, Carlyle has invested in 353 properties with a total capitalization of $31.1 billion, completed 154 full or partial realizations, and returned $4.5 billion to investors.

MAJOR ACHIEVEMENTS 2007

- Completed 99 acquisitions in Asia, Europe and the United States, totaling more than $10.9 billion in transaction value, and invested more than $2.9 billion in equity.
- Completed 38 exits globally, returning $1.3 billion to investors.
- Launched Carlyle's fifth U.S. real estate fund, Carlyle Realty Partners V, L.P., with $3 billion in commitments.
- Launched Carlyle's third Europe real estate fund, Carlyle Europe Real Estate Partners III, L.P.
- Established Carlyle's first Latin America real estate team. The 10-member team, co-headed by Managing Directors Jaime Lara and Eduardo Machado, is based in Mexico City and São Paulo and advises Carlyle Latin America Real Estate Partners, L.P.
- Continued to expand internationally, opening offices in Madrid and São Paulo, and establishing a team in Mumbai.

Carlyle Realty Partners

Carlyle Realty Partners primarily targets opportunistic U.S. real estate investments in the major metropolitan markets of New York, Washington, DC, Los Angeles, San Francisco, Seattle, Florida and Boston, with a focus on the office, hotel, industrial and retail sectors.

Carlyle Realty Partners seeks to generate premium returns for investors by identifying situations where real estate fundamentals are underpriced by the capital markets, and locating assets in markets with diverse tenant demand, supply constraints and exit liquidity. The team has achieved superior returns through active asset management—repositioning assets with capital expenditures and leasing—with a goal of increasing the properties' cash flow. When complete, Carlyle then strives to sell to institutional real estate owners with a lower cost of capital.

Carlyle Realty Partners has five active funds with a total of $5.2 billion under management. In 2007, the team's fifth fund, Carlyle Realty Partners V, L.P., launched with $3 billion in commitments.

In April 2007, Carlyle Realty Partners purchased 14 Wall Street in New York City in a joint venture with Capstone Equities. The historic building, across the street from the New York Stock Exchange, is seen as a repositioning and re-leasing opportunity. Carlyle believes that it will be able to drive the property's cash flow during its period of ownership. In order to increase rents and occupancy, the partnership has initiated a $20 million capital expenditure program in which it is enhancing the quality of the building exterior, common areas and systems.

Also in 2007, Carlyle Realty Partners formed a joint venture with Means Knaus Partners, a Texas-based real estate services and investment firm, to develop a $75 million, 300,000-square-foot, two-building office project in the Westchase market of suburban Houston. Carlyle believes it is delivering high-quality space into a market with strong demand dynamics, targeting strong absorption and high initial yields. First-phase occupancy is scheduled for December 2008. *Continued on page 48*

14 Wall Street
New York, New York

In April 2007, Carlyle purchased this historic, 37-story, 1.1-million-square-foot-office building in the heart of New York City's financial district. Carlyle plans to reposition the property into a Class-B+ building with attractive finishes and amenities, and a $20 million capital expenditure program has been initiated to enhance the quality of the building exterior, common areas and systems.

a closer look

ONEwilshire

CRG WEST

Established in 2001, CRG West is a premier colocation and data center management company headquartered in Denver, Colorado. CRG West operates carrier-neutral data centers in the San Francisco Bay Area, Boston, Chicago, Los Angeles, Miami, New York, Northern Virginia, San Jose and Washington, DC.

Creating lasting value at a unique first-class office building

Carlyle purchased One Wilshire, a 30-story, Class-B office tower located in the Los Angeles central business district, in 2001. At the time of the purchase, the building was 92% leased with approximately 1% of its 656,000 square feet dedicated to colocation services—a type of shared data center.

THE OPPORTUNITY

Carlyle believed One Wilshire presented an opportunity to increase revenue by rolling existing below-market office leases to market rates, converting office space to higher yielding colocation space and capturing previously untapped revenue sources in the colocation suites.

CREATING VALUE

Carlyle expanded the building's colocation space from approximately 6,000 square feet to 145,000 square feet, tripling the number of communications-related companies leasing space in the process. One Wilshire has become one of the world's top points of Internet interconnection, data hosting and information processing. The property is 99% leased and includes such technology companies as Verizon, AT&T, China Telecom and Singapore Telecom. The combination of first-class office space and an incredible density of global communications companies makes One Wilshire a unique asset. CRG West, a Carlyle Realty Partners III, L.P. portfolio company and one of the largest managers of network-neutral data centers in the United States, leases more than 170,000 square feet under a long-term contract and is the largest tenant at One Wilshire.

1966 — One Wilshire, a landmark in the Los Angeles skyline, is built.

2001 — Carlyle acquires the 656,000-square-foot building and begins operating its 6,000 square feet of colocation space.

2003 — Signs 128 colocation transactions and more than 200,000 square feet of leases. Colocation space expands to 16,000 square feet.

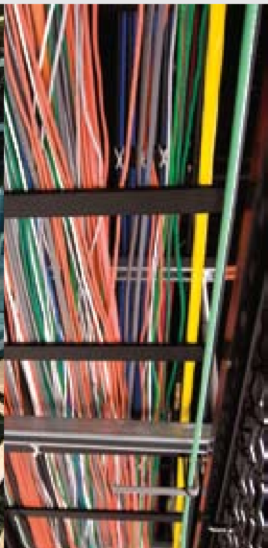
2005 — Completes 131 lease transactions representing $5.6 million in annual revenue. Colocation expansion continues, now aggregating more than 35,000 square feet.

2006 — Houses nearly 250 communications companies including 120 different global networks. Colocation expansion continues to 80,000 square feet.

2007 — Carlyle sells One Wilshire for $287 million. The building houses more than 300 networks and communications companies.

BUILDING A GLOBAL COMMUNICATIONS HUB



"The 170,000-square-foot data center space at One Wilshire is only part of what CRG West offers to networks, communications providers, universities and enterprises. We now manage more than two million square feet of first-class data center and colocation space across the United States."

DAVID DUNN,
SENIOR VICE PRESIDENT,
CRG WEST

Continued from page 45 Through a joint venture with MHI Hospitality Corporation, Carlyle Realty Partners acquired the newly renovated 311-room Crowne Plaza Hollywood Beach Resort in Hollywood, Florida, for $74 million. Carlyle acquired the property in a privately negotiated transaction at a 20% discount to replacement cost. With its partner, Carlyle plans to operate the hotel with a focus on increasing market share following the property's repositioning.

Last year, Park Place Annapolis, which Carlyle Realty Partners is developing via a joint venture with the Jerome J. Parks Companies, neared completion with the opening of a 225-room Westin Hotel, retail stores and restaurants. As the residential portion of the project began to deliver, the first residents moved into Park Place Annapolis in 2007. Plans were also announced for a $60 million, 1,200-seat performing arts center. When it is completed, the residential, commercial, retail and arts complex is expected to create more than 1,300 new jobs.

In 2007, George Ruhlen joined Carlyle Realty Partners as a Managing Director focused on U.S. real estate opportunities. Prior to joining Carlyle, Mr. Ruhlen was a partner in the law firm of Mayer Brown, LLP, where he was a firm practice leader for its U.S. real estate group.

Carlyle Europe Real Estate Partners

Carlyle Europe Real Estate Partners, established in 2001, targets investments in commercial property that can be repositioned by updating the existing physical structure and by improving occupancy rates and rental yields. The team adopts a proactive and highly selective approach to acquisitions and asset management, investing in both existing structures and land for development.

Carlyle Europe Real Estate Partners includes a dedicated asset management group that works alongside its investment team. Based in Frankfurt, London, Madrid, Milan, Paris and Stockholm, the team's local coverage ensures that it is well connected to key European real estate and corporate communities.

The team advises three funds with total capital commitments of €3 billion: Carlyle Europe Real Estate Partners, L.P. was launched in 2002; Carlyle Europe Real Estate Partners II, L.P. was launched in 2005; and Carlyle Europe Real Estate Partners III, L.P. was launched in 2007. The funds target opportunistic real estate investments in Europe.

The team opened its first office on the Iberian Peninsula in Madrid in 2007. It also continued a major push in the Nordic countries, extending the momentum from the opening of its Stockholm office in 2006. In June, the team announced a major investment in the Swedish property market with the acquisition of 12 buildings in the Stockholm area. The acquisition comprises a portfolio of 11 properties in the Globen area of central Stockholm, along with a modern office building just north of the city. These properties fit perfectly with Carlyle's strategy of investing in properties that can benefit from thoughtful redevelopment.

As part of its Nordic expansion, Carlyle made a major investment in the Finnish property market in 2007 with the acquisition of four buildings in Helsinki from the Pension Fund of Finnish Broadcasting Company, YLE. Early in 2008, the team announced the acquisition of 30 assets located across Finland—primarily office properties in large and mid-sized cities—for a transaction value of €216 million.

In France, Carlyle continued its focus on the Paris office market with a number of acquisitions, including a building in la Défense, which will be redeveloped into a 75,000-square-meter, high-end office tower in this prime city location.

Also in 2007, Carlyle acquired a 26,000-square-meter office building from Galeries Lafayette, Europe's largest department store. Galeries Lafayette signed a short-term sale/leaseback.

In the United Kingdom, the development of Colmore Plaza in Birmingham was completed, and in Manchester, Piccadilly Place was acquired. Both projects underline Carlyle Europe Real Estate Partners' commitment to fulfilling the

Globben Portfolio, Stockholm, Sweden: Redeveloping a capital's downtown

Carlyle's first dedicated Nordic real estate office was established in Stockholm in June 2006. A year later, Carlyle made a major investment in the Swedish property market with the acquisition of 12 buildings in the Stockholm area. Carlyle acquired a portfolio of 11 properties in the Globen area of central Stockholm along with a modern office building, Startboxen, just north of the city.

The Globen portfolio of properties is located next to the national Globen arena, the world's largest hemi-spherical building and a symbol of Stockholm. The portfolio of 11 buildings comprises office space, retail and parking spaces. Startboxen is a spacious, modern office property just northwest of Stockholm. Globen and Startboxen represent an exciting investment for Carlyle and fit perfectly with the firm's strategy of investing in properties that can benefit from well thought-out redevelopment. Carlyle expects the redevelopments to make an impact in the Swedish real estate market.

demand for London-quality office space in the United Kingdom's regional capitals.

In Germany, progress was made at both Linden Park and Libri House. At Linden Park, an office, retail and residential development in Hanover, work on the project is accelerating as a number of lease contracts have been signed and planning permission for the initial development phase was granted. In addition, an investment was made with the acquisition of an adjacent office building. Libri House is being constructed into a new Class-A office and retail building with a delivery date in the second quarter of 2009. In September 2007, Carlyle signed a 10-year lease contract with a presti-gious law firm for 70% of the Libri House building.

In 2007, Carlyle made a total of 27 real estate acquisitions in Europe, with a total capitalization of €3.8 billion, and exited nine investments.

凯悦中心 CAPLAND CENTER
Apartment Office Retail

Capland Center, Qingdao, China: Promoting urbanization in China's second-tier cities

In response to China's efforts to unleash the potential of its secondary cities, Carlyle and Capland Property Development Group entered into a cooperative joint venture in 2007 to develop and manage a mixed-use development project in Qingdao, a scenic coastal city in the Shandong province. Carlyle acquired a 38% interest in the Capland Center, which is being developed by Capland Property Development Group.

The development should complement the ongoing initiatives to drive business and tourist flows into the province. Consisting of an office tower, a luxury retail center and a serviced residential tower, the development is expected to become another landmark in the heart of this vibrant city and will house the local offices of global corporations. By attracting international brands and retailers to the complex, Carlyle is helping to create an urban lifestyle for this historic seaside city.

Carlyle Asia Real Estate Partners

Carlyle Asia Real Estate Partners invests primarily in real estate in China, India and Japan, with a focus on office, residential, industrial, retail, hotel and senior housing properties. The team advises one fund, Carlyle Asia Real Estate Partners, L.P., which launched in 2005 with $411 million in commitments.

Carlyle Asia Real Estate Partners is advised by native investment professionals with strong knowledge of local and global capital and property markets. By employing a proactive investment strategy, the team generates and evaluates highly selective deals on an exclusive, directly negotiated basis. This approach provides speed and certainty in committing to complex transactions.

The team works closely with local operating partners to create value through active asset management. Carlyle Asia Real Estate Partners establishes a business plan for each investment, identifying strategies to optimize income and increase the value of the asset. A key differentiator from its competitors is the team's close coordination with other Carlyle funds, particularly colleagues in Asia, to maximize the synergistic benefits of Carlyle's global platform.

Carlyle has been acquiring shopping centers in Japan through a joint venture with its local operating partner, S.O.W., and has aggregated a portfolio worth approximately $250 million. The joint venture, which invests primarily in mid-sized retail properties in regional cities across Japan, has acquired nine shopping centers to date and plans to acquire a few more properties during the next six months.

In 2007, Carlyle also began investing in the senior housing sector in Japan, forming a strategic partnership with Tokio Marine Nichido Samuel, a leading senior housing operator in Japan. The partnership acquired five senior housing properties in 2007 with a total value of $165 million.

In China, Carlyle made five investments in 2007 with a combined transaction value of $495 million in the residential, office and retail sectors.

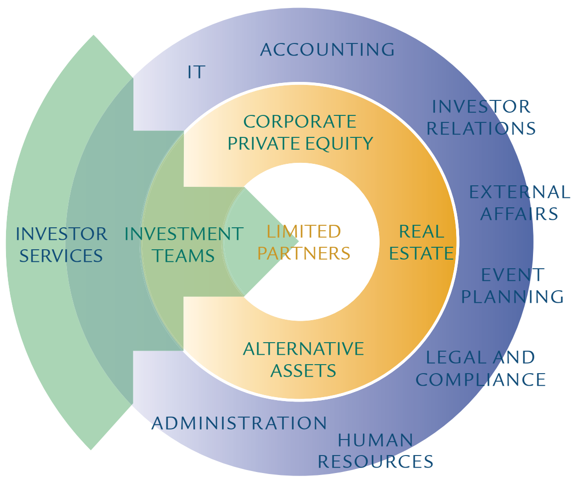
In addition, Carlyle established a team in Mumbai in 2007 to facilitate future real estate investments in India.

Enhancing value for investors around the world

The mission of Carlyle's Investor Services group is to provide timely information and innovative solutions to the firm's investors, owners, employees and portfolio companies to facilitate informed decisions and foster profitable growth.

One Carlyle

The Carlyle team works together across funds, industries and geographies with one goal: to serve our investors.



The Investor Services group, one of the largest in the private equity industry, comprises specialized teams including accounting, investor relations, external affairs, event planning, legal and compliance, human resources, information technology and administration. The fund and corporate accounting teams oversee investor reporting. A password-protected online investor reporting system enables investors to monitor the performance of their investments via the Internet.

Our Investor Services group emphasizes a collaborative approach. For example, when a new fund is established, the team provides a wide range of support and services. The human resources team helps identify the highest caliber of talent in the industry who are also compatible with the firm's culture and investment philosophy. The legal, investor relations and fund accounting teams work with the investment professionals and investors to ensure that funds are structured properly.

The information technology group ensures that the worldwide Carlyle team is provided with advanced technology that enables people around the world to work closely together to leverage the *One Carlyle* platform.

The Investor Services group also continues to strengthen Carlyle's internal global reporting systems and processes. Effective controls benefit investors by ensuring that Carlyle's operations comply with contractual provisions and regulatory requirements.

The Investor Services group reflects our commitment to providing outstanding service to investors and investment professionals across the Carlyle network.






Creating value through volunteerism and charitable giving

At Carlyle, we believe creating value means more than building better companies, creating jobs and providing good returns to investors. It also means building better communities, creating futures and providing hope to people throughout the world. That's why, from Manhattan to Milan, from South L.A. to Seoul, Carlyle professionals contribute their time and talents to add value to the places they call home.





We are delighted to give our employees the opportunity to add value in their local communities. In 2005, we established The Carlyle Group Volunteer and Wealth Sharing Program to help people globally and locally—through time and money—while furthering the *One Carlyle* goal of global collaboration.

We encourage employees to use one workday per year to volunteer with Carlyle colleagues at a charitable organization. The Volunteer Program furthers the *One Carlyle* philosophy by bringing employees together for a common purpose across disciplines and teams.

Carlyle employees around the world have built homes with Habitat for Humanity, refurbished a children's daycare center and landscaped the grounds of a school for underprivileged children. They also volunteered with a mobile dental clinic for children in need, cleared garbage from a river and organized a prom night gala for high school students with disabilities.

Our Wealth Sharing Program supports Carlyle employees in their choice of charitable giving by matching on a dollar-for-dollar basis up to $1,000 per year contributions made to educational and humanitarian organizations.

In these ways, we strive to make a difference in and around the 21 countries and 32 cities worldwide where Carlyle's offices are located.

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 management and two institutional investors. CalPERS, the California Public Employees Retirement System, owns approximately 5%, 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 21 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. Carlyle's Chairman is Louis V. Gerstner, Jr.

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

COMPLIANCE OFFICER

Ralph Mittl is Carlyle's Chief Compliance Officer and is based in Washington, DC. Mr. Mittl 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 and helps it 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* 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, and Robert Easton, Managing Director and Chief Compliance Officer for CECP Investment Advisers Ltd., are joint heads of Carlyle's U.K. buyout operation. The U.K. companies in Carlyle's buyout funds include Britax Childcare, Ensus and IMO Car Wash (see *www.carlyle.com* for details).

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