Culture of Performance
Our culture of performance is driven by our relentless pursuit of generating superior returns for our investors. It’s an environment in which exceptional performance is rewarded, ideas are nurtured, collaboration is encouraged and innovation flourishes. Our passion for innovation has produced a diversified group of global investment vehicles backed by one of the most talented teams in the industry. The result: a top-tier track record of performance across all economic cycles.
$6.4 BILLION
returned to investors in first quarter 2011*

$7.5 BILLION
returned to our investors in 2010*

$7.0 BILLION
deployed for new investments in 2010*

$106.7 BILLION
assets under management as of 12/31/2010

$69.6 BILLION
equity invested and committed to more than 900 corporate private equity and real assets transactions since inception*

$9.2 BILLION
gross proceeds raised by portfolio company IPOs in 2010 and first quarter 2011

*Figures are for our Corporate Private Equity and Real Assets segments.
For more than two decades, we have developed our global platform and invested in new markets to offer a growing range of options to meet the evolving needs of our investors.

We’re constantly working to develop new ways to create value for our investors.
2000:
Global Energy & Power
Europe Growth
Asia Growth

2002:
Europe Real Estate

2004:
Mezzanine
Strategic Partners

2006:
MENA Buyout

2006:
Infrastructure

2007:
Global Financial Services

2008:
South America Buyout

2009:
Mexico Buyout
European Structured Credit
Asia Real Estate

2010:
Carlyle Energy Mezzanine

2010:
Acquired Stanfield Capital Partners CLOs

2010:
U.S. Equity Opportunities

2010:
Carlyle Beijing Partners Fund

2010:
Sub-Saharan Africa
(Formed 2011)

2010:
Acquired Claren Road Asset Management

AlpInvest Partners
(Announced January 2011)
Diversification
creates opportunity

Our multi-fund, multi-industry, multi-geographic strategy enhances stability and flexibility.

We have one of the largest, most diversified and scalable investment platforms in the world. Our global reach and breadth and our depth of resources enable our investors to seize opportunities in virtually any economic environment.
84 FUNDS

Our array of investment products across three segments provides investors with a range of asset allocation options.

1,350+ INVESTORS

from 75 countries

9 CORPORATE PRIVATE EQUITY INDUSTRIES

We focus on industries that we know well and deploy our expertise across the globe in an effort to improve the performance of our investments and create value for our investors.

CORPORATE PRIVATE EQUITY
AUM BY SEGMENT

As of 12/31/2010

CORPORATE PRIVATE EQUITY
28.0%

REAL ASSETS
28.0%

GLOBAL MARKET STRATEGIES
19.4%

AUM BY INDUSTRY

As of 12/31/2010; sector allocation based on current equity invested and excludes investments by our Real Assets energy funds

CORPORATE PRIVATE EQUITY

Consort & Retail 18.4%

Industrial 13.0%

Healthcare 11.6%

Transportation 7.4%

Telecom & Media 9.4%

Tech & Business Services 22.7%

Energy & Power 3.7%

Financial Services 2.1%

Other 5.8%

CORPORATE PRIVATE EQUITY
AUM BY GEOGRAPHY

As of 12/31/2010

Americas 52.0%

Asia-Pacific 29.2%

Europe, Middle East & Africa 18.4%
Experience
to invest wisely

Our strong track record of performance has earned us enduring confidence from our global investors.

Our deep expertise in multiple industries has enabled us to make solid investments, create value and generate strong performance.
20 SENIOR ADVISORS
each with an average of 40 years of experience as of 12/31/2010

134 Managing Directors
with an average of more than 8 years of tenure at Carlyle as of 12/31/2010

470+ investment professionals as of 12/31/2010

13 YEARS experience operating in China

24 YEARS experience in alternative asset management

IN THE PAST FIVE YEARS ALONE, CAPITAL COMMITTED TO OUR FUNDS HAS INCREASED BY 286%.

24 YEARS OF GROWTH
Total Capital Commitments Since Inception
Dollars in billions, excludes acquisitions
Collaboration defines our culture

Our One Carlyle collaborative approach connects knowledge with opportunity to create value for our investors.
One Carlyle is both our collaborative spirit and the foundation of our culture. It’s a strategy that drives our performance and sets us apart.

Working together across the globe, Carlyle professionals share knowledge, expertise and resources in an effort to improve the performance of our portfolio of investments.

50%

Nearly half of the equity invested or committed in Corporate Private Equity and Real Assets investments in 2010 benefited from cross-fund collaboration.
The Carlyle Group

Daniel A. D'Aniello
Co-founder and Managing Director

David M. Rubenstein
Co-founder and Managing Director

William E. Conway, Jr.
Co-founder and Managing Director
LETTER FROM THE FOUNDERS

For 24 years, Carlyle professionals have worked to invest wisely and create value for our investors. This clarity of purpose guides all of our actions and is bolstered by our central mission that further aligns our firm with the interests of our investors. Our mission is to:

• Generate superior investment returns
• Inspire the confidence and loyalty of our investors
• Attract, develop and retain highly talented professionals
• Demonstrate principled industry leadership
• Be responsible and respected members of the global community

Our mission is driven by our focus on serving our investors. Simply put, we work for our investors—every day, in all ways—to produce consistent, strong returns. All other activities flow from and support this primary objective.

We are constantly innovating to meet the needs of our investors. We developed our multi-fund model to provide investors with a breadth of investment options. It’s a framework that has allowed our teams to remain specialized and localized, while benefiting from being part of a larger organization with core services to support our fund teams. As of December 31, 2010, investors representing 91% of total capital commitments have invested in multiple funds, with 57% invested in more than five funds.

Carlyle is the only global alternative asset management firm that operates on six continents with investment professionals who, with few exceptions, are locals in the markets in which they invest. We have worked hard to maintain our high standards of performance and investment return objectives while creating new options for our investors.

Our diversified product strategy provides our investment teams with the flexibility to invest in companies and assets of varying sizes across diverse sectors. In particular, Carlyle focuses on investing in small and medium-sized enterprises that provide the opportunity to create value and generate better returns. To that end, our investment professionals work closely with management in an effort to improve daily operations and identify new growth opportunities.

Like other organizations that have sought to innovate for their clients, we have hit some bumps along the way, and not every initiative has worked out as we initially planned. For example, we launched an Eastern Europe-focused buyout operation and an Asian leveraged finance effort right before the Great Recession. However, we pulled back on those initiatives when we realized the depth of the downturn was putting pressure on our investors to focus on preserving capital rather than making new commitments. In other cases, we have chosen to return capital to investors where we did not believe we could effectively invest it and meet our investors’ expectations.

Thankfully, most of our new fund initiatives have borne fruit for our investors. Indeed, some of our first-time funds—including funds focused on Asia, Japan and distressed opportunities—have been among some of the top-performing funds at Carlyle and of their vintage. With good fortune, a commitment to investment excellence and a lot of hard work, Carlyle has successfully pursued next-generation funds. We are fortunate to have earned our investors’ confidence in, among others, five U.S. buyout funds, nine Europe-based funds, 10 non-Japan Asia-focused funds, two Japan-focused funds and 48 funds in our Global Market Strategies business, which includes collateralized loan obligation (CLO), mezzanine and distressed-oriented funds.
In January 2011, we announced plans to acquire a majority stake of AlpInvest Partners, a global private equity fund-of-funds business. Including AlpInvest, Carlyle’s assets under management are expected to reach approximately $150 billion in four distinct business lines: Corporate Private Equity, Real Assets, Global Market Strategies and Fund-of-Funds Solutions. We have established distinct due diligence, investment sourcing, operational capabilities and investment committee processes in each of these business segments.

A significant goal for Carlyle in 2010 was to realize the value that was embedded in our portfolio. Our investment teams did just that. We exited our ownership stake in 32 investments across our Corporate Private Equity and Real Assets portfolios, distributing some $7.5 billion to our investors in these segments in 2010, an amount only exceeded by our distributions in 2007. Our momentum has continued in the first quarter of 2011, during which we distributed in excess of $6 billion to our investors—a Carlyle record for a single quarter.

In addition, we selectively accessed the public markets across our portfolio, successfully completing 13 initial public offerings (IPOs) in Asia, Europe and the United States in 2010 and first quarter 2011. In some of these cases, we realized distributions or dividends; others served to reduce debt, positioning our investments to succeed in the future.

We also focused on deploying capital in an attractive investment environment. In total, our Corporate Private Equity and Real Assets funds completed or announced 57 new investments across 14 countries in 2010. These new investments represent more than $7 billion in new equity investments, with an additional $3 billion committed to investments expected to close in early 2011. This figure far exceeds the $5.2 billion that we invested in 2009—in investments that focused heavily on either distressed investment opportunities or emerging markets.

Despite the ongoing challenges that pension funds and other traditional investors are facing, Carlyle raised a total of $4.2 billion in fresh capital commitments in 2010 for six funds and multiple co-investment opportunities. The funds that had closings included Carlyle Global Financial Services Partners, L.P. and Carlyle Asia Partners III,
we also had several other funds with first or subsequent closings. We are pleased that Carlyle continues to earn the confidence of its investors even during the most turbulent times.

Just as Carlyle’s partners and professionals have done for two decades, we continue to put our own after-tax money alongside that of our investors. Today, Carlyle partners and other professionals and management teams have committed or invested more than $4 billion of their own after-tax dollars alongside Carlyle’s funds.

We also worked to broaden the investment options available to our investors through strategic investments and acquisitions. We acquired the management contracts on more than $5 billion in CLOs, further solidifying Carlyle’s position in the structured credit market. In December 2010, we acquired a majority stake in Claren Road Asset Management, a long-short credit hedge fund manager. With the anticipated acquisition of AlpInvest Partners, we expect to further expand our reach in the alternative asset industry.

Over the last year, we have taken steps to bolster our core management processes and operations, again with the goal of enabling our investment professionals to focus exclusively on pursuing and supporting good investments. In addition to strengthening our accounting and investor relations processes, we have recruited new management talent, improved investment advisory committee processes and strengthened the firm’s Operating Committee. Carlyle will continue to build and invest in our accounting, legal, regulatory and other investment services functions to enable our investment teams to better serve our investors.

Because our investment decisions affect individuals, communities and the environment, we launched a number of initiatives focused on good corporate citizenship. Our efforts begin with the application of the Guidelines for Responsible Investment and continue with initiatives to elevate the importance of environmental, social and governance considerations. We are at a good start, much work remains. We are committed to building on the foundation we have established and thoroughly integrating environmental, social and governance considerations into the fabric of Carlyle. To find out more, turn to pages 31 and 57 of this report or refer to our inaugural Corporate Citizenship Report, published in January 2011 and available on our website.

We are grateful for the confidence our investors have shown in Carlyle, and we will work to foster a culture that continues to reflect the low ego, collaborative, investors-first ethos that we try to embrace every day. We believe that Carlyle is well prepared to serve our investors today and in the future in the same way we have for the past 24 years—through the creation of innovative and differentiated products established with a focus on performance. This has always been and will always be our core purpose: investing wisely to create lasting value for our investors.

William E. Conway, Jr.
Managing Director

Daniel A. D’Aniello
Managing Director

David M. Rubenstein
Managing Director
How is Carlyle different?

We have the broadest global reach of any alternative asset management firm.

Our investment philosophy has enabled us to create a strong, proven track record across funds, industries, regions and business segments.

We have the largest emerging markets presence of any alternative asset management firm, with offices in 10 emerging countries.

Our boutique sectoral, regional and asset-specific funds allow us to combine the benefits of a large firm with the specialization of a small firm.

Our collaborative culture downplays ego and celebrates teamwork.

We have deep expertise in nine core Corporate Private Equity industries.
Above all, we never forget that we work for our investors.

20 Senior Advisors with extensive industry expertise.

We are staffed by a stable team of senior-level investment professionals across the globe.

Our investors benefit from our dedicated Investor Services professionals and efficient financial reporting.

Carlyle partners and other professionals have committed $4 billion of their own capital alongside our investors.
Our culture of performance has enabled us to deliver a top-tier track record across all economic cycles and build trust with our investors.
At Carlyle, performance is woven into our culture. For more than 24 years, we have worked to create value in every investment and deliver strong returns for every investor.

Through constant innovation, deep experience and global collaboration, Carlyle has grown from $5 million of capital in 1987 to $106.7 billion of assets under management in 84 funds across 19 countries as of December 31, 2010.

Carlyle has performed well by pursuing a disciplined investment strategy and process. We target a diversified range of investments in multiple geographic regions, seeking out companies with leadership positions in their product areas, forming strategic partnerships to access new opportunities, deploying our deep expertise in global credit and creating value around the world. Together with our partners and other professionals, we invest alongside our investors—further aligning our interests—committing more than $4 billion of our own after-tax dollars to our funds.

Creating value and delivering strong performance

Our efforts to protect and enhance the value of our investments during the downturn paid off. Carlyle investment professionals worked closely with portfolio company management to help effectively allocate resources and implement strategies to improve productivity. As a result, a number of our portfolio companies generated strong growth and financial performance, creating opportunities to exit investments that we believe had achieved significant value.

In 2010, Carlyle sold its ownership stake in 32 investments across our Corporate Private Equity and Real Assets portfolios. Notable among these were:

- Britax Childcare, a Carlyle Europe Partners II, L.P. portfolio company, sold to Nordic Capital.
- Compusearch, a Carlyle Venture Partners II, L.P. portfolio company, sold to JMI Equity and Arlington Capital Partners.
- Frontier Drilling, co-invested by three Carlyle/Riverstone Global Energy and Power funds, sold to Noble Corporation.
- HCR ManorCare, a Carlyle Partners V, L.P. portfolio company, sold its real estate assets to HCP, a real estate investment trust.
- kbro Limited, a Carlyle Asia Partners II, L.P. portfolio company, sold to the Tsai family.
IMPROVING PERFORMANCE IN THE HEALTHCARE SECTOR

MultiPlan is the nation’s largest healthcare preferred provider organization and the industry’s most comprehensive supplier of independent, network-based cost management solutions. It has more than half a million healthcare providers under contract, an estimated 40 million consumers accessing its network products and processes some 70 million claims each year. After four years of ownership, Carlyle sold MultiPlan in 2010 in one of the largest private equity exits of the year in a transaction that valued the company at $3.1 billion.

MultiPlan grew aggressively under our guidance and encouragement. For example, the company organically grew its fee negotiation business and acquired two companies during our period of ownership. These acquisitions, coupled with management’s growth initiatives, enabled MultiPlan to expand its network, broaden its claims capture and deepen its discounts. The outcome: significant growth in both revenue and EBITDA.

The deal is an example of how our industry expertise can help improve a company’s performance and add value to an investment.
“Carlyle’s ability to think strategically about the healthcare industry, along with their ideas about how MultiPlan could capitalize on opportunities, gave the company new avenues for growth.”

Mark Tabak  
Chief Executive Officer  
MultiPlan
In 2006, Carlyle Asia Partners II, L.P. acquired kbro Limited (then known as Eastern Multimedia Company) for $1.3 billion. The transaction was one of the largest buyouts ever in Asia. kbro is Taiwan’s largest cable television operator by revenue and has 1.2 million subscribers. Last year, Carlyle successfully completed a partial exit and recapitalization of kbro in a sale to the Tsai family, a controlling shareholder of Taiwan Mobile. During our ownership, the company centralized operations to reduce costs, completed an add-on acquisition that bolstered its scale, and grew high-speed broadband and other value-added services. In fact, kbro was the first company to launch digital television services in Taiwan.

Seeking high-performance opportunities

In 2010, our teams of investment professionals and industry experts worked together across the globe to identify potential investments, focusing on sectors that we believe are misunderstood, have compelling and unrealized embedded value, and are positioned for success in an uncertain environment.

- MultiPlan, a Carlyle Partners IV, L.P. portfolio company, sold to BC Partners and Silver Lake.
- Otor, a Carlyle Europe Partners III, L.P. portfolio company, sold to DS Smith.
- philosophy, Inc., a Carlyle Partners IV, L.P. portfolio company, sold to Coty, Inc.
- Vought Aircraft Industries, a Carlyle Partners III, L.P. portfolio company, sold to Triumph Group.
- Wall Street Institute, a Carlyle Venture Partners II, L.P. portfolio company, sold to Pearson Education.
- Yangzhou Chengde Steel Tube Co., a Carlyle Asia Partners II, L.P. portfolio company, sold to Precision Cast Parts.

In the first quarter of 2011, we continued our strong pace of activity, distributing to our investors more than $6 billion—setting a record for the largest amount distributed by Carlyle in a single quarter.
Booz Allen Hamilton is a provider of management and technology consulting services to the U.S. government in the defense, intelligence and civil markets. In 2008, the company separated its U.S. government and global commercial businesses, and Carlyle bought a majority stake in the U.S. government business.

Now able to focus primarily on its core government sector, Booz Allen has seen double-digit revenue growth and a significant rise in earnings. As of the last 12 months ended December 31, 2010, revenue was $5.45 billion, up 10.6%, adjusted EBITDA increased 20.9% and total backlog, at $11 billion, was 21.4% above the prior-year period. The results demonstrate continued strong demand for Booz Allen’s services and its long-standing ability to win new work and recompetes in a highly competitive marketplace.

In November 2010, Carlyle assisted Booz Allen in launching a successful IPO on the New York Stock Exchange, raising more than $270 million (before expenses), with shares closing 14.7% above their offering price on the first day of trading.

Our teams identified opportunities in a number of consumer-driven businesses, as we believe demand will increase with an improving global economy. Leveraging our global resources, Carlyle made investments in a wide range of geographic regions, including three emerging markets—Brazil, China and the Middle East.

Notable new investments include:

• In Brazil, Carlyle made a significant investment in Scalina, the country’s largest manufacturer and retailer of women’s hosiery and lingerie.

• In China, Carlyle made investments in ATMU, the country’s largest independent deployer of automated teller machines, and China Fishery Group, a global industrial fishing company. Carlyle also invested in C.P. Pokphand Co., a developer and provider of quality animal feed products for farm operators across the country.

• In Europe, Carlyle acquired B&B Hotels, a budget hotel chain, and a portfolio of six highly specialized multi-channel retail businesses from Primondo Specialty Group.

• In Saudi Arabia, Carlyle acquired a 30% stake in General Lighting Company, a lighting fixture manufacturer and supplier.

• In the United States, Carlyle acquired NBTY, a global manufacturer and marketer of nutritional supplements. Carlyle also entered into an agreement to acquire Park Water Company, a California-based water utility company.
INITIAL PUBLIC OFFERINGS UNLOCK VALUE

Carlyle’s ability to bring 13 portfolio companies public and raise $9.2 billion amid a recovering economy stands out as an excellent example of how we create value for our investors. Successful IPOs require specialized industry and market knowledge, and are the result of precise timing and execution. Having operations in 19 countries provides Carlyle with local insight into public markets across the globe. And with our global network of industry and capital markets expertise, we have the resources to apply our collective experience and wisdom to every IPO we oversee to help ensure the offering’s best possible performance.
We apply creative thinking and innovation to develop new methods to create value for our investors. Fresh approaches to investing help expand opportunities and generate stronger performance.
Carlyle’s global footprint, combined with innovative investment strategies, provides important advantages in the marketplace. It opens doors to developing new relationships and strengthens existing partnerships. It helps us engage with governmental and non-governmental organizations, sovereign wealth funds and other stakeholders around the world. We believe it also enables us to take different approaches, stray from the status quo to develop new initiatives, enter new markets and look at every transaction from every angle.

Expanding our investment reach

At Carlyle, we have a history of developing new initiatives to offer a wider range of options for our investors. Within 10 years of the launch of our first fund in 1990 to pursue buyout opportunities in the United States, we had expanded our buyout operations to Asia and Europe and added funds focused on U.S. real estate, global energy and power, structured credit, and venture and growth capital opportunities in Asia, Europe and the United States.

Over the last 10 years, our drive to innovate gained momentum as we developed an increasing number of new, diverse products, including funds focused on distressed opportunities, infrastructure, global financial services, mezzanine investments, and real estate across Asia and Europe. We also launched new operations in fast-growing emerging markets, including in the Middle East and North Africa (MENA) and South America.

In 2010, we continued to apply innovative strategies to expand our business to access greater opportunities to create value for our investors. Our new initiatives include:

Claren Road Long-Short Credit. In 2010, Carlyle acquired a 55% stake in Claren Road Asset Management, which has $4.7 billion of assets under management as of December 31, 2010. We believe Claren Road’s expertise in long-short credit enhances the One Carlyle platform.

Energy Mezzanine. We formed a new team to focus on mezzanine debt investments in the energy and power space, primarily in the United States and Canada. With more than $1 trillion in forecasted capital needs each year in the United States, we believe robust demand for energy capital is creating significant opportunities for debt investing.
Fund of Funds. We expect to add Fund-of-Funds Solutions to our platform of products with the anticipated acquisition of AlpInvest Partners, a private equity asset manager with more than $43 billion of assets under management. The addition of the fund-of-funds platform will provide our investors with a wider range of investment choices and will significantly expand the scope of Carlyle’s global asset management operations.

RMB Beijing Fund. To further strengthen our position in China and expand our investment capabilities in this high-growth country, we established a renminbi (RMB)-denominated fund to invest in larger growth companies in Beijing and across China. The fund was established through a partnership between Carlyle Asia Partners and Beijing Municipal Bureau of Financial Work.

Structured Credit. We significantly expanded our structured credit operation with the acquisition of two CLO portfolios in 2010. The acquisitions include more than $4 billion of CLO and other credit assets from Stanfield Capital Partners and more than $1 billion of CLOs from Mizuho Alternative Investments. The acquisitions establish Carlyle as one of the world’s largest structured credit managers.

U.S. Equity Opportunities. We formed a new team to focus on smaller, middle-market buyout investments in North America. The U.S. Equity Opportunities team will target transactions ranging in size from $20 million to $150 million of equity across Carlyle’s nine core Corporate Private Equity industries.

Carlyle Energy Mezzanine: Tapping Into Growing Demand for New Energy

In 2010, we formed a new team to invest in mezzanine debt in energy and power projects, primarily in the United States and Canada. We believe increasing global demand for energy and power is creating attractive dynamics for mezzanine investing. Many companies are under pressure to expand and upgrade their aging energy-generation fleet and develop new forms of renewable and unconventional energy generation. At the same time, traditional banks have cut back on lending, hindering access to capital. As a result, mezzanine debt is becoming a significant source of capital to finance many energy and power projects.

The Carlyle Energy Mezzanine Opportunities team includes former Morgan Stanley project and structured finance professionals who have a long history working together and who have spent their careers focused on investing in and financing energy projects. We believe this new team’s combination of industry, asset and related structuring expertise and broad, non-traditional deal-sourcing network provides Carlyle with a significant competitive advantage in the multibillion-dollar energy market.
Strategic partnerships enhance access to opportunities

Innovation requires combining our skills with those of other, compatible partners. Strategic partnerships enhance our ability to access a larger and deeper range of opportunities, and boost our competitive position in a particular industry or geographic market.

Carlyle Infrastructure Partners. Our Infrastructure team seeks to provide alternative solutions to meet the demands of funding public and private infrastructure projects and assets, primarily in the United States and Canada, where deferred maintenance and new construction are creating significant investment opportunities. One such example is Carlyle’s public-private partnership with the State of Connecticut to redevelop, operate and maintain the state’s highway service areas. Service Employees International Union members have been hired to perform janitorial and ground maintenance services.

RMBS Funds. Carlyle’s U.S. real estate operation has been investing in residential mortgage-backed securities (RMBS) with joint venture partner Falcon Bridge Capital since 2007. Falcon Bridge is a specialty finance company focused on acquiring and managing a diversified portfolio composed of residential real estate securities, residential mortgage loans and related instruments.

Carlyle Infrastructure Partners, L.P. entered into a 35-year public-private partnership with the State of Connecticut to redevelop, operate and maintain the state’s 23 highway service areas.
IN CHINA, A FOCUS ON THE MIDDLE CLASS

Part of our investment strategy is seeking trends that create opportunities and investing early to create value. In China, the country’s rapidly growing middle class is creating increasing demand for higher quality food and a greater selection of protein products. As a result, three investments recently completed by Carlyle Asia Partners III, L.P. focus on companies in China’s agriculture and food industries, as we recognized and seized what we saw as substantial opportunities. We believe these three companies have the potential to help modernize China’s food industry and create a more efficient food supply, giving more options to the country’s burgeoning middle class.

China Fishery Group. In July 2010, Carlyle invested $155 million to reinforce China Fishery’s position as a reliable and responsible supplier of sustainable fish products to the global market and animal protein supply chain. China Fishery is a well-run company with an established track record and well-earned position in the global fishing industry. In addition to partnering with the company’s management to grow its businesses, we are working to further advance China Fishery’s corporate social responsibility commitments, particularly to set higher standards in sustainable practices for the industry.

C.P. Pokphand Co. In July 2010, Carlyle made a $178 million investment in C.P. Pokphand Co., one of China’s largest livestock and aqua feed producers. Growing animal protein consumption and more stringent food safety standards in China are increasing demand for high-quality animal feed products from responsible, experienced producers such as C.P. Pokphand. Carlyle’s experience in the food industry value chain brings valuable insight to the company as it continues to focus on producing high-quality products and becoming a leading supplier to China’s livestock farming industry.

Guangdong Yashili Group. In 2009, Carlyle acquired a 17.3% stake in Yashili, one of China’s largest infant formula companies. In July 2010, Carlyle acquired an additional 11.9% interest in the company, and then in November 2010, Yashili successfully completed an IPO, which diluted Carlyle’s ownership stake to 24.4%. Also last year, we helped the company recruit a chief quality officer to supervise product quality control and supply chain protocols. We assisted Yashili in establishing a Food Quality and Safety Advisory Committee charged with introducing international best practices and providing strategic guidance to the board of directors. The advisory committee is the first of its kind in the Chinese dairy industry and represents a significant step forward in Yashili’s mission to build a world-class quality control system, improve the brand’s competitiveness and expand internationally.


**Maritime Ventures.** To capitalize on increasing demand in the shipping sector, Carlyle formed a new joint venture in March 2011 to acquire more than $5 billion in container, dry bulk, tanker and other shipping vessels. Maritime Ventures combines Carlyle’s extensive transportation experience and established operations in Asia with the shipping expertise of our partners. It’s a creative solution that focuses on bringing together Chinese shipbuilders, lenders and state-owned companies to support China’s desire to increase the amount of cargo it controls. Carlyle formed Maritime Ventures with Tiger Group Investments in partnership with Seaspan Corporation, the Washington Family, Gerry Wang and Graham Porter.

**South America.** In March 2011, Carlyle and Credicorp, a Peruvian financial institution, formed a strategic joint venture to target growth capital and buyout opportunities primarily in Peruvian companies. Credicorp is Peru’s largest financial group and has more than $17.5 billion of assets under management.

In 2010, Carlyle formed a strategic alliance with Banco do Brasil, one of Latin America’s largest financial institutions with more than $500 billion in total assets. We believe this strategic relationship with a strong, local partner enhances our ability to source and execute transactions in the fast-growing emerging market of Brazil.

**Innovating to improve corporate citizenship**

We realize that our investment decisions affect many people, communities and the environment. As a result, in 2010 we launched a number of programs and initiatives to build on our commitment to corporate citizenship.

**Guidelines for Responsible Investment.** We developed our Guidelines for Responsible Investment in 2008. In addition to integrating the guidelines into our investment process, last year we intensified our focus on sharing the guidelines with a targeted set of our portfolio companies, and began educating them specifically about the environmental, social and governance issues related to their operations. In 2011, we plan to implement a more systematic process for promoting the guidelines across our portfolio, including encouraging Carlyle’s portfolio companies to consider the guidelines at board meetings.

**EcoValuScreen.** Working with Environmental Defense Fund (EDF), we developed a new due diligence tool called EcoValuScreen, which identifies opportunities for operational improvements at prospective portfolio companies that enhance both environmental and financial performance. We also partnered with EDF to support several initiatives with our existing portfolio companies, including Allison Transmission and Hertz.

Innovation is a powerful differentiator. At Carlyle, we are always looking for ways to set ourselves—and our investments—apart.
In January 2011, Carlyle became the first global alternative asset manager to produce a corporate citizenship report. The report highlights our efforts to invest wisely and responsibly by promoting social and environmental sustainability and strong corporate governance practices. The report describes how we are implementing our Guidelines for Responsible Investment and includes specific case studies illustrating how we are sharing the guidelines with portfolio companies. We invite you to learn more by visiting our website: www.carlyle.com.
Our constant drive to innovate has increased the **diversification** of our investment platform, enabling us to provide our investors with an ever-expanding array of investment options.
Our focus on innovation has enabled Carlyle to expand and offer one of the largest and most diverse families of funds in the world, providing a broad spectrum of asset allocation choices for our investors.

Over nearly 25 years, Carlyle has grown from a private equity firm with a single investment product focused on a single country to a global alternative asset management firm with 84 funds across three segments. Today, our global reach includes 30 offices that extend across 19 countries on six continents.

Our global, diversified platform—which provides stability and flexibility—is intended to enhance our ability to deliver strong performance across all economic cycles. Our platform also provides greater access to opportunities across a wide range of industries and geographies. This diversity is reflected in our investors themselves: Carlyle works on behalf of more than 1,350 investors in 75 countries.

**Corporate Private Equity**

**A Broad, Diversified Platform.** Carlyle’s Corporate Private Equity platform offers a diversified array of global buyout and growth capital investment products. Our leadership in Corporate Private Equity, Carlyle’s largest and oldest operation, provides a strong foundation for continued growth and innovation. Our Corporate Private Equity teams advise 27 funds across 18 countries.

Since inception, Corporate Private Equity has invested more than $41 billion in equity in over 400 portfolio companies and distributed proceeds of more than $35 billion to investors around the world. Our Corporate Private Equity teams seek a wide variety of investments, targeting high- to modest-growth firms to market-leading, large-cap companies. They work collaboratively with both company management and other Carlyle colleagues to find ways to improve the companies’ operational performance and market position to maximize value for our investors.

**Buyout Products.** Carlyle’s buyout portfolio is the core of our Corporate Private Equity operation. It has expanded substantially over the years and includes 17 funds with $52.2 billion of total assets under management. Fifteen are geographically focused on a diversified range of investment opportunities in the Americas, Asia, Europe, Japan and the MENA region, and one is focused on the global financial services industry.
We continually seek to expand and diversify our buyout portfolio into what we view as key areas for the future. In 2010, we formed a new team to target opportunities in middle-market private equity in North America across Carlyle’s nine core Corporate Private Equity industries. In early 2011, we formed a team to focus on the emerging market of Sub-Saharan Africa and established a joint venture to pursue investments in Peru.

Focusing on the theme of a rebound in business and technology services spending, our U.S. buyout fund, Carlyle Partners V, L.P., made strategic acquisitions in two U.S.-based global telecommunications companies, CommScope and Syniverse Technologies. CommScope was acquired with our Europe buyout fund, Carlyle Europe Partners III, L.P., for $3.8 billion, and the Syniverse transaction was valued at a total of $2.6 billion. Both transactions were completed in January 2011.

In Europe, Carlyle made four new buyout investments in 2010 and one company completed an IPO. New investments included a majority interest in Giannoni France, a manufacturer of stainless steel heat exchangers for condensing boilers.

Recognizing the global demand for quality healthcare and a rising need for health services in the emerging markets, our Asia and U.S. buyout funds, Carlyle Asia Partners III, L.P. and Carlyle Partners V, L.P., teamed up to acquire Healthscope, Australia’s second-largest hospital provider.

In Japan, Carlyle successfully exited its investment in Kito Corporation, a manufacturer of hoists and overhead cranes. Carlyle acquired Kito in 2003 and, since then, helped the company restructure, expand and complete an IPO on the Tokyo Stock Exchange.

In the MENA region, in addition to our investment in General Lighting Company, we oversaw the rapid growth and strong performance of another Carlyle investment:
INVESTING IN THE GLOBAL FINANCIAL INDUSTRY

In 2010, Carlyle Global Financial Services Partners was particularly active seizing opportunities stemming from the lingering effects of the global financial crisis. Carlyle invested or committed more than $480 million of equity in seven transactions spanning a wide variety of sectors in the broader financial services community. Investments closed in 2010 included Bank of N.T. Butterfield & Son, the largest independent Bermuda-based depository institution; Hampton Roads Bankshares, a bank holding company headquartered in Atlanta; and OzForex Group, an online foreign exchange payments platform.

The team also assisted portfolio company BankUnited in an IPO on the New York Stock Exchange in January 2011, which raised approximately $900 million. Carlyle Global Financial Services Partners, L.P. had a final closing in 2010 with $1.1 billion in commitments.

Growth Capital Products. Carlyle’s Growth Capital portfolio includes 10 funds with $3.9 billion of assets under management as of December 31, 2010. The funds are advised by three regionally focused teams in Asia, Europe and the United States.

Carlyle’s U.S.-focused growth capital operation targets lower middle-market companies with unrealized growth potential, with an emphasis on small buyout and expansion-stage growth equity transactions involving U.S. companies with global potential. In 2010, Carlyle U.S. Growth Fund III, L.P. teamed up with Riverstone/Carlyle Global Energy and Power Fund IV, L.P. to make a significant capital investment in Quorum Business Solutions, a provider of business and information technology solutions for the oil, gas and renewable energy industry.

Carlyle Europe Technology Partners pursues growth capital and small- to mid-cap buyout investments in companies characterized by technological innovation and leadership in sectors with positive dynamics. In 2010, Carlyle acquired a majority interest in Companeo, Europe’s largest online company focused on generating business-to-business leads. In addition, Carlyle sold FRSGlobal, a risk and regulatory compliance software vendor to financial institutions, having expanded the company globally and doubled its revenues.

Medical Park Sağlık Hizmetleri, Turkey’s second-largest healthcare services company. Under Carlyle’s guidance, Medical Park is executing a well-structured growth strategy.

In South America, Carlyle made two investments, including the acquisition of a controlling stake in Grupo Qualicorp, a provider of brokerage, consultancy services and management of private health insurance plans in Brazil.

Medical Park Sağlık Hizmetleri, Turkey’s second-largest healthcare services company. Under Carlyle’s guidance, Medical Park is executing a well-structured growth strategy.

P. Olivier Sarkozy
Managing Director and
Head of Carlyle Global
Financial Services Partners
Carlyle Asia Growth Partners is focused on private high-growth companies with strong local management teams and established market positions in China, India and South Korea. In 2010, Carlyle Asia Growth Partners IV, L.P. made five investments totaling more than $164 million in equity, illustrating the fund’s continued strong investment activity across Asia. In addition, Nantong Rainbow Heavy Industries completed an IPO, raising approximately $210 million.

**Global Market Strategies**

**An Expanding Array of Options.** Carlyle’s Global Market Strategies platform comprises an array of structured credit, mezzanine, distressed and hedge fund options. As of December 31, 2010, Global Market Strategies includes 39 funds with $20.6 billion of assets under management. In 2010, we significantly enhanced the scale and diversity of our Global Market Strategies offerings by expanding our business. We also formed a new team to target mezzanine debt opportunities in the energy and power space in North America.

**Structured Credit (CLO).** Our structured credit group invests primarily in performing senior secured bank loans through CLOs and other structures. The group manages 32 funds in Europe and the United States, accounting for approximately $13 billion in assets under management.

**Corporate Mezzanine.** Carlyle Mezzanine Partners invests in debt and equity securities of leveraged buyouts, recapitalizations and growth financings. In 2010, Carlyle Mezzanine Partners II, L.P. made two investments to facilitate acquisitions: one in Altegrity, an information and security services company for governmental and commercial customers, and the other in INC Research, a provider of outsourced clinical trial services to pharmaceutical and biotechnology companies.

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

“Scale is critical to the CLO business. The purchase of the Stanfield and Mizuho CLO contracts establishes Carlyle as one of the world’s largest structured credit managers.”

Linda Pace
Managing Director
and Head of U.S. Structured Credit
GROWING OUR GLOBAL MARKET STRATEGIES PLATFORM

We greatly expanded our Global Market Strategies platform in 2010. We added more than $5 billion in CLOs to our credit portfolio with the acquisition of the Stanfield and Mizuho CLO management contracts, making Carlyle a leader in the structured credit market. Our investment of a majority stake in Claren Road Asset Management, a long-short corporate credit hedge fund manager, extends our reach and better positions Carlyle’s investors to exploit opportunities in credit over the long term.

Given the dislocations that have taken place over the last 24 months and the various political, economic and regulatory forces currently reshaping the financial services and investment business, we believe that this is an opportune time to expand our presence within the Global Market Strategies space. We plan to capitalize on these opportunities within our three main business lines—structured credit (CLOs), corporate mezzanine and distressed opportunities—as well as other business lines we plan to launch or acquire.

We employ a deep value investment strategy with tremendous flexibility throughout our portfolio to invest anywhere in the capital structure. Our hybrid strategy—debt or equity, minority or majority, public or private—provides the capability to evaluate a company’s capital structure from all angles and focus on the specific area where we can seek the greatest return combined with downside protection.

Combining that flexibility with a seasoned team and Carlyle’s broad industry and geographic expertise creates an environment for top performance.

“This new partnership is an important addition to our expanding stable of credit product offerings. Claren Road’s long-short approach to investing in the credit markets globally is consistent with Carlyle’s views on the optimal strategy to exploit investment opportunities in credit over the long term.”

Michael J. Petrick
Managing Director
and Head of Global Market Strategies
The Carlyle Group

Real Assets

Diverse Expertise. Carlyle’s Real Assets platform leverages the deep expertise of our diverse teams of industry experts. It includes 18 funds with $29.9 billion of assets under management. The funds focus on a variety of real estate, energy and power, renewable power and infrastructure strategies.

Real Estate Products. Since we launched our first real estate fund in 1997, Carlyle has invested in more than 450 properties around the world with a total capitalization of $40 billion, completed over 200 full or partial realizations, and returned $5.9 billion to investors. Today we offer 11 real estate funds focused on investment opportunities in Asia, Europe and North America. In 2010, Carlyle invested $1.4 billion in 12 new real estate transactions.

In the United States, Carlyle’s most recent U.S. real estate fund, Carlyle Realty Partners V, L.P., made slightly more than half of its real estate investments in off-cycle sectors. These investments include RMBS, distressed residential, rental apartments, data centers and senior living properties. We believe off-cycle sectors allow for greater diversification and a reduction of risk within the fund, and offer investment opportunities that are capable of generating current cash flow returns to equity.

In Europe, Carlyle invested in seven real estate transactions in 2010, including five in the United Kingdom, one in the Netherlands and in the acquisition of a majority stake in a multi-country budget hotel chain that was acquired with our Europe buyout fund, Carlyle Europe Partners III, L.P. Acquisitions in the United Kingdom included a portfolio of six landmark properties attractively located in central London, a property in central London that is part of a planned student housing redevelopment and a prime residential site approved for redevelopment in the heart of Chelsea and Kensington.

In the United States, Carlyle helped guide CoreSite through an IPO on the New York Stock Exchange and structure the company as a real estate investment trust. Concurrently with the IPO, which raised $311 million, four Carlyle U.S. real estate funds contributed a total of 11 data centers to CoreSite in exchange for a 63% stake in the company. CoreSite (formerly CRG West) has been operating Carlyle Realty Partners’ data center investments since 2001. Carlyle Partners II, L.P. also participated in the investment.
in the Netherlands is an addition to a portfolio of student housing developments in the Benelux countries. Carlyle Europe Real Estate Partners also exited three investments: two in France and one in the United Kingdom.

In Asia, the markets in general continued to be challenging in 2010. Japan continues to experience a lack of domestic liquidity arising from the global financial crisis. In China, valuations are at significantly high levels due to excessive liquidity. Despite the challenging environment, Carlyle was able to secure one investment in China, a joint venture for-sale residential development project in Huzhou, and exit one investment in Japan, a mixed-use development project in Hiroshima. Also in 2010, Carlyle developed a strategic partnership with the Korean National Pension Service in advising and managing their acquisition of a $652 million Class A office property located in Sydney, Australia. As a result of our patience and discipline, we believe we are well positioned with our transaction pipeline, particularly in China, to make more attractive investments in 2011.

Energy and Power Products. Carlyle teamed up with Riverstone in 2000 to pursue investments in the energy and power industry. Since then, Carlyle/Riverstone has established six global energy, power and renewable energy funds with aggregate equity commitments totaling $17 billion.

In February 2011, Kinder Morgan, one of the largest energy transportation, storage and distribution companies in North America, completed one of the largest private equity-backed IPOs in U.S. history. Shares sold in the public offering, which raised approximately $3.3 billion, were sold by a group of existing Kinder Morgan investors, including Carlyle and Riverstone. In 2010, Riverstone/Carlyle Global Energy and Power Fund IV, L.P. had an active year, completing 11 new investments.
Riverstone/Carlyle Renewable and Alternative Energy Fund II, L.P. completed three investments in 2010. The investments included Seajacks International, an owner and operator of self-propelled jack-up vessels used to facilitate the installation and maintenance of offshore wind turbines in the North Sea, and Enviva, a biomass energy company that sustainably sources energy-rich wood residues and transforms them into renewable fuels.

**Infrastructure Products.** Carlyle Infrastructure Partners, L.P. invests in public and private infrastructure projects and assets primarily in the United States and Canada. In 2010, Carlyle acquired a majority stake in Illinois Central School Bus, the sixth-largest school bus owner and operator in North America. In December 2010, Carlyle entered into an agreement to acquire Park Water Company, an owner and operator of two regulated water distribution utilities in California and one in Montana. The transaction is subject to regulatory approval.

**Fund-of-Funds Solutions**

**Providing Investors with New Options.** In January 2011, Carlyle announced plans to acquire AlpInvest Partners, a private equity manager with more than $43 billion of assets under management. The acquisition will add a leading fund-of-funds and secondary platform, significantly expanding our global asset management business and providing our investors with a wider range of investment choices. This new investment platform will also enable our investors to construct unique portfolios through customized managed accounts.

With offices in Amsterdam, Hong Kong, London and New York, AlpInvest invests globally in a broad, diversified range of private equity. The company has dedicated teams focused on three separate investment operations:

**Fund Investments.** Between 2000 and 2010, AlpInvest made 389 fund investments managed by 226 different general partners. As of December 31, 2010, the Fund Investments team had committed a total of €28.9 billion. The team pursues investments across the full spectrum of the private equity market, building portfolios reflecting clients’ unique needs.

**Secondary Investments.** This operation partners with private equity investors to provide innovative liquidity and restructuring solutions. The Secondary Investments team acquires or restructures portfolios of private equity assets ranging in size from €1 million to more than €1 billion.

**Co-investments.** The Co-investments team targets investments alongside leading private equity sponsors in leveraged buyouts, growth capital and mezzanine transactions throughout Asia, Europe and North America. The team pursues investments in a wide range of businesses from small local niche players to large global companies.

The new joint venture will ensure AlpInvest’s operational and investment independence. AlpInvest will retain complete discretion over all investment decisions, which will be made by an investment committee consisting solely of AlpInvest investment professionals. AlpInvest will also maintain an information firewall with Carlyle to provide safeguards for general partner, fund or deal-specific information.
FUND-OF-FUNDS SOLUTIONS: INNOVATING AND EXPANDING TO MEET OUR INVESTORS’ NEEDS

At Carlyle, we have always worked to innovate to meet investors’ evolving needs. With the anticipated acquisition of AlpInvest Partners, we expect to further expand the scope of our global alternative asset management business and create new opportunities for Carlyle investors who seek a leading fund-of-funds and secondary platform. Through customized managed accounts, AlpInvest constructs unique portfolios based on an investor’s specific needs. AlpInvest’s Amsterdam headquarters is also expected to expand our presence in Europe.

AlpInvest is one of the world’s largest investors in private equity, managing more than $43 billion through a global private equity fund-of-funds program and related direct investment activity in addition to their secondary and mezzanine operation.

Partnering with sophisticated global investors is one more way Carlyle is providing the range of products and services our investors seek.
UNCOVERING VALUE IN DIVERSE EMERGING MARKETS

The world’s emerging markets offer tremendous opportunities to create long-term value. Driven largely by rising consumer demand from a growing middle class, economic expansion in these markets continues to accelerate.

In China, we continued our strong pace of investment activity, completing three new transactions in 2010, including an investment in ATMU, the country’s largest independent automated teller machine operator and service provider. We have a strong leadership position in China with 89 professionals in five offices dedicated to investing in the country.

In South America, Carlyle has made three investments in three Brazilian companies since 2009. One of our most recent was a significant investment in Scalina, Brazil’s largest manufacturer and retailer of women’s hosiery and lingerie with approximately 10% market share.

Our MENA office continues to assess and execute attractive deals. In 2010, Carlyle made its first investment in Saudi Arabia with the acquisition of a 30% stake in General Lighting Company, the country’s largest lighting fixture manufacturer and supplier.
Carlyle has been investing in emerging markets since 1998, when we were among the first alternative asset management firms to establish a presence in China. Since then, Carlyle has invested a total of more than $6 billion of equity in emerging markets, which has more than doubled in value, growing to a total of over $15 billion as of December 31, 2010. We believe our strategy of establishing local operations staffed by local, experienced investment professionals puts us in a strong position to identify opportunities in emerging markets and create value for our investors. This strategy, combined with our global resources, has enabled Carlyle to complete more than 100 investments across a diversified range of emerging markets, including China, India, emerging Asia, the MENA region and Latin America.

**GROWTH OF CARLYLE’S INVESTMENTS IN EMERGING MARKETS***

($ in billions, as of 12/31/2010)

<table>
<thead>
<tr>
<th>Equity Invested</th>
<th>Total Value</th>
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<td>$6</td>
<td>$15</td>
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*Valuation subject to change
Carlyle investors benefit from our deep and extensive experience. This experience allows us to deliver leadership and knowledge to create value for our investors.
Navigating complex transactions within widely varied industries and in countries across the globe takes more than skill. It takes experience. At Carlyle, our experience runs deep.

We have managed a multi-faceted global organization for nearly 25 years. During this time, we have gained invaluable experience from investing across a broad array of asset classes. This experience has enabled us to establish an attractive track record of performance, committing over $69 billion of equity to more than 900 Corporate Private Equity and Real Asset investments.

We have a strong, stable team of more than 470 investment professionals. Many of our senior managing directors who head our fund operations have been with Carlyle for nearly 10 years, some for nearly 20.

Our network of 20 senior advisors further deepens our experience and expertise. Comprising former CEOs, CFOs and other senior executives, Carlyle’s team of senior advisors shares strategies to help enhance investment performance and offers invaluable insight into industry trends and potential opportunities.

The deep experience of our teams of professionals has resulted in a track record of performance and enduring confidence from our global investors. That’s why we have been able to innovate and launch new initiatives and next-generation funds and enter new markets. For example, our core U.S. buyout operation has grown from a single fund launched more than 20 years ago to five U.S. buyout funds. Today, we have seven buyout groups on six continents. Likewise, our U.S. real estate operation has grown from one fund launched in 1997 to six U.S. real estate funds, in addition to three in Europe and two in Asia. We believe our depth of experience, multiple fund vintages and presence across the globe position us well to capitalize on opportunities and trends that yield attractive returns for our investors.
Expanding our range and depth of our expertise

We gain experience in new and emerging investment areas by recruiting strong teams with track records of their own. For example, our Global Market Strategies operations are headed by Michael J. Petrick, who is also a member of Carlyle’s Operating Committee. Mr. Petrick joins Carlyle after a 20-year career at Morgan Stanley, where he was Managing Director and Global Head of Institutional Sales and Trading.

Likewise, our new Energy Mezzanine team—launched in 2010 to focus on energy mezzanine debt investments to tap into increasing global demand for energy and power—is led by Managing Director David W. Albert and Principal Rahul Culas. Prior to joining Carlyle, Messrs. Albert and Culas worked together at Morgan Stanley, along with Mr. Petrick. Mr. Albert was a Managing Director and Global Head of Morgan Stanley’s Project and Structured Finance Group, and Mr. Culas was an Executive Director.

In South America, our buyout team is led by Fernando Borges, who previously participated in 12 investments in the region as a Managing Director at AIG Capital Partners and CEO of AIG Capital Investments do Brasil.

In 2010, we established a new U.S. Equity Opportunities team to target opportunities in middle-market private equity across Carlyle’s nine core Corporate Private Equity industries. The team is led by Rodney S. Cohen, who comes to Carlyle from Pegasus Capital Advisors, a middle-market investment firm, where he was a Co-Managing Partner. Mr. Cohen will partner with Carlyle Managing Director Brooke B. Coburn, a 15-year Carlyle veteran.

LEVERAGING OUR EXPERIENCE TO ACQUIRE A PORTFOLIO OF LANDMARK PROPERTIES IN LONDON

In Europe, our core real estate team has worked together for 15 years. In 2010, this experience paid off when the group made a major new addition to its portfolio by acquiring the White Tower portfolio of properties for a total of £671 million. The portfolio comprises six landmark, income-producing office properties totaling in excess of 155,000 square meters that generate more than £62 million in rent each year. The properties are well located in the center of the City of London and along the riverside south of the River Thames, an area that has seen major redevelopment in recent years.

This acquisition provides a rare opportunity to make a significant investment in the London office market and to benefit from the projected strong rental growth in the city. It’s also an excellent example of our strategy of making long-term investments in landmark assets in strategically important European centers. While each property benefits from an existing secure income profile, there are also considerable longer-term opportunities for active asset management and redevelopment, where we believe we can apply our real estate experience to add significant value.
PUTTING OUR EXPERIENCE TO WORK TO ADD VALUE TO VOUGHT AIRCRAFT

Our considerable experience in the aerospace and defense sector has enabled Carlyle to invest some $3.5 billion of equity in 29 Corporate Private Equity transactions in the sector since 1987. We put our experience to work with Vought Aircraft Industries, overseeing the acquisition of the Aerostructures Corp. in 2003, instituting a new management team, streamlining operations and then selling Vought’s new world-class facility for 787 production to Boeing.

During our period of ownership, Vought was the largest independent developer and producer of structural assemblies for commercial, military and business aircraft. Last year, Carlyle sold Vought to aircraft components maker Triumph Group in a transaction worth $1.44 billion.
LEADERSHIP NOW AND INTO THE FUTURE

At Carlyle, we have a strong, stable team of senior managing directors who lead our core fund operations. Our leadership includes veteran investment professionals, many of whom have been with Carlyle for more than 11 years. Allan M. Holt and Peter J. Clare, Co-Heads of the U.S. Buyout team, have been with Carlyle since the early 1990s. We also recruit world-class talent who are leaders in their field to expand the scope of Carlyle’s capabilities. Each of our senior managing directors has deep expertise in their specialized investment discipline and extensive experience managing a complex, global organization. Their depth of leadership combines experience and innovation with wisdom and ingenuity, creating a strong foundation for performance today and into the future.

Brooke B. Coburn is Managing Director and Head of U.S. Growth and Deputy Head of U.S. Equity Opportunities. He is located in Washington, DC, and has 17 years of experience in the industry.

Allan M. Holt is Managing Director and Co-Head of the U.S. Buyout team. He is located in Washington, DC, and has 18 years of experience in the industry.

Xiang-Dong (X.D.) Yang is Managing Director and Co-Head of the Asia Buyout team. He is located in Hong Kong and has 16 years of experience in the industry.
Section Four: Experience

Gregor P. Böhm is Managing Director and Co-Head of Carlyle Europe Buyout team. He is located in London and has 14 years of experience in the industry.

Eric E. Sasson is Managing Director and Head of Carlyle Europe Real Estate Partners. He is located in Paris and has 21 years of experience in the industry.

Marco De Benedetti is Managing Director and Co-Head of the Europe Buyout team. He is located in Milan and has five years of experience in the industry.

Sandra J. Horbach is Managing Director and Head of the Global Consumer and Retail team. She is located in New York and has 24 years of experience in the industry.

470+

Number of Carlyle Investment Professionals Operating Out of 30 Offices in 19 Countries
We encourage a high degree of collaboration throughout the firm. Combining the wisdom and knowledge of our investment professionals across the world enhances performance.
One Carlyle collaboration is the foundation of our culture of performance. It’s a proven strategy that differentiates us in the market. It defines our brand and drives our performance. And it fosters the development of better ways to create value and serve our investors.

Our One Carlyle collaborative approach is at work every day. More than 470 investment professionals in 19 countries work together seamlessly and selflessly, sharing insights about local markets and industries with others across the firm. Our professionals create a global network of specialized knowledge that enhances our ability to improve the performance of our diversified portfolio of investments across the globe. This collaborative approach creates a global vision with local insight. The result: a broader view of potential investment opportunities and a deeper level of expertise.

The benefits of collaboration

We believe our collaborative approach can create significant competitive advantages. It enhances our ability to analyze investments, deploy capital and improve the performance of our portfolio companies. It also fosters the development of intellectual capital and risk management.

Our global network of advisors, industry experts and CEOs provides strategic and operational support to help drive the performance of our portfolio companies to the next level. Our professionals work together to facilitate customer introductions and business alliances. They also help portfolio companies identify opportunities that promote growth, including strategic acquisitions and expansions. Here are some examples of the One Carlyle collaborative approach at work:

Allison Transmission. In China, Allison Transmission has a strong position in the market. Our U.S. buyout operation collaborates with Carlyle teams in China to help Allison deepen its penetration in the country, making the most of China’s burgeoning economy and need for better public transportation.

In 2007, Carlyle Partners IV, L.P. and Onex Corporation acquired Allison Transmission from the General Motors Corporation. Headquartered in Indianapolis, Allison designs, manufactures and markets automatic transmissions and hybrid propulsion systems for on-highway trucks and buses, off-highway vehicles and equipment, and

U.S. President Obama visiting Allison Transmission on May 6, 2011.
THE VALUE OF COLLABORATION

Collaboration between our South America Buyout and Healthcare teams made all the difference in Carlyle’s acquisition of a controlling stake in Grupo Qualicorp. Our geographical reach and experience with healthcare companies such as HCR ManorCare and MultiPlan were important factors when Qualicorp decided to sell a controlling stake to Carlyle. Qualicorp is a full-service provider of health benefits management services in Brazil with three million clients. Carlyle will work with the company to help it move to the next level of efficiency in providing high-quality services and bolster its ability to make acquisitions.

Our Healthcare and South America Buyout teams are co-managing the investment. Working together, the teams plan to add value by enhancing Qualicorp’s corporate governance, redesigning internal controls and procedures, adding board members with experience implementing growth strategies, strengthening management capabilities, and positioning the company for add-on acquisitions, among other steps.

We are pleased to partner with the Qualicorp management team as we build upon the company’s excellent growth and service track record. The company is ideally positioned to help provide the country’s growing middle class with high-quality, low-cost healthcare at a time when rising disposable income is driving an increase in healthcare spending.
A number of South American countries are experiencing strong, stable economic growth. For example, in 2010 GDP in Brazil and Peru surpassed the 7% mark. Carlyle’s South America Buyout team, based in São Paulo, is well positioned to source and execute transactions in this largely underpenetrated region. Managing Director Fernando Borges, who heads up our South America team, Managing Director Juan Carlos Felix and Principal Fernando Pinto have extensive investment experience in Latin America. Their experience in the region was instrumental in the completion of two investments in 2010: Grupo Qualicorp and Scalina, Brazil’s largest hosiery and lingerie company. In March 2011, in an effort led by Juan Carlos Felix, Carlyle formed a joint venture with Credicorp, Peru’s largest financial group, to target opportunities in that country.
military vehicles worldwide. The company’s hybrid system is in operation in some 3,500 buses and coaches in more than 160 cities across the globe. Allison estimates that its hybrid system has contributed to an overall fuel saving of more than 65 million liters of fuel to date and a corresponding reduction of approximately 170,000 metric tons of carbon dioxide.

With more than 15,000 Allison-equipped buses now operating in China, the company is leveraging its top position in the commercial-duty automatic transmission industry in China to introduce hybrid buses to cities throughout the country. In addition, Allison completed a new manufacturing facility in India and production began in 2010, which is expected to further bolster the company’s performance across Asia and, in particular, in China.

**Healthscope.** In 2010, Carlyle’s Asia and U.S. Buyout teams collaborated to acquire Healthscope, Australia’s second-largest hospital provider. Both teams agree that the One Carlyle global platform was instrumental in bringing the transaction together. The U.S. Buyout team provided the healthcare industry expertise, while the Asia Buyout team brought an intimate knowledge of the company and the Asian and Australian markets. The result: the acquisition of a high-quality company in a strong, growing market.

**NBTY.** In one of the largest private equity transactions in 2010, Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P. teamed up to acquire NBTY, Inc., a vertically integrated manufacturer and retailer of high-quality vitamins and nutritional supplements in the United States with operations worldwide. The company sells more than 25,000 SKUs under a portfolio of 50 owned and licensed brands—including Nature’s Bounty, Pure Protein and MET-Rx—which hold leading positions across their respective categories, channels and geographies.
The transaction is an excellent example of how the One Carlyle global platform works for both our investors and our portfolio companies. During the due diligence process, Carlyle’s U.S. Consumer and Retail team collaborated with several other teams across the globe, including the Government Affairs team in Washington, DC, which assisted with regulatory issues, and Carlyle’s Asia Buyout and Growth Capital teams in China, which helped evaluate opportunities to enhance NBTY’s low-cost position in the nutritional supplements industry through various sourcing opportunities in Asia.

Given NBTY’s significant retail presence in Europe, principally through the Holland & Barrett banner in the United Kingdom, the U.S. Consumer and Retail team also reached out to Carlyle’s Europe Buyout team for its on-the-ground expertise. In conjunction with this collaboration, Carlyle Europe Partners III, L.P. also made a sizable equity commitment to the transaction. We believe the collective experience of Carlyle’s U.S. and Europe Buyout teams in their respective markets, coupled with the proactive efforts of Carlyle’s Asia Buyout and Growth Capital teams, will help drive profitable growth for NBTY and enhance the value of this investment.

€480 MILLION
B&B’S ENTERPRISE VALUE AT ACQUISITION

WORKING TOGETHER, WORKING GREEN

Our acquisition of the B&B Hotel Group in 2010 combines the experience of Carlyle’s real estate and buyout teams and B&B’s excellent management team. Our shared goal: grow the chain, valued at €480 million at acquisition and comprising 223 budget hotels with a total of 16,162 rooms, across France, Germany and Italy. We plan to accelerate the pace of new hotel openings across Europe and expand into new territories such as Poland, Portugal and the Netherlands.

The transaction represents collaboration between Carlyle Europe Partners III, L.P. and Carlyle Europe Real Estate Partners III, L.P. The investment team was particularly impressed by B&B’s commitment to meeting and exceeding environmental, social and governance standards set by industry regulatory bodies, including participation in the Green Key Eco-Rating Program. Carlyle is committed to fully supporting the company as it continues to focus on ESG issues.
We are keenly aware of our **responsibility** to consider the impact of our investment decisions on people, communities and the environment.
We believe that being a good corporate citizen is part of good business practice and creates long-term value for our investors. That’s why we recently released our first-ever Corporate Citizenship Report. It describes our efforts to incorporate environmental, social and governance (ESG) considerations into our investment practices and into our own daily operations.

In recent years, we have sharpened our focus on ESG issues associated with our investments and our firm. While we’re off to a good start, there is much work to do. We are committed to building on the foundation we have established and are thoroughly integrating ESG considerations into the fabric of Carlyle.

Our 2010 Corporate Citizenship Report provides an overview of our corporate citizenship activities and highlights several efforts underway at our portfolio companies. Among other initiatives, the report describes:

• Carlyle’s development and integration of the Responsible Investment Guidelines in our investment decision-making processes for controlling corporate buyout transactions, including specific case studies, and our efforts to begin sharing the guidelines with a targeted set of portfolio companies.

• Our partnership with Environmental Defense Fund and our collaborative effort to develop EcoValuScreen, a due diligence tool that identifies operational changes at prospective portfolio companies in an effort to improve both environmental and financial performance.

• Our support for specific environmental initiatives at several portfolio companies, including Allison Transmission, Connecticut Service Plazas and Hertz Corporation.

• Carlyle’s global One Community program, which promotes volunteerism in the communities in which we operate, and our efforts to promote diversity across the firm.
To strengthen our ties to the communities where we live and work, Carlyle developed the One Community and Wealth Sharing programs.

Our One Community volunteer and Wealth Sharing programs are rooted in the One Carlyle philosophy of working together to create positive change. One Community provides Carlyle employees with the opportunity to use their talents to volunteer in communities in which they live, work and invest. Our Wealth Sharing Program supports Carlyle employees in their charitable giving by matching on a dollar-for-dollar basis up to $2,000 per year for contributions made to educational and humanitarian organizations.

One Community is a flexible, locally focused initiative. All Carlyle employees are given two working days per calendar year to volunteer. We support a range of volunteer programs in diverse geographic and cultural contexts. Employees are encouraged to arrange group volunteer activities that foster the One Carlyle collaborative spirit by working together with other Carlyle colleagues across disciplines and teams. As a firm, we have recently partnered with several organizations, including Junior Achievement (JA) and Habitat for Humanity.

JA is the world’s largest organization dedicated to educating students about workforce readiness, entrepreneurship and financial literacy through experiential, hands-on programs. In Washington, DC, 40 Carlyle employees participated in the “JA in a Day” Program at Ferebee-Hope Elementary School on May 7, 2010. Co-Founder and Managing Director Daniel A. D’Aniello led the inaugural event kicking off Carlyle’s volunteer partnership with JA. In Beijing and Shanghai, Carlyle employees are working with JA on its Student Company program. In London, employees participated in their first volunteer events with JA since the launch of our partnership. Carlyle employees plan to visit more local schools in 2011.

Habitat for Humanity partners with communities to find appropriate, long-term housing solutions. Since it was formed in 1976, Habitat for Humanity has helped build some 400,000 homes and has served more than two million people. In 2010, Carlyle employees from our Washington, DC office partnered with Habitat for Humanity to help refurbish two homes. Employees from our Seoul office have participated in four Habitat for Humanity activities.

Also in 2010, staff members from our Washington, DC office volunteered with SOME (So Others Might Eat) and served meals for the homeless and poor. Forty-five employees from the Tokyo office volunteered with Special Olympics Japan and JEN, an organization that supports people suffering as a result of disaster or conflict. These activities are all part of the Tokyo office’s annual effort underway since 2005 to promote the active involvement of all staff members in office-wide “Volunteer Days.” In May 2011, employees from our office in Charlotte, North Carolina, donated school supplies to Hidden Valley Elementary School through the city’s A Child’s Place program.
Governance
We believe we have a clear and effective framework that enables us to uphold the highest ethical and business standards across the firm. Maintaining Carlyle's good name and the good names of our investors is paramount. From the earliest years of the firm, we have invested heavily in our systems and controls. We perform most ongoing activities in-house, including investor relations, corporate communications, financial reporting and accounting oversight.

Ownership
Carlyle is a private partnership, owned by a group of senior Carlyle professionals and two institutional investors. Mubadala Development Company, a strategic investment and development company headquartered in Abu Dhabi, owns 9.35% of Carlyle and CalPERS, the California Public Employees Retirement System, owns 5% of the firm.

Management
Carlyle is headquartered in Washington, DC and has offices in 19 countries. The firm is managed by its three Co-Founders and Managing Directors, William E. Conway, Jr., Daniel A. D'Aniello and David M. Rubenstein. Joining the three Co-Founders on the Management Committee are Glenn A. Youngkin, Managing Director and Operating Committee Chairman, and Adena T. Friedman, Managing Director and Chief Financial Officer. The Management Committee establishes Carlyle's overall strategic direction for the firm and sets firm policy. Supporting the Management Committee in executing its directives and managing the day-to-day activities of the firm is a group of senior Carlyle professionals we refer to as the Operating Committee. The Operating Committee comprises: Glenn A. Youngkin, Chair; Michael W. Arpey; Jeffrey W. Ferguson; Adena T. Friedman; David M. Marchick; Michael J. Petrick; Bruce E. Rosenblum; and Gregory L. Summe. All investments made by Carlyle-sponsored funds are assessed and approved by fund-level investment committees comprising senior investment professionals.

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

Conflicts of Interest
Carlyle has adopted a Code of Conduct that sets forth the standards of ethical conduct for its employees. The firm also has a conflicts committee to help manage conflicts of interests that may arise during the conduct of its business.
U.K. “Walker” Guidelines for Disclosure and Transparency
As a member of the British Venture Capital Association, Carlyle believes that it is fully compliant with the Walker Guidelines for Disclosure and Transparency. Carlyle’s website, 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 website to deliver an overview of the firm and its activities.

The Carlyle Group’s U.K. Buyout Operation
CECP Advisors, L.L.P. 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 Technology Partners, L.P. and Carlyle Europe Technology Partners II, L.P. The advisory services provided by this U.K. FSA-regulated entity include providing advice and recommendations to the funds with respect to origination, investigation, structuring, financing, acquisition, monitoring and/or for the disposition of investments. It does not make investment decisions on behalf of the investment funds or have the authority to enter into contracts or commitments on behalf of the investment funds. Andrew Burgess, Managing Director, heads Carlyle’s U.K. buyout operation. Robert Easton, Managing Director, heads Carlyle’s U.K. growth capital operation. Heather Mitchell, Managing Director, is Chief Compliance Officer for CECP Advisors, L.L.P. The U.K. companies in Carlyle’s Europe funds include Ensus, Integrated Dental Holdings and Talaris (see www.carlyle.com for details).

Germany “BVK” Guidelines for Disclosure and Transparency
As a member of the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK), the German private equity and venture capital trade association, Carlyle believes that it is fully compliant with the BVK Guidelines for Disclosure and Transparency. Carlyle’s website, 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 website to deliver an overview of the firm and its activities. Carlyle portfolio companies in Germany, including ADA Cosmetics, H.C. Starck and Personal & Informatik, will comply with the guidelines and the Annual Report will be published on the website.

The Carlyle Group’s German Buyout Operation
Carlyle utilizes the services of Carlyle Beratungs GmbH, an independent advisory company based in Munich, Germany, that provides advisory services with respect to investment activity in Germany to Carlyle’s buyout funds, Carlyle Europe Partners, L.P., Carlyle Europe Partners II, L.P. and Carlyle Europe Partners III, L.P. Dennis Schulze and Michael C. Schuster are directors of this advisory entity. The advisory services include providing advice and recommendations to the funds with respect to origination, investigation, structuring, financing and monitoring. It does not make investment decisions on behalf of the investment funds or have the authority to enter into contracts or commitments on behalf of the investment funds. Gregor Böhm, Managing Director, is a specialist in German private equity providing advice to Carlyle’s buyout funds.
OUR / purpose
Invest wisely. Create value.

OUR / mission
Generate superior investment returns
Inspire the confidence and loyalty of our investors
Attract, develop and retain highly talented professionals
Demonstrate principled industry leadership
Be responsible and respected members of the global community

OUR / values
SERVICE / Act in the best interest of our investors
INTEGRITY / Uphold the highest standards of integrity, professionalism and confidentiality
QUALITY / Deliver best-in-class investment activities and services to our investors
STEWARDSHIP / Treat our investors’ money as if it were our own, balancing risk and reward
ACCOUNTABILITY / Take personal responsibility and deliver on commitments
TEAMWORK / Create community and work together as One Carlyle
RESPECT / Value each other, encourage professional development, respect personal contributions and reward effective performance
CITIZENSHIP / Be responsible citizens in the communities in which we work and live
ENTREPRENEURSHIP / Differentiate the firm through creative thinking and action
DETERMINATION / Show a will to win in every aspect of our business