






## Our support of the Walker Report

Over the past several years, Kohlberg Kravis Roberts & Co. L.P. (“KKR,” “we” or “us”) has been working to increase the transparency of our investment activities and processes, both through formal compliance with guidelines recommending increased levels of disclosure as well as through voluntary initiatives with our clients, partners, portfolio companies and the public at large.

In November 2007, a working group formed by The British Private Equity and Venture Capital Association (“BVCA”) and led by Sir David Walker issued the Guidelines for Disclosure and Transparency in Private Equity. That publication, which is also known as the “Walker Report,” makes specific recommendations for improving the level of public disclosure by private equity firms operating in the United Kingdom.

Because we believe in the importance of enhancing disclosure and transparency within the private equity industry, we helped draft the Walker Report guidelines and have voluntarily undertaken to conform to them and to promote further conformity by our U.K. portfolio companies. Today, KKR portfolio companies with significant operations in the U.K. include the following:

	Alliance Boots GmbH is an international pharmacy-led health and beauty group operating in more than 20 countries across the world (including associates and joint ventures). Our affiliates invested in Alliance Boots in 2007.
	Northgate Information Solutions Limited is the leading global provider of specialist software and outsourcing solutions to the human resources and public service sectors. Our affiliates invested in Northgate in 2008.
	Pets at Home Group Limited is the UK's leading specialist retailer of pet food, pet related products and accessories. Our affiliates invested in Pets at Home in 2010.

## **Overview of our private equity business**

We are a leading global alternative asset manager founded in 1976, with offices in New York, Menlo Park, San Francisco, Houston, Washington, D.C., London, Paris, Hong Kong, Beijing, Tokyo, Seoul, Mumbai, Dubai and Sydney. Our private equity business involves sponsoring and managing a group of investment funds that make primarily control-oriented investments in connection with leveraged buyouts and build-ups and other similar investment opportunities. Since 1976 and through December 31, 2009, KKR has raised 15 traditional private equity funds with approximately \$59.7 billion of capital commitments.

Once an investment is made in a portfolio company, we and our operating consultants closely monitor the company's performance with the objective of driving growth, enhancing profitability and optimizing long-term value for shareholders. We work closely with management teams to define strategic priorities and develop operating budgets, and we encourage our portfolio companies to invest for future competitiveness, improve operating efficiencies, make strategic acquisitions and incentivize employees by giving them ownership in the business. We establish clear monitoring guidelines to measure a portfolio company's performance and frequently meet with members of management to review the company's financial and operating results and strategic priorities. Our investment teams and portfolio company managers appear before our portfolio management committee at regular intervals to report on their progress and to discuss potential areas of concern and proposed solutions for addressing issues that may arise.

## **Exiting Investments**

Because we approach our private equity funds' investments with the goal of creating value over the long-term rather than realizing short-term gains through rapid dispositions, they generally hold portfolio companies for a number of years. When we advise our private equity funds to exit an investment, our objective is to structure the exit in a manner that optimizes returns for stakeholders and minimizes the impact that the exit may have on the portfolio company. We believe that our ability to successfully realize investments is attributable in part to the strength and discipline of our portfolio management committee and our longstanding relationships with corporate buyers and members of the investment banking and investing communities.

## **Management of Our Private Equity Business in the United Kingdom**

We provide management services to our private equity funds pursuant to management agreements. The services we provide include advising our private equity funds with respect to origination, investigation, structuring, financing, acquisition, monitoring and disposition of investments. With respect to investments made by our private equity funds in the U.K. and Europe, we are assisted in the provision of management services by our wholly owned subsidiary Kohlberg Kravis Roberts & Co. Ltd., an English limited company, which we refer to as our "U.K. subsidiary."

Our U.K. subsidiary is authorized by the Financial Services Authority in the U.K. ("FSA") pursuant to the Financial Services and Markets Act 2000 ("FSMA") and has permission to engage in a number of corporate finance activities regulated under the FSMA, including arranging deals in relation to certain types of investments. Our U.K. subsidiary provides services exclusively to us. The following Members of our firm are based in our London office, leading the team of investment professionals that work for our U.K. subsidiary: Johannes P. Huth, Jacques Garaialde, Reinhard Gorenflos, Dominic P. Murphy, John L.

Pfeffer and Brian Carroll. For more detailed biographies of these individuals and our other senior executives in the U.K., please our website at [www.kkr.com](http://www.kkr.com).<sup>1</sup>

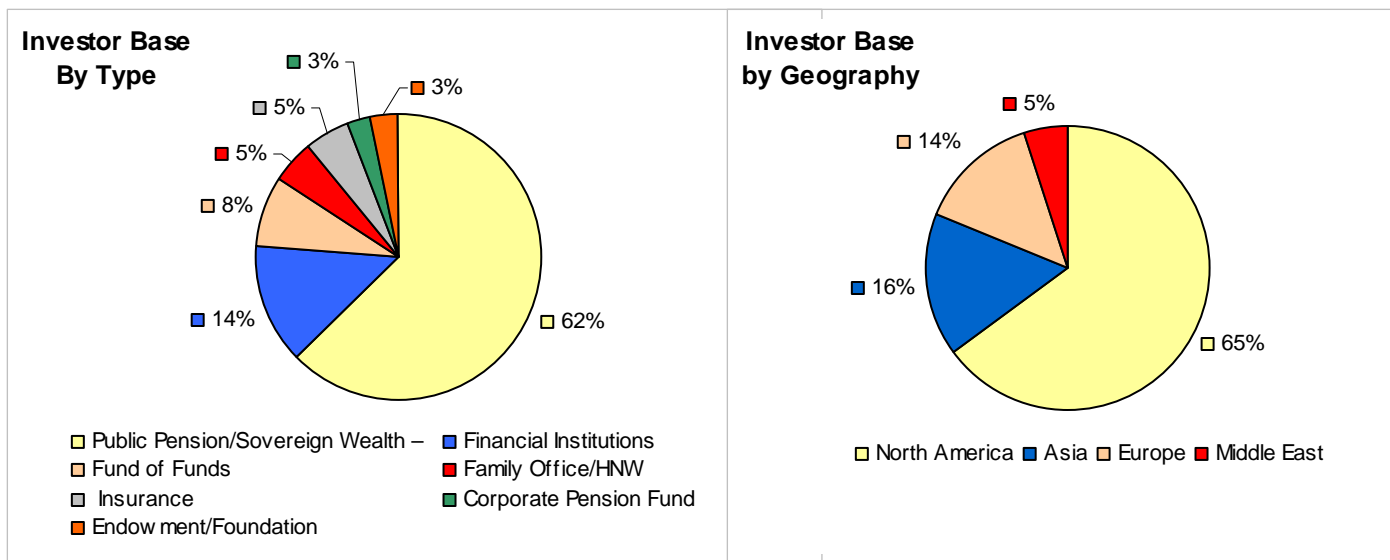
### Portfolio Companies

We have been one of the largest and most active participants in the buyout market since the mid-1970s. Since our inception in 1976, we have completed more than 170 transactions with a total transaction value in excess of \$425 billion. Our portfolio as of December 31, 2009 consisted of approximately 50 portfolio companies with more than \$200 billion of annual revenues and more than 900,000 employees worldwide. These companies are headquartered in 13 countries and operate in 14 different industry groups. For specific information concerning our portfolio companies, including links to their websites, please our website at [www.kkr.com](http://www.kkr.com).

### Limited Partners

The limited partners in our traditional private equity funds consist of a diversified group of some of the largest public pension plans and agencies, corporate pension plans, financial institutions, family offices, insurance companies, endowments, foundations and funds-of-funds, many of whom have invested with us for decades across multiple funds. Investors in KPE, our listed private equity fund, consist of a broad range of public market investors.

The following tables present a breakdown of the limited partners of our traditional private equity funds that can invest in companies that would qualify as UK portfolio companies for the purposes of the Walker Report.



\* The information is based on the AUM of our Private Markets investment funds (1996 Fund and onward), private equity co-investment vehicles, and Public Markets separately managed accounts and fixed income funds. This

*information is current as of March 31, 2010, and such information has not been updated to reflect facts, events, or figures after that date.*

### **Conflicts of Interest**

Like our peers in the private equity industry, we may from time to time find that a conflict has arisen between our interests and the interests of the limited partners in one or more of our private equity funds. Because we recognize that our long-term success requires us to resolve such conflicts appropriately, the agreements governing the relationship among us, our affiliates and the limited partners of our private equity funds include arrangements for the resolution of such conflicts.

Furthermore, the FSA Handbook and the Markets in Financial Instruments Directive require that our U.K. subsidiary establish appropriate systems and controls to manage any potential conflicts of interest. Accordingly, we have adopted a conflicts of interest policy for our U.K. subsidiary.