

# KKR IN GERMANY— AT A GLANCE

NOVEMBER 2012

KKR

# About KKR

Led by Henry Kravis and George Roberts, KKR & Co. L.P. (together with its affiliates, “KKR”) is a leading global investment firm with \$66.3 billion in assets under management as of September 30, 2012.

- With multiple offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes.
- In private equity, we seek to create value by bringing operational expertise to our portfolio companies and through active oversight and monitoring of our investments.
- KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platform.
- KKR is publicly traded on the New York Stock Exchange (NYSE:KKR).
- KKR’s private equity portfolio includes 82 companies with over \$210 billion of revenue and approximately 900,000 employees across 17 industries in 19 countries as of September 30, 2012.
- KKR signed on to the United Nations Principles for Responsible Investment in 2009.

Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 200 private equity investments with a total transaction value in excess of \$465 billion as of September 30, 2012.

In recent years, we have grown our firm not only by expanding our geographical presence, but by building complementary businesses in areas such as fixed income, capital markets, infrastructure, and natural resources. These newer efforts build on our core competencies and industry expertise, allowing us to leverage the intellectual capital and synergies in our businesses to capitalize on a broader range of the opportunities we source.

## History

KKR began operations on May 1, 1976 as a private equity firm specializing in leveraged buyouts. By 1977, we had completed our first acquisition (A.J. Industries) with capital raised from a small group of investors. Well-known retail and consumer brands became KKR portfolio companies. These included Safeway Stores, the largest food retailer in the world (1986); Duracell, the world’s leading manufacturer of alkaline batteries (1988); and RJR Nabisco, a global leader in consumer products (1989) and until 2006 the largest buyout in history.

During our first two decades, we focused on building a leading private equity business. Throughout the 1990s, we remained an active private equity investor, expanding into new industries and geographies. We invested considerable time and expense to

develop the knowledge and relationships to acquire companies in complex, regulated industries such as banking, insurance, and power generation and transmission.

We increasingly placed more emphasis on the operational aspects of our portfolio companies – an essential component for creating value. We organized our investment professionals into industry teams and charged them with becoming experts in their fields. We searched beyond Wall Street and hired many former CEOs and CFOs of leading companies, and had the management teams of our newly acquired companies work with our investment professionals and [KKR Capstone \(www.kkr.com/businesses/private-markets/kkr-capstone.php\)](http://www.kkr.com/businesses/private-markets/kkr-capstone.php) on 100-day plans to improve company fundamentals. Since then, this operational approach to building value in portfolio companies has become the cornerstone of the way in which we evaluate and manage our equity investments.

In 2004, we began to actively pursue debt investments as a separate asset class. In 2006, we formed KKR Private Equity Investors, L.P., a publicly traded private equity fund, to complement the capital in our private equity funds and allow a broader range of investors, both institutional and retail, to access our investment strategy and track record. In October 2009, we completed a business combination with KKR Private Equity Investors L.P., which was renamed KKR & Co. (Guernsey) L.P. On July 15, 2010, KKR & Co. (Guernsey) L.P. was delisted from Euronext Amsterdam, and the common units of KKR & Co. L.P. began trading on the New York Stock Exchange under the symbol “KKR”.

## Investment Principles

In our private equity investments, our goal is to partner with our portfolio company management teams to achieve growth and improve productivity. Building stronger, better companies creates value for our investment partners, the portfolio companies in which we invest, their employees and the communities in which they operate. We believe that part of ensuring that we help build better, more productive companies is to partner with our portfolio companies on key environmental, social and governance (ESG) issues.

Because we believe that considering these issues is critical to our long-term private equity investment success, in 2009 we became signatories of the globally recognized voluntary framework of the United Nations-backed Principles for Responsible Investment and helped lead the development of the Private Equity Growth Capital Council’s Guidelines on Responsible Investment. We have made important progress on our commitments throughout last year: <http://green.kkr.com/>.

## KKR’s approach to private equity investing

While we have completed very complex buyout transactions in our history, our approach to private equity investing is fundamentally simple:

- We acquire what we believe to be industry-leading companies and work with management to grow them into thriving, sustainable enterprises – thereby creating shareholder value.

- We partner with highly motivated management teams to design and implement strategic and operational changes with the objective of taking these businesses to the next level of growth and beyond.
- And we align our interests with other stakeholders by putting our own capital at risk.

KKR is a long term investment partner, holding its private equity investments for an average of five to seven years.

### Forms of KKR investments

In general, the companies in which we invest with private equity capital are at a transition point in their development, and we act as ‘agents of change’ for those businesses. KKR investments can take many forms:

- We have taken publicly listed companies private.
- We have acquired divisional assets through corporate divestiture transactions.
- We partnered with family-owned businesses and strategic buyers.
- We have purchased and grown companies through industry-consolidation strategies.

Please find detailed examples for private equity investments in Germany below.

As a global investment firm, KKR is not only active in private equity but is also managing investments in infrastructure and natural resources (private markets) as well as in public markets. We manage a specialty finance company, a number of investment funds, structured finance vehicles and separately managed accounts that invest capital in liquid credit strategies, such as leveraged loans and high yield bonds, and less liquid credit products such as mezzanine debt and special situations investments. These funds, vehicles and accounts are managed by KKR Asset Management LLC.

## Activities in Germany

KKR has been investing in the German market for more than ten years. Currently, seven out of the 82 KKR portfolio companies are headquartered in Germany:

- *ATU GmbH (Auto Teile Unger), automotive parts supplier:* <http://www.atu.de>
- *BMG Rights Management GmbH, music publishing:* <http://www.bmg.com/>
- *Kion Group GmbH, material handling:* <http://www.kiongroup.com>
- *ProSiebenSat.1 Media AG, media company:*

<http://www.prosiebensat1.com>

- *Versatel, telecommunications:* <http://www.versatel.de>
- *Wild Flavors GmbH, flavoring extracts and syrups:* <http://www.wild.de>
- *WMF AG, provider of coffee machines and kitchen- and table-ware:* <http://www.wmf.de>

In addition to these companies, several other KKR portfolio companies have significant operations in Germany. Please find a complete list of our portfolio companies [here: www.kkr.com/partners/portfolio-partners.php](http://www.kkr.com/partners/portfolio-partners.php).

### Experienced Partner for the German “Mittelstand”

Ever since KKR has started investing in Germany back in the 1990s, we have become a strong partner for Germany’s mid-cap companies – the “Mittelstand”. In the course of several successful investments, we have established firm relationships with the respective management teams and supported them in taking their business to the next level. It was mostly thanks to our international network, our long-lasting experience in building global leaders as well as the readiness to adapt to the specific needs of these companies, that we managed to achieve this goal. Moreover, we are flexible on how we deploy capital, be it through acquisitions of minority or majority stakes or be it through equity or debt based financing – based on the individual situation.

There are various examples for such partnerships: Be it IT solutions and services provider *Wincor Nixdorf* in Paderborn, Germany’s leading engine manufacturer *MTU Aero Engines* in Munich or *Wild*, one of the world’s leading producers of natural ingredients to the food and beverage industry based in Eppelheim/Heidelberg.

In the case of *Wincor Nixdorf*, which we acquired in October 1999 together with Goldman Sachs Capital Partners (GSCP) and then worked with for five years, the company’s sales increased by 20 percent and the operating results by more than 50 percent. KKR and GSCP brought their financial expertise to the partnership and helped the company to gain new customers especially in the U.S. The workforce was doubled, more than 3,000 jobs were created (please see also investment example 3 below).

At *Wild Flavors*, we carried out another growth investment. In 2010 KKR acquired a 35 percent stake in the company. We partner with Wild’s management in order to support its international expansion. In the course of our cooperation with Wild so far, the company successfully acquired A. M. Todd, a specialized producer of mint ingredients and mint flavors with operations in the U.S., India and Europe. Wild Flavors also completed the acquisition of Cargill’s global juice cold blends and compounds business. This acquisition added a global network of three production and storage facilities with direct sea access in Japan, the Netherlands and the U.S. to Wild Flavors’ existing operations.

KKR aims to further expand its partnership with the German “Mittelstand”. The latest example in this regard is our investment in

WMF AG (July 2012), a global market leader for professional fully automated coffee machines and a European market leader for kitchen- and tableware. The objective here is to help the company to further increase the penetration of its current markets as well as to expand its business globally. We have proven many times in the past that we are an ideal partner for realizing these targets.

KKR is an active private equity investor who partners with its portfolio companies. The following three examples from Germany show how we put these principles to work:

#### EXAMPLE 1

### BMG Rights Management, since 2010



- BMG Rights Management ("BMG") is a joint venture between KKR and Bertelsmann, an international media company active in more than 50 countries, to develop a global music rights management business.
- The partnership benefits from Bertelsmann's know-how in media and publishing, BMG's experience in licensing and music rights administration and KKR's transaction capabilities, financial expertise and global network.
- As a result of our partnership, BMG has grown to be one of the leading global independent music publishers, signing new and iconic artists and expanding its catalogue acquisitions. The company now represents the rights of nearly one million songs and recordings. Top artists such as Kylie Minogue, Billy Idol, Cee-Lo Green and ZZ Top joined BMG.

#### EXAMPLE 2

### MTU Aero Engines, 2003-2005



- KKR acquired engine manufacturer MTU for €1.1 billion from DaimlerChrysler in 2003.
- Within only one and a half years, MTU Aero Engines improved its results so strongly that the company was listed on the stock market in 2005.
- By the time of the listing, the stock was oversubscribed sevenfold and rose by 25 percent by the end of the year.

#### EXAMPLE 3

### Wincor Nixdorf, 1999-2005



- KKR acquired the company in October 1999 together with Goldman Sachs Capital Partners (GSCP).
- During the five years of KKR's ownership, the company's sales increased by 20 percent and the operating results by more than 50 percent.
- The workforce was doubled globally as the number of employees increased worldwide by approximately 3,000.
- The company launched a successful IPO in a tough market environment in spring 2004 – the first major IPO in Germany after more than two years.
- Despite a generally difficult economic climate, the share price increased by 50 percent within only eight months.

# Management and Advisors

## Board of Directors

- Henry R. Kravis. *Co-Chairman and Co-Chief Executive Officer*
- George R. Roberts. *Co-Chairman and Co-Chief Executive Officer*
- Joseph A. Grundfest. *Independent Director*
- Patricia F. Russo. *Independent Director*
- Robert W. Scully. *Independent Director*
- Dieter Rampl. *Independent Director*
- Thomas M. Schoewe. *Independent Director*
- John B. Hess. *Independent Director*

## Executive Officers

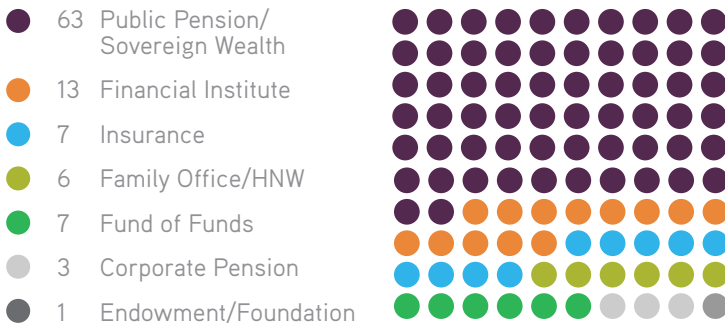
- Henry R. Kravis. *Co-Chairman and Co-Chief Executive Officer*
- George R. Roberts. *Co-Chairman and Co-Chief Executive Officer*
- Todd A. Fisher. *Chief Administrative Officer*
- David J. Sorkin. *General Counsel*
- William J. Janetschek. *Chief Financial Officer*

## Members of the European KKR team responsible for Germany

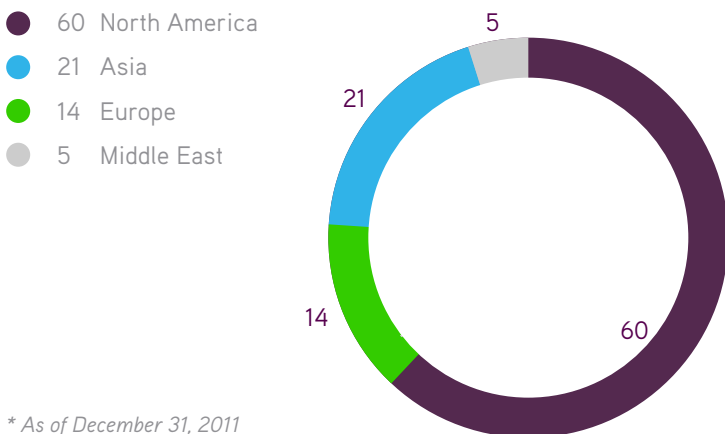
- Johannes P. Huth. *Member, Head of Europe*
- Reinhard Gorenflos. *Member*

# Investors

## Investor Base by Type



## Investor Base by Region



\* As of December 31, 2011

# Transparency Initiatives

As a member of the Large Buy-Out group of BVK (Bundesverband Deutscher Kapitalbeteiligungsgesellschaften), KKR has substantially contributed to the creation of the BVK transparency guidelines and is applying them within KKR as well as within its portfolio companies.

KKR fully complies with the BVK transparency guidelines and aims for its German portfolio companies to do so as well. We actively monitor this process. You can download the newest version of the BVK transparency guidelines [here: www.bvkap.de/media/file/228.20110101\\_BVK-Transparenz-Richtlinien\\_Update\\_2011\\_final\\_clean.pdf](http://www.bvkap.de/media/file/228.20110101_BVK-Transparenz-Richtlinien_Update_2011_final_clean.pdf).

We are signatories of the voluntary framework of the United Nations-backed Principles for Responsible Investment and helped lead the development of the Private Equity Growth Capital Council's Guidelines on Responsible Investment. Further information on all transparency initiatives, which are supported by KKR, can be found [here: www.kkr.com/company/responsibility/transparency.php](http://www.kkr.com/company/responsibility/transparency.php).

KKR is publicly traded on the New York Stock Exchange and is therefore subject to a wide range of transparency regulations. Please find our annual report [here: www.kkr.com/ar/index.html](http://www.kkr.com/ar/index.html).

Further information can be found on [www.kkr.com](http://www.kkr.com).

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