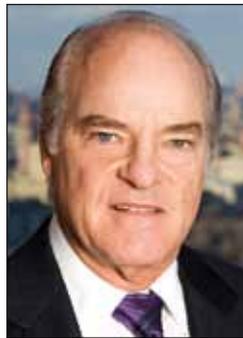


# Kravis' Vision

**An Interview with Henry R. Kravis,  
Co-Founder, Co-Chairman, Co-Chief Executive Officer, KKR & Co.**

**EDITORS' NOTE** Henry Kravis co-founded Kohlberg Kravis Roberts & Co. in 1976. Along with his first cousin George Roberts, Kravis has co-led the firm for over 30 years and serves on the Private Equity Investment and Portfolio Management Committees. He currently serves on the board of First Data Corporation, and is a director or trustee of several cultural and educational institutions, including the Partnership for New York City, Mount Sinai Hospital, Rockefeller University, and Claremont McKenna College. Kravis is Founding Chairman of the New York City Investment Fund (NYCIF) and also serves on the board of the Council on Foreign Relations. He earned a B.A. in Economics from Claremont McKenna College and an M.B.A. from the Columbia University Graduate School of Business. At Claremont McKenna College, he founded the Kravis Leadership Institute and established the Kravis Prize in Leadership, which is awarded annually to an international, nonprofit organization that demonstrates leadership, creativity, and sustainability.



Henry R. Kravis

**COMPANY BRIEF** KKR is a leading global alternative asset manager with \$54.7 billion in assets under management as of June 30, 2010. With over 600 people and 14 offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR ([www.kkr.com](http://www.kkr.com)) is publicly traded on the New York Stock Exchange (NYSE: KKR).

**When you look at the severity and speed of the economic crisis, were you surprised at how deep the crisis has been and where do you see us today in terms of stabilization?**

Today's very challenging economic environment is testing everyone. I am cautiously optimistic about the economy in the U.S. That said, there are some reasons for concern: Our economy is driven by the consumer, who lives on two things: the value of his house and having a job. For a lot of reasons, that home value today is not going up. In fact, for the last few years, housing prices have gone down, and there is little hope that prices will turn up anytime soon. My other concern is what is going to drive job growth. Many companies went through a near-death experience in this country in 2008 and 2009. These companies overcame adversity and found they

could operate their business very well with fewer people. Today they are hesitant to hire new workers. Part of this hesitation is because there is a lot of regulatory and legislative uncertainty. It is hard for companies to operate a business if the goal posts keep moving.

**Many business leaders in the private sector have expressed those same concerns. Is there an effective dialogue in Washington with business leaders as to these issues, or is that not taking place?**

One of the key victims of the crisis has been an intangible asset, commonly referred to as "trust." Trust in the financial and investment community. Trust in the power of financial markets to heal themselves. We are all looking for solutions on how to restore this trust. In these times, the dialogue between the private sector and all stakeholders is more important than ever. The reason is simple: if we want to find a lasting solution to today's problems, we can only do this together and with constructive dialogue.

**When you reflect on these 24 months, for KKR specifically, how was the firm positioned during this time and where is the strength of the firm now?**

George (Roberts) and I have a vision of where we want to take the firm. Today, we're very much an integrated global investment firm. We have just over 600 people at the firm, which is not a huge firm as far as people, but far more than before the downturn. While a lot of people had stopped hiring, we took advantage of the downturn to strengthen our core private equity business and diversify into new areas that tie in very well to our private equity business.

We have focused our growth in a number of areas. We expanded our private equity franchise into high growth regions of the world. Five years ago, we were not in Asia. Today, we are operating and investing in China, Taiwan, Singapore, Hong Kong, India, Japan, Korea and Australia. In all these countries, we are focusing on growth opportunities by partnering with managements of fast growing and leading businesses.

During this time, we have also built up our capital markets group, which supports our private equity business and our portfolio companies offering strategic and executional expertise in financing transactions whether it's buying a company, refinancing debt, or taking a company public. We expanded our asset

management business, which we started seven years ago and today offers clients products and return profiles to satisfy a broad range of fixed-income investment mandates. And we are acting on some interesting new opportunities in infrastructure and oil and gas, areas that have been a traditional strength of the firm

**In New York City, many refer to the benefits of having a Mayor who comes from the business side. For the Partnership for New York City, which you've been actively engaged in, how effective has that relationship been during these challenging times, and is the Partnership's role moving in the right direction?**

The Partnership has done a great job. What had been missing in New York was that network: all of us did our own thing. Jerry Speyer and I changed the makeup of the Partnership and focused on the larger companies; we also got a very strong executive in Kathryn Wylde, (President and CEO, Partnership for New York City) to run it for us, and we enforced a public/private partnership approach – a network that we could call on to get things done, whether it be in Washington, Albany, or in the city working closely with the Mayor.

So we haven't had to just rely on Wall Street for revenue. With the New York City Investment Fund, which today has around \$120 million in assets, we've been able to affect and support new industries in New York.

New York City comes up with some wonderful ideas out of our teaching hospitals, whether it is Mt. Sinai, New York Presbyterian, Rockefeller University, or Memorial Sloane-Kettering Cancer Center. However, a lot of these ideas are sold off and jobs are started outside the city. Now we have the opportunity to capture that science, create the business in New York and keep it here.

For example, the East River Science Park is a very important part of what we've done. Partnering with Mayor Bloomberg and the city, Alexandria (a firm that specializes in building bioscience and technology centers), and the New York City Investment Fund, we created a public/private partnership to attract and capture that science and create new businesses and jobs. Another program is the BioAccelerate NYC Prize, which is a competition that awards New York City-based researchers \$250,000 to conduct late-stage proof-of-concept research to improve human health. We hope both programs will catalyze the creation of a life science industry in the city. ●