

## How Carlyle Creates Value

Deep industry expertise. Global scale and presence. Extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle's value creation model. By leveraging these core capabilities and resources—Carlyle has established a 30-year overall track record of investing in companies, working to make them better and serving our investors' needs.

### About East River Biochemical Group and the Transaction

East River Biochemical Group manufactured biochemical raw materials and biodiesel and was one of the largest biochemical/biodiesel producers in China. The Company sought to leverage its proprietary chemical catalysts and innovative processing techniques to produce biodiesel by utilizing waste cooking oil, residues in food oil production and low-grade palm oil as raw materials.

In December 2007, Carlyle Asia Growth Partners III invested \$6.0 million in the Company, and made a follow-on investment of \$15 million in March 2008, after which Carlyle owned 20% of the Company.

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#### Key Events

- Biodiesel production was a new technology in 2006 when the Company entered the industry, especially for large industrial scale production. During 2006-2010, the Company encountered several technical issues. Although these technical problems were largely resolved through rigorous research efforts, it took longer than expected to ramp-up production of its biodiesel product.
- Another challenge the Company encountered was the lack of a stable waste oil supply, which hindered the Company's manufacturing capacity. As a result, the plant did not achieve the projected production scale for its biodiesel product.
- Due to the Company's unsatisfactory financial and operational performance, the Company and Carlyle agreed to adjust Carlyle's ownership to 40% in 2008. At the same time, the Company repaid Carlyle \$5.5 million in a couple of tranches, reducing Carlyle's exposure to \$15.5 million.

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#### The Outcome

Due to technical challenges and fluctuation in waste cooking oil supply, the Company was not able to achieve stable production at the necessary large scale and incurred losses. Carlyle wrote off its remaining investment in East River in 2012.

## AT A GLANCE

### East River Biochemical Group

**Industry:** Industrial

**Region/Country:** China

**Fund:** Carlyle Asia Growth Partners III

**Acquired:** December 2007

**Status:** Exited

## ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global investment firm with deep industry expertise that deploys private capital across four business segments: Corporate Private Equity, Real Assets, Global Credit and Investment Solutions. With \$216 billion of assets under management, Carlyle's purpose is to invest wisely and create value on behalf of our investors, portfolio companies and the communities in which we live and invest. Carlyle employs 1,625 people in 31 offices across six continents.

Set forth herein is a selected case study that Carlyle believes illustrate its ability to create value at, and improve the performance of, its portfolio companies. The performance of these portfolio companies is not necessarily indicative of the performance of all of Carlyle's portfolio companies. The information provided herein is for informational purposes only and is not and may not be relied on in any manner as advice or as an offer to sell or a solicitation of an offer to buy interests (the "Interests") in any fund or other product sponsored or managed by T.C. Group, L.L.C. or any of its affiliates (together, "Carlyle"). Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum (as amended and/or restated from time to time) and the applicable fund's subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering.

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