

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 26-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.

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.

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 alternative asset manager with \$183 billion of assets under management across 126 funds and 160 fund of funds vehicles as of December 31, 2015. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments – Corporate Private Equity, Real Assets, Global Market Strategies and Investment Solutions – in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, real estate, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,700 people in 36 offices across six continents.

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