



KKR, CDH, Modern Dairy Partner to Build Large Scale Farms in Shandong Province

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US\$140 Million Investment to Boost Premium Milk Production

BEIJING & HONG KONG--(BUSINESS WIRE)-- KKR, CDH and Modern Dairy today announced the formation of a new joint venture designed to deliver premium raw milk to Chinese consumers. Under the terms of the agreement, KKR, CDH and Modern Dairy will invest US\$140 million over the next 18 months to build two new large-scale dairy farms in China.

KKR and CDH have previously invested in Modern Dairy in 2008. Since then, Modern Dairy has grown its herd from 24,000 dairy cows and three farms to approximately 180,000 dairy cows and 22 farms. In 2010, Modern Dairy completed an IPO on the Hong Kong Stock Exchange.

"The growing demand for premium dairy products is driving strong demand for high quality milk from large scale farms," said Gao Lina, CEO of Modern Dairy. "Following our successful partnership in Modern Dairy, we have chosen once again to partner with KKR and CDH in a new venture to help meet Chinese demand for safe and high quality milk," added Madam Gao.

David Liu, Member of KKR and Head of KKR China said: "The management of Modern Dairy saw a need arising from increasing demand for safer and healthier milk. The solution was large-scale dairy farm that incorporated global best practices. Today, food safety remains a top priority and this new investment helps increase the supply of premium raw milk in China."

According to Euromonitor, China's total dairy consumption grew at 10% CAGR over the past five years, with premium dairy product consumption growing significantly faster than the overall market and increasing its market share from 10% to 19%, due to continued consumer concerns with food safety and increasing health awareness. Despite the strong growth, China's per capita liquid milk consumption is less than 10kg per year, compared to 32 kg in Japan and 78kg in the United States.

Julian Wolhardt, Member of KKR, said: "We had a successful investment previously with Modern Dairy. With this new joint venture, we are following a successful model to work with an experienced local management team, using our capital, global resources and the operational value-add KKR brings to the partnership to help meet the growing demand."

The new joint venture plans to build two 10,000 cow farms over a two-year period. The farms will be located in Shanghe county of Eastern China's Shandong province, which has suitable climate conditions for dairy farming and strong support from the local government. KKR, CDH and Modern Dairy will hold 61.5%, 20.5% and 18.0% stakes respectively.

The new joint venture farms will buy Modern Dairy's excess cows generated through natural herd growth. There is also an arrangement for Modern Dairy to buy back the JV farms in three years, which will boost its long term growth.

The transaction is subject to customary approvals and is expected to close in the fourth quarter. KKR will be making the new investment through its China Growth Fund.

About Modern Dairy

Headquartered in China's eastern province of Anhui, Modern Dairy's primary business is raising dairy cows and selling raw milk to branded dairy companies for processing into consumer dairy products. Modern Dairy was founded in 2005 and built its first farm in Ma'anshan in 2006. On November 26, 2010, Modern Dairy was successfully listed in Hong Kong Stock Exchange as China's first listed dairy farming company. After 8 years' development, Modern Dairy has become the largest dairy farming company in China, operating 22 dairy farms in Anhui, Heilongjiang, Hebei, Shandong, Shaanxi, Sichuan, Inner Mongolia, and Hubei provinces with total herd size of 180,000 cows, daily raw milk production of over 2,000 tons and total production capacity of over 700,000 tons of raw milk per year.

About KKR

Founded in 1976 by [Henry Kravis](#) and [George Roberts](#), KKR is a leading global investment firm with \$83.5 billion in assets under management as of June 30, 2013. With 18 offices around the world, including in Beijing, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. Since inception, KKR has completed multiple private equity investments with a total transaction value in excess of \$430 billion and the portfolio companies in the firm's private equity funds have over \$200 billion of annual revenues and more than 900,000 employees. KKR seeks to create value in its private equity investments by working as a partner with management and bringing global resources and operational expertise to its portfolio companies. KKR invests in high-quality franchises across multiple industries and geographies. KKR & Co. L.P. is publicly traded on the New York Stock Exchange (NYSE:KKR), and "KKR," as used in this release, includes its subsidiaries, their managed investment funds and accounts, and/or their affiliated investment vehicles, as appropriate. For additional information and a list of KKR investments, please visit KKR's website at www.kkr.com.

About CDH

Founded in 2002, CDH Investments is an international alternative asset fund manager focusing on investments in private equity, venture capital, real estate and public equity markets. CDH Investments manages over US\$10 billion from more than 100 international and domestic institutional investors, including sovereign wealth funds, China's National Social Security, international pension funds, endowments, family offices and fund of funds. It also manages investments from both domestic and international high net worth individuals. CDH Investments has more than 70 investment and other professionals operating in offices in Hong Kong, Beijing, Shanghai, Singapore, Shenzhen, Jakarta and Ho Chi Minh City.

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