Company Code: 600299 Company Abbreviation: Adisseo

Bluestar Adisseo Company

2016 Half-year Report Summary

I. Important Notice

1. 1 This summary is excerpted from Bluestar Adisseo Company 2016 Half-year Report. For all details, investors should read carefully the whole Half-year Report released on Shanghai Stock Exchange Website and other websites specified by China Securities Regulatory Commission.

1. 2 Company Profile

Brief information on the Company's stock				
Type of security	Stock exchange on which the securities are listed	Share abbreviation	Share code	Share abbreviation before modification
A sharre	Shanghai Stock Exchange	Adisseo	600299	BNCM

Contact Person and Contact Methods	Secretary to the Board of Directors	Securities Representative
Name	Peng Wang	
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II. Main Financial Data and Shareholders

2.1 Main Financial Data

Unit: Yuan Currency: RMB

	1/1/2016-30/6/2016	1/1/2015-31/12/2015		Changes in comparison with the same period of last year (%)
		Restated	Before restatement	
Total assets	18,908,348,767	17,913,081,071	17,913,081,071	6
Net assets attributable to the shareholders of the Company	11,360,583,079	10,189,335,115	10,189,335,115	11
	1/1/2016-30/6/2016	1/1/2015-30/6/2015		Changes in

		Restated	Before restatement	comparison with the same period of last year (%)
Net cash flow arising from operating activities	1,513,959,890	1,832,892,702	-222,791,227	-17
Operating Revenue	5,434,956,134	8,949,828,097	2,970,758,776	-39
Net profit attributable to the shareholders of the Company	1,101,539,701	527,276,311	-733,608,013	109
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	1,098,920,575	-735,824,975	-735,824,975	249
Weighted average return on net asset (%)	10.07	6.85	-116.42	3.22
Basic earnings per share (Yuan/ share)	0.41	0.20	-1.40	105
Diluted earnings per share (Yuan/ share)	0.41	0.20	-1.40	105

2.2 Total number of shareholders, shares held by top ten shareholders, and the shares held by top ten shareholders without trading restrictions at the end of the reporting period

Unit: Share

Total number of shareholders by the end of reporting period						26,585
Total number of preferred shareholders whose voting rights have been exercised by the end of the reporting period						0
Shares held by top ten shareholders						
Name of shareholder (full name)	Type of shareholder	Proportion of shares held (%)	Number of shares held by end of the period	Number of shares with trading restrictions	Status of pledged or frozen shares	
China National Bluestar (Group) Co., Ltd.	Stated owned legal entity	89.09	2,389,387,160	2,107,341,862	Frozen	57,682,676
Taida Hongli Fund-Minsheng Bank- No. 300 Asset Management Plan	U/A	0.36	9,629,629	9,629,629	U/A	

JunKang Life Insurance – All insurance Product	U/A	0.31	8,185,337		U/A	
Ge Weidong	U/A	0.19	5,185,185	5,185,185	U/A	
Guangxi Railway Development Investment Fund	U/A	0.19	5,185,185	5,185,185	U/A	
National Machinery Holding	U/A	0.19	5,185,185	5,185,185	U/A	
PingAn Dahua Fund – NO. 3 Asset Management Plan	U/A	0.19	5,185,185	5,185,185	U/A	
China Electronic Investment Holding Company	U/A	0.19	5,185,185	5,185,185	U/A	
Zhang Shaobo	U/A	0.19	5,185,185	5,185,185	Pledged	5,185,185
Jianxin Fund-Industriy Bank-No.1 Jianxinfuda Multiple clients Asset management plan	U/A	0.18	4,955,557	4,955,557	U/A	
Statement on related relationship or acting in concert among the above shareholders		[Among the abovementioned shareholders, China National Bluestar (Group) Co., Ltd. and Beijing Research and Design Institute of Rubber Industry, are subsidiaries of China National Chemical Corporation. Except for the abovementioned shareholders, the Company does not know whether any related relationship exists among other shareholders, or whether the other shareholders have acted in concert as regulated by the Administrative Measures for Purchasing of Listed Companies.]				
Preferred shareholders with restored voting rights and the number of shares held by them		Not applicable				

2.3 Change of the controlling shareholder or the actual controller

☐ Applicable √Not applicable

III. The Management’s Discussion and Analysis of the Company’s Operations During the Reporting Period

On July 27, 2015, the Company acquired 85% of the ordinary shares of Bluestar Adisseo Nutrition Group Limited (“BANG”) and simultaneously transferred all the rights and obligations of assets exchanged out to Bluestar Group. This exchange of major assets constitutes the restructuring of the Company. This restructuring operation obtained final approval from the CSRC on July 24, 2015.

Since the completion of this Major Asset Restructuring, the primary businesses of the Group switched to Adisseo’s primary businesses, which are as follows: research, development, production and sale of feed additives for animal nutrition.

Adisseo is a global leader in feed additives for animal nutrition research and development, production and sales with over 75 years’ experience in R&D and production. Its principal products include methionine, vitamins, enzymes and other animal feed additives. By relying on its rich product mix, expansive sales, distribution platforms and strong technical support team, the Company provides innovative feed additives solutions to over 2,600 customers located in over 140 countries globally.

Adisseo supplies three types of products: Performance Products (including methionine, vitamins, ammonium sulfate and sodium sulfate), Specialty Products (including enzymes, rumen-protected methionine and organic selenium additives) and Other products (including carbon disulfide, sulfuric acid and services of processing powder).

Adisseo has become a global leader in its main product lines:

- According to Feedinfo, Adisseo is a world-leading methionine manufacturer and the world’s second largest producer of methionine as of June 30 2016 by market share. Adisseo is also one of the two global methionine producers capable of producing methionine in both powder and liquid forms;
- Adisseo is one of the two methionine producers to establish production facilities in China;
- Adisseo is a world-leading producer of Non-Starch Polysaccharide enzymes;
- Adisseo is a world-leading producer of rumen-protected methionine.

Methionine is one of the Adisseo’s main product categories. The complicated production processes of chemical synthesis of methionine require significant expertise and initial capital investment. The whole production process is regulated and supervised strictly from the prospective of environmental protection and production safety. Therefore, only a few producers in the world are capable of producing methionine safely, stably and in large scale.

Its global leadership in the methionine market and deep scientific know-how in feed nutrition have enabled Adisseo to establish long-term and stable relationships with its customers. Taking full advantage of its unparalleled global sales network, Adisseo provides its customers with a comprehensive and diverse product mix that include vitamins and enzymes to satisfy the customers’ demand for multiple products, and consistently provides high-quality products and after-sales service in all product lines. Adisseo is also one of the most recognized suppliers of Non-Starch Polysaccharide enzymes and vitamins in the feed industry. Furthermore, Adisseo has a powerful team of technical experts to offer professional consultation on additive application technologies and feed formulation and finished products analysis, strengthening its position as the go-to supplier for and its long-term and productive relationships with its customers.

The main performance-driven factors for the Group are the following:

- The Group sells its products on the animal feed additives market. This market is driven by the worldwide consumption of meat. The Group is mainly exposed to business risk on the poultry segment and specifically the methionine market. This market grows sustainably each year due to the growth in the poultry meat market and to the industrialization of the industry.
- Currency exchange rates. The Group sells a significant portion of its products in different countries, mainly in US dollar, partly in Euro and partly in RMB. Regarding cost, its plants are mainly in Europe and China, and the Group purchases a significant portion of its raw material in Euro, US dollar, and RMB.
- Brent oil. The Group uses raw materials that are partly derivatives of Brent oil.

Adisseo has set up local supply chain systems operating in an efficient and highly-responsive way based on the distribution of its regional customers.

Adisseo distributes its products all over the world either by distributors, or by its subsidiaries. Adisseo's sales team and distribution channels span more than 140 countries and regions in the world, and have regularly opened distribution subsidiaries or offices globally. Adisseo will gradually establish and perfect the local sales organizations according to the development of the emerging economies.

Adisseo is a key participant for every regional market.

China has one of the world's largest methionine demands. Adisseo is one of the first global enterprise to establish major production facilities to produce methionine in China. With its integrated production process and competitive labor cost, Adisseo Nanjing is expected to become one of the world's largest liquid methionine producers at comparatively the lowest cost, which will enable Adisseo to seize the opportunities afforded by China's rapidly-growing methionine demand, swiftly respond to the changes in the market and further enhance its competitiveness and market position.

Adisseo actively explores extended and innovative products in relevant industries through its leading methionine technologies and has developed rumen-protected methionine products specially designed for dairy cows to improve the protein level of milk. Adisseo is one of the largest producers and suppliers of rumen-protected methionine globally with outstanding advantages in technological advancement and market positioning.

During this reporting period, the Group pursue its zero accident objective and continue to make safety the first priority.

The Group's results are in line with our expectations, despite less favorable market conditions on the methionine market and on the global dairy market.

In 2015, the Group benefited from exceptional methionine market prices due to a short market supply. During the reporting period, as expected, the balance between supply and demand has been restored leading to a decrease in methionine price.

In addition, the global milk crisis affected the performance of our specialties products in term of volume.

However the Group was able to reach good results for this reporting period thanks to the following elements:

- Favorable raw material cost due to low level of Brent oil price and to stronger USD versus Euro
- High performance for vitamins partially due to increase in prices and improvement in production cost.

Furthermore, during this reporting period, Alterion, a new probiotic developed with Novozymes, was launched.

1. Analysis of main businesses

Analysis on change in accounts of financial statement

Unit: Yuan Currency: RMB

Items	Amount of current period	Amount in the same period of last period	Change (%)
Operating revenue	5,434,956,134	8,949,828,097	-39%
Cost of sales	2,641,998,871	5,889,099,709	-55%
Selling and distribution expenses	411,228,931	403,684,618	2%
General and administrative expenses	362,264,270	643,203,458	-44%
Financial expenses	(4,332,746)	386,618,367	-101%
Net cash flow from operating activities	1,513,959,890	1,832,892,702	-17%
Net cash flow from investing activities	(215,654,761)	(574,137,949)	62%
Net cash flow from financing activities	(704,146,089)	(243,378,858)	-189%
Research and development expenditure	77,277,373	70,303,024	10%

Explanations of changes in operating revenue:

- Decrease by -33% linked to the restructuring;
- Decrease by -10% mainly due to decrease in prices;
- Partly offset by exchange rate impact at +4%.

Explanations of changes in cost of sales: decrease by -50% linked to the restructuring.

Explanations of changes in general and administrative expenses: decrease mainly due to the restructuring for -41%.

Explanations of changes in financial expenses:

- Mainly decrease in interests expenses due to restructuring (-75%) and;
- Impact from hedging settlement for -25%.

Explanations of changes in net cash flow from investing activities:

- Increase by +32% related to former BNCM businesses and;
- Increase by +28% related to investments in Adisseo plants in 2015.

Explanations of changes in net cash flow from financing activities: decrease by -102% related to former BNCM businesses.

Others

1) Details on significant changes of profits structure and sources

During the reporting period, the main profit sources were feed additives for animal nutrition. There is no significant changes of profits structure and sources.

2) Analysis of progress of assets exchange and raising funds in early stage

None.

3) Analysis of operating plan progress

Despite less favorable market conditions, the Group's results are in line with expectations. We are confident to achieve our operating plan in 2016.

4) Others

None.

2. Analysis of businesses by industry, by product and by region

(1) Main operation analysis by industry and by product

Unit: Yuan Currency: RMB

Main operations by industry						
By industry	Operating revenue	Cost of sales	Gross profit ratio (%)	Increase/decrease in operating revenue on the same period of last year (%)	Increase/decrease in operating cost on the same period of last year (%)	Increase/decrease in GP ratio on the same period of last year (%)
Health and Nutrition	5,434,956,134	2,641,998,871	51%	-9%	-10%	1%
Others (i.e. BNCM*)	0	0	0	-100%	-100%	-100%

Main operations by product						
By product	Operating revenue	Cost of sales	Gross profit ratio (%)	Increase/decrease in operating revenue on the same period of last year (%)	Increase/decrease in operating cost on the same period of last year (%)	Increase/decrease in GP ratio on the same period of last year (%)
Performance products	4,500,905,491	2,159,731,126	52%	-12%	-12%	0%
Specialty products	637,786,615	318,935,497	50%	-1%	6%	-6%
Other products	296,264,028	163,332,248	45%	24%	-5%	59%
BNCM products*	0	0	0%	-100%	-100%	-100%

(*) As part of the Company's restructuring, all of the Company's previous BNCM businesses have been disposed of in 2015 (exchange-out).

Explanations of main operation analysis by industry and by product:

Performance products

Performance products are mainly driven by the methionine business. Unlike in 2015, the balance between supply and demand has been restored during the reporting period, as expected, which had a decreasing effect on methionine price. However thanks to the decrease of cost of raw material, mainly due to the low level of Brent oil price and the good performance of our plants, operating expenses have decreased by 12%.

Regarding vitamins, prices increased during the reporting period, which had a positive impact on margins.

The combination of the elements resulted in a stable gross margin ratio at +52%.

Specialty products

During the reporting period, sales are comparable to last year, despite the global milk market crisis.

Other products

Sales increased thanks to higher volumes with stable prices. As for performance products, the costs of other products benefited from the low level of Brent oil price.

(2) Main operation analysis by region

Unit: Yuan Currency: RMB

By region	Operating revenue	Increase/decrease in operating revenue on the same period of last year (%)

Europe / Africa/MO	1,741,155,562	-3%
North & Central America	1,033,478,850	-2%
Asia / Pacific (excluded China)	817,095,206	-23%
South America	939,833,921	-7%
China	734,978,769	-20%
Other	168,413,826	28%
Subtotal	**5,434,956,134**	**-9%**
BNCM products in Mainland China (*)		-100%
BNCM products in other regions (*)		-100%
Total	**5,434,956,134**	-9%

(*) As part of the Company's restructuring, all of the Company's previous businesses have been disposed of in 2015 (exchange-out).

Explanations of main operation analysis by region:

During the reporting period, in all regions, sales decreased mainly due to the decrease of methionine price.

3. Core competitiveness analysis

During the reporting period, there had been no significant change in the Group's core competitiveness.

The core competitiveness of the Group relies on the following elements:

- **Being a global industry leader**: the Group is world's second largest producer of methionine and a key player for vitamins;
- **Having a global production and sales network**: our local supply chain systems have been set up according to the distribution of its regional customers in more than 140 countries and regions;
- **Providing Specialized and Comprehensive Feed Solutions**: Most of our main customers purchase more than one kind of product, due to the Group's brand awareness, consistent product quality, competitive prices and rich product portfolio;
- **Being a unparalleled market explorer and pioneer**: the Group has continuously expanded its business to successfully seize opportunities presented by the growth in demand for protein and animal feed additives, especially in emerging economies (India, Philippines, Africa, Middle East);
- **Having strong Research and Development capabilities**: From 2014 onwards, the Group plans to launch a new product every year. The Group has launched Selisseo, a specialty product based on selenium and a new thermostable enzyme, in 2014, Advance®, a new Non-Starch Polysaccharide enzyme, in 2015 and Alterion, a new probiotic, in 2016. The Group owns more than 500 patents (including patent applications);
- **Having scientific and reasonable cost control measures**: Thanks to its vertically integrated

upstream and downstream production processes, Adisseo is able to monitor the product quality at each production step, and appropriately lower the production costs and become even more competitive at the same time;

- **Being led by an experienced Management Team with Rich Industry Knowledge:** The management team of the Group has on average over 10 years of industry and management experience in animal feed additives.

4. Analysis of investments

(1) General analysis of equity investment

None

1) Information of security investment

☐Applicable √ Not applicable

2) Equity interest of other listing companies held by the Company

☐Applicable √ Not applicable

3) Equity interest of unlisted financial institution held by the Company

☐Applicable √ Not applicable

(2) Non-financial companies entrusted asset management and investment in derivatives

1) Entrusted asset management

☐ Applicable √ Non-applicable

2) Entrusted loans

☐ Applicable √ Non-applicable

3) Other investment financing and derivatives investment

☐ Applicable √ Non-applicable

(3) Use of raised funds

1) Overall use of raised funds

√ Applicable ☐ Non-applicable

Unit: Yuan Currency: RMB

Year of Fund	Method of raising	Total amount of fund	Total amount of fund used this	Cumulative total amount of used	Total Amount of remaining	Usage and whereabouts

raised	fund		year	fund	unused fund	of unused fund
2015	Non-public offering	692,999,988.5	344,312,638.09	694,312,638.09	0	n/a
Explanation for the overall use of fund				The gross amount of fund raised through private placement is CNY 699 million, while after payment of underwriting expense, the net amount is CNY 692 million. CNY 350 million has been used for part of the cash consideration to China Bluestar and the remaining funds have been used for working capital.		

2) Particulars of the proceeds used in investment projects committed

☐ Applicable √ Non-applicable

3) Particulars of change of use of proceeds in investment projects

☐ Applicable √ Non-applicable

4) Others

☐ Applicable √ Non-applicable

(4) Analysis of companies controlled by or invested in the Company

The following figures are based on financial information before elimination of the entities.

Company Name	Registered/Subscribed Capital	Business	Total assets	Net assets	Net profit	Explanations of change
Adisseo France SAS	EUR 83,417,000	R&D, production and distribution	9,076,914,000	5,118,165,468	1,111,341,228	*NA*
BANC Nanjing	RMB 1,833,000,000	R&D, production and distribution of other products	4,033,983,000	2,515,823,619	199,853,619	*NA*
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	885,722,032	439,050,731	19,000,731	*NA*
Adisseo USA Inc.	USD 3,139,000	Distribution	363,292,247	210,230,846	17,646,331	*NA*
Adisseo Brasil Nutriçao Animal Ltd	BRL 1,987,106	Distribution	308,200,518	31,132,222	19,661,393	*NA*

Subsidiaries representing more than 10% of the Group's consolidated net profit:

Company Name	Adisseo France SAS	BANC Nanjing
Business	R&D, production and distribution	R&D, production and distribution
Revenue	4,742,627,036	809,706,619

Adisseo France SAS is an important subsidiary of the Group: the main businesses of this company are R&D, manufacturing, as well as the distribution of protected methionine for ruminants and vitamin A produced at the Commentry plant, powder methionine produced at the Commentry and the Roussillon plants, upstream products of methionine at the Les Roches plant and also of AT88 produced at Burgos plant (Spain).

BANC Nanjing is the second entity within the Group with a plant producing liquid methionine.

(5) Projects not involving proceeds from fund raising

☐ Applicable √ Non-applicable

IV. Matters Related with Financial Reports

4.1 The Company should illustrate the situation, reasons and impacts of change in accounting policies and accounting estimates in compassion with last year' financial reports.

Not applicable

4.2 The Company should explain the situation, corrected amouts and impacts if restatement is required due to corrections of material accounting errors.

Not applicable

4.3 The Company should provide specific description if there is any change of consolidation scope of financial statements in comparison with last year's financial reports.

Not applicable

4.4 The Board of Directors and the Board of Supervisors should specify the matters involved if the half-year financial reports have been audited and a non-standard audit report was hereby issued.

Not applicable