Stock code：600299 Abbreviation：Adisseo

Bluestar Adisseo Company

Executive Summary of 2017 H1 Report

I. Highlights

1 **This report is a summary of Adisseo's 2017 H1 report. In order to fully understand the Company's operation results, financial position and future plans, investors are advised to go to SSE website and other official disclosure channel to read the 2017 H1 report in its entirety.**

2 **The Company's Board of Directors, Board of Supervisors, directors, supervisors, and senior management guarantee that, the content of the annual report is authentic, accurate and complete, and contains no false statement, misleading presentation or material omissions, and they assume individual and several & joint legal liabilities for the H1 report.**

3 **All of the Company's directors have attended the meeting of the Board of Directors.**

4 **The half year report has not been audited.**

5 **The Board of Directors has reviewed the profit distribution plan and the plan to use the statutory reserve to perform a capital increase in the reporting period.**

The Company did not have profit distribution plan or the plan to use the statutory reserve to perform a capital increase in the reporting period.

II. Company Overview

2.1 Company profile

Stock info				
Type of security	Type of security	Type of security	Type of security	Type of security
Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares

	Secretary to the Board of Directors	Securities Representative
Name	Wang Peng	
Contact address	9 West Beitucheng Road, Chaoyang District, Beijing	
Tel	010-61958799	

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2.2 Key financial figures

Unit: Yuan   Currency: RMB

	As of June 30, 2017	As of June 30, 2016	**Changes in comparison with the same period of last year (%)**
Total assets	20,208,964,527	19,943,821,352	1
Net assets attributable to the shareholders of the Company	12,400,917,029	12,075,838,659	3
	This reporting period（Jan-Jun）	Last reporting period	**Changes in comparison with the same period of last year (%)**
Net cash flow arising from operating activities	1,207,291,875	1,513,959,890	-20
Operating revenue	4,932,120,233	5,434,956,134	-9
Net profit attributable to the shareholders of the Company	577,370,721	1,101,539,701	-48
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	573,063,037	1,098,920,575	-48
Weighted average return on net asset (%)	4.63	10.07	Dropped by 5.44 percentage point
Basic earnings per share (Yuan/ share)	0.22	0.41	-46
Diluted earnings per share (Yuan/ share)	0.22	0.41	-46

2.3 Shares held by top ten shareholders

Unit:share

Total number of shareholders by the end of reporting period						23,947
Shares held by top ten shareholders						
Name of shareholder (full name)	Type of shareholder	Proportion of shares held (%)	Number of shares held	Number of shares with trading restrictions	Number of shares pledged or frozen	
China National Bluestar (Group) Co., Ltd.	Stated owned legal entity	89.09	2,389,387,160	2,107,341,862	Frozen	10,000,000
Truevalue AM-SPDB-Truevalue Xinhuoli No.1 multi-layer asset mgt plan	Unknown	0.85	22,754,207	0	Unknown	0
China Securities Finance Corporation Limited	Unknown	0.51	13,794,697	0	Unknown	0
Shaanxi Internathional Trust-SITI No.39 Jubaopen Security Plan	Unknown	0.40	10,635,789	0	Unknown	0
Wu Mengling	Unknown	0.36	9,559,285	0	Unknown	0
Changshi Investment Company	Unknown	0.24	6,563,822	0	Pledged	6,560,000

Ltd						
MacroLink Holdings Limited	Unknown	0.22	5,918,074	0	Unknown	0
China Electronic Investment Holding Company	Unknown	0.19	5,185,185	0	Unknown	0
Guangxi Railway Development Investment Fund	Unknown	0.19	5,185,185	0	Unknown	0
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	Unknown	0.14	3,870,000	0	Unknown	0
Statement on related relationship or acting in concert among the above shareholders	The State-owned corporation shareholders, China National Bluestar (Group) Co., Ltd. and Beijing Research and Design Institute of Rubber Industry (who owns 3,737,262 shares), 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.					
Description for the participation in margin trading business of the top 10 shareholders (If any)	Not applicable					

2.4 Total number of /top 10 preferred stock shareholders by the end of reporting period

☐Applicable √Not applicable

2.5 Changes in controlling shareholder and ultimate controlling shareholder

☐Applicable √Not applicable

2.6 Unexpired and overdue corporate debt

☐Applicable √Not applicable

III. Discussion and Analysis of the Operation

3.1 Discussion and Analysis of the Operation

The primary businesses of the Group are as follows: research, development, production and sale of feed additives for animal nutrition. Adisseo supplies three types of products: performance products, specialty products and other animal feed additives.

Its performance, financial position and future are affected by the global macro economy. Although the global macro economy has demonstrated signs of slow recovery, significant disparity exists among the recovery process for each competitor. Debt crisis, trade imbalances and exchange rate fluctuations also increase the uncertainty of such recovery. Thanks to the fact that Adisseo is a key important player in the food value chain, Adisseo has high resilience in facing with those uncertainties, which can be proved by the stable profit generation in the past 10 years.

Adisseo faces competition from large and well-known companies with strong financial positions as well as competition from smaller companies in the regional or local markets.

Indeed, longer term capacity additions on methionine through to the end of 2020 have been announced by SCC Novus, CUC, NHU, CJ and Evonik. CJ is advancing with their objective to diversify towards more competitive raw material sources, as its production process is partially independent from petroleum based raw materials.

Adisseo has taken steps to improve its competitiveness, including tightening cost control, improving production technologies, increasing its production capacity, providing value-added services and enriching product portfolio:

- Polar project that should add 50 KT of production capacity on the European plants is progressing within budget and on the schedule. It is expected to be completed at the end of 2018.
- Adisseo also introduced a truly innovative product Rhodimet A-Dry+® early this year. It is a brand new powder methionine product, based on the liquid methionine ("HMTBA") technology in order to offer the advantages of this molecule to customers whose manufacturing process does not allow the use of liquid form. This innovative product is expected to be commercialized early 2018.
- Specialty products are under active development as a second pillar to enhance animal performance and health. Adisseo actively explores innovative products and launches one new product per year. The company also sees great growth potential in specialty products.

3.1.1 Analysis of main businesses

i. Analysis of changes in accounts of financial statements

Unit: Yuan Currency: RMB

Items	Amount of current period	Amount in the same period of last year	Change (%)
Operating revenue	4,932,120,233	5,434,956,134	-9%
Cost of sales	3,086,426,606	2,641,998,871	17%
Selling and distribution expenses	471,895,384	411,228,931	15%
General and administrative expenses	363,539,550	362,264,270	0%
Financial expenses	9,246,326	(4,332,746)	313%
Net cash flow from operating activities	1,207,291,875	1,513,959,890	-20%
Net cash flow from investing activities	(509,375,412)	(215,654,761)	-136%

Net cash flow from financing activities	(755,576,426)	(704,146,089)	-7%
Research and development expenditure	121,685,278	77,277,373	57%

The decrease of operating revenue is due to the sharp price decrease in methionine in H1 2017, which is actually offset by Adisseo's high volume growth of methionine product as well as the excellent performance in specialty products.

The increase of cost of sales was mainly due to the increase of raw materials due to the overall rebound of basic chemical industries. Part of the increase has been successfully partially offset by the optimization of production process.

The increase of selling expenses was in line with the increase of sales volumes as well as the further expansion of business team of specialty production worldwide to support the 2nd pillar strategy.

The increase of financial expenses was due to the increase of interest income obtained from cash deposits.

The decrease of net cash flow of investing activities was due to launch of Polar as well as R&D activities.

ii. **Other**

（1）**Details on significant changes of profits structure and sources**

☐ Applicable √ Not applicable

（2）**Other**

☐ Applicable √ Not applicable

3.1.2 Significant change in the Company's profit composition or profit sources in the reporting period arises from the ancillary businesses

☐ Applicable √ Not applicable

3.1.3 Analysis of assets and liabilities

√ Applicable ☐ Not applicable

i. **Analysis of assets and liabilities**

Unit: Yuan

Items	As at June 30, 2017	Percentage to total assets (%)	As at December 31 , 2016	Percentage to total assets (%)	% change	Explanation
Derivative financial assets	58,168,498	0%	11,471,676	0%	407%	Change related to hedging of

						EUR/USD.
Interest receivable	619,223	0%	1,040,703	0%	-40%	Bank deposit interest
Other receivables	15,794,703	0%	25,869,193	0%	-39%	Decrease due to payment of provisions accrued in 2016.
Other receivables	601,742,603	3%	453,360,413	2%	33%	Increase linked to the POLAR and A-DRY+ projects.
Long-term prepaid expenses	0	0%	2,367,403	0%	-100%	End of amortization of capitalized fees.
Other non-current assets	7,013,000	0%	2,747,272	0%	155%	More prepayments for tangible assets in 2017.
Short-term borrowings	0	0%	469,236	0%	-100%	Decrease due to reimbursements.
Derivative financial liabilities	2,448,874	0%	68,508,557	0%	-96%	Change related to hedging of EUR/USD.
Advances from customers	10,503,450	0%	20,811,000	0%	-50%	Decrease of receipt in advance in China.
Dividends payable	0	0%	104,121,900	1%	-100%	Payment on June 27th.
Other comprehensive income	(501,540,962)	-2%	(860,732,283)	-4%	42%	Impact of exchange rate EUR/CNY.

ii. Restricted assets at the end of reporting period

☐ Applicable √ Not applicable

iii. Other information

☐ Applicable √ Not applicable

3.1.4 Summary of Analysis of overall investments

i. Overall analysis on equity investment

☐ Applicable √ Not applicable

a) Significant equity investment acquired in the reporting period

☐ Applicable √ Not applicable

b) Significant non-equity investment made in the reporting period

☐ Applicable √ Not applicable

c) Financial Assets measured at fair value

√ Applicable ☐ Not applicable

Adisseo holds derivative financial instruments to manage the effect of changes in currency exchange rates. Derivatives are not used for speculative purposes. For most of those transactions, the Group applies cash flow hedge accounting and documents, at the inception of the hedge, the type of hedging relationship, the hedging instruments, the nature and the term of the hedged item.

3.1.5 Sales of major assets and equity

☐ Applicable √ Not applicable

3.1.6 Analysis of companies controlled by or invested in the Company

√ Applicable ☐ Not applicable

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	Change
Adisseo France S.A.S	EUR 83,417,000	R&D, production and distribution	9,356,653,663	4,655,773,132	482,222,803	*NA*
Bluestar Adisseo Nanjing Co., Ltd	RMB 1,969,000,000	R&D, production and distribution	3,815,001,000	2,731,232,841	84,256,126	*NA*
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	812,504,476	520,389,419	33,350,661	*NA*
Adisseo USA Inc.	USD 3,139,000	Distribution	369,518,963	274,535,654	9,647,027	*NA*
Adisseo Brasil Nutriçao Animal Ltda	BRL 1,987,106	Distribution	251,242,399	-38,215,421	-19,587,573	*NA*

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

Unit: Yuan

Company Name	Adisseo France S.A.S	Bluestar Adisseo Nanjing Co., Ltd
Business	R&D, production and distribution	R&D, production and distribution
Revenue	3,953,152,879	787,209,126

Adisseo France S.A.S is an important subsidiary of Adisseo: the main businesses of this company are R&D, manufacturing as well as 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).

Bluestar Adisseo Nanjing Co., Ltd is the second largest entity within the Adisseo Group and deals with a producing liquid methionine.

3.1.7 Structured entities controlled by the Company

☐ Applicable √ Not applicable

3.2 Board's analysis on the change in accounting policies, accounting estimates and calculation method

☐ Applicable √ Not applicable

3.3 Board's analysis on important corrections of prior period errors

☐ Applicable √ Not applicable