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Bluestar Adisseo Company Announcement of Main Operating Data for Half-year 2019

The board of directors and all directors guarantee that this announcement does not contain any false statement, misleading statement or material omission, and assume personal and joint liability for the authenticity, accuracy and integrity of this announcement.

In accordance with SSE *industrial information disclosure guidance No. 18-Chemical Industry* and the *notice of 2019 half-year report disclosure*, here present the 2019 half-year operating data:

1. Income & Cost Analysis

Unit: Yuan Currency: RMB

Main operations by industry							
By industry	Operating revenue	Cost of sales	Gross profit	Gross profit ratio (%)	Increase/de-crease in operating revenue on the same period of last year (%)	Increase/decrease in operating cost on the same period of last year (%)	Variation in GP ratio on the same period of last year
Health and Nutrition	5,357,393,662	3,465,300,068	1,892,093,594	35%	-7%	-7%	0%

Analysis by product

Unit: Yuan Currency: RMB

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 (%)	Variation in GP ratio on the same period of last year
Performance products	3,895,876,946	2,700,860,785	31%	-10%	-10%	1%
Specialty products	1,150,013,125	566,556,810	51%	4%	2%	1%
Other products	311,503,591	197,882,473	36%	-1%	13%	-8%
Total	5,357,393,662	3,465,300,068	35%	-7%	-7%	0%

Analysis of the factors impacting the income from sale of products

In comparison with H1 2018	Change in Volume	Change in sales price	Exchange rate impact
Performance products	7,061.030	(528,613.375)	88,484.011
Specialty products	8,774.406	5,912.551	29,576.643

Facing with competitive market situation, Adisseo's operating revenue and gross profit for H1 2019 totaled CNY 5,357,393,662 and CNY 1,892,093,594 respectively, which has both decreased by 7% compared to that of 2018 H1, largely due to the pricing of performance products was at comparative higher level in H1 2018. However, thanks to the competitiveness enhancement project as well as partial effect from raw material reduction, the gross profit margin ratio remained stable at the level of 35%, thanks to higher contribution from profitable products, which was mainly attributed to: volume growth in liquid methionine, notably +24% volume growth in China, volume recovering in Vitamin A with pricing still being at a relatively high level, continuous sales growth in specialties driven by the successful development in the new products, notably the Rovabio enzyme range and Selisseo as well as progressive contribution of competitiveness plan.

Performance Product:

Regarding methionine business, all methionine plants completed their annual maintenance and are now running to satisfy all customer needs. Nanjing plant continues to improve its manufacturing competitiveness with its historical-low production costs.

The new 180KT liquid methionine plant in Nanjing (BANC2) is on track. Upon obtaining of construction permit of the new logistic facility, high-level engineering of the new logistic facility is now completed with detailed engineering progressing well.

Vitamin A pricing has stabilized at a relatively historical high level. Besides, Adisseo's production for Vitamin A has been secured with the supply of key intermediates, benefiting from the long-term strategic relationships established in 2018

Specialty Business:

Despite the non-ending dairy crisis in the U.S. and the negative impact resulting from African swine fever in China market, specialty business continued its growth. The revenue growth can be largely attributed to the double-digit growth of enzyme business thanks to continuously expanding innovation offering: Rovabio Advance, which has been further strengthened by a successful launch in US thanks to its unmatched efficiency. Meanwhile, Selisseo achieved its historical high record in Q2 2019 with strong revenue growth (+30% yoy) following its registration in the U.S. market.

2. Price variation of the principal products and raw materials

- **Pricing strategy and price variation of principal product**

Our global pricing policy is implemented at three levels: global, regional and national. Our global pricing strategy is established by our Global business directors. The responsibility of the Regional business managers is to adapt this global pricing strategy according to the specific market and competitive environment of the countries under their responsibility.

Regular reviews facilitate Adisseo ability to secure contracts with key customers at the right price and to seize profit-maximizing opportunities. A substantial number of our contracts across all our business lines are concluded on a quarterly basis with fixed pricing for such period.
Historical pricing volatility in the methionine market has been attributable to exogenous factors like natural disasters or animal disease outbreaks and competitive behaviors from industry participants.

Competitive behaviors within the industry and related new capacity announcements or start-ups could also affect the supply and demand balance.

The pricing environment for vitamins is primarily driven by supply and demand dynamics. The primary end for vitamin A and E markets are animal feed. However, vitamin E is also driven by the human food, pharmaceutical and cosmetics markets.

The pricing of our products is in most cases in-line with market pricing which can vary from region to region. Where possible, our prices also reflect a premium for the value-added support services that we provide to our customers.

- **Basic information of principal raw material**

Raw material	Purchasing pattern	Market value of raw material	Prices Fluctuation vs 2018	Impact on operating cost of the company due to the fluctuation in the purchase price
Propylene 95%	Long-term contract	455,078,054	-2%	decrease in operating cost
Methanol	Long-term contract	88,456,145	-7%	decrease in operating cost
Sulphur	Long-term contract	106,352,060	8%	Increase in operating cost

3. Other events that have significant impact over the company's production and operation

None.

It is hereby announced.

Board of Directors of Bluestar Adisseo Company

24 July 2019

(In case of discrepancies between the English version and the Chinese version of this announcement, the Chinese version, officially published and disclosed, shall prevail.)