Bluestar Adisseo Company

2019 H1 Report (Abstract)

I. Important Notice

1. **This Abstract is based on the full text of the 2019 H1 Report. In order for a full understanding of the operating results, financial condition and future development planning of the Company, investors are kindly reminded to read the full text carefully that published on website of Shanghai Stock Exchange and other media designated by the China Securities Regulatory Commission (the "CSRC").**

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 annual report.**

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

4. **This 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 Profile and Financial highlights

2.1 Brief Information on the Company's Shares

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
Ordinary Shares	Shanghai Stock Exchange	Adisseo	600299	BNCM

	Secretary to the Board of Directors
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2.2 Main financial data

Unit: Yuan Currency: RMB

Main accounting data	**30/6/2019**	**31/12/2018**	**Changes in comparison with the end of last year (%)**
Total assets	21,074,102,638	21,453,362,349	-2%
Net assets attributable to the shareholders of the Company	13,610,352,103	13,602,423,751	0%
	1/1/2019-30/6/2019	**1/1/2018-30/6/2018**	**Changes in comparison with the same period of last year (%)**
Operating revenue	5,357,393,662	5,749,988,088	-7%
Net profit attributable to the shareholders of the Company	533,824,375	489,211,568	9%
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	484,026,534	482,454,350	0.33%

Net cash flow arising from operating activities	1,405,977,848	364,737,893	285%
Weighted average return on net asset (%)	3.91	3.75	increase of 0.16
Basic earnings per share (Yuan/ share)	0.20	0.18	11%
Diluted earnings per share (Yuan/ share)	0.20	0.18	11%

2.3 Total number of shareholders and Shares held by top ten shareholders

Unit:share

Total number of shareholders by the end of reporting period						29,554
Shares held by top ten shareholders						
Name of shareholder (full name)	Number of shares held by end of the period	Proportion of shares held (%)	Number of shares with trading restrictions	Status of pledged or frozen shares		Type of shareholder
				Share status	Number	
China National Bluestar (Group) Co., Ltd.	2,389,387,160	89.09	0	Frozen	10,000,000	Stated owned legal entity
China Securities Finance Corporation Limited	13,794,697	0.51	0	Unknown	0	Unknown
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	6,607,000	0.25	0	Unknown	0	Unknown
Changshi Investment Company Ltd	6,563,822	0.24	0	Pledged	6,560,000	Unknown
China Electronic Investment Holding Company	5,185,185	0.19	0	Unknown	0	Unknown
Hong Kong Securities Clearing Company	4,254,464	0.16	0	Unknown	0	Unknown
Zhaoshang security-boshi Fund	3,837,366	0.14	0	Unknown	0	Unknown
Beijing Research and Design Institute of	3,737,262	0.14	0	Unknown	0	Stated owned legal entity

Rubber Industry						
Bo Chen	3,573,042	0.13	0	Unknown	0	Unknown
Agricultural Cooperative Bank-Huaxia Investment Fund	2,723,557	0.10	0	Unknown	0	Unknown
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 preferred shareholders and Shares held by top ten shareholders

☐ Applicable √ Not applicable

2.5 Changes of controlling shareholder or ultimate controller

☐ Applicable √ Not applicable

2.6 Corporate bonds

☐ Applicable √ Not applicable

III. Discussion and Analysis of the Operation

3.1 The Board of Directors' Discussion and Analysis of the Company's Operations Analysis of main businesses

Adisseo's businesses focus on research, development, production and sale of feed additives for animal nutrition. Its main products are classified within 3 categories of products: Performance products, Specialty products, and Other Products for 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. Trade imbalances and exchange rate fluctuations also increase the uncertainty of such recovery. Thanks to that 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 sustained 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 other companies in the regional or local markets. Chinese New Comers (CUC / NHU) have started their new units during the years 2016-2017. All Historical players have communicated about new facilities to come during the period 2019-2023 (Sumitomo, Evonik, Novus and Adisseo). In June 2019, Evonik's second methionine plant was officially online in Singapore. 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:

- The European platform expansion project is completed and successfully started: it is increasing about 50 KT the production capacity of the European plants by adding a new complete production line in downstream unit (Burgos) and in upstream unit (Les Roches), and some adjustments in existing intermediate products units. ;
- The brand new powder methionine product, Rhodimet® A-dry, which is developed based on the liquid methionine ("HMTBA") technology;
- Nanjing plant expansion project is also on schedule, which enables Adisseo to increase its production capacity to 170KT per year and to improve further its manufacturing efficiency;
- The new 180KT liquid methionine plant in Nanjing is progressing as planned. Upon completion, the new plant will enable Adisseo to satisfy ever-increasing customer needs as well as to improve cost efficiency. Adisseo is taking all actions to meet and anticipate new environmental regulations;
- Specialty products are under active development as a second-business-pillar to enhance animal performance and health. The Company sees great growth potential in Specialty products and actively explores innovative products, which will be further strengthened by the acquisition of Nutriad in February 2018: Nutriad's product range, the species addressed, and its target markets are highly complementary to Adisseo's and will allow to implement integrated solutions to offer even more value to customers.

3.1.1 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	5,357,393,662	5,749,988,088	-7%
Cost of sales	3,465,300,068	3,744,717,664	-7%
Selling and distribution expenses	590,008,059	525,516,980	12%
General and administrative expenses	327,866,051	356,057,767	-8%
Research and development expenditure	125,019,635	135,700,510	-8%
Financial expenses	(23,365,189)	20,848,316	-212%
Net cash flow from operating activities	1,405,977,848	364,737,893	285%
Net cash flow from investing activities	(712,102,515)	(1,677,619,124)	58%
Net cash flow from financing activities	(1,007,079,847)	(1,293,438,066)	22%

For the first half of 2019, the Company recorded an operating revenue of RMB 5.36 billion and a gross profit of RMB 1.89 billion, representing a yoy decrease of 7% and 6% due to the decrease of selling price of performance products, which were at a relatively high level in 2018 H1. However, the gross profit of Q2 2019 achieved a growth of yoy 28% thanks to continued volume growth in liquid methionine, special contribution from Vitamin A as well as the continous increase of 5% of Specialties sales.

The decrease of cost of sales was in line with the actions undertaken in competitivenesss enhancement plant to protect margins.

The increase of selling expenses was mainly due to further investment in specialty business.

The decrease of general and administrative expenses was thank to the competitiveness improvement plan as well as the strict control on operating costs.

The decrease of financial expenses was mainly due to the cash yields and no negative impact on FX near this year.

The decrease of R&D expenditures is thank to the competitiveness improvement plan as well as the strict control on operating costs.

The increase of net cash flow from operating activities was explained by action plan in w/c management.

The increase of net cash flow from investing activities was mainly due to RMB 1.4 billion paid to purchase Nutriad in 2018.

The increase of net cash flow from financing activities thanks mainly to the positive impact on repayment of borrowings, and partially to the decrease of early redemption of the preferred shares, issued on March 27, 2014 by BANG, USD 70 million this year compared to USD 80 million last year.

i. Other

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

☐ 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. Information of assets and liabilities

Unit: Yuan

Items	As at June 30, 2019		As at December 31 , 2018		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Other receivables	114,989,694	1%	40,992,988	0%	181%	Interests accrued and insurance indemnities
Other current assets	322,844,208	2%	583,989,258	3%	-45%	Income tax reimbursment
Available-for-sale financial assets	0	0%	25,627,615	0%	-100%	New financial instruments standards impact
Investments in other equity instruments	13,068,703	0%	0	0%	100%	New financial instruments standards impact
Other non-current financial assets	14,445,816	0%	0	0%	100%	New financial instruments standards impact
Construction in progress	1,927,051,782	9%	1,410,987,041	7%	37%	Increase linked to the third platform within Nanjing
Other non-current assets	27,219,680	0%	89,614,318	0%	-70%	Miscellaneous prepayments for tangible assets
Derivative financial liabilities	13,077,841	0%	67,384,765	0%	-81%	Change related to hedging of EUR/USD
Taxes payable	273,898,711	1%	207,006,243	1%	32%	Tax provision for

Items	As at June 30, 2019		As at December 31 , 2018		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
						the year 2019

ii. Restricted assets at the end of reporting period

☐ Applicable √ Not applicabl

iii. Other information

☐ Applicable √ Not applicabl

3.1.4 Summary of Analysis of overall investments

i. Overall analysis on equity investment

☐ Applicable √ Not applicabl

a) Significant equity investment acquired in the reporting period

☐ Applicable √ Not applicabl

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

☐ Applicable √ Not applicabl

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 and raw materials. 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.

For further detail, please refer to paragraph 29 “Hedge accounting” in Section 10.

3.1.5 Sales of major assets and equity

☐ Applicable √ Not applicabl

3.1.6 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	Change
Adisseo France S.A.S	EUR 83,417,000	R&D, production and distribution	8,298,112,469	4,499,154,545	367,556,990	*NA*
Bluestar Adisseo Nanjing Co., Ltd	RMB 3,037,640,586	R&D, production and distribution	4,099,202,010	3,662,421,069	93,278,453	*NA*
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	1,286,725,986	603,790,500	25,459,054	*NA*
Adisseo USA Inc.	USD 3,139,000	Distribution	541,387,840	302,182,697	(38,581,835)	*NA*
Adisseo Brasil Nutriçao Animal Ltda	BRL 1,987,106	Distribution	286,362,079	2,762,447	12,802,098	*NA*

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

Company Name	Adisseo France S.A.S	Bluestar Adisseo Nanjing Co., Ltd
Business	R&D, production and distribution	R&D, production and distribution
Revenue	4,029,834,940	820,871,373

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 liquid methionine 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 applicabl

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

☐ Applicable √ Not applicabl

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

☐ Applicable √ Not applicabl

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