Stock Code: 600299 Abbr.: Adisseo Announcement No.: 2020-023

# Bluestar Adisseo Company

## Announcement of Main Operating Data for Third Quarter 2020

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 2020 third-quarter report disclosure*, here present operating data of the first three quarters 2020:

### 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 in the same period of last year | Increase/decrease in operating cost in the same period of last year | Variation in GP ratio in the same period of last year |
| Health and Nutrition | 8,881,139,552 | 5,390,516,197 | 3,490,623,355 | 39% | 7% | -1% | 5ppt |

**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 in the same period of last year | Increase/decrease in operating cost in the same period of last year | Variation in GP ratio in the same period of last year |

| | | | | | | |
|---|---|---|---|---|---|---|
| Performance products | 6,372,583,934 | 4,033,855,942 | 37% | 5% | -4% | 6ppt |
| Specialty products | 2,092,346,194 | 1,032,477,931 | 51% | 18% | 15% | 1ppt |
| Other products | 416,209,424 | 324,182,324 | 22% | -11% | -6% | -5ppt |
| Total | **8,881,139,552** | **5,390,516,197** | **39%** | **7%** | **-1%** | **5ppt** |

**Analysis of the factors impacting the income from sale of products**

| In comparison with first three quarters 2019 | Change in Volume | Change in sales price | Exchange rate impact |
|---|---|---|---|
| Performance products | 232,920,771 | (39,919,607) | 108,255,742 |
| Specialty products | 250,681,382 | 32,986,764 | 37,207,997 |

Despite the most challenging macro-environment, Adisseo realized sustainable growth both in 2020 first nine months operating revenue at CNY 8.88 billion (+7%) and gross profit at CNY3.49 billion (+22%), which was mainly attributed to continued volume growth in liquid methionine, solid contributions from vitamin business, strong revenue growth in specialties, notably driven by dairy market.

The gross profit margin was up from 34% to 39% thanks to decreased raw material prices, positive impacts from volume increase and strong reliability of plant production, as well as proactive margin management.

**Performance Products**

Liquid methionine achieved further penetration despite the negative impact to demand arising from COVID-19 pandemic. Thanks to high reliability of production as well as low raw material prices, cost competitiveness of our manufacturing plants was further reinforced.

The new Nanjing plant (BANC2 project) entered construction phase.

In addition, the successful development of our liquid methionine business led to the decision of debottlenecking our European plants, which will enable us to meet demand for our liquid products and to further enhance our cost competitiveness in the new future.

On Vitamins, volume and price of Vitamin A remained at a very good level, and Vitamin E business benefited from increased prices.

**Specialty Business:**

The specialty business achieved a strong growth in both revenue and gross profit with an increase of +18% and +21% respectively in 2020 first nine months compared with same period in 2019, despite reduced demand in Q3 mostly due to difficulties to visit customers to proactively promote our specialties business. The gross profit margin was stabilized at 51% and a strong YOY growth in 2020 first nine months continued both in dairy business (+41%) driven by outstanding performance of Smartamine® in the U.S. market and in aquaculture business (+36%).

Despite COVID-19, Adisseo remained and will continue to be active in investments.

Innov'ia, Adisseo's formulation subsidiary, obtained the permit to proceed its capacity expansion in October, which will provide strong support to related business thanks to its unique formulation capabilities.

The acquisition of FRAmelco announced in early September will further boost the growth of specialty business and reinforce Adisseo's position as one of the worldwide leaders of specialty feed ingredients in health by nutrition. The transaction is expected to be closed by the end of 2020.

Calysseo, Adisseo's joint venture with Calysta, established its Chinese entity, the first commercial FeedKind® plant in Chongqing. The project is progressing on cost and on schedule.

**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 | Prices Fluctuation vs | Impact on operating cost of the company |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| | | of raw material | same period of 2019 | due to the fluctuation in the purchase price |
| Propylene 95% | Long-term contract | 634,900,018 | -18% | decrease in operating cost |
| Methanol | Long-term contract | 126,444,136 | -21% | decrease in operating cost |
| Sulphur | Long-term contract | 146,062,740 | -22% | decrease 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

30th October 2020

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