Bluestar Adisseo Company

2020 Annual Report (Abstract)

I. Important Notice

1. **This Abstract is based on the full text of the Annual 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. **KPMG Huazhen LLP issued an unqualified audit opinion.**
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.**

   As audited by KPMG Huazhen LLP, the net profit attributable to the shareholders of the Company at the consolidated level for the year ended December 31, 2020 amounted to RMB 1,351,600,222 and the accumulated profits available for distribution at parent company level as at December 31, 2020 amounted to RMB 687,241,965.

   Therefore, in order to share the Company's operation achievements with all shareholders, as well as enabling the Company for further development in consideration of the Company's actual operation situations, the Company proposes that: based on the Company's total share capital on registration date, the Company will distribute to all shareholders, cash dividend of RMB 1.76yuan per 10 shares (inclusive of tax). The total amount of the cash dividends to be distributed is RMB 472,014,624 yuan.

   If the total share capital of the Company changes before the date of registration, it is proposed to maintain the same distribution ratio per share and adjust the total amount of distribution accordingly. An announcement shall be released accordingly.

   The above proposal is still subject to the approval of 2020 Annual General Shareholders' Meeting.

II. Company Profile and Financial highlights

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
Name	Mrs. Liang Qinan
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2. Main businesses explanation of the company during the reporting period

By 2050, the world's population is expected to rise to more than nine billion. Providing food and nutrition security is becoming more complex with respect to the long-term environmental sustainability. The combination of natural resources scarcity, climate change and population growth aggravates this complexity.

The feed-food chain faces a dual challenge: Producing larger quantities of high quality and affordable meat, milk, and eggs in response to an increasing global demand, while doing so through production systems that are environmentally sound, socially responsible and economically viable. Today it is acknowledged that animal nutrition plays an important role to improve end-product quality and safety, increase livestock production efficiency, reduce/minimize its environmental impact, and keep animals healthy and feeling well.

Adisseo's mission is to feed the planet in a high-quality, affordable, safe and sustainable way.

The Group is developing in the feed additives market for animal nutrition where it delivers a total solution approach through partnerships, products and services sales, research and innovation.

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

- Worldwide meat consumption. The animal feed additives market is driven by the worldwide consumption of meat on which the poultry industry is the main one. This market grows sustainably each year due to the growth of the world population, the increase of meat consumption worldwide, the diet change of developed countries from red meat to white meat recently for healthiness purpose, cultural/religious changes and to the industrialization of the feed industry;
- Currency exchange rates. Adisseo sells 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, it purchases a significant portion of its raw material in Euro, US dollar and RMB;
- Brent oil. Adisseo uses raw materials that are partly derivatives of Brent oil.

Adisseo contributes effectively in developing and providing innovative products and services to the feed and food industry contributing to the sustainable growth of the planet already for more than 80 years. Especially, Adisseo currently provides feed additives for animal nutrition including essential nutrients and specialty feed ingredients for digestibility improvement, preserving precious resources and qualitatively formulated feed, stabilization of gut flora, helping specifically animal health by strengthening the animals' intestinal tract and therefore increase their resistance to harmful micro-organisms. As such, we contribute to the prudent use of antibiotics, reducing the risk of Antimicrobial resistance (AMR). Meanwhile, Adisseo's feed ingredients contribute to support sustainable production and environmental protection by the reduction of effluent (e.g. nitrogen, phosphorus and methane), the increase of raw material usage efficiency and the balance of animal productivity and welfare.

Adisseo adheres a strategy to bring solutions to premixers, feed mills, farms, integrations and animals in every food producing category: poultry, swine, ruminants and aqua. A global team serves about 3,900 customers in over 110 countries globally to partner in solving issues related to production efficiency, improve livestock performance, optimize animal nutrition and raw material usage, keep animals healthy and feeling well while reducing/minimizing its environmental impact.

Adisseo is present worldwide and operates on all continents with sales force organized in seven business areas: Europe/CIS, Middle East/Africa, Indian sub-continent, North America, South & Central America, Asia Pacific and China. A team of acknowledgeable sales and technical support brings expertise to offer professional consultation on additive application technologies and feed formulation and finished products analysis, strengthening its position as the go-to supplier through its distribution platforms for and its long-term and productive relationships with its customers.

Adisseo developed a Key Account Management sales strategy and invests in continuous sales training to improve customer relation, retention and sales performance. A digital marketing strategy with invests in digital tools such as CRM system, e-customer platform, webinar and video platform, social media and content marketing support the image of Adisseo as an expert and reference in animal nutrition and specialty feed additives.

The Company is actively implementing its "two-business-pillar" strategy in recent years, i.e. continuous consolidating its leadership in methionine industry, while at the same time accelerating its development in Specialty business.

To do so, Adisseo brings a full range of products and services to the market that supports customers in every step of the feed and animal production: "Performance products" (like methionine, vitamins, ammonium and sodium sulfate), "Feed Digestibility" products (enzymes, lysolecithins), "Ruminant" (protected methionine, Rumensmat), "Aqua and new alternative protein" (aqua feed additive and FeedKind@, the new a safe, healthy, traceable and nutritional protein), "Animal Resilience" (products to support animal performance like gut health products) and "Services and other products" to support customers in raw material evaluation, feed formulation, feed production, storage and animal well-being and performance.

Adisseo is a global leader and organizes the portfolio in its 5 main product lines:

- <u>Performance products</u>:
    - Adisseo is the world leader in liquid methionine and the world's second largest producer in the global methionine market. Adisseo is one of the few global

    methionine producers capable of producing methionine in both liquid and powder forms. Adisseo is also one actor with a complete offer of methionine products;
    - Adisseo is the world-leading producer of rumen-protected methionine;
    - Adisseo is uniquely positioned in the vitamin business in the feed industry, who endeavors to provide a full range of vitamin offerings with high quality and complete traceability.
- Feed Digestibility: Adisseo is a world-leading and the most recognized supplier of Non-Starch Polysaccharide enzymes;
- Ruminant: Represented by our star product Protected Methionine with undisputable market positioning
- Aqua and new alternative protein: A new highly promising segment for Adisseo and we aim to be a growing player in aqua with enlarged product portfolio.
- Animal Resilience: Adisseo is one of the world leading companies in animal performance products like gut health. The recent acquisition of FRAmelco will further reinforce Adisseo's position in the promising and fast-growing animal resilience market segment.
- Services & other products: Adisseo brings a comprehensive range of products and services to support customers in every step of the production process of feed and animals.

The 10 R&D centers with around 200 people dedicated to research and innovation, represent true engines of its development to support the "two-business-pillar" strategy.

Adisseo relies on its production sites based in Europe, USA and China to design, produce and market nutritional solutions. The manufacturing platforms enable Adisseo to manage the majority of its production internally, some vitamins are traded and Adisseo works with industrial partnerships for the production of specialties.
As always, safety and sustainability are key to our business. In order to guarantee a sustainable growth model, we are keen to strike a perfect balance between economic and human development and the preservation of our planet's resources. Safety is the most important priority for Adisseo. Thanks to innovative methods and constant awareness, all staff members are working together to ensure an accident-free workplace "Zero Accidents". Adisseo is also aiming for zero environmental impact. Adisseo is pursuing its reduction policy for the impact of its activities on the environment and has set ambitious new environmental objectives, i.e. Adisseo is committed to reducing our greenhouse gas emissions by 20% as well as our water and energy consumptions per kilogram of product over a ten-year period starting from 2015.

3. Main financial data

3.1 Main financial data for the latest three reporting periods

Main financial data

Unit: Yuan Currency: RMB

Main accounting data	**2020**	**2019**	**Changes in comparison with the same period of last year (%)**	**2018**
Operating revenue	11,910,430,976	11,135,489,839	6.96%	11,417,981,750
Net profit attributable to the shareholders of the Company	1,351,600,222	992,382,202	36.20%	926,130,660
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	1,371,584,700	897,026,304	52.90%	907,325,102
Net cash flow arising from operating activities	2,708,415,580	2,550,601,183	6.19%	1,441,696,047
	The end of 2020	The end of 2019	Changes in comparison with the end of last year (%)	The end of 2018
Net assets attributable to the shareholders of the Company	13,952,945,387	13,797,572,348	1.13%	13,602,423,751
Total assets	20,617,633,075	21,127,258,090	-2.41%	21,453,362,349

Main financial ratios

Main financial ratios	**2020**	**2019**	**Change of the present period over the same period of last year (%)**	**2018**
Basic earnings per share (Yuan/ share)	0.50	0.37	36.20%	0.35
Diluted earnings per share (Yuan/ share)	0.50	0.37	36.20%	0.35
Basic earnings per share after deduction of non-recurring profit or loss (Yuan/ share)	0.51	0.33	52.90%	0.34
Weighted average return on net asset (%)	9.97	7.24	+2.73ppt	6.90
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	10.11	6.57	+3.54ppt	6.76

4. Share Change and Shareholders

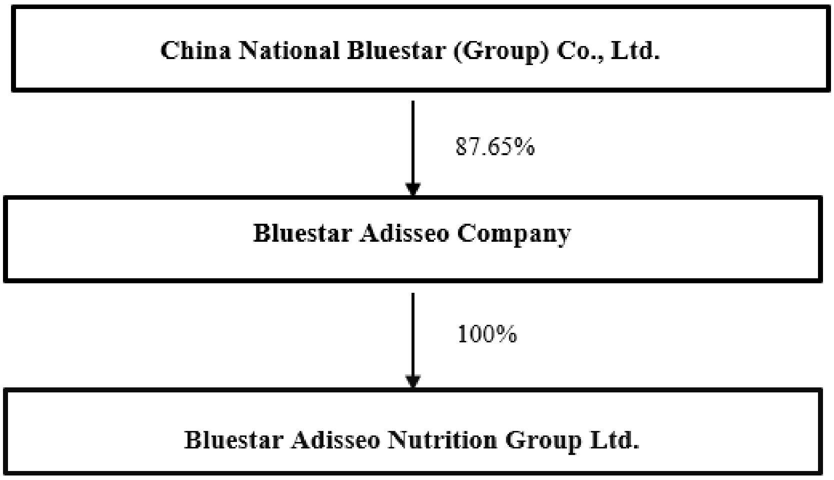
4.1 Total number of shareholders and Shares held by top ten shareholders

Total number of shareholders by the end of reporting period	34,398
Total number of shareholders at the end of the last month before the date when the annual report was published	30,683

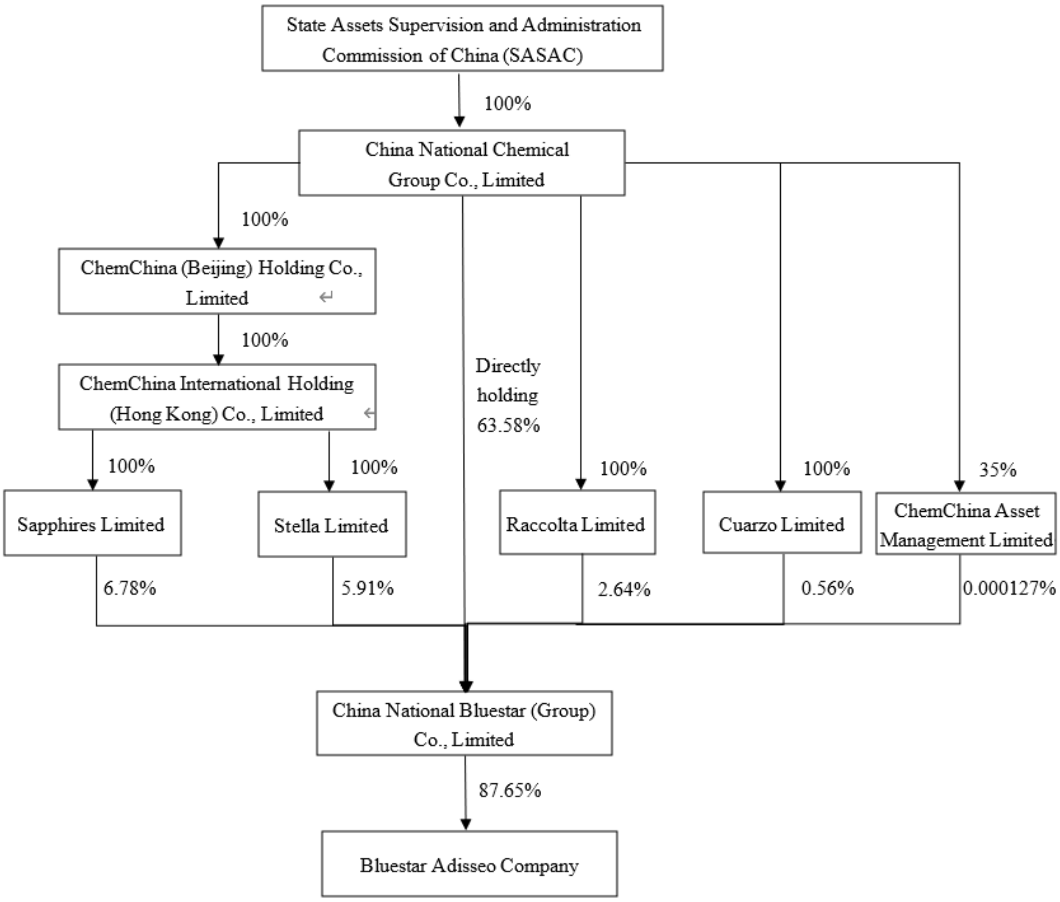
Unit: Share

Shares held by top ten shareholders							
Name of shareholder (full name)	Change in the reporting period	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.	0	1,709,387,160	63.74	0	Fronzen	10,000,000	Stated owned legal entity
Blusstar-GTJA-19 Bluestar EB Guarantee and Trust Property Account	-38,789,474	641,210,526	23.91	0	Not applied	0	Others
China Securities Finance Corporation Limited	0	13,794,697	0.51	0	Not applied	0	Stated owned legal entity
Hong Kong Central Clearing Limited	5,760,584	8,857,523	0.33	0	Not applied	0	Foreign legal entity
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	0	6,607,000	0.25	0	Not applied	0	Others
China Electronic Investment Holding Company	0	5,185,185	0.19	0	Not applied	0	Others
Beijing Research and Design Institute of Rubber Industry	0	3,737,262	0.14	0	Not applied	0	Stated owned legal entity
Zhejiang Dazhong Import and Export Company	3,160,000	3,160,000	0.12	0	Not applied	0	Others
Bank of China - Open-end Index Fund	1,061,619	2,310,834	0.09	0	Not applied	0	Others
Chao Jin Investment - No.12 PE Fund	-524,400	1,961,194	0.07	0	Not applied	0	Others

4.2 Block diagram of the shareholding interest and control relationship between the Company and its controlling shareholders



4.3 Block diagram of the shareholding interest and control relationship between the Company and its ultimate controlling shareholder



4.4 Other shareholders in the form of corporations with shares ownership of more than 10%

☐ Applicable √ Not applicable

4.5 Introduction of limit on share disposal

☐ Applicable √ Not applicable

III. Discussion and Analysis of the Operation

1. Analysis of results of operations of main businesses in the reporting period

1.1 Analysis of main business

Analysis of main changes in items of profit & loss statement and cash flow statement

Unit: Yuan Currency: RMB

Items	Amount of current period	Amount in the same period of last year	Change (%)
Operating revenue	11,910,430,976	11,135,489,839	6.96%
Cost of sales	7,390,596,338	7,357,134,517	0.45%
Selling and distribution expenses	1,322,290,461	1,282,742,038	3.08%
General and administrative expenses	631,397,760	618,844,949	2.03%
Research and development expenditure	301,295,739	294,254,663	2.39%
Financial expenses	146,554,812	(63,535,915)	NA
Net cash flow from operating activities	2,708,415,580	2,550,601,183	6.19%
Net cash flow from investing activities	(2,300,841,296)	(1,160,396,155)	98.28%
Net cash flow from financing activities	(3,027,032,547)	(1,363,504,460)	122.00%

(1) Income & Cost Analysis

√ Applicable ☐ Not applicable

a. Analysis by industry, by product and by region

Main operations by industry						
By industry	Operating revenue	Cost of sales	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	11,910,430,976	7,390,596,338	38%	7%	0.5%	4ppt

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	8,522,844,442	5,580,007,586	35%	5%	-2%	5ppt
Specialty products	2,823,663,656	1,416,009,850	50%	16%	14%	1ppt
Other products	563,922,878	394,578,902	30%	-9%	-9%	0ppt
Total	11,910,430,976	7,390,596,338	38%	7%	0.5%	4ppt

Main operations by region						
By region	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
Europe / Africa/MO	4,021,631,653			5%		
North & Central America	2,287,407,823			-3%		
Asia / Pacific (excluded China)	1,929,680,402			5%		
South America	2,155,795,884			33%		
China	1,285,502,691			3%		
Other	230,412,523			-6%		
Total	**11,910,430,976**			7%		

Explanation on main business by industry, by product and by regions

(*) The Company discloses only operating revenue by region due to the fact that neither operating cost, nor gross margin are monitored by region.

Analysis of the factors impacting the income from sale of products

In comparison with 2018	Change in Volume	Change in sales price	Exchange rate impact
Performance products	453,240,715	(65,662,061)	49,157,625
Specialty products	377,935,766	1,262,219	13,155,505

Adisseo's operating revenue in 2020 totaled RMB 11,910,430,976 and increased by 7% at current EUR/CNY rate and increased by 6% at constant EUR/CNY rate, compared to 2019.

b. Production, Sales and Inventory Quantity analysis

☐ Applicable √ Not applicable

Units of volume by category of products comprising are not homogeneous. Therefore, no disclosure has been provided.

c. Cost analysis table

Unit: Yuan

By industry							
By industry	Cost composition items	Amount of current period	Proportion to the total cost of current period (%)	Amount of the same period of last year	Proportion to the total cost of the same period of last year (%)	Proportion of change in the amount of current period over the same period of last year (%)	Explanation
Health and Nutrition		7,390,596,338	100%	7,357,134,517	100%	0.5%	Favorable raw material price offset by increased sales volume

By product							
By product	Cost composition items	Amount of current period	Proportion to the total cost of current period (%)	Amount of the same period of last year	Proportion to the total cost of the same period of last year (%)	Proportion of change in the amount of current period over the same period of last year (%)	Explanation
Performance products	Raw materials, purchased equipment and consumables used (70%), Depreciation and amortization (13%), Other (17%)	5,580,007,586	76%	5,683,719,046	77%	-2%	Decrease of raw material price offset by increased sales volume
Specialty products	Raw materials, purchased equipment and consumables used (75%), Depreciation and amortization (7%), Other (18%)	1,416,009,850	19%	1,240,507,642	17%	14%	Total cost increased in line with increased sales volume
Other products	Raw materials, purchased equipment and consumables used (32%), Depreciation and amortization (20%), Other (48%)	394,578,902	5%	432,907,829	6%	-9%	Decrease of raw material price offset by increased sales volume

Other explanations related to cost analysis

☐ Applicable √ Not applicable

d. Main customers and main suppliers

√ Applicable ☐ Not applicable

The total amount of sales revenue from Adisseo's top 5 customers amounted to RMB 774 million, accounting for 6% of the Group's total operating revenue, in which the amount of purchasing from the related parties is null..

N°1: RMB 211 million; N°2: RMB 143 million; N°3: RMB 143 million; N°4: RMB 139 million; N°5: RMB 138 million.

The total amount of purchasing from the Company's top 5 suppliers amounted to RMB 1,360 million accounting for around 24% of the Company's total purchase, in which the amount of purchasing from the related parties is null.

N°1: RMB 410 million; N°2: RMB 293 million; N°3: RMB 261 million; N°4: RMB 202 million; N°5: RMB 194 million.

(2) Expenses

√ Applicable ☐ Not applicable

Unit: Yuan

Items	Amount of current period	Amount in the same period of last year	Change (%)
Selling and distribution expenses	1,322,290,461	1,282,742,038	3.08%
General and administrative expenses	631,397,760	618,844,949	2.03%
Financial expenses/(income) – net	146,554,812	(63,535,915)	NA

The increase of selling and distribution expenses was mainly due to the continuous investment in the acceleration of specialty business offseting COVID impact on reduced expenses such as travel & expenses.

Limited increase of general and administrative expenses was thanks to the successful implementation competitiveness enhancement plan and COVID impact on reduced expenses such as travel & expenses.

The increase of financial expenses was mainly due to decrease of interest income and increased translation losses on purchases and sales.

(3) R&D expenditures

a. Table of R&D expenditures

√ Applicable ☐ Not applicable

Unit: Yuan

Research and development expenditure recorded in expenses of current period	367,449,915

Research and development expenditure capitalized of current period	0
Total research and development expenditure	367,449,915
Proportion of total research and development expenditure to operating revenue (%)	3.09%
R&D headcount as of December 31 2020	204
% of R&D headcount over total headcount	9%
% of capitalized R&D expenditure over total amount	0%

b. Explanation

√ Applicable ☐ Not applicable

The Research and development expenditure in the Income statement are decreased by a tax return effect about RMB 66,154,176.
Adisseo has reinforced its R&D resources in China by establishing a world-class Research & innovation center in Nanjing as well as some new strategic alliance with famous universities in different regions for the purpose to be close to the market needs and to provide timely support and innovation to all animal species.

(4) Cash flow

√ Applicable ☐ Not applicable

The Adisseo net cash flow from operating activities amounts to RMB 2,708,415,580 compared to RMB 2,550,601,183 last year.

The increase of net cash flow from operating activities compared to the same period of last year is mainly due to performance improvement..

The operating cash flow generated by Adisseo enabled to partially buy-back the shares for an amount of RMB 3,008,197,130 and pay dividends for an amount of RMB 617,443,591, including dividends paid by BANG to non-controlling interests.

The increase in net cash flow from investing activities in 2020 is mainly due to the completion of the acquisition of Framelco, Calysseo and Calysta.

1.2 Analysis of assets and liabilities

(1) Information of assets and liabilities

Unit: Yuan

Items	As at December 31, 2020		As at December 31, 2019		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Cash at bank and on hand	2,769,159,642	13%	5,295,065,807	25%	-48%	Cash decreased mainly due to 15% BANG share buy-

Items	As at December 31, 2020		As at December 31, 2019		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
						back payment during the period
Derivative financial assets	39,884,250	0%	7,784,238	0%	412%	Fluctuations is due to the impact of EUR appreciation on derivatives portfolio, in particular options purchases.
Advances to suppliers	77,328,904	0%	60,862,071	0%	27%	Advance increase due to delayed receipt of purchased material
Long-term equity investments	296,291,025	1%	0	0%	NA	Investment in joint venture
Investments in other equity instruments	235,265,762	1%	11,479,649	0%	1949%	Investment increased
Other non-current financial assets	64,553,100	0%	32,676,606	0%	98%	Investment increased
Construction in progress	1,682,054,970	8%	612,534,221	3%	175%	Increase of Capex in projects in progress
Advances from customers	0	0%	7,568,111	0%	-100%	Reclassification due to adoption of new revenue standard
Contract liabilities	7,568,111	0%	0NA	0%		Reclassification due to adoption of new revenue standard
Other payables	782,893,932	4%	531,710,168	3%	47%	Mainly due to increase of payable due to Capex suppliers
Current portion of non-current liabilities	222,890,468	1%	161,462,854	1%	38%	New provisions for risk
Long-term borrowings	61,636,147	0%	25,759,966	0%	139%	Mainly due to financing for the new acquisition
Long-term payables	67,011,559	0%	14,635,305	0%	358%	Payable from FRAmelco acquisition
Capital reserve	1,260,973,699	6%	2,111,544,529	10%	-40%	Impact from 15% BANG share buy-back transaction
Non-controlling interests	1,479,547,234	7%	3,416,954,043	16%	-57%	Impact from 15% BANG share buy-back transaction

(2) Restricted assets at the end of reporting period

☐ Applicable √ Not applicable

(3) Other information

☐ Applicable √ Not applicable

1.3 Analysis of chemical industry business information

(1) Basic information of the industry

a. Modifications in regulation

☐ Applicable √ Not applicable

b. Basic information of the subdivided sectors industry and the companies' position in the industry

√ Applicable ☐ Not applicable

- Industry trend

The animal feed additives industry is exposed to favorable global "megatrends" and is expected to grow continously over the coming years. This growth is expected to be driven primarily by the industrialization of meat production, global population growth, wealth creation and global sustainability awareness and necessity. This should be the case in emerging markets, where consumers' dietary preferences are expected to shift towards protein-rich diets and in developed countries, where consumers' dietary preferences are shifting towards more healthy food concept.

Adisseo multi-product portfolio enhances its position with customers and differentiates our product offering from that of our competitors. Since Adisseo supplies a range of nutritional feed additives, it can provide value-added formulation advice to our customers and advise them with respect to their feed additive inclusion rate decisions.

Among which, methionine industry is further characterized by high entry barriers, such as high technological know-how, increasingly stringent regulations to obtain permits and authorizations, compliance with national and regional environmental and health and safety regulations, the ability to source key intermediates and the large capital investments required to develop new methionine production capacities.

The chemical process to manufacture methionine requires significant manufacturing expertise and process technology. Access to, or development of, such expertise and technology constitutes a significant barrier to entry in this market. Furthermore, technical and commercial expertise and on-going investment in product and process innovation are critical factors to remain competitive.

Based on industry practice, the initial capital expenditures to build a world-scale, greenfield chemical methionine production facility would require a large amount of capital investment and could require at least four years to permit, plan and construct. Furthermore, access to key intermediates and raw materials used for manufacturing methionine, such as MMP for which there is only a limited number of merchant suppliers, is critical to the establishment of new production facilities.

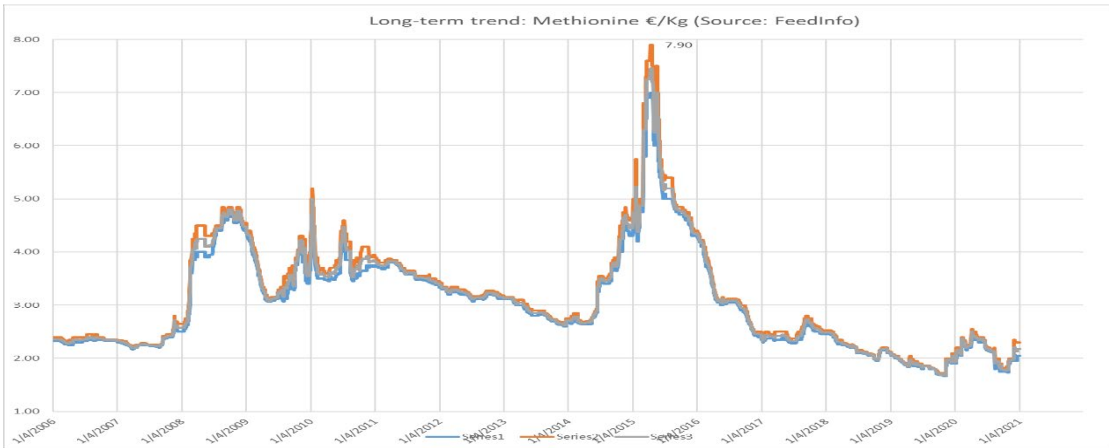
Thanks to the grasp of best available liquid methionine technology as well as our continuous optimization of the process, Adisseo has strong cost leadership and is among one of the few manufactures with lowest production cost.

The Covid crisis had some impact on the demand in 2020. which led to a 3-4% estimated growth in 2020. For 2021 onward, global methionine is expected to continue to grow on a global scale at a rate of 5-6% as shown in past decades.

On the supply side, due to the new capacities from competitors finally came on stream after some delays mid-2015, Adisseo together with the other competitors faced with a less favorable market environment in the methionine business, after an exceptional 2015 year, as expected.

Negative impacts from price have been partly compensated by strong volumes growth in liquid methionine, reduction in raw material prices based on a lower Brent level as well as by rigorous cost management.

After an increase in early 2020, prices have decreased till a unit price under 1.7Euro in October/November 2020; stabilization and a rebound have been observed on the spot market at the year-end of 2020 and early 2021.



- <u>Adisseo's Competitive landscape in each Business</u>

<u>Methionine</u>

Production capacity in the global methionine market is concentrated, large companies such as Evonik, Adisseo, Novus and Sumitomo Chemical (SCC) are key players. Due to population growth, economic development of emerging economies, and the modernization of the animal husbandry sector, the demand for methionine in the Asia-Pacific area, including China, continues to increase rapidly. China has one of the world's highest production volumes for pork, poultry and livestock. Its animal husbandry sector continues to grow rapidly, which leads to rapid growth in demand for methionine, which was resilient in 2020 in spite of Covid crisis. As the aforementioned key methionine players continue to strengthen their global position currently, they have increased investments in Asia in the past years.

Robust demand has been seen in all regions, meaning that global methionine market may have a higher growth rate in 2021, which does not include the impact arising from COVID-19 on meat consumption, which is yet to be followed and monitored. With a global market at 1.4 million tons in DLM equivalent for 2020, a normal market growth would mean an additional need of about 200 KT in 2 years.

Thanks to the successful capacity expansion project in Europe and debottlenecking project in China, Adisseo consolidates its second ranking leadership in global market share in 2020 and enjoyed an extra accelerated growth in China market with historical high volume growth in 2nd half of 2020.

On July 29th, 2020, Novus International filed an antidumping petition against imports of methionine from France, Japan and Spain into the United States. The final decision in this proceeding is expected in September 2021. On 25th Feb, the U.S. Department of Commerce announced the preliminary dumping margins in the methionine antidumping investigations. Spain was assigned a preliminary dumping margin of 31.98%, France was assigned a preliminary dumping margin of 43.82% percent and Japan was assigned a preliminary dumping margin of 135%.
Adisseo remains committed to fighting this trade action, for the benefit of our customers and downstream U.S. consumers. Regardless of the outcome of these cases, Adisseo is committed to remaining a stable and reliable supplier of methionine in the U.S. market

Vitamins

Vitamins are widely used in medicine, food additives and animal feed additives. In recent years, as China's vitamin sector continues to grow, China has become a major producer and exporter of vitamins, and the production technology and market shares for vitamin C, vitamin E, vitamin B2 and vitamin D3 are top ranked globally. Adisseo's major competitors in the vitamins market mainly include BASF S.E., DSM N.V., Zhejiang NHU and Zhejiang Pharmaceutical. The domestic vitamin A & E production in China is dominated by Zhejiang NHU and Zhejiang Pharmaceuticals Joint Stock Company.
The majority of Vitamin producers in China have all been impacted by COVID-19, which caused the supply tight in the market in first quarter of 2020.

Specialty products

a) Feed Digestibility (Enzymes)

Feed enzymes are included in feeds of all species to improve the utilization of energy and nutrients or to degrade several undesired components. These feed enzymes primarily improve the gut and performance of animals while considerably reducing feed and waste management costs.

The enzymes market needs extensive research & development, patented technology and capital expenditure for the production. Novozymes, DuPont, Ab Vista, BASF, DSM and Adisseo are the main players worldwide. In China, the market is mainly monopolized by several domestic companies, the market share of imported products continues to shrink. Main Chinese players are VTR, Vland Biotech, SunHY, Youtell, Challenge and Smistyle.

b) **Rumen-protected amino-acids**

The rumen-protected amino-acids market (for dairy cows and beef) mainly comprises of protected methionine and protected lysine and is a quite concentrated market. Adisseo main competitors in this field are Balchem, Ajinomoto, Evonik, Novus and Kemin.

c) **Animal Resilience (Health by Nutrition)**

This field includes different types of technologies and products like selenium, probiotics, sodium butyrate and phytogenics in Adisseo portfolio, to target all the main species on the market. There are a lot of players worldwide on these different solutions but the most important are ADM, Alltech, Angel Yeast, Arm & Hammer, Biomin, Calpis, Chr. Hansen, Delacon, Diamond V, DuPont, Evonik, EW Nutrition, Huvepharma, Kemin, Lallemand, Norel, Orffa, Perstorp, Phileo and Phytobiotics.

d) **Aquaculture**

Alltech, Biomin, Kemin, Liptosa and Novus are among the main competitors of Adisseo in the Aquaculture specialties field.

e) **Palatability**

The palatants are mainly used in swine and ruminants' markets to improve feed intake. In addition to Adisseo, the market comprises of western companies (ADM, Lucta, Norel, Phodé) and Chinese companies (Dadi, Menon).

f) **Mycotoxin Management**

The addition of mycotoxin management products in the feed is useful for all the animal species around the world. Adisseo, Alltech, Biomin, EW Nutrition, Impextraco, Innovad, Kemin, Norel and Olmix are the main players on this market.

g) **Feed preservation**

Like for mycotoxin management products, the feed preservation additives are used widely for all species around the world. Adisseo main competitors on this market are Alltech, Anpario, Impextraco, Innovad, Kemin, Lucta, Norel, Perstorp and Selko.

(2) Product and production

a. Main operating mode

√ Applicable ☐ Not applicable

Adisseo still adapt its distribution network as per the evolution of flows of goods and production and sales.

Raw materials transportation is entirely managed by its suppliers.

For intermediary products Adisseo moved mainly by railway for safety and security reasons, 283 500 MT specifically in Europe in dedicated Tank rail car fleet.

In 2020 for the finished products, Adisseo moved worldwide around 858 200 MT compared to 865

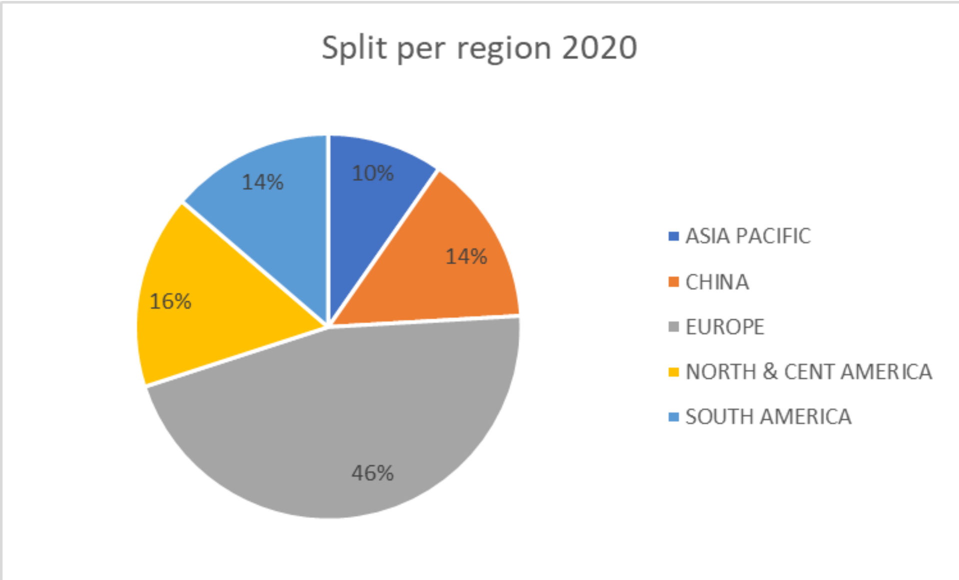
800 MT in 2019.

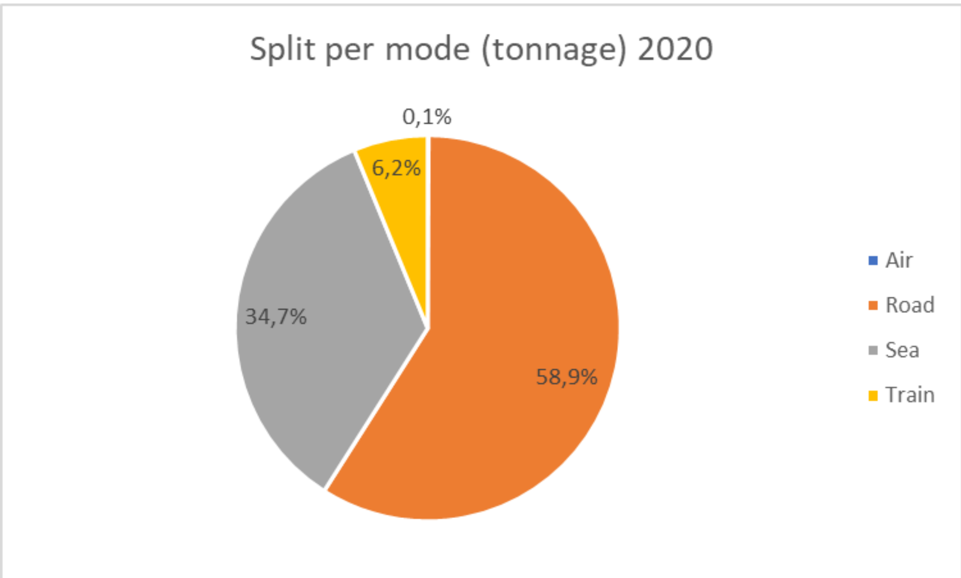
Adisseo ships the finished goods with all the transportation modes. The main one is the road transport.

The transport unit are various: truck, dry and reefer containers for packed goods and tank truck, rail tank cars, isotanks and parcel tankers for bulk.

Our transportation policy aims to give priority to the safest and least polluting means. In order to reduce our carbon footprint and save on our logistics costs, a new multimodal isotank transport mode has been implemented in some transporation routes.

Below the split per region and per mode in terms of number of shipments in 2020:





Adisseo's production materials and finished products inventories are stored in tanks for liquid products and traditional warehouses for the other products. Warehouses located in its factories are managed by its own people and warehouses outside its factories are all outsourced to logistics providers. For both outsourced and insourced warehouses, Adisseo has established policies regarding warehouse management. These policies are regularly audited and improved.

Change of main operating mode during the reporting period

☐ Applicable √ Not applicable

b. Information of principal product

√ Applicable ☐ Not applicable

Products	Subdivided sectors industry	Main raw material	Field of Application	Factors affecting the price
Methionine, methionine hydroxyl analogue, vitamins, ammonium sulfate and sodium sulfate	Performance products	Propylene, gas, ammoniac, sulphur, methanol. E-oil	Animal Feeds	Energy and raw material costs, Brent oil and US dollar level.
Enzyme preparation, rumen-protected methionine, organic selenium additives, probiotics additives, appetite stimulants, mycotoxins protection, Butyrate additives, Feed quality, Aqua products	Specialty products	Enzymes: visco, cellulose, wheat flour. Rumen-protected methionine: propylene, gas, ammoniac, Sulphur, methanol, latex, isobutyl propionate Butyrate, Yeast, Saccharin, Carbonate Silica, organic selenium	Animal Feeds	Energy and raw material costs, Brent oil and US dollar level.
Carbon disulfide, sulfuric acid and services of processing powder	Other products	Gas, sulphur.	Industrial application	Energy and raw material costs, Brent oil and US dollar level.

Adisseo is a major player in the feed ingredient industry sector. As such, the company portfolio encompasses more than 300 products, available for sale at customers worldwide.

Adisseo benefits from accessing global markets thanks to effective Global Market Access organization and processes able to determine applicable technical regulations and manage product compliance to those regulations in this respect.

In the absence of harmonized standards and requirements as well as differing national standards across countries, feed business operators need to be aware of the regulations for each country they want to access. Some countries and jurisdictions impose specific technical restrictions such as product testing, certification and shipment inspection requirements. In addition, the complex regulatory framework in some countries is constantly being updated and expanded.

With the trend of deglobalization speeding up in response to the recent global sanitary crisis, trade measures are being tightened and spread and new nation-centric policies started to emerge as well.

In this complex technical and sanitary trade environment, Adisseo ensures products market access in more than 120 countries, resulting in more than 1200 official registrations approvals worldwide.

Adisseo acknowledges its responsibility for food and feed safety and consecutively control associated risks. During the manufacture of feed products, our company places the highest priority on the safety and health of our products and as such, places the highest emphasis on ensuring that each product is safe and fit for animal consumption and is in compliance with the current industry standards.

For this purpose, company management has decided to implement and maintain an integrated management system through its worldwide activities (manufacturing and trade), complying in general to the ISO 9001 standard, and in addition, where applicable, complying to the FAMI-QS or equivalently recognized Code of Practice.

Adisseo is recognized by stakes as a visible and credible global leader, as such the company holds membership and chair positions at major worldwide feed industry associations and committees in North America, Latin America, Europe and China.

c. R&D and innovation

√ Applicable ☐ Not applicable

Adisseo R&D program is structured into 3 activities:

- Discovery – fundamental research, developing in partnership with academics or start-up companies;
- Innovation – testing and commercialization through world-wide R&D centers;
- Enhancement – ongoing enhancement for validated projects.

Adisseo continues to make significant efforts to reinforce its R&D programs.

Adisseo promotes a policy of reinforced and continuous research and innovation for its products, production processes as well as its businesses, work and organization methods. There are 10 research and development centers focused on several different areas such as analytical, nutrition, formulation, biotechnology, chemical processes, chemistry, formulation. During its first full year, Innov'L@b, dedicated to disruptive technologies, has seen and analyzed several hundreds of POCs (Proof of Concepts) and build up a start up deal flow, and realized several investments up till now in the areas of contaminants detection, insect and parasite control, smartfarming and in the field of antibiotic replacement respectively. In 2020, the Company's total research and development expenditures amounted to RMB 367,449,915 (including expenditure capitalized for the period) and its proportion to net assets attributable to shareholders of the company and operating revenue was 2.6% and 3.1%, respectively.

Please refer to Section 4, Part II.1.(4) R&D expenditures for detailed figures.

d. Manufacturing techniques

√ Applicable ☐ Not applicable

Adisseo's vertically integrated production process ensures a reliable supply for the key intermediates in methionine production and capturing the full value versus competition.

Main raw materials sourced externally are propylene, methanol, natural gas and sulphuric products. Some intermediates produced in excess are sold (sulphuric acid and carbon disulphide). The end products are powder and liquid methionine; sodium sulphate and ammonium sulphate constitute by products.

Adisseo manufacturing network for performance products includes seven plants: five in France, one in Spain and one in China. In the main regional markets, Adisseo associates to this network some toll-manufacturers for specific products or operations. From those plants, it delivers its finished products directly or indirectly to its customers in the world. It either ships direct to its customers or regional warehouses.

On the Chinese market, for example, in order to ensure to all of the products safely delivered to customers all over the country on time, Adisseo has established a multipurpose supply chain with a center distribution in Nanjing, combined with ten distribution warehousing centers national-wide according to where and how much the customers are concentrated. At the same time, this organization allows to Adisseo to export worldwide their products from China.

Adisseo also has a dedicated warehouse in Shanghai for traded products that are sourced in China, grouped in this warehouse and shipped worldwide either to customers or its regional warehouses.
Adisseo constantly adapts its distribution network according to the evolution of the demand to guarantee the excellent service provided to customers.

e. Production capacity and operation situation

√ Applicable ☐ Not applicable

Main Plant or projects	New Plant/Capacity under construction (Ton)	Expected completion date
Nanjing plant expansion	30,000	Completed
New Nanjing Plant	180,000	2022
European platform expansion (including A-dry project)	50,000	Completed
European platform expansion (including A-dry project)	30,000	End of 2021

Change in capacity production during the reporting period

√ Applicable ☐ Not applicable

To increase its liquid methionine production in Europe by 50 KT per year. Adisseo announced in 2016 the European platform expansion project. This project has been completed by the end of 2019 as planned.

To meet the continuously growing demand of customers and thus consolidate its leadership role, the Board of Directors of Bluestar Adisseo Company has approved the construction of a new liquid methionine plant with a capacity of 180 KT per year, on January 16, 2019. The new facility locates adjacent to the existing Adisseo plant in Nanjing. The project is progressing, and it is expected to start in 2022 with the purpose to meet the ever-increasing demand on environment protection as well as the further optimization of production process.

Meanwhile, in order to support customer demand as well as to further enhance competitiveness of European plant, a debottlenecking project has been approved and is now being implemented according to schedule despite COVID-19 situation. The project is expected to be completed by the end of 2021.

Adjustment and improvement on product line or product capacity structure

√ Applicable ☐ Not applicable

After completion of debottlenecking project in current Nanjing plant, and synergies with Second Nanjing Plant, the new nameplate capacity of the Nanjing Plant will achieve 360 KT per year.

Description of unusual production halts

☐ Applicable √ Not applicable

(3) Purchasing of raw material

a. Basic information of principle raw material

√ Applicable ☐ Not applicable

Unit: RMB

Raw material	Purchasing pattern	Purchase value of raw material	Prices Fluctuation vs 2019	Impact on operating cost of the company due to the fluctuation in the purchase price
Propylene 95%	Long-term contract	899,013,481	-16%	Decrease in operating cost
Methanol	Long-term contract	170,227,569	-17%	Decrease in operating cost
Sulphur	Long-term contract	202,653,336	-16%	Decrease in operating cost

b. Basic information of principle energy used

√ Applicable ☐ Not applicable

Unit: RMB

Mainly used	Purchase mode	Settlement	Price	Purchased	Consumption

energy used	(channel)	(payment) method	fluctuation YOY	volume	volume
Natural Gas	Yearly Contract	Periodic settlement	-7,5%	2,6 TWh	2,6 TWh
Electricity	Yearly Contract	Periodic settlement	Stable	0,33 TWh	0,33 TWh

Impact to operating cost from the change of price in principle energy used: reduce operating cost

c. Measures to address the risk of price variation of raw materials

Description of financing approaches (including derivatives deals)

√ Applicable ☐ Not applicable

One hedging deal on Propylen helped us to ensure part of our volume was secured at a price below budget level prior to the beginning of the year.

d. Description of other methods (including periodically reserve)

☐ Applicable √ Not applicable

(4) Description of sales of product

a. information of main business by subdivided sectors industry

√ Applicable ☐ Not applicable

Information on Adisseo's main operations by business are specified above in Adisseo's "Income and Cost analysis". Refer to Section 4. II. Analysis of results of operations of main businesses in the reporting period.
Adisseo' industry is "Health and Nutrition".

b. Basic information of main operating by sales channel

√ Applicable ☐ Not applicable

Sales through distributors represent less than 15% of Adisseo total turnover (2019: less than 15%). The main part is performed directly by Adisseo own commercial network.

Accounting policy of revenue recognition of every marketing channel

√ Applicable ☐ Not applicable

For detail on the accounting policy of revenue recognition, please refer to the accounting policies described in Section 11.

1.4 Analysis of investment

(1) Summary of Analysis of overall investments

√Applicable ☐ Not applicable

Establishment of Calysseo Limited with Calysta on 2nd March 2020

On 2nd March, 2020, Adisseo established a 50/50 JV (Calysseo Limited) with Calysta in HongKong to develop Feedkind@ on an exclusive basis in the Asian market. Both parties invested a total of USD 80 million. Calysseo Limited established its Chinese legal entity, the first commercial FeedKind plant, in Chongqing.

Acquistion of FRAmeclo

On 10th Dec 2020, Adisseo completed the acquisition of FRAmelco, a family owned multinational group headquartered in The Netherlands, who operates 3 plants located in The Netherlands, Spain and Thailand. Please see Section 11 Financial Report, VIII. Change of Consolidation Scope, 1. Business combination not under common control.

a. Significant equity investment acquired in the reporting period

√ Applicable ☐ Not applicable

Purchase of 15% shares of Bluestar Adisseo Nutrition Group Limited

On October 23, 2019, Adisseo held the 8th meeting of the 7th session of the board, deliberated and passed the proposal on related-party acquisition of 15% common shares in Bluestar Adisseo Nutrition Group Limited.

On December 6, 2019, this proposal has been deliverated and passed by the second extraordinary shareholders' meeting held and is now in the filing procedures from / with relevant regulators.

On April 28, 2020 the the filing procedures have been completed as reflected in the "Announcement on the completion of the acquisition of assets and related-party transaction" (2020-014).

b. 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.

For further detail, please refer to Section 11 Part VII No.54 "Hedging" in Section 10.

1.5 Analysis of companies controlled by or invested in the Company

The following figures are based on financial information before elimination of the entities. If not specified, unit in RMB.

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	9,300,180,525	5,412,755,912	1,121,203,016	*NA*
Bluestar Adisseo Nanjing Co., Ltd	RMB 2,907,860,510	R&D, production and distribution	4,904,521,880	4,306,439,310	206,181,998	*NA*
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	1,446,333,756	650,536,365	17,250,906	*NA*
Adisseo USA Inc.	USD 3,139,000	Distribution	476,530,499	338,646,205	24,530,022	*NA*
Adisseo Brasil Nutriçao Animal Ltda	BRL 1,987,106	Distribution	372,295,701	(2,672,689)	(992,635)	*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	9,522,208,834	1,709,286,948

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.

2. Description of reason for listing suspension of the Company's shares

☐ Applicable √ Not applicable

3. Description and reason of delisting of the Company's shares

☐ Applicable √ Not applicable

4. Analysis of the reasons and impacts of changes in accounting policies or accounting estimates

√ Applicable ☐ Not applicable

Detail please refer to Section 11 Financial Report V.37 Change of important accounting policies and accounting estimates

5. A analysis of the reasons and impacts of correction of significant accounting errors

☐ Applicable √ Not applicable

6. Scope of consolidated financial statements

√ Applicable ☐ Not applicable

See Note VIII for the change of consolidation scope and Note IX for rights and interests in other subjects.

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