Bluestar Adisseo Company

2020 H1 Report (Abstract)

I. Important Notice

1. **This Abstract is based on the full text of the 2020 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	**30/6/2020**	**31/12/2019**	**Changes in comparison with the end of last year (%)**
Total assets	19,788,630,594	21,127,258,090	-6%
Net assets attributable to the shareholders of the Company	13,267,353,443	13,797,572,348	-4%
	1/1/2020-30/6/2020	**1/1/2019-30/6/2019**	**Changes in comparison with the same period of last year (%)**
Operating revenue	5,885,775,768	5,357,393,662	10%
Net profit attributable to the shareholders of the Company	719,310,195	533,824,375	35%
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	709,254,858	484,026,534	47%

Net cash flow arising from operating activities	1,575,513,241	1,405,977,848	12%
Weighted average return on net asset (%)	5.27	3.91	increase of 1.36
Basic earnings per share (Yuan/ share)	0.27	0.20	35%
Diluted earnings per share (Yuan/ share)	0.27	0.20	35%

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						28,957
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.	1,709,387,160	63.74	0	Frozen	10,000,000	Stated owned legal entity
Blusstar-GTJA-19 Bluestar EB guarantee and trust property account	680,000,000	25.36	0	Unknown	0	Unknown
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
E Fund – ICBC fund No. 2	6,260,680	0.23	0	Unknown	0	Unknown
Hong Kong central clearing limited	5,487,329	0.20	0	Unknown	0	Unknown
China Electronic Investment Holding	5,185,185	0.19	0	Unknown	0	Unknown

Company						
E Fund – ICBC FOF fund	5,134,079	0.19	0	Unknown	0	Unknown
Beijing Research and Design Institute of Rubber Industry	3,737,262	0.14	0	Unknown	0	Unknown
Zhejiang Dazhong Import and Export Company	2,400,000	0.09	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. Bluestar-GTJA-19 Bluestar EB guarantee and trust property account (who owns 680,000,000 shares) is a special account for China National Bluestar (Group) Co., Ltd. to guarantee and trust some of its shares when issuing exchangeable bonds. For more information, please refer to the announcements 2019-008, 2019-014, 2019-029 and 2019-034. Except for the above mentioned 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. The global macro economy has demonstrated signs of slowing down with rising trade barriers, increasing commercial and geopolitical tensions now further weighted with COVID-19 impact. However, significant disparity exists in different regions: for developed countries, economics declined due to low productivity growth and ageing demographics and for developing countries, strong growth performances continued but impacted by COVID-19 in 2020. Trade imbalances, exchange rate fluctuations and the new norm formed from COVID-19 also increase the uncertainties. The China/Asian Afrian Swine Fever crisis has significantly impacted the Chinese meat sector. It has shown in 2019 that the shortfall in pork supply will be difficult to be filled in the short-term with imports, which resulted strong demand in poultry and strong recovery in pork production in Chima market. It is expected that the demand drivers will continue to sustain in the long run despite all challenges mentioned above although there will be big uncertainties due to COVID-19.

Adisseo as a key player in the food value chain, 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 other companies in the regional or local markets. Chinese Newcomers (CUC / NHU) have started their new units during the years 2016-2017. Almost all historical players (Sumitomo, Evonik, Adisseo) have communicated about new facilities to come during the period 2019-2023 with Novus announced the cancellation of new expansion in 2019. 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. There will be some new capacities coming into marke in H2 2020 from Chinese players.

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 new powder methionine product, Rhodimet® A-dry, which is developed based on the liquid methionine ("HMTBA") technology, offering the benefits of this molecule to customers whose manufacturing process does not allow the use of liquid form of methionine, will further support Adisseo's position as a leading methionine supplier,

offering the full-range of methionine sources valuable for feed producers and meeting their needs;

- Nanjing plant expansion project finalized smoothly in early 2019 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. 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; The first phase of the project, which consisted of design, construction and setting to work of a logistics facility to handle 360KT/Y of AT88; was completed on time, with no accident, and the facility is in commercial operation. Detailed design continues to progress and the team is now recovering some of the delay caused by the COVID-19 epidemic. Preparatory work on site for construction is complete, the permitting is in place and construction activities continued as expected.
- 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. The full integration of Nutriad into Adisseo allows a high complement to existing product range, the addressed species, and the target markets and also enables Adisseo to offer an integrated solution and to provide more value to customers.
- After completion of the Research facility lab in Sinagpore late last year, Adisseo has formed a joint-venture company called Calysseo together with Calysta, a US-based technology firm that has developed a proprietary Single Cell Protein and its innovative associated manufacturing process, in which Adisseo took a minority stake, in early March 2020 with the intention to develop this business opportunity on an exclusive basis in Asia. The first target of this joint-venture will be the construction of a manufacturing facility in China to commence production around late 2022. An Investment Agreement into Chongqing Changshou Economic Technology Development Area has been signed at the end of June 2020, which is an important milestone for the project.
- Innovation is the heritage and a key competitive edge for Adisseo. On top of internal research, Adisseo is also leveraging venture capital to incubate innovation and has completed a new investment in ViroVet, a Belgian company at the end of May 2020. ViroVet is dedicated to the development of disruptive technologies for the control of viral diseases in livestock. The strategy of ViroVet is to provide novel solutions to be used alone or in combination with biosecurity measures in order to provide livestock producers, national governments and international organizations with a multi-faceted arsenal of virus control weapons against endemic and epizootic viral diseases. It has been well recognized that that ViroVet have the potential to reduce the use of antibiotics and significantly improve the livestock industry worldwide.

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	5,885,775,768	5,357,393,662	10%

Items	Amount of current period	Amount in the same period of last year	Change (%)
Cost of sales	3,553,612,085	3,465,300,068	3%
Selling and distribution expenses	670,109,056	590,008,059	14%
General and administrative expenses	324,099,432	327,866,051	-1%
Research and development expenditure	136,076,697	125,019,635	9%
Financial expenses	65,613,038	(23,365,189)	-381%
Net cash flow from operating activities	1,575,513,241	1,405,977,848	12%
Net cash flow from investing activities	(1,064,255,856)	(712,102,515)	49%
Net cash flow from financing activities	(2,512,196,461)	(1,007,079,847)	149%

For the first half of 2020, the Company recorded an operating revenue of RMB 5.89 billion and a gross profit of RMB 2.33 billion, representing a yoy increase of 10% and 23% thanks to double-digit growth growth in liquid methionine, special contribution from Vitamin A as well as the continous increase of Specialties sales.

The decrease of financial expenses was mainly due to the translation gains and losses on purchases and sales.

The increase of net cash flow from operating activities is mainly due to performance improvement.

The decrease of net cash flow from investing activities is mainly due to the investment in Calysseo and other related investments.

The decrease of net cash flow from financing activities in 2020 is mainly due to share buy back

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

Balance Sheet Items	**2020.06**	**Percentage to total assets (%)**	**2019.12**	**Percentage to total assets (%)**	**Total Fluctuation**	**Explanations on fluctuation**

Cash at bank and on hand	3,318,298,349	17%	5,295,065,807	25%	-37%	Cash decreased due to 15% BANG share buy-back payment during the period
Derivative financial assets	14,640,279	0%	7,784,238	0%	88%	Fluctuations is due to the impact of EUR appreciation on derivatives portfolio, in particular options purchases.
Advances to suppliers	84,034,172	0%	60,862,071	0%	38%	Advance increase due to purchased material received less on time at 2020 June end
Other receivables	56,763,953	0%	41,123,604	0%	38%	Increase of receivable not related to main operations
Other current assets	246,115,429	1%	380,980,363	2%	-35%	Decrease of income Tax prepayment for French fiscally integrated companies
Long-term receivables	301,513,544	2%	62,752,154	0%	380%	Increase of loan to related parties
Other non-current financial assets	283,356,905	1%	32,676,606	0%	767%	Increase of minority equity investment
Other non-current assets	92,066,720	0%	48,589,640	0%	89%	Miscellaneous prepayments for tangible assets
Derivative financial liabilities	11,320,542	0%	2,063,292	0%	449%	Commodity derivatives transactions processed in 2020 with a negative valuation and the impact of EUR appreciation on options sold.
Contract liabilities	18,243,939	0%	0	0%	-	Reclassification due to adoption of new revenue standard. Increase in advance payment at period end.
Advances from customers	0	0%	7,568,111	0%	-100%	Reclassification due to adoption of new revenue standard
Other payables	782,848,228	4%	531,710,168	3%	47%	Consist of BANG 15% share buy-back payable of CNY 510 mil and payable due to Capex supplier
Current portion of non-current liabilities	268,813,611	1%	161,462,854	1%	66%	New provisions for risk

Capital reserve	1,260,973,699	6%	2,111,544,529	10%	-40%	Impact from 15% BANG share buy-back transaction
Non-controlling interests	1,467,572,612	7%	3,416,954,043	16%	-57%	Impact from 15% BANG share buy-back transaction

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 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) 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. 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 Part VII No.55 “Hedging” 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	8,289,367,367	4,938,839,098	689,113,554	*NA*
Bluestar Adisseo Nanjing Co., Ltd	RMB 2,839,460,570	R&D, production and distribution	4,492,189,170	4,152,398,026	120,540,654	*NA*
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	1,487,305,426	662,673,047	29,387,588	*NA*
Adisseo USA Inc.	USD 3,139,000	Distribution	604,438,234	363,452,717	22,847,659	*NA*
Adisseo Brasil Nutriçao Animal Ltda	BRL 1,987,106	Distribution	346,286,568	-12,304,486	-10,393,956	*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	4,818,733,371	734,377,924

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 applicable

Since January 1, 2020, the Group has applied CAS No. 14 - Revenue (Section 10, Note V(36)) revised by the Ministry of Finance in 2017.

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.)