Bluestar Adisseo Company

2021 H1 Report (Abstract)

I. Important Notice

1. **This Abstract is based on the full text of the 2021 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.**

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
Name	Mrs. Liang Qinan
Contact address	9 West Beitucheng Road, Chaoyang District, Beijing
Tel	010-61958799
E-mail	investor-service@bluestar-adisseo.com

2.2 Main financial data

Unit: Yuan Currency: RMB

Main accounting data	**30/6/2021**	**31/12/2020**	**Changes in comparison with the end of last year (%)**
Total assets	20,492,130,552	20,617,633,075	-0.61%
Net assets attributable to the shareholders of the Company	13,839,624,353	13,952,945,387	-0.81%
	1/1/2021-30/6/2021	**1/1/2020-30/6/2020**	**Changes in comparison with the same period of last year (%)**
Operating revenue	5,978,742,795	5,885,775,768	1.58%
Net profit attributable to the shareholders of the Company	816,419,799	719,310,195	13.50%
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	829,169,827	709,254,858	16.91%

Net cash flow arising from operating activities	1,149,474,683	1,575,513,241	-27.04%
Weighted average return on net asset (%)	5.78	5.27	+0.51ppt
Basic earnings per share (Yuan/ share)	0.30	0.27	11.11%
Diluted earnings per share (Yuan/ share)	0.30	0.27	11.11%

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

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	Frozen	13,520,000	Stated owned legal entity
Bluestar-GTJA-19 Bluestar EB guarantee and trust property account	-49,132,413	592,078,113	22.08	0	Unknown	0	Unknown
China Securities Finance Corporation Limited	0	13,794,697	0.51	0	Unknown	0	Unknown
Guoxin Investment Co., Ltd	11,762,277	11,762,277	0.44	0	Unknown	0	Unknown
Industrial Bank Co., Ltd. - Ageon-industrial global vision equity securities investment fund	7,218,036	7,218,036	0.27	0	Unknown	0	Unknown
Jiangsu JuheChuangyiEmergingIndustryInvestmentFund LLP	600,000	7,207,000	0.27	0	Unknown	0	Unknown
Ageon-industrial Fund - Industrial Bank - Ageon-industrial - organic growth No.1 specific multi client asset management plan	7,110,342	7,110,342	0.27	0	Unknown	0	Unknown
Ping An Fund - China Ping An Life Insurance Co., Ltd. - dividend - Individual Insurance dividend - Ping An Life - ping an fund equity entrusted investment No.2 single asset management plan	5,999,909	5,999,909	0.22	0	Unknown	0	Unknown
Ageon-industrial Fund - Agricultural Bank of China - China Pacific Life Insurance - China Pacific Life Stock active management products (individual	5,988,180	5,988,180	0.22	0	Unknown	0	Unknown

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	
dividends) entrusted investment							
China Merchants Bank Co., Ltd. - Ageon-industrial Heyuan two year holding hybrid securities investment fund	5,922,210	5,922,210	0.22	0	Unknown	0	Unknown

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 Discussion and Analysis of the Operation

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 experienced fluctuation in 2021 with rising trade barriers, increasing commercial and geopolitical tensions and 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 tampered by COVID-19. 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. The recovery of swine business is on-going. It has shown that the shortfall in pork supply is yet to be fully recovered and 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. In 2021, there is some new capacities coming into market from Chinese players and also some existing capacities adjusted for some historical 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 successfully increased 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; Despite COVID-19 situation, the project is well back on track. Construction progress is about 50%. Civil work is completed, and all key equipment will be delivered before end of July 2021. The main substation has been energized in mid-July, which started a new phase of the project. The first utilities will be put into service in August this year. The project is on track to start up around beginning of H2 2022.
- 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. Next step is now to develop synergies between Adisseo and Framelco in terms of market, product and operations. After completion of the Research facility lab in Sinagpore, 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. Its ground-breaking ceremony was organized on 18th December 2020, a milestone in the delivery of a disruptive technology that can benefit China and Southeast Asia's aquaculture market as early as 2022.
- **"**In science, we trust" mindset is deeply rooted in Adisseo. Innovation is the heritage and a key competitive edge for Adisseo, both for the optimization of the processes of performance products (methionine, Vitamin A) as well as the development of new customer driven solutions for specialty products.
  - 2020 has been dedicated to feed the pipeline of new solutions on one side and the focus on key step-change technologies for the methionine process on the other side.
  - During COVID-19 period, more efforts have been spent on the optimization of R&I organization with 5 pillars identified to implement our strategy, which are Producing Tomorrow, Experimenting Tomorrow, Influencing Tomorrow, Winning Together and Aiming 4 Efficiency.
- To complement the "internal" technologies and solutions developments, Innov'L@b (Adisseo open-innovation structure) is pursuing its investments in new venture through AVF fund.
- Innov'L@b organization has been strengthened with more dedicated resources to amplify the scouting, evaluation and investment capacity. On 24th June, Adisseo announced the signature of an agreement to take 25% participation in a capital increase at the company pigChamp pro-europa, a specialist in data analysis. The PigChamp software is a backbone

for analysis, providing opportunity for continuous improvement in farm costs, healthcare, genetics, and feed. This investment represents for Adisseo a key milestone in the Precision Lifestock Farming (PLF) where Adisseo wants to invest and bring innovative solutions to the market, to support the sustainability of the animal production industry through efficiency, welfare, biosecurity, traceability.

2021 H1 Performance Summary

In the context of COVID-19 pandemic persisted across the world, safety is and will remain Adisseo's first priority while ensuring business continuity the second. Adisseo achieved a solid safety TRIR result in H1 2021 at 0.49 with zero accident remaining the objective.

Adisseo is engaged towards its long-term sustainability and environment target. Some encouraging performance has been achieved, including the progressive reduction of greenhouse gas emission and energy and water use intensity and the switching to renewable energy in the newly acquired FRAmelco Alcala plant.

In H1 2020, customers were building some inventories to secure their supply in the context of COVID-19 outbreak, which resulted in a strong result in the first half of last year.

On top of that, Adisseo recorded a stable performance in H1 2021 with a yoy +2% revenue growth (CNY5.98 billion) and +1% gross profit growth (CNY2.36 billion) with a solid gross margin at 39% thanks to +11% volume growth in liquid methionine, continued revenue growth in specialties despite supply chain difficulties arising from COVID-19, and proactive price management leading to the increased prices of main performance products allowing to offset partly the rise in raw material cost.

Regarding the methionine business, the strong market demand led to on-going significant double-digit volume growth in liquid methionine in main regions including Latin America, Indian Sub-continent, Europe and Middle East Africa. Agile management with good results contributed to overcome the supply shortage of some key raw materials like sulfur, which secured the stable supply of liquid products.

The U.S. market anti-dumping measure had a limited impact to Adisseo thanks to its global business footprint. While still serving the customers in the U.S., Adisseo has stopped serving powder methionine in the U.S. and re-allocated the powder supply to other regions. For other related products, the impact is reduced by optimizing the supply chain. At the same time, the rebound in the price of methionine products also provided support for our stable profitability.

Globally, the methionine prices were increased to the highest level over the past 12 months which partly offset the increase in key raw material costs.

The new 180KT liquid methionine plant (BANC2 project) is progressing well. 50% of the construction work has been achieved with all main civil work completed, and all key equipment will be delivered onsite before the end of July 2021. Energizing of the main substation in mid-July started a new phase of the project.

The debottlenecking of European plant (+30KT) is well on track. The upstream part in Les Roches plant started successfully in the beginning of June and the downstream part in Burgos plant will start in August 2021.

On Vitamins, Vitamin A and Vitamin E selling prices are still at a relatively high level in the context of other industry players facing production difficulties. Portfolio vitamins' selling prices are still at their low level, but this had a limited impact on profitability.

For specialties in H1 2021, business was disrupted by several factors:

- the lower-than-expected demand due to squeezed profit arising from sharp increase of raw material cost for feed industry, reducing margins of the poultry business
- the pork business still negatively impacted by African Swine Fever,
- as well as difficulties to explore new businesses due to restrained visits in the context COVID-19.

Despite those factors and supply chain challenges, Specialty business achieved continued growth in H1 2021 in both revenue (+9%) and gross profit (+11%) mainly driven by FRAmelco acquisition and sustained good performance in some business lines:

- Ruminant business continued its strong growth thanks to steady dynamics in the U.S. dairy market.
- The aqua business achieved a strong +24% revenue growth.
- Sustainable growth realized in Healthy by Nutrition mainly supported by good performance in Selisseo and Alterion which has recorded a +29% volume growth and palatability business was back to growth despite the difficulties due to African Swine Fever.

With the normalization of market condition in coming quarters, we are confident in our ability to meet the market demand and to resume the acceleration in business development of all specialities.

An encouraging contribution from FRAmelco is under-way thanks to the on-going business and organizational integration.

After obtaining environment related permit in Q1 2021 of the first commercial FeedKind® plant of Calysseo, Adisseo's joint venture with Calysta, the Calysseo Chongqing project is progressing well with 50% completion rate. The project is on cost and on schedule and confirmed to be started in Q4 2022. Positive feedback from customers has been received.

Adisseo made a minority stake investment in PigChamp, a Spanish company with 20-year history, focusing its service on digital transformation of the swine sector addressing every topic including health, production, reproduction and biosecurity. This represents a key milestone for Adisseo in the Precision Livestock Farming (PLF). Adisseo aims to invest and bring innovative solutions to the market to support the sustainability of the animal production industry and offer efficiency, welfare, biosecurity and traceability at the same time.

One-China Strategy that Adisseo initiated in 2020 now came into its implementation phase and has delivered tangible benefits with +63% specialties revenue growth in China market realized in H1 2021 thanks to strong growth across all main categories in specialties including significant growth in Health by Nutrition and in palatability contributed by local customized solutions as well as a highly robust growth in aqua business preparing for FeedKind® launch in China market. The positive signals of rebounding in swine business are appearing, which could trigger accelerated growth in China market.

The new Adisseo Research & Innovation Center in China (Nanjing) is in the final stage of its construction, targeting to open in Q3 2022. It will allow Adisseo to establish another global R&I center, aiming to become an “innovation engine” and accelerator in Asian markets.

In addition, two new R&I Centers in France are being established. One is in Lyon to regroup all chemistry, engineering, nutrition and analytical capabilities and the other is in La Rochelle to regroup and develop product formulation capabilities including encapsulation, drying, additives protection which is to be operational by the end of 2021.

During H1 2021, Adisseo has launched the Adisseo Research Grant (ARG) worldwide, an initiative for collaborative research projects addressing feed industry challenges and a reinforcement of Adisseo thought leadership.

Adisseo also continues to develop its innovation pipeline of products and services. A new online tool called Adict which facilitates the utilization of data generated by Adisseo’s PNE (Precise Nutrition Evaluation) is being launched and one new enzyme product is in the final stage of the development as well as several services.

H1 2021 net profit contributed to shareholders increased by +14% yoy to CNY816 million, thanks to the positive impact from 15% buy-back.

- Competitiveness enhancement program delivered additional recurring savings partially offset with investments in sales & marketing and research & innovation to support accelerated sustainable development.

3.1.1 Analysis of changes in accounts of financial statements

4 Unit: Yuan Currency: RMB

Items	Amount of current period	Amount in the same period of last year	Change (%)
Operating revenue	5,978,742,795	5,885,775,768	1.58%
Cost of sales	3,620,993,154	3,553,612,085	1.90%
Selling and distribution expenses	736,434,376	670,109,056	9.90%
General and administrative expenses	321,731,219	324,099,432	-0.73%

Research and development expenditure	154,352,854	136,076,697	N/A
Financial expenses	(25,699,188)	65,613,038	13.43%
Net cash flow from operating activities	1,149,474,683	1,575,513,241	-27.04%
Net cash flow from investing activities	(1,277,180,123)	(1,064,255,856)	20.01%
Net cash flow from financing activities	(543,101,180)	(2,512,196,461)	-78.38%

Increase of selling and distribution expenses is for the continuous investment in speciaties as well as the freight cost increase arising from global supply chain disruption.

Increase of R&D expenses is our continuous investment on future to boost our innovation.

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 working capital increase.

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.

3.1.2 Analysis of assets and liabilities

Information of assets and liabilities

Unit: Yuan

Balance Sheet Items	2021.06	Percentage to total assets (%)	2020.12	Percentage to total assets (%)	Total Fluctuation	Explanations on fluctuation
Derivative financial assets	4,327,331	0.02%	39,884,250	0.19%	-89.15%	Fluctuations is due to the impact of EUR appreciation on derivatives portfolio.
Construction in progress	2,449,770,052	11.95%	1,682,054,970	8.16%	45.64%	Progress in the projects
Right-of-use assets	213,164,623	1.04%	0	0.00%	N/A	Adoption of new lease standard
Other non-current assets	55,675,220	0.27%	150,859,880	0.73%	-63.09%	Miscellaneous prepayments for tangible assets
Derivative financial liabilities	31,436,558	0.15%	2,118,600	0.01%	1383.84%	Fluctuations is due to the impact of EUR appreciation on derivatives portfolio.
Contract liabilities	4,073,077	0.02%	6,870,205	0.03%	-40.71%	Decreaes of advance received
Other current liabilities	12,123,061	0.06%	2,658,181	0.01%	356.07%	Reclassification of government grants short-term
Lease liabilities	165,362,567	0.81%	0	0.00%	N/A	Adoption of new lease standard
Provisions	7,484,706	0.04%	0	0.00%	N/A	Increase of provision
Other comprehensive income	(793,495,088)	-3.87%	(367,582,718)	-1.78%	115.87%	Increase of difference from translation of

						financial statements in foreign currencies

3.1.3 Summary of Analysis of overall investments

a) Financial Assets measured at fair value

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.57 "Hedging" in Section 10.

3.1.4 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	8,085,428,914	4,828,766,029	696,501,001	N/A
Bluestar Adisseo Nanjing Co., Ltd	RMB 3,037,640,586	R&D, production and distribution	5,143,963,230	4,348,957,686	42,518,376	N/A
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	1,440,685,468	663,094,280	12,557,915	N/A
Adisseo USA Inc.	USD 3,139,000	Distribution	630,430,600	356,365,109	21,311,899	N/A
Adisseo Brasil Nutriçao Animal Ltda	BRL 1,987,106	Distribution	384,904,827	22,286,482	24,952,644	N/A

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	4,489,819,154	894,893,187

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 the production of liquid methionine and is building Research & Innovation Center in China.

3.2 Description of Other Important Matters

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

In 2021, the Group has adopted CAS No.21 – Leases (Revised)(CK[2018]No.35) ("New leases standard") issued by the MOF. For more information, please refer to Section 10 Financial Report part 5 "Important Accounting Policies and Accounting Estimates" 37(1).

2. Others

On 31st March 2021, SASAC approved the joint restructuring of Sinochem Group and ChemChina, whereby a new holding company will be set up by SASAC who will perform the duties of the controlling shareholder on behalf of SASAC, and Sinochem Group and ChemChina will be consolidated into the new holding company. Upon completion of the joint restructuring, both the controlling shareholder of the Company and the de facto controller of the Company will remain same. For details, please refer to the relevant notice (Notice No.: 2021-012).

IV. Significant matter

The Company shall, in accordance with the principle of importance, explain the major changes in the Company's business situation during the reporting period and the events that have a significant impact on the company's business situation and are expected to have a significant impact in the future

☐ Applicable √ Not applicable