

## **Bluestar Adisseo Company**

### **Communication Record of 2023 Performance Forecast Investor**

#### **Communication**

- I. Meeting Time:  
7<sup>th</sup> February 2024 (Wednesday) 16:00 p.m.-17:00 p.m.
- II. Participants or institutions  
The list of participating institutions can be found in the attached list.  
Important reminder: The list of participating institutions is provided by the organization and displayed after sorting. The Company cannot guarantee the completeness and accuracy of the names of participating institutions. Investors are advised to pay attention.
- III. Participants of the Company  
Mr. Hao Zhigang, Chairman and General Manager (CEO)  
Mr. Frederic Jacquin, Deputy General Manager and Chief Operating Officer of the Company  
Ms. Virginie Cayatte, CFO of the Company  
Ms. Cai Yun, Secretary of the Board of Directors
- IV. Meeting platform  
Teams online meeting
- V. Communication content  
The meeting was held in the form of online communication. The senior management team of the Company introduced the Company's performance forecast for 2023 to investors in terms of operating results, business development and prospects, and the common concerned questions were answered by the Company at the Results Presentation.
  1. How does the company view the price performance of methionine in the fourth quarter of 2023? Does the company have measures and strategies to cope with price fluctuations?  
Methionine pricing is rebounding in Q4 in the context of a shifted dynamics between demand and supply and thus contribute the gross margin improvement in 2023 Q4 of Adisseo. For 2024 Q1, the expansion of new production capacity in the industry has been delayed compared to expectations, and some existing production capacity is facing maintenance or shutdown issues. Overall, the positive trend of the methionine market in the first half of 2024 is relatively clear.  
  
Meanwhile, as methionine is bulk commodity, so long as we have the most advanced technology and ensure superior cost control, we are confident to

maintain the leading position in the industry. As illustration, our investment in Nanjing, in Quanzhou and in Europe, i.e. our globe set-up, along with the services provided to liquid methionine customers, fully demonstrates our strong competitiveness and capability to provide high-quality service to our clients. Therefore, methionine is an indispensable strategic asset for Adisseo. We will continue striving to reduce costs and expand market share to be the winner in the market competition.

The methionine price fluctuation is a given in this industry and Adisseo is very experienced to address the challenges. Adisseo has always adhered to the concept of “operational excellence” and pursues the implementation of competitiveness enhancement program. Being the leader in this market, Adisseo endeavors to optimize the manufacturing process via R&I. The production cost has been reducing year-over-year thanks to the process optimization, higher yield as well as higher reliability thanks to our safe & sustainability DNA. Adisseo has been very resilient and will pursue this winning strategy in the coming years. Our ambition is to be the No. 1 in methionine.

2. The impairment and restructuring from Commentry and old Innov’ia plant as well as close down of Kallo (Belgium plant) significantly impact the Company's bottom line, do we expect any further cost in relation to the three plants to be incurred in 2024?

Net profit of Adisseo for FY2023 was impacted by the impairment and restructuring mostly from Commentry and old Innov’ia plant as well as restructuring costs due to close-down of Kallo plant in Belgium. However, the net impact after corporate income tax arising from the impairment and the restructuring represent less than 10% of net profit attributed to shareholders of audited FY2022 figure.

From a long-term perspective, the closure of the aforementioned plants will have a positive impact on Adisseo. These plants are relatively old and small in scale, with deficiencies in economic and sustainable development. For example, with the closure of the methionine production line of Commentry plant, investments are to be made to improve global cost competitiveness, including investment in other European plants and the new powder methionine plant Quanzhou. These measures will help to enhance the overall cost competitiveness of methionine; similarly, before closing the old Innov’ia plant, the Company had already completed the construction of a new plant with greater capacity and higher efficiency. The Kallo plant in Belgium will be replaced by the new plant currently under construction in Spain, which is expected to be officially operational in the second half of this year. These closures are all disposals of old inefficient assets, which will positively contribute to Adisseo's future long-term competitiveness. It is expected that the impairment and restructuring of assets from the above production lines and plants will have a limited impact on 2024 net result.

3. What is the cost level of Adisseo liquid methionine? What is the cost differences

in different plants?

Adisseo has the world's most advanced liquid methionine production technology. We continuously reduce the production costs of liquid methionine through process innovations, operational excellence, and cost reduction measures. In the context of challenging market conditions, we have implemented an extra cost reduction program in 2023, which further enhanced the cost competitiveness of liquid methionine. Around CNY900million has been saved since 2019 through competitiveness enhancement plan, among which includes saving in production cost.

Currently, we have two liquid methionine production platforms in China and Europe, using the same production process. These platforms can learn from each other through internal benchmarking to continuously improve quality and efficiency. We are confident to consolidate our leadership in the market.

4. Given the overall overcapacity of methionine in the current market, what considerations have made to build the new methionine project in Quanzhou? Is there a strategic consideration to engage in a price war to increase market share?

From the perspective of industrial development, the Company believes that as the level of industrialization in agricultural production continues to rise, the demand for feed additives will keep growing. From a global layout point of view, as a leader in global methionine, Adisseo is one of the few manufacturers capable of providing both powder and liquid methionine. To better meet the diverse needs of customers worldwide, the Company needs to have a high-quality, cost-leading industrial layout in both powder and liquid methionine to provide comprehensive products and services globally.

From the perspective of cost advantage, Adisseo is already a leader in the liquid methionine field. For powder methionine, the Company needs to increase its capacity with stronger cost competitiveness to further consolidate its overall competitive edge, especially considering the current market demand for powder methionine in China and emerging markets. Through investing in process innovation for powder methionine and constructing new powder methionine capacity in Quanzhou, leveraging the stable and competitive raw material supply and synergistic effects brought by the Sinochem industry platform, and continuous optimization of the European production platform, all these efforts will boost the company's overall methionine competitive ability.

Methionine being the first pillar in our “two-pillar” strategy, we are unwaveringly committed to pursue our investment in methionine. With our R&D expertise and cost control capabilities in the field of methionine, we are confident that we can effectively convert new production capacity into our market share and become the leader in the methionine industry.

5. Regarding the financing situation for the total investment of 4.9 billion yuan in the Quanzhou powder methionine factory, how is it currently progressing?

As far as financing for the investment of Quanzhou powder methionine plant is

concerned, there will be 3 levels available for us. First, Adisseo has strong cash creation capability. Thanks to the strict cash and working capital management, the company can generate positive & healthy cash flow in past few years, which will provide strong support for long-term strategic investments. Second, Adisseo consistently maintains solid balance sheet, allowing big room for debt financing. Lastly, being a listed company, Adisseo is in the position to leverage its listed status to obtain equity financing. All in all, we are actively exploring all possible financing methods and will make corresponding disclosure to market if necessary.

6. Considering factors such as the European energy crisis and the Red Sea incident, how does the company view the competitive advantages of its European manufacturing base? Is there a preference to produce more products in China in the future?

Adisseo serves global customers, and a global layout is indispensable. In addition to production costs, distribution costs are also an important consideration in the Company's distribution network. The Company has undertaken different measures to enhance the operational capabilities of European plants, including the recent decision to definitely not restart the powder methionine production line in Commeny. More measures will be implemented in European plants in the future, and the cost competitiveness of these factories is expected to be enhanced.

7. What are the main growth for specialties in Q4 2023? Does the Company have a target growth rate for 2024? How is the development of new products progressing?

In Q4 2023, despite challenging dairy market conditions both in North America and China, the specialty business recorded a double-digit revenue growth of +10% in Q4 compared with Q3, resulting in an +8% full year increase in 2023, thanks to: double-digit growth in new monogastric products (+13.5% in Selisseo) and successful penetration of Rovabio Phyplus; sustained growth in aqua in Latin America and EU regions; sustained health by Nutrition in Q4 2023 driven by Framelco business; positive dynamic in phytogenics Norfeed business, especially in Latin America, France and Germany;

Specialty gross margin increased to 49% in Q4, thanks to: Proactive margin protection actions, decrease in raw material, energy and logistic costs and optimization of product portfolio.

Despite the recovery of dairy market is not appearing yet and it could be the case for the first half of 2024, our target for double-digit growth in specialties remains unchanged.

8. With the recent increase in domestic vitamin A quotations, is there an expected rise in vitamin A prices for 2024? How does this compare to last year's trends? What is the company's competitive strategy for the vitamin business going forward?

The performance of the vitamin business improved in 2023 Q4, thanks to margin protection measures for vitamin A and ongoing optimization of the procurement strategy for vitamin E and our trade vitamin product lines. Our core

competitiveness lies in our strong brand and customer-oriented one-stop service. We are implementing various cost control and operational efficiency improvement initiatives to maintain profitability levels. Currently, the increase in vitamin prices in the European market is limited, and we do not anticipate significant changes in the supply and demand pattern; hence, we maintain a cautious outlook for the future.

We recognize the challenges that the vitamin industry is facing under the current market conditions. Since vitamin production is mainly concentrated in China while consumption is global, this geographical imbalance, coupled with an overall supply exceeding demand trend in the vitamin market, may also lead to structural changes in the competitive landscape.

In response to these challenges, Adisseo will closely monitor market dynamics and flexibly adjust our strategies according to changes in industry to promptly respond to market shifts and ensure the sustainable and robust vitamin business.

**9. Will the company maintain the same dividend payout ratio as last year?**

Regarding dividend policy, Adisseo has always followed the provisions in the Company's Articles of Association, adhering to a cash dividend distribution ratio of over 30%. Despite significant fluctuations in the market and industry environment in recent years, we continue to implement a sustainable, stable, and proactive profit distribution policy. The dividend plan for 2023 is subject to approval by the board of directors and the general meeting of shareholders. We are committed to sharing decent returns with all shareholders, actively following the dividend policies for shareholders stipulated by the Shanghai Stock Exchange and executing the dividend plan. Additionally, strict cash and working capital management enable Adisseo to be in the position to distribute cash dividends according to the shareholder's meeting approval.

**10. Any plan to implement stock incentive plan or buy-back or management stock purchasing from the market?**

Both CSRC and SASAC encourages state-owned enterprises to implement measures related to equity incentives, buy-back as well as other measures to promote the full alignment among all stakeholders, including controlling shareholders, minority shareholders and management. Adisseo is investigating all options and when it is mature, we will make corresponding announcement on the market. But as Adisseo is quite unique as we have many foreign executives and the current incentive plan of key managers already includes stock price related incentive (phantom shares), more factors in addition to SASAC regulations needs to be considered to ensure the effectiveness and feasibilities of the plans.

Bluestar Adisseo Company  
7th February 2024

Attachement :

No.	Institution name
1	Jinshan Lake Investment
2	China Electronics Investment Holdings Co., Ltd.
3	Everbright Securities
4	Shanghai Shenyin & Wanguo Securities Research Co., Ltd.
5	Huaan Securities
6	Hangzhou Xinchili Asset Management Co., Ltd.
7	Zheshang Securities
8	CITIC Securities
9	UBS Securities
10	Changjiang Securities
11	Guojin Securities
12	Guohai Securities
13	Guolian Securities
14	Great Wall Securities
15	CITIC Construction Investment Securities
16	Mingcheng Investment
17	Shenzhen Chenghe Chang Private Equity Securities Fund Management Co., Ltd.
18	Huaan Securities Research Institute
19	Shanghai Securities
20	CICC
21	BOCI
22	China Merchants Securities
23	GF Securities
24	Ningquan Asset
25	CICC Asset Management
26	Xinhua Asset Management Co., Ltd.
27	Haitong Securities
28	Ping An Wealth Management Co., Ltd.
29	Guosen Securities
30	Goldman Sachs (Asia)
31	Morgan Stanley
32	Jefferies Equity Research