

Company Code: 600299

Company Abbreviation: Adisseo

Bluestar Adisseo Company

2018 H1 Report (Abstract)

I. Important Notice

1. This Abstract is based on the full text of the 2018 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	30/6/2018	31/12/2017	Changes in comparison with the end of last year (%)
Total assets	20,295,408,804	21,329,082,225	-5
Net assets attributable to the shareholders of the Company	13,016,652,869	13,164,279,736	-1
	1/1/2018-30/6/2018	1/1/2017-30/6/2017	Changes in comparison with the same period of last year (%)
Operating revenue	5,749,988,088	4,932,120,233	17
Net profit attributable to the shareholders of the Company	489,211,568	577,370,721	-15
Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	482,454,350	573,063,037	-16
Net cash flow arising from operating activities	364,737,893	1,207,291,875	-70
Weighted average return on net asset (%)	3.75	4.63	(0.88)
Basic earnings per share (Yuan/share)	0.18	0.22	-18
Diluted earnings per share (Yuan/share)	0.18	0.22	-18

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				21,314	
Shares held by top ten shareholders					
Name of shareholder (full	Number of shares held by	Proportion of shares	Number of shares with	Status of pledged or frozen shares	Type of shareholder

name)	end of the period	held (%)	trading restrictions	Share status	Number	
China National Bluestar (Group) Co., Ltd.	2,389,387,160	89.09	2,107,341,862	Frozen	10,000,000	Stated owned legal entity
Perseverance Asset Management (Shanghai) LLP.	39,990,000	1.49	0	Unknown	0	Unknown
China Securities Finance Corporation Limited	13,794,697	0.51	0	Unknown	0	Unknown
Shaanxi Internathional Trust-SITI No.39 Jubaopen Security Plan	10,635,789	0.40	0	Unknown	0	Unknown
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	6,600,000	0.25	0	Unknown	0	Unknown
Changshi Investment Company Ltd	6,563,822	0.24	0	Pledged	6,560,000	Unknown
MacroLink Holdings Limited	6,068,074	0.23	0	Unknown	0	Unknown
China Electronic Investment Holding Company	5,185,185	0.19	0	Unknown	0	Unknown
Wu Mengling	3,892,824	0.15	0	Unknown	0	Unknown
Beijing Research and Design Institute of Rubber Industry	3,737,262	0.14	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. Except for the abovementioned 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

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. Although the global macro economy has demonstrated signs of slow recovery, significant disparity exists among the recovery process for each competitor. Trade imbalances and exchange rate fluctuations also increase the uncertainty of such recovery. Thanks to the fact that Adisseo is a key important player in the food value chain, Adisseo 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 smaller companies in the regional or local markets. Chinese New Comers (CUC / NHU) have started their new units during the years 2016-2017. All Historical players have communicated about new facilities to come during the period 2018-2021 (Sumitomo, Evonik, Novus and Adisseo). 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.

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:

- European platform expansion project: 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. In line with budget and schedule, it is being completed by the end of the year;
- Launch of Rhodimet® A-Dry+: in 2017 Adisseo also finalized the development of this truly innovative product. It is a brand new powder methionine product, based on the liquid

methionine (“HMTBA”) technology in order to offer the advantages of this molecule to customers whose manufacturing process does not allow the use of liquid form. The commercialization of this innovative product is ready to be started in H2 2018. The new A-Dry+ production unit, about 9 KT capacity consolidates the long-term future of the Burgos plant;

- Approval of the construction of a new platform: to meet the continuously growing demand of customers and thus consolidate its leadership role, the construction project of a new liquid methionine plant with a capacity of 180 KT per year was approved in January 2018 with a commissioning expected for mid-2021. The new facility will be located in the Nanjing Liuhe Chemical Park, adjacent to the existing Adisseo plant in Nanjing. An investment agreement has been signed with local authority by the end of June 2018;
- 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. Adisseo also acquired Nutriad in February 2018: Nutriad’s product range, the species addressed, and its target markets are highly complementary to Adisseo’s and will allow to implement integrated solutions to offer even more value to customers.

3.1.1 Analysis of main businesses

i. 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	5,749,988,088	4,932,120,233	17%
Cost of sales	3,744,717,664	3,086,426,606	21%
Selling and distribution expenses	525,516,980	471,895,384	11%
General and administrative expenses	491,758,277	363,539,550	35%
Financial expenses	20,848,316	9,246,326	125%
Net cash flow from operating activities	364,737,893	1,207,291,875	-70%
Net cash flow from investing activities	(1,677,619,124)	(509,375,412)	-229%
Net cash flow from financing activities	(1,293,438,066)	(755,576,426)	-71%
Research and development expenditure	178,658,653	121,685,278	47%

For the first half of 2018, the Company recorded an operating revenue of RMB 5.75 billion and a gross profit of RMB 2.01 billion, representing a yoy increase of 17% and 9% respectively thanks to the double-digit volume growth in liquid methionine, exceptional contribution from vitamins in a context of market supply shortage and accelerated growth of 34% in sales of specialty products including Nutriad’s offerings.

The increase of cost of sales was mainly due to significant higher raw material costs as well as

unfavorable FX impact.

The increase of selling expenses was in line with the increase of sales volumes as well as the further expansion of the Specialties business team to support the second-pillar strategy including the scope effect due to Nutriad acquisition.

The increase of financial expenses was mainly due to the decrease in currency exchange result in 2018.

The decrease of net cash flow from operating activities was explained by the lower margins.

The decrease of net cash flow from investing activities was mainly due to the acquisition of Nutriad, the on-going investing projects on both historic European & Nanjing platforms and the launch of the construction of the third platform in Nanjing.

The decrease of net cash flow from financing activities is due to the early redemption of the preferred shares, issued on March 27, 2014 by BANG, for USD 80 million.

The increase of R&D expenditures reflected management decision to invest continuously on innovation, which is the drive of future growth.

ii. 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

Items	As at June 30, 2018		As at December 31, 2017		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Cash at bank and on hand	5,016,686,121	25%	7,659,509,312	36%	-35%	Nutriad acquisition
Derivative financial	8,263,620	0%	19,287,286	0%	-57%	Change related to

Items	As at June 30, 2018		As at December 31, 2017		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
assets						hedging of EUR/USD
Other current assets	559,516,526	3%	371,771,619	2%	51%	Tax prepayment
Long-term receivables	59,508,536	0%	33,774,008	0%	76%	Nutriad acquisition
Construction in progress	1,203,453,762	6%	887,324,323	4%	36%	Increase linked to European and Nanjing platforms expansion and A-Dry+ projects.
Goodwill	1,526,831,628	8%	872,298,201	4%	75%	Nutriad acquisition
Other non-current assets	32,009,340	0%	8,468,000	0%	278%	Miscellaneous prepayments for tangible assets
Derivative financial liabilities	26,290,554	0%	9,495,399	0%	177%	Change related to hedging of EUR/USD
Wages and benefits payable	406,375,717	2%	690,155,511	3%	-41%	Decrease linked to the payment of employee benefits with maturity less than one year at the end of 2017
Taxes payable	333,365,985	2%	221,281,764	1%	51%	Tax provision for the year 2018
Interests payable	5,045,499	0%	8,559,892	0%	-41%	Interests accrued
Dividends payable	0	0%	154,485,540	1%	-100%	Payment on June 13
Current portion of non-current liabilities	59,254,417	0%	85,191,616	0%	-30%	Reversal of provision

ii. Restricted assets at the end of reporting period

☐ Applicable ☒ Not applicable

iii. Other information

☐ Applicable ☒ Not applicable

3.1.4 Summary of Analysis of overall investments

i. Overall analysis on equity investment

☐ Applicable ☒ Not applicable

a) Significant equity investment acquired in the reporting period

☐ Applicable ☒ Not applicable

b) Significant non-equity investment made in the reporting period

☐ Applicable ☒ Not applicable

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 and raw materials. 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 paragraph 29 “Hedge accounting” in Section 10.

3.1.5 Sales of major assets and equity

☐ Applicable ☒ Not applicable

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	7,493,580,692	4,338,045,547	388,843,362	NA
Bluestar Adisseo Nanjing Co., Ltd	RMB 1,969,000,000	R&D, production and distribution	3,861,247,400	2,888,585,967	53,089,237	NA
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	843,458,682	546,829,499	24,844,271	NA
Adisseo USA Inc.	USD 3,139,000	Distribution	349,786,133	263,740,599	(9,701,273)	NA
Adisseo Brasil Nutricao Animal Ltda	BRL 1,987,106	Distribution	352,327,034	7,097,399	1,767,946	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	4,599,991,726	661,135,677

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 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 applicabl

3.3 Board's analysis on important corrections of prior period errors

☐ Applicable ☒ Not applicabl

(This is an English translation. If there is any conflict between the Chinese version and its English translation, the Chinese version will prevail.)