

Bluestar Adisseo Company
2018 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, 2018 amounted to RMB 926,130,660 and the accumulated profits available for distribution at parent company level as at December 31, 2018 amounted to RMB 465,347,234.

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 of 2,681,901,273 shares dated December 31, 2018, the Company will distribute to all shareholders, cash dividend of RMB 1.73 yuan per 10 shares (inclusive of tax). The total amount of the cash dividends to be distributed is RMB 463,968,920.23 yuan.

The above proposal is still subject to the approval of 2018 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
Contact address	9 West Beitucheng Road, Chaoyang District, Beijing
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2. Main businesses explanation of the company during the reporting period

The primary businesses of the Group are as follows: research, development, production and sale of feed additives for animal nutrition.

Adisseo is a global leader in nutrition and health feed solutions including research and development, production and sales with over 75 years' experience. Adisseo supplies three types of products: Performance products (including methionine, vitamins, ammonium sulfate and sodium sulfate), Specialty products (including enzymes, rumen-protected methionine, organic selenium and probiotics additives) and Other products (including carbon disulfide, sulfuric acid and services of processing powder). By relying on its rich product mix, expansive sales, distribution platforms and strong technical support team, the Company provides innovative feed additives solutions to around 3,500 customers located in over 100 countries globally.

The Group owes its success to a strategy in which innovation is the driving force. As such, Adisseo has around 200 people dedicated to research, in a commitment to continuously bringing new, ever more effective products to market. 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.

Adisseo's mission is to provide the world with healthy, sustainable, affordable, high quality food without compromising the principles of sustainability.

By 2050, the world's population will have risen 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 further aggravate this complexity.

The feed-food chain face 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 animal healthy and feeling well.

From this perspective, 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. Especially, Adisseo currently provides animal nutrition additives for essential nourishment and digestibility improvement, 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).

As well Adisseo feed ingredients contribute to support sustainable production and environmental protection by the reduction of effluent (e.g. methane, nitrogen, and phosphorus), the increase of resource efficiency and the balance of animal productivity and welfare.

Adisseo is a global leader in its main product lines:

- Adisseo is a world leader in methionine market and the world's second largest producer of methionine in 2018 by market share. Adisseo is one of the few global methionine producers capable of producing methionine in both powder and liquid 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 a world-leading and the most recognized supplier of Non-Starch Polysaccharide enzymes;
- Adisseo is uniquely positioned in the vitamin business in the feed industry, who endeavors to provide a packaged offer of vitamin solutions with high quality and complete traceability of the products.

Its global leadership in the methionine market and deep scientific know-how in feed nutrition have enabled Adisseo to establish long-term and stable relationships with its customers. Taking full advantage of its unparalleled global sales network, Adisseo provides its customers with a comprehensive and diverse product mix that includes methionine, vitamins and specialties to satisfy the customers' demand for multiple products, and consistently provides high-quality products and after-sales service in all product lines.

Furthermore, Adisseo has a powerful team of technical experts to offer professional consultation on additive application technologies and feed formulation and finished products analysis, strengthening its position as the go-to supplier for and its long-term and productive relationships with its customers.

Adisseo is present worldwide and operates on all continents and relies on its 9 R&D centers and its production sites based in Europe, USA and China to design, produce and market nutritional solutions for sustainable animal feed with sales force organized in five business areas:

Europe/Africa/Middle East, North & Central America, South America, Asia Pacific and China.

The manufacturing platforms enable Adisseo manage the majority of its production internally, some vitamins are traded and Adisseo works with industrial partnerships for the production of specialties.

The 9 R&D centers represent true engines of its development. In order to ensure sustainable growth, Specialty products will become a second business-pillar and thus Adisseo allocates financial resources on R&D for new products.

In order to obtain broader penetration to China market, along with active development of the overseas business, Adisseo also actively participates in various activities in China. Participation of the world's first import-themed national-level expo, China International Import Expo (CIIE) further enhanced its cooperation with major business partners in China. The event again demonstrated continuous strong support from our controlling shareholders with visitors to the booth from the top management of both ChemChina and Bluestar Group.

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 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.

3. Main financial data

3.1 Main financial data for the latest three reporting periods

Unit: Yuan Currency: RMB

Main accounting data	2018	2017	Changes in comparison with the same period of last year (%)	2016
Total assets	21,453,362,349	21,329,082,225	1%	19,943,821,352
Operating revenue	11,417,981,750	10,397,823,108	10%	10,688,263,140
Net profit attributable to the shareholders of the Company	926,130,660	1,323,315,773	-30%	1,865,346,347

Net profit attributable to the shareholders of the Company after deduction of non-recurring profit or losses	907,325,102	1,290,183,564	-30%	1,866,719,988
Net assets attributable to the shareholders of the Company	13,602,423,751	13,164,279,736	3%	12,075,838,659
Net cash flow arising from operating activities	1,441,696,047	2,513,085,624	-43%	3,053,923,615
Basic earnings per share (Yuan/share)	0.35	0.49	-0.29	0.70
Diluted earnings per share (Yuan/share)	0.35	0.49	-0.29	0.70
Weighted average return on net asset (%)	6.90	10.51	decrease of 3.61	16.79

3.2 Main financial data on a quarterly basis for the reporting period

Unit: Yuan Currency: RMB

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Operating revenue	3,013,914,234	2,736,073,854	2,775,317,639	2,892,676,023
Net profit attributable to the shareholders of the Company	351,812,300	137,399,268	220,302,733	216,616,359
Net profit attributable to the shareholders of the Company after deduction of non-recurring profits and losses	346,636,354	135,817,996	216,176,832	208,693,920
Net cash flow from operating activities	(22,464,050)	387,201,943	373,948,874	703,009,280

Explanation of the data difference between the above quarterly financial data with the data published in previous quarterly reports:

Applicable Not applicable

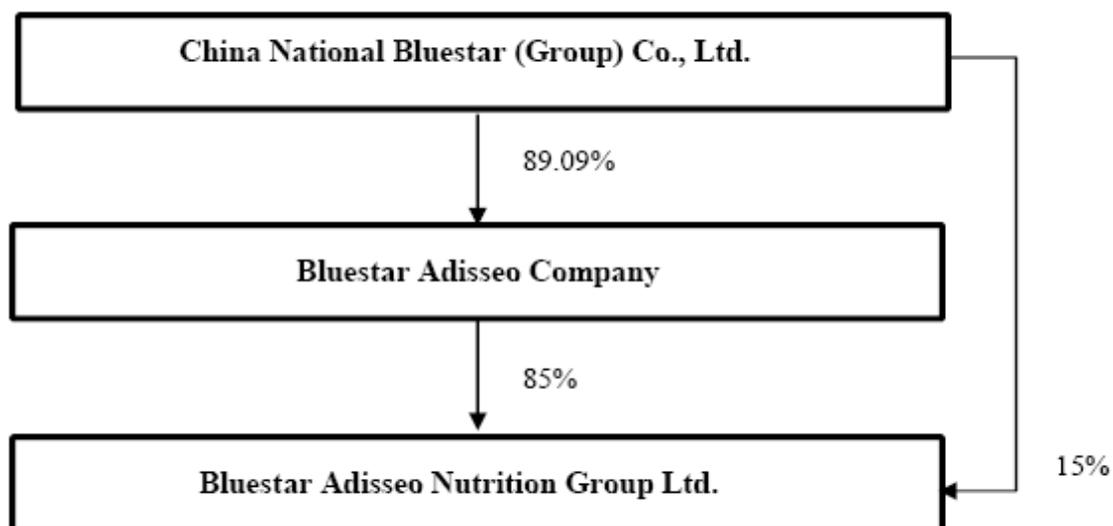
4. Share Change and Shareholders

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

Total number of shareholders by the end of reporting period					22,655		
Total number of shareholders at the end of the last month before the date when the annual report was published					31,611		
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	2,389,387,160	89.09%	2,107,341,862	Frozen	10,000,000	Stated owned legal entity
Perseverance Asset Management (Shanghai) LLP.	53,491,901	54,715,401	2.04	0	Unknown	0	Unknown
China Securities Finance Corporation Limited	0	13,794,697	0.51%	0	Unknown	0	Unknown
Jiangsu Juhe Chuangyi Emerging Industry Investment Fund LLP	607,000	6,607,000	0.25	0	N	0	Unknown
Changshi Investment Company Ltd	0	6,563,822	0.24	0	Pledged	6,560,000	Unknown
China Electronic Investment Holding Company	0	5,185,185	0.19	0	N	0	Unknown
Yi HE	4,500,000	4,500,000	0.17	0	N	0	Unknown
Beijing Research and Design Institute of Rubber Industry	0	3,737,262	0.14	0	N	0	Unknown
Jiayu Liu	618,400	2,211,606	0.08	0	N	0	Unknown
Bo Chen	-1,373,982	2,107,502	0.08	0	N	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						

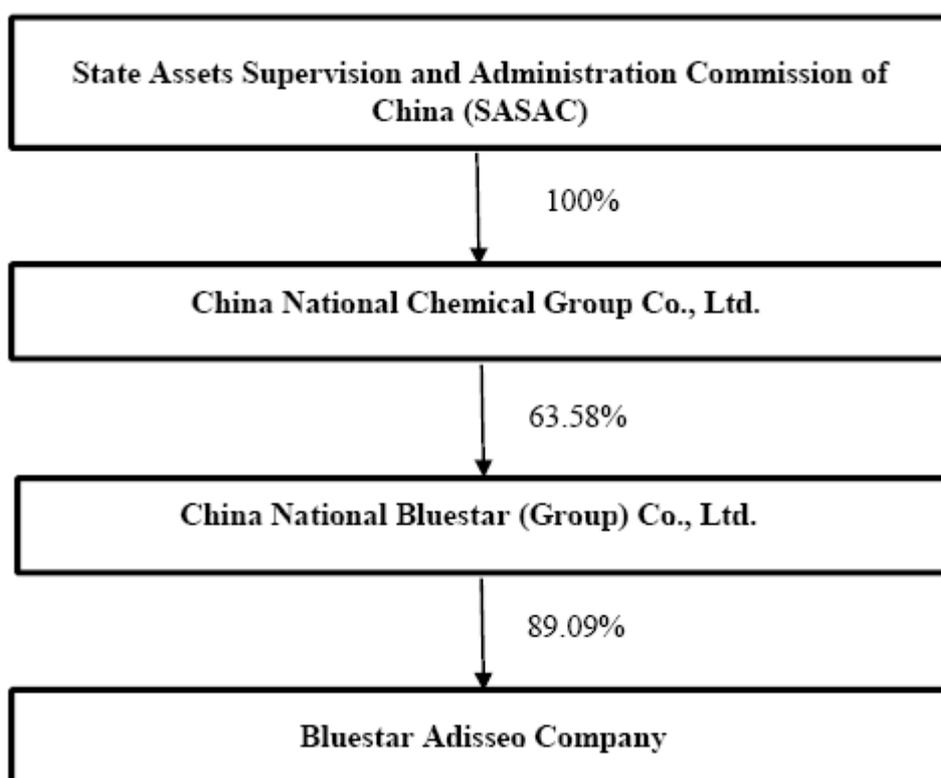
4.2 Block diagram of the shareholding interest and control relationship between the Company and its controlling shareholders

Applicable Not applicable



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

Applicable Not applicable



4.4 Total number of preferred shareholders and Shares held by top ten shareholders

Applicable Not applicable

5. Corporate bonds

Applicable Not applicable

III. Discussion and Analysis of the Operation

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

See analysis of main business and related contents.

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	11,417,981,750	10,397,823,108	10%
Cost of sales	7,433,746,398	6,350,759,160	17%
Selling and distribution expenses	1,214,491,598	1,005,421,123	21%
General and administrative expenses	662,060,522	485,412,524	36%
Research and development expenditure	298,112,113	235,620,918	27%
Financial expenses	(44,370,696)	(57,062,707)	22%
Net cash flow from operating activities	1,441,696,047	2,513,085,624	-43%
Net cash flow from investing activities	(2,384,358,208)	(900,548,429)	-165%
Net cash flow from financing activities	(1,373,468,192)	(880,068,583)	-56%

(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/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
Health and Nutrition	11,417,981,750	7,433,746,398	35%	10%	17%	-4%

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	8,495,564,090	5,909,035,432	30%	5%	12%	-5%
Specialty products	2,261,542,569	1,148,036,033	49%	31%	52%	-7%
Other products	660,875,091	376,674,933	43%	17%	24%	-4%
Total	11,417,981,750	7,433,746,398	35%	10%	17%	-4%

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	3,872,245,015			17%		
North & Central America	2,392,665,760			3%		
Asia / Pacific (excluded China)	1,913,670,018			12%		
South America	1,741,032,926			6%		
China	1,162,201,679			1%		
Other	336,166,352			23%		
Total	11,417,981,750			10%		

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

√ Applicable □ Not applicable

(*) 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 2017	Change in Volume	Change in sales price	Change in scope	Exchange rate impact
Performance products	(2,957,260)	374,620,930		22,344,712
Specialty products	(106,839,672)	(42,232,283)	679,600,241	1,436,165

Adisseo's operating revenue in 2018 totaled RMB 11,417,981,750 and increased by 7% at constant EUR/CNY rate (i.e. 10% at current EUR/CNY rate), compared to 2017.

b. Production, Sales and Inventory Quantity analysis

√ Applicable Not applicable

Units of volume by category of products comprising are not homogeneous. Therefore, no disclosure have 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		7,433,746,398	100%	6,350,759,160	100%	17%	Impact of increasing volume of sales and high raw material cost

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 (73%), Depreciation and amortization (11%), Other (16%)	5,909,035,432	79%	5,290,143,748	83%	12%	Increased raw material cost and impact of increasing 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
Specialty products	Raw materials, purchased equipment and consumables used (77%), Depreciation and amortization (5%), Other (18%)	1,148,036,033	15%	757,693,985	12%	52%	Impact of increasing volume of sales and scope effect due to Nutriad
Other products	Raw materials, purchased equipment and consumables used (46%), Depreciation and amortization (18%), Other (36%)	376,674,933	5%	302,921,427	5%	24%	Impact of increasing volume of sales and scope effect due to Inodry

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 877 million, accounting for 8% of the Group's total operating revenue. There is no sales revenue from the related parties.

N°1: RMB 258 million; N°2: RMB 203 million; N°3: RMB 152 million; N°4: RMB 132 million; N°5: RMB 132 million.

The total amount of purchasing from the Company's top 5 suppliers amounted to RMB 1,709 million accounting for 23% of the Company's total operating cost, in which the amount of purchasing from the related parties is null.

N°1: RMB 544 million; N°2: RMB 489 million; N°3: RMB 300 million; N°4: RMB 222 million; N°5: RMB 154 million.

(2) Expenses

Applicable Not applicable

Items	Amount of current period	Amount in the same period of last year	Change (%)
Selling and distribution expenses	1,214,491,598	1,005,421,123	21%
General and administrative expenses	662,060,522	485,412,524	36%
Financial (income)/expenses	(44,370,696)	(57,062,707)	22%

The increase of selling expenses was in line with the increase of sales volumes as well as the further expansion of business team of specialty production worldwide to support the second business-pillar strategy.

The increase of financial expense is mainly due to the negative FX result in 2018 linked to South America currencies weakness.

(3) R&D expenditures

Applicable Not applicable

Unit: Yuan

Research and development expenditure recorded in expenses of current period	384,437,994
Research and development expenditure capitalized of current period	18,293,514
Total research and development expenditure	402,731,508
Proportion of total research and development expenditure to operating revenue (%)	3.53%
R&D headcount as of December 31 2018	179
% of R&D headcount over total headcount	8%
% of capitalized R&D expenditure over total amount	5%

Explanation

Applicable Not applicable

The Research and development expenditure in the Income statement are decreased by a tax return effect about RMB 86,325,881.

Adisseo has reinforced its R&D resources in China by establishment a new R&D center in Nanjing as well as a new strategic alliance with Sichuan Agriculture University for the purpose to provide timely support and innovation to Nanjing plant as well as more China-market oriented technologies and solutions. A new partnership started mid-2018 with the University of Arkansas in Fayetteville (US) on poultry nutritional research.

(4) Cash flow

Applicable Not applicable

The Adisseo net cash flow from operating activities amounts to RMB 1,441,696,047 compared to RMB 2,513,085,624 last year.

The decrease of net cash flow from operating activities compared to the same period of last year is explained by:

- RMB -1,130 million (-45%) due to the decrease in Adisseo's gross profit at constant EUR/CNY rate;
- RMB 59 million (2%) due to changes in the EUR/CNY currency exchange rate.

The operating cash flow generated by Adisseo enabled to invest RMB 2,384,358,208 including the acquisition of Nutriad and Inodry, to partially redeem the preferred shares for an amount of RMB 517,192,516 and pay dividends for an amount of RMB 752,271,800, including dividends paid by BANG to non-controlling interests.

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

1.3 Analysis of assets and liabilities

(1) Information of assets and liabilities

Unit: Yuan

Items	As at December 31, 2018		As at December 31, 2017		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Cash at bank and on hand	5,282,336,110	25%	7,659,509,312	36%	-31%	Decrease due to Nutriad Acquisition and PPE expenditure
Derivative financial assets	6,772,220	0%	19,287,286	0%	-65%	Change related to hedging of EUR/USD
Other current assets	583,989,258	3%	371,771,619	2%	57%	Increase due to tax prepayment
Available-for-sale financial assets	25,627,615	0%	16,866,929	0%	52%	New investments
Long-term receivables	59,891,031	0%	33,774,008	0%	77%	Increase due to Nutriad acquisition
Construction in progress	1,410,987,041	7%	887,324,323	4%	59%	Increase linked to European and Nanjing platforms expansion and A-Dry+ projects
Goodwill	1,626,099,606	8%	872,298,201	4%	86%	Increase due to Nutriad and Inodry acquisition
Other non-current assets	89,614,318	0%	8,468,000	0%	958%	Miscellaneous prepayments for the third platform construction in Nanjing
Derivative financial liabilities	67,384,765	0%	9,495,399	0%	610%	Change related to hedging of EUR/USD
Advances from customers	7,076,771	0%	4,551,000	0%	55%	Increase due to prepayment from customer
Wages and benefits payable	412,554,992	2%	690,155,511	3%	-40%	Decrease linked to the payment of employee benefits with maturity less than one year at the end of 2017
Interest payable	5,731,676	0%	8,559,892	0%	-33%	Interests payment
Dividends payable	3,531,285	0%	154,485,540	1%	-98%	Dividends paid on June 13
Current portion of non-current liabilities	135,567,900	1%	85,191,616	0%	59%	Increase due to Inodry acquisition

Items	As at December 31 , 2018		As at December 31, 2017		% change	Explanation
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Long-term borrowings	30,592,778	0%	12,531,930	0%	144%	Increase due to Inodry acquisition

(1) Restricted assets at the end of reporting period

Applicable Not applicable

(2) Other information

Applicable Not applicable

1.4 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 significantly over the coming years. This growth is expected to be driven primarily by the industrialization of meat production, global population growth and wealth creation. This should be the case in emerging markets, where consumers’ dietary preferences are expected to shift towards protein-rich diets.

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.

This 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 and vitamin 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.

On the demand side, global methionine continues to grow on a global scale at a rate of 5-6% per year as shown in the following internal analysis.

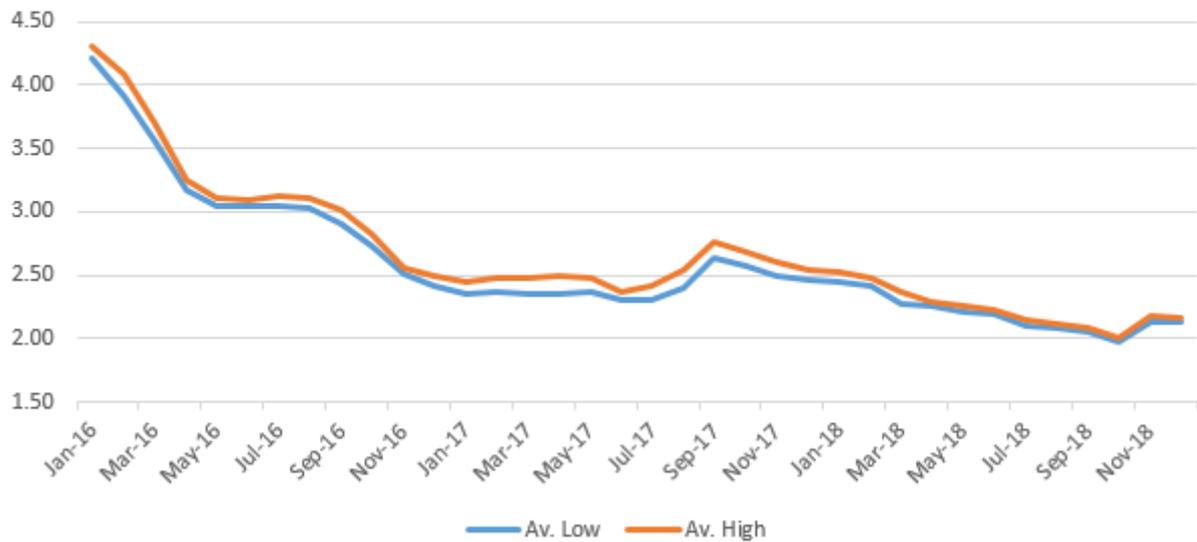
	2017	2018	2019	2020
Demand KT	1265	1338	1414	1492
% growth rate	+6.3%	+5.8%	+5.7%	+5.5%
Additional volume	75	73	76	78

On the supply side, methionine supply shortage in 2015 has impacted market prices up. The announced new capacities from competitors have finally come on stream after some delays. In 2017 and 2018, Adisseo 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 Adisseo volumes growth, and raw material prices increase based on a higher Brent level has been partly compensated by rigorous cost management.

After a decrease till a unit price under 2.00\$ in October 2018, a rebound has been observed on the market at the year end.

DL-Methionine Price evolution
(source Adisseo : Average monthly European Spot Price consolidation from Feedinfo web site)



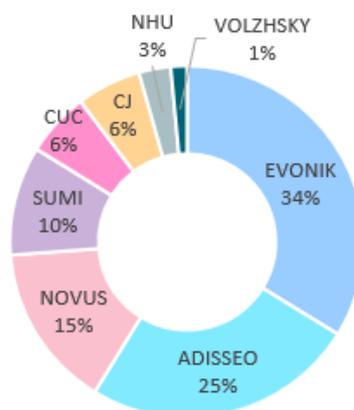
- Adisseo’s Competitive landscape in each Business

Methionine

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. As the aforementioned key methionine players continue to strengthen their global position currently, they have increased investments in Asia, while domestic companies represented by Ningxia Ziguang keep investing in additional capacity. Zhejiang NHU has entered in the methionine market during the 1st semester of 2017, however, with a nameplate capacity of 50 KT per year, the extra volumes sold into the market during 2017 remained modest in the context of the overall global demand of around 1300 KT. During 2017 CJ sold more product into the market than the previous year. However, the year on year increase was modest and partially absorbed by their growing captive use.

According to an Adisseo analysis, there have been only minor increases in the volumes of additional capacity brought to the market during the past twelve months and the capacity of methionine (KT per year) by major players breaks down as follows:

Worldwide Methionine capacity 2018 - Total 1700KT in DLM eq



As indicated above, Adisseo is the world's second largest producer of methionine in 2018.

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.

Enzymes

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.

(2) Product and production

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, 240,000 MT specifically in Europe in dedicated Tank rail car fleet.

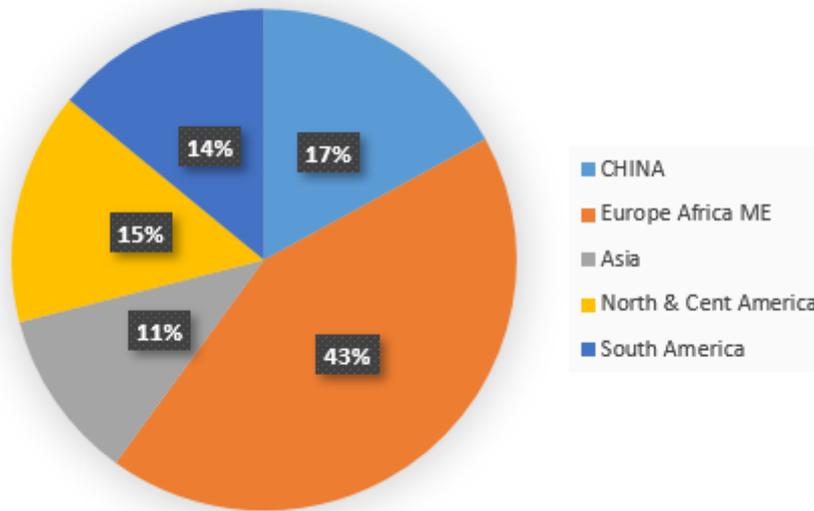
In 2018 for the finished products, Adisseo moved worldwide around 865,800 MT compared to 836,900 MT in 2017 (these past figures have been corrected).

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

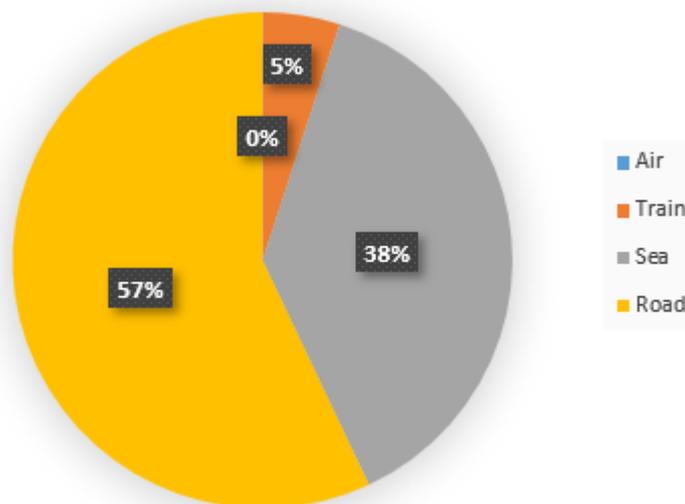
The transport unit are various: truck, dry and reefer containers for packed goods and tank truck, rail tank cars, isotanks and parcel tankers for bulk.

Below the split per region and per mode in terms of number of shipments in 2018:

Split per Region



Split per mode



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 with regard to warehouse management. These policies are regularly audited and improved.

a. Main operating mode

Applicable Not applicable

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 and probiotics additives	Specialty products	Enzymes: visco, cellulose, stearic acid, wheat flour. Rumen-protected methionine: propylene, gas, ammoniac, Sulphur, methanol, latex, isobutyl propionate silica et 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.

In this complex technical and sanitary trade environment, Adisseo ensures products market access in more than 100 countries, resulting in more than 1150 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 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 9 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 analysed several hundreds of POCs (Proof of Concepts) and build up a start up deal flow, which realized the first investments in early 2019. In 2018, the Company’s total research and development expenditures amounted to RMB 402,731,508 (including expenditure capitalized for the period) and its proportion to net assets and operating revenue was 3.0% and 3.5%, respectively.

Please refer to Section 4, Part II.1.(3) 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. All at once, this organization allows to Adisseo to export world wide 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	20,000	2019
New Nanjing Plant	180,000	Mid 2021
European platform expansion	50,000	2018
Rhodimet® A-dry+	9,000	2019

f. 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 2018 as planned.

With the completion of A-dry+ Project, there will be additionally 9 KT to be offered to the customers whose manufacturing process does not allow the use of liquid form so that they can also enjoy the benefits of this molecule to them.

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, 2018. The new facility locates in the Nanjing Liuhe Chemical Park, adjacent to the existing Adisseo plant in Nanjing. It is expected to start about mid-2021 and will require an investment estimated at USD 490 million. The project is progressing as planned.

g. Adjustment and improvement on product line or product capacity structure

Applicable Not applicable

After completion of the 2016 phase of its development, the Nanjing plant in China can produce liquid methionine at full capacity i.e. 150 KT per year. With the further debottlenecking project completed in current Nanjing plant, the new nameplate capacity of the Nanjing Plant will achieve 170 KT per year.

h. Description of unusual production halts

Applicable Not applicable

(3) Purchasing of raw material

a. Basic information of principal raw material

Applicable Not applicable

Unit: RMB

Raw material	Purchasing pattern	Market value of raw material	Prices Fluctuation vs 2017	Impact on operating cost of the company due to the fluctuation in the purchase price
Propylene 95%	Long-term contract	1,066,786,951	10%	Increase in operating cost
Methanol	Long-term contract	255,166,113	21%	Increase in operating cost
Sulphur	Long-term contract	215,801,051	47%	Increase in operating cost

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

Description of financing approaches (including derivatives deals)

Applicable Not applicable

Description of other methods (including periodically reserve)

Applicable Not applicable

(4) Description of sales of product

a. Sales pattern

Applicable Not applicable

Adisseo manages different kinds of contracts depending on the customers' needs and the product. For methionine sales, Adisseo could propose spot sales, simple contract between 1 and 12 months with prices fixed at the order, or long-term contract over many years with fixed volumes and prices defined by quarter/month.

b. Basic 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 IV. II. Analysis of results of operations of main businesses in the reporting period.

Adisseo' industry is "Health and Nutrition".

c. Pricing strategy and price variation of principal product

Applicable Not applicable

Historical pricing volatility in the methionine market has been attributable to exogenous factors like natural disasters or animal disease outbreaks and competitive behaviors from industry participants.

Competitive behaviors within the industry and related new capacity announcements or start-ups could also affect the supply and demand balance.

The pricing environment for vitamins is primarily driven by supply and demand dynamics.

The primary end for vitamin A and E markets are animal feed. However, vitamin E is also driven by the human food, pharmaceutical and cosmetics markets.

The pricing of our products is in most cases in-line with market pricing which can vary from region to region. Where possible, our prices also reflect a premium for the value-added support services that we provide to our customers.

Our global pricing policy is implemented at three levels: global, regional and national. Our global pricing strategy is established by our Global business directors. The responsibility of the Regional business managers is to adapt this global pricing strategy according to the specific market and

competitive environment of the countries under their responsibility.

Regular reviews facilitate Adisseo ability to secure contracts with key customers at the right price and to seize profit-maximizing opportunities. A substantial number of our contracts across all our business lines are concluded on a quarterly basis with fixed pricing for such period.

d. Basic information of main operating by sales channel

Applicable Not applicable

Sales through distributors represent less than 15% of Adisseo total turnover (2017: 10%). The main part is performed directly by Adisseo own commercial network.

e. 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.

f. Information of co-products, by-products, semi-finished products, waste materials, recycling products of residual heat

Applicable Not applicable

Product	Capacity of production for the year	Pricing methods	Main customers	Proportion to total operating revenue
Sodium sulfate	Not disclosed	Market prices	Feed and chemical producers	Not disclosed
Ammonium sulfate	Not disclosed	Market prices	Fertilizers producers and Planters	Not disclosed
Carbon sulphur	Not disclosed	Market prices	Viscose, rubber vulcanization, agrochemicals producers	Not disclosed

Explanation

Applicable Not applicable

(5) Environmental protection and safety production

a. Description of significant accidents happened in safety production

Applicable Not applicable

b. Investment in environmental protection during the reporting period

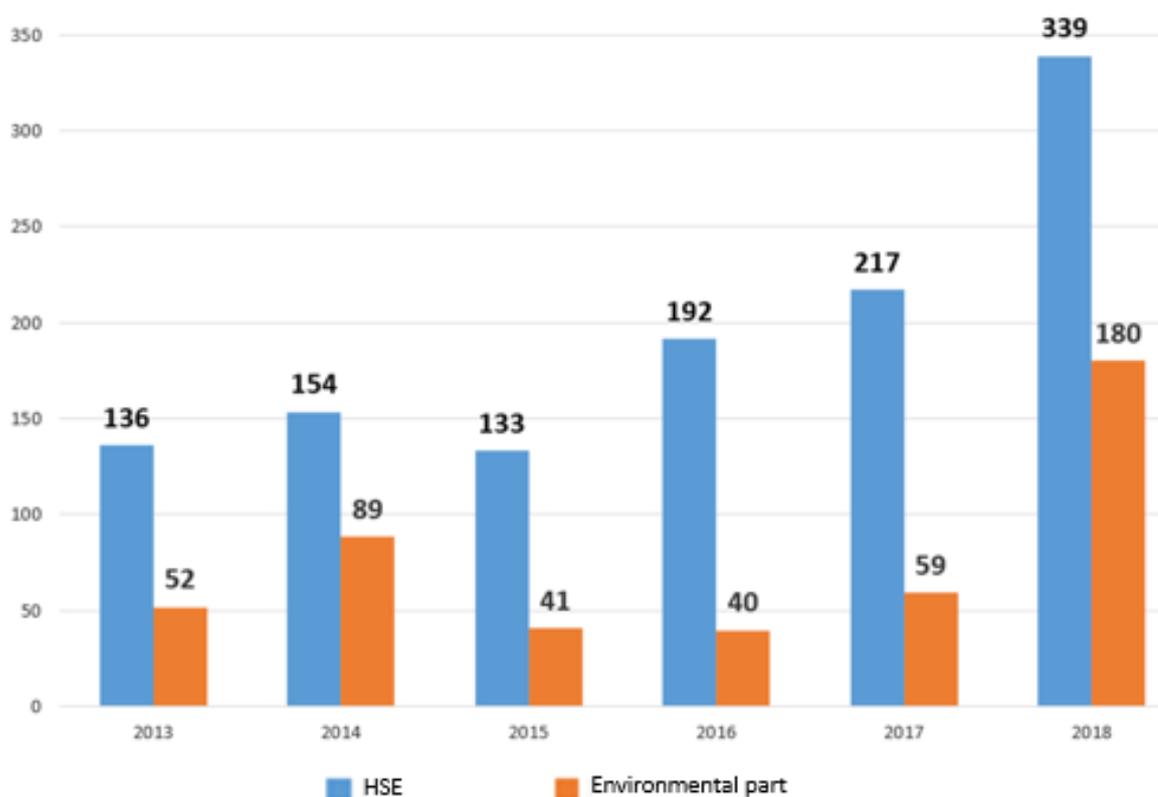
✓ Applicable Not applicable

Every year, Adisseo conducts new surveys and initiates new projects to reduce the environmental impact arising from its activities. From the supply chain to the water and energy consumption of production plants, office buildings and sales activities, every part of Adisseo is covered by the company's environmental policy. Adisseo is taking account of all the complaints with utmost care and strives to take the innovative route to addressing these issues. For example, a “Zero Odor” project with the objective to minimize the risk of inconveniencing local communities in the vicinity of our production plants was launched in 2016. In 2017, we realized odor cartography of each plants, identified most problematic areas, defined specific actions plans and shared good practices.

After establishment of odor cartography of each plants in 2017 and definition of best practices, specific action plans (confinement of most odorant release pipes for example) have been launched in 2018.

Adisseo is committed to further reduction of environmental impacts of its activities, adopting new ambitions targets on water consumption energy efficiency and GreenHouse Gases emissions per unit of manufactured product. (see indicators in our digital Sustainable Development report www.sustainability.adisseo.com/en/).

Focus on environmental part of HSE Investments (M RMB)



HSE: Health and Safety Executive

Important increase of environmental investments part in 2018 due to several major projects (new electrostatic filter to reduce dust in fumes at Nanjing, first steps of investing of a new waste water treatment unit at Commentry, new furnace to maximize energy recovery on a MMP production unit).

c. General information related to significant environmental events in the reporting period

Applicable Not applicable

d. Others

Applicable Not applicable

1.5 Summary of Analysis of overall investments

Applicable Not applicable

(1) Significant equity investment acquired in the reporting period

Applicable Not applicable

The overseas subsidiary of Bluestar Adisseo Company, Drakkar Group S.A, executed a Share Purchase Agreement in February 2018 to acquire 100% equity of Nutriad Holding B.V. with existing cash resources for a consideration of USD 213,599,026.

Nutriad is a multinational company headquartered in Dendermonde, Belgium, which operates 4 laboratories and 5 plants located in Belgium, Spain, the UK, China and the USA. This business generates sales of about USD100 million per year. The transaction is one of the important actions to implement the “Two-Pillar” strategy of the Company, which will accelerate the development of the specialty business.

(2) Significant non-equity investment made in the reporting period

Applicable Not applicable

(3) 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 paragraph 48 “Hedging” in Section 11.

1.6 Sales of Major Assets and Equity

Applicable Not applicable

1.7 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	7,972,514,626	4,773,165,629	705,768,016	NA
Bluestar Adisseo Nanjing Co., Ltd	RMB 2,559,000,000	R&D, production and distribution	3,985,227,756	3,569,142,616	143,645,886	NA
Adisseo Life Science (Shanghai) Co., Ltd	USD 700,000	Distribution & Sourcing	1,141,724,170	578,331,446	56,346,218	NA
Adisseo USA Inc.	USD 3,139,000	Distribution	467,853,101	340,126,393	54,190,239	NA
Adisseo Brasil Nutriçao Animal Ltda	BRL 1,987,106	Distribution	321,318,640	-10,187,068	-15,099,081	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	8,891,026,435	1,616,018,077

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 Commeny plant, powder methionine produced at the Commeny 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.

1.8 Structured entities controlled by the Company

Applicable Not applicable

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

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 of the Annual Report 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.)