

Bluestar Adisseo Company Announcement of Main Operating Data for the year 2018

The board of directors and all directors guarantee that this announcement does not contain any false statement, misleading statement or material omission, and assume personal and joint liability for the authenticity, accuracy and integrity of this announcement.

In accordance with SSE industrial information disclosure guidance No. 18-Chemical Industry and the notice of 2018 annual report disclosure, here present the 2018 annual operating data:

1. Income & Cost Analysis

Analysis by product

Unit: Yuan Currency: RMB

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%

Analysis of the factors impacting the income from sale of products

In comparison with 2017	Change in Volume	Change in sales price	Products impact	Exchange rate impact
Performance products	(2,957,260)	374,620,930	0	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 10% compared to 2017. Facing with constant pricing pressure as well as adverse macro-

environment, the gross profit margin ratio had a decrease of 4 percentage points compared with 2017 but remained stable at the level of 35% in H2 2018 thanks to the steady volume growth in liquid methionine, exceptional contribution from vitamins, accelerated growth of 31% in sales of specialty products.

Performance Product:

Regarding methionine business, Adisseo's leading position has been further strengthened with the completing of 50KT capacity expansion on the European platform in 2018 (Polar project) as well as the debottlenecking project of current Nanjing plant. The new 180KT liquid methionine plant in Nanjing (BANC2) is progressing as planned. Upon completion, the new plant will enable Adisseo to satisfy ever-increasing customer needs as well as to improve cost efficiency.

Adisseo mitigated the negative impact on volumes to continue to deliver Vitamin A to its key customers in an exceptional high price environment, which contributed significantly to the annual results.

Specialty Business:

Thanks to the acquisition of Nutriad products as well as strong growth in Selisseo and Alterion, specialty products recorded an operating revenue of CNY2.26 billion, representing a strong yoy increase of 31%, which reinforced its position as a solid second business pillar of Adisseo. Alterion® and Selisseo® recorded significant sales volume growth especially in Asia Pacific, Europe and South America. Due to that ruminants sales have been suffering from the U.S. milk crisis throughout 2018, the overall gross margin of specialty business was impacted.

2. Price variation of the principal products and raw materials

• Pricing strategy and price variation of principal product

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.

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.

• **Basic information of principal raw material**

Raw material	Purchasing pattern	Market value of raw material	Prices Fluctuation vs 2016	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

3. Other events that have significant impact over the company's production and operation

None.

It is hereby announced.

Board of Directors of Bluestar Adisseo Company

20 March 2019

(In case of discrepancies between the English version and the Chinese version of this announcement, the Chinese version, officially published and disclosed, shall prevail.)