

Bluestar Adisseo Company

Announcement of Main Operating Data for the First Quarter of 2023

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

In accordance with SSE *Industrial Information Disclosure Guidance No. 13-Chemical Industry* (2022 Revision) and the *Notice of 2023 the First Quarter Report Disclosure*, here present the operating data of the first quarter of 2023:

I. 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	2,107,651,119	1,823,479,608	13%	-17%	2%	-16ppt
Specialty products	827,768,886	487,742,984	41%	13%	28%	-7ppt
Other products	216,557,853	173,881,173	20%	8%	0%	6ppt
Total	3,151,977,858	2,485,103,765	21%	-9%	6%	-11ppt

Analysis of the factors impacting the income from sale of products

Unit: Yuan Currency: RMB

In comparison with Q1 2022	Change in Volume	Change in sales price	Exchange rate impact
Performance products	90,243,040	(629,976,665)	121,872,781
Specialty products	44,562,483	544,857	51,688,286

In Q1 2023, in the context of significant macro-environment challenges, revenues decreased by -9% yoy to CNY3.15 billion, and gross profit margin reduced by -11ppt to 21%, squeezed both by the sharp price decrease in performance products and by the still relatively high costs of raw materials even though reduced. First signs of price stabilization appeared but are yet to be confirmed.

Performance Product in Q1

Regarding the methionine business, Adisseo achieved strong volume growth (+25%) in liquid methionine driven notably by China. Double-digit revenue growth was achieved in China [+26%] thanks to extraordinary penetration of liquid methionine in China market. There is a positive dynamic in the Chinese market, showing promising future for continuous penetration of liquid methionine, supported by the successful acceleration in the installation of new liquid methionine spraying equipment.

Pricing has been under ongoing downwards pressure globally, but some signs of stabilization are starting in the Chinese market.

The positive effect arising from the decreased raw material and energy costs is expected to be materialized later this year due to the destocking effect.

Nanjing plant has been running at a high reliability with excellent safety result, enabling optimization of volume allocation in the context of fluctuating raw material and energy costs.

Adjustment measures, including the temporary shut-down of a European powder plant and the reduction of liquid production in Europe, are being continued to optimize costs.

Adisseo is implementing further operational excellence programs and strict cost-cutting plans with a target to deliver CNY200mil additional savings on fixed costs, in addition to ongoing competitiveness enhancement program, expected to deliver a recurring saving of around CNY138mil for 2023). More benefits are expected in the coming quarters.

Adisseo is also pursuing investment in sustainability and capacity expansion to reinforce leadership in methionine such as steam turbine project expected to run in Sept 2023.

In the context of pricing pressure, Vitamin A business was significantly impacted while Vitamin E price resisted.

Specialty Business in Q1:

In Q1 2023, despite challenging market environment, thanks to well recognized product value, specialty business revenues realized double-digit growth (+13%) driven by:

- Double-digit growth in ruminant business despite headwinds and the difficulties in China market due to economic crisis in dairy industry
- Continued growth in Feed digestibility and Health by Nutrition driven by the fast penetration of new products: Rovabio Phyplus and continued double-digit growth of Selisseo with expected growth acceleration in H2 2023
- Continuous double-digit growth in aqua

The gross margin (41%) was negatively impacted by the cost pressure primarily. A margin improvement is expected in the coming quarters given destocking of high-cost products in first quarter.

Specialties Capacity Expansion and Optimization Project has been progressing as planned both in China and Europe to support business growth, optimize industrial set-up and improve customer service.

The acquisition of Nor-Feed, a French group that designs, produces and markets plant-based specialty ingredients and plant extracts for animal nutrition, was closed in February 2023. This will allow Adisseo to enter the attractive fast-growing segment of natural plant extracts.

II. 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

Unit: Yuan Currency: RMB

Raw material	Purchasing pattern	Market value of raw material	Prices Fluctuation vs 2022 March	Impact on operating cost of the company due to the fluctuation in the purchase price
Propylene 95%	Long-term contract	295,970,694	-9%	Decrease in operating cost
Methanol	Long-term contract	61,104,178	-4%	Decrease in operating cost
Sulphur	Long-term contract	102,066,136	-15%	Decrease in operating cost

III. 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
26th April 2023

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