



2019

NITROGÉN MŰVEK ZRT.
ANNUAL REPORT



■ Message from the Chairman – CEO



Dear Partner!

The financial year of 2019 for Nitrogénművek Zrt. was all about change. The year had begun with a significant organizational transformation, which structure change has continued throughout the rest of the year. The provisions which affected numerous areas were decisive not only in relation to 2019, yet their positive effect will be perceptible in the medium/long term in the company's operational efficiency increase. In order to synchronize and optimize the products delivery and logistics process, the Logistics Directorate was established in August. The new organizational unit has quickly proved its *raison d'être*. Under their control, the outstanding volume of fertilizer orders, thanks to the 2019 year end fertilizer special offers, were delivered smoothly. As a further element of the strategy, integrator branches located in different parts of the country and the Mechanical plant, responsible for carrying out maintenance work in the area of Pétfürdő factory, were outsourced in October. Their results in the first three months of their independent operation confirm that 100% Nitrogénművek Zrt. former departments outsourced as subsidiaries are also able to stand their ground in the market environment. The year 2020 anticipates further significant organizational changes.

The group considers it important to constantly innovate and as part of this, from time to time revise and rationalize the existing processes. It is seeking to introduce innovative solu-

tions in all areas, which offer instant information access with optimal use of resources through automatisms.

As part of the optimization, NEXON payroll integrated system has launched live in the spring of 2019, by which human resource administration have become simpler, faster and more flexible.

The transportation, warehousing, and logistics processes were reviewed in April 2019 as part of a comprehensive project. During the survey, guidelines have been proposed, which implementation may further increase the efficiency of the Company.

In May 2019 an IT project has started in order to help the preparation of International Financial Reporting Standards conform Financial Statements; most of the pre-defined tasks could go live from 1st of January, 2020. As part of the same project, foreign subsidiaries supporting export activities are expected to join the Salesforce system at Nitrogénművek Zrt., which has been operating well for years, starting from the spring of 2020. The resulting uniformity contributes to the optimization of trade processes.

To complement the traditional commercial model, the Company's products are already available to end users through a webshop day and night.

In addition to human, financial and commercial developments, the modernization of production technology should also be emphasized. In the summer of 2019, the most important planned repairs, overhauls were successfully completed within the framework of the major shutdown, which takes place every 3rd year. During this time, the Ammonia plant DCS and APC systems were put into operation, which reliably support the management of extremely complex production processes as a state-of-the-art technological solution.

In 2019, an improvement in fertilizer market conditions was observed, and according to forecasts, with a further increase in fertilizer margins in 2020. Fertilizer manufacturing is a cyclical industry, forecasting growth in margins offers a positive outlook for the Company. The favourable market forecast and the innovative approach of the Company ensure that it can continue to serve its partners as a key player in agriculture

*Sincerely yours,
László Bige
Chairman CEO*



■ Board of directors of Nitrogénművek Zrt.



ZOLTÁN BIGE
Strategic Director



LÁSZLÓ BIGE
Chairman-CEO



ZALÁN BIGE
Member of the Board



ESZTER FÁBRY
CEO



JÁNOS SZILÁGYI
Member of the Board

■ Supervisory board of Nitrogénművek Zrt.



RÓBERT SZUROVCSÁK
Chairman of the Board



GÉZA TÓSOKI
Employee's Representative,
Member of the Board



ZOLTÁN GYENES
Member of the Board

Our interests

	Name	Location	Ownership interest	Main field of activity
Companies included in the consolidation				
	Péti Nitrokomplex Kft.	Pétfürdő (HU)	100%	Production, packaging and distribution of fertilizers
	Péti Polietilén Zsák Kft.	Pétfürdő (HU)	100%	Manufacture and distribution of polyethylene packaging materials
	Nitro Pet d.o.o.	Subotica (SRB)	100%	Transport, agency activities; retail distribution of chemical products and fertilizers
	Nitropét Slovakia s.r.o.	Nagymegyer (SK)	51%	Retail and wholesale of agricultural products and chemicals
	BH Chemical Impex s.r.l.	Szatmárnémeti (RO)	100%	Wholesale of chemical products
	Nitropet d.o.o.	Osijek (HR)	100%	Distribution of fertilizers, soil improvers
	Nitropet Austria Handel GmbH	Vienna (AT)	100%	Distribution of fertilizers, seeds, chemicals and grain trade
Companies not included in the consolidation				
	Nitrogén-Pinkerton Kft.	Pétfürdő (HU)	53,3%	Investigation and security activities
	Nádudvari Agrokémiai Kft.	Nádudvar (HU)	24,52%	Manufacture and distribution of fertilizers and nitrogen compounds
	Nitropet Deutschland Handels GmbH	Haar (DE)	100%	Wholesale and retail
	Nitropet Italia s.r.l.	Bolzano (IT)	100%	Wholesale and retail
	Nitropet Bulgaria e.o.o.d.	Plovdiv (BG)	100%	Distribution of fertilizers, soil improvers, pesticides, seeds, chemicals and grain trade
	Koronás-Szarvas Kft.	Pétfürdő (HU)	35,64%	Cultivation of cereals (except rice), leguminous crops and oil seeds
	BIGE Szállítványozási Kft/ Genezis Trans Fuvarozási és Szállítványozó Kft..	Pétfürdő (HU)	100%	Other services supporting transportation
	Nitrogén Projekt Kft.	Pétfürdő (HU)	100%	Property management
	Péti Gépészeti Kft.	Pétfürdő (HU)	100%	Performing maintenance wor
	Genezis Tárház Kft.	Pétfürdő (HU)	100%	Fertilizer storage, crop storage, drying, cleaning

A brief description of Nitrogénművek Zrt. and the consolidated companies

Nitrogénművek Zrt.'s and its subsidiaries main activities are production and sale of solid and liquid, single or multi component fertilizer and foliar fertilizer products, which contain macro-, mezo-, and micro elements as well as the production and sale of polyethylene bags for packaging. The group's profile has expanded with commercial businesses over the past five years, which has proven to be a good business policy based on market feedback.

The activities of the Group include the production of chemical products and the rendering of industrial services, in addition to the production of a full range of fertilizers.

The parent company manufactures its products in Pétfürdő. Ammonia and nitric acid i.e. the most important raw materials for fertilizer production are produced by Nitrogénművek Zrt. The commercial business of seed, crop and pesticide operates at the Budapest branch of Nitrogénművek Zrt.

End-users increasingly want to purchase and deliver the required fertilizer at the time of use, so the company needs to store it for a longer period of time. To meet this demand, the optimal amount of fertilizer product is placed in warehouses in different parts of the country. Branches owned by the parent company - Barcs, Hőgyész, Kiskorpad, Nagyatád, Nagydorog, Nagykamarás, Szilsárkány - In October 2019, they were outsourced as a 100% subsidiary of Nitrogénművek Zrt. Within the framework outsourced under the name Genezis Tárház Kft., the main goal of the operation of the sites is to provide suitable storage conditions for the fertilizer produced by the parent company and to ensure the storage, cleaning and drying of the crop purchased by the crop trade business line from end-user partners in the vicinity of the sites.

In October 2019, in addition to the sites, the Mechanical Engineering Plant was also outsourced as a 100% subsidiary of Nitrogénművek Zrt., and continues its activities under the name Péti Gépészeti Kft.

Péti Nitrokomplex Kft. and Péti Polietilén Zsák Kft., which are included in the consolidation, also carry out production activities in the area of the parent company's plant in Pétfürdő. The founder Nitrogénművek Zrt. takes care of the electricity, steam, instrument air and other infrastructural needs of the subsidiaries.

The main activity of Péti Nitrokomplex Kft. is the production and distribution of special macro- and microelement-containing preparations, as well as the sale of the parent company's fertilizer products in small packages. In addition, the company also packages fertilizers that are not produced within the group, including superphosphate and potassium salt.

Péti Polietilén Zsák Kft. deals with the production and distribution of polyethylene packaging materials, bags, sachets and foils. According to the business policy of the consolidated subsidiary, its production capacity primarily serves the needs of the parent company for bags and foils, but at the same time it also serves external market needs based on the free capacity.

The role of the other subsidiaries included in the consolidation is essentially to carry out the export activities of the group, to build the markets taking into account the specifics of the given countries, and to increase the awareness and recognition of the brand. Nitro Pet d.o.o. Serbia, NITROPÉT Slovakia s.r.o., BH Chemical Impex s.r.l. Romania, Nitropet d.o.o. Croatia, Nitropet Austria GmbH. in the territory of neighboring countries, deals exclusively with the distribution of Genezis products.





■ Production

The year 2019 can be considered special in that four years after the last planned major overhaul, the plants in the Group's production center in Pétfürdő were shut down again to carry out major periodic maintenance, renovation and investment works. Tasks carefully planned in advance and then carried out as part of a two-month overhaul ensure more economical and safe operation of the plants. The most important changes are highlighted below:

- the work on the major overhaul of the I23-F atmospheric liquid ammonia tank and the associated official control were the determining factors for the development of downtime;
- a new I20-L refrigeration unit was installed by the parent company to make the tank pressure safer;
- replaced the 100-bar unit of the Ammonia plant's most powerful machine unit, the I03-JTHP turbine, with a new, more efficient version, and also modernized its control. As a result of the construction, the plant's steam consumption was reduced by 10 t / h, improving energy efficiency;
- replaced the obsolete pneumatic control system at the Ammonia plant with a modern process controller system. The change will contribute to a safer and more economical operation of the plant, as well as paving the way for further improvements;

The annual fertilizer production was 992 thousand tons, which was lower than the original production plan. As a result of failures in the first half of the year and the loss of production due to major repairs, the level of Ammonia production was similar to the previous year.

From the beginning of the year until February 20, the factory operated under reduced load, as Savüzeml's E-109 heat exchanger punctured and took longer to repair. At the Ammonia plant, the heat exchanger I02-C failed, and repairing it caused a production loss of ten days. There was still fertilizer production during the repair work, and the plants operated using the existing ammonia stock.

After the resumption, the Ammonia plant operated at maximum load until the end of May, when the entire production vertical stopped and major repairs began. During this time, the necessary maintenance work and periodic official inspections and reviews were performed in the plants.

After the restart of the factory in August, no major breakdown hindered the production, the plants were operating at a stable high load level, which is definitely encouraging for the feasibility of the group's plans for next year.

The liquid fertilizer production reactors, liquid and solid packaging lines of Péti Nitrokomplex Kft. operated with the appropriate utilization for the season, without significant technical faults, completely satisfying the emerging customer needs. Although the subsidiary's granulation plant did not operate in 2019, the available Savastrene and Mikromix Grape-Fruit stock for 2019 was sufficient to meet demand.

The main product of Péti Polietilén Zsák Kft. is the printed FFS bag hose, in addition to its production, numerous polyethylene packaging materials of different sizes and properties are produced and sold. Another segment of own production is still the production of stretch foil finished by unwinding with rewinding equipment into products of different sizes. At Péti Polietilén Zsák Kft., after machine failures in the first half of the year, production was continuous, except for the planned 2-week shutdown at the end of August.



Revenue and operating expenses

The group's net sales of HUF 88 billion in 2019 were 8%, HUF 7.8 billion lower than in the previous year. The decrease was mainly caused by the lack of sales volume of fertilizer products in both domestic and export relations, and the sales of the crop business line were also lower compared to last year.

Denomination	IFRS consolidated revenue	
	2018	2019
Domestic, of which	60 978	54 096
4 main nitrogen fertilizers	32,114	33,376
Crop protection chemicals	2,057	2,230
Crop trading	15,320	7,834
Seed sales	6,867	6,082
Other products and services	4,620	4,574
Exports, of which	34 780	33 857
4 main nitrogen fertilizers	30,263	28,755
Crop trading	4,136	3,877
Seed sales	48	0
Other products and services	333	1,225
Total revenue	95 758	87 953

Fertilizer sales directly related to the core business are the main factor in the Group's sales revenue, with domestic sales of HUF 33.4 billion, which was about HUF 1.3 billion higher than in the previous year, mainly due to the increase in average prices. Export sales of fertilizers amounted to HUF 28.8 billion, which is 5% less than in the previous year, mainly as a result of the decrease in the volume of fertilizers sold. In the table above, the effect of non-compared variables is largely related to our commercial businesses, where due to the different packaging (tons and bags) sometimes belonging to a single product type, the volume effect cannot be determined, so the price effect cannot be calculated.

In addition to the sales of self-produced fertilizers, the HUF 20 billion sales revenue of the products sold by the commercial business lines - crops, seeds, plant protection products - plays a significant role, which accounts for 23% of the total sales revenue.

The determining element of the group's operating costs is the amount of material related expenses. This cost category includes the cost of raw materials, consumables, maintenance and fuels purchased for production, transport and storage costs related to the handling and storage of products to be sold, expenditure on the purchase of crops, seeds and pes-

ticides sold by the input businesses, as well as other direct and indirect costs necessary for the operation of the group.

The raw material for the production of nitrogen-type fertilizers is ammonia, which is produced from natural gas. The level of natural gas costs is decisive within the operating costs of the group. It is sourced from Western Europe, ensuring that it remains competitive with regional competitors.

In addition to the purchase costs of natural gas, the costs of bags, foils and pallets related to the purchase of electricity and the packaging of self-produced fertilizer products should also be highlighted in the material costs of the Group.

The consolidated value of contracted services decreased by 13% compared to the previous year.

The consolidated purchase value of goods sold in 2019 was HUF 21.5 billion, which decreased by 27% compared to the previous year.

In 2019, personnel expenses amounted to HUF 6.6 billion, which is HUF 312 million lower than in 2018.



■ Environmental protection

An objective of the Group is to supply end-users with state-of-the-art products and expert advice continuously so that they can work in harmony with the environment while remaining sustainable and up-to-date on the long run, having better average yields and gaining extra profits. The Group takes special care to comply with the obligations set forth by its IPPC permit, the relevant compulsory orders and other legislation.

As a group of companies active in the chemical industry, we are committed to the reasonable and careful use of the environment as a prerequisite of our development in the future. Hence, the Group is keen on always operating in accordance with the environmental regulations, fully complying with the strictest safety rules, always applying state-of-the-art technologies and mitigating harmful environmental impacts resulting from its activities.

Members of the Group report, register and dispose hazardous waste in accordance with the relevant provisions.

The packaging waste of Péti Nitrokomplex Kft. is recycled by an external subcontractor. Leachate and rinsing water from the plant are collected in a 10-m³ sump and

in IBC tanks. Following a laboratory analysis, these liquids are sold.

The polyethylene waste generated during production is recycled by Péti Polietilén Zsák Kft. Solid waste is shredded and re-granulated and the raw material thus produced is used for reduced quality products, reducing scrap generation.

At the premises of the other subsidiaries, hazardous waste was not generated and harmful emissions and releases were not made.

As a socially engaged company keen on complying with the regulations of the Environmental Act, Nitrogénművek Zrt. prepares a detailed annual report on its environmental activities which is directly accessible for local residents.

In the framework of the Fertilizers Europe Product Stewardship Programme, Nitrogénművek Zrt. is committed to keep to the highest safety, health and environmental standards in the fields of production and distribution.





■ Employment policy

The framework of our employment and wage policy as well as the system of remunerations and fringe benefits are laid down by applicable laws and internal and external regulations as well as the Collective Agreement of the Group companies. In the framework of the 2019 salary progression, personal basic salaries increased by 11% on average.

The average number of full-time staff at the consolidated companies is given by the table below.

AVERAGE NUMBER OF STAFF (PERSON)	2018 (BASELINE)	2019 (ACTUAL)
Nitrogénművek Zrt.	635	559
Péti Nitrokomplex Kft.	22	21
Péti Polietilén Zsák Kft.	19	20
Nitro Pet d.o.o. Szerbia	12	11
BH Chemical Impex s.r.l.	28	26
NITROPÉT Slovakia Kft.	7	7
Nitropet d.o.o. Horvátország	4	4
Nitropet Austria Handels GmbH	3	3
Total:	730	651

The management of the parent company considers it highly important that the employees comply with legal and company requirements in relation to educational and vocational qualifications. To provide for this, the formal education and course-based vocational training of employees are performed accordingly and participation at conferences and presentations that help in adapting to legislative changes is also supported. Remaining true to its traditions, the Company organised

Nitrogénművek Family Day and Pensioners' Day in 2019, too, this time at new locations and with exciting new programmes. Both proved to be highly entertaining events to be remembered by all the participants, active and retired employees alike. Nitrogénművek Zrt. considers the acknowledgement of extraordinary performance very important. As a recognition of their contribution to the Company's results, 10 employees were selected to receive the Chairman's Award in 2019.

Family day

Following its decade-long traditions, Nitrogénművek Zrt. organised its Family Day in 2019 at the same venue as in the previous year by Lake Balaton with a very rich new programme.

The Family Day is the perfect occasion to bring together family and work and introduce family members and colleagues to each other, while everybody is having a great time. At the new venue, participants of the Family Day, both old and young, enjoyed outdoor games, sport programmes and kids' shows, while the brave and the bold were free to join the cooking contest.

As always, a magnificent live concert provided carefree fun at the end of the day.



Chairman's award

The Chairman's Award is an initiative launched in 2011 by the owner of the Group to acknowledge and award talented and committed employees showing extraordinary performance. Each year, 10 employees receive the award, selected from the candidates recommended by the collective, the management and the Trade Union. The Chairman's Award is a moral and financial recognition of excellent performance.



Retirement day

Nitrogénművek Zrt. is keen on maintaining contacts with its former employees. Pensioners' Day is organised each year by the Company. In 2019, the event was held in the community centre Hangvilla in Veszprém, Hungary. The event included an excellent theatre play and a lunch where old colleagues could share their memories.



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2019 sales

The business strategy of the Group is based on providing full services to its partners. The marketing and consultancy activities of the parent company are also essential in achieving strategic goals.

Our business strategy is supported by a unified image so that customers can readily recognise the Genezis brand, a perfect symbol of the profound role that the Group plays as a market participant. Accordingly, we emphasise the importance of promoting the brand, establishing brand loyalty, supporting the distribution network and promote extra yields at end-users by means of providing professional advice on the proper use of the product.

Our qualified and experienced distribution network makes recommendations on the types of fertilizers most suitable to satisfy the needs a particular field or farmer, also considering the criteria of sustainable development at all times.

In addition to the core activities of the Group (production and distribution of fertilizers), we have been active in the trade of crops, seeds and crop protection chemicals for 5 years as well and our market share has been increasing steadily.

In the summer of 2019, webshop sales were launched, which serve as an excellent channel for accessing the group's products.

In December 2019, a campaign to promote the sale of nitrogen-containing and NPK fertilizers was announced, in the framework of which one third of the usual domestic annual volume was sold on two campaign days.

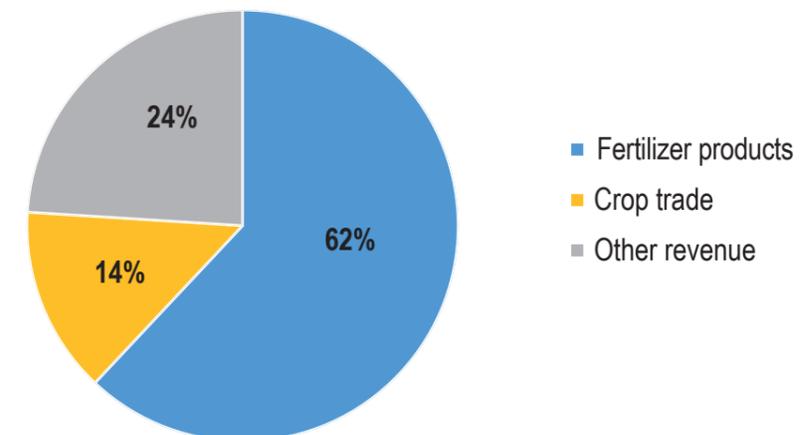
In the field of professional counseling, the Club of 500 series of experiments was finally closed by the end of the year. In 2019, two experiments were set up per county. The total fertilizer requirement for the Genezis plot and the seed requirement for the entire experimental area will be provided.

The on-demand soil sampling and testing service related to the experiments performed by the consultants will continue in the future, in cooperation with an accredited soil testing laboratory. From the results of the soil testing, as instructed by the partners, the sales and management consulting colleagues prepared cost- and environment-friendly plant and soil-specific expert advice using the ProPlanta consulting program. The producer has the opportunity to order the products included in the expert advice through the territorially competent sales staff.

In 2019, field fertilization experiments were conducted at nine universities and research stations. The leading consultants also contributed to the continuous holding of the related lectures and presentations. Experiments with special development needs were planned and then launched at the Universities of Kaposvár and Nyíregyháza, as well as in Szarvas. According to the group's plans, this will continue in the future, primarily in connection with the development of new products and the development of more efficient technologies.

As in previous years, various nutrient replenishment technologies were tested in technological experiments. Experiments have been carried out in cereal, rapeseed, maize and sunflower crops for years, which provide data not only on the productivity of the varieties, but also on their nutrient reactions. These experiments were accompanied by field demonstrations and lectures.

Breakdown of the consolidated revenue by products in 2019:





■ Sales of fertilizers and chemical products

The domestic demand for fertilizers developed similarly to previous years, and agricultural production also enjoyed favorable conditions. The weather in 2019 was free of major droughts, and the average yield was as follows: cereals, sunflower and rapeseed averaged, while maize yielded better-than-average results. The amount of nitrogen, phosphorus and potassium active substances used in cultivated areas remained at a low level, as in previous years, and a significant difference between the fertilization technologies of individual farmers remained. The sowing structure did not show any significant change in 2019.

The table below presents the baseline and actual data of the sales of the 4 major products expressed in commercial weight (thousand tons).

Name	2018 (baseline)	2019 (actual)
Ammonium nitrate	124	83
Pétisó	862	746
Urea	71	65
Nitrosol	87	88
Total:	1,144	982

NitroPet Szerbia Kft., located in Subotica but also selling in Macedonia and Kosovo, showed a continuous growth trend following the organizational transformation of previous years, the level of 2018 was maintained in 2019 despite the fact that the volume of goods purchased from the parent company was 15% lower than the previous year's volume. The sales volume of 53 thousand tons is 7% lower than in the previous year. In spite of this, a market share of around 30% was achieved in the relevant market. The subsidiary did not further expand its warehousing capacities in 2019, however, within the existing capacities, the capacity of ADR warehouses increased.

BH Chemical Impex Kft., which operates in Szatmárnémeti but also has its own sites in Csák and Szentmiklós, distributes fertilizers manufactured by Nitrogénművek Zrt. and Bige Holding Kft., as well as the products of Péti Nitrokomplex Kft. exclusively throughout Romania. The number of sales staff is 10, which ensures optimal coverage at the national level. In the well-located Partium part, Timisoara and Arad counties, which have a favorable location and are therefore of key importance, there is a sufficient number of manpower available for market building. The subsidiary has 10 leased warehouses from the north-western part of the country to Moldavia. In the case of warehouses, there has been a gradual shift in recent years from fixed monthly contracts to volume-based cost constructions.

The site of Nitropét Szlovákia Kft., which is present on both the Slovak and Czech markets, is located in Nagymegyer. The pace of product sales was similar to 2019: the first half of 2019, compared to the same period in 2018, was characterized by a balanced demand supply and declining prices according to the season. The company sold more than 115,000 tons of the parent company's fertilizer products. It bases the stabilization and increase of the market position of Nitropét Szlovákia Kft. with a fast, continuous, reliable and high-quality supply of goods, a flexible pricing policy and accurately planned logistics.

The year 2019 was started dynamically by Nitropet d.o.o. Croatia, located in Osijek but also selling in Bosnia and Herzegovina and Slovenia. As expected, sales volumes in the first quarter of 2019 were significantly higher compared to the same period last year. Purchase of fertilizers in Croatia is essentially limited to the period from January to May and then from August to December. In the summer months, the market is characterized by a lack of demand. Overall, last year's sales volume was exceeded by 40%, the turnover of 37.7 thousand contained more than 32 thousand tons of Pétisó and 5.7 thousand tons of urea.

Vienna-based Nitropet Austria Handel GmbH started operations in the second half of 2016. The period since its foundation has been spent building the market, building a network of relationships with customers and establishing product awareness. Austria is characterized by stable demand for Pétisó, one of the most important markets for granular Pétisó. The Austrian sales model initially operated in cooperation with dozens of end users and warehouses instead of individual sales partners, and then in 2017 the self-accounting activity also started. However, as of January 2018, the parent company has only entered into a contract with its own subsidiary.

The group's chemical products are widely used in the industry. In this economic environment, markets have been characterized by a strengthening supply side and intensifying competition. Unlike agricultural users, industrial users purchase the parent company's products as their raw material continuously and relatively evenly throughout the year. The group's sales revenue from the sale of chemical products and industrial urea was 4% lower than in the previous year, HUF 0.9 billion in 2019.

Seed sales

In 2019, the business unit generated HUF 6.1 billion in sales revenue, compared to HUF 6.9 billion in 2018. In 2019, among the main field crops, there was a decrease in the case of maize and winter oilseed rape, while in the case of sunflower and autumn cereals there was a slight increase.

On the distributor side, the level of carry - over stocks decreased compared to last year, which is only 3-4% of the size of the market. For oil crops - sunflower; winter rape; soybeans - there was no significant stock volume affecting the market.

In 2019, the business made significant progress in the marketing of autumn cereal seeds. Cereal varieties marketed under their own brand name Genезis and seeds from their own production have made a major contribution to achieving this. The business had a turnover of 9,960 tons of cereal seeds in spring and autumn 2019, of which 7,128 tons were seeds from its own production. The volume of seeds from own production sold increased by almost 25% compared to the 2018 base data. As a result of the steadily increasing turnover of recent years, the business unit has ever-improving sources of supply and strengthening partnerships.

In the distribution of spring seeds, strong price competition developed in 2019, as a result of which significant distributor and producer discounts flowed to the end-user market. To offset this, the business sought new procurement channels and entered into new agreements.

In the current trading period, the seed trade business achieved the following market shares for the main crops, similar to the previous year:

Name of goods	Market share	Volume
Maize	10 %	93,100
Sunflower	9,5 %	18,800
Autumn rapeseed	12 %	5,650
Autumn wheat	9,5 %	7,400

The business unit strengthened its position among its existing partners and also signed new partners to whom the seeds were supplied by the business unit.

The above results show that the seed business has strengthened its profitability compared to previous years. End-user partners are already looking for Genезis Partner Network dealers for their seed purchases.

Due to the accurate service of producers, the supply of authentic information and the flexible fulfillment of producer needs, the market positions of the business unit can be further

strengthened in the coming years, to which the increasingly specialized professional knowledge of salespeople will also contribute.

The basic factual values of the sales turnover of seeds were as follows:

Data in HUF million	2018 (baseline)	2019 (actual)
Maize	3,490	3,395
Sunflower	1,412	1,107
Oilseed rape	736	395
Wheat	726	795
Other	551	390
Total:	6,915	6,082



Crop trading

In 2019, the business unit generated sales revenue of HUF 11.7 billion, compared to nearly HUF 19.5 billion in the base period. The reason for the decline in turnover is that the business line had fewer funding in 2019 compared to the base period. Despite the decline in turnover compared to the previous year, the gross profit per ton was similar to 2018. In terms of the distribution of crop types, the turnover of the business line changed significantly compared to the trends of the previous year.

The total volume sold in 2019 was 193 thousand tons compared to 364 thousand tons in 2018. Within this, the turnover of maize decreased the most in terms of volume, instead of 277 thousand tons in 2018, it achieved a turnover of 100 thousand tons in 2019. Sales of winter wheat increased from 36 thousand tons to 54 thousand tons, and sales of oilseeds increased from 30 thousand tons to 32 thousand tons in 2019 compared to the base period figures. The remaining 3% was accounted for by barley and triticale turnover.

As can be seen from the distribution of crop sales numbers, growth has been achieved in the oilseeds market and new markets have become available by entering processors in domestic and neighboring countries.

The basic factual values of the turnover of the crop trade developed as follows:

Data in HUF million	2018 (baseline)	2019 (actual)
Maize	13,503	4,912
Wheat	1,825	3,022
Barley	789	181
Sunflower	1,991	1,696
Oilseed rape	1,032	1,794
Other	315	106
Total:	19,455	11,711

achieved and the business retained the customer base acquired so far.

Until the outsourcing of the branches, a significant amount of goods was purchased and stored at all of our own sites.

Sales of crop protection chemicals

In 2019, significant changes did not affect the domestic crop protection product market. Nearly 60% of turnover is still typically held by a single player; the number of traders has decreased and no new distributors have entered the market in recent years.

In 2019, the business unit generated HUF 2.2 billion in sales revenue, an increase of 8% compared to the previous year. The main objective of the business line set for 2019 was to strengthen the market position and achieve the growth of turnover.

It is significant that the business unit realized a margin of about 13% compared to the average 5-7% margin of the domestic crop protection product wholesale. In 2019, more than 55% of sales were crop protection products purchased from imports, which is unique in the Hungarian market.

In accordance with the applicable legislation, imported plant protection products may be placed on the market with Hungarian inscriptions and labels in possession of the previously obtained import permits.

The increase in turnover was largely due to the establishment of a close relationship with the suppliers and the activities of the dealer network, which is one of the main strengths of the business.

In order to serve the partners at a competitive market price and with the shortest waiting time, the business line was expanded by 2019 with another rental storage facility in addition to the existing four rental warehouses, further optimizing the logistics costs related to warehousing.

The basic factual values of the turnover of the crop protection product business were as follows:

Data in HUF million	2018 (baseline)	2019 (actual)
Crop protection chemicals	2,057	2,230



■ Sales of products in small packages and foliar fertilizers

The biostimulator products of Péti Nitrokomplex Kft. containing a 14% amino acid complex were introduced to the market in 2018, but in 2019 the sales related to the products already showed an increasing trend. In addition to the newly introduced, standard formulations, Péti Nitrokomplex Kft. also manufactures and sells unique formulations that meet special needs. The product range is enriched by Pétisol Tobacco, - Elderberry, - Sugar beet, - Legume plant.

In addition to the novelties, the 2 kg, 5 kg and 10 kg small packaging products, which can be found on the shelves of hypermarkets and in the farm shop networks, are still popular. The product portfolio of Péti Nitrokomplex Kft. includes several ranges of foliar fertilizers specifically developed for cereals, maize and oil crops, as well as de-icing and defrosting products for the winter season. Our fertilizer ranges for ornamental plants, liquid plant food products, multivitamin foliar fertilizers and greening agents are popular with hobby gardeners. The demand for foliar fertilizers is extremely weather dependent, in 2019 it developed favorably in terms of marketability. Early spring and warm weather, as well as drought from the fall of 2018 to the end of April, brought forward and increased demand for foliar fertilizers.

Péti Nitrokomplex Kft. is one of the 3 largest distributors on the Hungarian foliar and liquid fertilizer market of multiple participants. In the next three years, Péti Nitrokomplex Kft. intends to become the dominant player in the domestic market.

For the baseline and actual data of the turnover of Péti Nitrokomplex Kft., see the table below:

Data in HUF million	2018 (baseline)	2019 (actual)
Product sales	802	500
Services	4	2
Sales of goods	268	532
Total:	1,074	1,034

■ Sales of packaging materials

The sales revenue of Péti Polietilén Zsák Kft. is heavily influenced by the packaging material demands of the related companies, this being a priority when coordinating production and distribution activities. The main product of the subsidiary is FFS printed tubes. In addition to that, the product portfolio also includes polyethylene packaging materials of various sizes and characteristics as well as ready-made stretch film manufactured by reeling. Adapting to customer requirements, the portfolio of Péti Polietilén Zsák Kft. also includes packaging materials that cannot be manufactured by the plant; these are purchased and directly sold by the company.

The table below present the turnover of Péti Polietilén Zsák Kft. including baseline and actual values:

Data in HUF million	2018 (baseline)	2019 (actual)
Product sales	632	559
Material sales	3	5
Services	1	1
Sales of goods	72	82
Other	0.6	-
Total:	708	647

■ Development of key indicators

IFRS consolidated result (HUF million)	2018	2019
Total operating income	96,472	88,657
Total operating expenses	95,799	76,772
Operating profit	673	11,885
Net finance income/cost	-14,808	-11,414
Profit/Loss for the year	-14,861	1,040
EBITDA	6,199	17,596
EBITDA/Revenue	6%	20%
IFRS consolidated balance sheet (HUF million)	2018	2019
Total assets, of which	169,355	179,705
Property, plant and equipment	113,855	112,896
Intangible assets	438	440
Total non-current assets	117,453	116,962
Inventories	23,416	16,948
Emission allowances	1,889	4,546
Receivables	10,565	10,627
Cash and cash equivalents	16,032	30,623
Total current assets	51,902	62,743
Total equity and liabilities, of which	169,355	179,705
Equity	48,238	49,276
Long term liabilities	93,915	92,538
Current liabilities	27,202	37,891





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