

NITROGÉN MŰVEK ZRT. 2020

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ANNUAL REPORT

2020



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BIGE HOLDING GROUP MEMBER





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Dear Partner!

The pandemic of the coronavirus, which hit our country in Spring 2020, has presented new challenges for economic actors.

Flexible adaptation and rapid reaction to the uncertainty surrounding the pandemic and the constantly changing circumstances were essential prerequisites for operations.

As a result of a deliberate and well thought strategy, the Group was not significantly affected by the pandemic and business continued as usual.

The fact that the agricultural activity remained very strong, clearly contributed to the success of the Group's efforts.

The accomplishment of the Hungarian agricultural sector has not been significantly affected by the epidemic crisis and demand for fertilisers is stable. Falling input prices had a positive impact on the Group's profitability.

In 2020, we continued the strategic changes initiated in the previous year, laying the foundations for the Group's operational efficiency gains in the short, medium- and long-term. Organisational improvements were also made in the financial and commercial areas, and managers with significant international experience joined the Group. The Company has set up a customer service centre to provide a unified service to foreign contracts and customers.

During the year, the production units in Pétfürdő carried out investment, renovation and maintenance works according to plans. Continuous improvements enable the Group to keep pace with the quality and quantity requirements of its domestic and regional customer partners. Solid fertil-

izer production in the business year of 2020 exceeded the previous year's production volume by 23%.

In addition to optimising production, the modernisation and harmonisation of IT systems within the company plays an important role. The recently completed improvements in the human, financial and commercial areas will contribute to the Company's efficiency gains as originally envisaged. From autumn 2020, the Group will gradually move to a direct invoicing process with foreign companies supporting export activities. As part of the implementation, the subsidiaries with sites in neighbouring countries will also introduce the SalesForce CRM system, which has been working well for the parent company for several years. The resulting consistency will help to optimise commercial processes.

In 2020, the sulphurous Pétisó fertiliser product was successfully launched on the Hungarian and neighbouring markets and its reception was extremely favorable.

In the second half of 2020, the Group's sales activities were expanded with a new element, the so-called „trading” trade. These transactions involve the marketing of nitrogen and complex fertilisers purchased from external sources. The transaction contributes to the expansion of the Group's portfolio, partly by marketing fertiliser types not produced in Pétfürdő and partly by increasing the available volume of own-produced product types.

The range of chemical products was extended with the addition of liquid methane.

Further improvements in fertiliser market conditions and fertiliser margins were observed in 2020. However, in addition to the positive market trend, it should also be highlighted that the benefits of the heavy investments made in recent years were effectively realised in 2020, which also contributed to the strengthening of the group's liquidity. Fertiliser margins are forecast to continue to develop favourably in 2021. The favourable market forecast and the Group's innovative approach will ensure that it can continue to serve its partners as a key player in the agricultural sector.

Sincerely yours,
László Bige
Chairman CEO

MANAGEMENT BODIES OF NITROGÉNműVEK ZRT.

Board of Directors of Nitrogénművek Zrt.



DÁVID BIGE
Member of
the Board

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.



GÉZA TÓSOKI
Employee's
Representative,
Member of
the Board

RÓBERT SZUROVCSÁK
Chairman of
the Board

ZOLTÁN GYENES
Member of
the Board

OUR INTERESTS

Interests of Nitrogénművek Zrt. In 2020.

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





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, Kiskorpád, 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 the first full financial year of its outsourced operation, the foundations were laid for operating in an independent market.

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.** In the first full financial year of its outsourced operations, it has demonstrated its ability to operate efficiently and effectively independently of its parent company.

Nitrogén-Pinkerton Kft. performs armed security guarding, law enforcement and property protection tasks at the Nitrogénművek Zrt. site in Pétfürdő.

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 main profile of **Nádudvari Agrochemical Kft.** is the production of liquid NPK suspension fertilizers, which includes the production of about 20 different compositions of NPK base, starter and additional liquid suspension fertilizers, and mainly nitrogen solution with 30% active ingredient content. Related to the liquid fertiliser production, the company also provides application services to users and the site has significant storage capacity. In addition to the production of liquid fertilisers, another key element of its activities is the distribution of the parent company's fertiliser products in the Eastern Hungary region.

Nitropet Deutschland Handels GmbH, Nitropet Bulgaria e.o.o.d and Nitropet Italia s.r.l. are export subsidiaries of the parent company not included in the consolidation. The affiliated parties seek out potential customers and promote the group's products in their respective countries for an agency commission. The actual sales are made between the parent company and the foreign independent customers.

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. From the second half of 2020, some subsidiaries also sell other imported fertilisers to neighbouring markets in so-called 'trading' transactions.

From autumn 2020, the direct invoicing process is gradually introduced for the export subsidiaries included in the consolidation, whereby sales transactions are made directly between the parent company and foreign independent customers. NitroPet Austria GmbH switched over to direct invoicing on 1 October 2020, from which date it has been acting as an agent for the parent company. Nitropet d.o.o. Croatia migrated on 23 November 2020, and as part of the implementation, all subsidiaries have implemented the Salesforce CRM system used at Nitropet d.o.o.

BIGE Transport Ltd. is a subsidiary established in 2014, its main profile is other transport related services. In 2020, it did not perform any economic activity and did not generate any revenue.

Nitrogén Projekt Kft. is a subsidiary founded in 2014, its main profile is trusteeship. In 2020, it did not carry out any economic activity and did not generate any revenue.



Production

In 2020 financial year, Nitrogénművek Zrt. successfully implemented a continuously fine-tuned production programme based on actual commercial needs. Annual solid fertiliser production was 1.1 million tonnes, which is 23% higher than the previous year. The Company also achieved its highest nitrosol production and output ever with 133,000 tonnes, which is 43% higher than the 2019 production volume.

The longest shutdown at the Ammonia plant, 11 days, occurred in June, followed by a week of plant shutdown during the summer and also a week in November. The problems encountered were electrical, process, instrumentation and mechanical. The shutdowns were caused by the stowage of unit 104-C, the failure of the upper juice distributor 102-EAB and the latch failure of unit 103-J.

The installation of the APC system for process control at the plant was successfully completed.



The Company also produces ammonia and nitric acid, the key raw materials for the production of nitrogen fertiliser, in Pétfürdő, so the operation of the ammonia plant is a key determinant of the volume of finished fertiliser products produced.

In line with the schedule in the Company's 2020 business plan, the acid plant mesh replacements were completed on schedule. From an environmental point of view, it is of particular importance that, in addition to the mesh replacement, the final gas reactor catalyst has also been de-dusted.

At the Pétió plant, the production of pétió and ammonium nitrate was alternated according to commercial demand. During the spring period, customers were supplied with nitrosol on a flexible delivery schedule.

The Company has successfully introduced the production of sulphur Pétió in each of its granulation plants. Sulphur is a constituent of amino acids in many plants and is a depository for protein formation. An adequate supply of sulphur is also important for the production of oil-bearing crops, with-

out which both yield and oil content will be significantly reduced. However, nitrogen and sulphur in favourable proportions reinforce each other's effects and their incorporation. In terms of active ingredient content, the parent company produces Pétió products with sulphur types 27-9 and 24-12.

Argon plant operation was mainly determined by the condition and operating time of the ammonia plant. The equipment and processes for the liquid methane offloading were in place by spring 2020 and the methane tanker filling station was successfully completed.

Overall, there were no major disruptions to production during the year and the plants operated stably at high load levels, which is 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.

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. Other activities include the rewinding of purchased stretch foil. In response to customer demand, the subsidiary expands its range of products by purchasing and directly selling packaging materials that it cannot manufacture.



Revenue and operating expenses

The Group's net sales of HUF 95 billion in 2020 were 8%, or HUF 7 billion, higher than in the previous year. The increase was mainly driven by higher sales volumes of fertiliser products, both domestically and for export.

The components of the 2019-2020 revenue and its variation are shown in the table below:

	Value: million Ft	
	2019.	2020.
Domestic, of which	54,096	55,817
4 main nitrogen fertilizers	33,376	38,739
Crop protection chemicals	2,230	3,126
Crop trading	7,834	3,702
Seed sales	6,082	5,793
Other products and services	4,574	4,457
Exports, of which	33,857	38,949
4 main nitrogen fertilizers	28,755	36,552
Crop trading	3,877	957
Seed sales	0	52
Other products and services	1,225	1,387
Total revenue	87,953	94,765

Fertilizer sales directly related to the core business are the main factor in the Group's sales revenue, with domestic sales of HUF 38.7 billion, which was about HUF 5.4 billion higher than in the previous year, mainly due to the increase in sales volume. Export sales of fertilizers amounted to HUF 36.6 billion, which is 27% higher than in the previous year as a result of an increase in the volume of fertilisers sold.

In addition to the sales of self-produced fertilizers, the HUF 14 billion sales revenue of the products sold by the commercial business lines - crops, seeds, plant protection products - plays a significant role, which accounts for 14% 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 pesticides 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 services used increased by 20% compared to the previous year.

The consolidated purchase value of goods sold in 2020 was HUF 16.7 billion, which decreased by 22% compared to the previous year.

In 2020, personnel expenses amounted to HUF 6,556 million, which is HUF 18 million lower than in 2019.



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 performed.

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 2020 salary progression, personal basic salaries increased by 3.4% on average.

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

	Average number of staff (person)		Difference (actual-baseline)
	2019.12.31.	2020.12.31.	
Nitrogénművek Zrt.	559	489	-70
Péti Nitrokomplex Kft.	21	22	1
Péti Polietilén Zsák Kft.	20	24	4
Nitro Pet d.o.o. Serbia	11	11	0
BH Chemical Impex s.r.l.	26	22	-4
NITROPÉT Slovakia Kft.	7	6	-1
Nitropet d.o.o. Croatia	4	3	-1
Nitropet Austria Handels GmbH	3	4	1
Total:	651	581	-70

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.

As a result of the COVID-19 pandemic, the Group's traditional and value-added programmes were cancelled in 2020. The Family Day, the Retirees' Day event were not organised due to the emergency phase.

As in previous years, a President's Award was presented to outstanding performance and hard work of employees, but the usual celebration was not held due to the pandemic.

The Group has taken strict measures to protect its employees, business partners and the community. The company's management has set out in written instructions various protocol procedures, including the introduction of special working hours and home office working, restrictions on movement within the country and between sites, and the move to digital communication. Isolated cases of illness have occurred in the Group, but this did not have an impact on operations.



2020 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. As a result of professional communication on the use of the products, end-users can achieve a yield surplus.

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 6 years as well and our market share has been increasing steadily.

The group's export volume in 2020 was 37% higher than the previous year. Through its affiliates and subsidiaries, the parent company is represented in Austria, Germany, the Czech Republic, Slovakia, Poland, Romania, Bulgaria, Serbia and Croatia. It also occasionally sells to Italy and Ukraine.

From October 2020, direct invoicing will be gradually introduced for foreign subsidiaries supporting export activities. For the subsidiary Nitropet Austria Handel GmbH from 1 October and for Nitropet d.o.o. Croatia, the changeover took effect on 23 No-

vember. As part of the implementation, the subsidiaries will gradually be connected to the Salesforce CRM system, which has been working well for the parent company for several years. The resulting consistency will help to optimise commercial processes.

In the second half of 2020, the Group's activities will be extended to include a new element, the so-called „Trading” trade. The transactions involve the trading of nitrogen and complex fertilizers purchased from external sources and are planned to continue in 2021. The transaction will help to expand the Group's product range, partly by trading fertiliser types not produced in Pétfürdő and partly by increasing the volumes of own-produced products available.

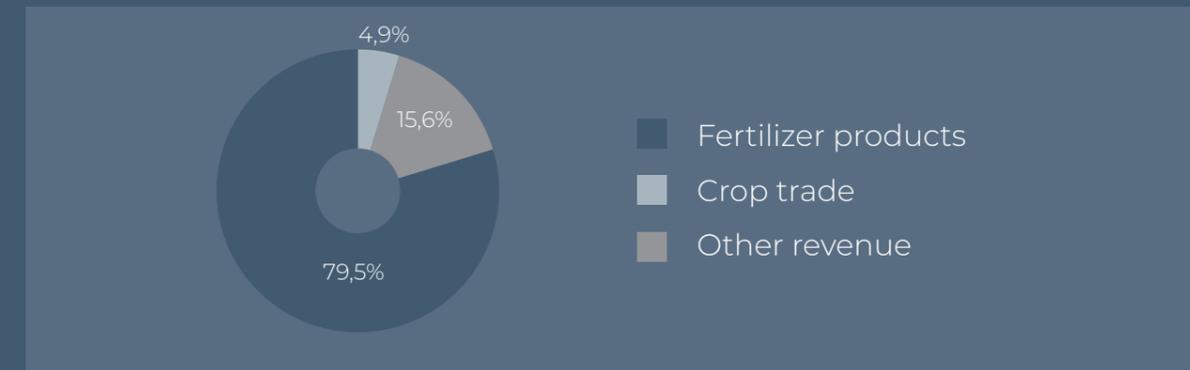
The on-demand soil sampling and testing service related to the experiments performed by the consultants will continue in the future, in cooperation with an accredited soil testing laboratory. Many farmers were able to take advantage of the possibility of inspection at a reduced price in 2020. From the 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 2020, 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 and Martonvásár. 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 2020:



Sales of fertilizers and chemical products

Domestic fertiliser trade results were not negatively affected by the COVID-19 epidemic that spread to Hungary in the spring, with nitrogen fertiliser sales 189 thousand tonnes higher than the previous year.

According to MTI news¹, the production volume of crop production decreased by 2.9% according to the first preliminary data. Overall, cereals volumes were down 1.1%, with a 7% fall in wheat production offset only by a 3.6% rise in barley and a 3.2% increase in maize production. The spring drought hit rape development hardest, with yields down 14%.

Sunflowers were up and protein crops also down, so that overall industrial crops shrank by 3.7%. Forage crops and other crops were stable, while horticultural products fell by 0.6%. The amount of nitrogen, phosphorus and potassium used on the land remained at a similar level to previous years, and there was still a wide variation in the nutrient replenishment technology used by individual farmers. There were no significant changes in the crop structure compared to previous years.

¹Forrás: <https://agroforum.hu/agrarhirek/agrarkozelet/a-mezogazdasag-kibocsatasi-erteke-41-szazalekkal-nott/>

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

Name	2019 (baseline)	2020 (actual)
Urea	71	89
Pétisó	746	970
Sulphurous Pétisó	-	42
Ammonium nitrate	77	112
Nitrosol	88	138
Total:	982	1351



ANitroPet Szerbia Kft., located in Subotica but also selling in Macedonia and Kosovo, showed a continuous growth trend following the organizational transformation of previous years, we achieved an outstanding result in the 2020 financial year. Volumes delivered and sold during the year were 77% higher than in 2019. The subsidiary achieved a 40% market share in the Pétiso market. One of the biggest changes in 2020 is that, in addition to the products produced by the parent company, NitroPet Serbia Kft. started selling externally sourced fertilizers in Serbia and other related markets through trading deals. Another change compared to previous years is that the Bosnia and Herzegovina fertilizer market, previously supplied by the Croatian subsidiary, will be supplied by NitroPet Serbia Kft. from mid-2020.

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. From the second half

of 2020, it also started distributing Russian, Romanian, Ukrainian and Egyptian fertilizers through trading. The number of sales staff is 8, which ensures optimal coverage at the national level. In the well-located Partium part, Timișoara 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 8 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 2020, compared to the same period in 2019, was characterized by a balanced demand supply and declining prices according to the season. The company sold more than 120,000 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.

Nitropet d.o.o. Croatia's fiscal year 2020 was marked by the fact that the Kutina-based fertilizer plant Petrokemija continued to sell its products below the European price level. 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, given the prevailing market situation, sales volumes were down by 11% compared to last year, the turnover of 33.4 thousand contained more than 31 thousand tons of Pétisó and 2.4 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. Spring demand for the 2020 financial year was better than expected. The sulphurous Pétisó product was launched on the Austrian market, brought the Group a number of new customers, mainly in Upper Austria.

The group's chemical products are widely used in 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. Despite the pandemic situation, the sale of chemical products has been successful. In 2020 business year, two major investments were completed that will expand the future sales opportunities for chemical products: the methane filling unit was handed over in the second quarter and the nitric acid truck filling unit was commissioned in the third quarter.



Seed sales

In its sixth year of operation, the business generated sales revenue of HUF 5.8 billion compared to HUF 6.1 billion in 2019.

In 2020, the cereal seed market was characterised by oversupply in both spring and autumn cereals. Besides the imbalance between supply and demand, environmental and weather factors did not create ideal conditions for sowing. In the case of cereals, the harvest was better than expected, so that the required quantities of seed were safely produced. In addition to the good yields, the increase in seed production areas was also responsible for the larger than expected seed stocks. There were no significant problems with the quality of the seed produced. Another important reason for the oversupply on the seed market was that many cereal producers did not purchase the necessary seed on the seed market but covered their needs from their own production.

The autumn sowing season has been challenging for farmers. Autumn harvests were delayed by an average of one month, with most seedbed preparation and sowing delayed until the last two months of the year.

The factors mentioned above also affected the Group's cereal seed trading. 1,600 hectares of own seed were planted, on which nearly 10,500 tonnes of seed material were harvested. Of the seed harvested, 80% was processed and stored in metal storage, with the remainder being stored as a biological reserve until the next sowing season.

Despite a difficult year for winter cereals, the domestic position of the exclusive varieties was strengthened, particularly for winter barley varieties and for high-yielding varieties of winter wheat. Seed of the ambulatory type, i.e. winter-spring wheat, has already found a market at the end of 2020 due to the many late sowings. The business has maintained its market position and even made progress in certain segments. The production programme remains stable and profitable.

This year again faced serious challenges for domestic hybrid crop producers, with extreme weather conditions this year including months of spring drought and heavy rains in the summer. The factors listed above have also threatened the ability to carry out spring sowings at the optimum time.

In 2020, there was a decrease in the area of rapeseed sowing, the area sown to maize stagnated nationally, while the area sown to sunflower increased.

The amount of carryover stocks decreased to the distribution side of the business as well.

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 (sack)
Rape	10 %	4,226
Maize	9 %	74,528
Sunflower	11-12 %	17,251

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

Data in HUF million	2019 (baseline)	2020 (actual)
Maize	3,395	3,209
Sunflower	1,107	1,069
Oilseed rape	395	373
Wheat	795	693
Other	390	501
Total:	6,082	5,845



Crop sales

In its sixth year of operation, the business generated sales revenue of HUF 4.7 billion, compared to HUF 11.8 billion in 2019.

The development of sales in 2020 was challenged by the economic downturn caused by the emergence of the COVID-19 virus. The main users in the region use the crops to produce food and fuel. The resulting consumer downturn and producer mistrust has driven demand from April onwards to cover only the most immediate, near-term needs of feed and fuel producers. The mandatory quarantine has severely discouraged exports from Italy, making freight rates unjustifiably high and deliveries unpredictable. By May, the logistical situation had returned to normal and trade resumed as usual.

The late spring weather anomalies and the drought in Romania and Ukraine generated huge demand for Hungarian and regional crops. The loss of Romanian and Ukrainian crops and the later introduction of a Russian export tax in the region made Hungarian wheat even more exportable and pushed wheat prices back to record levels of recent years.

Poor maize yields due to the drought in the Black Sea region have pushed up market prices in the region. In principle, Austria, Italy and Germany are the largest outlets for Hungarian maize, but prices in these countries have been lower than those in the drought-affected Ukrainian, southern Russian, Bulgarian and Romanian markets, resulting in a shift of maize sales to the Black Sea region.

Market opportunities arose around harvest and in the early spring period. During the harvest period, the recovery in demand was faster than the change in internal prices. In the early spring period, good weather conditions and balanced prices provided producers with sufficient liquidity to keep the market going.

Storage replenishment was slower than usual during the harvest period due to the prolonged maize harvest, but this year the diseases that can only be detected by special testing - fungi and toxins - did not contaminate the crops, so there were no batch rejections from faulty performance.

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

Data in HUF million	2019 (baseline)	2020 (actual)
Maize	4,912	2,706
Wheat	3,022	879
Barley	181	210
Sunflower	1,696	479
Oilseed rape	1,794	331
Other	6,150	54
Total:	11,711	4,659



Sales of crop protection chemicals

In its sixth year of operation, the business generated sales revenue of HUF 3.2 billion compared to HUF 2.1 billion in 2019.

The surge in sales was both a positive result of the uncertainty caused by the COVID-19 pandemic and a clear positive impact from the timely start of sales of items received as planned. While manufacturers and distributors were unable to meet the sudden surge in demand and struggled with temporary stock shortages, the business was able to fulfil orders on time. As the availability of imported crop protection products increased, more partners decided to buy from the Company.

There has been a significant shift towards pre-payment and short term payment terms in terms of payment terms by partners. 55% of sales came from imports and 45% from domestic purchases.

In terms of territory, sales are split 65-35% between the West and East of the country, but the ratio does not reflect the territorial potential. The objective set by the division is to balance this ratio by intensively supporting the sales team in the East.

Domestic sales of plant protection products and the predominance of imports represent a risk for the business, strategic purchases and the need for stockpiling.

Sales have been positively influenced by the continuous information of the upstream market players on the import and licensing of imported products. The Group's marketing activities and the training of its sales colleagues played a very important role in achieving this. Continuous professional assistance was provided to colleagues in the field, and they also participated in internal training under ADR Chapter 1.3 organised by the business unit.

During the year, the delivery of products was smooth and the rapid international movement of imported products was also smooth. The contracted warehouses also handled the increased workload without disruption. With a focus on cost optimisation, several warehousing contracts were terminated with effect from 31 December 2020.

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

Data in HUF million	2019 (baseline)	2020 (actual)
Crop protection chemicals	2,230	3,126



Sale 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.



Sales of products in small packages and foliar fertilizers

The foliar fertilizers of Péti Nitrokomplex Kft. are used by all sectors of agricultural crop production to ensure a harmonious supply of nutrients and prevent deficiency diseases. Foliar fertilizers are distributed in a wide variety of formulations and presentations by nearly two dozen domestic and foreign manufacturers.

The market is highly supply-driven, and competition is extremely strong. Nevertheless, the subsidiary's foliar fertilizer sales volume in 2020 will be 38% higher than in 2019. Péti Nitrokomplex Kft.'s solid fertilizer sales in tonnes increased by 13.5% compared to the previous year's volume.

The subsidiary does not employ its own sales force, its products are distributed by the sales team of Nitrogénművek Zrt. and NZRT-Trade under a distribution and agency agreement.



Development of key indicators

IFRS consolidated result (HUF million)	2019	2020
Total operating income	88,657	95,706
Total operating expenses, of which	76,772	78,592
Material type expenses	63,397	56,226
Personnel type expenses	6,572	6,556
Depreciation and impairment	5,711	5,937
Other expenses	1,902	5,061
Variation of own production stocks	-507	4,662
Capitalised own production	-303	150
Operating profit	11,885	17,114
Net finance income/cost	-11,428	-12,935
Profit/Loss for the year	1,040	3,466
EBITDA	17,595	23,051
EBITDA/Revenue	20.0%	24.3%
Cash value	30,623	46,849
Funds from operations	12,359	17,006
Net indebtedness ratio	3.3x	2.05x
Interest coverage ratio	2.1x	2.8x
Return on invested capital	9.1%	12.2%
Debt to equity ratio	1.2	0.9

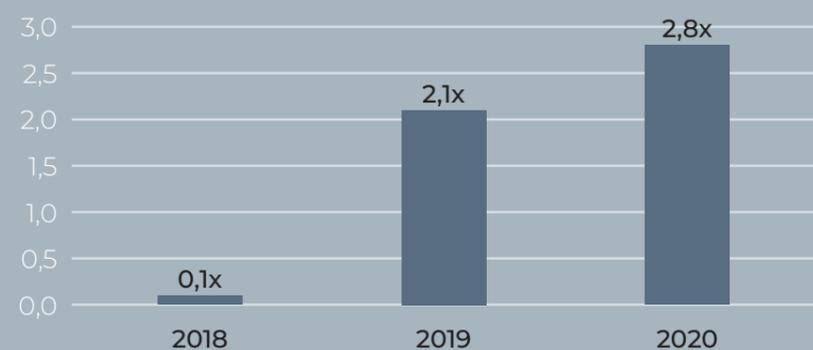
Development of EBITDA/Revenue ratio from 2018 Data in million HUF



Evolution of the net indebtedness ratio from 2018 Data in million HUF



Changes in the interest coverage ratio from 2018 Data in million HUF



IFRS consolidated balance sheet (HUF million)

IFRS consolidated balance sheet (HUF million)	2019	2020
Total assets, of which	179,705	189,447
Property, plant and equipment	112,896	109,103
Intangible assets	440	484
Total non-current assets	116,962	112,963
Inventories	16,948	12,343
Emission allowances	4,546	5,317
Receivables	10,627	11,974
Cash and cash equivalents	30,623	46,849
Total current assets	62,743	76,484
Total equity and liabilities, of which	179,705	189,447
Equity	49,276	52,841
Long term liabilities	92,538	98,486
Current liabilities	37,891	38,120

