

2015

NITROGÉN MŰVEK Zrt.
ANNUAL REPORT



■ Consolidated Statement of Financial Position

Consolidated financial statements for 2015 prepared in accordance with International Financial Reporting Standards as adopted by the EU

Description	2015. figures (data in THUF)
ASSETS	
Non-current assets	
Property, plant and equipment	82,385,673
Intangible assets	407,501
Investments	190,283
Interests in associates	
Other non-current assets	362,255
Deferred tax assets	0
Total non-current assets	83,345,712
Current assets	
Inventories	13,825,635
Emission rights	1,458,531
Income tax asset	27,330
Trade receivables	10,777,131
Other financial assets and derivatives	4,134,650
Other receivables	5,815,721
Cash and cash equivalents	41,732,151
Assets held for sale	0
Total current assets	77,771,149
TOTAL ASSETS	161,116,861
EQUITY AND LIABILITIES	
Shareholders' equity	
Subscribed capital	19,668,000
Translation reserve	9,359
Retained earnings	24,221,266
Profit for the period	7,766,025
Total equity attributable to owners of the Company	51,664,650
Non-controlling interests	309,193
Total shareholders' equity	51,973,843
Liabilities	
Non-current liabilities	
Loans and borrowings	66,218,484
Other non-current financial liabilities	
Other non-current liabilities	6,385,354
Deferred tax liability	2,177,471
Total non-current liabilities	74,781,309
Current liabilities	
Loans and borrowings	2,505,784
Income tax liability	360,200
Trade payables	7,884,719
Other financial liabilities and derivatives	6,139,404
Other current liabilities	15,787,396
Provisions	1,684,206
Total current liabilities	34,361,709
TOTAL EQUITY AND LIABILITIES	161,116,861

■ Message from the Chairman-CEO



Dear partner,

Nitrogénművek Zrt. aims to retain and increase its share in the Hungarian market so that it can provide better quality, packaging and professional support to Hungarian end-users, i.e. farmers. As an alternative in the market, our brand Genezis, covering fertilizer, seed and crop protection chemicals sales as well as crop trading, is synonymous with quality, reliability, predictability and outstanding professionalism. To strengthen our partnerships and facilitate information feedback, in the first two months of 2015 we launched our "road show" across the country, thereby enabling farmers to meet directly with the management of the commercial area. In the course of the events, which were positively received, we met 2,300 farmers – a practice we intend to continue.

Our Company continues to take an active part in supporting the generation change of agricultural

players. In 2015 we organised the Genezis 2.0 conference for the fourth time, hosting and offering professional or other strictly relevant programmes – stock exchange, communications, etc. – to young farmers.

Sales and crop purchases, the integrator role is performed through our Genezis partner network which reaches an increasing number of end-users every year, exploiting the commercial benefits inherent in the new divisions to increase direct sales volumes.

The reason we can offer more than other integrators on the market is because we are backed by modern, continuously expanding production capacities, which we believe to be crucial to long-term success.

In 2014 we decided to expand the capacity of our nitric acid production, which is one of the raw materials needed for nitrate-based fertilizer. This way we committed ourselves to the further expansion of our nitrate fertilizer production capacity. At the beginning of 2016 we signed a contract on the establishment of a plant producing ammonium nitrate solution, while the building of a dolomite grinder mill is currently under negotiation, whose products will be used for Pétisó production.

We intend to sell the surplus fertilizer in the future primarily to Hungarian farmers through our Genezis partner network by propagating fertilizer practices where the use of fertilizer, seed and crop protection chemicals optimally meets the special requirements of various areas, plant and soil types.

Sincerely yours,
László Bige
Chairman-CEO



- Managing boards of Nitrogénművek Zrt.



DR. ISTVÁN BLAZSEK CEO	ESZTER FÁBRY Chief Finance Officer	ZOLTÁN BIGE General Manager	LÁSZLÓ TIBOR BIGE Chairman-CEO	ZALÁN BIGE Board Member	JÁNOS SZILÁGYI Technical Director
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- Supervisory Board of Nitrogénművek Zrt.



GÉZA TÓSOKI
Employees' representative,
member of the Board



RÓBERT SZUROVCSÁK
Chairman of the Board



ZOLTÁN GYENES
Member of the Board



■ Introduction

The core activity of Nitrogénművek Zrt. and its subsidiaries is the production and sale of solid and liquid fertilizers with one or more components and containing macro, micro and mezo elements, as well as the distribution of the NPK products of Bige Holding Kft. in Szolnok, part of the parent company's holding network.

The fertilizer products are sold under the brand name of GENEZIS through wholesalers and the increasingly strengthening direct sales system – the Genezis partner network.

In addition to producing mono nitrogen fertilizers and providing a complex supply of fertilizers with several active ingredients, the Group's activities also include the manufacturing of other chemical products, provision of industrial services, and the production of polyethylene wrapping required to package the fertilizers.

In addition to the commercial seed and crop divisions launched in the previous year, distribution of crop protection chemicals was added to the range of products offered, which is another step leading to the provision of an all-encompassing service to farmers. The commercial seed and crop as well as the crop protection chemicals divisions operate at the Budapest site of Nitrogénművek Zrt.

The core activity (production of nitrogen fertilizers) is performed at the Pétfürdő site of the parent company, Nitrogénművek Zrt., where these products – Pétisó, ammonium-nitrate, urea and Nitrosol – are produced. The flagship product of the Company is Pétisó, which has the best environmental and agronomic properties. One advantage of Nitrosol, the liquid nitrogen fertilizer, is that it contains both fast-acting (nitrate-nitrogen) and slow-acting (ammonium and amid-nitrogen) ingredients. In addition to nitrogen components, Mikramid also contains micro nutrient elements.

Nitrogénművek Zrt. produces the ammonia and nitric acid required to produce the nitrate type of nitrogen fertilizers as well as the ammonia and carbon dioxide required by the amid type of fertilizers at its own ammonia base. In addition to this, it also deals with the manufacturing of other products generated during production, i.e. liquid ammonia and industrial gases generated from purge gases.



Our interests

Registered offices of the subsidiaries are indicated on the map: 2015 ownership interests of Nitrogénművek Zrt.

Name	Site	Ownership interest	Core activities
Péti Nitrokomplex Kft.	Pétfürdő	100%	manufacture, packaging and distribution of artificial fertilizers
Péti Polietilén Zsák Kft.	Pétfürdő	100%	manufacture and distribution of polythene packaging materials
Nitrogén-Pinkerton Kft.	Pétfürdő	53,3%	investigation and security services
Nádudvari Agrokémiai Kft.	Nádudvar	24,52%	manufacture and distribution of artificial fertilizers and nitrogen
BIGE Szállítványozási Kft.	Pétfürdő	100%	other supplementary services for transport
Nitrogén Projekt Kft.	Pétfürdő	100%	asset management
„Nitro Pet” Termelő, Kereskedelmi és Szolgáltató Kft.	Szabadka (Serbia)	100%	transportation and agency activities; retail distribution of chemical products and artificial fertilizers
Nitropet Slovakia s.r.o.	Nagymegyer (Slovakia)	51%	retail and wholesale of agricultural products and chemicals
S.C.BH Chemical Impex s.r.l.	Szatmárnémeti (Romania)	100%	wholesale of chemical products
Nitropet Deutschland GmbH	Haar (Germany)	100%	retail and wholesale
Nitropet Italia s.r.l.	Bolzano (Italy)	100%	retail and wholesale
Nitropet Croatia d.o.o.	Eszék (Croatia)	100%	distribution of fertilizers and soil improvers

After rating the subsidiaries the parent company resolved to consolidate the following five companies into the consolidated financial statements:

- Péti Polietilén Zsák Kft., Pétfürdő, wholly owned
- Péti Nitrokomplex Kft., Pétfürdő, wholly owned
- Nitro-Pet d.o.o., Szabadka, wholly owned
- BH Chemical Impex s.r.l., Szatmárnémeti, wholly owned
- Nitropét Slovakia s.r.o., Nagymegyer, 51 % ownership interest

Péti Nitrokomplex Kft. and Péti Polietilén Zsák Kft. operate at the Pétfürdő site; the services necessary for their industrial infrastructure are also provided by the parent company.

The activity of Péti Nitrokomplex Kft. basically remained the same, the focus is still on the production and sale of various foliage fertilizers as well as on the manufacturing and distribution of products containing special micro and macro elements. It continued the packaging and sale of small pre-packaged basic fertilizers, which includes nitrogen fertilizers of the

parent company and compacted NPK fertilizers of Bige Holding Kft.

Péti Polietilén Zsák Kft. manufactures and distributes polyethylene packaging, bags and wrapping. Its production capacity primarily satisfies the needs of the parent company for bags and wrapping material, with any additional free capacity used to meet external market demands. In response to market demand, alongside the manufacturing and sale of self-manufactured products the company also distributes purchased products and products derived from contract manufacturing.

„Nitro Pet” Termelő, Kereskedelmi és Szolgáltató Kft. is active in the town of Subotica, and distributes the parent company’s products in Serbia. In 2015 the market situation was similar to that in the previous year in Serbia. Solvent demand is low, while customers are quality-conscious and are willing to pay the price of the products that are more advantageous for them.

The business site of S.C. BH Chemical Impex Kft. is in Satu Mare, where they are engaged in the wholesale of Genezis products.

In 2015 demand for Genezis products was also increased in Romania. Sales in the third quarter were supported by the cessation of operations of Azomures and Interargo of the major fertilizer factories operating in Romania due to summer overhauls and investment projects.

NITROPÉT Slovakia Kft.’s permanent establishment is located in Nagymegyer, from where it supplies the Slovak and Czech markets with Genezis products. The Czech market has significant competition, because supply from Poland and Lithuania grew, and

the Czech fertilizer traders utilized the port at the Baltic Sea in Poland more effectively, thus increasing the flow of goods of Russian origin into the market.

The parent company works closely with the Fertilizers Europe committees and other international organisations, receiving information, studies and analyses on the EU fertilizer market; the organisation also functions as a body for interest representation and legal remedy vis-à-vis manufacturers outside the European Union.



■ Production

2015 was one of the years with the smallest loss of production within the last 10 years for the plants of Nitrogénművek Zrt.

The 2015 production volumes of the parent company were determined by the major overhaul of almost two months, as a result of which the commodity supply of produced fertilizers was about 162,000 tonnes down on the previous year.

Several investments were realised during the year, fostering the capacity and safe operation of manufacturing plants.

Most significantly, the capacity of the ammonia plant was increased to 1,400 tonnes/day. Thanks to the investment, not only the daily production of the plant but also the unit indicators for natural gas were improved. A frequency changer operating with a capacity of 2 MW was installed in the acid plant, ensuring that the plant produces 1,800 tonnes/day nitric acid even during the hottest months. During the shutdown we built a gas ammonia pipe to feed fertilizer plants from the

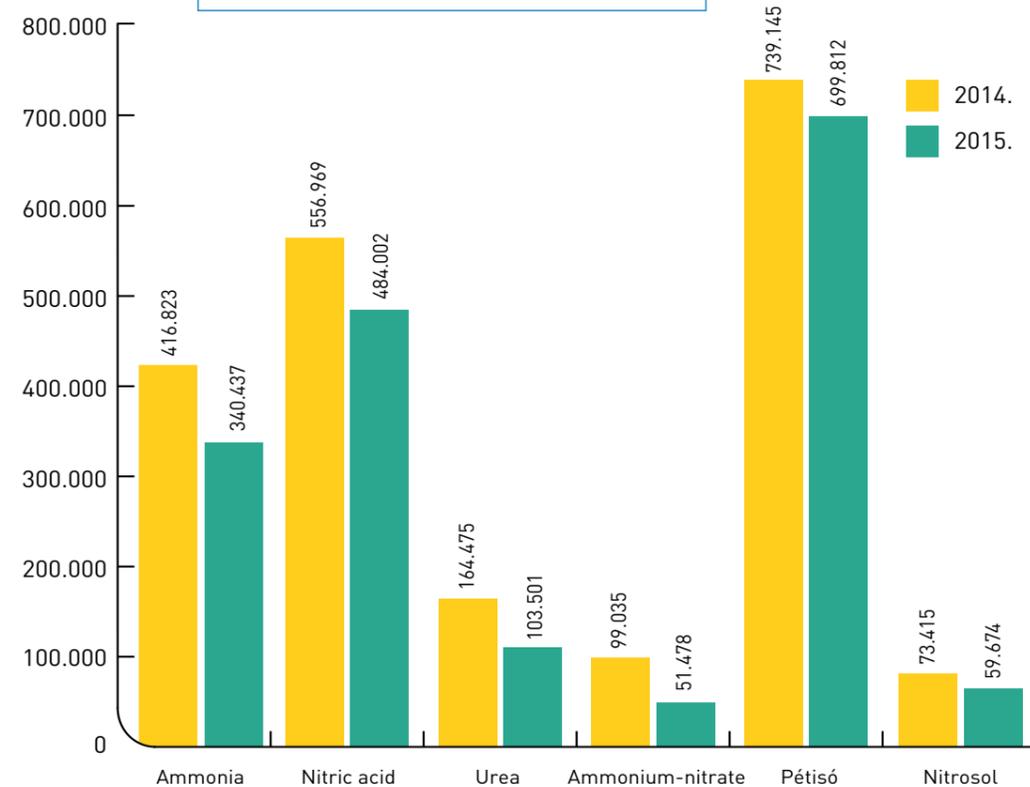
acid plant, which ensures the operation of the acid and fertilizer plants if the ammonia plant breaks down.

The construction works on the granulation plant bought from ThyssenKrupp Industrial Solutions, which can produce up to 1,960 tonnes of Pétisó per day, were performed throughout the year. One spectacular part of the plant building and assembly was the transportation of important, gigantic equipment to Pétfürdő, which took several days from the port at Gönyü. The new plant was put into production during the full-scale shutdown. Warranty tests began in December 2015.

A new packaging building was constructed and equipment installed for the big-bag packaging of the fertilizer produced in the granulation 2 plant, equipped with state-of-the-art robotics.

A new methane compressor with a capacity of 2,000 Nm³/h was installed in the argon plant, which will be satisfactory even if the capacity of the ammonia plant is increased to 1,650 tonnes/day in the future.

Production volumes of the main products of Nitrogénművek Zrt. (tonnes)





■ Environmental protection

As a corporation in the chemical industry the Group is committed to using its environment in a rational and considerate manner with a view to laying the foundations for its future development. For this reason it pays close attention to ensuring that operations comply with environmental laws and regulations and to mitigating the harmful ecological impacts of its technologies.

Of all the consolidated companies it is primarily the chemical technology at the site of the parent company which due to its nature may be harmful to the air, the soil or the groundwater through dust pollution and emission of chemical compounds. To reduce environmental pollution, continuous development of the manufacturing technology is a main objective. As a result of related efforts, the emissions of pollutants from the factory in Pétfürdő have not exceeded the permitted thresholds for wastewater and for air pollution for almost 2 decades.

Since 2000 Nitrogénművek Zrt. has operated an Environmental Management System. The auditors of TÜV Rheinland InterCert Kft. performed a renewal audit of the system certified according to MSZ EN ISO 14001:2005 in June 2015. The audit confirmed that the design, documentation and implementation of the system is appropriate and complies with all relevant requirements of the standard.

Péti Polietilén Zsák Kft. that manufactures polyethylene packaging materials also has Environmental Management Systems under ISO 14001, the certification audit was successfully completed in 2015.

Reporting, recording and disposal of hazardous waste generated is ensured by the members of the Group in compliance with regulations; as a result, emission of substances harmful to the environment was eliminated to a maximum extent. The Group makes every effort to reduce the extent of generation of polluting substances harmful to the environment.



The majority of the production waste created during the operations of the fertilizer factory in Pétfürdő is recycled into manufacturing technologies.

Involvement of recycling companies greatly contributes to the achievement of environmental protection targets: waste paper, waste plastics and office wastes are given to the recycling company at Group level, while the packaging waste produced at Péti Nitrokomplex Kft. – polyethylene bags, plastic bottles, containers, contaminated boxes – is also managed based on a contract concluded with the recycling company taking on the firm's recycling obligations.

Péti Polietilén Zsák Kft. is able to produce lower-quality products by grinding and re-granulating the polyethylene waste it produced when making bags. This recycling procedure contributes to the protection of the environment and to sustainable development, and it also represents an advantageous potential from a business point of view.

No hazardous waste was produced at the other companies and there were no harmful emissions.



2015 SALES ACTIVITY

2015 Sales activity



Péter Suba
Commercial Deputy
CEO

Nitrogénművek Zrt. offers a comprehensive range of services for partners with its commercial strategy redesigned in 2014 and its expanded activities. Alongside domestic sales of fertilizer and seed as well as the purchase of produce, in January 2015 the Company added distribution of crop protection chemicals to its scope of activities. By assuming this role of integrator, the primary objective is still to satisfy the needs of the domestic market to the full and providing services to farmers on a professional basis.

For our commercial activity we created a uniform and rejuvenated visual appearance, which helps consumers recognize our Genezis brand whilst also duly symbolising the important and defining role of our Company on the market.

We continued our experimental 500 Club programme launched for demonstrating fertilisation on large parcels of land; farms cultivating 300 or more hectares of land using modern machinery normally participated. The objective of our experimental programme was to show the level of surplus crops and additional income that can be achieved with professional fertilisation.

Best outputs for the 4 main cultures in the 2014/2015 year

Produce	Location of experiment	Average crop		Surplus	
		Genezis (t/ha)	Industrial (t/ha)	average crop (t/ha)	(%)
Corn	Haladás Szövetkezet	9,3	5,75	3,55	38
Sunflower	Nyírmihálydi	3,95	3,3	0,65	16
Rapeseed	Szentes	4,27	2,96	1,31	31
Autumn wheat	Balhér Kft.	7,77	5,44	2,33	30

Using economic calculations we make a complex return comparison after harvests for every experiment, which is shown in the following table:

2014-2015 500 Club average results

	Number of experiments	Of which experiments with increased yield	Average yield increase	Average crop prices	Average net additional profit
	no.	no.	t/ha	HUF/t	HUF/ha
Corn	165	139	0,81	42.500	23.623
Sunflower	65	59	0,30	115.780	22.393
Autumn wheat	107	97	0,62	47.450	19.126
Winter rapeseed	34	27	0,64	108.620	42.484

The extra cost of input materials and fertilizers recommended by our specialist advisers for Genezis parcels, compared to parcels treated traditionally (industrially) were deducted from the average net additional profit.

Use of nitrogen active ingredient in 2014-2015 (kg/ha)

	Genezis parcel	Industrial parcel
Corn	143,7	116,30
Sunflower	98,3	78,00
Autumn wheat	151,8	118,60
Winter rapeseed	153,2	138,13

The results clearly proved that it is worth treating arable land professionally since the extra attention and nutrients pay off significantly and produce a very high economic yield when applied throughout the entire cultivated area.

Based on the experiments conducted for five years now we can say that at least 20% growth is possible on the Hungarian fertilizer market provided that farmers accept and use the technology we recommend for the various types of produce.



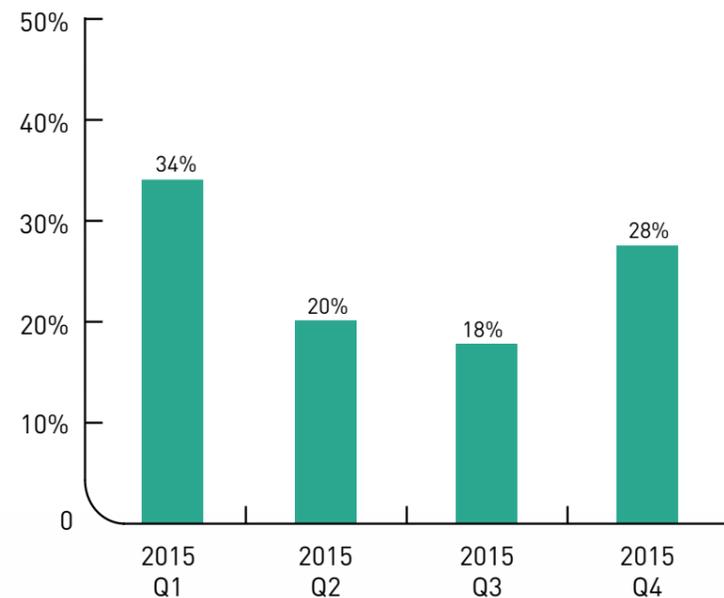
■ Trade of fertilizers and chemical products

According to information from the Hungarian Research Institute of Agricultural Economics, distributors of fertilizer sold 1.5 million tonnes of fertilizer directly to Hungarian agricultural producers, which represents an 8% increase as compared with the previous year. Fertilizer prices grew by 3% in average, including the same increase in the case of the price of Pétisó.

In 2015 demand for fertilizers was more even than previously.

The primary objective of our sales strategy is to increase each year the sales volume of our products to end-users in the domestic market, while ensuring high quality services. As a result of this strategy, in 2015 the volume directly sold by the Genezis partner network reached 350,000 tonnes of fertilizer, which is 50% of our domestic sales. We make our products available for our partners with the most favourable price-value ratio. A fleet of 115 trucks purchased in 2015 ensures flexible and effective service enabling timely and accurate delivery of our fertilizer products.

Quantity distribution of fertilizers distributed in Hungary by quarter



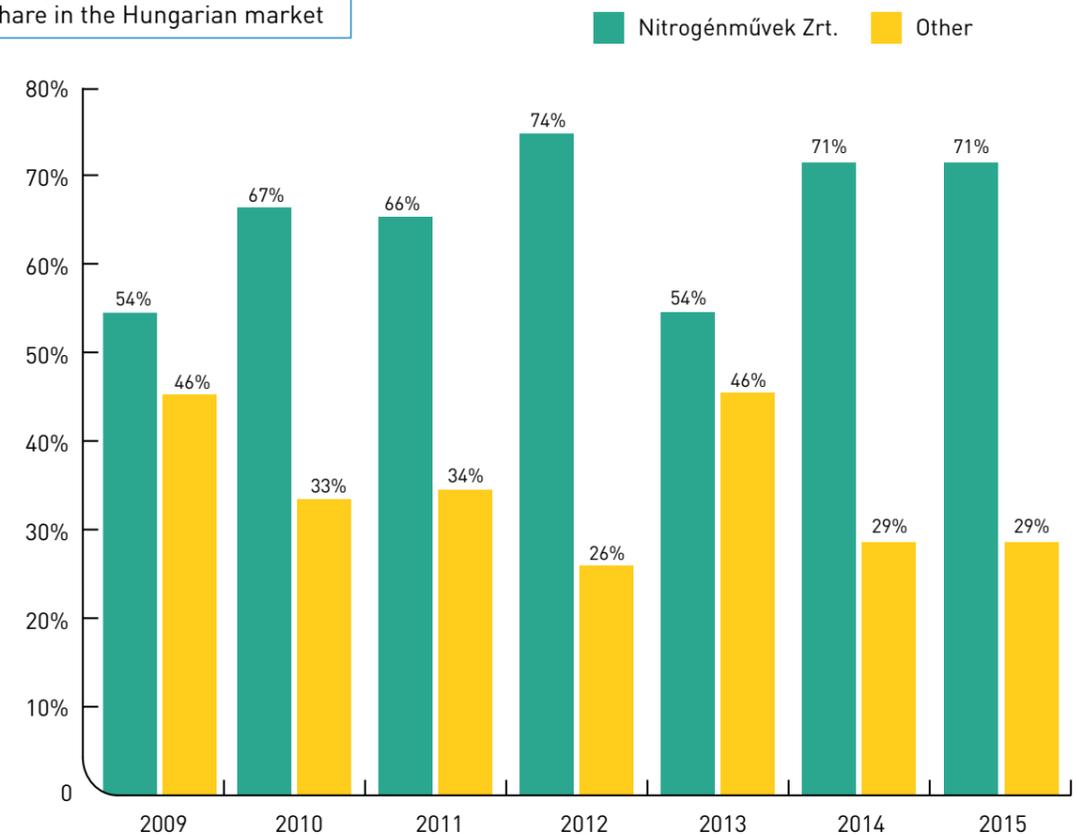
[Source: RIAE]

Our sales agents recommend the entire range of Genezis fertilizers – including nitrogen and complex NPK fertilizers, solid and liquid basic fertilizers and top dressings as well as irrigation and foliage fertilizers – required for modern nutrient management on a thorough professional basis. With the help of all the fertilizers available along with specialist advice

we can provide assistance in cost-effective business operations.

In 2015 Nitrogénművek Zrt. and its subsidiaries sold 701,000 tonnes of nitrogen fertilizer – commercial weight – on the domestic market, which accounted for 68% of total sales of N-fertilizers. The active ingredient content of the fertilizer sold was 206,000 tonnes.

Nitrogénművek Zrt.'s share in the Hungarian market

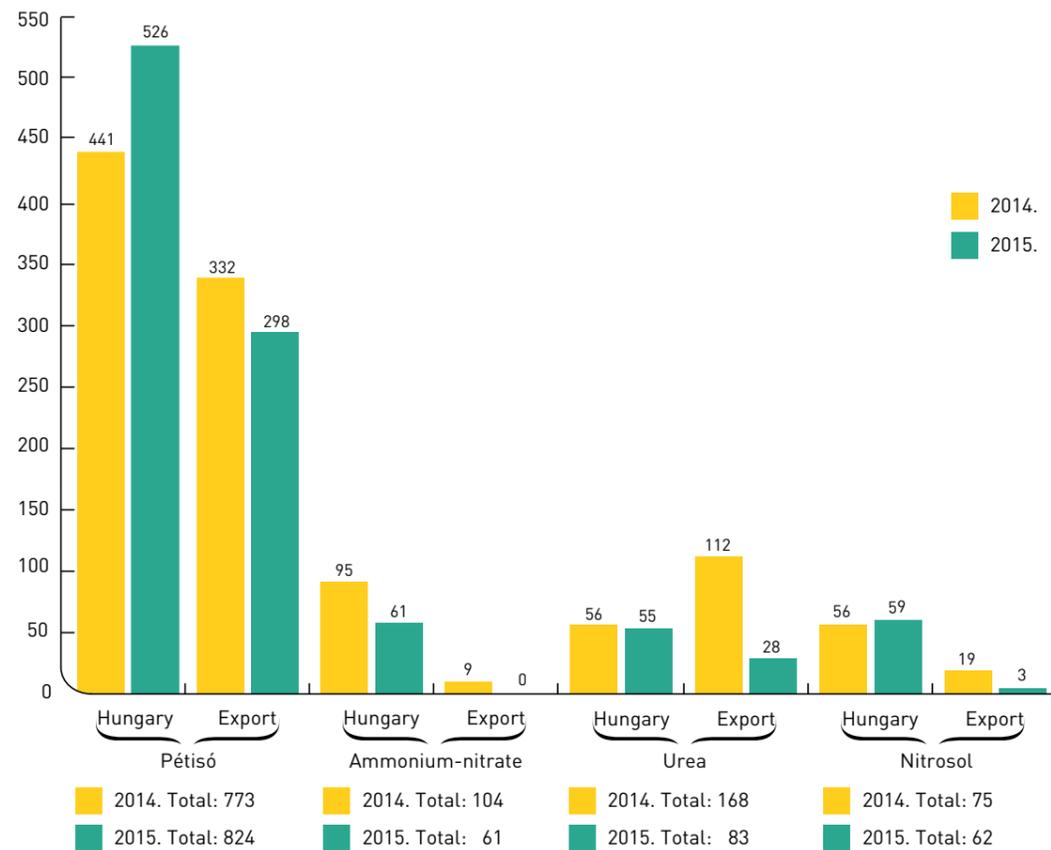


[Source: Kleffmann]

The commercial supply available is primarily used to satisfy as much of Hungarian agriculture's fertilizer demands as possible; however, utilising production capacities of the Company to an appropriate extent necessitates and also facilitates the serving of external markets too.



Sale of fertilizers by Nitrogénművek Zrt. by product and destination (data in thousand tonnes)

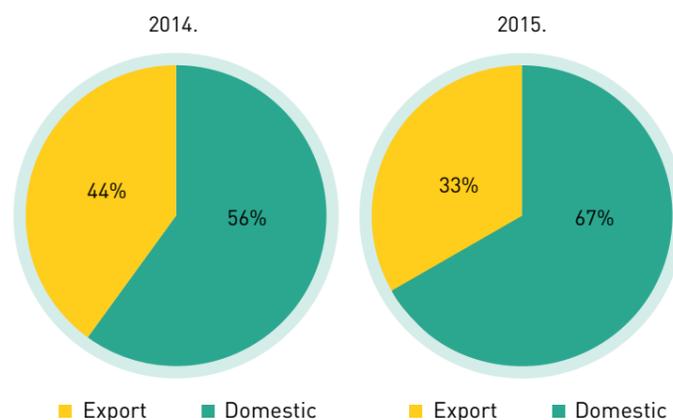


The Company still regards neighbouring countries as the major export target markets, since fertilizers can be transported economically within a geographical distance of about 1,000 km from the site. In accordance with the practice established over the years, sales were mainly performed through own companies established abroad; the number of independent partners continued to drop.

In 2015 the Company further expended its commercial organisations on external markets by establishing its Nitropet Croatia d.o.o. subsidiary in Eszék. The expansion was greatly assisted by the fact that the products of the Company are competitive in terms of both quality and services compared to products produced in the neighbouring countries.

Fertilizer sales revenue by destination

The reliable quality of our products and services as well as our good partnerships established over the years contribute to the sale of our chemical products and to preserving our market position. We look upon our major industrial gas and liquid ammonia purchasers as our strategic partners, to whom we constantly pay special attention and this enables us to market the total amount produced and use their nitrogen resources if necessary.



Sale of seeds

In 2015 shrinkage of areas for the cultivation of major spring arable crops was observed in Hungary, resulting in greater seed stocks for producers on the seed market.

Despite this market situation, the sales team of the Genezis partner network was able to increase our share on the seed market. For rapeseed we achieved a market share of more than 17%, while in the field of sale of corn and sunflower seed we realised 10-12% market share, which exceeded our plans.

Taking advantage of strong price and distributor position competition, Nitrogénművek Zrt. as a new

market player had the chance to buy seed under more favourable conditions. We were able to represent this in our strategy and implementation tactics at appropriate level.

In 2015 we launched our own cereal seed production. This will yield in later seasons.

Seeds were primarily sold through the Company's existing end-user partnerships from fertilizer sales, utilising synergies of products available within the Company through the Genezis technology developed for arable land crops.

Sale of produce

2015 was the first complete commercial year of the Company in crop trading too, during which more than 130,000 tonnes of produce were sold for HUF 6.3 billion. Crop harvests around the world were good again in 2015, making it almost impossible for world market prices to rise during the year. Furthermore, the drastic fall in oil prices placed significant pressure on grain prices too because in the USA, for example, half of the corn crops were used for ethanol production. Wheat prices on the French stock exchange were between 150 and 170 euros/tonne throughout the year, with the exception of one and a half months in the summer when they went up to around 200 euros/day for a few days.

Higher crop levels were not just characteristic of countries far from the Company, but also in those where Hungarian crops have to compete on export markets – Western Europe, Russia, Ukraine, Serbia and Romania. Furthermore, significant devaluation of the Ukrainian and Russian currencies in 2015 played a great role, thus these countries constantly placed pressure on prices as sellers on the global market. In the first half of 2015 the Hungarian crop trading market was primarily characterised by corn trading, which produced a record level of yield in the previous year, but was less in demand in the western part of the country due to toxin contamination.

In the early months of the year business deals were minimal on the market, and were at a reduced price. From April, however, when producers saw that there is still a considerable amount in the warehouses, and that the new crop overwintered well, sales began.

Under these market conditions our Company also had plenty of opportunities, and between April and July we sold half of our annual turnover. The amount of wheat and barley was well above average in 2015 again. Upon the harvest, prices increased significantly on the export market for approximately 3 weeks, and so all dryers bought a considerable amount of wheat for speculative purposes, while producers also sold the most necessary volumes only because they believed rise in prices would last. But this did not happen, so the wheat and barley market ground to a halt from the end of the summer. Parallel to the sale of input products, the sales agents of our Genezis partner network also ensured the purchase of crops to end-users, namely our producing partners.

This new service supported the purchasing side of our crop trading. Our compensation framework made crop sales even more attractive to producers whilst also boosting input sales.

■ Sale of crop protection chemicals

The expansion of the Company's crop protection chemicals trading division began in November 2014, which was officially approved by the Public Administration Office of Veszprém County in February 2015. Instead of creating its own crop protection chemical logistics system, the Company manages tasks related to storage and delivery with professional service providers well-known on the Hungarian market who provide excellent services. For several years there has been increasingly fierce price competition on the crop protection chemicals market, resulting in a downward trend in margins. In addition, trade contracts are concluded within the division in a unique manner. Traders provide discounts on the price list issued by the producer depending on the size of the turnover target or in proportion to the size of turnover achieved,

most of which is received subsequently in the form of a credit. Accordingly, producers transfer the contractual discount from products bought during the season back to the Company at the end of the year; this cannot be offered by the Company to market participants on a subsequent basis, so it is included immediately in the prices upon sales.

In spite of initial difficulties, the Company concluded trade agreements with two producers, and successfully entered the crop protection chemicals market. The Company earned sales revenue of HUF 496 million from the distribution of products of the two producers in question with a margin of 0.5%. Since this result was achieved by selling a portfolio that makes up 28% of the products available on the market, the size of turnover can be considered sufficient for the first year.

■ HR development, restructuring, preserving our values, commitment and motivation



József Medve
HR Director

Operations were adapted to the challenges of the continuously changing environment in 2015 as well, in line with the key employer role that Nitrogénművek Zrt. has been performing in the region for decades. In light of this, preservation of core values, i.e. appreciation of employees, social responsiveness, receives constant focus.

In 2015 33 new employees joined and in total 53 employees left Nitrogénművek Zrt. 14 leavers requested termination of their employment due to retirement. New employees were recruited to replace the leavers as well as with the aim of expanding the trading network.

As a result of these processes and other headcount changes, the average number of full-time employees totals 663, while together with the consolidated subsidiaries the Group has 772 employees. Nitrogénművek Zrt. is traditionally considered an attractive employer in the region.

Traditionally, employees are provided with competitive income, which is supplemented by the system of fringe benefits. As of 1 January 2015 basic wages were increased by an average of 4 %. The Cafeteria system including fringe benefits was maintained and particular attention was devoted to social benefits, among others the provision of housing support. Dialogue between employees and the representative organisations is continuous and effective, the partners co-operate to the fullest extent in order to sustain the stability of the Company.

The goal of the Company's management is for employees to be dedicated, realise their objectives and enjoy being at their workplace. To this end it lays great emphasis on maintaining and continuously improving employee satisfaction.

True to our traditions, we organised our "Pensioners' Gathering" in 2015 too along with the "Nitrogen Family Day", where 10 of our employees were awarded the "Best Employee of Nitrogénművek Zrt." Award and the CEO Award.

In 2015 for the first time our Company made it possible for its employees to spend an informal afternoon together with both their direct colleagues and those working in other fields. All of our employees participated in this series of events, which was clearly well received.

■ Profit: Sales revenue and costs

2015 was the first full financial year for the new divisions (crop, seed and crop protection chemicals); sales revenue of the products distributed totals HUF 10,2 billion, representing 11.7% of total revenue. Material-type expenses dominate in the structure of production costs; this item includes costs of purchased raw and auxiliary materials, maintenance

materials and fuel necessary for the production, as well as – among others – transportation, logistics, third-party maintenance costs, purchase costs of produce, seed and crop protection chemicals sold by the new divisions. 2015 operations resulted in HUF 7,766 million profit for the period.

2015 consolidated sales revenue of the Group (HUF million)

Description	2015.
Domestic, of which	61.518
Nitrogen-based fertilizers	47.724
Crop and seed	7.786
Sale of crop protection chemicals	496
Other	5.512
Export, of which	25.620
Nitrogen-based fertilizers	23.200
Sale of produce	1.929
Other	491
Total sales revenue:	87.138

Ammonia is one of the raw materials of fertilizer production, which is produced from natural gas, therefore the cost of it is a decisive factor within material costs.

Natural gas is purchased from West Europe, which is a more favourable environment in terms of competition. This enables the Group to retain its competitiveness and enhance its competitive advantages against its regional competitors.

The cost of electricity needed for operation as well as the cost of packaging materials are also significant within material costs.



■ Our investment activities

In 2015, substantial investment and renovation activities were carried out at the parent company, while smaller investments were made at Péti Polietilén Zsák Kft. and a microbus was purchased for Nitropét Szlovákia Kft. Other consolidated companies had no investments in 2015.

In accordance with the approved development concept, the investments previously started by the Company continued, and in some cases ended, in 2015:

- The construction of the 1,150 tonnes/day capacity acid plant was continued with TKIS AG as general contractor; it is expected to be completed in June 2017.
- Construction of the plant with a capacity of 1,960 tonnes/day Péti-só or 1,550 tonnes/day ammonium-nitrate-type granulated fertilizer was completed and trial operation was started; final handover of the plant is expected at the end of June 2016.
- In connection with the new granulation plant, a modern packaging unit was supplied by Goodtech AS for the big-bag packages of fertilizer produced, trial operation of which began in December 2015.
- In relation to the expansion of the ammonia plant's daily capacity to 1,400 tonnes, the Carsol

system and synthesis gas loop were converted with Polish company INS as the general contractor, and a new air compressor was installed and integrated into the system with Czech firm PBS Energo as the general contractor during the major overhaul.

- The capacity expansion of the ammonia plant made the capacity expansion of the argon plant necessary, whereby a new methane compressor was installed and the control technique was also partially modernised.
- The investments both underway and to be realised in the long term change the Company's steam balance. The chemical processes of the ammonia and acid plants generate heat, and thus a considerable amount of extra steam, which can be used for producing electricity. The electricity produced can be used in-house, thereby markedly decreasing the amount of electricity that needs to be bought. Based on this we began the installation of a Siemens steam turbine generator with a condenser and a generator producing electricity, whilst also making the plant's electric power network suitable for safely receiving and transmitting the produced electricity towards the plants.



■ Consolidated Statement of Comprehensive Income

Net sales revenue	87,138,494
Other income	929,577
Total operating income	88,068,071
Material-type expenses	57,262,321
Staff costs	5,653,633
Depreciation and impairment	2,302,260
Other expenses	2,813,897
Changes in self-manufactured inventories	2,658,394
Capitalised value of self-manufactured assets	-501,458
Total operating costs	70,189,047
Operating profit	17,879,024
Income from financial transactions	6,983,882
Expenses on financial transactions	15,545,568
Loss/Profit on financial transactions	-8,561,686
Share of profit of associates, net of tax	
Profit before tax	9,317,338
Income tax expense	1,530,394
Profit for the period attributable to controlling owner	20,919
Profit for the period	7,766,025
Other comprehensive income	
Translation difference	2,872
Total other comprehensive income	2,872
Total comprehensive income for the period	7,789,816





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