# Third Quarter 2016 Interim Report

## Highlights

- **Agrinos Opens a New State-of-the-Art Microbial Crop Input Production Facility in Portland, Oregon**
- **Agrinos Expands Partnership with Zuari Agri Sciences in India**
- **Agrinos and KOVA Fertilizer Partnership Brings Innovative Biological Crop Solutions to US Midwestern Growers**
- **Agrinos Announces the Addition of John Eustermann as General Counsel**
- **Agrinos Announces Conversion of Bond with Strategic Investors**
- **Agrinos Announces Extraordinary General Meeting of the Company regarding deregistration of the Company stock from the Norwegian Over the Counter (NOTC) exchange**
- **Q3 2016 Sales Revenue of USD 2.48 million vs. USD 0.95 million in Q3 2015, with significant increases in sales revenue in Agrinos' core geographies**
- **Q3 2016 Operating Expenses of USD 5.83 million vs. USD 6.75 million in Q3 2015, a decrease of more than 13% due to continued cost control programs**
- **Q4 2015 through Q3 2016 12-month Sales Revenue of USD 7.74 million vs. USD 4.93 million in the 12-month period from Q4 2014 through Q3 2015, an increase of more than 50% in this comparable 12-month period**

"In Q3 2016, Agrinos continued to deliver against our plans for the year and accomplished important milestones we established as a part of our long-term strategy. We realized significantly improved sales revenue in core markets, continued with our cost management initiatives, officially opened our new Microbial Crop Input Production Facility, and continued expanding Research & Development (R&D) capabilities in the United States. Additionally, considerable progress continues in developing the collaborative efforts with our strategic partner, EuroChem. Thus, on a number of fronts, including core commercial market growth, valuable capability expansion, and important partnership development, we continue to make important progress regarding our long-term strategy and our key milestones," said Chief Executive Officer, D. Ry Wagner.

"The opening of our new, state-of-art Microbial Crop Input Production Facility in Portland, Oregon, marked a major accomplishment for the company. The facility, which reached substantial completion on schedule and within budget, provides us with the ability to deliver our best-in-industry microbial products to existing and future markets. Also, it allows us to continue to develop new products that take advantage of our growing understanding of the functionalities of specific microbial consortia. Further, the new production facility complements our world-class R&D operation in Davis, California, and our biological crop nutrition production facility in Sonora, Mexico. Taken together, Agrinos' R&D and production facilities allow the company to develop, produce, and commercialize our existing and next-generation technologies with world-class quality and cost efficiency.

"Agrinos has also secured new strategic partnerships while expanding and enhancing our existing partnerships with key distribution channels and growers in major agricultural markets including, but not limited to, the launch of a new such relationship with KOVA Fertilizer in the US. We are also pleased with the expansion of our partnership with Zuari Agri Sciences in India. Aligned partnerships, in combination with continued market penetration through existing channels, have resulted in double-digit revenue growth in several key geographies in Q3 2016.

“The Company’s sales revenue increased by over 50% in the 12-month period from Q4 2015 through Q3 2016 as compared to the same 12-month period from Q4 2014 through Q3 2015, while at the same time realizing a decrease in operating expenses due to our cost control measures. This is an important comparison as Agrinos recognizes the majority of sales revenue in the third and fourth quarters due to the normal market cycles in our core agricultural markets. The significant increase in sales revenue demonstrates the success we are having as a result our strategy to align Agrinos technologies with select distribution channel partners in order to bring new solutions for improved crop productivity and quality to growers around the world.

“With regard to the global management team, we have filled a critical leadership position with the addition of John Eustermann in the role of General Counsel. John’s appointment brings in-house key legal skills that should serve the Company well as we move to the next phase of our growth strategy. In addition, Agrinos announced an Extraordinary General Assembly (EGM) of the Company to consider a Board-approved resolution to deregister Agrinos AS from the Norwegian Over the Counter (NOTC) exchange. Management and the Board believe this step will provide several important benefits to our commercial operations and our efforts to further create shareholder value. The EGM met on October 5, 2016, and the resolution to deregister was approved. The deregistration process is anticipated to be completed in November 2016. Following this event Agrinos will continue to maintain a strong relationship with all shareholders, and with the broader investor marketplace, by offering timely and insightful communications on company performance.

“Overall, I am very satisfied with our third quarter performance. We met or exceeded our third quarter and year-to-date goals, which included improving topline revenue, strengthening strategic core capabilities, and growing the organization in a deliberate and thoughtful manner while maintaining appropriate control over costs. As we move into the final quarter of the year, I anticipate additional milestone accomplishments will include continued revenue growth in key markets, as well as the development of our partnership with EuroChem. Each milestone is aligned with our long-term growth strategy, and I look forward to working with my colleagues and dedicated professionals here at Agrinos, and within our partner organizations, for the remainder of 2016 and beyond,” Wagner concluded.

## Profit and loss

Sales revenue amounted to USD 2.48 million in the third quarter of 2016, compared to USD 0.95 million in the third quarter of 2015, which is a USD 1.53 million increase vs. the same period in 2015. YTD through 2016 sales revenue was USD 4.76 million vs. USD 3.46 million for the same YTD period in 2015, and for the 12-month period from Q4 2015 through Q3 2016 sales revenue was USD 7.74 million vs. USD 4.93 million for the 12-month period from Q4 2014 through Q3 2015, an increase of more than 50% in this comparable 12-month period. These results are in line with the Company’s strategic plan for continued growth in our core geographies.

Cost of goods sold (COGS) was USD 0.74 million in the third quarter of 2016, reflecting the volume sold in the quarter. COGS comprise raw materials, production costs, and overhead as well as shipping, bottling, handling, and transportation.

Salaries and personnel costs amounted to USD 2.87 million in Q3 2016, an increase of USD 1.14 million over the third quarter of 2015. This is primarily driven by the recruitment of experienced staff and management over the past 12 months in both commercial and R&D roles, in line with our Company strategy to bring best-in-class know-how and experience to the organization. This increase in expense was more than offset by cost control measures in other aspects of Company operations. Agrinos had 142 employees (FTE) as of September 30, 2016, down from 149 employees reported at the end of the third quarter 2015.

Other operating expenses amounted to USD 1.93 million in the third quarter of 2016, which represents a decrease of 2.25 million from the same period in 2015.

Depreciation and amortization amounted to USD 0.29 million in the third quarter of 2016.

Total operating expenses in the third quarter of 2016 amounted to USD 5.54 million before depreciation and amortization, a decrease of USD 0.69 million from third quarter of 2015. The decrease is due to overall cost containment across the company.

The earnings before interest, taxes, depreciation, and amortization (EBITDA) pre-earn out were negative USD 3.06 million in the third quarter of 2016 vs. negative USD 5.27 million in the third quarter of 2015.

### Cash flow and balance sheet

Net cash flow from operating activities was positive USD 0.53 million in the third quarter of 2016 mainly driven by operational savings. This is off-set by Net Loss before depreciation of USD 7.42 million.

Cash and cash equivalents totaled USD 4.48 million at end of the third quarter 2016.

Total non-current assets amounted to USD 9.53 million at the end of the third quarter of 2016, down from USD 12.77 million at the end of third quarter of 2016. Other intangibles related to intellectual property amounted to USD 1.75 million.

Inventories went down by USD 0.08 million to USD 0.69 million during the first nine months of 2016 vs. the end of 2015. Accounts receivable increased by USD 0.83 million to USD 2.48 million during the first nine months of 2016 vs. the end of 2015.

Other receivables decreased by USD 0.39 million to USD 7.17 million during the first nine months of 2016 vs. the end of 2015.

Accounts payable increased by USD 0.92 million to USD 2.13 million at the end of third quarter 2016 vs. the end of 2015.

Other current liabilities decreased by USD 2.80 million to USD 6.78 million at end of third quarter 2016 vs. the end of 2015. The main components in other current liabilities at the end of the third quarter are taxes and VAT of USD 5.06 million and other accrued expenses of 1.71 million.

Total current liabilities decreased by USD 1.92 million to USD 9.13 million vs. the end of 2015.

## Outlook

Agrinos is a biological solutions-based agricultural company pursuing growth through commercial activities, as well as research and development. The Company's robust technology, strong field-trial results, and established channels to large agricultural inputs markets is believed to provide opportunities where the Company can create value for its customers and capture an attractive margin on the sale of its products to support operations and new product development.

Commercially, the Company is experiencing positive development within Agrinos' core geographies, driven by in-the-field results, maturing relationships with key partners, and end-user technology adoption. Despite the current headwinds in the agricultural sector, the Company expects progress to continue throughout 2016 and will continue to pursue growth in core geographies. In addition, the Company's recently announced Research and Development and Sales and Marketing agreements with EuroChem and its completion of a private placement in Q1 2016 sets the stage for continued growth by bringing the Company's existing product line, along with new technology solutions, to both current and new markets.

Agrinos' strategy targets commercial growth in select geographies and continued development of the Company's research and development operations. The Company will strive toward all business units becoming cash-flow positive. To the extent the Company seeks additional capital beyond that which is generated in the ordinary course (i.e. to cover certain expenses such as corporate charges, global research and development expenditures, and capital expenditures, as the case may be), the Company is in a position that it can balance such needs. At this juncture, the Company foresees the need for and is planning appropriately for such additional capital as part of its overall strategy to meet its long-term objectives.

Building upon the recent significant corporate reorganization and the long-term market strategy (initiated in the second half of 2014), the Company, to reach planned profitability, continues to focus on mid-term performance indicators, while actively managing operating costs. Some key objectives and areas of focus for the balance of 2016 are (i) continued successful implementation of the strategic plan, (ii) final testing and start-up of the new U.S. facility, and (iii) continued distribution and market penetration of Agrinos' products in core geographies.

October 20, 2016

The Board of Directors Agrinos AS

Oslo, Norway

# Consolidated Financial Statements (Unaudited)

## Group Condensed Consolidated Profit & Loss Statement (Unaudited)

| USD | YTD 09.30.2016 | Q3 2016 | H1 2016 | YTD 09.30.2015 | Q3 2015 | H1 2015 |
|---|---|---|---|---|---|---|
| Sales revenue | 4,763,332 | 2,481,039 | 2,282,293 | 3,458,792 | 951,283 | 2,507,509 |
| Other operating revenue | 9,611 | 49 | 9,562 | 31,059 | 15,588 | 15,471 |
| Operating revenue | 4,772,943 | 2,481,089 | 2,291,854 | 3,489,851 | 966,872 | 2,522,979 |
| Cost of goods sold | (1,760,059) | (735,613) | (1,024,446) | (1,116,599) | (314,003) | (802,595) |
| Salaries and personnel costs | (8,305,455) | (2,871,518) | (5,433,937) | (7,351,606) | (1,733,444) | (5,618,162) |
| Depreciation and amortization | (907,818) | (288,094) | (619,723) | (1,677,064) | (518,651) | (1,158,413) |
| Other operating expenses | (5,599,362) | (1,936,532) | (3,662,830) | (8,932,058) | (4,189,378) | (4,742,680) |
| Earn-out | (7,437) | - | (7,437) | - | - | - |
| Total operating expenses | (16,580,131) | (5,831,758) | (10,748,372) | (19,077,326) | (6,755,476) | (12,321,850) |
| **Operating income** | (11,807,188) | (3,350,670) | (8,456,518) | (15,587,475) | (5,788,605) | (9,798,870) |
| Net financial income / expense (-) | (8,852,998) | (4,359,891) | (4,493,107) | (905,109) | (2,548,220) | 1,643,111 |
| Net income / loss (-) before taxes | (20,660,186) | (7,710,561) | (12,949,625) | (16,492,584) | (8,336,825) | (8,155,759) |
| Tax expense | 6,995 | 6,995 | - | 1,158 | 1,246 | (88) |
| Minority Interest. | 414,538 | 65,655 | 348,883 | 288,581 | 188,762 | 99,820 |
| **Net income / loss (-)** | (20,238,653) | (7,637,911) | (12,600,742) | (16,202,845) | (8,146,818) | (8,056,027) |

## Group Condensed Consolidated Balance Sheet Statement (Unaudited)

| USD | 09.30.2016 | 06.30.2016 | 09.30.2015 | 06.30.2015 |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill | - | - | 3,743,373 | 3,918,513 |
| Other intangible assets | 1,753,690 | 1,667,291 | 1,791,796 | 1,954,568 |
| Deferred Tax Asset | 386,977 | 233,718 | 272,005 | 290,382 |
| Total intangible assets | 2,140,667 | 1,901,009 | 5,807,175 | 6,163,463 |
| Land | 51,694 | 54,074 | 59,032 | 63,816 |
| Buildings | 2,486,887 | 2,468,851 | 2,822,935 | 3,009,950 |
| Improvements to leased premises | 4,126,725 | 2,821,694 | 1,514,553 | 1,516,936 |
| Vehicles | 658,810 | 619,371 | 570,602 | 583,587 |
| Machines, fixtures and fittings etc. | 4,752,331 | 5,137,387 | 5,444,123 | 5,765,979 |
| Accumulated depreciation | (4,687,992) | (4,570,794) | (3,439,669) | (3,414,228) |
| Total tangible fixed assets | 7,388,455 | 6,530,582 | 6,971,577 | 7,526,040 |
| | | - | | - |
| Investments in other shares and interests | - | - | - | 2,316 |
| Total financial non-current assets | - | - | - | 2,316 |
| **Total non-current assets** | 9,529,122 | 8,431,591 | 12,778,751 | 13,691,819 |
| Inventories | 697,007 | 1,272,143 | 6,574,020 | 9,272,085 |
| Total goods | 697,007 | 1,272,143 | 6,574,020 | 9,272,085 |
| Accounts receivable | 2,488,323 | 1,459,191 | 9,964,651 | 11,671,434 |
| Other receivables | 7,171,107 | 7,067,876 | 7,544,252 | 7,890,463 |
| Total receivables | 9,659,431 | 8,527,067 | 17,508,903 | 19,561,898 |
| Bank deposits, cash etc. | 4,485,266 | 10,034,033 | 5,212,903 | 10,396,094 |
| **Total current assets** | 14,841,704 | 19,833,243 | 29,295,825 | 39,230,076 |
| **Total assets** | 24,370,826 | 28,264,834 | 42,074,576 | 52,921,895 |

## Group Condensed Consolidated Cash Flow Statement (Unaudited)

| USD | 09.30.2016 | 06.30.2016 | 09.30.2015 | 06.30.2015 |
|---|---|---|---|---|
| **Equity** | | | | |
| Share capital | 183,651 | 97,803 | 97,803 | 97,803 |
| Premium reserve | 154,453,097 | 136,950,897 | 131,225,502 | 131,176,300 |
| Total paid in capital | 154,636,749 | 137,048,700 | 131,323,305 | 131,274,103 |
| Minority interests | (1,139,580) | (1,092,817) | (722,864) | (566,827) |
| Accumulated P&L | (138,294,078) | (132,274,226) | (126,524,732) | (117,982,816) |
| **Total equity** | 15,203,091 | 3,681,657 | 4,075,708 | 12,724,460 |
| **Liabilities** | | | | |
| Deferred tax | - | - | - | - |
| Total provisions for liabilities | - | - | - | - |
| Other non-current liabilities | 32,286 | 16,536,777 | 14,874,219 | 15,140,527 |
| Total non-current liabilities | 32,286 | 16,536,777 | 14,874,219 | 15,140,527 |
| Accounts payable | 2,133,681 | 943,811 | 3,696,845 | 3,790,299 |
| Current tax payable | 220,005 | 755,448 | 209,391 | 226,286 |
| Other current liabilities | 6,781,763 | 6,347,142 | 19,218,412 | 21,040,322 |
| Total current liabilities | 9,135,449 | 8,046,401 | 23,124,649 | 25,056,908 |
| **Total liabilities** | 9,167,734 | 24,583,177 | 37,998,868 | 40,197,435 |
| **Total equity and liabilities** | 24,370,826 | 28,264,834 | 42,074,576 | 52,921,895 |

## Group Condensed Consolidated Cash Flow Statement (Unaudited)

| USD | YTD 09.30.2016 | Q3 2016 | H1 2016 | YTD 09.30.2015 | Q3 2015 | H1 2015 |
|---|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | | |
| Profit/Loss (-) before tax | (20,660,186) | (7,710,561) | (12,949,625) | (16,492,584) | (8,336,825) | (8,155,759) |
| Depreciation and amortization | 907,818 | 288,094 | 619,723 | 1,677,064 | 518,651 | 1,158,413 |
| Changes in inventories,receivables and payables | (2,292,003) | 531,821 | (2,823,824) | 4,100,580 | 2,818,802 | 1,281,778 |
| Changes in other accruals/currency effects | 18,349,593 | 1,643,946 | 16,705,647 | (5,074,605) | (361,129) | (4,713,475) |
| **Net cash flow from operating activities** | (3,694,778) | (5,246,700) | 1,551,922 | (15,789,545) | (5,360,502) | (10,429,044) |
| | | | | | | |
| **Cash flow from investment activities** | | | | | | |
| Investments/disposals of tangible fixed assets | (2,226,389) | (1,385,628) | (840,764) | 1,122,618 | 394,403 | 728,201 |
| Changes in other investments | - | - | - | - | - | - |
| **Net cash flow from investments activities** | (2,226,389) | (1,385,628) | (840,764) | 1,122,618 | 394,403 | 728,201 |
| | | | | | | |
| **Cash flow from financing activities** | | | | | | |
| Proceeds from borrowings( current and non- | (14,731,328) | (16,504,491) | 1,773,163 | (739,214) | (266,308) | (472,906) |
| Net proceeds from issuance of shares | 23,313,444 | 17,588,049 | 5,725,395 | 49,202 | 49,202 | (0) |
| **Net cash flow from financing activities** | 8,582,116 | 1,083,558 | 7,498,558 | (690,012) | (217,106) | (472,906) |
| | | | | | | |
| Net change in cash and cash equivalents | 2,660,949 | (5,548,769) | 8,209,715 | (15,356,939) | (5,183,205) | (10,173,749) |
| Cash and cash equivalents at beginning of period | 1,824,318 | 10,034,035 | 1,824,318 | 20,569,842 | 10,396,108 | 20,569,843 |
| Cash and cash equivalents at end of period | 4,485,266 | 4,485,266 | 10,034,033 | 5,212,903 | 5,212,903 | 10,396,094 |

## Notes

### Note 1 – Unaudited Financial Statements

For the translation of the financial statements of foreign entities the balance sheet items are translated at the exchange rate at balance sheet date and the profit and loss account items at the average exchange rate. The translation differences that arise are directly deducted from or added to group equity.

### Note 2 – Minority Interests

Agrinos acquired 55% of the shares in PT Agrinos Indonesia through a share issue in January 2012. The shareholding in Agrinos Malaysia Sdn Bhd was reduced to 84.7% through a share issue to the company's local partners in December 2011. Agrinos increased its shareholding in Agrinos Beijing BioTech from 50 per cent to 60 per cent during the first quarter of 2013.

### Note 3 – Accounting Principles

As from the third quarter 2012 the liabilities and employer taxes related to the company's stock warrant program are recognized in the accounts. The stock warrants liability at the end of the quarter is charged to equity and is a non-cash transaction. The employer tax (14.1%) related to the stock warrants is charged to Salaries and personnel costs. The liabilities and employer tax to be recognized per quarter will be determined by the share price and the number of warrants outstanding.

### Note 4 - Shareholders

List of largest shareholders is regularly updated on www.agrinos.com

### Contact Information

John Janczak, CFO
Mobile: +1 817 507 6530
E-mail: john.janczak@agrinos.com

## About Agrinos

Agrinos is a biological crop input provider committed to improving the productivity and sustainability of modern agriculture. Agrinos' range of High Yield Technology ("HYT®") products helps farmers to practice profitable agriculture by providing increased crop productivity, improved efficiency of conventional fertilizer and a reduced environmental footprint.

Based on Agrinos' proprietary technology, the HYT® products provide benefits by strengthening the soil-based microbial ecosystem, stimulating crop development at key points in the growth cycle and boosting natural plant resistance to pathogens and threats. With solutions for a variety of crop categories, the technology comprising the HYT® products has demonstrated its value in third- party trials in key agricultural regions worldwide.

---