Agrinos®

First Half (Q1 and Q2) 2016 Interim Report

Highlights

- **Agrinos and EuroChem Group AG ("EuroChem") enter into Equity Investment, Sales & Distribution and Research & Development Agreements**
- **Private Placement with Manor Investments, Havfonn AS and EuroChem raise USD 20 million to support Agrinos business development strategy**
- **Rudolf von Plettenberg appointed to Agrinos Board of Directors**
- **Distributor Relationship with Dehua and Huapu to Bolster Farmer access to Agrinos products in China**
- **Partnership with Geolife Agritech will expand presence of High Yield Technology Biological Crop Inputs for Organic Farming in India**
- **Agrinos receives OMRI Certification for iNvigorate, B Sure and Agrinos 5-0-0 in the US**
- **Fabricio Benatti joins Agrinos as Vice President, Latin America Commercial Operations**
- **H1 2016 Sales Revenue of USD 2.3 million vs. USD 2.5 million in H1 2015, with significant increase in H1 sales revenue in the core geographies of North America and India**
- **H1 2016 Operating Expenses reduced by USD 1.0 million vs. H1 2015, a 10% reduction as a result of improved cost management throughout the Company**

"In the first half of 2016 the Company accomplished all milestones established as a part of our long-term strategy. Agrinos has realized improved sales revenue in core markets, improved cost management, continued development of our new Microbial Crop Input Production Facility and Research & Development capabilities in the United States, and made considerable progress in developing the collaborative efforts with our strategic partner, EuroChem. Our partnership with EuroChem was announced in Q1 2016 as part of a USD 20 million private placement in which strategic investment partners Manor Investments SA ("Manor") and Havfonn AS ("Havfonn") participated along with EuroChem to support Agrinos' long-term growth strategy." said Chief Executive Officer, D. Ry Wagner.

"Our successful private placement with Manor, Havfonn and EuroChem was an important validation Agrinos' sharp focus on core markets, development of a best-in-class research and development, and enhanced production capabilities. Furthermore, the collaborative relationship between EuroChem and Agrinos with regard to both the sales and distribution of Agrinos High Yield Technology (HYT®) products, and the development of innovative products that integrate mineral fertilizers with biological crop nutrition technologies, sets the stage for continued growth in our current and new markets, with both existing and next generation technologies."

"Agrinos also has entered into new commercial partnerships with key distribution channels and growers in major agricultural markets, including, but not limited to, launching relationships with GeoLife Agritech in India and with Dehua and Huapu in China. Aligned partnerships, in combination with continued growth through existing channels has resulted in double-digit revenue growth in several key geographies during the first half of 2016. Furthermore, Agrinos has filled a critical leadership position with Fabricio Benatti joining the company as Vice President for Latin America Commercial Operations, and welcomed Rudolf von Plettenberg, Head of Premium Products and Development of EuroChem Agro, to the Agrinos Board of Directors."

Agrinos is very satisfied with our Q1 and Q2 performance. Our ability to meet or exceed our planned goals for the first half of the year includes topline revenue, strengthening strategic core capabilities, and reducing our operational expenses (vs. the same period in 2015) through diligent cost controls. As the year progresses, I anticipate that additional major milestone accomplishments will include the completion of our new U.S. Microbial Crop Input Production Facility, continued revenue growth in key markets, and the development of our collaborative partnership with EuroChem. Each milestone is aligned with our long-term growth strategy and fully supported by the Agrinos team. I look forward to working with the dedicated professionals within Agrinos, and within our partner organizations, to deliver on our strategy for 2016 and beyond." Wagner concluded.

Profit and loss

Sales revenue amounted to USD 2.28 million in the first half of 2016, which is a USD 0.23 million decrease over the first half of 2015. This reflects continued sales revenue growth in several geographic markets of focus, including double-digit percentage growth in revenue in North America and India as compared to the first half of 2015, and reduced revenue as compared to the first half of 2015 from several other markets, including Latin America and Asia. These results are in line with the Company's 2016 strategic plan that anticipated regional variation and differential market growth in the first half of the year.

Cost of goods sold (COGS) was USD 1.02 million in the first half of 2016, reflecting the volume sold through June 30, 2016. COGS comprise raw materials, production costs and overhead, as well as shipping, bottling, handling and transportation.

Salaries and personnel costs amounted to USD 5.43 million in the first half of 2016, a decrease of USD 0.18 million over the first half of 2015. Agrinos had 134 employees (FTE) as of June 30, 2016, down from 144 employees reported at the end of the fourth quarter 2015.

Other operating expenses amounted to USD 3.66 million in the first half of 2016, which represents a decrease of 1.08 million from the same period in 2015.

Depreciation and amortization amounted to USD 0.62 million in the first half of 2016.

Total operating expenses in the first half of 2016 amounted to USD 10.12 million before depreciation and amortization, a decrease of USD 1.04 million from first half 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 at USD 7.83 million in the 2016 first half of 2016 vs. negative USD 8.64 million in the first half of 2015.

Cash flow and balance sheet

Net cash flow from operating activities was negative USD 2.82 million in the first half of 2016 mainly driven by operational expenditures. This is off-set by Net Loss before depreciation of USD 12.33 million.

Cash and cash equivalents totaled USD 10.03 million at end of the Q2 2016.

Total non-current assets amounted to USD 8.43 million at the end of the first half of 2016, up from USD 8.21 million at the end of 2015. Other intangibles related to intellectual property amounted to USD 1.67 million.

Inventories went up by USD 0.5 million to USD 1.27 million during the first half of 2016 vs. the end of 2015.

Accounts receivable decreased by USD .19 million to USD 1.46 million during the first half of 2016 vs. the end of 2015.

Other receivables decreased by USD .50 million to USD 7.07 million during the first half of 2016 vs. the end of 2015.

Accounts payable decreased by USD .26 million to USD .94 million at the end of the first half of 2016 vs. the end of 2015.

Other current liabilities decreased by USD 3.2 million to USD 6.35 million in the first half of 2016 vs. the end of 2015. The main components in other current liabilities at the end of the Q2 are: taxes and VAT of USD 5.20 million and other accrued expenses 1.15 million.

Total current liabilities decreased by USD 3.01 million to USD 8.05 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, our recently announced Research and Development and Sales and Marketing agreements with EuroChem, along with the completion of the private placement in Q1 2016, sets the stage for continued growth by bringing our 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. For investments beyond the cash flow generated from sales, such as corporate charges, global research and development expenditures, and capital expenditures, the company will use its balance sheet and anticipates the need for additional capital increase to meet its long-term strategic objectives.

Building upon the implementation of the corporate reorganization and long-term market strategy initiated in the second half of 2014, the company continues to focus on mid-term performance indicators while actively managing costs in order to reach a profitable state. The main objectives for 2016 are to implement the strategic plan, build a new production facility in the U.S., and continue the roll-out and distribution of Agrinos products in core geographies.

July 29, 2016

The Board of Directors Agrinos AS
Oslo, Norway

Consolidated Financial Statements (Unaudited)

Group Condensed Consolidated Profit & Loss Statement (Unaudited)

USD	H1 2016	Q2 2016	Q1 2016	YE 2015	H1 2015	Q2 2015	Q1 2015
Sales revenue	2,282,293	1,581,405	700,887	6,430,748	2,507,509	1,334,192	1,173,316
Other operating revenue	9,562	2,118	7,444	228,534	15,471	9,708	5,763
Operating revenue	2,291,854	1,583,524	708,331	6,659,282	2,522,979	1,343,901	1,179,079
Cost of goods sold	(1,024,446)	(602,004)	(422,442)	(1,352,274)	(802,595)	(494,963)	(307,632)
Salaries and personnel costs	(5,433,937)	(2,630,437)	(2,803,500)	(11,038,803)	(5,618,162)	(2,397,750)	(3,220,412)
Depreciation and amortization	(619,723)	(308,035)	(311,688)	(2,188,005)	(1,158,413)	(586,829)	(571,584)
Other operating expenses	(3,662,830)	(1,748,113)	(1,914,716)	(20,262,754)	(4,742,680)	(2,501,454)	(2,241,226)
Earn-out	(7,437)	-	(7,437)	-	-	-	-
Total operating expenses	(10,748,372)	(5,288,588)	(5,459,784)	(34,841,837)	(12,321,850)	(5,980,995)	(6,340,854)
Operating income	(8,456,518)	(3,705,065)	(4,751,454)	(28,182,555)	(9,798,870)	(4,637,095)	(5,161,776)
Net financial income / expense (-)	(4,493,107)	(1,046,158)	(3,446,949)	2,295,857	1,643,111	930,042	713,069
Net income / loss (-) before taxes	(12,949,625)	(4,751,222)	(8,198,403)	(25,886,698)	(8,155,759)	(3,707,053)	(4,448,706)
Tax expense	-	-	-	(563,500)	(88)	(88)	-
Minority Interest.	348,883	146,971	201,912	275,485	99,820	45,748	54,072
Net income / loss (-)	(12,600,742)	(4,604,251)	(7,996,490)	(26,174,713)	(8,056,027)	(3,661,392)	(4,394,635)

Group Condensed Consolidated Balance Sheet Statement (Unaudited)

USD	06.30.2016	03.31.2016	12.31.2015	06.30.2015	03.31.2015
Assets					
Goodw ill	-	-	-	3,918,513	4,174,267
Other intangible assets	1,667,281	1,730,547	1,103,570	1,954,568	1,945,745
Deferred Tax Asset	233,718	243,704	401,045	290,382	289,977
Total intangible assets	1,900,999	1,974,252	1,504,616	6,163,463	6,409,989
Land	54,074	58,067	57,973	63,816	65,147
Buildings	2,468,851	2,651,078	2,788,579	3,009,950	3,041,323
Improvements to leased premises	2,821,694	2,035,474	1,685,892	1,516,936	1,163,317
Vehicles	619,371	481,264	528,203	583,587	588,986
Machines, fixtures and fittings etc.	5,137,387	5,517,852	5,196,427	5,765,979	5,810,957
Accumulated depreciation	(4,570,794)	(4,534,429)	(3,551,137)	(3,414,228)	(3,150,273)
Total tangible fixed assets	6,530,582	6,209,306	6,705,937	7,526,040	7,519,457
Investments in other shares and interests	-	-	-	2,316	2,556
Total financial non-current assets	-	-	-	2,316	2,556
Total non-current assets	8,431,581	8,183,558	8,210,552	13,691,819	13,932,002
Inventories	1,272,143	736,512	775,764	9,272,085	9,681,188
Total goods	1,272,143	736,512	775,764	9,272,085	9,681,188
Accounts receivable	1,459,191	1,225,200	1,650,066	11,671,434	12,561,519
Other receivables	7,067,876	7,324,063	7,566,953	7,890,463	8,194,097
Total receivables	8,527,067	8,549,263	9,217,019	19,561,898	20,755,615
Bank deposits, cash etc.	10,034,033	16,016,637	1,824,305	10,396,094	14,176,038
Total current assets	19,833,243	25,302,412	11,817,089	39,230,076	44,612,841
Total assets	28,264,824	33,485,970	20,027,641	52,921,895	58,544,843

Group Condensed Consolidated Balance Sheet Statement (Unaudited)

USD	06.30.2016	03.31.2016	12.31.2015	06.30.2015	03.31.2015
Equity					
Share capital	97,803	97,803	97,803	97,803	97,803
Premium reserve	136,950,897	139,354,026	131,225,502	131,176,300	131,176,300
Total paid in capital	137,048,700	139,451,828	131,323,305	131,274,103	131,274,103
Minority interests	(1,092,817)	(952,417)	(716,391)	(566,827)	(523,749)
Accumulated P&L	(132,274,226)	(129,891,004)	(136,406,674)	(117,982,816)	(113,501,871)
Total equity	3,681,657	8,608,407	(5,799,760)	12,724,460	17,248,483
Liabilities					
Deferred tax	-	-	-	-	-
Total provisions for liabilities	-	-	-	-	-
Other non-current liabilities	16,536,777	16,242,580	14,763,614	15,140,527	15,064,550
Total non-current liabilities	16,536,777	16,242,580	14,763,614	15,140,527	15,064,550
Accounts payable	943,811	1,029,732	1,210,010	3,790,299	3,800,031
Current tax payable	755,448	1,165,652	263,297	226,286	231,383
Other current liabilities	6,347,132	6,439,600	9,590,481	21,040,322	22,200,396
Total current liabilities	8,046,390	8,634,984	11,063,788	25,056,908	26,231,810
Total liabilities	24,583,167	24,877,564	25,827,401	40,197,435	41,296,361
Total equity and liabilities	28,264,824	33,485,970	20,027,641	52,921,895	58,544,843

Group Condensed Consolidated Cash Flow Statement (Unaudited)

USD	H1 2016	Q2 2016	Q1 2016	YE 2015	H1 2015	Q2 2015	Q1 2015
Cash flow from operating activities							
Profit/Loss (-) before tax	(12,949,625)	(4,751,222)	(8,198,403)	(25,886,698)	(8,155,759)	(3,707,053)	(4,448,706)
Depreciation and amortization	619,723	308,035	311,688	2,188,005	1,158,413	586,829	571,584
Changes in inventories,receivables and payables	(2,823,824)	(1,102,029)	(1,721,795)	6,129,857	1,281,778	427,919	853,859
Changes in other accruals/currency effects	16,705,647	2,227,601	14,478,046	(5,555,959)	(4,713,475)	(816,957)	(3,896,519)
Net cash flow from operating activities	1,551,922	(3,317,615)	4,869,537	(23,124,796)	(10,429,044)	(3,509,262)	(6,919,782)
Cash flow from investment activities							
Investments/disposals of tangible fixed assets	(840,776)	(556,071)	(284,719)	5,179,875	728,201	(346,659)	1,074,846
Changes in other investments	-	-	-	-	-	-	-
Net cash flow from investments activities	(840,776)	(556,071)	(284,719)	5,179,875	728,201	(346,659)	1,074,846
Cash flow from financing activities							
Proceeds from borrowings(current and non-current)	1,773,175	294,209	1,478,978	(849,819)	(472,906)	75,977	(548,870)
Net proceeds from issuance of shares	5,725,395	(2,403,129)	8,128,524	49,202	(0)	-	(0)
Net cash flow from financing activities	7,498,570	(2,108,920)	9,607,502	(800,618)	(472,906)	75,977	(548,870)
Net change in cash and cash equivalents	8,209,716	(5,982,606)	14,192,320	(18,745,538)	(10,173,749)	(3,779,945)	(6,393,805)
Cash and cash equivalents at beginning of period	1,824,318	16,016,639	1,824,318	20,569,842	20,569,843	14,176,039	20,569,843
Cash and cash equivalents at end of period	10,034,033	10,034,033	16,016,637	1,824,304	10,396,094	10,396,094	14,176,038

Notes

Note 1 – Unaudited Financial Statements

Key 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.

Certified as organic and 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.

Cautionary statement on forward-looking statements

This document contains certain forward-looking statements relating to the business, financial performance and results of the company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this announcement, including assumptions, opinions and views of the company or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. Neither the company, nor any of its parent or subsidiary undertakings or any such person's officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this announcement or the actual occurrence of the forecasted developments. No obligation, except as required by law, is assumed to update any forward-looking statements or to conform these forward-looking statements to our actual results.