Annual Report 2012






Agrinos®

innovative®
by nature

Tomatoes treated with HYT®, Sonora, Mexico, March 2013

Content

Agrinos sales manager with HYT® treated watermelon plants in plastic tunnels, Texas, US, January 2013

Agrinos in brief

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

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 threats and stress.

Founded in 2009, Agrinos today has an integrated value chain with production in Mexico and sales and marketing activities in the Americas, Europe, Africa and Asia-Pacific.

Historical development

Product development and testing of Agrinos' products have been going on since the prototype of the HYT® was invented in the 1980s. During the 1990s the technology was tested internationally and commercial development started in 2005. Agrinos AS was founded in 2009 and acquired the technology and commercial rights in 2010. The company has since 2011 invested in an ambitious growth strategy with initial focus on Mexico, the US and select other markets.

Late 1980s to 2000s: Technology invention, product development and testing

- Prototype of HYT® A is invented
- Academic tests are initiated
- HYT® A prototype undergoes international testing as soil inoculant for improved soil health
- Intellectual property rights to HYT® A prototype is acquired by Agrinos co-founder Karl Fick
- Production of HYT® A prototype is moved from the US to Mexico
- HYT® A prototype product formula undergoes further development
- The company Bioderpac incorporated to start commercial development of L-amino acids (HYT® B) and chitin (and HYT® C) based on shrimp waste access in Sonora, Mexico

2009-10: Agrinos incorporated to industrialise and commericalise the HYT® technology

- Agrinos' founders acquire the intellectual property rights for the reformulated HYT® A prototype product
- Global commercial development commences with sourcing and production in Mexico and headquarter in Norway

2010-2012: Capacity ramp-up, industrialization, positioning for roll-out through government programs in Mexico, commercial market penetration in Mexico, US and select other markets

- Agrinos sees an opportunity for increased use of biological solutions within Mexican agriculture and positions itself for governmental programs to increase productivity within the country
- Agrinos gets involved with the MasAgro program in Mexico
- Production capacity is ramped up to serve Mexican and international demand
- The company states an IPO ambition and raises equity to realize an ambitious growth strategy
- Seasoned international industrialists are recruited to the management group
- Big global agricultural company Syngenta becomes a partner and minority owner

HYT® production facility, Sonora, Mexico, April 2013

CEO letter

Dear fellow shareholders,

We have had an ambitious growth strategy at Agrinos since our incorporation in 2009. This is firstly based on the strong results the HYT® product suite creates for farmers across the world. Secondly we see an agricultural industry that increasingly acknowledges the need for biological solutions. Finally we observe an accelerating interest in our technological solutions from academic to commercial institutions and partners.

To take a leading position and capture shares of this emerging market, we have raised more than USD 120 million in growth capital and combined this with willingness to take risk and move fast to get our people and products out in select markets. It's a significant undertaking given that we are a four year old start-up company in the emerging 'biologicals' space.

What has this ambitious strategy yielded so far? We have many-folded our production capacity and organizational capability to be able to deliver on the substantial growth in demand. We have secured sales approvals and solidified HYT® technology verification in key markets to enable adoption and product offering roll-out. And not least, we have established market positions in several large crop inputs markets around the world, most notably in Mexico and the US.

The main achievement in Mexico is our positioning for large scale governmental programs aimed at increasing farmer productivity and sustainability across the country. Agrinos has supported the build-up of a broad and exclusive network of nationwide distribution of the HYT® products. The distributors have built an operational capacity that can reach more than 70% of the farmers in Mexico and built a direct-to-grower business which now services more than 6 000 larger farmers. Demonstrating the ability to run large operations and consistently deliver results with HYT® has been imperative for the positioning towards large scale government programs.

As I am writing this letter, the first HYT® deliveries to broad scale programs with government funding are taking place in Mexico. This is of course a major achievement for us and makes us believe strongly in our continued opportunities. The requirements this highly dynamic development place on us is significant. We have therefore taken steps to consolidate our organization and positions globally to ensure ability to deliver on our prioritized opportunities and secure financial flexibility. Alongside

Mexico our most promising other opportunities currently are in the US, Brazil, India and in the Europe, Middle East and Africa region linked to the Syngenta collaboration

However, the implementation of an ambitious growth strategy has neither come for free nor without pain. It takes time and resources to build market presence and penetration, especially in agriculture, and when this period stretches out, capital requirements increase. We moved into 2013 with less financial flexibility than originally planned for and as a response we have sharpened focus on efficiency, control and costs. 2013 will be the year when we streamline and prepare for the next phase of the company's development.

We experience continued growth in 2013 based on the development we see with governmental programs in Mexico, but also with industrial partners and end-users in several markets outside Mexico. We are continuing the industrialization of our value chain and strengthening our efforts into research and development. We will solidify current products and offerings - and continue the development of the next generation HYT® products.

My job now is to ensure that Agrinos takes the required steps to continue our growth and deal with growth pains bound to come when moving fast. The efforts already initiated and to be continued will transform us from an exciting start-up company with a lot of promise into an integrated, effective and profitable player with a disruptive technology and unique offering.

We at Agrinos will spend the rest of 2013 turning progress into profitability.

Tom Einar Jensen,

Chief Executive Officer

Wheat treated with HYT®, Sonora, Mexico, January 2013

Board of Directors report

Agrinos is a provider of biological crop inputs. The company's range of HYT® products helps growers to practice profitable agriculture by providing increased crop productivity, improved efficiency of conventional inputs and a reduced environmental footprint. Agrinos has an integrated value chain with feedstock sourcing and production in Mexico, sales and marketing activities in select countries in the Americas, Europe, Africa and Asia, and research and development activities in Mexico and the UK.

The Parent Company is located in Bærum, Norway. The main subsidiary is in Sonora, Mexico and Agrinos has in addition activities in the US, Colombia, Peru, Brazil, the UK, Finland, Spain, Ghana, India, Malaysia, Indonesia, and China.

All financial statements in this report are presented on the basis of a “going concern” assumption in accordance with the Norwegian Accounting Act section 3-3a. The Board of Directors is of the opinion that the prerequisites for a going concern assumption are present. The company has invested in production and distribution capacity in preparation for sales growth. In 2012 deployment of products with end users and recorded sales revenues reached the highest levels since the company's inception. Continued growth is envisaged. However, due to negative cash flow the company has initiated an adequate plan to continue business by adjusting its operations and working capital requirements until cash flow improves. To the best of the Directors’ knowledge, no subsequent events that would impact the accounts for 2012 and which are not described in this report have occurred since 31 December 2012.

Key developments in 2012

Mexico: Investing in capacity, positioning for government programs, progress and delays
Mexico is today Agrinos' main market and investment. The business unit accounted for approximately 92 per cent of group 2012 operating revenues of NOK 227.7 million and 90 per cent of capital expenditures of NOK 36 million. Agrinos continued to invest in production capacity as well as its nationwide distributor networks in response to growing underlying business and promising prospects.

During the year the distributors established warehouses and sales and marketing units across the country and by the close of the year this had translated into more than 6 000 end-users with increasing product deployment and sales.

However, Agrinos and the distributors have been positioning for larger contracts with both farmer associations and government programs as this is a regular and important channel to the agricultural inputs market in Mexico. When these contracts did not materialize as expected during the year, demand for HYT® units, sales revenues and cash collection came in lower than expected for the year. On the back of this development, Agrinos moved into 2013 with tightened cost control and cautious capital expenditures in anticipation of improved sales both to government programs and to commercial customers, as well as cash collection from receivables.

Other markets: Emerging commercialization, the US in the lead
Sales revenues in the US, Colombia, Peru, Finland, Spain, Ghana, India, Indonesia, Malaysia and China accounted for 8 per cent of total 2012 sales revenue. The business units' marginal share of total sales is mostly a reflection of the early commercial stages these units are in. The US is the unit that has matured the most outside Mexico, while Colombia and China need to improve taking into account resources and time spent on them. Agrinos had pre-commercial operations in Brazil that used 2012 for achieving local technology verification and preparing marketing and sales activities.

New partnership with Syngenta
Agrinos entered into a commercial cooperation with Syngenta and a pre-commercial test phase to explore the viability of product combinations for marketing by Syngenta.

Increased production capacity
Agrinos reached annual production capacities at its plant in Sonora, Mexico of 15 million litres of HYT® A, 15 million litres of HYT® B and 550 tonnes of HYT® C.

Strengthened management
Agrinos strengthened its management team with three senior additions, including a new Chief Financial Officer. The process of strengthening its R&D organization was also initiated.

Raised new equity for growth strategy implementation
To realize an ambitious growth strategy, Agrinos strengthened its balance sheet with new equity through two separate private placements at NOK 44 per share in the third quarter of 2012, raising net proceeds of USD 53.8 million. The first private placement was directed towards industrial partner Syngenta, the second towards existing and new financial investors.

The market for biological crop inputs

Increasing demand for food is well known, so are the reasons behind it: A growing global population and a consumer shift to more protein rich and healthy diets. Increasing challenges on the supply side are also quite well known: Environmental factors limiting production capacity in addition to regional land shortage. This imbalance has moved the need for improved agricultural productivity and sustainability high on the global agenda. Since biological crop inputs, or "biologicals" in short, have demonstrated effect, they are increasingly acknowledged as a part of the solution and receive substantial attention.

Despite the obvious global megatrend, the real drivers behind a growing biologicals market in 2012 are more attached to a maturing industry segment. For years, enhanced growth was the common claim made for biologicals. However, researchers and growers often failed to substantiate the claims with stable results over time, resulting in reluctant market response and slow technology adoption.

Biologials are now moving into mainstream agriculture as new-generation biologicals have proven themselves as stable yield enhancers and pest controls and sometimes both. In addition, we see synergies between biologicals and synthetic chemical inputs, new research tools and major corporate investments in biologicals that have contributed to maturing of the supply side.

On the demand side, consumers are seeking healthy food produced sustainably. This drives a push for reductions in the use of chemicals. Now, major food chains and produce companies are searching for food produced with biological inputs.

One illustration of this growing market, driven by both the supply and demand side, was the rise of acquisitions of biologicals companies by major agricultural chemical companies during 2012. The acquirers stated that the target companies were to be part of their strengthened efforts within biologicals. Looking at publicly available transaction data, at least some of these acquisitions were made at growth discounting earnings multiples. AgraQuest (biocontrol and bio-yield enhancers) was acquired by Bayer CropScience, Becker Underwood (inoculants) by BASF Crop Protection and Pasteuria Bioscience (nematode control) and Devgen (biological disease inhibitor technology) by Syngenta AG.

Other illustrations are the many commercial partnerships chemical majors and independent players entered into, the increased attendance of industry conferences in the Americas, Europe and Asia, how trade organizations grew and how the media and financial community put more resources into coverage of biologicals.

Agrinos is currently selling biostimulants, one of two main categories within the biologicals segment of crop inputs. Within the other category, biocontrols, Agrinos has a pipeline of products. The board regards Agrinos' scalable and cost efficient biologicals to provide a unique market opportunity, and the market environment as favourable for coming years. Nevertheless, the positive market outlook spurs competition. Constant vigilance must be maintained on product quality, documentation, application technology, customer service and costs to retain and expand the company's market position.

Strategy

Agrinos was established as a vehicle to take HYT® products to agricultural crop inputs markets and develop a profitable business for its investors. The strategy since inception in 2009 and through 2012 has been to: 1) build production capacity and organizational capabilities; 2) establish commercial platforms and distribution channels in relevant geographical markets; 3) achieve a substantial breakthrough in at least one market to demonstrate scalability; 4) industrialize its integrated value chain to drive efficiencies; and 5) conduct research and development activities to safeguard competitive strength of its HYT® product suite and develop new commercial formulations.

Key components of this strategy have been to achieve roll-out and use of HYT® to develop a profitable and sustainable business model in markets with critical mass. Agrinos is amongst the players at the forefront of the commercial development of the biologicals market internationally, and has chosen to implement an ambitious operational and financial growth strategy to leverage its first mover advantage.

Agrinos' first market with scale and critical mass in sight has been Mexico. The company has during 2012 prioritized to scale up and establish a solid market presence to create a profitable business model here. Reaching this target is planned to fuel international expansion in other markets.

Operational review

Business model

Agrinos is a biological crop input provider and today has an integrated value chain with production in Mexico and sales and marketing activities in 14 countries in the Americas, Europe, Africa and Asia-

Pacific. The company currently holds intellectual property, sells its HYT® biostimulant products, but is also developing a pipeline of biocontrol products.

Feedstock access and low cost, high capacity production leave distribution, product application and customer service as the main profitability drivers for Agrinos.

With increased competition in a maturing biologicals segment, research and development is expected to represent an increasingly important profitability contributor also for Agrinos, generating revenue streams through improved and new products.

Developments within the business areas
Agrinos has its core market and most mature business in Mexico, while the US is the most probable next breakthrough market. The company also has market positions through its emerging commercial business in Colombia, Peru and Brazil, the Nordic countries, the Baltics, the UK, Spain, Ghana, Africa, Malaysia and Indonesia in Southeast Asia; China; and India.

Mexico

Agrinos has pursued market penetration through two channels in Mexico: 1) Large scale government backed programs or projects that could use Agrinos HYT® technology in substantial amounts and 2) an organically developed direct to grower model through distributors.

In 2010, Agrinos entered into discussions with Mexican authorities to explore the potential for government backed deployment of Agrinos HYT® technology to improve agricultural productivity and sustainability across the country. Mexico was searching for new, sustainable technologies to lift yields in key crops like corn and wheat. A year later, in the fall of 2011, Agrinos was selected as a supplier of its HYT® technology to projects under the Sustainable Modernization of Traditional Agriculture (MasAgro) program. Several states in Mexico have committed to MasAgro and its objectives. They are working with projects that could use new technologies like HYT® to stimulate agricultural productivity in their regions. The Mexican federal government that took office in 2012 remains committed to the MasAgro ambitions and have also established their own political project "The National Crusade Agains Hunger". This project targets to increase smallholder farmers' productivity and profitability. Federal and regional authorities are in process of developing incentive structures and programs that Agrinos is well positioned to benefit under once in effect.

The MasAgro appointment generated substantial recognition for Agrinos and its HYT® products in the Mexican marketplace late 2011 and moving into 2012. The company's distributor in the Pacifico region leveraged this recognition to pursue sales directly to farmers. The distributor in the Golfo region on the other hand continued to position itself and its capacity for governmental backed programs and larger key account and farmer association projects. Experiencing continued delays in the materialization of these programs and projects, the Golfo distributor started sales activities directly towards growers during the summer of 2012.

As a result of this, the distributors now have established presence in all major agricultural regions in Mexico and are delivering on an increasing demand from end-users. Agrinos has supported this development financially in order to capture market share and to strengthen its position towards the large scale government backed programs. This has required substantial working capital for Agrinos and focus shifted at the end of 2012 from growing market penetration to monetizing acquired market position and improving cash flow.

The US

In the US, Agrinos is in the first to third season with industrial growers in 15 different states, either in trials or in commercial activity. Commercial agreements have been entered into with two liquid nitrogen distributors, and trials have been established with an additional four. Organizational units are currently in commercial operation in Washington, Arizona, California, Texas, Idaho and Tennessee.

Agrinos has ramped up its sales organization and technical capacity to support industrial farmers and distributors. In total, HYT® products have been approved for sale in 34 states and the brands “Agrinos” and “HYT” obtained full US trademark protection in 2013.

Emerging markets

The company is in an early commercial or pre commercial phase in its emerging markets. Sales revenues were marginal in 2012, since focus has been on establish market positions through establishing local organizations, product registrations and local proof of concept with opinion leaders.

In the Americas, the Colombian business has consolidated in 2012 and focused on direct sales towards growers as well as through distributors, while the units in Brazil and Peru are preparing for commercial sales.

In Europe, Agrinos achieved sales in Finland and Spain, and prepared for sales in the Baltics.

Agrinos entered Africa through the establishment of a local organization in Ghana in 2011 and the first commercial sales in Ghana were closed late 2012. Market entries into other countries were also prepared during the year.

In Asia, Agrinos during 2012 introduced the HYT® products for commercial sales in four different states in India and continued efforts to secure local proof of concept with the palm oil industry in Indonesia and Malaysia. Agrinos also received a nationwide HYT® A registration in China in December 2011 and spent 2012 establishing commercial foothold in selected provinces.

Syngenta partnership

In August 2012, Agrinos announced that it had expanded its commercial cooperation with Syngenta, which was initiated in April the same year with a pre-commercial test phase to explore the viability of different new product combinations for marketing by Syngenta. The expanded agreement stated an ambition for Syngenta to bring Agrinos products to market either in combination with existing Syngenta technologies or on a stand-alone basis. Broad testing and pre-market activities have commenced in 2013. Joint efforts are made to prepare for a structured market launch in 2014.

Production

Agrinos has its production facility in Sonora, Mexico and is sourcing feedstock locally. Shrimp waste is the main feedstock and the supply of this is limited at a certain level. This limitation is well above Agrinos’ projected needs and the company regards sourcing as secured for the foreseeable future. This is further explained in the risk section below.

Due to growing existing customer base, projected additional large contracts in Mexico and increasing international sales, Agrinos ramped-up production capacity during 2012, reaching an annual production capacity of 15 million litres of HYT® A, 15 million litres of HYT® B and 550 tonnes of HYT® C. Part of the HYT® B capacity can be converted into HYT® A capacity at a limited additional investment, if short-term demand should require.

The company continued to develop quality assurance and product compliance processes for the production facility, and strengthened the technical, process and management expertise.

Agrinos’ highly scalable technology allows the company to rapidly secure the necessary capacity without major capital expenditures and long lead times. Typically, this implies limited upfront investments in plant and warehouse facilities, with subsequent instalment of bio-reactor tanks to match the demand increase.

Agrinos also initiated investigations of locations outside Mexico for new production capacity of all HYT® products during the year. These efforts are on hold until demand is picking up in Mexico and internationally.

Research and development

Research and development is part of Agrinos' foundation for future growth. The Company is committed to improve its product suite and develop a pipeline of new products, which will, in turn, provide its customers with further biological crop inputs for improved productivity or crop resilience.

Product development and testing of Agrinos' products have been going on in Mexico and the US since the prototype of the HYT® technology was invented in the 1980s. During the 1990s the technology was tested internationally and commercial development started in 2005. Agrinos has continued research and development activities in Mexico and the US, and has also established research and development activities in the UK focused on biocontrol products in particular.

Financial review

Agrinos changed the recognition of revenues with effect from the fourth quarter 2012. That change had primarily impact on recognition of sales to the Mexican distributors. Sales revenues will be recognized only for sale of products that are expected to be deployed by the end-users within the following 6 months and fully paid within 12 months. See note [2] for further information.

Operating revenues
Operating revenues increased by 72 per cent and amounted to NOK 227.7 million for the full year 2012, up from NOK 132.7 million in 2011. Developments were driven mainly by increased sales through the two distributors in Mexico. The Mexican business unit accounted for some 92 per cent of total sales, reflecting a commercial breakthrough in this market at the beginning of the 2011-2012 season.

In the other countries where Agrinos is present, the sales revenues totaled NOK 17.2 million versus NOK 6.9 million in 2011. The US is the main driver behind sales outside Mexico.

Operating expenses and EBITDA
Cost of goods sold (COGS) was NOK 27.1 million in 2012 versus NOK 13.0 million in 2011. COGS comprise raw materials, production costs and shipping and transportation. Agrinos has achieved a gross margin of approximately 90per cent, which is in line with stated targets.

Parts of the depreciation, warehouse costs, salaries and personnel costs at the Mexican production facility have been allocated into inventory in 2012, reflecting the inventory build-up. In the fourth quarter Agrinos included in the cost of goods sold the production cost of the products supplied to one of the Mexican distributors as settlement for some of the sales commissions provisioned for at year end.

Salaries and personnel costs amounted to NOK 60.2 million in 2012, compared with NOK 39.0 million in 2011. Agrinos had 318 (FTE) employees at 31 December 2012, up from 216 at the beginning of the year. Salaries and personnel costs are mainly driven by the organisational build-up of the Mexican and US operations and support functions at headquarters in preparation for growing operations. Agrinos started to record stock warrants in the third quarter of 2012, in preparation for IFRS reporting in 2013.Hence, salaries and personnel costs as from the third quarter included employer tax (14.1per cent) related to stock warrants issued and awarded management and key employees. The stock warrants liability was not charged to profit and loss but booked as a reduction in equity.

Other operating expenses amounted to NOK 150.9 million in 2012, versus NOK 60.6 million in 2011. A mainly non-cash provision of NOK 34.9 million was made in the fourth quarter to cover expected costs related to necessary changes to the Mexican distribution model in 2013. Sales commissions of NOK 38.3 million, compared to NOK 16.3 million in 2011, is also included in the figure and mainly related to sales in Mexico. Sales commissions provisioned for to one of the Mexican distributors at year-end were settled in full through supply of HYT products valued at NOK 41 million.

Total operating expenses in 2012 amounted to NOK 306.2 million before depreciation and amortisation and earn-out, versus NOK 159.1 million in 2011.

Pre earn-out, the earnings before interest, taxes, depreciation and amortization (EBITDA) was negative at NOK 10.4 million in 2012, down from a positive NOK 25.7 million in 2011.

Earn-out

The main part of the earn-out is related to the distribution rights in Mexico and Columbia, and is calculated as 40 per cent of a modified EBITDA for sales in Mexico and Colombia for the period 2011-2014, and amounted to NOK 52.7 million in 2012, versus NOK 30.2 million in 2011. An agreement has been made with the recipient of the earn-out, founder and board member Karl Fick's company Karl Co, to swap receivables with the longest maturity for the above-mentioned earn-out obligations for 2011 and 2012.

In addition, Agrinos has entered into an earn-out agreement in relation to the acquisition of Bioderpac. The agreement covers the sales of HYT B and HYT C outside Mexico and Colombia for the years 2011 - 2013 and is calculated based on a fixed fee per liter/kilogram sold. The earn-out amounted to NOK 0.6 million in 2012, versus NOK 0.4 million in 2011. The value of the earn-out shall not be less than USD 2 million for the three years.

Net loss

Agrinos reported an after-tax loss for the year of NOK 103.3 million, down from NOK 34.6 million in 2011.

Transfers

The Board proposes that the result in Agrinos AS of negative NOK 65.7 million shall be settled against retained earnings and the result in the Group of negative NOK 103.3 million shall be settled against retained earnings with NOK 100.9 million and minority interests with NOK 2.4 million.

Balance sheet and cash flow

Net cash flow from operating activities was negative at NOK 299.7 million in 2012, compared to NOK 114.2 million in 2011. The net cash flow was driven by the increase in working capital during the year. The delay in roll-out of the technology and lower than expected cash collection resulted in an increase in inventories and high financing of the distributors. Furthermore, other current liabilities were reduced due to settlement of some of the sales commissions provisioned for.

Cash collection for the year was NOK 37.2 million, of which NOK 27.3 million was collected in Mexico.

Agrinos invested NOK 36.0 million during 2012 and completed the expansion of the production facilities in Mexico.

Net change in cash and cash equivalents was negative NOK 7.7 million in 2012. The gross proceeds from share issues in the third quarter of NOK 324.0 million covered the bulk of the negative net cash flow during 2012. Cash and cash equivalents hence stood at NOK 196.1 million at end of 2012.

Total non-current assets amounted to NOK 174.5 million at the end of 2012, up from NOK 147.6 million at the beginning of the year, mainly representing goodwill and the production facilities. The increase in 2012 mainly reflects investments in the Mexican production facility and vehicles.

Inventories ended at NOK 71.5 million at the end of the year. The increase reflects delays in the roll-out of the technology and the new accounting principles that resulted in no sales revenues being recognized to the distributors in Mexico in the fourth quarter.

Accounts receivables increased by NOK 155.9 million during the year to NOK 269.4 million at the end of the year reflecting the low cash collection for 2012. More than 90 per cent of the receivables were towards the Mexican distributors. The accounts receivables were reduced during the year by settlement of the 2011 earn-out of NOK 30.2 million.

Other receivables increased by NOK 91.1 million to NOK 130.3 million during 2012. The main component is the loan to the distributors in Mexico to finance their sales activities. Outstanding loans increased from NOK 3.7 million to NOK 69.1 million. In addition NOK 47.6 million in recoverable VAT is included in this item, up from NOK 19.0 million in 2011.

Total receivables increased by NOK 246.8 million to NOK 399.7 million during the year.

Total assets increased from NOK 524.4 million at the end of 2011 to NOK 836.2 million at the end of 2012.

Accounts payable increased by NOK 10.2 million to NOK 21.4 million during 2012.

The value of stock warrants of NOK 46.7 million is included in 'Other current liabilities'. Accrued earn-out of NOK 52.7 million for 2012, the provision of NOK 34.9 million related to the Mexican distribution model and provisions for sales commissions of NOK 22.8 million were also included in 'Other current liabilities'. The latter was reduced during the fourth quarter due to settlement with one of the Mexican distributors of all sales commissions provisioned for. VAT is included by NOK 26.7 million up from NOK 9.3 million in 2011.

Total liabilities increased by NOK 177.4 million to NOK 257.5 million during 2012.

Book equity was NOK 578.6 million and the equity ratio 69.2 per cent as of 31 December 2012, down from 76.1 per cent at the start of the year. The equity was impacted by currency due to translation from NOK to USD.

Financing

The company's financing strategy is to have a sound capital structure ensuring financial flexibility. Following the sharp increase in working capital related to the build- up of the operations in Mexico, the company has taken actions to match its cash outflow with cash inflow to ensure financial flexibility.

Agrinos has virtually no interest bearing debt and consequently a high equity ratio.

The Board of directors however regards the current financial flexibility as unsatisfactory given the scope of the current operations, and will continuously monitor that a sufficient level of liquidity is maintained until a break-through for supply under government programs in Mexico has developd further and generated cash inflow.

Shareholders

Agrinos had 265 shareholders as of 31 December 2012. The total number of shares outstanding was 44 639 605 at year end and the 20 largest shareholders held 37 524 981 shares, equal to 84.1 per cent of the total shares.

The company's shares have been tradable in the over the counter (OTC) market since December 2010 following an inclusion in The Norwegian Securities Dealers Association's information system for unlisted shares (the NOTC system). The share price was NOK 40 at 1 January and NOK 39 at 31 December 2012.

To realize Agrinos' strategy, the balance sheet was strengthened with new equity through two separate private placements at NOK 44 per share in the third quarter of 2012, raising gross proceeds of NOK 324.0 million. The first private placement with USD 10 million in gross proceeds took place in August and was directed towards the global agribusiness industrial Syngenta through its subsidiary

Syngenta Ventures Pte. The second private placement with approximately USD 46 million in gross proceeds took place in September and was directed towards existing and new financial investors.

The company is preparing for a stock exchange listing and IPO during 2014 depending on market conditions and company development.

Risk exposure and management

Agrinos operates in a global market and is thereby exposed to a number of risk factors. The board is committed to ensuring that risk is managed purposefully and systematically. The company will continue to implement routines for monitoring, controlling and mitigating its total risk exposure.

Market risk
The Company’s business is exposed to economic cycles. Changes in economic situations in the markets in which the Company operates can affect the demand for the Company’s products and there can be no guarantee that sufficient demand for the Company’s products can be created.

While demand for biostimulants is expected to expand, competition is certain to intensify. Agrinos has an increasingly strong brand name, a patented and proven technology, and a comprehensive database of results. In this scenario, a risk exists that the products fail to deliver in accordance with expectations owing to production errors, suboptimal storage, activation or application. That may affect market perception of future demand and Agrinos’ relative market position. The company has implemented quality assurance procedures along the value chain as well as simplified activation and application methods to minimise these risks.

Separate rights to an earlier version of the Company’s product HYT® A are held by an unrelated party, and there is risk that those rights may be utilized in competition with the Company’s operations.

Financial risk
Financial risk includes credit, currency, interest-rate, liquidity and operational risk.

Client and credit risk
Agrinos is subject to substantial client and credit risk.

The client portfolio in general is broad and covers a range from large distributors to small farmers. Credit terms in several markets are linked to harvesting, the timing of which can be unpredictable. Similarly, a failed harvest or a fall in product prices may affect the ability of farmers or distributors to settle their accounts. Adverse weather conditions also impose uncertainty related to harvest and collection.

The Company granted its main customers in 2012, the distributors in Mexico, long credit terms. The distributors have limited financial strength and Agrinos' collection of sales to its distributors is then dependent on end-customer's ability to pay for the HYT® products.

Agrinos has initiated a process to implement stricter more frequent reporting by the distributors and certain adjustments to the distribution agreements to manage the company's main credit risk moving into 2013.

The majority of the Company's historical sales in 2012 are reflected as accounts receivables in the Company's accounts. Although the majority of these accounts receivables are not yet due, there is a lack of history with respect to the relevant customers and there can be no guarantee that the Company will not suffer losses on these accounts receivables.

In addition to sales credits, Agrinos has granted its distributors in Mexico loans for them to enable rapid scale up of organizational and distribution capacity. These loans increase Agrinos exposure to its main clients in Mexico.

Currency risk
Agrinos' reporting currency is the USD, but the company also operates in several other currencies. The majority of revenues for 2012 (approximately 92 per cent) were in MXN. All costs of goods sold and a major part of operating expenses were also in MXN. Other major cost components were in USD and NOK. The company has been financed in USD and the net proceeds have been converted to NOK deposits. Hence, the company is exposed to the development of USD/NOK and MXN/NOK.

Interest rate risk
Agrinos is not directly exposed to fluctuations in the level of interest rates, since the company is virtually debt-free.

Liquidity risk
The industry in which Agrinos operates is characterised by seasonal demand fluctuations, unpredictable weather affecting crops and long credit periods. This may limit its ability to collect payment. The seasonal outlook and customer finances are closely monitored.

The Company may need additional funding to finance its operations and future growth. Inability to satisfy future liquidity requirements to finance future operations will affect the Company's growth strategy.

Operational risk
Agrinos' product portfolio is based primarily on water, microorganisms and shrimp waste. Feedstock shortage will reduce production capacity and ultimately sales and collection as the company is dependent upon on one production facility in Mexico. While the company has quality assurance procedures throughout the value chain, a risk exists that a product might fail to deliver the expected results at some stage. Agrinos has taken steps to monitor every step of the production and distribution process continuously in order to limit the risk and impact of such an event.

Contractual Risk
The Company operates in an environment where business can be based on oral understandings and/or short-form documents, which increases the risk that disputes could arise as to the actual contents of an agreement between the parties.

The loans granted to distributors in Mexico are covered by promissory notes. The company regards this to be incomplete and has initiated a process to establish a full legal framework. The company is also implementing stricter requirements to formal agreements in general to manage existing and future contract relationships.

Taxation Risks
The Company's and/or its subsidiaries' own activities will to a large extent be governed by the fiscal legislation of the jurisdictions where it is operating, as its activities in most cases will be deemed to form a permanent establishment according to the tax laws of those countries. Thus, the Company is exposed to material risk regarding the correct application of the tax regulations as well as possible future changes in the tax legislation of those relevant countries. There will also be taxation risks related to previously completed acquisitions, intra-group transfers of IP rights and other intra-group and related party transactions, and there can be no guarantee that tax authorities will agree with the Company's assessments of these matters or that they will deem the Company's documentation of such transactions satisfactory.

Regulatory and Environmental Risks
The Company does business in various jurisdictions around the world. Operating internationally increases exposure to regulatory requirements to be aware of and to satisfy. Changes in environmental regulations in the relevant jurisdictions may therefore affect the Company's operations.

IPR Risk
The Company relies upon intellectual property and trade secret laws and contractual restrictions to protect important proprietary rights, and, if these rights are not sufficiently protected, this may negatively affect the Company's ability to compete and generate revenue. Further, the Company may not obtain sufficient patent protection on the technology embodied in its products and production processes. There is also a risk of IPR infringement claims from third parties, potentially hindering the Company's operations or leading to losses for the Company.

Corporate governance

Agrinos aims to strengthen its leading position in the bio-stimulant segment by combining good financial results with verifiable and professional business operations. Agrinos aims to establish an international corporate governance standard to the best for its business, capital market position and role in society in general. The company started with transparent interim financial reporting in 2012 and established an audit committee in 2013 to enhance control over the financial reporting.

Implementation of more comprehensive risk management and internal reporting routines are in process and the board has also initiated a search for an additional independent board member.

Organization, working environment and equal opportunity

During 2012, Agrinos strengthened its executive management team, finance and accounting organization at the headquarters in Oslo, as well as local business unit teams. The process of building up the R&D organization was also initiated.

Agrinos had 318 (FTE) employees per 31 December 2012. The total sickness absence in 2012 was 1.6 per cent in the parent company.

Agrinos seeks to be an attractive employer for people with different backgrounds, regardless of their ethnicity, gender, religion, age or disabilities. The group will provide equal pay for equal work and reward good results. Key elements in determining remuneration are the scope of responsibility, job content, the individual's expertise, commitment and performance, and local rates of pay.

Salary and other Compensation

Agrinos compensates its employees according to market conditions that are reviewed on an annual basis. Compensation includes base salary, insurance and retirement benefit programs, a bonus plan based on performance and in certain cases stock warrants.

Health, safety and environmental issues

Agrinos emphasizes health, safety and environmental (HSE) performance. The company is committed to worker safety on the basis of its belief that every accident is preventable. It works systematically to reduce accidents and injuries to its own as well as third-party personnel and equipment.

Agrinos interacts with the external environment through its production of liquid microbial and amino acid products and micronized chitin products - all biological. The production itself and the use of the products are not regarded as having any negative impact on the environment.

Sustainability goes to the very core of the HYT® technology and products. Agrinos’ products enhance agriculture productivity and stimulate carbon dioxide uptake by the crop. In addition to increasing yield, products can reduce the need to use chemical inputs such as fertilizer and to cultivate new land, thereby avoiding greenhouse gas emissions from fertiliser production and distribution as well as land-use change.

Outlook

The emerging international biologicals market, Agrinos’ unique HYT® product offering and expanded market presence, as well as the growing recognition of HYT® capabilities provide attractive market opportunities.

Agrinos’ initial strategy has been to prove its business model in its most mature market Mexico and achieve a more balanced portfolio through a commercial breakthrough in at least one additional market. The company has pursued such opportunities in both the US, Latin America, Europe and Asia.

The underlying commercial development continues to be positive in Mexico and other key markets. An increasing number of end-users deploy HYT® on larger areas and the company moved into 2013 with its biggest customer base since the start-up in 2009. This development is a result of growth motivated investments in production facility, organization and distribution capacity during 2012.

Short term, the company's growth is expected to be driven mainly by HYT® deliveries to governmental programs in Mexico. Agrinos' distributors in the country have started HYT® deliveries to several programs and deployment of products at the end user level. Agrinos has furthermore received the first payments from the government programs through the distributors. The company and its distributors are prepared for substantial product deliveries to the government programs during 2013, after having invested and prepared for this since late 2011.

However, Agrinos ambitions for 2013 must reflect that roll-out of the HYT® product offering has taken more time and resources than planned. Especially the company's and its distributors' efforts to ensure large-scale government backed contracts in Mexico have required resources that have just started to pay off mid June 2013. This combined with the continued need for Agrinos to provide its Mexican distributors with financing has restricted the company's financial flexibility. Moving further into 2013, Agrinos will sharpen its focus on its main market positions and opportunities in Mexico and the US. Both markets are large and provide Agrinos with substantial sales and profitability potential due to growing HYT® technology adoption and established sales and distribution capacity. The level of activity in other business units and at the head office will continue to be streamlined further into 2013.

Agrinos has entered into cooperation with Syngenta. The cooperation progresses with broad testing and pre-market activities before a planned market introduction in 2014.

Agrinos current HYT® product suite is marketed as biostimulants or yield enhancers. The HYT® technology has also demonstrated disease suppression and prevention capabilities making the products candidates for the biocontrol category of the biologicals market. Agrinos has started to plan for a market introduction of these crop protection products.

To enable continued implementation of Agrinos long term, ambitious growth strategy, the company is preparing for a stock exchange listing and IPO during 2014 depending on market conditions and company development.

Lysaker, 19 June 2013

The board of directors of Agrinos

Dr. Thorleif Enger Chairman of the Board	Karl Reiner Fick Board member
Morten Bergesen Board member	Kjetil Bøhn Board member
Gerardo Enrique Esquer Board member	Tom Einar Jensen Chief Executive Officer

Content financial statements and notes

Profit and loss statement

Agrinos AS			Notes	Agrinos Group	
2012	2011	NOK		2012	2011
14 442 757	9 682 487	Sales revenue	3	218 260 691	131 943 783
137 572 583	70 060 946	Other operating revenue	3	9 413 205	768 015
152 015 340	79 743 433	Operating revenue		227 673 896	132 711 798
	-				-
-2 737 806	-1 400 592	Cost of goods sold		-27 090 029	-12 991 506
-20 903 088	-20 935 902	Salaries and personnel costs	4	-60 194 118	-38 983 481
-5 682 275	-5 546 967	Depreciation and amortisation	7;8	-15 350 479	-16 268 400
-117 421 735	-23 975 066	Other operating expenses		-150 855 394	-60 554 339
-52 688 658	-30 291 231	Earn-out expenses	11	-52 688 658	-30 291 231
-199 433 562	-82 149 758	Total operating expenses		-306 178 678	-159 088 957
	-				-
-47 418 222	-2 406 325	**Operating income**		-78 504 782	-26 377 159
					-
-9 531 429	11 541 744	Net financial income / expense (-)	5	-9 083 889	1 218 141
					-
-56 949 651	9 135 419	Net income / loss (-) before taxes		-87 588 671	-25 159 018
					-
-8 715 000		Tax expense	6	-15 709 802	-9 390 328
					-
-65 664 651	9 135 419	**Net income / loss (-)**		-103 298 473	-34 549 346
		Net loss attributable to minority interests		-2 420 734	-842 737
		Net loss attributable to Agrino's shareholders		-100 877 739	-33 706 610

Balance sheet assets at 31 December 2012

Agrinos AS			Notes	Agrinos Group	
2012	2011	NOK		2012	2011
		Assets			
-		Goodwill	7;17	60 241 751	67 896 681
47 986 882	49 170 000	Other intangible assets	7;2	51 655 395	55 096 897
-		Deferred tax asset		8 190 050	
47 986 882	49 170 000	Total intangible assets		120 087 196	122 993 578
178 262	171 560	Property, plant and equipment	8	54 420 142	24 572 873
131 206 323	88 565 141	Investments in subsidiaries	2;9	-	
239 448 309	105 835 638	Other non-current receivables	10	-	
370 654 632	194 400 779	Total financial non-current assets		-	
418 819 776	243 742 339	**Total non-current assets**		174 507 338	147 566 451
3 631 399	4 444 219	Inventories	12	71 488 371	20 158 431
214 608 299	86 615 020	Accounts receivable	10	269 399 014	113 484 793
29 852 846	14 121 251	Other receivables	10;18	130 280 358	39 360 677
244 461 145	100 736 271	Total receivables		399 679 372	152 845 470
177 924 335	187 942 194	Bank deposits, cash etc.	13	190 486 137	203 856 116
426 016 879	293 122 684	**Total current assets**		661 653 880	376 860 017
844 836 655	536 865 023	**Total assets**		836 161 218	524 426 468

Balance sheet equity and liabilites at 31 December 2012

Agrinos AS			Notes	Agrinos Group	
2012	2011	NOK		2012	2011
		Equity			
446 396	372 748	Share capital	14;15	446 396	372 748
781 262 789	474 570 581	Premium reserve	15	781 262 789	474 570 581
-46 695 000	-39 800 000	Other Equity	4;15	-46 695 000	-39 800 000
-56 529 231	9 135 419	Retained earnings	2;15	-155 781 215	-37 971 926
678 484 954	444 278 748	Total equity to shareholders of Agrinos		579 232 970	397 171 403
-		Minority interests	15	-603 215	1 722 876
678 484 954	444 278 748	**Total equity**		578 629 755	398 894 279
		Liabilities			
8 715 000		Deferred tax	6;2	17 088 728	6 941 904
-		Loans to financial institutions	11	1 487 147	1 647 734
-		Other non-current liabilities	2	-	192 037
8 715 000		Total non-current liabilities		18 575 875	8 781 676
12 717 066	7 815 371	Accounts payable	10	21 396 443	11 177 207
144 919 635	84 770 904	Other current liabilities	10;11	217 559 145	105 573 306
157 636 701	92 586 275	Total current liabilities		238 955 588	116 750 513
166 351 701	92 586 275	**Total liabilities**		257 531 463	125 532 189
844 836 655	536 865 023	**Total equity and liabilities**		836 161 218	524 426 468

Lysaker, 19 June 2013

The board of directors of Agrinos

Dr. Thorleif Enger
Chairman of the Board

Karl Reiner Fick
Board member

Morten Bergesen
Board member

Kjetil Bøhn
Board member

Gerardo Enrique Esquer
Board member

Tom Einar Jensen
Chief Executive Officer

Cash flow statement

Agrinos AS			Notes	Agrinos Group	
2012	2011	NOK		2012	2011
		Cash flow from operating activities			
-65 664 651	9 135 419	Net income/loss (-) before tax		-87 588 671	-25 159 018
5 682 275	5 546 967	Depreciation and amortisation		15 350 479	16 268 400
-122 278 764	-75 629 671	Changes in inventories, receivables and payables		-197 024 925	-115 765 469
-104 659 645	10 808 318	Changes in other accruals		-30 027 573	10 502 143
-286 920 785	-50 138 967	**Net cash flow from operating activities**		-299 290 690	-114 153 944
		Cash flow from investment activities			
-42 641 182	-98 112 556	Investments in subsidiaries		-	-
-49 760	-128 511	Net investments in tangible fixed assets		-35 989 607	-20 832 123
-4 456 100	-9 300 000	Investments in intangibles		-	-10 055 401
-47 147 042	-107 541 067	**Net cash flow from investment activities**		-35 989 607	-30 887 524
		Cash flow from financing activities			
-	-	Net proceeds from borrowings		-	101 174
-	-	Proceeds from minority interest shareholders	15	-2 139 650	2 565 612
324 049 968	206 547 837	Proceeds from issuance of shares	15	324 049 968	206 547 837
324 049 968	206 547 837	**Net cash flow from financing activities**		321 910 318	209 214 624
-10 017 859	48 867 803	**Net change in cash and cash equivalents**		-13 369 979	64 173 156
187 942 194	139 074 391	Cash and cash equivalents at beginning of period		203 856 116	139 682 960
177 924 335	187 942 194	Cash and cash equivalents at end of period	13	190 486 137	203 856 116

Notes to the accounts

Agrinos (the Group) consists of Agrinos AS and its subsidiaries. Agrinos AS is a private limited company incorporated in Norway. The company's registered office is at Vollsveien 13H, Lysaker, Norway.

Note 1 Accounting policies

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards except deferred tax asset recognition (see note 6) applicable for small companies. The Group's accounts are presented in Norwegian kroner which is the Group's reporting currency.

Shares in subsidiaries and associated companies
See note 9 for an overview of subsidiaries.

Subsidiaries are companies over which the parent company has a controlling influence on the entity's financial and operational strategy, ordinarily through agreements or ownership of more than 50 percent of the voting rights of the shares.

Consolidation policies
Companies over which the Group has a controlling influence are consolidated from the time when control is transferred to the Group (the date of acquisition).Partly owned subsidiaries are incorporated in the consolidated accounts in their entirety. The non-controlling share of the subsidiary's equity constitutes part of the Group's equity. The share of the profit attributable to non-controlling interests is included in the consolidated profit for the year. The non-controlling share of the profit and equity are presented as separate items in the accounts.

Acquisition of subsidiaries
Acquired subsidiaries are accounted for in the Group financial statements on the basis of the parent company's consideration transferred. The consideration transferred in a business combination is measured at fair value of identifiable assets and liabilities in the subsidiary, which is presented in the Group financial statements at fair value on the date of acquisition.

A final allocation of the excess values has been determined and is presented in note 17. Any excess values that cannot be attributed to identifiable assets and liabilities are recorded in the balance sheet under goodwill. Goodwill is treated as a residual value and is recorded on the balance sheet at the amount observed at the time of the acquisition. Excess values in the Group financial statements are amortised over the purchased assets' expected useful economic life.

Changes in Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transaction.

Consideration resulting from a contingent consideration arrangement (earn-out) in a business combination is recognized when incurred and registered as a cost related to the relevant sales that form the basis for the earn-out. For 2010 accounts the company calculated a capitalized value of the earn-out obligations based on the business plan for the company and included this theoretical value as an addition to the acquisition costs as well as a liabilities and tax liability. The current method incurs the costs of the earn-out in the reporting periods as the company develops. The earn-out obligations are described in note 11.

Elimination of internal items
In the Group financial statements the item "shares in subsidiaries" is replaced by "subsidiaries' assets and liabilities". The Group financial statements are prepared as if the Group was a single economic

unit. Transactions, unrealised internal gains and intra-group balances between companies in the Group are eliminated.

Translation of foreign subsidiaries

The individual financial statements of a subsidiary company are prepared in the company's functional currency, normally the currency where the company is located. In preparing the consolidated financial statements, the balance sheets are translated using the exchange rates prevailing at year-end, and the income statements are translated using the yearly average exchange rates. Any material transactions are translated at the prevailing exchange rate on the date of the transaction. All translation adjustments are recognised directly in equity.

Current / non-current classification

An asset is classified as current when it is expected to be realised or is intended for sale or consumption within twelve months after the reporting date. Other assets are classified as non-current. A liability is classified as current when it is expected to be settled within twelve months after the reporting period. All other liabilities are classified as non-current.

Revenue recognition

Revenues from the sale of goods are recognized at the time of delivery when the Group has transferred to the buyer the significant risks and rewards of owning the goods. At this time the company records all revenue and relevant costs related to the transaction. The Group retains neither continuing managerial involvement nor effective control over the goods sold to distributors. In 2011 certain sales were concluded where all of these criteria were met, but where the agreed payment terms were expected to be significantly above 12 months at the time the sale was concluded. The company decided to delay revenue recognition for these sales until 2012. As from the fourth quarter of 2012 the Group has firmed up the criteria to be met to have sales revenues recognized. For further discussion on estimates related to revenue recognition refer to note 2

Intangible assets

Separately acquired intangible assets or assets acquired as a result of contracts or legal rights are recognized at cost at the time of acquisition. Intangible assets are amortised on a straight line basis over its estimated useful life. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for the net assets acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Expenses relating to research and development are expensed on an ongoing basis.

Tangible fixed assets

Tangible fixed assets are measured at historic cost and depreciated on a straight-line basis over the expected useful economic life of the assets. Costs associated with direct maintenance of the assets are expensed on an ongoing basis under operating expenses. Additions or improvements that materially extend the life of the asset are capitalized and depreciated at the same rate as the underlying asset. Fixtures and fittings in leased premises are carried on the balance sheet and depreciated over the period of the lease.

Leases

Leases are accounted for as operating lease. Payments are recognized as an expense over the lease term.

Inventory

Inventories are valued at the lower of cost using the first-in-first-out (the FIFO) principle or net realizable value. Net realizable value is the estimated sales price reduced by costs of completion and sales costs.

Receivables

Accounts receivable and other receivables are stated at their nominal value.

Provisions for losses are determined on the basis of individual assessment of the receivables.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits and monetary items which are due in less than three months. Cash items in foreign currency are translated at the exchange rate on the balance sheet date.

Pensions
Group companies have only defined contribution pension plans. For defined contribution plans, the Group pays contributions to publicly or privately administrated pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that the cash refund or a reduction in future payments is available.

Tax
Tax in the income statement comprises both current tax payable and changes in deferred tax. The tax currently payable is based on taxable profit for the year. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities and the corresponding tax base used in the computation of taxable profit and on the basis of any accumulated tax loss at the end of the financial year. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are not recognized. Deferred tax assets and liabilities are offset when there is legally enforceable right to offset tax assets against tax liabilities and the Group is able and intends to settle the tax assets and liabilities net.

Cash flow statement
The Cash flow statement has been prepared using the indirect method. The company has held all liquidity in the form of cash in bank accounts.

Note 2 Estimates and impairments

Revenue
The company recognises revenue when it is realised or realisable and earned. It is considered realisable when evidence of a delivery of goods has occurred, the sales price is fixed or determinable and collectability is reasonably assured.

Delivery is considered taken place when products have been shipped to the client, and risk of loss has been transferred to the client, or the company has objective evidence that the criteria are met.

In addition, as from the fourth quarter the company has introduced more strict criteria as deployment of products and payment by end users that have to be met to have sales revenues recognized.

Examples of such criteria are:

- Existence of firm and reliable documentation as contracts and purchase orders from end users or;
- it is very likely that such documentation will be obtained in the following 3 weeks after closing;
- that the products sold in the quarter will be deployed by the end users within the next 6 months;
- and fully paid within the next 12 months.

The judgement of fulfillment of these criteria are based on management’s best knowledge of current events, historical experience, actions that the company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances.

As a result, actual results may differ from the expected results based on these judgements.

Impairments

Long-lived assets, other than goodwill, are tested for impairment based on future cash flows and according to IAS36.

Goodwill is tested annually for impairment, or sooner when circumstances indicate that an impairment may exist, using a qualitative analysis at the reporting unit level. Agrinos Group is considered as cash generating reporting unit for impairment testing.

All Agrinos subsidiaries are aggregated as a single cash generating reporting unit since they sell the same products and have similar economic characteristics.

Impairments in Agrinos AS	Entity	2012	2011
Investment in Colombia	Book value before Impairment	10 051 932	4 778 148
	Impairment Charge	-10 000 000	-
	Book value after Impairment	51 932	4 778 148

Impairments in Agrinos Group	Entity	2012	2011
No impairments		-	-

Note 3 Revenue

Geographical distribution:

	Agrinos AS		Agrinos Group	
NOK	2012	2011	2012	2011
Mexico	0	0	210 431 477	125 788 919
Rest of the world	1 879 836	2 431 349	17 242 420	6 922 879
Total	1 879 836	2 431 349	227 673 896	132 711 798

Note 4 Salary and personnel costs, number of employees, loans to employees and auditor's fee

Salary and personnel costs:

	Agrinos AS		Agrinos Group	
NOK	2012	2011	2012	2011
Salaries	15 774 716	12 844 739	45 157 150	27 589 707
Payroll tax	2 875 441	1 725 283	7 050 619	2 657 624
Payroll tax - stock rights	972 200	5 611 800	972 200	5 611 800
Pension costs	258 792	155 783	1 551 897	589 426
Other benefits	1 021 939	598 297	5 462 252	2 534 925
Total	20 903 088	20 935 902	60 194 118	38 983 481
Annual full-time equivalent employees	18	11	318	216

The parent company has defined contribution plans in accordance with local legislation.

The defined contribution plans cover full-time employees and contributions comprise 2% of salaries.

Chief Executive Officer :

NOK	2012	2011
Salary	2 571 947	2 311 554
Pension costs	17 659	16 644
Other benefits	165 188	167 984
Total	2 754 794	2 496 182

The CEO has a contractual right to a bonus payment of up to 80% of base salary. The CEO is not entitled to a severance payment if his employment contract is terminated by the company.

See information below regarding options granted to the CEO.

The Board of Directors have received total personal remuneration of NOK 275 000 in 2012 (NOK 325 000 in 2011).

One director is represented through Havfonn AS which invoices an annual fee of 50,000 for his representation.

"Stock rights, options etc.:

Options

A share-based incentive programme for the company's executive management and Chairman has been established which enables the Board to compensate current and future executives through the allocation of warrants to acquire shares in the company. The company's current and future Directors will also be permitted to participate in the programme.

The programme for the Chairman consists of 750 000 and the CEO consists of 600 000 warrants. The deadline for acquiring the issued shares is five years. Each warrant entitles the holder to one share in the company, with nominal value of NOK 0.01 The average exercise price is at an exercise price determined at the Annual General Meeting.

In 2012 The Annual General Meeting approved the issue of 1 000 000 warrants for employees in addition to the programs established in 2011 of 350 00 warrants and in 2010 of 390 000 warrants. Each warrant entitles the holder to one share in the company, with nominal value of NOK 0.01 at an exercise price that is determined by the Board. The exercise period for the warrants in the employee programs is in the 4th year after issuance.

NOK	Opening balance	Granted options	Total vested options	Exercised options	Average exercise price (A)	Ending balance
Chairman of the Board	750 000	-	750 000	-	13	750 000
Chief Executive Officer	600 000	-	600 000	-	13	600 000
Employees	1 450 000	255 000	862 500	-	39	1 705 000
Total	2 800 000	255 000	2 212 500		23	3 055 000

(A) - No options were exercised during the year of 2012.

Exercise value of vested options calculated at year end was MNOK 39.8 at December 31st 2011 vs. MNOK 46.7 at December 31, 2012. Exercise of options will result in social security tax payable for the company. Gross value of these liabilities has been calculated to be MNOK 6.6 at December 31st 2012 using the intrinsic value versus MNOK 5.6 at December 31st 2011.

Bonus scheme for employees

The company has a performance based bonus scheme for its employees. No bonus is estimated and accrued at year-end.

Specification of auditor's fee:

	Agrinos AS		Agrinos Group	
NOK	**2012**	**2011**	**2012**	**2011**
Statutory audit fees	366 005	255 600	772 304	412 146
Other assurance services	12 425	16 950	12 425	16 950
Tax advisory fees	0	0	0	0
Other services	26 933	89 738	26 933	362 694
Total fee to auditor	405 363	362 288	811 662	791 790

VAT is not included in the fees specified above.

Note 5 Finance income and expenses

Finance income

	Agrinos AS		Agrinos Group	
NOK	**2012**	**2011**	**2012**	**2011**
Interest income from group companies	6 736 070	1 871 420	-	-
Other interest income	2 941 337	2 798 053	5 342 295	2 807 020
Other financial income (agio)	-	6 954 565	29 852	40 637
Total financial income	9 677 407	11 624 038	5 372 147	2 847 657

Finance expenses

	Agrinos AS		Agrinos Group	
NOK	**2012**	**2011**	**2012**	**2011**
Interest expenses from group companies	-	-	-	-
Other interest expenses	-107 256	-82 294	-1 173 688	-376 739
Other financial expenses (disagio)	-19 101 580	-	-13 282 347	-1 252 777
Total financial expenses	-19 208 836	-82 294	-14 456 035	-1 629 515

Note 6 Income taxes

Income tax expense

	Agrinos AS		Agrinos Group	
NOK	**2 012**	**2011**	**2012**	**2011**
Tax payable	-	-	6 994 802	2 083 549
Changes in deferred tax	8 715 000	-	8 715 000	7 306 780
Total income tax expense	-	-	15 709 802	9 390 328
Tax base calculation				
Profit before income tax	-56 949 651	9 135 419	-87 588 671	-25 159 018
Permanent differences	-11 444 003	-11 453 223	-11 444 003	5 963 538
Temporary differences	52 837 717	-9 208	32 519 990	17 189 035
Tax base	-15 555 937	-2 327 012	-66 512 684	-2 006 445
Temporary differences:				
Receivables	5 000	28 549	264 308 405	28 549
Inventories	-	-	96 677 078	10 140 469
Non current assets	10 000 000	-	-	-180
Provisions	34 860 000	-	57 967 363	23 139 681
Foreign exchange rate gains (losses)	7 972 717	-	7 972 717	-
Losses carried forward	-50 263 407	-34 707 470	-115 699 850	-65 687 997
Total	2 574 310	-34 678 921	311 225 714	-32 379 478
Deferred tax liability (asset)	720 807	-9 710 098	-3 936 776	-12 228 238
Deferred tax asset not recognized	-7 994 193	-9 710 098	-21 025 503	-19 170 142
Deferred tax liability (asset)	8 715 000	-	17 088 728	6 941 904

	Agrinos AS		Agrinos Group	
Effective tax rate				
Expected income taxes at statutory tax rate	-15 945 902	2 557 917	-30 124 708	-7 788 923
			-	
Permanent differences	-3 204 321	-3 206 902	-3 204 321	1 848 235
Change in allowance for taxes carried forward not recognized	27 865 223	648 985	49 038 830	15 331 017
Income tax expense	8 715 000	-	15 709 802	9 390 328
Effective tax rate in %	0,0 %	0.0%	0,0 %	0,0 %

Differences of taxable income and net income before tax as reported in the income statement are due to items of income or expense that are taxable or deductible in future years (temporary differences), and excludes items that are not taxable or deductible (permanent differences).

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to the extent that it is more likely than not that future tax advantages will be available to allow all or part of the asset to be recovered. The value of losses carried forward has been calculated but has not been included.

Note 7 Intangible assets

Amounts in NOK

Agrinos AS

NOK	Acquired rights/Patents	Total
Acquisition cost 01.01.	55 300 000	55 300 000
Additions	4 456 100	4 456 100
Disposals	-	-
Acquisition cost 31.12.	59 756 100	59 756 100
Accumulated amortisation at 31.12.	-11 769 218	-11 769 218
Accumulated impairment loss 31.12.	-	-
Reversed impairments 31.12.	-	-
Net carrying value at 31.12.	47 986 882	47 986 882
Amortisation for the year	-5 639 218	-5 639 218
Impairment loss for the year	-	-

Agrinos Group

NOK	Goodwill	Research and development cost	Other intangibles	Aquired Rights/Patents	Total
Acquisition cost 01.01.	76 253 142	546 980	1 430 592	60 511 658	138 742 372
Additions	-	234 646	1 412 037	-	1 646 682
Disposals	-	-	-570 421	-	-570 421
Translation adjustments	-	-764	1 583 885	-1 246 189	336 932
Acquisition cost 31.12.	76 253 142	780 862	3 856 093	59 319 469	140 155 565
Accumulated amortisation at 31.12.	-16 011 391	-94 582	-858 991	-11 293 455	-28 258 419
Accumulated impairment loss 31.12.	-	-	-	-	-
Reversed impairments 31.12.	-	-	-	-	-
	-	-	-	-	-
Net carrying value at 31.12.	60 241 751	686 280	2 997 102	48 026 013	111 897 146
Amortisation for the year	-7 625 314	-77 976	-314 010	-5 639 218	-13 656 518
Impairment loss for the year	-	-	-	-	-

Both the parent company and the group use 10 years straight line amortisation for acquired rights and other intangibles.

Patent was purchased by Agrinos AS in 2012 and had a remaining life of 17 years: Amortisation of patent was set to 17 years.

Patents relate to a set of registered patents relating to HYT products.

Acquired rights relates to market and distribution rights for Mexico and Colombia.

Goodwill was acquired with the purchase of operations in Malaysia in 2009 and Mexico (Bioderpac) in 2010.

In addition, a deferred tax asset of NOK 8 190 050 related to Mexico is recorded as intangible asset

Note 8 Tangible assets

Amounts in NOK

Agrinos AS

NOK	Vehicles	Property and plant	Machinery and equipment	Total
Acquisition cost at 01.01.			188 527	**188 527**
Additions			49 760	**49 760**
Disposals			-	**-**
Acquisition cost 31.12.	**-**	**-**	**238 287**	**238 287**
Accumulated depreciation 31.12.			-60 025	**-60 025**
Accumulated impairment loss 31.12.			-	**-**
Reversed impairment loss 31.12.			-	**-**
Net carrying value at 31.12.	**-**	**-**	**178 262**	**178 262**
Depreciation for the year			-43 057	**-43 057**
Impairment loss for the year				

Agrinos Group

NOK	Vehicles	Property and plant	Machinery and equipment	Total
Acquisition cost at 01.01.	3 071 136	14 366 893	10 353 514	**27 791 543**
Additions	3 938 363	5 142 707	26 178 154	**35 259 223**
Disposals	-14 175	-829 548	-14 595	**-858 318**
Translation adjustments	-	-	-	**-**
Acquisition cost 31.12.	**6 995 324**	**18 680 052**	**36 517 072**	**62 192 448**
Accumulated depreciation 31.12.	-1 683 689	-1 009 288	-5 093 909	**-7 786 886**
Accumulated impairment loss 31.12.	-	-	6 723	**6 723**
Reversed impairment loss 31.12.	1 778	-	6 078	**7 856**
				-
Net carrying value at 31.12.	**5 313 413**	**17 670 764**	**31 435 964**	**54 420 141**
				-
Depreciation for the year	-1 361 589	-763 846	-2 716 864	**-4 842 298**
Impairment loss for the year (incl. reversals)	-	-	7 012	**7 012**

Both the parent company and the group use linear depreciation for all tangible assets

The useful economic life is estimated to be:	**Years**
* Buildings and other real estate	20-50
* Machinery and equipment	3-15
* Land	No depreciation

Note 9 Investment in Subsidiaries and Associates

Amounts in NOK

Company	Subsidaries' share capital in local currency	Number of shares owned directly by Agrinos	Nominal value pr. share	Share ownership and voting rights in %	Subsidiaries' equity in local currency	Subsidiaries' retained earnings in local currency	Booked value investment in subsidaries in NOK
Agrinos Sdn Bhd, (Malaysia)	551 500	295 000	MYR 1	84.7%	1 835 623	1 663 301	1 572 789
Bioderpac SA de CV, (Mexico) **	74 500 000	74 499	MXN 1000	100.0%	-91 287 527	-98 117 586	101 587 357
Agrinos Inc, (USA)	50	5 000	USD 0.01	100.0%	5 723 557	3 579 946	-
Agrinos China AS, (Norway)	100 000	100 000	NOK 1	100.0%	-44 967	44 067	125 000
Agrinos Mexico SA de CV, ****	35 050 000	35 049 999	MXN 1	100.0%	-18 229 414	-16 191 030	15 036 762
Agrinos Corporate Services SA de CV, (M	50 000	49 999	MXN 1	100.0%	-1 134 522	-7 997 059	21 210
Agrinos Colombia SAS******	3 206 499 168	320 649 917	COP 10	100.0%	-280 890 264	1 733 445 814	51 932
Agrinos do Brasil Ltda*****	2 913 400	910 437	BRL 3.20	100.0%	-449 052	2 243 099	8 684 778
Agrinorway Iberica S.L., (Spain)	3 000	300	EUR 10	100.0%	2 617	4 829	23 288
Agrinos Beijing BioTech (China)	4 200 693	N/A	RMB	50.0%	-2 139 047	117 051	1 883 073
Agrinos Peru S.A.	5 000	4 950	1 PEN	99.0%	262 536	267 536	10 490
Agrinos Indonesia	5 500 000 000	30 250	100 000 IDR	55.0%	-2 087 327 540	2 305 784 265	1 871 902
Agrinos Uk (United Kingdom)	1	1	1 GBP	100.0%	1	1	9
Agrinos Ghana Limited*	100 000	100 000	1 GHC	100.0%	1	1	337 734
Total							**131 206 322**

* Agrinos Ghana: The company is permitted to issue 100,000,000 shares at 1.00

** Bioderpac has two classes of shares. One class of which Agrinos AS owns 99 of 100 shares, and one class of which Agrinos AS owns 19 400 of 19 400 shares. Bioderpac has made a capital increase by debt conversion of MXN 55 000 000 at year-end reducing long-debt to Agrinos AS. Shares are not registered at reporting date.

*** Agrinos Corporate Services has a subsidiary Agricultura Especializada del Pacifico (AEP) of which Agrinos Corporate Services owns 99 of 100 shares and Agrinos Mexico 1 of 100 shares.

**** Agrinos Mexico has made a capital increase by debt conversion of MXN 35 000 000 at year-end reducing long-debt to Agrinos AS. Shares are not registered at reporting date.

*****Agrinos Brasil has 236,720 shares of the total 910,437 outstanding that was paid-in at Dec 17th 2012, but not registered before Jan 18th 2013.

****** Agrinos Colombia "Booked value investment in subsidiaries" has been impaired - see also note 2

Note 10 Intercompany balances with group companies and associates

Agrinos AS

Receivables:

NOK	2012	2011
Loans to group companies	239 548 309	105 835 638
Accounts receivable	212 902 742	84 473 008
Other receivables	26 812 500	-
Total	479 263 551	190 308 646

Payables:

NOK	2012	2011
Accounts payable	9 922 210	484 661
Other short term payables	-	-
Total	9 922 210	484 661

Of the loans to group companies MNOK 199.4 are loans to companies in Mexico.

The majority of the accounts receivables are related to payment by Bioderpac for use of intellectual property rights in the production of Agrinos products.

Note 11 Liabilities and receivables

Amounts in NOK

Non - current receivables

	Agrinos AS			Agrinos Group	
NOK	**2012**	**2011**		**2012**	**2011**
Other non-current receivables	-	-		-	-

Non- current liabilities

	Agrinos AS			Agrinos Group	
NOK	**2012**	**2011**		**2012**	**2011**
Liabilities to financial institutions	-	-		672 046	1 647 734
Other non-current liabilities		-		815 100	192 037
Total	-	-	-	1 487 146	1 839 772

Secured debts:					
Pledged assets:					
Property and plant	-	-		33 906 307	11 759 502
Total	-	-	-	33 906 307	11 759 502

Other current liabilities

	Agrinos AS			Agrinos Group	
NOK	**2012**	**2011**		**2012**	**2011**
Taxes payable	-	-		35 968 387	2 668 771
Accrued commissions	-	-		22 849 601	11 103 268
Accrued bonus payments	-	5 486 773		-0	5 486 773
Accrued earn-out payment Karl &Co	51 095 000	28 349 031		51 095 000	28 349 031
Accrued stock options	46 695 000	**39 800 000**		46 695 000	39 800 000
Current intercompany liabilities	-	-		-	-
Group provisions	34 860 000	-		34 860 000	-
Other current liabilities	12 269 635	11 135 100		26 091 157	18 165 463
Total	144 919 635	84 770 904	-	217 559 145	105 573 306

Agrinos has an earn-out liability to Karl&Co SA de CV related to the purchase of the distribution rights in Mexico and Colombia. The earn-out is calculated as 40% of a modified earnings before interest, taxes, depreciation and amortization (EBITDA) for sale of products supplied to Mexico and Colombia and lasts for the period 2011-2014.

In addition to the purchase price of Bioderpac, Agrinos has agreed to pay as additional compensation on achieved sales of the products HYT B and HYT C in certain markets the years 2011, 2012 and 2013. The cumulative value of the compensation shall not be less than USD 2 000 000 for those three years. The sellers have a right to convert the additional compensation into shares in Agrinos AS at a price of 3.5 multiplied by NOK 25 = 87.5

Note 12 Inventories

Amounts in NOK

	Agrinos AS		Agrinos Group	
NOK	**2012**	**2011**	**2012**	**2011**
Raw materials	-	-	2 886 046	1 399 904
Work in progress	-	-	33 656 388	2 116 126
Finished goods	3 631 399	4 444 219	30 897 896	16 642 400
Packing material	-	-	4 048 040	-
Other type of materials	-	-	-	-
Total	**3 631 399**	**4 444 219**	**71 488 371**	**20 158 431**

Note 13 Bank deposits - restricted funds

Amounts in NOK

	Agrinos AS		Agrinos Group	
NOK	**2012**	**2011**	**2012**	**2011**
Employees salary taxes, deposited in a separate bank account	1 220 046	693 446	1 220 046	693 446
Security deposit rent	778 894	0	778 894	0

Note 14 Share capital and shareholder information

Amounts in NOK

Agrinos AS

	Number of shares	Face value	ok value in NOK
Share Capital	44 639 605	0.01	446 396

At 31.12.2012 Agrinos AS had 265 shareholders. Issued capital consists of one class of shares and all issued shares have the same voting rights.

The 20 largest shareholders as of 31 December 2012 were:

		No of shares	Ownership
UBS AG ZURICH	Two board members and some key employees	8 238 001	18.45%
KORRIGAN INVESTMENT AS	Strategy director	4 097 124	9.18%
HAVFONN AS	Board member	4 006 096	8.97%
KB MANAGEMENT	Executive Director and board member	3 421 881	7.67%
STATE STREET BANK AND TRUST CO.		3 008 311	6.74%
STATE STREET BANK AND TRUST CO.		2 541 069	5.69%
THOENG AS	Chairman of the Board	1 873 077	4.20%
SYNGENTA VENTURES PTE LTD		1 622 772	3.64%
JPMORGAN CHASE BANK		1 605 100	3.60%
ANFAR INVEST AS		1 500 000	3.36%
MORGAN STANLEY & CO LLC		838 000	1.88%
SKAGEN VEKST		817 242	1.83%
BNYLU - NON-TREATY		758 821	1.70%
CITIGROUP GLOBAL MARKETS LTD.		638 000	1.43%
JPMCB RE SHB SWEDISH FUNDS LENDING		598 000	1.34%
BNYBE - PENSIONDANMARK EURO AKTIER		483 990	1.08%
BNYBE - INVESCO PERP EUR SMALL COM		441 691	0.99%
BNYBE - ARCTIC FUNDS PLC		375 000	0.84%
JENSEN	CEO	330 806	0.74%
EXPLORA CAPITAL PARTNERS AS		330 000	0.74%
Other		7 114 624	15.94%
Total number of shares		44 639 605	100 %

Note 15 Equity

Amounts in NOK

Agrinos AS

NOK	Issued capital	Share premium	Retained earnings	Total
Equity 01.01.2011	317 238	268 078 252	-	268 395 490
Capital increase	53 110	212 386 890	-	212 440 000
Capital increase	2 400	5 997 600	-	6 000 000
Transactions costs	-	-11 892 161	-	-11 892 161
Net profit for the year	-	-	9 135 419	9 135 419
Adjustment beginning balance - Employee stock rights	-	-	-39 800 000	-39 800 000
Equity 31.12.2011	372 748	474 570 581	-30 664 581	444 278 748
Equity 01.01.2012	372 748	474 570 581	-30 664 581	444 278 748
Capital increase, aug. 13. 2012	13 648	60 036 320	-	60 049 968
Capital increase, sep. 16. 2012	60 000	263 940 000	-	264 000 000
Transactions costs	-	-17 284 111	-	-17 284 111
Net profit for the year	-	-	-65 664 651	-65 664 651
Change in Stock Options	-	-	-6 895 000	-6 895 000
Equity 31.12.2012	446 396	781 262 790	-103 224 232	678 484 954

Amounts in NOK

Agrinos Group

NOK	Issued capital	Share premium	Retained earnings	Currency translation differences	Total shareholders' equity	Minority interests	Total equity
Equity 01.01.2011	317 238	268 078 252	-4 406 418	1 132 940	265 122 012	-	265 122 012
Capital increase Nov. 15, 2011	53 110	212 386 890	-	-	212 440 000	-	212 440 000
Capital increase Dec. 12, 2011	2 400	5 997 600	-	-	6 000 000	-	6 000 000
Transactions costs	-	-11 892 161	-	-	-11 892 161	-	-11 892 161
Net loss for the year	-	-	-33 706 610	-	-33 706 610	-842 737	-34 549 346
Share capital increase in subsidiary minority interest	-	-	-	-		2 565 612	2 565 612
Currency translation differences	-	-	-	-991 843	-991 843	-	-991 843
Adjustment beginning balance - Employee stock rights	-	-	-39 800 000	-	-39 800 000	-	-39 800 000
Equity 31.12.2011	372 748	474 570 581	-77 913 028	141 097	397 171 399	1 722 876	398 894 275
Equity 01.01.2012	372 748	474 570 581	-77 913 028	141 097	397 171 399	1 722 876	398 894 275
Capital increase, aug. 13. 2012	13 648	60 036 320	-	-	60 049 968	-	60 049 968
Capital increase, sep. 16. 2012	60 000	263 940 000	-	-	264 000 000	-	264 000 000
Transactions costs	-	-17 284 111	-	-	-17 284 111	-	-17 284 111
Net loss for the year	-	-	-100 877 739	-	-100 877 739	-2 420 734	-103 298 473
Share capital increase in subsidiary minority interest	-	-	-	-	-	-	-
Currency translation differences	-	-	-16 660 020	-1 324 439	-17 984 459	94 643	-17 889 816
Change in employee stock rights	-	-	-5 842 088	-	-5 842 088	-	-5 842 088
Equity 31.12.2012	446 396	781 262 790	-201 292 875	-1 183 342	579 232 970	-603 215	578 629 755

Note 16 Transactions with related parties

Transactions with board member and shareholder Karl Reiner Fick Rochin relate to his company Karl &Co SA de CV. These include an ongoing consultancy arrangement, rent of warehouse in Mexico and other minor disbursements. Net consideration for services provided by Karl&Co amounted to NOK 2 357 346 in 2012.

Earn-out of MNOK 52.2 for 2012 related to the purchase of distribution rights in Mexico and Colombia from Karl & Co will be settled against receivables in Mexico.

Earn-out of MNOK 0.5 relating to 2011 external sales volume of HYT B and HYT C was paid to the sellers of Bioderpac, a company partly owned by the following related shareholders: Karl Reiner Fick Rochin (Board member and shareholder), Ángel Fransisco Castanon (Managing Director Mexico), and Gerardo Enrique Esquer Aguirre (Board member). See also note 11 for future liabilities relating to this volume earn-out.

The transaction with board member and shareholder Kjetil Bøhn relates to his company KB Management. Bøhn served in the position as Executive director, business area EMEA and Southeast Asia. KB Management received a total remuneration of NOK 1 500 000 for its services in 2012.

The transaction with shareholder Aaron Powers relates to his company Korrigan Investment providing Powers' services as retained Executive Director, Strategy development. Korrigan Investment received a total remuneration of NOK 845 784 for its services in 2012.

The Mexican company Agricultura Especializada del Pacifico, SA de CV (AEP) was purchased from Karl&Co SA de CV at the end of the fourth quarter. The company is established to display the effect of Agrinos' products and educate Agrinos' employees and customers. The shares were purchased for a nominal amount. At the date of take-over, Agrinos financed the repayment of the long term debt including interest in AEP by MXN 11.7 million.

All the transactions have been carried out as part of the ordinary operations and at arms-length principles.

Note 17 Changes in the Group's structure

Business combinations:

Allocation of excess values from the Bioderpac SA de CV(Mexico) and Agrinos Sdn Bhd (Malaysia) acquisitions:

NOK	Bioderpac SA acquired Dec. 22, 2010	Agrinos Sdn acquired July 31, 2009	Total
Net identified assets and liabilities	3 890 812	-578 808	3 312 004
Goodwill from acquisition	74 101 545	2 151 597	76 253 142
Purchase price	77 992 357	1 572 789	79 565 146
Capital increase	47 946 430		
Cash	29 966 500	1 572 789	
Direct expense	79 427		
Purchase price	77 992 357	1 572 789	-
Goodwill Amortisation 2009	-	-89 650	
Goodwill Amortisation 2010	-426 338	-215 160	
Goodwill Amortisation 2011	-7 410 154	-215 160	
Goodwill Amortisation 2012	-7 410 154	-215 160	
Value net of accumulated amortisation at year-end 2012	62 745 710	837 660	

Note 18 Receivables

Current receivables

	Agrinos AS		Agrinos Group	
NOK	**2012**	**2011**	**2012**	**2011**
Account receivables	214 613 299	86 615 020	271 818 834	113 484 793
Allowance for Uncollectible Accounts	-5 000	-	-2 419 820	-
Value added tax	832 733	1 707 785	47 925 225	18 981 186
Prepaid expenses	605 828	1 173 748	8 492 995	2 385 730
Loans to external distributors	-	-	69 089 381	3 702 682
Other current receivables	28 414 285	11 239 718	4 772 757	14 291 079
Total	244 461 145	100 736 271	399 679 371	152 845 470

Note 19 Financial risk

The company has included a description of risks related to the business in the Board of Directors report.

The company operates business units in several countries with currency risk mainly related to cash-flows in local currency and capital funded in NOK. No currency hedges have been executed that may mitigate this exposure.

Liquidity is deposited in bank accounts in NOK and USD with the exception of an amount dedicated to fund investments in MXN.

Note 20 Commitments under operating leases

The Group rents several sales offices under operating leases, the leases are for an average

period of three years, with fixed rentals over the same period.

Agrinos Mexico leases cars for salespersons, technical support and management. Annual leases:

	Agrinos AS		Agrinos Group	
NOK	**2012**	**2011**	**2012**	**2011**
Offices rental	1 379 290	1 529 404	3 077 877	1 927 594
Warehouse lease	342 253	191 876	3 370 594	1 226 084
Vehicle cost (leasing)	-	-	625 750	357 254
Total	1 721 543	1 721 280	7 074 220	3 510 933

At year end, the group has outstanding commitments under non-cancellable operating leases that fall due as follows:

	Agrinos AS		Agrinos Group	
NOK	**2012**	**2011**	**2012**	**2011**
Within one year	1 400 000	1 700 000	3 895 599	2 562 787
Later than one year but within five years	5 600 000	-	14 962 793	3 094 443
Later than five years	-	-	2 080 711	2 355 408
Total	7 000 000	1 700 000	17 043 504	5 449 851

Agrinos Mexico leases cars for salespersons, technical support and management. At year end 2012 the company leased 149 cars with monthly costs averaging NOK 3 500 per car. Leasing commitments for 115 of the above-mentioned cars are covered by a guarantee from the parent company.

Note 21 Events After the end of the Reporting Period

Agrinos has launched a general cost cutting program in 2013 to streamline its activity level and make financial resources available for supplies under the governmental programs in Mexico.

Agrinos' distributors in Mexico have in the second quarter of 2013 started deliveries under several governmental programs.

In 2013 Agrinos has established a subsidiary located in New Delhi in India.

Financial statements in US dollar

Official Norwegian annual accounts translated into US dollar.

Profit and loss statement

USD	2012	2011
Sales revenue	37 566 384	23 556 038
Other operating revenue	1 620 173	137 114
Operating revenue	39 186 557	23 693 152
Cost of goods sold	-4 662 656	-2 319 385
Salaries and personnel costs	-10 360 433	-6 959 755
Depreciation and amortisation	-2 642 079	-2 904 412
Other operating expenses	-25 964 784	-10 810 818
Earn-out expenses	-9 068 616	-5 407 920
Total operating expenses	-52 698 568	-28 402 289
Operating income	**-13 512 011**	**-4 709 137**
Net financial income / expense (-)	-1 563 492	217 476
Net income / loss (-) before taxes	-15 075 503	-4 491 661
Tax expense	-2 703 925	-1 676 463
Net income / loss (-)	**-17 779 427**	**-6 168 125**
Net loss attributable to minority interests	-416 650	-150 454
Net loss attributable to Agrino's shareholders	-17 362 778	-6 017 670

Balance sheet assets at 31 December 2012

	Agrinos Group	
USD	2012	2011
Assets		
Goodwill	10 815 395	11 329 898
Other intangible assets	9 273 859	9 194 002
Deferred tax asset	1 470 386	-
Total intangible assets	21 559 640	20 523 900
Property, plant and equipment	9 770 223	4 100 468
Investments in subsidiaries		
Other non-current receivables		
Total financial non-current assets	-	-
Total non-current assets	31 329 863	24 624 368
Inventories	12 834 537	3 363 831
Accounts receivable	48 366 071	18 937 172
Other receivables	23 389 651	6 568 104
Total receivables	71 755 722	25 505 276
Bank deposits, cash etc.	34 198 588	34 017 407
Total current assets	118 788 847	62 886 515
Total assets	150 118 711	87 510 883

Balance sheet equity and liabilites at 31 December 2012

	Agrinos Group	
USD	2012	2011
Equity		
Share capital	80 143	62 200
Premium reserve	140 262 619	79 191 446
Other Equity	-8 383 303	-6 641 414
Retained earnings	-27 967 902	-6 336 364
Total equity to shareholders of Agrinos	103 991 557	66 275 869
Minority interests	-108 297	287 496
Total equity	103 883 259	66 563 365
Liabilities		
Deferred tax	3 067 994	1 158 393
Loans to financial institutions	266 992	274 957
Other non-current liabilities	-	32 045
Total non-current liabilities	3 334 987	1 465 396
Accounts payable	3 841 372	1 865 137
Other current liabilities	39 059 092	17 616 985
Total current liabilities	42 900 465	19 482 122
Total liabilities	46 235 451	20 947 518
Total equity and liabilities	150 118 711	87 510 883

Cash flow statement

Cash flow statement

	Agrinos Group	
USD	2012	2011
Cash flow from operating activities		
Net income/loss (-) before tax	-15 075 503	-4 491 661
Depreciation and amortisation	2 642 079	2 904 412
Changes in inventories, receivables and payables	-35 372 518	-19 317 748
Changes in other accruals	-5 926 678	1 856 164
Net cash flow from operating activities	**-53 732 619**	**-19 048 833**
Cash flow from investment activities		
Investments in subsidiaries		
Net investments in tangible fixed assets	-6 461 330	-3 476 250
Investments in intangibles	-	-1 677 942
Net cash flow from investment activities	**-6 461 330**	**-5 154 192**
Cash flow from financing activities		
Net proceeds from borrowings	-	16 883
Proceeds from minority interest shareholders	-384 138	428 123
Proceeds from issuance of shares	53 806 982	35 921 363
Translation effects to USD on issuance of shares	4 370 750	-1 454 789
Net cash flow from financing activities	**57 793 594**	**34 911 580**
Net change in cash and cash equivalents	**-2 400 355**	**10 708 555**
Cash and cash equivalents at beginning of period	34 017 407	23 857 850
Translation effects to USD on cash and cash equivalents	2 581 536	-548 998
Cash and cash equivalents at end of period	34 198 588	34 017 407

Auditor's report

RSM
Audit · Tax · Advisory

To the shareholders' meeting of
Agrinos AS

RSM Hasner Kjelstrup & Wiggen AS
Statsautoriserte revisorer
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AUDITORS REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Agrinos AS, which comprise the financial statements for the parent company, showing a loss of NOK 65 664 651, and the financial statements for the group, showing a loss of NOK 103 298 473. The financial statements of the parent company and the financial statements of the of the group comprise the balance sheet as at December 31, 2012, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian accounting act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent company and the group Agrinos Group as at December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

RSM
Audit · Tax · Advisory

Auditors report for 2012 for Agrinos AS

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 19th of June 2013
RSM Hasner Kjelstrup & Wiggen AS

Lars Løyning
State Authorised Public Accountant (Norway)

Agrinos headquarters

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