innovative
by nature

Annual Report 2011

Agrinos

Content

Corn crop - HYT A applied on the right hand side, April 2012, Searcy. Arkansas, USA

Agrinos in brief

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

Vision

"To improve agricultural productivity and sustainability on a global scale"

Mission

"We enable farmers to increase yield, crop quality and soil fertility, while improving their profits and sustainability."

Value proposition to farmers

Agrinos' products improve farmer profitability by:

- enhancing yields and crop quality
- fortifying plants and stimulating their natural capacity to resist pests, diseases, and stress
- increasing the efficiency of other agricultural inputs
- nurturing the soil ecosystem

Technology and products

We at Agrinos believe in an integrated approach to agriculture. Our HYT™ technology components are based on a model where soil ecology, plant ecology and nutrient availability are addressed as different parts of the same whole. These technologies are combined into products that integrate technology, training and support into a single product package designed to provide our customers with sustainable, high yielding results. The results generated by using HYT™ products provide our customers with improved soil health and increased yield potential; which in turn drives improved carbon and nitrogen cycles, reducing environmental impact, leading back to improved soil ecology.

The building blocks of Agrinos HYT™ system are the following products:

- HYT™ A: a microbial ecosystem consisting of naturally occurring beneficial microbes
- HYT™ B: an L-amino acid complex that is biologically extracted from a natural source
- HYT™ C: micronized chitin biologically extracted from a natural source

History

Product development and testing of Agrinos' products have been going on since the prototype of the high yield technology 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's commercial breakthrough came in Mexico in 2011 when the company was appointed as a supplier of key technology under a governmental program to modernize the country's agricultural sector.

Watermelon trials, Yuma Arizona, USA, June 2012.

Letter to shareholders

A breakthrough year in Mexico

We had a breakthrough year at Agrinos in 2011, increasing revenue more than six-fold. This growth enabled us to continue our industrialization with good speed and to pursue further growth opportunities in Mexico and internationally. An important aspect of this was our organizational build-up, with many new employees joining the team, not least in Mexico. Against that backdrop, I am pleased that we are delivering a positive EBITDA in our second year of operation as a consolidated group.

The results are mainly driven by our strong progress in Mexico, where we were appointed as a supplier of biofertilizers under the MasAgro programme. This initiative is a strong and bold move by the Mexican government to achieve a sustainable increase in the productivity of its traditional agricultural sector. We initiated a broad set of trials to validate even further the HYT™ technology's position under the MasAgro umbrella. The results have been very pleasing with average yield increase of 24% over 108 separate demonstrations involving 29 crop types in 18 Mexican states during the last 9-12 months. In my view, this is another strong confirmation of our solid value proposition. We are currently involved in multiple processes with federal and local government in Mexico and internationally, and remain optimistic about further market penetration driven by official structures.

Preparing for growth in key agricultural regions

We have taken important steps forward in some of the world's largest agricultural markets and are preparing for growth in the USA, Latin America, Europe, Southeast Asia, India and China. We now have physical presence in 13 countries and HYT™ products are being tested in another 11 countries. In the short term though, we will continue to invest in the regions where we are strongest and in those where we can build a critical mass quickly.

An important aspect of achieving growth is our ability to join forces with key opinion leaders in the markets we enter and across strategically important crops which provide sound long-term commercial fundamentals. I am pleased that we have established several such collaborations. We are working with Syngenta in EMEA and important opinion leaders In Brazil; the renowned research institution EMBRAPA, as well as BioSul and Adecoagro. In addition we are moving towards sales activity in India with the distributor Shriram. These partnerships underline the interest our HYT™ system receives by top players in the global agricultural industry, and they provide both short term momentum and increased medium term upside for the company.

Continued strong development in 2012

Our performance in 2011 represents a trend shift in the pace at which we are building ourselves as a global green technology company and Agrinos as a leading agricultural brand. So far in 2012, I note that our revenues continue to grow and that the industrialization of our value chain is progressing.

Our personnel, who currently number more than 250, are working to disseminate our HYT™ technology. As a team, we have an ambitious goal: to improve agricultural productivity and sustainability on a global scale. I believe that the characteristics of our technology, the macro-economic backdrop and our value creation-oriented resource allocation will allow us to reach it.

We continue to invest in the company's scalability. Our expansion of the production capacity, as well as the hiring and training of personnel within technical, sales and sales support functions, will enable increased sales through further dissemination of Agrinos' HYT™ technology. We will solidify this scalability with company-wide quality management and training systems to ensure robustness in our value chain, and in general continue industrializing and improving all parts of the value chain.

Cash flow focus is always essential, not least for a growth technology company like ours. While we push forward with sales activities and organizational expansion, we will make sure that our existing and most promising new growth opportunities have the necessary resources.

People's business

Even if the agricultural business is about land areas, industrial operations and physical end products, it is mostly about people. It is a knowledge-intensive and experience based industry. The value chain is labour intensive in several parts – not least at the farm. Farmers are also focused on long term relationships with their partners, since their operations are long term in nature. This has consequences for Agrinos. We have and still need a lot of talented people to take care of farmers, sell them our products and guide them to achieve top level results. We are a young, but strong organization today and will continue to strengthen our team in all the areas needed to grow further.

Bringing excellent people together and building a great team around a unique technology is at the core of what we are doing. I take this opportunity to thank my employees and fellow shareholders for their support, enabling us to continue this adventure and create industrial history. I look forward to the years ahead.

Tom Einar Jensen,
Chief Executive Officer

Board of Directors report

Agrinos achieved a definite commercial breakthrough in 2011. Pro forma revenues increased more than six-fold to USD 24.0 million, and on a pro forma basis the company generated a positive EBITDA before earn-out payments of USD 3.3 million in its second year as a consolidated company.

During the year, the Agrinos products based on its HYT™ technology also proved their ability to transform traditional agriculture in Mexico and to boost productivity in this sector through scalable yield increases. This has laid a solid foundation and opened up additional growth opportunities, both in Mexico and internationally. In parallel with the strong growth, Agrinos has continued its industrialisation by strengthening the organisation and expanding production capacity.

The board of directors believes that Agrinos is well positioned for continued profitable growth. The company provides a proven technology which helps improve the productivity and sustainability of modern agriculture. Its market outlook is solid, with a growing and increasingly prosperous world population driving demand for food, fibre and fuel. On the supply side, access to arable land and water is becoming scarce in several key regions. Agrinos effectively addresses the needs of today's agricultural industry by offering products which permit a sustainable increase in the productivity of existing farmer assets.

Key developments in 2011

Appointed supplier of biofertilisers under Mexico's MasAgro programme
SAGARPA, the Mexican agricultural ministry, appointed Agrinos as a formal technology supplier under the MasAgro programme in September 2011. This breakthrough was based on a multi-season evaluation of sustainable agricultural technology providers, where Agrinos products demonstrated typical yield increases of 25 per cent. The company received a purchase order in October 2011 for sufficient HYT™ products to treat one million hectares of land. SAGARPA aims to expand use to between seven and 14 million hectares of agricultural land in 2012 and beyond. While the actual purchase order did not yield results on the expected scale in 2011, owing to the delayed promulgation of subsidy structures, the official and public recognition of Agrinos' HYT™ technology created awareness and acceptance of its solutions. This opened a market window and led to rapid revenue growth through commercial distribution channels.

Additional growth platforms established and developed
Agrinos took important steps forward in many of the world's largest agricultural markets during 2011. At 31 December, it had a presence in 13 countries in the Americas, Europe, Africa and Asia. In addition, the HYT™ products are being tested in a further 11 nations.

Production capacity expansion
Agrinos initiated another expansion of its production facilities in November 2011. This project is executed in stages and will ultimately allow the company to raise its annual production capacity to 45 million litres of HYT™ A, 27 million litres of HYT™ B and 1 100 tonnes of HYT™ C. The first phase of this expansion will be completed by 30 June 2012, and will boost annual capacities to 11 million litres of HYT™ A and B and 400 tonnes of HYT™ C.

This expansion is necessary to keep up with the strong demand growth seen towards the end of the year and the positive outlook for 2012 and beyond. It has been funded by a successful private placement in November 2011.

Successful private placement

Agrinos closed a private placement of 5 311 000 shares at NOK 40 per share in November, which yielded gross proceeds of USD 38 million. These funds have been used to build the organisation to meet increased demand for Agrinos' products in Mexico and other markets, to build working capital, for other general corporate purposes and for increasing production capacity. The board regards a successful share issue in a demanding equity market as a strong vote of confidence in Agrinos' technology and its compelling value proposition.

Management team strengthened

Adding capabilities to the management team is an important part of Agrinos' industrial growth strategy. In October 2011, Agrinos appointed Ellen Cathrine Rasmussen as executive vice president for India and China, Kristian Østberg as chief legal officer, and Ángel Castañon as executive vice president for business area Americas.

Strategy and Operations

Background

Agrinos was founded in 2009 as a green technology company committed to improving the productivity and decreasing the environmental impact of modern agriculture. Agrinos' line of High Yield Technology™ ("HYT™") products helps farmers to practise profitable, high-yield sustainable agriculture by providing increased crop productivity and improved efficiency of other agricultural inputs, combined with a smaller environmental footprint. Certified as organic and based on Agrinos' proprietary technology, HYT™ products provide these benefits by strengthening the soil-based microbial ecosystem, stimulating crop development at key points in the growth cycle and boosting natural plant resistance to pathogens and threats. With specific solutions for a variety of crop categories, the technology underpinning HYT products has demonstrated its value through numerous scientific and commercial trials in key agricultural regions worldwide.

Review of operations in 2011

While the MasAgro appointment in Mexico represented the main breakthrough in 2011, Agrinos also experienced commercial progress in other geographical areas In parallel with strong growth and a commercial focus, 2011 was also a transformative year in terms of operations and industrialisation of the company.

Industrialisation and capacity expansion

Agrinos made further progress with the industrialisation of its value chain in 2011. The production facility continued to develop quality assurance and product compliance processes, and strengthened its technical and management expertise.

The HYT™ suite of products, although relatively simple in their use, does require proper storage, activation and application in line with set guidelines in order to yield the best results. Training of sales and technical support personnel for the sales force and customer follow-up is thus a critical enabler of the company's growth. Agrinos is in the process of implementing this part of its strategy and has established centres of excellence in Mexico and the UK to meet R&D and technical support needs. Essentially model farms seeking to replicate the most relevant commercial growing conditions in the target markets, these centres will focus on training and education, technical support services, in-field demonstrations, trial coordination, product development, sharing of technical information about applications and agronomical advice.

Agrinos had an annual production capacity of eight million litres of HYT™ A and four million litres of HYT™ B in the autumn of 2011. Based on the anticipated increase in demand from Mexico and other markets, the company initiated another expansion of its production facilities in November.

The raw materials for HYT™ A, a complex microbial formula comprising an ecosystem of benign soil microorganisms, are freely available and pose few constraints in terms of capacity expansion. HYT™B, a biologically extracted solution containing 19 free amino acids, and HYT™ C, a biologically extracted and micronized chitin, are sourced from shrimp waste. In this sense, Agrinos is resolving a waste disposal issue. Opportunities for expansion are available in Mexico and in several other parts of the world.

Investment in increasing production capacity will continue, but will be adapted to the growth of the company. The production system is highly scalable and does not require chemicals or high temperatures in the process. Further investigation of locations for new production capacity of all HYT™ products will continue during 2012.

Sales, distribution and marketing
Agrinos was successful at selling its HYT™ products during 2011, and expects accelerated growth into 2012. The products are well suited to the challenges facing agricultural markets, and are increasingly experiencing traction in several new outlets.

The company gained valuable experience in several countries during 2011, including Mexico, the USA, Colombia, Brazil, Peru, Malaysia, Indonesia, China, India, the UK, the Netherlands, Spain, Portugal, Norway, Sweden, Finland, Ukraine, Russia, Turkey, Morocco, Ghana, Kenya and South Africa.

Agrinos operates in a new and competitive segment of the industry where constant vigilance is required. During 2011, it continuously reviewed product pricing, preferred distribution methods, quality assurance along the value chain, and training of sales representatives and end users.

The company is positioned between the classic crop protection providers and the fertiliser manufacturers, a position which opens up several routes for innovation. Discussions initiated with Syngenta in 2011 led ultimately to the announcement in April 2012 of a collaborative effort to develop joint marketable products which were launched.

Agrinos routes to the market vary by crop and by geography. In some instances, it transacts business directly with large farmers. In others, sales are channelled through distributors, or a collaborative effort is sought with an existing supplier.

In Agrinos' client base, application methods vary from handheld sprayers to large-scale industrial liquid fertiliser projects. While raw material costs are uniform, big variations naturally prevail in transport, distribution, and sales and marketing costs depending on customer base, geography and application regime.

To be successful in this varied commercial landscape, well-documented scientific trials relevant for the specific crop and geography are required. In addition to the scientific documentation, multi-season trials are often required to establish the effects of the HYT™ products for the end customer. Agrinos expanded its trials in 2011 with key opinion leaders in all the countries in which it is present.

Training sales and technical support personnel for the sales force and customer follow-up is thus a critical enabler of the company's growth, while naturally involving relatively high costs in the initial stages. A relative reduction in sales and marketing costs should support a gradual expansion in margin as sales volumes increase in existing markets.

Research and development
The HYT™ system is a set of products which permit an integrated approach to nutrient availability, efficient fertiliser use and crop health. This product suite also features components which increase crop vigour, reduce plant stress and enhance the resistance of plants to their natural enemies. Agrinos

has continued to accumulate extensive knowledge of the production methods and of how to make optimum use of the products.

The company continued its research and development efforts during 2012 in order to expand the scientific basis for the products and their application, and to identify new opportunities.

Overall, Agrinos has demonstrated very good results from the use of the HYT™ technology, and a number of local, regional and global scientific institutions and commercial players are increasingly interested in collaborating with the company. Together with these institutions, Agrinos will continue to demonstrate that it can contribute to a sustainable intensification of production by the world's farmers large and small.

Market conditions and the competitive landscape

Global agricultural markets were strong throughout 2011. The Food Price Index compiled by the UN Food and Agriculture Organisation (FAO) reached its highest-ever level during the year at 228 points, up 23 per cent from 2010 and 14 per cent from the second highest year in 2008.

While future prices are difficult to predict, the US Department of Agriculture stated in its world agricultural supply and demand report of May 2012 that global grain production in the 2011-12 season will probably just about match demand. That implies only a modest increase in world grain stocks, which remain close to historically low levels.

In general terms, rising prices for food reflect the fact that supply has not kept pace with increased demand from a growing world population. Higher prices incentivise and enable farmers to invest in productivity.

The traditional response to high prices has been to expand the area of agricultural land and increase the application of fertilisers and crop protection products. Arable land is a scarce resource, and increased application of fertiliser alone fails in many cases to give a corresponding increase in yield. Indeed, little change has occurred in global yield levels over the past 10 years despite continuous improvement efforts.

Agrinos is committed to boosting the productivity and sustainability of modern agriculture. Its HYT™ products help farmers to practise profitable agriculture by increasing crop productivity, improving the efficiency of conventional fertiliser and reducing the environmental footprint. Certified as organic, HYT™ products provide benefits by strengthening the soil-based microbial ecosystem, stimulating crop development at key points in the growth cycle and boosting natural plant resistance to pathogens and threats.

As such, Agrinos is part of the solution for improving global yields in a sustainable fashion. In this sense, the company should benefit from continued high food prices since these provide farmers with the incentive and the ability to invest in further yield improvement.

The board accordingly regards the market environment as very favourable for coming years. Nevertheless, the strong market outlook spurs competition. Agrinos further strengthened its position in its market niche during 2011 by continuing to expand its database of scientific trials and extending its on-the-ground tests with key opinion leaders in all regions.

While the competitive position improved for Agrinos in 2011, constant vigilance must be maintained on product quality, documentation and costs to retain and expand the company's market position.

Finance

Numbers presented below are pro forma accounts where specified and official accounts in USD and NOK elsewhere. The reason for the pro forma accounts is that Agrinos' activities in China and Indonesia during 2011 were not run by entities owned by Agrinos in that year. Operations in both countries are consolidated in the pro forma accounts based on Agrinos as the controlling entity. The reason for the use of both USD and NOK in the reporting is explained by Agrinos having NOK as the official reporting currency, but USD as its currency in external reporting to investors.

Operating revenues

Agrinos reported pro forma revenues of USD 24.0 million for 2011, up from pro forma USD 3.7 million in 2010. Developments were driven mainly by increased sales in multiple regions in Mexico. The Mexican business unit accounted for some 90 per cent of total sales, reflecting a commercial breakthrough in this market at the beginning of the 2011-2012 season.

Expansion into other markets resulted in pro forma sales revenues totalling USD 1.8 million in China, Malaysia, Colombia, the USA, Indonesia and Norway combined.

Agrinos reported revenues of USD 23.6 million (NOK 131.9 million) reflecting lower external sales because the activities in China, Indonesia and Colombia prior to April 2011 are not included in the figures.

Agrinos Mexico formally issued additional invoices for USD 4 million in 2011, but these will first be recognized as revenues in 2012 because of extended credit terms.

Operating costs and EBITDA

Total pro forma operating expenses for the year increased to USD 28.8 million. Pro forma raw-material costs accounted for USD 2.5 million. Total pro forma payroll costs amounted to USD 6.9 million, while pro forma sales commissions came to USD 2.9 million.

In the official accounts, operating expenses amounted to USD 27.4 million (NOK 153.5 million), cost of raw materials to USD 2.3 million (NOK 13.0 million), total personnel costs to USD 6.0 million (NOK 33.4 million) and sales commissions were identical at USD 2.9 million (NOK 16.3 million). Depreciation in the official accounts was USD 2.9 million (NOK 16.3 million) including goodwill depreciation according to NGAAP of USD 1.5 million (NOK 8.4 million).

Costs were driven mainly by the build-up of the organisation to develop and increase sales capacity. Sales, general and administrative costs are expected to decline as a proportion of revenues with increased sales in existing regions, supporting a gradual expansion in operating margin.

Cost management has been high on the agenda in 2011 and will remain so in a time of rapid growth and ramping-up of activities.

The pre-earn out EBITDA pro forma for the year came to USD 3.3 million, which the board regard as satisfactory given the rapid sales growth and organisational build-up in the second year as a consolidated company. In the official accounts the EBITDA pre earn-out for the year was USD 4.3 million (NOK 23.8 million).

Earn-out

Agrinos acquired the shares in Bioderpac in 2010, as well as distribution rights and activities in Colombia and Mexico (See the 2010 annual report for full details). Both transactions included an earn-out element based on the volume of product sold through 2013 and 2014 respectively.

The calculated earn-out of USD 5.1 million (NOK 28.3 million) for 2011 has been finalised.

Net loss

Agrinos reported an after-tax loss for the year of USD 5.2 million (NOK 28.9 million) in the official accounts. Tax payments and deferred tax of USD 1.7 million (NOK 9.4 million) relate to sales in Mexico during 2011. The net loss to majorities for 2011 was USD 5.0 million (NOK 28.1), equivalent to negative earnings per share of USD 0.13 (NOK 0.75 per share).

Transfers

The Board proposes that the result in Agrinos AS of NOK 14.7 million shall be settled against retained earnings whereas the negative result in the Group of NOK 28.9 million is settled against retained earnings with NOK 28.1 million and minority interests with NOK 0.8 million.

Balance sheet and cash flow

Net cash flow from operating activities for 2011 was negative at USD 18.4 million (NOK.110.5 million) Total receivables at 31 December 2011 were USD 25.5 million (NOK 152.8 million). Trade receivables of USD 18.9 million (NOK 113.5 million) related to the significant increase in Mexican sales in late 2011, account for the bulk of this amount. Credit terms in Mexico regularly follow the crop cycle, with payment being made after the harvest by the different end customers, and thereby generally require a long period of credit.

An agreement has been reached with Karl Fick and KarlCo on settling the USD 4.98 million (NOK 27.9 million) million earn out for 2011 with receivables accrued in that year. The arrangement had no impact on profit and loss for 2011, but will reduce receivables accordingly when it is finally formalised in the Agrinos accounts and will have the same positive impact on cash flow for 2012.

Net cash flow from investing activities was negative at USD -5.2 million (NOK -30.9 million) for 2011. USD -3.5 million (NOK 20.8 million) related to investment in fixed assets, mainly the expansion of production facilities in Mexico. USD -1.6 million (NOK 9.3 million) million related to finalising the acquisition of distribution rights in Mexico and Colombia, where USD 1 million was settled by conversion of debt to equity.

Net cash flow from financing activities was USD 34.3 million (NOK 205.5 million) in 2011. Agrinos raised USD 38 million (NOK 212.4 million) in new equity during November 2011.

The net change in cash and cash equivalents was USD 10.7 million (NOK 64.2 million) for 2011, including currency effects. Cash and cash equivalents stood at USD 34.0 million (NOK 203.9 million) at 31 December 2011.

Total assets were USD 87.5 million (NOK 524.4 million) at 31 December 2011. Book equity was USD 74.1 million (NOK 444.3 million), and the equity ratio was 84.4% per cent at 31 December. The company had USD 0.2 million (NOK 1.3 million) in interest-bearing debt related to its production facilities at 31 December.

Financing structure

Agrinos has virtually no interest bearing debt and consequently a high equity ratio. The Board of directors regard the current capital structure as satisfactory given existing operations, but Agrinos will however continuously evaluate the preferred capital structure as the company evolves with a clear view of maximizing shareholder value.

The company's financing strategy is to have a sound running capital structure ensuring financial flexibility. Following the sharp increase in working capital related to the commercial breakthrough in Mexico in late 2011, the company is on a running basis considering securing additional financing to allow for increased investment in market penetration in various market segments

Agrinos will continue to invest in a staged expansion of production capacity conferring flexibility in the timing of capital expenditure.

Shareholders

Agrinos had 168 shareholders at 31 December 2011. Thirty-seven of these were based outside Norway, with the largest proportion in the USA. The 20 largest shareholders held 87 per cent of the outstanding shares. The company was listed on the Norwegian OTC market in December 2010. The share price was NOK 28 at 1 January and NOK 40 at 31 December.

Agrinos issued 5 311 000 new shares at NOK 40 per share in a private placement during November 2011.

The share issue followed the announcement of the MasAgro contract, under which Agrinos committed to increase capacity significantly for the Mexican market. The proceeds from the share issue have been used to increase capacity gradually to provide supplies for the Mexican market, to meet increased demand for Agrinos products in other markets, to provide working capital, and for general corporate purposes.

A further 240 000 shares were issued as consideration for the acquisition of distribution networks in Mexico and Colombia.

A total numbers of 37 274 833 shares were outstanding at 31 December 2011.

The board intends to apply for a listing on a relevant stock exchange during 2013.

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.

The two main categories are market and financial risk.

Market risk
While demand for bio-stimulants 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. In this scenario, a risk exists that the products fail to deliver in accordance with expectations owing to suboptimal storage, activation or application. That may affect market perception of future demand and Agrinos' relative market position. The company has implemented stringent quality assurance procedures along the value chain as well as simplified activation and application methods to minimise these risks.

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

Client and credit risk
The client portfolio 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. Accounts receivable are monitored continuously, and the company is dedicated to keeping them at a reasonable level.

Currency risk
Agrinos' reporting currency is the USD, but the company also operates in several other currencies. The majority of revenues for 2011 were in MXN, converted to USD at a rate of 12.37 at 31 December and at an average rate of 12.39 for the year.

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 and long credit periods. This may limit its ability to collect payment. The seasonal outlook and customer finances are closely monitored.

Operational risk
Agrinos' product portfolio is based primarily on water, microorganisms and shrimp waste. While the company has stringent 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.

Going concern, corporate governance, HSE and employees

Going concern assumption
Pursuant to section 3-3a of the Norwegian Accounting Act and with reference to the company's financial position, the board confirms that the going concern assumption is realistic and that the financial statements for 2011 have been prepared on that basis.

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. To achieve this, the company sets a high standard for corporate governance, and will implement procedures during 2013 to comply with the Norwegian code of practice for corporate governance. Any deviations will be explained.

Sickness absence
The total sickness absence in 2011 was 1.7%.

Health, safety and the environment
Agrinos has a strong emphasis on health, safety and environmental (HSE) performance. The company is strongly 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, and puts great emphasis on minimising the environmental impact of its operations.

A review of operations at the Mexican production facilities was initiated by Agrinos in 2011 in order to improve the working environment further, protect the safety of employees and physical integrity of assets, and ensure full compliance with Mexican safety regulations.

The environment
Sustainability goes to the very core of the HYT™ technology and products. The latter are based on microorganisms and shrimp waste, neither of which raises any sustainability issues. The products help farmers to practise profitable, high-yield and sustainable agriculture.

Agrinos' products enhance agriculture productivity and stimulate carbon dioxide uptake by the crop. In addition to increasing yield, they can reduce the need to use mineral fertilisers and to cultivate new land, thereby avoiding greenhouse gas emissions from fertiliser production and distribution as well as land-use change.

The HYT™ products improve soil quality, enhance the efficiency of nitrogen and phosphorous use, boost plant health and raise crop quality.

Employees and organisation

Organisation
The group had an overall workforce of 216 full-time equivalent posts at 31 December 2011.

Changes in management
Agrinos appointed Ellen Cathrine Rasmussen as executive vice president for India and China, Kristian Østberg as chief legal officer and Ángel Castañon as executive vice president for business area the Americas.

Equal opportunities
Agrinos wants 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.

Outlook

The general upward pressure on prices for commodities and agricultural inputs provides a persistently strong macroeconomic backdrop for the products and services Agrinos provides. Given the company's strong technology and products, its expanded market presence and the growing recognition of its capabilities, the board believes that Agrinos is well positioned in an agricultural industry with solid underlying fundamentals.

Its proven technology and products yield strong results for farmers. This proved a robust platform when the company expanded its operations during 2011. At 31 December, the company had sales and marketing activities in Mexico, Colombia, Brazil, the USA, Norway, Ghana, Malaysia, Indonesia and China. These are all starting to generate results.

Sales in 2012 will be driven mainly by Agrinos' own sales organisation and the distributors of its HYT™ products in Mexico. In the longer run, a dominant proportion of sales is expected to come from distributors in other markets.

Late in the third quarter of 2012 or during the fourth quarter, Agrinos expects to achieve higher visibility in the MasAgro programme and to see additional local and central government subsidy structures and purchases further incentivising the use of bio-fertilisers. The underlying need to enhance incentives for productivity improvements in Mexico's traditional agricultural sector, combined with the confirmed value proposition offered by Agrinos, provides a solid basis for growth in the broader application of HYT™ technology in Mexico during coming years.

Large potential strategic project opportunities exist beyond MasAgro in Mexico, particularly in the USA, Brazil, India and south-east Asia. Some of these are expected to materialise in 2012 or 2013.

The company will focus attention on the regional footholds where its position and capacity are strongest, and invest in opportunities which can quickly build to critical mass. Greater attention is being paid to geographies and specific customers and crops in the countries where it has existing operations. Company strength will gradually increase in the regions which have already been entered, and investment will be accelerated when commercial traction increases.

In April this year, Agrinos announced that it had entered into an agreement with the global agricultural company Syngenta whereby the two companies will collaborate to develop joint marketable product offerings. Agrinos strategy is to develop sustainable high yield agricultural solutions based on utilizing the unique characteristics of the company's technology and products. To combine this approach with seed and protection technology from Syngenta is a step forward in accordance with this strategy, and could allow the company to reach the farmer with broader product offerings. An initial pre-commercial test phase has been initiated and the companies will explore the viability of different undisclosed product combinations. If successful the combined solutions will be marketed as new product offerings by Syngenta. The agreement is not expected to have short term financial effect for Agrinos.

Agrinos will continue to invest in experienced personnel and continue to industrialise the value chain. Technical support, training and sharing of knowledge across the various business units and areas are key enablers for securing growth.

Entry into new regions during 2012 and 2013 will require a high impact potential. It usually takes from two to five seasons after entering a new territory to build a market share and achieve recurring sales. Agrinos will thus invest carefully in potential new markets for initial technology adoption with key opinion leaders, and limit spending on building up its own organisation and other costs.

The company expects continued growth in operational revenues during 2012, but the majority of revenues are likely to come in the second half of the year owing to the current seasonality of the Mexican portfolio. Increased sales and continued industrialisation of the Agrinos value chain are expected to widen the profit margin compared with 2011.

Lysaker, 22 June 2012

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 Esquer
Board member

Tom Einar Jensen
Chief Executive Officer

Content financial statements and notes

Profit and loss statement

Agrinos AS			Notes	Agrinos Group	
2011	2010	NOK		2011	2010
9 682 487	5 386 913	Sales revenue	3	131 943 783	6 821 310
70 060 946	270 000	Other operating revenue	3	768 015	523 337
79 743 433	5 656 913	Operating revenue		132 711 798	7 344 647
-1 400 592	-1 442 351	Cost of goods sold		-12 991 506	-2 970 699
-15 324 102	-9 329 494	Salaries and personnel costs	4	-33 371 681	-10 775 512
-5 546 967	-400 000	Depreciation and amortisation	7;8	-16 268 400	-780 521
-54 266 297	-16 111 415	Other operating expenses		-90 845 570	-18 393 826
-76 537 958	-27 283 260	Total operating expenses		-153 477 157	-32 920 558
3 205 475	-21 626 347	**Operating income**		-20 765 359	-25 575 911
11 541 744	627 765	Net financial income / expense (-)	5	1 218 141	170 909
14 747 219	-20 998 582	Net income / loss (-) before taxes		-19 547 218	-25 405 002
-	-	Tax expense	6	-9 390 328	-
14 747 219	-20 998 582	**Net income / loss (-)**		-28 937 546	-25 405 002
		Net loss attributable to minority interests		-842 737	-
		Net loss attributable to Agrino's shareholders		-28 094 810	-

Balance sheet at 31 December

Agrinos AS			Notes	Agrinos Group	
2011	2010	NOK		2011	2010
		Assets			
-	-	Goodwill	7;17	67 896 681	76 253 142
49 170 000	45 400 000	Other intangible assets	7;2	55 096 897	51 566 955
49 170 000	45 400 000	Total intangible assets		122 993 578	127 820 097
171 560	-	Property, plant and equipment	8	24 572 873	7 058 162
88 565 141	79 687 944	Investements in subsidiaries	9	-	-
105 835 638	16 600 279	Other non-current receivables	10	-	5 856
194 400 779	96 288 223	Total financial non-current assets		-	5 856
243 742 339	141 688 223	**Total non-current assets**		147 566 451	134 884 115
4 444 219	4 766 972	Inventories	12	20 158 431	5 246 071
86 615 020	5 247 458	Accounts receivable	10	113 484 793	4 302 189
14 121 251	1 320 145	Other receivables	10;18	39 360 677	2 944 439
100 736 271	6 567 603	Total receivables		152 845 470	7 246 628
187 942 194	139 074 391	Bank deposits, cash etc.	13	203 856 116	139 682 960
293 122 684	150 408 966	**Total current assets**		376 860 017	152 175 659
536 865 023	292 097 189	**Total assets**		524 426 468	287 059 774

Balance sheet at 31 December

Agrinos AS			Notes	Agrinos Group	
2011	2010	NOK		2011	2010
		Equity			
372 748	317 238	Share capital	14;15	372 748	317 238
474 570 581	268 078 252	Premium reserve	15	474 570 581	268 078 252
14 747 219	-	Retained earnings	15;2	-32 360 126	-3 273 478
489 690 548	268 395 490	Total equity to shareholders of Agrinos		442 583 203	265 122 012
-	-	Minority interests	15	1 722 876	-
489 690 548	268 395 490	**Total equity**		444 306 079	265 122 012
		Liabilities			
-	-	Deferred tax	6;2	6 941 904	-
-	-	Loans to financial institutions	11	1 647 734	1 703 880
-	-	Other non-current liabilities	2	192 037	228 042
-	-	Total non-current liabilities		8 781 676	1 931 922
7 815 371	2 400 233	Accounts payable	10	11 177 207	2 847 712
39 359 104	21 301 466	Other current liabilities	10;11	60 161 506	17 158 128
47 174 475	23 701 699	Total current liabilities		71 338 713	20 005 840
47 174 475	23 701 699	**Total liabilities**		80 120 389	21 937 762
536 865 023	292 097 189	**Total equity and liabilities**		524 426 468	287 059 774

Lysaker, 22 June 2012

The board of directors of Agrinos

Thorleif Enger,
Chairman of the Board

Morten Bergesen,
Board member

Kjetil Bøhn,
Board member

Karl Reiner Fick,
Board member

Gerardo Enrique Esquer Aguirre
Board member

Tom Einar Rysst-Jensen,
Chief Executive Officer

Cash flow statement

Agrinos AS			Notes	Agrinos Group	
2011	2010	NOK		2011	2010
		Cash flow from operating activities			
14 747 219	-20 998 582	Net income/loss (-) before tax		-19 547 218	-25 405 002
5 546 967	400 000	Depreciation and amortisation		16 268 400	780 521
-75 629 671	-4 404 822	Changes in inventories, receivables and payables		-115 765 469	-3 491 173
5 196 518	22 637 261	Changes in other accruals		8 593 025	11 239 229
-50 138 967	-2 366 143	**Net cash flow from operating activities**		-110 451 262	-16 876 425
		Cash flow from investment activities			
-98 112 556	-92 883 166	Investments in subsidiaries		-	-77 992 357
-128 511	-	Net investments in tangible fixed assets		-20 832 123	-
-9 300 000	-42 000 000	Investments in intangibles		-10 055 401	-42 000 000
-107 541 067	-134 883 166	**Net cash flow from investment activities**		-30 887 524	-119 992 357
		Cash flow from financing activities			
-	-	Net proceeds from borrowings		101 174	228 042
-	-	Proceeds from minority interest shareholders	15	2 565 612	-
-	-	External financing of sales activity	18	-3 702 682	-
206 547 837	259 659 628	Net proceeds from issuance of shares	15	206 547 837	259 659 628
206 547 837	259 659 628	**Net cash flow from financing activities**		205 511 942	259 887 670
48 867 803	122 410 319	**Net change in cash and cash equivalents**		64 173 156	123 018 888
139 074 391	16 664 072	Cash and cash equivalents at beginning of period		139 682 960	16 664 072
187 942 194	139 074 391	Cash and cash equivalents at end of period	13	203 856 116	139 682 960

Notes to the accounts

General

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 Fornebuveien 1, 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 for the accounting of options (see note 4) and 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).Part 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. Shares have been assessed at cost even if equity is lower in all companies where the acquistion has been considered a long term investment with unexploited potential, and the future returns are considered secure.

A final allocation of these amounts 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 loosing 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 capitialized value of the earn-out obligations based on the business plan for the company and includeed this theoretical value as an addition to the acquisition costs as well as liabilities and tax liability. The current method captures the costs of the earn-out as the company develops precisely. The earn-out obligations are described in note 7 and note 17. See note 2 for a description of the effects of the restatement.

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.

General rules for the valuation and classification of assets and liabilities

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 recognised 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.

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 impairement 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 after deductions for expected losses.

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 liquid in the form of cash in bank accounts.

Note 2 Restatement

In connection with acquisition of subsidiaries the company has changed accounting principles related to treatment of earn-out obligations from 2010 to 2011. See note 1 for further information.

Restatement to 2010 balance sheets:

Agrinos AS

NOK	Reported 2010	Restatement	Restated 2010
Intangible assets	104 718 984	-59 318 984	45 400 000
Investments in subsidiaries	124 493 433	-44 805 489	79 687 944
Other long term liabilities	104 124 473	-104 124 473	-
Retained earnings		-	

Agrinos Group

NOK	Reported 2010	Restatement	Restated 2010
Intangible assets	254 285 069	-126 464 972	127 820 097
Deferred tax liability	23 047 527	-23 047 527	-
Other long term liabilities	104 352 514	-104 124 472	228 042
Retained earnings		707 027	

Note 3 Revenue

Geographical distribution:

	Agrinos AS		**Agrinos Group**	
NOK	**2011**	**2010**	**2011**	**2010**
Mexico	-	-	125 788 919	-
Rest of the world	2 431 349	4 820 007	6 922 879	7 344 647
Total	2 431 349	4 820 007	132 711 798	7 344 647

Note 4 Salaries and personnel costs

Salary and personnel costs:

	Agrinos AS		Agrinos Group	
NOK	2011	2010	2011	2010
Salaries	12 844 739	8 242 923	27 589 707	9 531 875
Payroll tax	1 725 283	867 328	2 657 624	928 994
Pension costs	155 783	80 916	589 426	138 885
Other benefits	598 297	138 327	2 534 925	175 758
Total	15 324 102	9 329 494	33 371 681	10 775 512
Annual full-time equivalent employees	11	10	216	38

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	2011	2010
Salary	2 311 554	1 519 400
Pension costs	16 644	21 451
Other benefits	167 984	171 834
Total	2 496 182	1 712 685

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 directors of the board have received total remuneration of NOK 325 000 in 2011 (NOK 275 000 in 2010).

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 programme for the Chairman and the CEO consists of 1 350 000 warrants. Each warrant entitles the holder to one share in the company, with nominal value of NOK 0.01. The deadline for exercise of the warrants and converting them into shares is five years from 2010.

In 2011 The Annual General Meeting approved the issue of 350 000 warrants for employees in addition to the program established 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 periods for the warrants in the employee programs are in the 4th year after issuance.

The exercise price is set for 1/12th of each program based on the share price in the company on a specific date every quarter in 12 consecutive quarters after the program is established.

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	390 000	1 060 000	260 000	-	30	1 450 000
Total	1 740 000	1 060 000	1 610 000	-		2 800 000

(A) - average exercise price for options exercised during the year

Exercise value of vested options was NOK 39.8 million at December 31, 2011 vs NOK 36.6 million at December 31, 2010. Exercise of options will result in social security tax payable for the company. Gross value of these liabilities has been calculated to be NOK 5.6 million at December 31, 2011 using the intrinsic value versus NOK 5.1 million at December 31, 2010. The option obligation has not been accounted for in the financial statements.

Bonus scheme for employees

The company has a performance based bonus scheme for its employees.

Auditor's fees:

	Agrinos AS		Agrinos Group	
NOK	**2011**	**2010**	**2011**	**2010**
Statutory audit fee	255 600	72 000	412 146	108 948
Assurance services	16 950	63 630	16 950	63 630
Tax advisory fee	-	-	-	9 497
Other services	89 738	46 870	362 694	46 870
Total fee to auditor	362 288	182 500	791 790	228 945

VAT is not included in the fee specified above.

Note 5 Financial income and expenses

Financial income:

	Agrinos AS		Agrinos Group	
NOK	**2011**	**2010**	**2011**	**2010**
Interest income from group companies	1 871 420	506 927	-	-
Other interest income	2 798 053	401 687	2 807 020	401 687
Other financial income (agio)	6 954 565	-	40 637	-
Total financial income	11 624 038	908 614	2 847 657	401 687

Financial expenses:

	Agrinos AS		Agrinos Group	
NOK	**2011**	**2010**	**2011**	**2010**
Interest expenses from group companies	-	-	-	-
Other interest expenses	-82 294	-20 154	-376 739	-20 154
Other financial expenses (disagio)	-	-260 695	-1 252 777	-210 624
Total financial expenses	-82 294	-280 849	-1 629 515	-230 778

Note 6 Income taxes

Income tax expense:

NOK	2011	2010	2011	2010
Tax payable	-	-	2 083 549	8 436 917
Changes in deferred tax	-	-	7 306 780	-8 436 917
Total income tax expense	-	-	9 390 328	-
Tax base calculation				
Profit before income tax	14 747 219	-21 091 627	-19 547 218	-21 091 627
Permanent differences	-11 453 223	-9 020 877	5 963 538	-9 020 877
Temporary differences	-9 208	-19 342	17 189 035	-19 342
Tax base	3 284 788	-30 131 846	3 605 355	-30 131 846
Temporary differences:				
Receivables	28 549	-	28 549	-
Inventories	-	19 342	10 140 469	19 342
Non current assets	-	-	-180	-
Provisions	-	-	23 139 681	-
Foreign exchange rate gains (losses)	-	-	-	-
Losses carried forward	-29 095 670	-32 380 458	-60 076 197	-32 380 458
Total	-29 067 121	-32 361 116	-26 767 678	-32 361 116
Deferred tax liability (asset)	-8 138 794	-9 061 112	-10 656 934	-9 061 112
Deferred tax asset not recognized	-8 138 794	*9 061 112*	-17 598 838	*-9 061 112*
Deferred tax liability (asset)	-	-	6 941 904	-

	Agrinos AS		Agrinos Group	
Effective tax rate				
Expected income taxes at statutory tax rate	4 129 221	-5 905 656	-6 217 619	-5 905 656
Permanent differences	-3 206 902	-2 525 846	1 848 235	-2 525 846
Change in allowance for taxes carried forward not recognized	-922 319	8 431 501	13 759 713	8 431 501
Income tax expense	-	-	9 390 328	-
Effective tax rate in %	0.0%	0.0%	-48.0%	0.0%

Taxable income differs from net income before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in future years (temporary differences). It also excludes items that are never taxable or deductible (permanent differences).

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits 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 reflected In the accounts.

See note 2 for restatement of 2010 value of deferred tax liability.

Note 7 Intangible assets

Agrinos AS:

NOK	Acquired rights	Total
Acquisition cost 01.01.2011	46 000 000	46 000 000
Additions	9 300 000	9 300 000
Disposals	-	-
Acquisition cost 31.12.2011	55 300 000	55 300 000
Accumulated amortisation at 31.12.2011	-6 130 000	-6 130 000
Accumulated impairment loss 31.12.2011	-	-
Reversed impairments 31.12.2011	-	-
Net carrying value at 31.12.2011	49 170 000	49 170 000
Amortisation for the year	-5 530 000	-5 530 000
Impairment loss for the year	-	-

See note 2 for restatement of 2010 net carrying value of intagibles.

Agrinos Group:

NOK	Goodwill	Research and development cost	Other intangibles	Acquired rights	Total
Acquisition cost 01.01.2011	76 253 142	-	1 412 457	51 741 802	129 407 401
Additions	-	609 305	146 097	9 300 000	10 055 401
Disposals	-	-	-	-	-
Translation adjustements	-	-62 325	-127 962	-530 143	-720 429
Acquisition cost 31.12.2011	76 253 142	546 980	1 430 592	60 511 658	138 742 372
Accumulated amortisation at 31.12.11	-8 356 461	-	-221 351	-7 170 982	-15 748 794
Accumulated impairment loss 31.12.11	-	-	-	-	-
Reversed impairments 31.12.11	-	-	-	-	-
	-	-	-	-	-
Net carrying value at 31.12.11	67 896 681	546 980	1 209 241	53 340 677	122 993 578
Amortisation for the year	-8 356 461	-	-138 443	-6 078 559	-14 573 463
Impairment loss for the year	-	-	-	-	-

See note 2 for restatement of 2010 net carrying value of intangibles and note 17 for final allocation of excess value in relation to business combinations.

Both the parent company and the group use 10 years straight line amortisation for goodwill, acquired rights and other intangibles. The company sees the goodwill value related to the acquisition of Bioderpac as a long term value related to the company's contribution to the Agrinos Group.

The acquisition of rights to distribute in Mexico and Colombia includes an additional compensation based on results in these markets for the years 2011 to 2014. This earn-out element is 40% of EBITDA in those markets with an adjustment for COGS based on production costs with a fixed profit-level of 15%.

Note 8 Tangible assets

Agrinos AS:

NOK	Vehicles	Property and plant	Machinery and equipment	Total
Acquisition cost at 01.01.2011			-	-
Additions			128 511	128 511
Disposals			-	-
Acquisition cost 31.12.2011	-	-	128 511	128 511
Accumulated depreciation 31.12.11			10 966	10 966
Accumulated impairment loss 31.12.2011			-	-
Reversed impairment loss 31.12.2011			-	-
Net carrying value at 31.12.2011	-	-	139 476	139 476
Depreciation for the year			16 967	16 967
Impairment loss for the year				

Agrinos Group:

NOK	Vehicles	Property and plant	Machinery and equipment	Total
Acquisition cost at 01.01.2011	494 099	3 491 025	4 671 665	8 656 789
Additions	2 811 316	10 985 829	9 036 547	22 833 693
Disposals	-78 506	-1 041 936	-881 128	-2 001 570
Translation adjustments	-137 438	-816 587	-743 344	-1 697 369
Acquisition cost 31.12.2011	3 089 472	12 618 330	12 083 740	27 791 543
Accumulated depreciation 31.12.2011	-477 952	-279 838	-2 492 963	-3 250 753
Accumulated impairment loss 31.12.2011	-	-	-	-
Reversed impairment loss 31.12.2011	-	-	-	-
Net carrying value at 31.12.2011	2 611 520	12 338 493	9 590 777	24 540 790
Depreciation for the year	-333 424	-4 258	-1 332 823	-1 670 505
Impairment loss for the year (incl. reversals)	-	-	-	-

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	0

Note 9 Investments in subsidiaries, associated companies

The parent company owns the following shares:

Company	Subsidaries' share capital in local currency	Number of shares	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	85 %	-684 537	-928 666	1 572 789
Bioderpac SA de CV, Mexico	19 500 000	19 499	MXN 1000	100 %	211 748 028	39 433 305	77 992 357
Agrinos Inc, USA*	-	5 000	USD 0.01	100 %	-2 143 612	-1 920 472	-
Agrinos China AS, Norge	100 000	100 000	NOK 1	100 %	-65 915	-10 124	125 000
Agrinos Mexico SA de CV, Mexico	50 000	49 999	MXN 1	100 %	64 534 415	-33 011 616	21 762
Agrinos Corporate Services SA de CV, Mexio	50 000	49 999	MXN 1	100 %	-5 064 208	-6 912 537	21 210
Agrinos Colombia SAS, Colombia	1 575 210 000	15 752 100	COP 10	100 %	383 046 910	-1 192 163 090	4 778 148
Agrinos do Brasil Ltda, Brasil	687 750	99 999	BRL 3.20	100 %	263 706	-424 044	2 147 515
Agrinorway Iberica S.L., Spania	3 000	300	EUR 10	100 %	2 200	-800	23 288
Agrinos Beijing BioTech	4 200 693	N/A	RMB	50 %	2 256 098	-1 944 596	1 883 073
Total							**88 565 142**

* The shares in Agrinos Inc, USA. The company is permitted to issue 5 000 shares at USD 0.01, totaling USD 50.

Agrinos Beijing Biotech is consolidated as a controlled entity based on the agreement between the parties that Agrinos shall be the controlling entity. A process that is not yet finalized will contractually confirm such control.

The parent company has issued Letters of Comfort related to leasing obligations for cars in Agrinos Mexico and Bioderpac.

Note 10 Intercompany balances with group companies and associates

Receivables:

NOK	2011	2010
Loans to group companies	105 835 638	16 600 279
Accounts receivable	84 473 008	1 935 473
Other receivables	-	-
Total	190 308 646	18 535 753

Payables:

Agrinos AS

NOK	2011	2010
Accounts payable	484 661	-
Other short term payables	-	4 325 544
Total	484 661	4 325 544

Note 11 Current and non-current liabilities

Non-current liabilities:

	Agrinos AS		Agrinos Group	
NOK	2011	2010	2011	2010
Liabilities to financial institutions	-	-	1 647 734	1 703 880
Other non-current liabilities	-	-	192 037	228 042
Total	-	-	1 839 772	1 931 922
Secured debts:				
Pledged assets:				
Property and plant	-	-	11 759 502	2 248 973
Total	-	-	11 759 502	2 248 973

See note 2 for restatement of 2010 value of other long-term liabilities.

Current liabilities:

	Agrinos AS		Agrinos Group	
NOK	2011	2010	2011	2010
Taxes payable	-	-	2 668 771	-
Accrued comissions	-	-	11 103 268	-
Accrued bonus payments	5 486 773	2 175 659	5 486 773	2 175 659
Accrued earn-out payment Karl &Co	28 349 031	-	28 349 031	-
Accrued payment for acquired rights Karl	-	12 000 000	-	12 000 000
Current intercompany liabilities	-	4 325 544	-	-
Other current liabilities	5 523 300	2 800 263	12 553 663	2 982 469
Total	39 359 104	21 301 466	60 161 506	17 158 128

Note 12 Inventories

	Agrinos AS		Agrinos Group	
NOK	2011	2010	2011	2010
Raw materials	-	-	1 399 904	-
Work in progress	-	-	2 116 126	-
Finished goods	4 444 219	4 766 972	16 642 400	5 246 071
Total	4 444 219	4 766 972	20 158 431	5 246 071

Note 13 Bank deposits

	Agrinos AS		Agrinos Group	
NOK	2011	2010	2011	2010
Employees tax deduction, deposited in a separate bank account	693 446	339 228	693 446	339 228

Note 14 Share capital and shareholder information

Agrinos AS

	Number of shares	Face value	Book value in NOK
Share Capital	37 274 833	0.01	372 748

At 31.12.2011 Agrinos AS had 166 shareholders. Issued capital consists of one class of shares and all shares have equal voting rights.

The 16 largest shareholders as of 31 December 2011 were:

	Related party	No of shares	Ownership
SIX SIS AG		8 174 001	21.93%
KORRIGAN HOLDINGS AS	Employee	4 296 904	11.53%
HAVFONN AS	Board member	4 006 096	10.75%
KB MANAGEMENT	Executive Director	3 618 741	9.71%
STATE STREET BANK AND TRUST CO.		1 928 106	5.17%
THOENG AS	Chairman of the Board	1 873 077	5.03%
ANFAR INVEST AS		1 500 000	4.02%
STATE STREET BANK AND TRUST CO.		1 042 243	2.80%
MORGAN STANLEY & CO LLC		979 000	2.63%
SKAGEN VEKST		802 378	2.15%
INSTITUSJONEN FRITT ORD		786 000	2.11%
MOHN		549 832	1.48%
BANK OF NEW YORK MELLON (LUX) S.A.		530 086	1.42%
JPMORGAN CHASE BANK		393 520	1.06%
ARCTIC FUNDS PLC		375 000	1.01%
RYSST-JENSEN	CEO	330 806	0.89%
Other		6 089 043	16.34%
Total number of shares		37 274 833	100 %

The Chairman Thorleif Enger is part owner of Thoeng AS.

Board member and Executive director Kjetil Bøhn owns KB Management AS.

Board member Morten Sigval Bergesen is part owner of Havfonn AS.

Board member Karl Reiner Fick Rochin owns directly and through other companies 6 030 185 shares in total.

Note 15 Equity

Agrinos AS:

NOK	Issued capital	Share premium	Retained earnings	Total
Equity 01.01.2010	202 538	29 531 908		29 734 445
Capital increase	114 701	268 637 324		268 752 025
Transactions costs		-9 092 396		-9 092 396
Net loss for the year		-20 998 584		-20 998 584
Equity 31.12.2010	317 238	268 078 252	-	268 395 490

NOK	Issued capital	Share premium	Retained earnings	Total
Equity 01.01.2011	317 238	268 078 252	-	268 395 490
Capital increase Nov. 15, 2011	53 110	212 386 890		212 440 000
Capital increase Dec. 12, 2011	2 400	5 997 600		6 000 000
Transactions costs		-11 892 161		-11 892 161
Net profit for the year			14 747 219	14 747 219
Equity 31.12.2011	372 748	474 570 581	14 747 219	489 690 548

Agrinos Group:

Agrinos Group

NOK	Issued capital	Share premium	Retained earnings	Currency translation differences	Total shareholders' equity	Minority interests	Total equity
Equity 01.01.2010	202 538	29 531 908	-		29 734 445		29 734 445
Capital increase	114 701	268 637 324			268 752 025		268 752 025
Transactions costs		-9 092 396			-9 092 396		-9 092 396
Net loss for the year		-20 998 584	-4 406 418		-25 405 002		-25 405 002
Currency translation differences				1 132 940	1 132 940		1 132 940
Equity 31.12.2010	317 238	268 078 252	-4 406 418	1 132 940	265 122 012		265 122 012
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		-	-28 094 810		-28 094 810	-842 737	-28 937 546
Share capital increase in subsidiary minority interest						2 565 612	2 565 612
Currency translation differences				-991 839	-991 839		-991 839
							-
Equity 31.12.2011	372 748	474 570 581	-32 501 228	141 101	442 583 203	1 722 876	444 306 079

Note 16 Transactions with related parties

The Group has various transactions with Board member Karl Reiner Fick Rochin direct and through his company Karl & Co S.A. de C.V. The most notable transactions are as follows: cost reimbursement related to establishment of a sales unit in US West; payment of partners in Colombia, an ongoing consultancy arrangement, rent of storage space in Mexico and other minor disbursements.

Net consideration for services provided by Karl & Co/Karl Reiner Fick Rochin amounts to NOK 1 493 751.

The agreed earn-out of NOK 27.9 for 2011 relates to the purchase of distribution rights in Mexico and Colombia will be settled against receivables in Mexico.

Kjetil Bøhn, a Board member of Agrinos, has served as temporary EMEA director and received a total remuneration of NOK 2 425 000 for his service period in 2011.

Angel Castanon, a shareholder at Keiler Trading, has served as head of Business Area West for the period January through September 2011 and has received a remuneration of NOK 509 257 for his period of service.

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

Note 17 Changes in Group's structure

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

In addtion to the purchase price Agrinos has agreed to pay an additional compensation sales of the products HYT B and HYT C in certain markets the years 2011, 2012 and 2013. The cumulative value of the profits shall not be less than USD 2 000 000 for those three years. There is also 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 18 Receivables

Current receivables:

	Agrinos AS		Agrinos Group	
NOK	2011	2010	2011	2010
Value added tax	1 707 785	377 355	18 981 186	1 721 858
Prepaid expenses	1 173 748	44 232	2 385 730	199 977
Loans to external distributors	-	-	3 702 682	-
Other current receivables	11 239 718	898 558	14 291 079	1 022 604
Total	14 121 251	1 320 145	39 360 677	2 944 439

Agrinos AS has granted a short-term loan of NOK 11 239 718 to partners in China for funding the operations.

The company sells directly to end customer as well as through distributors. For sales through distributors in Mexico the payment terms reflect the need for distributors to accept payment post harvest for their end-customers. The growing cycles vary in length depending on crop and region, but important crops for Agrinos like wheat, corn and sugarcane vary from 7 months up to 18 in the areas the company so far has had the largest penetration. This leads to long collection times for receivables that are reflected in relatively long cash collection processes on sales concluded at the end of 2011. The agreement with distributors is structured to ensure full payment. The settlement of the earn-out obligation through transfer of receivables reduces the exposure to trade receivables with NOK 27.9 million.

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 a currency risk associated with currency exposure mainly related to cash-flows in local currency and investment funded in NOK. No currency hedges have been executed that may reduce or increase 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 Operating leasing

Agrinos Mexico leases cars for sales people, technical support and management. At year end 2011 the company leased 56 cars with monthly costs averaging NOK 4 500.

Financial statements in US dollar

Official Norwegian annual accounts translated into US dollar.

Profit and loss statement

	Agrinos Group	
USD	2011	2010
Sales revenue	23 556 038	1 128 669
Other operating revenue	137 114	86 593
Operating revenue	23 693 152	1 215 262
Cost of goods sold	-2 319 385	-491 539
Salaries and personnel costs	-5 957 875	-1 782 940
Depreciation and amortisation	-2 904 412	-129 147
Other operating expenses	-16 218 738	-3 043 484
Total operating expenses	-27 400 410	-5 447 109
Operating income	**-3 707 258**	-4 231 848
Net financial income / expense (-)	217 476	28 279
Net income / loss (-) before taxes	-3 489 782	-4 203 569
Tax expense	-1 676 463	-
Net income / loss (-)	**-5 166 245**	-4 203 569
Net loss attributable to minority interests	-150 454	-
Net loss attributable to Agrino's shareholders	-5 015 791	-

Balance Sheet at 31 December

USD	Agrinos Group 2011	2010
Assets		
Goodwill	11 329 898	13 020 480
Other intangible assets	9 194 002	8 805 231
Total intangible assets	20 523 900	21 825 712
Property, plant and equipment	4 100 468	1 205 205
Investements in subsidiaries		
Other non-current receivables		1 000
Total financial non-current assets	-	1 000
Total non-current assets	24 624 368	23 031 916
Inventories	3 363 831	895 784
Accounts receivable	18 937 172	734 613
Other receivables	6 568 104	502 773
Total receivables	25 505 276	1 237 386
Bank deposits, cash etc.	34 017 407	23 851 335
Total current assets	62 886 515	25 984 506
Total assets	87 510 883	49 016 422

Balance Sheet at 31 December

USD	Agrinos Group 2011	2010
Equity		
Share capital	62 200	54 169
Premium reserve	79 191 446	45 775 263
Retained earnings	-5 399 924	-558 957
Total equity to shareholders of Agrinos	73 853 723	45 270 475
Minority interests	287 496	-
Total equity	74 141 218	45 270 475
Liabilities		
Deferred tax	1 158 393	-
Loans to financial institutions	274 957	290 943
Other non-current liabilities	32 045	38 939
Total non-current liabilities	1 465 396	329 882
Accounts payable	1 865 137	486 256
Other current liabilities	10 039 132	2 929 808
Total current liabilities	11 904 269	3 416 064
Total liabilities	13 369 665	3 745 947
Total equity and liabilities	87 510 883	49 016 422

Cash flow statement

USD	Agrinos Group 2011
Cash flow from operating activities	
Net income/loss (-) before tax	-3 489 782
Depreciation and amortisation	2 904 412
Changes in inventories, receivables and payables	-19 317 748
Changes in other accruals	1 472 150
Net cash flow from operating activities	**-18 430 968**
Cash flow from investment activities	
Investments in subsidiaries	
Net investments in tangible fixed assets	-3 476 250
Investments in intangibles	-1 677 942
Net cash flow from investment activities	**-5 154 192**
Cash flow from financing activities	
Net proceeds from borrowings	16 883
Proceeds from minority interest shareholders	428 123
External financing of sales activity	-617 865
Net proceeds from issuance of shares	35 921 363
Translation effects to USD on issuanace of shares	-1 454 789
Net cash flow from financing activities	**34 293 714**
Net change in cash and cash equivalents	**10 708 555**
Cash and cash equivalents at beginning of period	23 857 850
Translation effects to USD on cash and cash equivalents	-548 998
Cash and cash equivalents at end of period	34 017 407

Auditor's report

RSM Hasner

To the Annual Shareholders' Meeting of
Agrinos AS

RSM Hasner AS, Statsautoriserte Revisorer
Vollsveien 13 c, 1366 Lysaker
Tlf: (+47)67 52 88 00, **Fax:** (+47)67 59 04 30
E-mail: rsmhasner@rsmhasner.no
www.rsmhasner.no
Org.nr: 982 316 588 MVA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Agrinos AS, which comprise the financial statements of the parent company, showing a profit of NOK 14 747 219, and the financial statements of the group, showing a loss of NOK 28 937 546. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2011, 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 company'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.

RSM Hasner

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the parent company and the group Agrinos at 31 December 2011, and 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.

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 and the going concern assumption, and the proposal for the allocation of the profit for the parent company and the coverage of the loss for the group 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 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.

Lysaker, 23rd of June, 2012
RSM Hasner AS

Lars Løyning
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Agrinos AS – Headquarters

Fornebuveien 1
N- 1366 Lysaker
Norway
Tel +47 21 04 56 00

www.agrinos.com