Annual Report 2013

Agrinos®
innovative® by nature

HYT® treated tomatoes, Mexico

Content

Wheat treated with Agrinos' technology, Kentucky, US

Board of Directors' report

Agrinos is a provider of biological crop inputs that develops, produces and markets biostimulants. The Company's proprietary liquid and micronized products improve crop yield and quality, the efficiency of conventional inputs and grower productivity. Agrinos' integrated value chain includes research and development activities in the US, feedstock sourcing and production in Mexico, and sales and marketing activities in select countries in the Americas, Europe and Asia.

The Parent Company and the corporate headquarter is located in Bærum, Norway. The main subsidiaries are in Mexico and the US, while the Company also has activities in Brazil, Spain, 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. While the Company has invested in production and distribution capacity since inception in 2009 and seen deployment of products at an end-user level, as well as cash inflow grow, the Company still reports a negative cash flow in its fifth year of operations. To improve the cash flow the Company has implemented measures to adjust its business portfolio, cost base and working capital. An improved cash flow will enable the Company to invest in its technology platform, research and development and marketing to strengthen its competitiveness. The Board is of the opinion that the Company is able to raise new capital should that be required. To the best of the Directors’ knowledge, no subsequent events that would impact the accounts for 2013 and which are not described in this report have occurred since 31 December 2013.

Key developments in 2013

- **A year marked by substantial HYT® deployment** in Mexico at the end user level, sales growth in the US, corporate restructuring and adjustment of the organization

- **Company restructuring** initiated by the board in September to ensure shift in performance. Kjetil Bøhn appointed as interim Chief Executive Officer.
- **The business refocused** on organic sales in Mexico and profitable growth in the US, Brazil, Spain, India, Malaysia/Indonesia and China, while operations in Ghana, Colombia and Peru were discontinued.
- **Mexico**: Achieved large government subsidy programs, but to improve control and cash flow, Agrinos adapted its organization, amended agreements with exclusive distributors and implemented cost efficiency program. To cater for uncertainty related to future cash inflow from commercial operations, NOK 267.4 million in write downs and provisions were recorded in 2013.
- **Technology and R&D**: Dr. Douglas Ry Wagner appointed Chief Technology Officer in September to be based in the US with global responsibility for leadership of all technical aspects and strengthening of the technology platform and organization.
- **Balance sheet**: Strengthened the Company's balance sheet with NOK 162 million in new equity in the fourth quarter and got a new, long term and active owner onboard as the largest shareholder.

The market for biological crop inputs - "biologicals"

Biological crop inputs or agricultural biologicals - abbreviated "biologicals" - is an umbrella term for organic agents such as microbes, plant extracts, insects and other material used by growers to improve and protect crop yields and health. These technologies bring together chemistry, biotechnology, breeding and agronomic practices and offers growers a toolbox for increased productivity and improved sustainability.

Microbial-based products are derived from naturally-occurring microorganisms such as bacteria, fungi and other microorganisms. They are normally applied to seeds before planting or in-furrow or sprayed on crops, and they enhance plant productivity and fertility, but can also protect crops from pests and diseases.

Based on statements from the big global agricultural companies and other reputable industry sources, biologicals today represent a growing industry currently representing more than USD 2 billion in annual sales.

Agrinos is positioned within the biologicals market as a provider of biostimulants focused on crop yield, quality and health.

Strategy

Agrinos was established to take its technology branded as HYT® to agricultural crop inputs markets and develop a profitable business for its investors.

On the basis of potent in the field results demonstrated by HYT® and an ability to scale up production capacity, Agrinos chose to pursue an ambitious commercialization strategy with widespread market introduction in several countries in the Americas, Europe, Africa and Asia. In 2011 the Company also positioned itself to supply large-scale subsidy programs in Mexico and expanded its production capacity accordingly.

Rapid commercialisation and positioning the company for large-scale technology roll-out was a response to what was viewed as an attractive market opportunity back in 2010. An increasing amount of market intelligence confirmed that the agricultural industry was searching for new technological innovations that could drive productivity and sustainability. Biologicals were seen as an important part of the solution. Agrinos had technology and production in place and wanted to exploit its first-mover advantage within the microbials segment. Proving that the Company's products could be deployed at large scale through an industrialized value chain would make Agrinos one of the few independent and commercial providers of biologicals globally. Becoming a leading player within an emerging industry should furthermore provide attractive value creation opportunities.

Moving into 2013 the strategy from inception remained firm: 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.

In June 2013, Agrinos reached one of the overall objectives with the strategy: Large-scale roll-out of HYT®. When the Company started to deliver products through its Mexican distributors to governmental subsidy programs in June 2013, the company achieved an operational breakthrough. During 2013, 1.5 million HYT® units were deployed in Mexico.

But the breakthrough in Mexico came at a cost. It required substantial and more than planned financial and management resources to ensure that the company and its exclusive distributors had capacity to deliver on large-scale subsidy programs. Given the company's promising technology platform and value creation opportunities in markets also outside Mexico, the Company chose to refocus its business portfolio and strengthen its balance sheet.

As a result, the company entered a consolidation phase in September 2013. A substantial restructuring of the Mexican organization and relationships with local distributors was carried out during the remainder of the year 2013 with a target of ensuring a sustainable organic business in Mexico with less dependency on government subsidy program. Other key strategic priorities in the second half of 2013 were cost control, growing the US and select other markets and solidifying the R&D platform. In the fourth quarter, Agrinos strengthened its balance sheet with NOK 162 million in new equity to ensure a sound financial platform for strategy execution.

Since resources were directed to the most promising opportunities, it was decided early in 2014 to close the business units in Colombia, Peru and Ghana.

In this respect, the strategy evolved during 2013 with consolidation and sharpened business focus as the main strategic output.

Operational review

Business model

Agrinos develops and produces biological crop inputs - biologicals - and markets these in select countries in the Americas, Europe and Asia. The Company's integrated value chain includes feedstock sourcing and production in Mexico and research and development activities, mainly in the US, that includes management of intellectual property and development of a pipeline of new products.

Agrinos is in an early growth stage and has adapted the business model as the Company and the market has evolved. During 2013, the Company sharpened focus on marketing through established third party distributors, both to maximize the efficiency of its sales and marketing activity and to reduce the need for working capital related to sales and distribution.

Sourcing and production takes place in Mexico and in 2013 the Company strengthened its production, as well as research and development capabilities to optimize production cost and product quality.

Competition is intensifying in the biologicals market. Large chemical companies and specialized independents invest in research and development, as well as in marketing platforms. For an integrated, independent Company research and development is necessary to drive the efficacy, cost and competitiveness of existing and new products.

The business model's key value drivers are; 1) product unit cost driven by research and development costs and production costs, 2) how efficiently the products are distributed, applied and securing results for the grower, 3) the products ability to deliver value for the grower, and 4) improvement of existing and development of new technologies and products.

Developments within the business areas

Agrinos' core commercial markets in 2013 were Mexico and the US. The Company has furthermore established market positions in Brazil, Spain, India, Malaysia, Indonesia, China and India.

Mexico

While Agrinos did not recognize any sales revenue in Mexico in 2013 due to the distributors' excess inventories, the business unit represented approx. 80% of the Company's cash collection for the full year 2013. The collection was driven by deployment of 1.5 million HYT® units during the year, a market penetration achieved through an exclusive distribution network and two channels to the market – organic direct-to-grower sales and sales under government subsidy programs.

The main priority in Mexico has been to achieve cash flow positive operations from the organic business whilst maintaining operational flexibility to deliver on growth and potential government subsidy programs. A new local management team was put in place in the second half of 2013 that initiated substantial manning and cost reductions, amended the loan and distribution agreements and settled outstanding commercial issues with Agrinos' exclusive distributor networks. In parallel the distributor network reduced its manning and cost base to be aligned with the change in strategy.

In the fourth quarter, the distribution and loan agreements with the distributors were revised. All outstanding issues were settled and Agrinos' total receivables on the distributors were reconciled. As part of the settlement all historical invoices from the first sales took place were adjusted retroactively to a net price that was somewhat lower than the gross price minus sales commissions that had previously been the basis for reporting of sales revenues. The financial implications of this adjustment were covered by provisions made in 2012 and 2013. In addition, all previous provisions for sales commissions to the distributors were reversed and recorded as income. The settlement and revised agreements were made to achieve alignment of incentives and a new platform for growth and value creation.

In the fourth quarter the distributors also entered into a financing scheme that involved the Mexican Development Bank for Agriculture to cover some of their need for liquidity. This was a first step made by Agrinos and the distributors to secure third party financing of the distributors at commercial terms. At the same time Agrinos ended the financing of the distributors' operations.

Despite the progress made during 2013 to strengthen control of the distribution network and sales and marketing activities, the uncertainty related to the distributors' future cash inflow is material and hence their profitability and ability to serve their debt obligations to Agrions is also uncertain. In light of the risk related to the Mexican assets, NOK 267.4 million in write downs and provisions were recorded in 2013.

Pacifico and, on a smaller scale, Peninsula Sur distribution networks have built an organic direct-to-grower sales channel that serves an important part of the Mexican market. This has been the main platform for further organic growth in Mexico. Focus in 2013 has been on the regions, crops and customers with the highest potential.

The Golfo distributor has built an infrastructure and capacity tailored to government subsidy programs and is now adapting capacity to direct-to-grower sales, while maintaining ability to scale-up and deliver on government subsidy programs.

Agrinos' distributors deployed 274 000 HYT® units and Agrinos collected NOK 45.8 million under the government subsidy programs in 2013. The Company’s participation in such programs decreased in the fourth quarter and the first part of 2014. Timing and size of Agrinos participation in these programs have proven difficult to predict and moving into the second half of 2013 Agrinos regarded these programs as attractive options rather than relying on them for future growth.

The US

Sales revenue in the US amounted to NOK 12.2 million in 2013, compared with NOK 5.8 million in 2012. The US market was given priority in 2013.

In 2013 the business unit moved towards a third party distribution model, restructured its geographical presence and amended the organizational structure to target the most attractive customers.

Dr. Douglas Ry Wagner was hired and appointed as Chief Technology Officer and Head of the US business unit, based in the US. Dr. Wagner came to Agrinos from Dow AgroSciences where he was Global New Ventures and Technology Leader for the past 4 years.

The hiring of Wagner in the US was part of the Company's efforts to strengthen the Company's technology platform and research and development activities in support for market and product development globally.

After the close of the year, Agrinos and Windcrofte Holdings and its partner, Ameropa North America, entered into a multi-year distribution, license and research agreement for the sales and marketing of Agrinos’ HYT® products in North America, and for the development of next generation yield enhancement technologies targeted for certain market segments. The Windcrofte Holdings partnership will provide financial support for these activities and for the development of new technologies to further enhance yield and crop productivity using the Agrinos proprietary product platform.

Rest of World

Outside the main markets Mexico and the US, Agrinos had market positions in Colombia, Peru, Brazil, Spain, Ghana, India, Malaysia, Indonesia and China when the company entered 2013. At this point, these business units were all in an early commercial phase, except Brazil that was pre-commercial.

When the company initiated a restructuring in September 2013 and sharpened its focus on the business units with expected positive cash flow or high short term potential, the effect was that operations in Colombia, Peru and Ghana were discontinued early in 2014.

For the business units that remained in the portfolio, a shift in focus to third party distribution took place during 2013. Both India and China saw partnerships with large, leading distributors and partners firm up during the year. Brazil also became commercial when the first sales were closed in the fourth quarter.

Agrinos entered into a commercial cooperation with Syngenta in 2012 resulting in a pre-commercial test phase to explore the viability of different new product combinations for marketing by Syngenta. Testing and pre-market activities commenced in 2013 targeting a preparation for a market launch of Agrinos products in 2014. The parties have decided that no market launch will take place in 2014.

Production

Agrinos has its production facility in Sonora, Mexico and is sourcing feedstock locally. Agrinos produces both liquid and dry products and uses fermentation and micronization as part of its production process.

The Company continued to develop the quality assurance and product compliance processes for the production facility, and strengthened the technical, process and management expertise during 2013.

Research and development

Research and development is part of Agrinos' foundation and an enabler of future growth. The Company is committed to improve its product portfolio and develop a pipeline of new products to remain competitive in the marketplace.

Agrinos is stepping up its investments in technical capabilities, expertise and infrastructure to maintain and develop a technology-driven product portfolio and efficient production processes.

Research and development costs are expensed on a running basis and amounted to NOK 21.4 million in 2013. The majority of the costs (approx. 80%) were related to trials and research to improve the product portfolio and were carried out by scientific institutions in UK. Going forward a higher share of the research will be done in-house.

Financial review

The profit and loss for 2013 is mainly explained by no sales revenues recognized in Mexico and significant write downs and provisions of NOK 267.4 million due to uncertainty related to future cash inflow from the commercial operations in Mexico. Moreover, the results are affected by redundancy costs and provisions related to the further focusing of the business portfolio and closing of three business units.

Operating revenue

Recognized operating revenue decreased by 76 per cent and amounted to NOK 54.8 million for the full year 2013, down from NOK 227.7 million in 2012. The decline was primarily due to no sales revenues recognized in Mexico as the distributors had sufficient inventories to support the underlying demand. See note [2] for further information on Agrinos' revenue recognition principles that were changed in the fourth quarter of 2012. Other operating revenue increased from NOK 9.4 million to NOK 29.0 million. Included in that figure are services provided to the distributors In Mexico and invoiced in 2013 as part of the settlement.

In the other countries where Agrinos is present, the sales revenues totaled NOK 25.7 million versus NOK 17.2 million in 2012. The US where the sales revenues increased from NOK 5.8 million in 2012 to NOK 12.2 million in 2013, was the main driver behind sales outside Mexico.

Operating expenses and EBITDA

Cost of goods sold (COGS) was NOK 5.3 million in 2013 versus NOK 27.1 million in 2012. COGS comprise raw materials, production costs, overheads as well as shipping and transportation.

Parts of the depreciation, warehouse costs, salaries and personnel costs at the Mexican production facility were allocated into inventory in 2012, reflecting the inventory build-up. In 2013 with low production and high idle time the majority of these costs were expensed and included in the relevant cost categories.

Salaries and personnel costs amounted to NOK 82.9 million in 2013, compared with NOK 60.2 million in 2012. Agrinos had 211 employees (FTE) at 31 December 2013, down from 318 at the beginning of the year. Due to the delay in the rollout of the technology In Mexico and need to focus the portfolio, Agrinos decided to take down the manning during 2013. As a result this cost item for 2013 includes redundancy costs related to the close down of three business units, some reduction of the manning in the headquarter and select other business units and changes in management. Salary and personnel costs include employer tax (14.1per cent) related to stock warrants issued and awarded management and key employees.

Other operating expenses amounted to NOK 443.3 million in 2013, versus NOK 150.9 million in 2012. A significant write down and provision of NOK 231.5 million was made to cater for risk related to the

Mexican distributors' ability to repay their debt to Agrinos. This amount includes a deferred revenue accrual of NOK 59.4 million. Furthermore, other operating expenses also include a write down of market rights in Mexico by NOK 35.9 million. Accrued sale commissions that were reversed in 2013 in conjunction with the revision of the distributor agreements in Mexico amounted to NOK 22.6 million. As a result of the settlement with the distributors in Mexico, all sales revenues recognized since the first deliveries were adjusted retroactively based on a net price. This resulted in a net loss of NOK 74.0 million that was partly covered by the 2012 provisions made in relation to Mexico. Included in the figure for other operating expenses are closing costs and a write downs related to the closing of three business units. Total research and development expenses amounted to NOK 21.4 million in 2013, while contingent liabilities are Included with NOK 4.4 million. Costs of NOK 7.7 million related to the bridge loan and equity capital raised in 2013 are included in other operating expenses as well.

In 2013 the earn-out with Karl Co was renegotiated (see below). As a consequence the provision made in 2012 of NOK 50.5 million was reversed in 2013 and recorded as a reduction under earn-out expenses.

Total operating expenses in 2013 amounted to NOK 513.8 million before depreciation and amortisation and earn-out, versus NOK 306.2 million in 2012.

Pre earn-out, the earnings before interest, taxes, depreciation and amortization (EBITDA) was negative at NOK 476.7 million in 2013, down from a negative NOK 10.4 million in 2012. The steep decline is due to the impact of the change in revenue recognition principles in Mexico at the end of 2012 and the significant write downs and provisions related to Mexico in 2013.

Earn-out
In October 2013, the Company entered into an agreement to amend KarlCo's earn-out in relation to sales in Mexico and Colombia in the period 2011–2014. The parties agreed to recalculate the earn-out incorporating the company's revenue recognition principles. According to the new agreement, the minimum value of the earn-out shall not be less than USD 5.0 million. That amount was settled in receivables on Mexican distributors in the third quarter of 2012. Based on the result of the operations in Mexico and Colombia no earn-out has been expensed for 2013.

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, hence the remaining amount of NOK 11.1 million has been charged to the accounts in 2013. According to the agreement the remaining amount shall be settled in 2014.

Net loss
Agrinos reported an after-tax loss for the year of NOK 404.7 million, down from NOK 103.3 million in 2012.

Transfers
The Board proposes that the result in Agrinos AS of negative NOK 496.3 million shall be settled against retained earnings and the result in the Group of negative NOK 404.7 million shall be settled against retained earnings with NOK 402.1 million and minority interests with NOK 2.6 million.

Balance sheet and cash flow
The significant write downs and provisions in 2013 impacted the operating income but not the cash flow. Hence, the net cash flow from operations showed a positive deviation of approx NOK 268 million vs the operating income.

Net cash flow from operating activities was negative at NOK 191.2 million in 2013, compared to negative NOK 299.3 million in 2012. The net cash flow was driven by low cash collection compared to the expense level during the year. The delay in roll-out of the technology resulted in an increase in inventories and high financing of the distributors.

Agrinos strengthened its balance sheet with NOK 162 million in new equity in the fourth quarter of 2013.

Cash collection for the year was NOK 126.3 million, of which NOK 102.0 million was collected in Mexico. Close to all cash collection in Mexico was used to finance the operations of the distributors.

Agrinos invested NOK 9.9 million during 2013, significantly down from NOK 36.0 million in 2012 as the expansion of the production facilities in Mexico was completed that year.

Net change in cash and cash equivalents was negative NOK 38.1 million in 2013. The gross proceeds from share issues in the fourth quarter of NOK 162 million covered the bulk of the negative net cash flow during 2013. Cash and cash equivalents hence stood at NOK 152.4 million at end of 2013.

Total non-current assets amounted to NOK 125.9 million at the end of 2013, down from NOK 174.5 million at the beginning of the year. The loans to the distributors in Mexico were reclassified to non-current receivables during 2013 and written down to cater for risk related to the repayment of the loans. Market rights in Mexico originally valued at NOK 35.9 million was written down to 0 in 2013.

Inventories ended at NOK 75.0 million at the end of the year, up from NOK 71.5m at the start of the year. The increase of NOK 3.5 million reflects delays in the roll-out of the technology.

Account receivables were reduced from NOK 269.4 million during the year to NOK 134.1 million. More than 80 per cent of the receivables at the end of 2013 were towards the Mexican distributors. As a part of revision of the distribution agreements with the Mexican distributors, it was agreed a retroactively adjustment to the sales price. As a consequence, an amount of NOK 74 million of the account receivables were written off. At the end of the year a further NOK 172.1 million was written off to cater for the risk of repayment. In addition, as a result of the settlement with the Mexican distributors the account receivables that had become due in the fourth quarter were moved to interest bearing loans.

Other receivables were reduced by NOK 52.3 million to NOK 78.0 million during 2013. The main reason for the reduction is the reclassification of the majority of the outstanding loans to the distributors in Mexico to non-current assets. In addition NOK 65.2 million in recoverable VAT is included in this item, up from NOK 47.6 million in 2012.

Total receivables were reduced by NOK 187.6 million to NOK 212.1 million during the year.

Total assets were reduced from NOK 836.2 million at the end of 2012 to NOK 565.4 million at the end of 2013.

Accounts payable increased by NOK 17.8 million to NOK 39.2 million during 2013 due to some increase in payables to the Mexican distributors in connection with the settlement.

‘Other current liabilities’ decreased by NOK 71.9 million to NOK 145.7 million during 2013. The value of stock warrants of NOK 2.3 million is included in other current liabilities. Accrued earn-out of NOK 11.1 million related to the acquisition Bioderpac and deferred revenue accrual of NOK 59.4 million are also included in ‘Other current liabilities’. Moreover, this item includes redundancy costs and costs related to closing of three business units by NOK 6.6 million and NOK 2.0 respectively. Sales commissions and earn-out provisioned for in Mexico in 2012 amounting to NOK 73.1 million were reversed in 2013 as a result of revision of the agreements with the distributors and Karl Co during 2013. VAT is included by NOK 42.4 million, up from NOK 26.7 million in 2012.

Total current liabilities decreased by NOK 54.1 million to NOK 184.9 million during 2013.

Book equity was NOK 376.7 million and the equity ratio 67 per cent as of 31 December 2013, down from 69 per cent at the start of the year.

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. These actions include closing of business units, implementation of cost cutting programs and manning reductions across the organization.

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

The Board of directors however regards the current financial flexibility as limited given the scope of the current operations, and will continue to streamline its operations to reduce the cash outflows and monitor that a sufficient level of liquidity is maintained.

Shareholders

Agrinos had 283 shareholders as of 31 December 2013. The total number of shares outstanding was 64 891 288 at year-end and the 20 largest shareholders held 55 941 604 shares, equal to 86.2 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 39.0 at 1 January and NOK 6.9 at 31 December 2013.

Risk exposure and management

Agrinos has an integrated value chain and operates in an international marketplace, 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 and improve 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. Competition may affect the sales of Agrinos products in the future.

Product risk

The basis for commercialisation of Agrinos' products is that they deliver value to customers. A risk exists that the products fail to deliver in accordance with expectations. This could be 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 has granted its main customers, the distributors in Mexico, long credit terms. The distributors have limited financial strength and Agrinos' collection from sales to its distributors is then dependent on end-customer's ability to pay for the HYT® products. In addition to the above mentioned credits, Agrinos has granted its distributors in Mexico loans for them to enable rapid scale up of organizational and distribution capacity. These amounts increase Agrinos exposure to its main clients in Mexico. After the renegotiation of the agreements with the distributors in the fourth quarter, Agrinos stopped the financing of the distributors operations. To cater for the risk related to the Mexican distributors' payment of receivables and loans, a total of write down of NOK 172.1 million has been recorded in 2013.

Agrinos has implemented stricter and more frequent reporting by the distributors and renegotiated the distribution and loan agreements to better manage the Company's main credit risk moving into 2014.

The majority of the Company's sales in 2012 and 2013 are reflected as accounts receivables and interest bearing loans in the Company's accounts. Although the accounts receivables and loans are not yet due, there is a lack of history with respect to the end-customers' ability to pay and there can be no guarantee that the Company will not suffer further losses on these receivables.

Currency risk

Agrinos’ reporting currency is the USD, but the Company also operates in several other currencies. The majority of sales revenues for 2013 (approximately 48 per cent) were in USD. All production costs of goods sold and a major part of operating expenses were 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 primarily 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 customer behaviour and crops and long credit periods. This may limit Agrinos' ability to obtain sales and collect payment from customers. The distributors in Mexico have been financially dependent upon Agrinos, hence the Mexican distributors' collection from end-users affects Agrinos inflow from its distributors and therefore its liquidity risk. Due to this, Agrinos has strengthened control and follow up of the distributors.

Due to the current credit and liquidity risk, the Company may need additional capital to finance its operations and future growth.

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 monitors the sourcing, 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.

In the fourth quarter the loans granted to distributors in Mexico were formalized and covered by fully termed loan agreements. 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, role in society and its shareholders.

The Company started with interim financial reporting in 2012 and established an audit committee in 2013 to enhance control over the financial reporting.

As a consequence of change of CEO in the third quarter of 2013, Kjetil Bøhn stepped down from the board when he was appointed as interim CEO of the group.

In conjunction with the strengthening of the company's balance sheet in the fourth quarter of 2013, Manor sought a position on the board of Agrinos following their strategic investment in the Company. Their representative Jean Baptiste Oldenhove entered the board after being elected by an extraordinary general meeting in Agrinos AS on 20 December 2013. He replaced Agrinos co-founder Karl Fick.

On 17 January 2014 Thorleif Enger decided to step down from the board due to personal reasons and he was replaced by Kristian Johansen as Chairman. As from that date the board of directors of Agrinos AS has the following composition: Kristian Johansen, acting Chairman of the board, Morten Sigval Bergesen, Gerardo Enrique Esquer Aguirre and Jean Baptiste Oldenhove. Shareholder Syngenta Venture's Alexander Steel has been an observer at the board. The board had no female representatives.

Organization, working environment and equal opportunity

During 2013, Agrinos implemented several changes to its organization and accelerated the build-up of its technology, agronomy and research and development functions.

Tom Einar Jensen stepped down as chief executive officer, while co-founder and previous board member Kjetil Bøhn was appointed as interim chief executive.

The Company also hired Dr. Douglas Ry Wagner as new chief technology officer and Rafael Paullada as new COO, both members of the company’s executive management team.

Agrinos had 211 (FTE) employees per 31 December 2013. The total sickness absence in 2013 was 0.4% 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 Focus on key crops, geographies and segments 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 negative impact on the environment.

Sustainability goes to the very core of Agrinos' technology and products, designed to improve agricultural productivity while increasing the efficiency of traditional chemical inputs.

Outlook

The biologicals market continues to evolve with increased market activity and public awareness. Both established large agricultural companies, independent agricultural crop input providers as well as new ventures, some backed by private equity, are investing resources into biologicals. Other industry forces, like governmental institutions and the academic community are also emphasizing the importance of biological solutions within agriculture. On top of this comes consumers' increasing concern with food safety.

This activity within and around the ag inputs industry and the biologicals sector comes in response to the clear and overwhelming need to increase agricultural productivity within the constraints imposed by limited natural resources and environmental factors. The board of Agrinos believes this emerging biologicals market coupled with Agrinos' unique technology provide attractive opportunities in the years ahead.

Agrinos' initial strategy was 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. However, during 2013 Agrinos acknowledged that the roll-out of its HYT® product offering had taken more time, capital and management resources than planned, especially in Mexico. As a consequence the company entered a restructuring phase that has continued into 2014.

Especially the efforts to deliver under large-scale government subsidy programs in Mexico from 2011 to 2013 required investments and resources that have not paid off as expected. Hence, a substantial restructuring of the Mexican organization and relationships with local distributors was carried out during the second half of 2013 and moving into 2014, ending with write downs of Mexican assets on Agrinos' balance sheet. While the write downs and provisions reflect the uncertainty related to future cash inflow in Mexico, Agrinos' will continue with a strict focus on the distributors' profitability, cash generation and market activities to safeguard future value creation potential in this geography.

The board also decided to discontinue three peripheral business units early in 2014. The streamlining should increase the prioritization of and channel energy to the company's most promising opportunities.

Based on the experience gained in Agrinos' first phase of development the company has updated its strategy in June 2014 and will now seek to implement the following strategy: 1) Focused and controlled commercial market activities, 2) targeted research and development activities to support existing and new commercial activities, 3) ensuring a lean and performing organization aligned to Agrinos' priorities and 4) maintaining financial flexibility to support the company's development and protecting the balance sheet.

Moving forward the company will continue with sharp focus on certain geographies, crops and market segments. The company's activities in the US progress positively and will be prioritized. In addition, Agrinos will pursue distinct market opportunities in Mexico, Brazil, Spain, India, Malaysia, Indonesia and China.

In an emerging market with growing competition, customer demands and regulatory complexity, strengthening of intellectual property, production, quality control, development activities and product pipeline are all supporting the company's competitive edge and performance. Agrinos has a unique technology and will continue to invest in its research and development platform, as well as its production capabilities to strengthen and develop its offerings to the market.

Organizational development reflecting the company's commercial and technological priorities will continue further i 2014 and into 2015. Ensuring adequate board and management competence as the company develops is a high priority.

A technology start-up and growth company needs a sound financial platform. The board strengthened the Company's balance sheet late 2013 and has focused on reducing the cost base moving into 2014. The company had a cash position of NOK 152 million moving into 2014 and will prioritize to maintain its financial flexibility. While the Company still reports a negative cash flow in its fifth year of operations, the Board is of the opinion that the Company is able to raise new capital should that be required.

Agrinos has a long term growth strategy and will consider a stock exchange listing and IPO dependent on company development and market conditions.

Lysaker, 13 June 2014

The board of directors of Agrinos

Kristian Johansen
Chairman of the Board

Morten Bergesen
Board member

Jean Baptiste Oldenhove
Board member

Gerardo Enrique Esquer
Board member

Kjetil Bøhn
Chief Executive Officer

Content financial statements and notes

Profit and loss statement

Agrinos AS 2013	Agrinos AS 2012	NOK	Notes	Agrinos Group 2013	Agrinos Group 2012
14 954 663	14 442 757	Sales revenue	3	25 784 103	218 260 691
11 052 384	137 572 583	Other operating revenue	3	29 014 550	9 413 205
26 007 047	152 015 340	Operating revenue		54 798 653	227 673 896
-4 970 482	-2 737 806	Cost of goods sold		-5 322 190	-27 090 029
-23 544 006	-20 903 088	Salaries and personnel costs	4	-82 933 662	-60 194 118
-5 945 706	-5 682 275	Depreciation and amortisation	7;8	-21 668 098	-15 350 479
-589 262 829	-117 421 735	Other operating expenses	2;4;11	-443 269 533	-150 855 394
39 389 252	-52 688 658	Earn-out expenses	11	39 389 252	-52 688 658
-584 333 771	-199 433 562	Total operating expenses		-513 804 231	-306 178 678
-558 326 724	-47 418 222	**Operating income**		-459 005 578	-78 504 782
53 275 654	-9 531 429	Net financial income / expense (-)	5	48 967 065	-9 083 889
-505 051 070	-56 949 651	Net income / loss (-) before taxes		-410 038 513	-87 588 671
8 715 000	-8 715 000	Tax expense	6	5 316 478	-15 709 802
-496 336 070	-65 664 651	**Net income / loss (-)**		-404 722 035	-103 298 473
		Net loss attributable to minority interests		-2 615 086	-2 420 734
		Net loss attributable to Agrino's shareholders		-402 106 949	-100 877 739

Balance sheet assets at 31 December 2013

Agrinos AS			Notes	Agrinos Group	
2013	2012	NOK		2013	2012
		Assets			
-		Goodwill	7;17	52 646 053	60 241 751
6 284 758	47 986 882	Other intangible assets	2;7	11 521 033	51 655 395
-	-	Deferred tax asset		6 205 349	8 190 050
6 284 758	47 986 882	Total intangible assets		70 372 435	120 087 196
492 792	178 262	Property, plant and equipment	8	55 482 608	54 420 142
26 744 314	131 206 323	Investments in subsidiaries	2;9	-	-
156 704 640	239 448 309	Other non-current receivables	10	-	-
183 448 954	370 654 632	Total financial non-current assets		-	-
190 226 504	418 819 776	**Total non-current assets**		125 855 043	174 507 338
2 171 901	3 631 399	Inventories	12	75 027 012	71 488 371
127 914 663	214 608 299	Accounts receivable	10;18	134 114 338	269 399 014
35 434 129	29 852 846	Other receivables	10;18	77 961 544	130 280 358
163 348 792	244 461 145	Total receivables		212 075 882	399 679 372
141 300 199	177 924 335	Bank deposits, cash etc.	13	152 405 345	190 486 137
306 820 892	426 016 879	**Total current assets**		439 508 239	661 653 880
497 047 396	844 836 655	**Total assets**		565 363 282	836 161 218

Balance sheet equity and liabilites at 31 December 2013

Agrinos AS			Notes	Agrinos Group	
2013	2012	NOK		2013	2012
		Equity			
648 913	446 396	Share capital	14;15	648 913	446 396
960 577 229	781 262 789	Premium reserve	15	960 577 229	781 262 789
-2 250 000	-46 695 000	Other Equity	4;15	-2 250 000	-46 695 000
-576 229 428	-56 529 231	Retained earnings	2;15	-579 189 851	-155 781 215
382 746 714	678 484 954	Total equity to shareholders of Agrinos		379 786 291	579 232 970
-	-	Minority interests	15	-3 122 096	-603 215
382 746 714	678 484 954	**Total equity**		376 664 195	578 629 755
		Liabilities			
-	8 715 000	Deferred tax	6;2	-	17 088 728
-	-	Loans to financial institutions	11	1 562 801	1 487 147
-	-	Other non-current liabilities	2	2 269 016	-
-	8 715 000	Total non-current liabilities		3 831 817	18 575 875
70 612 031	12 717 066	Accounts payable	10	39 218 809	21 396 443
43 688 651	144 919 635	Other current liabilities	10;11	145 648 461	217 559 145
114 300 682	157 636 701	Total current liabilities		184 867 270	238 955 588
114 300 682	166 351 701	**Total liabilities**		188 699 087	257 531 463
497 047 396	844 836 655	**Total equity and liabilities**		565 363 282	836 161 218

Lysaker, 13 June 2014

The board of directors of Agrinos

Kristian Johansen
Chairman of the Board

Morten Bergesen
Board member

Jean Baptiste Oldenhove
Board member

Gerardo Enrique Esquer
Board member

Kjetil Bøhn
Chief Executive Officer

Cash flow statement

Agrinos AS			Notes	Agrinos Group	
2013	2012	NOK		2013	2012
		Cash flow from operating activities			
-505 051 070	-65 664 651	Net income/loss (-) before tax		-410 038 513	-87 588 671
5 945 706	5 682 275	Depreciation and amortisation		21 668 098	15 350 479
421 630 404	-122 278 764	Changes in inventories, receivables and payables		383 635 510	-197 024 925
-106 812 267	-104 659 645	Changes in other accruals		-186 452 112	-30 027 573
-184 287 227	-286 920 785	**Net cash flow from operating activities**		-191 187 017	-299 290 690
		Cash flow from investment activities			
-13 785 962	-42 641 182	Investments in subsidiaries		-	-
-564 412	-49 760	Net investments in tangible fixed assets		-9 949 269	-35 989 607
-	-4 456 100	Investments in intangibles		-	-
-14 350 374	-47 147 042	**Net cash flow from investment activities**		-9 949 269	-35 989 607
		Cash flow from financing activities			
-	-	Net proceeds from borrowings		1 042 030	-
-	-	Proceeds from minority interest shareholders	15	-	-2 139 650
162 013 465	324 049 968	Proceeds from issuance of shares	15	162 013 465	324 049 968
162 013 465	324 049 968	**Net cash flow from financing activities**		163 055 495	321 910 318
-36 624 136	-10 017 859	**Net change in cash and cash equivalents**		-38 080 792	-13 369 979
177 924 335	187 942 194	Cash and cash equivalents at beginning of period		190 486 137	203 856 116
141 300 199	177 924 335	Cash and cash equivalents at end of period	13	152 405 345	190 486 137

Changes in inventories, receivables and payables include impairments of accounts receivable and loan receivables

Notes to the accounts

Note 1 Accounting policies

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards. 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 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, and presented in the Group financial statements at fair value on the date of acquisition. Shares have been assessed at cost also in the event that equity is lower when the acquisition has been considered a long term investment with unexploited potential, and future return on investment is expected.

A final allocation of these define 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 amortized 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 transaction that forms 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 local 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. As from the fourth quarter of 2012 recognition of revenue in Mexico has been deferred to reflect the underlying deployment activity. For further discussion on 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 depreciation.

Research and development

Expenses relating to research and development are expensed on an ongoing basis and are included in other operating expenses. The annual activity is commented upon in the research and development section of the board of directors' report.

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 (FIFO) principle or net realizable value. Net realizable value is the estimated sales price reduced by costs of completion and sales costs.

Receivables

Accounts receivables 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.

Share option program

The company's share option program uses the intrinsic value method of accounting. The intrinsic value of the options is expensed directly to equity while related social taxes are expensed in the income statement. Liabilities related to share option program are classified as other current liabilities.

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 net tax assets and liabilities.

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 recognizes revenue when it is realized or realizable and earned. It is considered realizable when a persuasive 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 customer, and risk of loss has been transferred to the customer, or the company has objective evidence that the criteria are met with regards to customer acceptance. In addition, starting the fourth quarter of 2012 and continuing through 2013, the company has introduced more strict criteria for Mexico.

The criteria applied in Mexico are:

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

These assessments 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 be different from these assessments.

Impairments

Long-lived assets, other than goodwill, are tested for impairment based on future cash flows and according to IAS36 and NGAAP. Goodwill is tested annually. In the first quarter for impairment, or sooner when circumstances indicate that impairment may exist, using a qualitative analysis at the reporting unit level. Agrinos Group is considered as one 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**	**2013**	**2012**	**2013**	**2012**
Investment in Colombia	Book value before Impairment			14 550 438	10 051 932
	Impairment Allowance			-14 546 000	-10 000 000
	Book value after Impairment			4 438	51 932
Investment in Peru	Book value before Impairment			10 490	10 490
	Impairment Allowance			-10 000	-
	Book value after Impairment			490	10 490
Investment in Ghana	Book value before Impairment			337 734	337 734
	Impairment Allowance			-330 000	-
	Book value after Impairment			7 734	337 734
Investment in Agrinos BioTech Beijing	Book value before Impairment			2 874 631	1 883 073
	Impairment Allowance			-2 803 999	-
	Book value after Impairment			70 632	1 883 073
Investment in Bioderpac	Book value before Impairment			101 587 357	101 587 357
	Impairment Allowance			-95 500 000	-
	Book value after Impairment			6 087 357	101 587 357
Investment in Agrinos Mexico	Book value before Impairment			15 036 762	15 036 762
	Impairment Allowance			-15 036 762	-
	Book value after Impairment			-	15 036 762
Investment in Agrinos Corporate Services	Book value before Impairment			21 210	21 210
	Impairment Allowance			-21 210	-
	Book value after Impairment			-	21 210
Impairment of Investment				-128 247 971	-10 000 000
		USD Loan	**USD Loan**	**MXN Loan**	**MXN Loan**
Receivable Agrinos Peru	Book value before Impairment	2 694 527	2 211 498	-	-
	Currency Adjustment	-73 120	-122 745	-	-
	Impairment Allowance	-2 826 055	-	-	-
	Book value after Impairment	-204 648	2 088 753	-	-
Receivable Agrinos Ghana	Book value before Impairment	307 360	-	-	-
	Currency Adjustment	-3 360	-	-	-
	Impairment Allowance	-304 000	-	-	-
	Book value after Impairment	-	-	-	-
Receivable Agrinos Mexico	Book value before Impairment	-	-	37 417 600	15 694 303
	Currency Adjustment	-	-	-247 831	-916 536
	Impairment Allowance	-	-	-37 169 769	-
	Book value after Impairment	-	-	-	14 777 767
Receivable Agrinos Corporate Services	Book value before Impairment	15 694 303	15 694 303	138 487 195	93 855 495
	Currency Adjustment	436 545	-916 536	6 360 250	-2 907 495
	Impairment Allowance	-16 130 848	-	-144 847 445	-
	Book value after Impairment	-	14 777 767	-	90 948 000
Allowance for impairments for intercompany loans		-19 260 903	-	-182 017 214	-
Total Allowance on group loans				-201 278 117	-

Impairments in Agrinos Group	Entity	2013	2012
Other receivables	Malaysia	-229 338	-
Machinery	Malaysia	-139 597	-
Finished products	Agrinos BioTech Beijing	-3 808 998	-
Impairment Allowance in Group		-4 177 932	-

Note 3 Revenue and Other Income

Geographical distribution:

	Agrinos AS		Agrinos Group	
NOK	2013	2012	2013	2012
Revenues:				
Mexico	0	0	86 816	201 018 271
Rest of the world	14 954 663	14 442 757	25 697 287	17 242 420
Total	14 954 663	14 442 757	25 784 103	218 260 691
Other Income:				
Mexico	9 611 243	137 572 583	27 435 980	9 352 913
Rest of the world	1 441 141	0	1 578 570	60 292
Total	11 052 384	137 572 583	29 014 550	9 413 205

Included in group other income is services sold to distributors in Mexico (NOK 15,593,723) and sales of farm produce from subsidiary in Mexico (NOK 11,178,969).

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	2013	2012	2013	2012
Salaries	17 992 744	15 774 716	68 024 123	45 157 150
Payroll tax	2 724 394	2 875 441	7 790 193	7 050 619
Payroll tax - stock rights	-6 266 750	972 200	-6 266 750	972 200
Pension costs	292 410	258 792	1 374 027	1 551 897
Other benefits	8 801 208	1 021 939	12 012 069	5 462 252
Total	23 544 006	20 903 088	82 933 662	60 194 118
Annual full-time equivalent employees	12	18	211	318

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 (January to September 2013)

NOK	2013	2012
Salary	1 919 040	2 571 947
Pension costs	18 547	17 659
Other benefits	202 520	165 188
Total	2 140 107	2 754 794

Kjetil Bøhn was appointed interim CEO replacing Tom Einar Jensen in September 2013. The new CEO is engaged as a consultant through KB Management AS, a company which he owns 100%. KB Management is also a shareholder in Agrinos AS (ref note 14). KB Management charged a fixed monthly consultant fee of NOK 125,000. Interim CEO is not entitled to a severance payment if his engagement is terminated by the company. The Board of Directors have received total personal remuneration of NOK 275,000 in 2013 (NOK 275,000 in 2012). One director is represented through Havfonn AS which invoices an annual fee of NOK 50,000 for his representation.

Options

NOK	Opening balance Granted Options	Granted options	Returned options	Ending balance Granted Options	Total vested options	Exercised options	Average exercise price (A)
Chairman of the Board (until January 2014)	750 000	-	-	750 000	750 000	-	13
Chief Executive Officer (until September 2013)	600 000	-	-	600 000	600 000	-	13
Employees	1 705 000	230 000	-103 333	1 831 667	1 217 457	-	25
Total	3 055 000	230 000	-103 333	3 181 667	2 567 457	-	

No options were exercised during the year of 2013. Exercise value of vested options calculated at year end was NOK 2.3 million at December 31st 2013 vs. NOK 46.7 million at December 31, 2012 are accrued as a current liability. Exercise of options will result in social security tax payable for the company. Gross value of these liabilities has been calculated to be NOK 0.3 million at December 31st 2013 using the intrinsic value versus NOK 6.6 million at December 31st 2012. The options holders are eligible to get the exercised options settled in shares.

Bonus scheme for employees

The company has a performance based bonus scheme for some of its employees. A bonus of NOK 0.4 million is estimated and accrued at year-end.

Specification of auditor's fee

	Agrinos AS		Agrinos Group	
NOK	**2013**	**2012**	**2013**	**2012**
Statutory audit fees	373 345	366 005	850 466	772 304
Other assurance services	0	12 425	0	12 425
Tax advisory fees	0	0	0	0
Other services	126 237	26 933	272 987	26 933
Total fee to auditor	499 582	405 363	1 123 453	811 662

VAT is not included in the fees specified above.

Note 5 Finance income and expenses

Finance income

	Agrinos AS		Agrinos Group	
NOK	**2013**	**2012**	**2013**	**2012**
Interest income from group companies	13 434 786	6 736 070	-	-
Other interest income	1 766 787	2 941 337	12 866 366	5 342 295
Other financial income (agio)	43 214 268	-	41 759 700	29 852
Total financial income	58 415 841	9 677 407	54 626 066	5 372 147

Finance expenses

	Agrinos AS		Agrinos Group	
NOK	**2013**	**2012**	**2013**	**2012**
Interest expenses from group companies	-	-	-	-
Other interest expenses	-5 140 187	-107 256	-5 659 000	-1 173 688
Other financial expenses (disagio)	-	-19 101 580	-	-13 282 347
Total financial expenses	-5 140 187	-19 208 836	-5 659 000	-14 456 035

The group has significant net currency exchange gain in the year of 2013. The main effect of this gain relates to the weakening of the reporting currency NOK against the currencies USD and MXN. Since most of Agrinos AS receivables are held in USD or MXN these assets have an unrealized value increase against the reporting currency NOK.

Note 6 Income taxes

Income tax expense

	Agrinos AS		Agrinos Group	
NOK	**2 013**	**2 012**	**2013**	**2 012**
Tax payable	-	-	5 316 478	6 994 802
Changes in deferred tax	-8 715 000	8 715 000	-10 697 102	8 715 000
Total income tax expense	-8 715 000	-	-5 380 624	15 709 802
Tax base calculation				
Profit before income tax	-505 051 070	-56 949 651	-410 038 513	-87 588 671
Permanent differences	-5 549 517	-11 444 003	28 123 159	-11 444 003
Temporary differences	418 910 436	52 837 717	165 928 114	32 519 990
Tax base	-91 690 151	-15 555 937	-215 987 240	-66 512 684
Temporary differences:				
Receivables	141 971 800	5 000	86 052 185	264 308 405
Inventories	-	-	-	96 677 078
Non current assets	354 394 208	10 000 000	202 770 242	-
Provisions	12 947 600	34 860 000	12 947 600	57 967 363
Foreign exchange rate gains (losses)	23 153 497	7 972 717	41 759 700	7 972 717
Losses carried forward	-113 556 669	-50 263 407	-177 601 614	-115 699 850
Total	418 910 436	2 574 310	165 928 114	311 225 714
Deferred tax liability (asset)	-113 105 818	720 807	-44 800 591	-3 936 776
Deferred tax asset not recognized	-113 105 818	-7 994 193	-38 595 242	-21 025 503
Deferred tax liability (asset)	-	8 715 000	6 205 349	17 088 728

	Agrinos AS		Agrinos Group	
Effective tax rate				
Expected income taxes at statutory tax rate	-25 673 242	-15 945 902	-60 476 427	-30 124 708
Permanent differences	-1 553 865	-3 204 321	7 874 485	-3 204 321
Change in allowance for taxes carried forward not recognized	18 512 107	27 865 223	47 221 319	49 038 830
Income tax expense	8 715 000	8 715 000	-5 380 624	15 709 802
Effective tax rate in %	0,0 %	0.0%	0,0 %	0,0 %

The tax computations are based on estimates.

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 excluded items that are not taxable or deductible (permanent differences).

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is more likely than not that future tax advantages will not be sufficient to allow the whole amount 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.	59 756 100	59 756 100
Additions	-	-
Disposals	-	-
Acquisition cost 31.12.	59 756 100	59 756 100
Accumulated amortisation at 31.12.	-17 561 342	-17 561 342
Accumulated impairment loss 31.12.	-35 910 000	-35 910 000
Reversed impairments 31.12.	-	-
Net carrying value at 31.12.	6 284 758	6 284 758
Amortisation for the year	-5 792 124	-5 792 124
Impairment loss for the year	35 910 000	35 910 000

Agrinos Group

NOK	Goodwill	Research and development cost	Other intangibles	Aquired Rights/Patents	Total
Acquisition cost 01.01.	76 253 142	780 862	3 856 093	59 319 469	140 209 565
Additions	-	89 995	2 130 488	7 994	2 228 477
Disposals	-	-1 219	-1 049 408	-1 125 951	-2 176 578
Translation adjustments	-	-	-	-	-
Acquisition cost 31.12.	76 253 142	869 638	4 937 173	58 201 512	140 261 465
Accumulated amortisation at 31.12.	-23 607 089	-237 791	-1 775 157	-17 561 342	-43 181 379
Accumulated impairment loss 31.12.	-	-	-	-35 910 000	-35 910 000
Reversed impairments 31.12.	-	-	-	-	-
	-	-	-	-	-
Net carrying value at 31.12.	52 646 053	631 847	3 162 016	4 730 170	61 170 086
Amortisation for the year	-7 625 314	-163 717	-363 067	-5 907 747	-14 059 846
Impairment for the year	-	-	-	-35 910 000	-35 910 000

Both the parent company and the group use 10 years straight line amortization for acquired rights and other intangibles. Patents were purchased by Agrinos AS in 2012 and had a remaining life of 17 years, hence amortization of patents were set to 17 years. Recorded patents relate to a set of registered patents relating to HYT products. Acquired rights relate to market and distribution rights for Mexico and Colombia acquired in 2010. Distribution rights were written down in 2013. The goodwill Is primarily related to the purchase of the Mexican production facility (Bioderpac) in 2010. The 10 years amortization of the goodwill reflects the expected economic life of the asset. Other intangibles include a deferred tax asset relating to Mexico legal entity.

Note 8 Tangible assets

Amounts in NOK

Agrinos AS

NOK	Vehicles	Property and plant	Machinery and equipment	Total
Acquisition cost at 01.01.			238 287	**220 186**
Additions			564 412	**564 412**
Disposals			-	-
Acquisition cost 31.12.	**-**	**-**	**784 598**	**784 598**
Accumulated depreciation 31.12.			-213 607	**-195 506**
Accumulated impairment loss 31.12.			-96 300	**-96 300**
Reversed impairment loss 31.12.			-	-
Net carrying value at 31.12.	**-**	**-**	**492 792**	**492 792**
Depreciation for the year			-153 582	**-153 582**
Impairment loss for the year			-96 300	**-96 300**

NOK	Vehicles	Property and plant	Machinery and equipment	Total
Acquisition cost at 01.01.	6 995 324	18 680 052	36 517 072	**62 192 448**
Additions	1 080 828	1 014 557	8 418 296	**10 513 681**
Disposals	-1 005 176	-413 458	-153 612	**-1 572 245**
Translation adjustments	-	-	-	**-**
Acquisition cost 31.12.	**7 070 976**	**19 281 151**	**44 781 757**	**71 133 884**
Accumulated depreciation 31.12.	-3 255 199	-2 125 526	-10 174 252	**-15 554 976**
Accumulated impairment loss 31.12.	-	-	-96 300	**-96 300**
Reversed impairment loss 31.12.	-	-	-	**-**
				-
Net carrying value at 31.12.	**3 815 778**	**17 155 625**	**34 511 205**	**55 482 608**
				-
Depreciation for the year	-742 406	-1 852 786	-5 013 059	**-7 608 251**
Impairment loss for the year (incl. reversals)	-	-	-96 300	**-96 300**

Note 9 Investment in Subsidiaries and Associates

Amounts in NOK

Company	Subsidiaries' 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 subsidiaries in NOK*
Agrinos Sdn Bhd, (Malaysia)	551 500	295 000	MYR 1	84.7%	25 933 425	1 039 541	1 572 789
Bioderpac SA de CV, (Mexico) **	74 500 000	74 499	MXN 1000	100.0%	-65 259 740	6 543 036	101 587 357
Agrinos Inc, (USA)	50	5 000	USD 0.01	100.0%	8 967 735	3 244 178	-
Agrinos China AS, (Norway)	100 000	100 000	NOK 1	100.0%	19 554	-80 446	125 000
Agrinos Mexico SA de CV, ****	35 050 000	35 049 999	MXN 1	100.0%	-16 747 664	24 533 673	15 036 762
Agrinos Corporate Services SA de CV, (Mexico) *	50 000	49 999	MXN 1	100.0%	-8 196 329	-6 481 809	21 210
Agrinos Colombia SAS******	881 649 896	88 164 990	COP 10	100.0%	-420 790 603	1 283 978 200	14 550 438
Agrinos do Brasil Ltda	5 526 416	1 727 005	BRL 3.20	100.0%	359 878	3 305 366	15 903 930
Agrinorway Iberica S.L., (Spain)	3 000	300	EUR 10	100.0%	-5 035	-7 784	23 288
Agrinos Beijing BioTech (China)	5 250 000	N/A	RMB	60.0%	2 302 721	2 623 593	2 874 631
Agrinos Peru S.A.*****	5 000	4 950	1 PEN	99.0%	-772 060	-509 039	10 490
Agrinos Indonesia	5 500 000 000	55 000	100 000 IDR	55.0%	826 181 326	2 802 403 551	1 871 902
Agrinos Up (United Kingdom)	1	1	1 GBP	100.0%	1 713	-178	9
Agrinos Ghana Limited*******	100 000	100 000	1 GHC	100.0%	211 344	273 630	337 734
Agrinos India	299 970	29 997	1 INR	100.0%	-28 746 978	-18 763 686	1 076 744
Total before impairment							**154 992 285**
Impairment (See also note 2)							-128 247 971
Net book value after impairment							**26 744 314**

* Booked value is before impairments. For net investment value per company after 2013 impairments refer to note 2

** Bioderpac has two classes of shares. One class of which Agrinos AS owns 99 of 100 shares (the remaining 1 share owned by Agrinos China AS), and one class of which Agrinos AS owns 19 400 of 19 400 shares. The value of booked investment in Bioderpac has been impaired in 2013 - see also note 2

*** Agrinos Corporate Services has a subsidiary Agricultura Espezializada Pacifico (AEP) of which Agrinos Corporate Services owns 99 of 100 shares and Agrinos Mexico 1 of 100 shares. The value of booked investment in Agrinos Corporate Services has been impaired in 2013 - see also note 2

**** The value of booked investment in Agrinos Mexico has been impaired in 2013 - see also note 2

***** The value of booked investment in Agrinos Peru has been impaired in 2013 - see also note 2. In 2014 Agrinos Peru will discontinue its operation by transferring sales rights to an independent contractor.

****** The value of booked investment in Agrinos Colombia has been impaired in 2012 - see also note 2. In 2014 Agrinos Colombia will discontinue its operation by transferring sales rights to an independent contractor.

******* Agrinos Ghana: The company is permitted to issue 100,000,000 shares at 1.00. The value of booked investment in Agrinos Ghana has been impaired in 2013 - see also note 2. In 2014 Agrinos Ghana will discontinue its operation.

Note 10 Intercompany balances with group companies and associates

Agrinos AS

Receivables:

NOK	2013	2012
Loans to group companies	357 982 757	239 548 309
Allowance of loans to group companies	-201 278 117	-
Net value of loans to group companies	156 704 640	239 548 309
Accounts receivable	269 715 013	212 902 742
Allowance for accounts receivable group companies	-141 886 800	-
Net value of accounts receivable	127 828 213	212 902 742
Other receivables	29 062 500	26 812 500
Total	313 595 353	479 263 551

Payables:

NOK	2013	2012
Accounts payable	68 507 858	9 922 210
Other short term payables	9 588 755	-
Total	78 096 613	9 922 210

Agrinos has an "Order manufacturing agreement" with Mexican subsidiaries. The agreement ensures that the production entity maintains a profit comparable to market. To maintain a profit in 2013 Bioderpac invoiced Agrinos AS NOK 55,707,000 (MXN 119,800,000). This amount is included in intercompany accounts payable. In addition parts of 2013 charges are accrued in other short term payables. This consists of NOK 8,370,000 (MXN 18,000,000) from Bioderpac and NOK 930.000 (MXN 2.000.000) from Agrinos Mexico which are invoiced in 2014. In total "Order Manufacturing Charges" as part of intercompany payables are NOK 64,077,000 (MXN 137,800,000) payable to Bioderpac and NOK 930,000 (MXN 2,000,000) payable to Agrinos Mexico.

Note 11 Liabilities and receivables

Amounts in NOK

Non - current receivables

	Agrinos AS		Agrinos Group	
NOK	2013	2012	2013	2012
Other non-current receivables	357 982 757	239 448 309	169 209 318	-
Allowance of non-current receivables	-201 278 117	-	-169 209 318	-
Net non-current receivables	156 704 640	239 448 309	-	-

Agrinos AS other non-current receivables are loans given to subsidiaries. Group other non-current receivables are loans Agrinos Mexico has given to distributors in Mexico and refinanced as of December 15th 2013. Before refinancing the loans were reclassified as current receivables. After refinancing the loans are classified as non-current receivables.

Non- current liabilities

	Agrinos AS			Agrinos Group	
NOK	2013	2012		2013	2012
Liabilities to financial institutions	-	-		188 534	672 046
Other non-current liabilities	-	-		1 374 266	815 100
Total	-	-	-	1 562 800	1 487 146

NOK 1,042,030 of other non-current liabilities is loan from KarlCo, a shareholder in Agrinos AS, to Agricultura Espezializada Pacifico (AEP).

Pledged assets:					
Property and plant	-	-		24 186 402	33 906 307
Total	-	-	-	24 186 402	33 906 307

Current liabilities

	Agrinos AS			Agrinos Group	
NOK	**2013**	**2012**		**2013**	**2012**
Taxes payable	-	-		5 316 478	35 968 387
Accrued commissions	-	-		978 055	22 849 601
VAT and Fees payable	1 957 920	-		42 383 724	-
Accrued earn-out payments	11 100 000	51 095 000		11 100 000	51 095 000
Accrued stock options	2 250 000	46 695 000		2 250 000	46 695 000
Current intercompany liabilities	9 588 755	-		-	-
Group provisions	-	34 860 000		-	34 860 000
Unearned revenue	-	-		59 415 973	-
Other current liabilities	18 791 976	12 269 635		24 204 231	26 091 157
Total	43 688 651	144 919 635	-	145 648 461	217 559 146

Accrued earn-out payments:

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 modified earnings before interest, taxes, depreciation and amortization (EBITDA) for sale of products in Mexico and Colombia and lasts for the period 2011-2014.

On October 15 2013, the company entered into an agreement to amend KarlCo's earn-out in relation to sales in Mexico and Colombia in the period 2011–2014. The parties agreed to recalculate the earn-out based on the analytical restated numbers derived from deployment activity. The amended agreement will better reflect the underlying profitability in the earn-out period.

As a result of the above-mentioned amendment, the earn-out provision of approx. NOK 50.5 million in 2012 was reversed in the third quarter of 2013. No earn-out related to sales in Mexico and Colombia is booked in 2013.

In addition to the purchase price of Bioderpac, Agrinos has agreed to pay as additional compensation an earn-out related to sales of the products HYT® B and HYT® C in certain markets for the years 2011, 2012 and 2013. The cumulative value of the earn-out 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 NOK per share. At the end of the earn-out period the liability is recorded at NOK 11.1 million.

Unearned revenue:

A deferred revenue accrual of NOK 59.4 million related to Mexico sales revenues is provisioned for as a current liability. NOK 41.8 million of accrual relates to not recognized sales in Agrinos Mexico in 2013, while remaining NOK 17.6 million relates to sales from earlier periods. The latter amount is recorded as an operating expense in 2013.

Note 12 Inventories

Amounts in NOK

	Agrinos AS			Agrinos Group	
NOK	**2013**	**2012**		**2013**	**2012**
Raw materials	-	-		2 926 346	2 886 046
Work in progress	-	-		41 622 997	33 656 388
Finished goods	2 171 901	3 631 399		25 079 511	30 897 896
Packing material	-	-		2 048 352	4 048 040
Other type of materials	-	-		3 349 806	-
Total	**2 171 901**	**3 631 399**		**75 027 012**	**71 488 371**

Note 13 Bank deposits - restricted funds

Amounts in NOK

	Agrinos AS		Agrinos Group	
NOK	**2013**	**2012**	**2013**	**2012**
Employees salary taxes, deposited in a separate bank account	1 026 020	1 220 046	1 026 020	1 220 046
Security deposit rent / other designated funds	794 861	778 894	1 095 393	778 894
Total	**1 820 881**	**1 998 940**	**2 121 413**	**1 998 940**

Note 14 Share capital and shareholder information

Amounts in NOK

Agrinos AS

	Number of shares	Face value	Book value in NOK
Share Capital	64 891 288	0.01	648 913

At 31.12.2013 Agrinos AS had 283 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 2013 were:

Name	Related party	No of shares	Ownership
DEUTSCHE BANK AG		11 250 000	17.34%
UBS AG		8 349 861	12.87%
STATE STREET BANK AND TRUST CO.		6 088 636	9.38%
HAVFONN AS	Board Member	4 849 383	7.47%
STATE STREET BANK & TRUST COMPANY		3 999 055	6.16%
KORRIGAN INVESTMENT AS		3 865 969	5.96%
KB MANAGEMENT AS	CEO	3 507 460	5.41%
THOENG AS		2 043 025	3.15%
SYNGENTA VENTURES PTE LTD	Observer at the Board	1 878 237	2.89%
ANFAR INVEST AS		1 640 548	2.53%
OP-EUROPE EQUITY FUND		1 405 000	2.17%
J.P. MORGAN CHASE BANK N.A. LONDON		957 777	1.48%
GOLDMAN SACHS & CO EQUITY SEGREGAT		922 423	1.42%
SKAGEN VEKST		817 242	1.26%
SNEFONN AS	Board member	813 297	1.25%
THE BANK OF NEW YORK MELLON (LUXEM		797 816	1.23%
PENSIONDANMARK EURO AKTIER II		745 390	1.15%
CITIBANK, N.A.		724 200	1.12%
JP MORGAN CHASE BANK, NA		698 000	1.08%
INVESCO PERP EUR SMALL COMP FD		588 285	0.91%
Other		8 949 684	13.79%
Total number of shares		64 891 288	100 %

Agrinos strengthened its balance sheet with an increase in equity of NOK 162 million in the fourth quarter of 2013. The new financing consisted of three separate transactions, all carried out at a price of NOK 8 per share: A strategic investment of NOK 90 million by Manor Investment S.A.(Manor), a NOK 46.2 million bridge loan contribution into equity and a NOK 25.8 million private placement directed towards existing shareholders.

In addition to shares, Manor and the bridge loan holders received independent subscription rights for 15.1% of Agrinos' share capital immediately following completion of the latest three transactions. The subscription price for new shares issued under the subscription rights shall be equal to 15% below the volume weighted average price per share over the last 60 trading days prior to Agrinos' receipt of the notification of such exercise. The subscription rights may not be exercised prior to 1 April 2014. The subscription rights may be used to subscribe for new shares, in full or in part, on one or several occasions, on or before 5 weeks following the annual general meeting in Agrinos approving the annual accounts of 2014, but not later than 15 July 2015.

Manor which is represented by several nominee accounts, has a representative serving as board member

Note 15 Equity

Amounts in NOK

Agrinos AS

NOK	Issued capital	Share premium	Retained earnings	Total
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
Adjustment change in employee stock rights	-	-	-6 895 000	-6 895 000
Equity 31.12.2012	446 396	781 262 790	-103 224 232	678 484 954
Equity 01.01.2013	446 396	781 262 790	-103 224 232	678 484 954
Capital increase item 3, Dec. 20. 2013	112 500	89 887 500	-	90 000 000
Capital increase item 4, Dec. 20. 2013	57 704	46 105 760	-	46 163 464
Capital increase item 6, Dec. 20. 2013	32 313	25 817 688	-	25 850 001
Transactions costs	-	-5 860 635	-	-5 860 635
Net loss in 2009 and 2010 reclassified to earned equity	-	23 364 126	-23 364 126	-
Net profit for the year	-	-	-496 336 070	-496 336 070
Adjustment change in employee stock rights	-	-	44 445 000	44 445 000
Equity 31.12.2013	648 913	960 577 229	-578 479 428	382 746 714

Agrinos Group

NOK	Issued capital	Share premium	Retained earnings	Currency translation differences	Total shareholders' equity	Minority interests	Total equity
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	-2 420 735	-103 298 473
Currency translation differences	-	-	-16 660 020	-1 324 439	-17 984 459	94 643	-17 889 816
Adjustment 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	-603 216	578 629 755
Equity 01.01.2013	446 396	781 262 790	-201 292 875	-1 183 342	579 232 970	-603 216	578 629 755
Capital increase item 3, Dec. 20. 2013	112 500	89 887 500	-	-	90 000 000	-	90 000 000
Capital increase item 4, Dec. 20. 2013	57 704	46 105 760	-	-	46 163 464	-	46 163 464
Capital increase item 6, Dec. 20. 2013	32 313	25 817 688	-	-	25 850 001		25 850 001
Transactions costs	-	-5 860 635	-	-	-5 860 635		-5 860 635
Net loss in 2009 and 2010 recl. to earned equity	-	23 364 126	-23 364 126	-	-	-	-
Net loss for the year	-	-	-402 106 949	-	-402 106 949	-2 615 086	-404 722 035
Currency translation differences	-	-	2 449 042	-386 602	2 062 440	96 206	2 158 646
Adjustment change in employee stock rights	-	-	44 445 000	-	44 445 000	-	44 445 000
Equity 31.12.2013	648 913	960 577 229	-579 869 908	-1 569 944	379 786 291	-3 122 096	376 664 195

Note 16 Transactions with related parties

Transactions with board member until December 2013 and shareholder Karl Reiner Fick Rochin relates to his company Karl Co SA de CV. These transactions include payment of partners in Colombia, consultancy agreement, rent of warehouse in Mexico and other minor disbursements. The consultancy agreement with Karl Co SA was terminated at the end of the year. Net consideration for services provided by Karl Co amounted to NOK 1,141,270 in 2013.

The earn-out of NOK 50.5 million for 2012 related to the purchase of distribution rights in Mexico and Colombia from Karl Co was reversed in 2013 as a result of renegotiation of the earn-out agreement . Due to the level of sales in Colombia and Mexico in 2013 no earn-out has been recorded in 2013. See also note 11.

Agrinos has earn-out liabilities related to the acquisition of the shares in Bioderpac calculated as USD 1 per liter HYT B and per kilo HYT C sold outside Mexico and Colombia in the period 2011-2013. Earn-out of MNOK 1.1 related to 2011 and 2012 has been paid to a company partly owned by the following related shareholders: Karl Reiner Fick Rochin (Board member and shareholder), Ángel Fransisco Castanon (CEO of business unit Mexico until he resigned in the third quarter of 2013), and Gerardo Enrique Esquer (Board member and interim CEO of business unit Mexico from third quarter 2013). The cumulative value of the earn-out shall not be less than USD 2.0 million for the three years. The remaining minimum amount of NOK 11.1 million will be settled in August 2014.

The transaction with former board member, interim CEO, and shareholder Kjetil Bøhn relates to his company KB Management. Bøhn has served as interim management for hire in the position as Executive director, business area EMEA and Southeast Asia prior to becoming an interim CEO. KB Management received a total remuneration of NOK 1,500,000 for its services in 2013.

Board Member Gerardo Esquer have served as interim CEO for Mexico to reorganize the operations. In 2013 he received consultant fees of NOK 1,184,774.-

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 1,658,265 for its services in 2013. The service agreement was terminated in 2013.

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 of 2012. The company was 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. During the third quarter of 2013 Agrinos entered into a leasing agreement covering the facilities of AEP with Karl Co that took over the management of the operations. The annual lease fee depends on operating costs and success of crops. NOK 1,042,030 of other non-current liabilities in the group is loan from KarlCo to AEP. The lease agreement remains to be finalized.

The transaction with Angel Castanon relates to services provided by him to Agrinos in 2013 when he served as Executive vice president, business area Americas until he resigned in the third quarter of 2013. Castanon received a remuneration of MXN 1,707,080 (approx. NOK 794 000) for his period of service. Castanon is a Keiler Trading shareholder, a company owning shares in Agrinos

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

Note 17 Amortization of Goodwill

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	-89 650
Goodwill Amortisation 2010	-426 338	-215 160	-641 497
Goodwill Amortisation 2011	-7 410 154	-215 160	-7 625 314
Goodwill Amortisation 2012	-7 410 154	-215 160	-7 625 314
Goodwill Amortisation 2013	-7 410 154	-215 160	-7 625 314
Accumulated amortisation at year end	-22 656 801	-950 289	-23 607 089
Value net of accumulated amortisation at year end	51 444 744	1 201 308	52 646 053

Note 18 Receivables

Current receivables

NOK	Agrinos AS 2013	Agrinos AS 2012		Agrinos Group 2013	Agrinos Group 2012
Accounts receivables	269 891 463	214 613 299		220 166 523	271 818 834
Allowance for uncollectible accounts	-141 976 800	-5 000		-86 052 185	-2 419 820
Net accounts receivable	127 914 663	214 608 299		134 114 338	269 399 014
Value added tax receivable	543 367	832 733		65 154 691	47 925 225
Prepaid expenses	4 357 067	605 828		9 500 645	8 492 995
Short term loans to external distributors	-	-		-	69 089 381
Allowance for short term loans external distributors	-	-		-	-
Other current receivables	30 533 695	28 414 285		3 306 208	4 772 757
Total Other Current Receivables	35 434 129	29 852 846		77 961 544	130 280 358
Total	163 348 792	244 461 145	-	212 075 882	399 679 371

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.

NOK	Agrinos AS 2013	Agrinos AS 2012	Agrinos Group 2013	Agrinos Group 2012
Offices rental	1 095 990	1 379 290	2 604 584	3 077 877
Warehouse lease	485 160	342 253	1 227 586	3 370 594
Vehicle cost (leasing)	-	-	795 101	625 750
Total annual lease cost	1 581 150	1 721 543	4 627 271	7 074 220

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

NOK	Agrinos AS 2013	Agrinos AS 2012	Agrinos Group 2013	Agrinos Group 2012
Within one year	1 400 000	1 400 000	3 601 867	3 895 599
Later than one year but within five years	4 200 000	5 600 000	5 714 760	14 962 793
Later than five years	-	-	-	2 080 711
Total annual commitment	5 600 000	7 000 000	9 316 627	20 939 103

Agrinos Mexico leases cars for salespersons, technical support, and management. At year end 2013 the company leased 110 cars with monthly costs averaging NOK 4,500 per car. Leases for the cars are covered by a parent company guarantee.

Note 21 Events after the end of the Reporting Period

In January 2014 the Board decided to discontinue operations in Agrinos Colombia, Agrinos Peru, and Agrinos Ghana.

In February 2014 Agrinos and Windcrofte Holdings, LLC and its partner, Ameropa North America,entered into a multi-year Distribution, License and Research Agreement for the sales and marketing of Agrinos products in North America, and for the development of next generation yield enhancement technologies based on the Agrinos and Windcrofte Holdings product development.

In April 2014 Agrinos entered into a cooperation agreement for joint development of the Chinese agricultural crop inputs market with Kingenta Ecological Engineering Group Co Ltd, a Chinese compound and slow release fertilizer company listed at Shenzhen Stock Exchange. The agreement will translate into sales revenue for Agrinos in 2014.

Note 22 Contingent Liabilities
The company has provisioned an amount of NOK 4.4 million related to various ongoing legal disputes.

Profit and loss statement

USD	Agrinos Group 2013	2012
Sales revenue	4 392 522	37 566 384
Other operating revenue	4 942 853	1 620 173
Operating revenue	9 335 375	39 186 557
Cost of goods sold	-906 676	-4 662 656
Salaries and personnel costs	-14 128 392	-10 360 433
Depreciation and amortisation	-3 691 328	-2 642 079
Other operating expenses	-75 514 401	-25 964 784
Earn-out expenses	6 710 264	-9 068 616
Total operating expenses	-87 530 533	-52 698 568
Operating income	**-78 195 158**	**-13 512 011**
Net financial income / expense (-)	8 341 919	-1 563 492
Net income / loss (-) before taxes	-69 853 239	-15 075 503
Tax expense	905 703	-2 703 925
Net income / loss (-)	**-68 947 536**	**-17 779 427**
Net loss attributable to minority interests	-445 500	-416 650
Net loss attributable to Agrino's shareholders	-68 502 036	-17 362 778

Balance sheet assets at 31 December 2013

	Agrinos Group	
USD	2013	2012
Assets		
Goodwill	8 658 890	10 815 395
Other intangible assets	1 894 907	9 273 859
Deferred tax asset	1 020 617	1 470 386
Total intangible assets	11 574 414	21 559 640
Property, plant and equipment	9 125 429	9 770 223
Investments in subsidiaries	-	-
Other non-current receivables	-	-
Total financial non-current assets	-	-
Total non-current assets	20 699 843	31 329 863
Inventories	12 339 969	12 834 537
Accounts receivable	22 058 279	48 366 071
Other receivables	12 822 622	23 389 651
Total receivables	34 880 902	71 755 722
Bank deposits, cash etc.	25 066 669	34 198 588
Total current assets	72 287 539	118 788 847
Total assets	92 987 382	150 118 711

Balance sheet equity and liabilites at 31 December 2013

	Agrinos Group	
USD	2013	2012
Equity		
Share capital	106 729	80 143
Premium reserve	157 989 676	140 262 619
Other Equity	-370 066	-8 383 303
Retained earnings	-95 261 489	-27 967 902
Total equity to shareholders of Agrinos	62 464 850	103 991 557
Minority interests	-513 503	-108 297
Total equity	61 951 348	103 883 259
Liabilities		
Deferred tax	-	3 067 994
Loans to financial institutions	257 040	266 992
Other non-current liabilities	373 193	-
Total non-current liabilities	630 233	3 334 987
Accounts payable	6 450 462	3 841 372
Other current liabilities	23 955 339	39 059 092
Total current liabilities	30 405 801	42 900 465
Total liabilities	31 036 034	46 235 451
Total equity and liabilities	92 987 382	150 118 711

Cash flow statement

	Agrinos Group	
USD	2013	2012
Cash flow from operating activities		
Net income/loss (-) before tax	-69 853 239	-15 075 503
Depreciation and amortisation	3 691 328	2 642 079
Changes in inventories, receivables and payables	63 097 946	-35 372 518
Changes in other accruals	-30 666 466	-5 390 947
Net cash flow from operating activities	**-31 445 233**	**-53 732 619**
Cash flow from investment activities		
Investments in subsidiaries		
Net investments in tangible fixed assets	-1 636 393	-6 461 330
Investments in intangibles	-	-
Net cash flow from investment activities	**-1 636 393**	**-6 461 330**
Cash flow from financing activities		
Net proceeds from borrowings	171 386	-
Proceeds from minority interest shareholders	-	-384 138
Proceeds from issuance of shares	26 646 951	58 177 732
Translation effects to USD on issuance of shares		
Net cash flow from financing activities	**26 818 338**	**57 793 594**
Net change in cash and cash equivalents	**-6 263 288**	**-2 400 355**
Cash and cash equivalents at beginning of period	34 198 588	23 857 850
Translation effects to USD on cash and cash equivalents	-2 868 632	12 741 094
Cash and cash equivalents at end of period	25 066 669	34 198 588

Changes in inventories, receivables and payables include impairments of accounts receivable and loan receivables

Auditor's report

RSM
Audit • Tax • Advisory

To the shareholders' meeting of
Agrinos AS

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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 496 336 070, and the financial statements for the group, showing a loss of NOK 404 722 035. The financial statements of the parent company and the financial statements of the of the group comprise the balance sheet as at December 31, 2013, 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.

Basis for qualified opinion

The group has recognised revenue of NOK 11 169 941, NOK 1 472 004 in net income and an equity of NOK 7 526 001 in the financial statement, consolidating the group company Agricultura Especializada del Pacifico, SA de CV. The group company has not been audited, and we have not been provided with sufficient documentation to express an opinion including this revenue, net income and equity.

Qualified Opinion

In our opinion, with the exception of the impact of the issue described in the section "Basis for Qualified 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 Agrinos Group as at December 31, 2013, 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.

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, 16th of June 2014
RSM Hasner Kjelstrup & Wiggen AS

Lars Løyning
State Authorised Public Accountant (Norway)

Agrinos AS

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