Nio Security, Inc.

Q3 2011 Interim Report

Watchful Intelligence

November 29, 2011

HIGHLIGHTS

- Improved operations due to increased sales and reduced operating expenses
- Outlook remains positive
- Agreement to acquire Flamingo Intervest Ltd

PERFORMANCE

In the third quarter of 2011, Nio Security improved its operations through a 75% sales increase quarter by quarter and reduced operating expenses. Nio continues to expand its cooperation with partners in the international security industry and the Company remains on track towards increasing revenue and reaching profitability.

United States is still the largest market for Nio, with around 60 per cent of the sales in the first nine months of 2011. During the second quarter of 2011, Nio has continued its market efforts, with demos and trial periods with potential customers. The Company is expecting growth in this region as a result of our sales and marketing, and the overall progress is according to plan.

In the Nordic markets, sales improved in the third quarter of 2011, and our partners have included Nio's products into their security system offerings which we expect will result in increased sales going forward as the projects are awarded and installed. For the European market, the financial turmoil has had an impact on sales, especially in the southern region where lack of funding for certain public and governmental security installations result in delays for our order backlog. Outside the US and Europe, Nio entered into new distribution contracts with security companies in Israel, Russia and Singapore during the third quarter of 2011. After a period of testing and marked assessment, the first orders from these marked are expected in the fourth quarter of 2011.

Nio's sales in the third quarter ended at USD 147,836, which is a 75 per cent increase from the previous quarter. For the first nine months of 2011, sales were USD 334,356, compared to USD 667,060 for the same period in 2010. The gross profit margin ended at 60 per cent in the third quarter, against 53 per cent in the third quarter of 2010. Operating expenses are continuing to improve, and saw a 47 per cent decline from the third quarter last year, ending at USD 388,888 for the quarter. For the first nine months of 2011, operating expenses were USD 1,632,849, down from USD 2,138,793 for the same period in 2010.

Nio's result from operations for the third quarter ended with a USD 300,249 loss, which is an improvement from the same period last year. See attached statements of operations and balance sheets for more information.

Subsequent to the third quarter, Nio has received around USD 188,000 in VAT refund from prior years from the German tax authorities.

Nio has during the past quarters deliberately built up an inventory and it is expected that a significant part of the capital allocated to inventory will be converted into revenues. Due to a difficult world wide market for technical components, there is long lead time for several components included in Nio's products, necessitating substantial inventory.

The Board of Directors believes that new distribution channels and the initiatives taken will improve the Company's operating performance and strengthen the Company's attractiveness to investors.

ACQUISITION OF FLAMINGO INTERVEST LTD

With reference to the stock exchange announcement dated 19 October 2011, Nio has entered into a Sale and Purchase Agreement with the owners of Flamingo Intervest Ltd to acquire Flamingo Intervest Ltd. Through this acquisition, Nio will establish a second business area within internet based entertainment shopping industry through Flamingo's ziinga.com Internet auction site. The acquisition will provide Nio with a strong cash flow.

Flamingo Intervest Ltd. is incorporated under the laws of British Virgin Islands and upon closing of the transaction Nio will issue 60 million new Nio shares as consideration for all shares in Flamingo. In addition, up to a maximum of 40 million shares will be issued in 2012, pending Flamingo's 2011 performance. As part of the transaction, 25,800,000 of the outstanding warrants in Nio will be cancelled. For more information, see the Equivalent Document dated 15 November 2011 prepared by Nio in order to provide information about the company and its business in connection with the acquisition of Flamingo.

The completion of the share purchase agreement is subject to final due diligence and approval by Nio's Board of Directors.

SHAREHOLDER MATTERS

There were no changes to the number of outstanding shares during the third quarter of 2011 and 45,634,309 shares were outstanding at September 30, 2011, each with a par value of USD 0.10. In addition, 19,634 options and 31,800,000 warrants were outstanding at September 30, 2011. The Company's number of authorized shares is 150,000,000.

ABOUT NIO SECURITY

Nio Security, Inc. helps protect life and property through the development and sales of sophisticated video surveillance solutions. The Company's technology is unrivalled and the main products, the CloseView dynamic multi object surveillance system and the SteadyEye sophisticated video stabilizing system, are considered the most advanced video surveillance systems available.

Nio's software and hardware have been developed over years based on proprietary technology, and the products have been accepted and proven by many of the world's leading players within the security market. Nio has during the last year successfully implemented its strategy to change focus from engineering to sales, resulting in an increasing order flow.

Within the security market, Nio offers intelligent video appliances and smart cameras, separately or combined for end-to-end solutions. All products are suitable both for new installations and for the retrofit market. The business is highly scalable, the needs for surveillance are global and the technology can easily be adapted to large or small installations.

November 29, 2011

The Board of Directors of Nio Security, Inc.

Lars Moldestad **Chairman**	**Bjarne Støtvig** **Director**	**Jon Skabo** **Director**	**Monica Mjøs Lassen** **Director**

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Condensed Income Statement (USD)
Unaudited

	June - September 2011	June - September 2010	January - September 2011	January - September 2010	2010
Sales	147 836	410 533	334 356	677 060	895 060
Cost of sales	59 197	192 410	126 299	313 953	382 944
Gross Profit	**88 639**	**218 123**	**208 057**	**363 107**	**512 116**
Operating expenses:					
Marketing, general and administrative	312 384	439 145	1 174 468	1 577 731	1 952 770
Research and development	139 796	138 180	432 697	351 771	515 702
Interest expense	25 137	31 250	97 153	74 832	191 021
Foreign currency exchange losses (gains)	-88 429	124 085	-71 469	134 459	144 394
Total operating expenses	**388 888**	**732 660**	**1 632 849**	**2 138 793**	**2 803 887**
Results from operations	**-300 249**	**-514 537**	**-1 424 792**	**-1 775 686**	**-2 291 771**
Other income/expense	6 338	-4	9 185	106 912	75 708
Net result	**-293 911**	**-514 541**	**-1 415 607**	**-1 668 774**	**-2 216 063**
Per share data:					
Basic and diluted loss per share	-0,01	-0,01	-0,03	-0,04	-0,06
Weighted average shares outstanding	45 634 309	39 478 041	45 181 237	37 237 451	37 799 959

Condensed Statements of Cash Flow (USD)
Unaudited

	June - September 2011	June - September 2010	January - September 2011	January - September 2010	2010
Net results	-293 911	-514 541	-1 415 607	-1 668 774	-2 216 063
Accrued interest on loans	23 587	31 044	93 653	52 682	131 231
Exchange gains/losses	-69 964	0	-6 222	0	0
Depreciation	5 113	15 136	13 812	41 910	49 778
Changes in assets and liabilities:					
Trade account receivables	7 856	-139 265	25 614	-183 303	-23 537
Inventories	50 572	-145 291	-89 960	-515 989	-775 066
Other current assets	4 270	-11 399	8 333	-3 513	5 088
Other assets	-10 748	-77 348	24 983	-135 976	-93 980
Accounts payable	82 183	145 209	-237 776	156 728	256 219
Accrued expenses and other current liabilities	54 938	190 337	-65 373	135 058	-58 966
Net cash used by operating activities	-146 104	-506 118	-1 648 543	-2 121 177	-2 725 296
Cash flows from investing activities:					
Purchase of property & equipment	0	-3 070	0	-68 381	-59 613
Net cash used by investing activities	0	-3 070	0	-68 381	-59 613
Cash flows from financing activities:					
Proceeds from short term loans	91 261	108 557	91 261	1 018 462	1 568 932
Repayment of loans	0	-72 639	-856 540	-115 191	-115 191
Net proceeds from stock issues	0	0	2 414 937	731 573	731 573
Net cash provided by financing activities	91 261	35 918	1 649 658	1 634 844	2 185 314
Net increase (decrease) in cash	-54 843	-473 270	1 115	-554 714	-599 595
Cash and cash equivalents, beginning	77 505	539 698	21 547	621 142	621 142
Cash and cash equivalents, end	22 662	66 428	22 662	66 428	21 547

Condensed Balance sheets (USD)
Unaudited

	30.09.2011	30.09.2010	31.12.2010
Cash and cash equivilents	22 662	66 428	21 547
Trade accounts receivable, net	53 886	239 266	79 500
Inventory	1 116 615	767 578	1 026 655
Other current assets	12 037	28 972	20 370
Total current assets	1 205 200	1 102 244	1 148 072
Property and equipment, net	33 515	63 961	47 327
Other assets	266 910	333 889	291 893
Total other assets	300 425	397 850	339 220
TOTAL ASSETS	**1 505 625**	**1 500 094**	**1 487 292**
Accounts payable	357 814	496 099	595 590
Accrued expenses/other current liabilities	283 277	370 472	254 997
Short term borrowings	849 501	1 070 531	1 087 806
Total current liabilities	1 490 592	1 937 102	1 938 393
Long term loans, net of short term portion	0	0	533 196
Total long term liabilities	0	0	533 196
TOTAL LIABILITIES	**1 490 592**	**1 937 102**	**2 471 589**
Common stock	4 563 431	3 947 804	3 947 804
Additional paid-in equity	49 005 261	47 205 951	47 205 951
Accumulated deficit and comprehensive loss	-53 553 659	-51 590 763	-52 138 052
Total shareholders equity	15 033	-437 008	-984 297
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	**1 505 625**	**1 500 094**	**1 487 292**

Condensed Equity (USD)

	30.09.2011	30.09.2010	31.12.2010
Equity at beginning of period	-984 297	-984 297	500 193
Sale of stock / share issues	2 414 937	2 216 063	731 573
Net results	-1 415 607	-1 668 774	-2 216 063
Equity at end of period	15 033	-437 008	-984 297

NIO SECURITY, INC.

Selected notes to Condensed Financial Statements for the period ended September 30, 2011

1. General Information

Nio Security, Inc. is a US corporation incorporated in the state of Delaware and is traded on the Oslo Stock Exchange with the ticker symbol "NIO". Nio Security, Inc. (the Company) represents the leading technology in intelligent video analysis for the video surveillance industry. The Company has offices in Norway, Germany and the United States.

2. Basis of Preparation

The condensed financial statements have been prepared in conformity with US Generally Accepted Accounting Principles (US GAAP) and on the going concern assumption. As a US registered company reporting in US GAAP, Nio Security is not required to report in conformity with IFRS. The Company, has however, assessed the possible differences for its financial reporting between US GAAP and IFRS and to the Company's knowledge, there would not be any significant changes to the financial statements if reported under IFRS. The condensed financial statements for the period ending September 30, 2011 have not been reviewed by the Company's auditors.

3. Summary of Significant Accounting Policies

Accounting Policies

The accounting policies adopted and used in preparing the condensed financial statements for the three and nine months periods ending September 30, 2011 are consistent with those used in preparing the Company's financial statements for the year ended December 31, 2010.

Revenue Recognition Policy

The Company recognizes revenue base upon the shipment of its goods to customers.

4. Segment Information

The Company operates one single segment based on the guidelines of ASC 280. The Company's entire revenue for the 9 months ended September 30, 2011 and the year ended December 31, 2010 is derived from the sale of its products to external customers and does not include revenue from other services or products.

6. Short Term Loans

In January, 2011, the Company repaid loans due February 1, 2011 in the amount of NOK 5.000.000 (US$ 856,540) plus accrued interest in the amount NOK 767.800 (US$ 130,790). In July 2011, the Company entered into new loan agreements in the amount of NOK 500,000 (US$91,261) with 15% p.a. interest and maturity on December 31, 2011.

7. Change in Equity

	Common Stock Shares	Common Stock Amount	Paid-in Equity	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balances at January 1, 2010	35,978,041	$ 3,597,804	$46,824,378	$(49,921,989)	$ 500,193
Sale of stock through private placement	3,500,000	$ 350,000	$ 381,573		$ 731,573
Net loss				$ (2,216,063)	$ (2,216,063)
Balances at December 31, 2010	39,478,041	$ 3,947,804	$47,205,951	$(52,138,052)	$ (984,297)
Sale of stock through private placement	6,156,268	$ 615,627	$ 1,799,310		$ 2,414,937
Net loss				$ (1,415,607)	$ (1,415,607)
Balances at September 30, 2011	45,634,309	$ 4,563,431	$49,005,261	$(53,553,659)	$ 15,033

8. Related Party Transactions

Loans from major shareholders were repaid in January, 2011 (see Note 6), whereof NOK 2,750,000 (US$ 471, 097) plus accrued interest of NOK 392,800 (US$ 66,911) to close associates of Lars Moldestad (director) and NOK 2,250,000 (US$ 385,443) plus accrued interest of NOK 375,000 (US$ 63,879) to Jon Skabo (director) and close associates. During the third quarter of 2011, close associates of Lars Moldestad (director) has loaned NOK 500,000 (US$ 91,261) to the Company.

9. Subsequent Events

No events have occurred subsequent to September 30, 2011 that would require disclosure or adjustment to the reported amounts for the nine months period ended September 30, 2011.