

Annual Report 2014

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Investments in shares, funds and other financial instruments and projects and individual assets will always involve a certain degree of uncertainty about future returns. Neither target returns nor historical returns represent reliable indicators of future returns. Returns on investments depend on general developments in the market for securities, physical assets and foreign currencies, the risk profile of the investment, the associated expenses (including the costs of subscription, management and redemption) and the skillfulness of the fund manager/management, as well as on any changes in the applicable tax regulations and other framework conditions. Returns may be negative as a consequence of foreign exchange/capital losses, reductions in value and/or losses. Returns on shipping projects are stated in the currency of the project and returns in NOK will accordingly vary in line with fluctuations in the foreign exchange market. All information on, and assessments of, external conditions in this report are based on our own best estimates and on sources that we regard as credible and reliable. Nevertheless, Pareto cannot guarantee that the information is correct.

This is the Pareto group

Pareto is a leading, independent operator in the Nordic market for financial services. The company has offices in Oslo, Stavanger, Bergen, Trondheim, Kristiansand, Stockholm, Malmö, Helsinki, Copenhagen, London, Aberdeen, Rio de Janeiro, Singapore, Perth, New York, Houston, Los Angeles and Calgary. Pareto was founded in late 1985 and since that time has grown into a corporate group offering a wide array of products. The group has 642 employees and shareholders' equity of some NOK 5.8 billion.

Business sectors

Through its subsidiaries, Pareto offers a wide range of services within the broking of shares, bonds and partnership interests, the management of issues of equity and debt capital instruments, and direct investments. The group also provides project funding, business management services, valuations, refinancing, financial advisory services, commercial property and insurance brokerage, investment advisory services, investment management and asset management. Furthermore, Pareto is involved in chartering and buying and selling tanker and dry bulk tonnage and drilling rigs through its ship brokerage business, as well as providing technical management services for vessels. In certain areas, the group works closely with Pareto Bank, in which Pareto is the largest shareholder.

Diversity and a strong local presence

The broad scope of Pareto's product range has provided the foundations for the group to grow and prosper and has given our clients a balanced and diversified product portfolio offering sound, long-term returns. Pareto's long-standing engagement with local markets and companies has equipped us with experience and skills, enabling us to treat each client individually and to safeguard and promote our clients' interests in the best way possible.

Pareto prioritises organic growth and the development of in-house competence. Acquisitions, mergers and collaborations are continuously under consideration, with the aim of complementing and developing the company still further.

Pareto's aims and strategies

Pareto's goal is to be the preferred Nordic supplier of financial services, based on a thorough and detailed knowledge of social conditions, industries and individual companies. Our aim is to create sound financial solutions for business and industry and to secure high returns for our clients. Pareto's strategy is based on maintaining our focus, in-depth knowledge, experience and long-term client relationships.

We are committed to continuous development and improvement. We invest our knowledge and financial resources for the long haul. We demand responsibility, integrity and a high ethical standard of our employees. Pareto is an independent operator and our aim is that our approach should always be innovative, creative and different.

The Pareto group – what we do

Securities brokerage / corporate finance	Ship/offshore brokerage	Project financing / investment management	Asset management / wealth management	Banking and insurance
Pareto Securities	Pareto Offshore	Pareto Project Finance	Pareto Forvaltning	Pareto Bank
	Pareto JGO Shipbrokers			Pareto Forsikringsmegling
	Pareto Shipping		Pareto Nordie Investments	
	Pareto Dry Cargo			
	P. F. Bassøe	Pareto Business Management	Pareto Wealth Management	

The Pareto group in 2014

The economic and financial climate for the Pareto group deteriorated dramatically during 2014, with a sharp drop in the oil price and signals that several investments by the oil and gas industry will be deferred. Notwithstanding these circumstances, 2014 was a good year for the Pareto group, with results comparable to those recorded in the preceding year.

In December 2014, it became clear that Pareto Securities and Pareto Project Finance were to amalgamate. Merger talks also took place between Pareto Forvaltning and Pareto Nordic Investments. Even so, at the end of the year the structure of the group was in all major respects the same as it had been at the close of 2013. The year can be summarised as follows:

- Revenues for the Pareto group amounted to NOK 2.5 billion (2013: 2.5 billion). The operating profit totalled NOK 985 million (989 million), and the pre-tax operating profit was NOK 1,165 million (1,174 million). The profit for the year was NOK 895 million (940 million). The group's losses on accounts receivable remain negligible. The total personnel count of the group increased to 642. Shareholders' equity at yearend stood at NOK 5.8 billion.
- Pareto Securities took part in 56 equity capital placements to a combined value of NOK 42.2 billion in 2014, an increase of some 68 per cent. Activity levels remained high in shipping, in which area the company was involved in raising NOK 28 billion. Moreover, the company advised on a total of 11 stock-exchange listings in 2014: six in Norway and five in Sweden. The strong interest in high-yield bonds continued into 2014, which turned out to be yet another record year, both in the Nordic region and internationally. The company was involved in arranging placements of high-yield bond issues to a value of over NOK 40 billion for, amongst other clients, Aker, Klaveness, Ocean Yield and Prosafe. As sole book-runner and manager, Pareto Securities raised USD 725 million for Oro Negro Drilling, the biggest single transaction in the Nordic high-yield market in 2014. The company also advised on a number of major M&A transactions, including the acquisitions of listed companies Eltek and Sølvtrens, the sale of Jaya Holdings, Mintra Trainingportal and Signal Bredbånd, as well as the demerger of Aker Solutions.
- Pareto Project Finance had a very strong year, recording operating income of close to NOK 400 million and a pre-tax profit of NOK 167 million. The company advised on and was involved in the acquisition and syndication of real estate to a value of approximately NOK 22 billion and the purchase/sale and syndication of shipping and offshore projects to a value of approximately NOK 6 billion. Pareto Project Finance has embarked on a process of internationalising its products by establishing operations in Sweden, Singapore and the UK.
- Pareto Forvaltning grew its assets under management from NOK 41.5 billion to over NOK 45 billion in 2014. The company's global equities portfolio recorded the fastest rate of growth, thanks to high absolute returns and continuing healthy levels of net subscriptions. The portfolio of Norwegian equities, too, ended the year with a positive return, notwithstanding the substantial drop in the oil price, the effects of which hit many Norwegian companies. This can in part be attributed to a reduction in exposure to oil-related stocks relative to past years. The company's portfolio of Norwegian fixed income funds grew to almost NOK 12.3 billion. Most of this is in the form of corporate bonds, making the company a major player by Nordic standards. In 2014, Pareto Forvaltning opened an office in Stockholm.
- Pareto JGO Shipbrokers recorded its best year to date, with high activity levels and further improvements in its results. In 2014, the company acquired UK shipbrokers Derrick Offshore. The combined broking business of the company makes Pareto JGO Shipbrokers one of the biggest operators in its market.
- For Pareto Bassøe Shipbrokers, 2014 was yet another year of mixed fortunes, with challenging freight markets. Even so, Pareto Dry Cargo reported a satisfactory result.
- Pareto Wealth Management was able to report further growth in assets under management, with positive contributions being made by both returns on client funds and net sales. Having further refined the business concept and completed the process of upgrading its IT systems, the company has sound underlying earnings.
- Pareto Bank grew its total assets from just under NOK 8.9 to just over NOK 11.3 billion. The profit after taxes rose from NOK 110 million to NOK 154 million, while the capital ratio increased to 15.9 per cent. The Pareto Bank share was registered in the NOTC information system operated by the Norwegian Securities Dealers Association.
- In its fourth full year as part of the Pareto group, Pareto Forsikringsmegling reported a performance that was on a par with the very satisfactory result recorded in the previous year, notwithstanding consistently stiff price competition.
- Pareto Nordic Investments repeated its performance of the previous year: consistently high returns on funds resulting in increases in assets under management and performance-based success fees.

The market and the economy in 2014

It is probably true to say that 2014 marked a point at which the Norwegian economy took a turn for the worse. However, it is also true that this only entailed a cautious downward adjustment of the optimistic mood. The question is: how can both statements be correct?

Seen through Norwegian eyes, 2014 turned out to be an eventful year. The oil price fell by more than 50 per cent. Exports of salmon to Russia halted abruptly, as a tit-for-tat for Western sanctions. The Norwegian krone fell so hard that by yearend one US dollar cost 22 per cent more – or almost 34 per cent more if we factor in the fall recorded the year before.

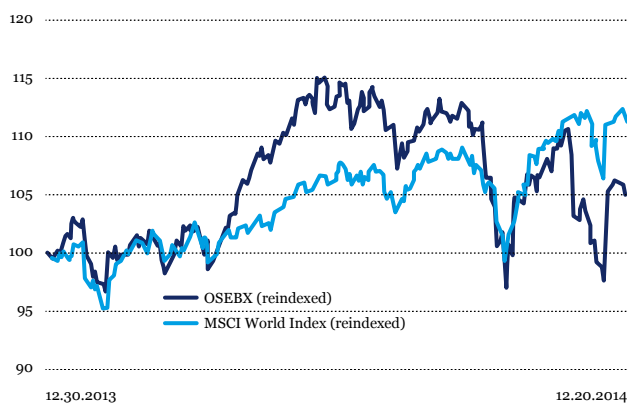
The situation was no less exciting when it came to interest rates. The Swedish central bank cut its key rate to zero per cent. The European Central Bank reduced its deposit rate to minus 0.2 per cent. And German government bonds, traditionally viewed as a safe harbour, rewarded prudent investors with a return of 14 per cent – in euros. For Norwegian krone-based investors, the reward would have been around 23 per cent.

The situation looks less dramatic in the macroeconomic summary: In real terms, global GDP increased by 3.3 per cent, on a par with the two preceding years. Our domestic GDP growth crept upwards to 2.2 per cent overall and 2.3 per cent for the mainland economy.

The stock market's summary of the year, a complex opinion poll in which a large number of operators express their views through the capital they own or dispose, was equally sober. Both globally and in Norway, the average investor in equities received a return of the order of five per cent. Stock market pricing has not changed much over the last year.

This should in no way be taken as a signal that the tension has dissipated.

The road to an average year on the stock market



Source: Oslo Børs, MSCI

Norwegian vulnerability

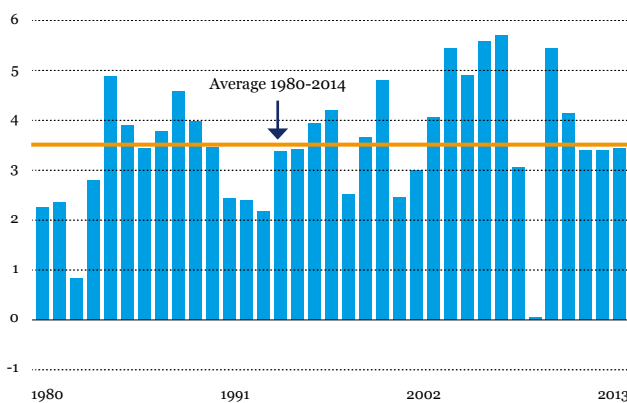
The tumbling oil price is not primarily about the place of oil in the world economy. It is about price sensitivity. In the third quarter of 2014, demand for oil was well over 0.5 per cent higher than in the third quarter of the year before, and by the fourth quarter the gap had increased to 0.9 per cent. The problem was that the supply of oil had increased by 2.3 and 2.9 per cent, respectively, during the same periods.

In the short term, there is rarely any precise correspondence between supply and demand in the oil market. Here, however, expectations also played an important part. In fact, the market had been wrong on both counts. Europe and China both needed less oil than anticipated, and as a consequence of the production boom in the US, the increase in the oil supply outstripped market expectations. In June, just before the oil price began its downward plummeting, almost 20 per cent more oil was being produced in the US than in the same month one year earlier. At this point it became clear that the shale oil revolution was proving to be a far bigger deal than had previously been assumed.

When OPEC subsequently failed to cut production, there was little that could be done to boost the oil price back to the level seen in recent years.

Thus, during the space of a few short months, the framework conditions for the Norwegian economy changed markedly. The foreign exchange market reacted instantaneously. In the last quarter alone the trade-weighted exchange rate index rose (the krone fell) by 9.5 per cent and by yearend Norwegian kroner were worth substantially less in terms of key currencies such as the dollar and the euro. What does this mean for the Norwegian economy?

Global growth is virtually unchanged



Percentage growth in global GDP. Source: IMF

Prices, margins and models

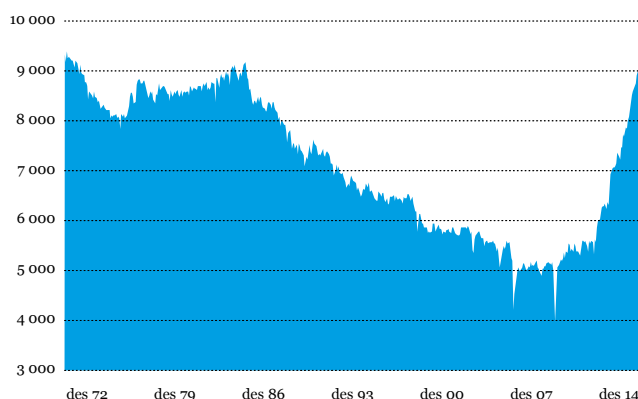
There are no prizes for guessing that oil-related industries will lose out on this, while other industries in the tradable sector will derive some benefit from the stimulation of the world economy. The Economist points out that a 40 dollar reduction in the oil price will give a typical US motorist some 800 extra dollars a year in spending power.

For Norway, however, the first effect will overshadow the second effect. Growth will fall. According to Statistics Norway, the biggest impact will be felt as early as 2015. In their estimates, growth in the mainland economy will be more than halved in 2015, to 1.1 per cent, before doubling again to 2.2 per cent in 2016 and 2.4 per cent in 2017.

The market and the policies pursued will undoubtedly help to alleviate the pain of the necessary transition. The weakening of the Norwegian krone will be good news for industries exposed to international competition. Moreover, large-scale developments on the Norwegian Continental Shelf will help to maintain a great deal of activity in the coming years.

We are not convinced, however, that the underlying model sufficiently reflects the effect of altered price conditions. The high prices and healthy margins enjoyed by a number of suppliers have been an important channel for spreading impulses from the petroleum sector into the mainland economy. Pay levels have consistently been far higher in the oil and gas extraction industry than in all other sectors, although here there are no Chinese walls. Many suppliers have prospered from this industry, recording healthy profits and paying fat wage packets.

A return to former glory

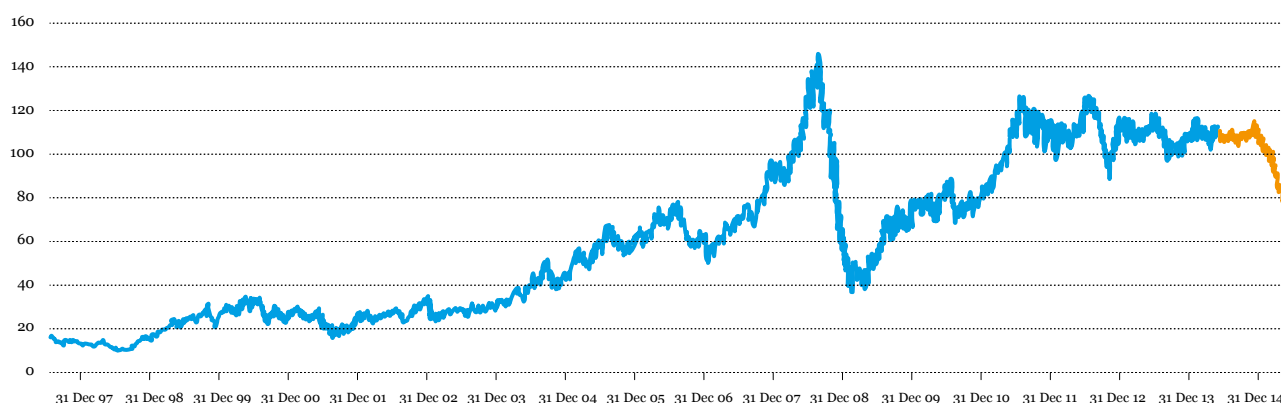


US oil production in thousands of barrels per day. Source: US Energy Information Administration

These suppliers do not form part of any clearly-defined industry, be it in terms of accounting statistics or pay statistics, so that the spread of impulses from the petroleum sector is not that easily read. Moreover, a purely statistical definition is also precluded. After all, what is an oil-related enterprise?

The Pareto group itself is an interesting case in point. The group derives a substantial portion of its revenues from business activities related directly or indirectly to oil extraction, both within and outside Norway. When the activity levels and earnings of these types of company are high, Pareto and the company's employees have more work to do and enjoy higher earnings – with the ripple effects that this in turn produces. Even so, you won't find Pareto in any overview of petroleum-related industries.

A sharp reversal of fortunes



The oil price (Brent Blend in US dollars per barrel). 2014 in orange. Source: Pareto Securities

Ripple effects and pork cycles

In 2014, there was little to suggest any further improvement in the fortunes of petroleum-related industries. As early as the start of the year there had been considerable pressure for costs to be cut and prices to be lowered, and with the oil-price collapse, this pressure has become acute. The impulses from the oil industry are now undoubtedly weaker.

The stock market demonstrated this effect in spades: From its peak at the end of June 2014, the Oslo Energy Index fell by more than a third. And the offshore industry certainly did not get off any lighter than the few oil companies on the list.

More exciting, however, are the long-term ripple effects. In our annual report two years ago, Pareto presented an analysis of the ripple effects that spread from the oil sector to the mainland economy. We described how differences between the growth rates of the Swedish economy and the Norwegian mainland economy were clearly associated with changes in the oil price six quarters earlier. Updated calculations (see graph) show that this link has continued to grow closer.

Given this course of events, the strongest effect will not occur until towards the end of this current year and the beginning of next year. It remains to be seen whether low levels of oil investment – perhaps too low – will contribute to a boom for the oil service companies. Pork cycles are not the sole preserve of livestock markets.

It should be noted that in this calculation, the oil price is measured in Norwegian kroner. A weaker Norwegian krone will dampen the

effect. How long the kroner will remain at these levels is another matter. Not only do we no longer have the same “immunisation” of oil revenues now that less is channelled into the Government Pension Fund Global, but the rate of exchange of the krone is also still sensitive to interest rate differences.

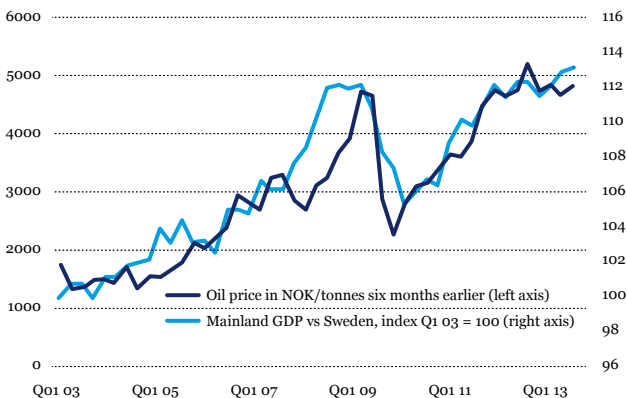
More manipulated interest rates

Short-term and long-term interest rates both fell during 2014. The money market rate (3-month NIBOR) dropped from 1.69 per cent to 1.48 per cent, while the rate on 10-year Norwegian government bonds was reduced from 3.04 per cent to 1.61 per cent. Beyond our borders, the course of events was even more dramatic, with key rates of interest that in several places were creeping below zero.

This somewhat odd combination of circumstances is the logical consequence of a situation in which the authorities in most developed countries are precluded from stimulating their economies by means of fiscal policy, and do their best with – or make the most of – the monetary policy tools at their disposal. This includes a recent innovation known as quantitative easing, whereby central banks purchase government bonds and similar loans on the secondary market on a large scale. As a consequence, the interest rate on these loans – typically longer term papers – falls, while the vendors receive an injection of liquidity and the banking system receives increased reserves in the form of claims on the central banks. If these reserves are used to increase the lending by banks, the supply of money will increase.

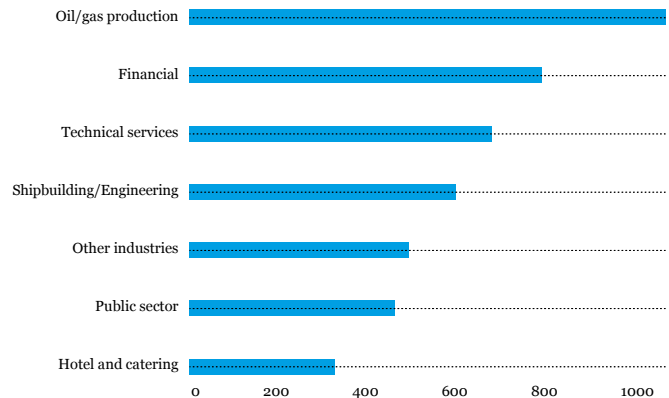
What effect this has is a hotly-debated question, not least as regards the long term, and even in the short term there are a number of

Oil-fired heating on the mainland



Sources: Pareto, SCB, SSB

Widely-differing pay levels



Pay per man-year by industry in NOK '000, 2014
Sources: SSB / Norges Bank

paradoxical side effects. For example, the pension burden of very many companies with defined benefit pension schemes has become heavier. The problem is also affecting most Norwegian municipalities, which are already struggling with heavy pension burdens, and, for that matter, many heavily indebted states.

This, however, is because the immediate effect on the interest rate level is the desired effect: the interest rate is forced down, including at the long end. With this, it is time for the general perception of the interest rate market to become more nuanced. Put crudely, the perception has been that the authorities fix the short-term interest rates and the market the long-term rates – which are a function of the price of bonds. And now we find that it is no longer that simple.

There is widespread concern about the outcome of this large-scale experiment, given that we have no historical experiences upon which to draw. An intervention in the market on this massive scale could have consequences that we are not able to foresee.

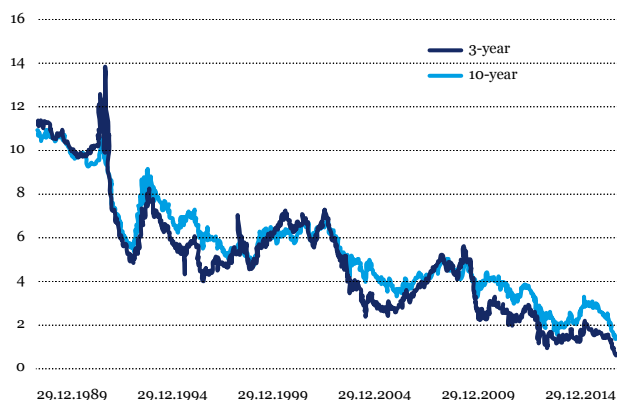
Two effects, however, should be very obvious.

Rising, invisible interest rate risk

Who would have believed that German government bonds would turn out to be one of 2014's most profitable asset classes? With minimal coupon rates and zero uncertainty about repayment?

The fact is that 10-year government bonds paid a total return in excess of 14 per cent. Not bad for a type of asset that is normally viewed as one of the safest investments around.

Just one long ... upward rise?



Yield to redemption Norwegian government bonds, for two different maturities. Source: Norges Bank

Can an investment really be risk-free when it pays such a high return? Of course not.

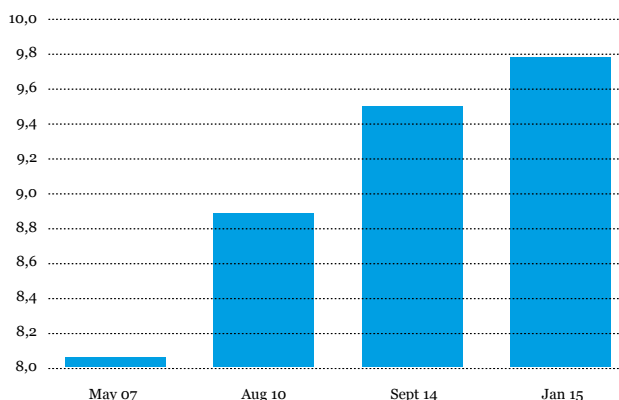
It is not possible to protect oneself against interest rate risk with long-term government bonds. The substantial return can largely be attributed to a falling rate of interest; the price rose by well over 12 per cent. Common sense dictates that these papers could rapidly fall by 12 per cent instead, and here, common sense is backed up by science – as is often the case. Were the interest rate level to rise instead, there is, sadly, every reason to expect a corresponding drop in the price.

Not only that. The fact of the matter is that the interest rate risk has risen in recent years. In 2007, for example, it was possible to buy 10-year German government bonds with an interest-rate sensitivity of approximately eight per cent. Put more simply, this meant that an interest rate rise of one per cent would have reduced the value of the bonds by eight per cent, or, more precisely, 8.07 per cent.

By August of 2010, the corresponding ratio had risen to 8.89, and immediately after the end of 2014 it had almost reached 9.76. In other words, a corresponding interest-rate increase would now trigger a price reduction of almost 10 per cent. Likewise, the interest rate risk has increased for all our financial neighbours. Measured over a longer period of time, and for longer maturities, the increase has been even greater.

Thus here, too, we see paradoxical side effects of government intervention: the more the authorities attempt to force down the level of interest rates, the more they increase the interest rate risk.

Rising interest-rate risk



Modified duration, 10-year German government bonds. Source: Pareto Securities

Debt championship

An equally foreseeable effect of low interest rates is that borrowing increases. Indebted states have less need to curb their borrowing through tighter budgets, and consumers the world over react in exactly the way we might expect. Eleven months into last year, The Wall Street Journal reported that almost four out of ten loans granted for motor vehicle purchases, credit cards and personal consumption in the United States were to subprime customers. A word that will be familiar to anyone for whom the financial crisis is more than just a faint memory.

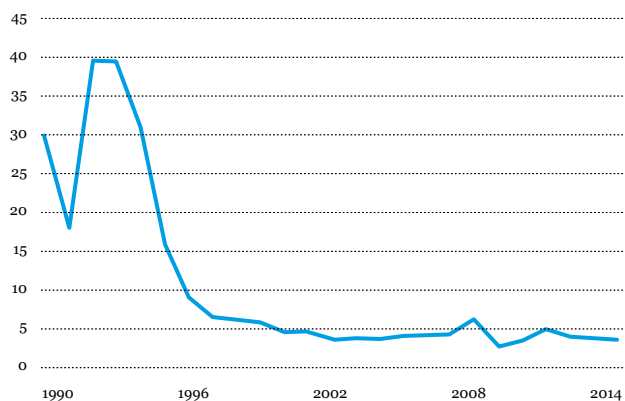
Here at home there are clear signs that house buyers have taken advantage of lower interest rates to increase their borrowing without increasing their debt servicing burden. Viewed over the course of several years, the P/E of the housing market, i.e. the ratio between house prices and rental prices, has increased substantially. Many buyers quite simply borrow to the hilt and when lower interest rates come along, they borrow even more. And that's another way that risk is built.

Perhaps the authorities themselves will unleash this risk in the long-expected and awaited reform of the tax system? Here, prudence may turn out to be self-defeating: the longer they delay the reform, the harder the fall they risk creating.

Sensible risk?

A classic effect of low interest rates is an increase in appetite for higher-risk assets, through lower opportunity cost and lower rates for discounting future cash flows. This should stimulate more financial saving, more sensible risk taking.

Once upon a time ...



Global inflation expressed as percentages. Source: IMF

2014 in a nutshell

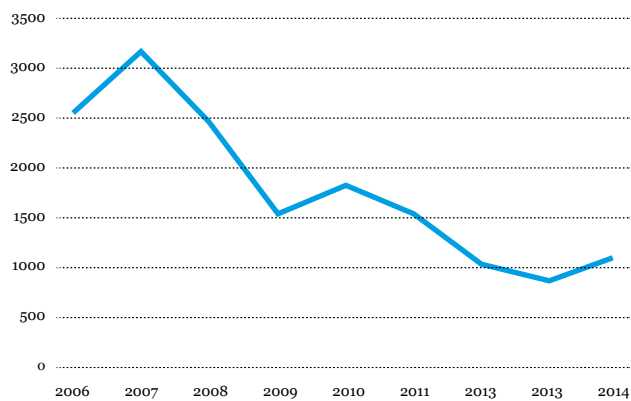
• OSEBX	+5.0%
• S&P 500 return	+13.7%
• MSCI World net (USD)	+4.9%
• 3-month NIBOR	from 1.69% to 1.48%
• 10 year Norwegian Treasury	from 3.04% to 1.61%
• Share turnover Oslo Børs (value)	+32.4%
• Brent Blend	from USD 110.80 to USD 57.33
• USD/NOK	from 6.08 to 7.43
• EUR/NOK	from 8.38 to 9.04
• GDP growth, global	3.3%
• GDP growth, Norway	2.2%
• GDP growth, Mainland Norway	2.3%

Source: Oslo Børs, S&P Dow Jones Indices, MSCI, Norges Bank, FactSet, IMF, SSB, Pareto.

The shares of Chinese Internet giant Alibaba are perhaps not the best example of sensible risk, but the market gave the record-level IPO a warm welcome in September 2014. When the company's shares were listed, its market cap nudged 230 million dollars.

In the case of the Norwegian market, the following example provides an interesting illustration: Over the course of 11 years, private individuals in Norway have increased their total holdings in equity funds by almost NOK 100 billion, including pension schemes with mutual fund options. Before you read on: how do you think this increase breaks down into returns on investment and net subscriptions?

The drought continues



Total turnover of shares, equity certificates and ETFs on Oslo Børs in NOK billion. Source: Oslo Børs

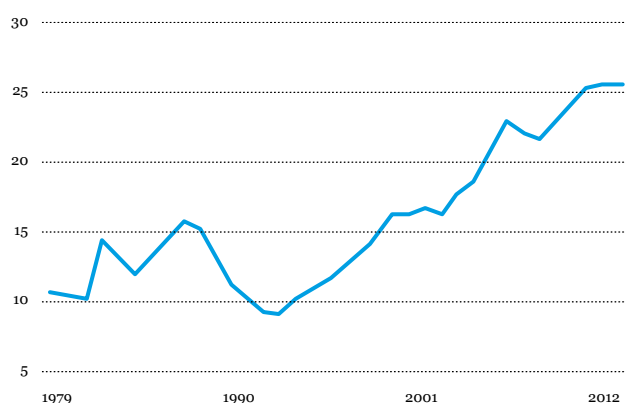
Well: Everything, absolutely everything and then some, is return on investment. Accumulated net subscriptions are negative. We should add that, during the same period, the gross debt of Norwegian households increased by over NOK 1,600 billion. Thus there has been no lack of willingness to invest, but everything has gone into houses, not into industry ownership.

months into 2015, the Norwegian Fund and Asset Management Association reported that net subscriptions by Norwegians in equity funds and combined funds have not been higher since 2006.

All that remains is for them to show their willingness to stay the course should the road ahead prove to be a rockier one.

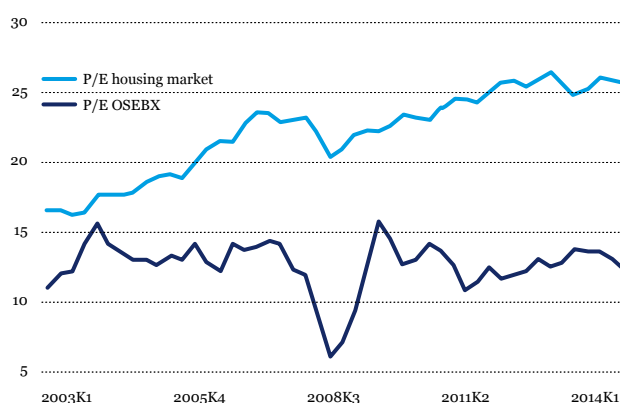
The 2014 statistics for investments in securities funds show no signs of reversal of this trend. Net redemptions of Norwegian-registered equity funds totalled almost NOK 15 billion, while well over NOK 102 billion found its way into fixed income funds. However, two

Housing P/E continues to rise



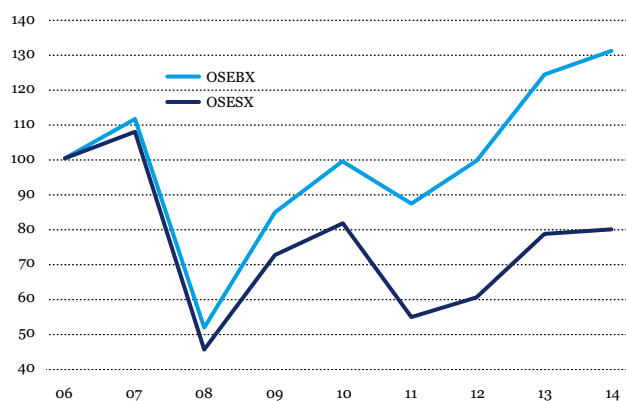
Source: Pareto, Norges Bank, Statistics Norway

Costlier housing, cheaper stocks



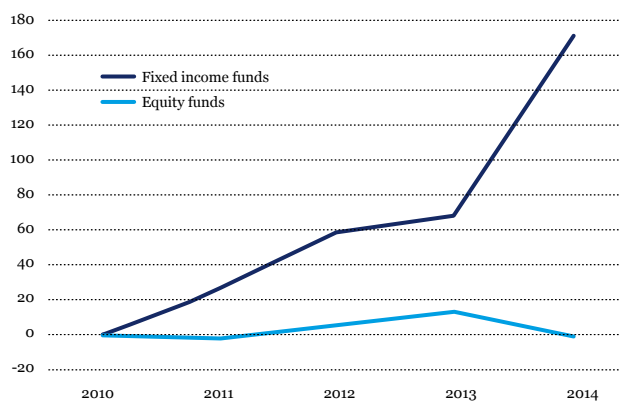
Source: Pareto, Norges Bank, Statistics Norway, FactSet

A tale of two markets



Small cap stocks have lost even more ground. Reindexed, 2006 = 100
Source: Oslo Børs/Pareto

Two fund markets



Accumulated net subscriptions in NOK billion in the Norwegian securities fund market.
Source: VFF

Pareto Securities AS

Pareto Securities raises equity and loan capital for Nordic business and industry and for international issuers in the shipping, seafood, energy and oil service industries, in which areas the company has become a global player. In recent years, the business has become increasingly internationalised.

Brokerage and corporate finance services backed up by in-depth research

Pareto Securities provides financial advisory services in connection with corporate financing, stock exchange listings, and mergers and acquisitions (corporate finance), as well as stock, bond and currency broking services. We also offer rig and ship broking services through a subsidiary.

Our brokerage desk, corporate finance department and research team have in-depth knowledge of the industries and companies with which we work. As a consequence, our research and advice are always well founded. This gives us a valuable competitive edge and helps us to maintain the confidence of our clients.

Continued international growth

Pareto Securities' international growth continued in 2014. During the course of the year we established operations in Australia (Perth), Canada (Calgary) and Scotland (Aberdeen). In addition, an office was opened in Los Angeles, USA. More than 50 per cent of our people now work outside Norway.

The combination of a local presence and a network of international investor contacts form the foundation for Pareto Securities' placement power in the stock and bond markets. International clients are the source of over half of our revenues, a situation that enables us to undertake a large number of large-scale, complicated projects. The company is registering a strong level of growth in both the proportion of revenues derived from international clients and in the number of international clients.

Share and bond brokerage

We provide stock and bond broking services from offices in Oslo, Kristiansand, Stavanger, Trondheim, Stockholm, Malmö, Helsinki, Copenhagen, London, Singapore and New York. More than 110 people are now employed in the provision of brokerage services from these offices.

We offer investors a combination of:

- regular dialogue with researchers and brokers
- visits by our researchers
- local events attended by company management (road shows and conferences).

We also operate an efficient online trading system.

Case-based research products

The bedrock of our research is thorough and detailed data and a long-term commitment. As a consequence of this approach, our research and brokerage products have come to be valued highly by an extensive international community of investors, on both the equity and debt sides.

Our equities research team consists of 19 researchers in Norway, 10 in Sweden and four in the UK. Our ability to service our clients efficiently is contingent upon the research team having a thorough understanding of the industries in which they specialise. All of Pareto Securities' departments are able to draw on the findings produced by our research team.

The focus of the research department has shifted towards cases and away from the maintenance of analyses and company reporting. This has increased the relevance of the research products to investors.

Our credit research team is made up of five researchers in Norway and three in Sweden. This team monitors the Norwegian and Swedish credit markets and the international credit market for oil service and energy and compiles credit reports on issuers.

Accurate credit reports ensure that corporate bonds are correctly priced and enable investors to base their investment decisions on sound information. Because credit analysis forms an integral part of the research product, our credit analysts work closely with stock analysts. First-hand knowledge of the ability of a company to raise loan capital is a prerequisite for understanding its chances of success on the stock market.

The research department also serves as a recruitment and training unit in which young talent is schooled in corporate research and finance. After a period of research work these new recruits are given the opportunity to transfer to other departments in Norway or abroad. Our philosophy is that a solid grounding in research enhances the likelihood of success in the other areas of our business, and over the years we have seen a number of very successful transitions from research to brokerage and corporate finance.

Conferences and road shows

An important aspect of our research work is arranging seminars and field trips for our investors. Every autumn, Pareto Securities hosts an oil and offshore seminar in Oslo. This event has developed into one of Europe's leading investment forums for oil and energy-related companies. The 2014 seminar attracted 1,700 attendees – primarily international investors and

representatives of the 130 companies making presentations. Other events organised by the company included an energy seminar in Oslo that attracted over 400 attendees, an E&P seminar in London that attracted 170 attendees and a bond seminar in Stockholm that attracted 330 attendees. We regularly take company representatives to meet our clients in North America, Asia and Europe. In addition, our researchers travel to clients to discuss new investment opportunities.

A comprehensive range of corporate advisory services

Pareto Securities advises clients on raising equity and loan capital, stock exchange listings, diffusion sales, mergers/demergers, valuations and acquisitions/disposals of businesses or companies from our offices in Oslo, Stavanger, Stockholm, Helsinki, Copenhagen, London, Aberdeen, Paris, New York, Houston, Los Angeles, Rio de Janeiro, Perth and Singapore. The advisory services department employs over 125 people.

Our advisory team is made up of people with broad management experience drawn from industry, consultancy and the capital market.

In the area of mergers, acquisitions and sales of businesses (M&A) our experienced advisors offer valuation, advisory and negotiating services to both buyers and vendors. These services were much in demand in 2014, and a number of sales and acquisitions were consummated. In addition, we work closely with Pareto Offshore, Pareto JGO Shipbrokers and Pareto Project Finance in order to serve companies at an early stage in their development and to take the fullest advantage of the group's expertise and networks.

Other services

Currency operations make up an integral part of our investment services. A staff of two provides these services. The unit is also a broker of freight and commodity derivatives.

Credit and trading for own account

Pareto Securities does not grant credit to clients. The company's approach to managing its capital holdings does not include trading in shares for its own account. Surplus liquidity is deposited in financially sound Norwegian banks and in Norwegian treasury papers.

Pareto Offshore AS

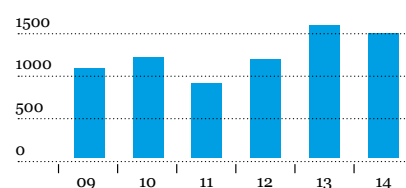
Subsidiary Pareto Offshore is a leading provider of brokerage and advisory services to the global rig and drilling industry. The firm's staff of five also undertakes valuations and market updates.

Growth in personnel numbers

Personnel numbers increased during 2014 from 336 at the outset of the year to 353 by the end of the year. Of these, 51 per cent work outside Norway – up from 44 per cent last year.

Pareto Securities recruits young talent, mainly with the aid of a graduate recruitment programme which focuses on students from the best schools. The company offers them a flat organisational structure, attractive incentive schemes and early responsibility.

Revenues NOK mill.



Pareto Securities AS

Dronning Mauds gate 3
P.O. Box 1411 Vika
Oslo, Norway
Telephone 22 87 87 00
Turnover 2014: NOK 1.5 billion
Equity 2014: NOK 572 million
Number of employees 353
CEO: Ole Henrik Bjørge
ole.henrik.bjorge@pareto.no
Chairman: Morten Goller
www.paretosec.no

Pareto Project Finance AS

Pareto Project Finance (PPF) is Norway's leading operator in the field of project financing and the syndication of real assets. The firm offers project financing services within the shipping, offshore and real estate sectors, as well as related M&A and corporate finance services. In addition, PPF has a substantial business securing funding for and managing investment companies, with an investment portfolio with a total value of over NOK 46 billion. The company has an extensive network of clients and investors in and outside Norway. PPF has offices in Oslo, Stockholm and Singapore.

Shipping & Offshore

PPF has long experience and extensive expertise in syndicating and managing shipping and offshore projects. At present, we manage a portfolio of 74 ships/vessels. Our ambition is that the projects we arrange should provide a combination of an annual return on equity (IRR) of between 15 and 20 per cent and regular dividends, at an acceptable level of risk. Over the last 13 years, our portfolio has generated an annual return of 18 per cent. Our primary focus is on projects involving long-term charters and charterers of high repute, although we also arrange asset play projects where the market risk for investors is greater.

Over the last five years, PPF has been the biggest operator by far in the Norwegian market for project financing in the shipping and offshore sectors, with a market share in the region of 60 per cent. In 2014, the company was involved in purchases/sales and syndications of shipping/offshore projects to a value of approximately NOK 6 billion. Since its launch in 2011, Pareto Maritime Services AS has proved to be a highly successful venture and now manages several project companies. The company's technical expertise enhances our ability to follow up projects.

Real estate

With over 20 years of experience, PPF is a leading financial operator in the Norwegian real estate market. The company acts as advisor on major real estate transactions, including IPOs and purchases and syndications of real estate both in Norway and internationally and has extensive experience within the field of corporate fi-

nance services. With a total value of NOK 25 billion and a total floor area of approximately 1.3 million m², the company's real estate portfolio is one of Norway's largest. The average term of contracts of lease in Pareto projects is approximately 11 years. The expected annual rate of return on equity is between 8 and 14 per cent. In 2014, PPF was involved in acquiring, syndicating and advising on real estate transactions with a total value of some NOK 22 billion in the Nordic market.

Investment companies

PPF manages diversified investment companies in the real estate, shipping and offshore sectors. During 2014, PPF raised NOK 1.3 billion in fresh equity capital for its investment companies. The combined equity capital of these investment companies at yearend totals approximately NOK 4.5 billion. Capital structures are both leveraged and unleveraged.

In January 2015, PPF's investment management department was spun off as a separate subsidiary, Pareto Project Investment Management AS (PPIM), which has been granted an AIFM licence by the Financial Supervisory Authority of Norway.

Pareto Business Management

Pareto Business Management AS (PBM) is Norway's leading financial service and support partner in the real estate and shipping/offshore sectors. PBM has management responsibility for some 184 investment companies with a combined value of approximately NOK 46 billion. PBM's team is made up of 32 experienced professionals with expertise in the areas

of accountancy, financing, taxation, corporate law and technical management.

The sale and broking of shares and partnership interests

PPF's brokerage desk works systematically to ensure the liquidity of the shares and project holdings invested in by our investor clients. The broking and sale of shares and holdings in existing projects is a priority area of business for PPF. The volume traded in 2014 exceeded NOK 3.9 billion measured in terms of project value.

International activities

In 2014, PPF opened a new branch office in Stockholm. The branch has developed well and is now a full-service player in the project financing sector, primarily focusing on real estate. Pareto Projects Asia had an excellent year and participated in much of the business syndicated by PPF in the shipping sector. The international expansion will continue unabated in 2015 with the establishment of operations in London and New York.

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Pareto Project Finance AS

Dronning Mauds gate 3
P.O. Box 1396 Vika
0114 Oslo, Norway
Telephone: 22 87 87 00
Turnover 2014: NOK 399 million
Equity 2014: NOK 145 million
Number of employees: 81
CEO: Anders Endreson
anders.endreson@pareto.no
Chairman: Bjørn Gabriel Reed
www.paretoprojectfinance.no

Pareto Forvaltning AS

Pareto Forvaltning is an independent asset management company offering discretionary management, equity funds and fixed income funds. Having recorded high returns over many years, the company today manages securities to a value of over NOK 45 billion.

Pareto's in-house asset manager

Our services are directed at large and medium-sized enterprises in the private and public sectors, banks, insurance companies, pension schemes, trusts and foundations and high-net-worth individuals.

At yearend 2014, the company managed assets to a value of NOK 19 billion in the equities market and NOK 26 billion in fixed-income instruments, of which a total of NOK 25 billion in securities funds.

The company manages no less than NOK 3.3 billion on behalf of companies and personnel in the Pareto group, making them Pareto Forvaltning's biggest "client". Our willingness to invest extensively in our own products underscores our faith in our ability to invest wisely, our approach and our asset management philosophy. This means that we share a common interest with our clients in the profitable performance of our products.

The company has a staff of 43 people, including 12 fund managers and 21 strategic advisors with an average of 17 years' relevant experience. During the course of the year, our compliance team was boosted by the addition of two further man-years. The company is located in Oslo. Pareto AS and the company's partners own 83.2 per cent and 16.8 per cent of the company, respectively.

Asset management philosophy

Our management of equities is long-term, value-oriented and research-based. Our approach is based on investment principles developed by Benjamin Graham and David Dodd, which have provided the basis for the spectacular success of Warren Buffett's investment company Berkshire Hathaway.

This approach involves determining the value of a company by looking at a

number of key metrics (profits, dividends, assets, capital structure) and its strategy/business model. We focus on a sound capital structure, a high historical return on equity and moderate pricing (P/E). The analysis hones in on the fundamental value of companies, rather than speculative factors, such as special market conditions (technical, manipulative and psychological) or other factors to which a high degree of uncertainty attaches.

We limit the number of shares in the portfolio, because in our judgement a high degree of risk diversification can be achieved with as few as 25-30 stocks. A concentrated portfolio allows us to monitor our investments closely and continuously. We are long-term owners, thereby avoiding high turnover and the associated decision-related risk and transaction costs, which eat away at the return on the portfolio.

High long-term excess returns

We manage one Norwegian and one global portfolio of equities. Each is sub-divided into multiple funds in which the minimum investment and management fee structure vary. In addition, we have 161 mandates under discretionary management replicating the Norwegian equities portfolio.

Since the end of 1998, when the company was founded, our main profile under discretionary management in the Norwegian stock market has recorded a total return of 620 per cent net of expenses. This represents an excess return of 309 per cent over Oslo Børs, which during the same period delivered 311 per cent. The MSCI World Index has delivered only 95 per cent, measured in Norwegian kroner.

Calculated as an annual average, this portfolio has recorded a return of 13.1 per cent net of all expenses. Thus the main

profile under discretionary management in the Norwegian stock market has generated a very satisfactory excess return relative to both the 9.2 per cent return recorded by Oslo Børs and a 3-month NIBOR of 3.7 per cent during the period.

At yearend, our global equities fund management team reached its seventh anniversary. Measured against its benchmark index (MSCI World) our primary fund, Pareto Global I, recorded an accumulated excess return during the period as a whole of 23.9 per cent. The annual average return is 10.1 per cent, as compared with the 8.1 percent recorded by the benchmark index.

Excess return on fixed-income funds

Similarly, our management of fixed-income instruments is based on a fundamental analysis of the financial situation of the individual issuer and an assessment of relevant macro-economic conditions. In the case of our two credit funds, the risk premium and the right choice of companies have made a substantial contribution to excess return. In the case of our two funds with investment grade counterparty risk, we seek excess return by taking positions in selected areas of the yield curve.

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Pareto Forvaltning AS

Dronning Mauds gate 3
P.O. Box 1396 Vika
0114 Oslo, Norway
Telephone 22 87 87 00
Turnover 2014: NOK 278 million
Equity 2014: NOK 102 million
Number of employees: 43
CEO: Petter W. Borg
petter.borg@pareto.no
Chairman: Stig Even Jakobsen
www.paretoforvaltning.no

Pareto JGO Shipbrokers AS

Pareto JGO Shipbrokers AS (JGO) offers shipping and offshore broking services and the firm's staff represents a substantial fund of knowledge and experience of the company's market segments.

Southern Norway's preferred shipbroker

JGO's history dates back to 1912, when the firm started out in the lumber and ship broking business. The company played a central role in establishing and building up many of Southern Norway's shipping companies in the late 1920s and 1930s. Until as recently as about 1980, the company remained the exclusive broker for a great many shipping companies in Southern Norway for chartering, contracting newbuildings, buying and selling tonnage.

Since the 1980s, the company has expanded from being mainly a shipbroker for local shipowners into a competitive shipbroker serving shipowners, operators and charterers the world over. The company joined the Pareto group in 2006.

Today, JGO offers brokerage services in two major markets: offshore and tanker.

The offshore department

The offshore department is ranked among the leaders in its field in Norway. It was formed in the mid-1970s, when the supply vessel companies started to appear. Since then, the department has developed and become a major operator in most segments of the offshore market. The offshore brokers arrange long-term contracts between the owners of supply vessels and the operators/oil companies, securing the right to use the vessels for extended periods of time, ranging from a few months to several years. In the spot market, the brokers arrange shorter-term contracts for supply vessels to carry cargoes and supplies to drilling and production platforms and other offshore installations. They also arrange contracts for anchor-handling vessels and tugs, for example for the movement and towing of rigs. Furthermore, JGO arranges the chartering, buying and selling of oil rigs.

Over the years, the department has developed in-depth expertise in the areas of needs assessments and the design of future supply ships and special units for offshore operations. In collaboration with marine architects, designers and shipowners, the department has developed a range of new ship projects and contracted for a number of newbuildings. In addition, the department has built up a comprehensive database of the international fleet of supply ships. This provides a sophisticated and useful tool for the department and for the company's clients.

The tanker department

The primary business of the tanker department is fixing contracts for the shipment of crude oil by large tankers. The department is especially active in the market segment for tankers ranging in size from 80,000 to 150,000 dwt, known as Aframax and Suezmax tankers. JGO acts as a broker for charterers and oil companies needing tonnage to carry crude, as well as for shipowners seeking cargoes for their ships.

The department is staffed by experienced brokers and operators who have earned the confidence and trust of clients on the strength of their efficient professional services and follow up.

Collaboration

When Johan G. Olsen Shipbrokers joined the Pareto group in 2006, the range of services available to the company's clients became even broader. For example, working in collaboration with Pareto Securities and Pareto Project Finance, JGO is able to offer package solutions that include contracting for building/buying ships, full financing of equity and loan capital, as well as employment for the new ship.

In 2014, JGO acquired UK shipbrokers Derrick Offshore Ltd., which is headquartered in Guildford outside London and also has an office in Aberdeen. The newly acquired company specialises in the broking of offshore units for the oil and gas, renewable energy and subsea cable industries. Together, these two companies make up one of the biggest shipbroking operations in the global offshore industry.

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Pareto JGO Shipbrokers AS

Dronningens gate 3
4610 Kristiansand, Norway
Telephone 38 12 31 11
Turnover 2014: NOK 101 million
Equity 2014: NOK 83 million
Number of employees: 36
CEO: Karsten Christensen
karstenc@jgoship.no
Chairman: Svein Støle
www.jgoship.no

Pareto Bassøe Shipbrokers AS

Pareto Bassøe Shipbrokers comprises tanker brokers P.F. Bassøe AS and dry cargo brokers Pareto Dry Cargo AS.

P.F. Bassøe AS

The main focus of shipbrokers P.F. Bassøe is tanker chartering. Our services are rooted in our comprehensive knowledge of the markets in which we operate, and our aim is to deliver added value to our clients by means of accurate and timely information, a high level of service, reliability and creativity. We offer chartering services in most tanker segments and our client base is international, consisting of shipowners, international oil companies and oil traders.

We have clients in all time zones and a substantial part of our work involves ensuring that they are apprised of market developments at all times. We also place great importance on monitoring transport assignments after the commercial terms have been agreed. Our operations department is staffed by a highly professional team with experience of working both at sea and in shipping offices.

In addition to standard chartering services we undertake project-oriented work on long-term charter parties and affreightment contracts, as well as custom-tailoring solutions to the specific requirements of individual clients.

Market research is an essential support service for our clients and for our own brokers. This work involves continuous market monitoring, projections, and in-depth studies of segments and trends within our markets. We work closely with the other companies in the Pareto group, especially Pareto Shipping and Pareto Dry Cargo.

Pareto Dry Cargo AS

Pareto Dry Cargo has a global network of shipowners and industrial clients. We have a solid foothold in the dry bulk chartering business, with a particular focus on Supramax, Handymax and Handysize tonnage. The company also works closely with industrial clients in the aluminium, cement and grain industries. In addition, our brokers handle spot and long-term deals and freight contracts. Project and advisory services are also available.

P.F. Bassøe AS

Dronning Mauds gate 3
P.O. Box 1396 Vika
0114 Oslo, Norway
Telephone 24 02 81 80
Turnover 2014: NOK 4 million
Equity 2014: NOK 7 million
Number of employees: 4
CEO: Odd Jacob Fritzner
crude@pfbassoe.no
Chairman: Svein Støle
www.pfbassoe.no

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Pareto Dry Cargo AS

Dronning Mauds gate 3
P.O. Box 1411 Vika
0115 Oslo, Norway
Telephone: 24 02 81 90
Turnover 2014: NOK 13 million
Equity 2014: NOK 3 million
Number of employees: 5
CEO: Morten Lie
dry@pareto.no
Chairman: Uno Grønlie
www.pareto.no

Pareto Wealth Management AS

The goal of the company is to be in the vanguard of the investment advisory service and wealth management sector in Norway.

Building strength

Following several years of extensive restructuring, Pareto Wealth Management AS has emerged as a bigger, more clearly defined operator with even greater expertise in its area of business. With the restructuring process now completed, the firm has switched its attention to the development of its investment advisory services and product menu, not least by putting together suitable long-term portfolios.

Having yet again harvested an attractive return on client funds in 2014, the company now manages a revenue-generating portfolio with a value of over NOK 8 billion.

The primary target groups for the company's products – high-net-worth individuals and enterprises and institutions – are followed up by a dedicated investment advisor. A large proportion of the company's personnel work as advisors.

Clients who do not require active advisory services are serviced by the Pareto Customer Service Centre, which operates an online service featuring streamlined and standardised solutions for registering orders and tracking portfolios.

During 2014, the company worked on the implementation of a new IT system. This process is nearing completion.

Strategy

Pareto Wealth Management has remained true to its strategy of building a sound, appropriate and long-term client portfolio, rather than chasing after short-term product sales. Portfolio revenues therefore make up an increasingly greater proportion of the company's turnover, at the expense of transaction revenues. This approach also allows the long-term interests of clients and the company to be closely aligned.

A substantial portion of the client portfolio is invested in Norwegian and international mutual funds through various private banking accounts or as independent fund solutions. Of these, an increasing number take the form of adapted or carefully hand-picked portfolios. The company also offers a higher degree of bespoke tailoring of products to suit the needs of the more capital-rich investor.

The company collaborates with other Pareto companies in order to take advantage of the group's extensive expertise, excellent products and steadily expanding network. In parallel with this, the company seeks to offer a select range of investment products from external suppliers, both in and outside Norway. This enables a fully-rounded investment portfolio to be established for the individual client and ensures that Pareto's own products are exposed to competition. The goal is that the client must always receive the best products available, irrespective of supplier.

The watchwords on the personnel side are expertise and focus. Our aim is that our people should be known for their professional expertise within their individual fields. Sound investment advice and expertise will secure the loyalty of our clients. Achieving this requires more than just able personnel: systems and solutions that facilitate prudent decisions to the benefit of the client must also be in place.

The regulatory changes enacted in recent years and the demands of shifting financial markets have sharpened the awareness of both the industry and its clients and have resulted in an improvement in the quality of products and suppliers alike. Pareto Wealth Management has worked hard to stay ahead of the curve in this development and to ensure that every effort is made to offer the right product to the right client.

In the longer term, the aim is that this should improve the quality of the advisory services offered, increase returns on client funds and provide higher earnings for the company.

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Pareto Wealth Management AS

Dronning Mauds gate 1
P.O. Box 1418 Vika
0115 Oslo, Norway
Telephone 23 23 99 00
Turnover 2014: NOK 77 million
Equity 2014: NOK 34 million
Number of employees: 53
CEO: Rune Wassum
rune.wassum@pareto.no
Chairman: Andreas Mellbye
pwm.pareto.no

Pareto Nordic Investments AS

Pareto Nordic Investments manages a range of Nordic securities funds. The company's management approach is long term and value-focused.

In November 2010, Pareto acquired all the shares of the company then known as Orkla Finans. As part of a major process of re-organisation, the entire asset management business of the newly-acquired entity was concentrated in Pareto Nordic Investments. The company offers alternatives to more traditional securities funds and its primary investment universe is the Nordic securities market.

At yearend, Pareto Nordic Investments managed eight different funds with total assets under management of close to NOK 4 billion. The increase in assets under management during 2014 can be ascribed in part to very satisfactory fund performance in recent years, in part to the creation of a new fund/investment company.

The company manages the following Norwegian-registered funds:

- a Nordic hybrid fund (Pareto Nordic Return)
- a Nordic hybrid fund with a greater emphasis on quantitative criteria (Pareto Nordic Value)
- a Norwegian equity fund (Omega Investment Fund)
- a liquidity fund (Omega Likviditet)

The first two funds are in currently in the process of being combined, with Pareto Nordic Value being merged into Pareto Nordic Return. The management and guidelines of this fund will be continued. The company also manages two investment companies registered in Ireland. Here the aim is to achieve a full stock market return at significantly lower risk and here, too, assets are invested in Nordic securities.

In addition to the above, the company manages a UCITS-format hedge fund (Pareto Nordic Alpha), which entails that the fund is regulated as a standard mutual fund and may be marketed in Norway. In practice, the fund mirrors one of the Irish-registered investment companies and provides comparative results, although the past performance of the Irish company cannot be used in the marketing of the UCITS fund.

During 2014, Pareto Nordic Investments also set up a new Irish-registered investment company: Pareto Total. Its mandate is flexible, permitting investment in a variety of instruments, but the primary emphasis is on shares in sound, well-run international companies. The investment horizon of the fund is decidedly long term.

Pareto Nordic Investments AS

Dronning Mauds gate 3

P.O. Box 1724 Vika

0121 Oslo, Norway

Tel: 22 87 87 00

Turnover 2014: NOK 41 million

Equity 2014: NOK 11 million

Number of employees: 11

CEO: Tore Været

tore.vaeret@pareto.no

Chairperson: Cathrine Lofterød Fegth

www.paretonordic.no

Pareto Forsikringsmegling AS

Pareto Forsikringsmegling AS is an independent advisor and insurance broker offering bespoke non-life, life and pension insurance solutions and general insurance advice.

Annually, we purchase insurance cover for more than NOK 1.3 billion kroner on behalf of our clients.

Insurance brokerage and advisory services

Pareto Forsikringsmegling offers brokerage and advisory services within non-marine insurance. Our clients are large and medium-sized enterprises in the private and public sectors. In addition we offer group cover products (affinity) for the club, association and society market, as well as product cover for suppliers of products and services.

Drawing on in-depth risk analysis and industry knowledge we advise our clients on the structure of the risk associated with their business and what we consider to be the correct level of cover. Based on this analysis we formulate a general insurance policy and an optimum insurance programme.

The company has 30 employees: 26 in Oslo and four in Kristiansand. All our personnel have extensive experience and a high level of expertise within their professional fields. Pareto Forsikringsmegling is a member of the independent Wells Fargo Global Broker Network.

Non-life insurance

The market for non-life insurance continues to be intensely price competitive, with a large number of competing insurance suppliers. Major international companies and smaller niche operators continue to capture market share from the large Norwegian companies.

The primary concern of our non-life department is that our clients should have the appropriate level of cover. We use risk and vulnerability analyses to alert our clients to areas of risk to their property, vehicles, liability and consequential loss of which they may not previously have been aware. The insurance cover taken out by our brokers on behalf of clients is largely from A-rated companies. As a result, our clients can be confident that the insurer will have the willingness and ability to meet their obligations should a claim be made.

Pension and life insurance

The life and pension department arranges group pension and personnel cover in collaboration with our clients and their employees. The market is characterised by stiff competition between suppliers, making for favourable terms for our clients. However, no suppliers are now interested in taking on defined benefit schemes, which creates a challenging situation.

New rules governing defined contribution pension schemes and hybrid plans are now in place, and the advice provided by the company continues to include issues relating to the winding up of defined benefit schemes. One major challenge will be to ensure that clients are not stuck in a portfolio that is being wound up. Following the decision by insurers Storebrand and DNB to withdraw from the public sector pensions market, a number of public sector pension schemes were transferred in 2014.

The restructuring of disability pensions provided under the Norwegian National Insurance Scheme means that insurance payments to employees paid less than six times the basic National Insurance payment (G) will cease or will be reduced significantly in 2015/2016. Much of our work at present is devoted to this issue, and involves reducing the amounts insured, so that clients do not pay excessive insurance premiums during the transitional period. A complex insurance market comprising numerous suppliers makes great demands in terms of the acquisition and management of insurance cover and, not least, communicating personnel benefits to employees. We offer a broad range of insurance services comprising multiple advisory modules within the areas of pension and personnel insurance.

Our modules include:

- Monitoring the market
- Mapping insurance strategy
- Economic analyses of the insurance programme and of suppliers
- Processes of change in insurance programmes
- Analyses of price and conditions
- Communicating with and advising employees
- Basic insurance brokerage

Damage prevention

As part of our overall range of services, Pareto Forsikringsmegling offers advice on damage prevention. If requested, we will act as a collaboration partner in describing the risk picture and assessing measures for improving risk economy. This allows us to reduce risk, bring down claims frequency and secure the optimum price for insurance solutions. Our damage-prevention concept involves both general advice and services specifically related to personal/pension and non-life insurance. Our damage-prevention advice encompasses risk assessment and damage prevention analyses relating to risk management, safety culture and preparedness.

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Pareto Forsikringsmegling AS

Dronning Mauds gate 3

P.O. Box 1527 Vika

0117 Oslo, Norway

Telephone: 22 87 87 00

Turnover 2014: NOK 68 million

Equity 2014: NOK 66 million

Number of employees: 30

CEO: Vegard M. Finsæther

vmf@pareto.no

Chairman: Uno Grønlie

www.pareto.no/forsikringsmegling

Pareto Bank ASA

Pareto Bank specialises in the provision of funding for real estate, securities and shipping/offshore.

With just 29 employees, Pareto Bank is an organisation in which close contact with the client and personal attention make up a natural part of our day-to-day banking operations. A high level of banking expertise combined with efficient processes enable decisions to be made quickly and precisely.

Real estate, securities and the shipping and offshore sectors

Since its formation, Pareto Bank has established a firm foothold in the market for financing residential and commercial property development projects in the Oslo region. The bank also offers long-term financing, with a particular emphasis on second mortgages on commercial properties.

The bank offers a full range of securities financing products and investment services and in this area has access to expertise, clients and efficient system solutions through the Pareto group.

In 2011, the bank established its shipping and offshore financing department. The motivation for this venture is to take greater advantage of the opportunities afforded by the bank's ties to the Pareto group.

The seventh year of operations

In its seventh year of operations, Pareto Bank's profits developed well. Post-tax profits increased by NOK 44.5 million to NOK 154.2 million. Total revenues increased to NOK 297.2 million (238.1 million). At the same time, operating costs and total loan loss provisions remained at more or less the same level as in the preceding year. Taken as a whole, this contributed to a very satisfactory increase in profits, with a return on equity in 2014 of 15.6 per cent after taxes (12.7 per cent) and earnings per share of NOK 181.43 (NOK 129.10).

At yearend 2014, the bank held total assets of NOK 11,340 million (8,890 million). At yearend, loans to customers stood at NOK 7,207 million, while undrawn credit facilities and guarantees amounted to NOK 1,780 million.

The deposit-to-lending ratio is high; customer deposits corresponded to almost 85 per cent of total lending to customers at yearend. Net outstanding securities debt at yearend amounted to NOK 2,351 million.

The common equity Tier 1 capital ratio at yearend 2014 was 12.13 per cent, while the primary capital ratio stood at 15.9 per cent. The bank

will continue to build up its equity from profits and a moderate net increase in credit.

During 2014, the Pareto Bank share was registered on the NOTC A-List operated by the Norwegian Securities Dealers Association, which has improved the liquidity of the share.

The biggest shareholders of Pareto Bank

Name	Stake
Pareto AS	15.00%
Société Générale SS SA (nom)	8.71%
Perestroika AS	8.43%
Geveran Trading Co Ltd.	8.02%
Indigo Invest AS	7.83%
Pecunia Forvaltning AS	3.38%

Senior staff of Pareto Bank ASA and senior staff of the Pareto group own a total of 3.8 per cent of the shares.

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Pareto Bank ASA

Dronning Mauds gate 3
P.O. Box 1823 Vika
0123 Oslo, Norway
Telephone: 24 02 81 20
Total assets 2014: NOK 11,340 million
Equity 2014: NOK 1,050 million
Number of employees: 29
CEO: Tiril Haug Villum
tiril.villum@paretobank.no
Chairman: Finn Øystein Bergh
www.paretobank.no

A history of success and profitability

Throughout its history, in good years and in bad, Pareto has continued to build value and make money. The group has never recorded a loss.

The first Pareto company was founded on 9 December 1985. Since then, Pareto has not only recorded significant organic growth, but has also moved into new areas of business through acquisitions.

Pareto was originally founded as a limited partnership owned by the partners. The present organisation of the company, comprising limited companies and internal partnerships, was introduced in connection with the establishment of Pareto's securities business in 1992.

The table below summarises a rich history of innovation, growth and changing framework conditions, through market rises punctuated by intermittent financial crises. The table shows that the company has developed a robust business model. Pareto has recorded a profit in every single year of its existence, with most

of these profits being retained within the company to fuel future growth. At the same time, the parent company has succeeded in building a securities portfolio with a book value of over NOK 4 billion, giving the company strategically valuable freedom of action and the ability to seize new opportunities as they arise.

A substantial proportion of the company's profits have been channelled to the employees and partners. Pareto's success is predicated on its skilled and diligent personnel.

Now, at the outset of 2015, Pareto is about to implement two mergers which will alter the structure of the group. However, the corporate culture and the business model, both of which have proved their worth in the face of changing fortunes, will live on unaltered.

	Revenues	Operating profit	Profit for the year	Equity	Oslo Børs
1992	40	9	8	43	-10.0%
1993	90	33	23	31	64.8%
1994	82	17	15	37	7.1%
1995	83	24	22	59	11.6%
1996	160	82	50	101	32.1%
1997	364	222	115	170	31.5%
1998	232	121	46	239	-26.7%
1999	291	162	71	293	45.5%
2000	548	313	149	432	-1.7%
2001	507	201	79	466	-16.6%
2002	458	164	41	435	-31.1%
2003	517	265	139	541	48.4%
2004	964	600	239	725	38.4%
2005	2 044	1 430	681	1 412	40.5%
2006	3 277	2 324	1 099	2 049	32.4%
2007	3 470	2 349	1 126	2 931	11.5%
2008	1 755	927	2	2 801	-54.1%
2009	1 606	832	715	3 270	64.8%
2010	1 899	1 024	650	3 310	18.3%
2011	1 678	748	436	3 707	-12.5%
2012	1 869	789	536	4 147	15.4%
2013	2 485	989	940	4 970	23.6%
2014	2 512	985	895	5 824	5.0%

Consolidated figures expressed in millions of Norwegian kroner. Operating profit is shown after bonuses and other variable employment remuneration, but before returns paid to silent partners. The parent company now holds a substantial portfolio of investments, as a result of which fluctuations in share prices may cause major variations in the performance recorded by the company. However, our accounting policies are prudent and conservative: we apply the tried and tested "lowest value principle" whereby our portfolio of securities is booked at the lower of historical cost and market value. Oslo Børs stock market returns are based on the Benchmark Index linked backwards to the former All Shares Index.

The Directors' report

Our business objectives

Pareto will continue to be developed as a financially sound, profitable and decentralised company with highly focused units. The aim of the Directors and the management of the company is that the cornerstone of the business should be the respect and trust of the company's employees, clients, competitors and of the public authorities.

Operations

The company's business is the provision of financial advisory services, brokerage in the field of securities, ships, real estate and insurance, project financing and project development and asset management. Pareto's head office is located in Oslo. Most of the group's business activities are conducted through the subsidiaries Pareto Securities AS, Pareto Project Finance AS, Pareto Forvaltning AS, Pareto JGO Shipbrokers AS, Pareto Bassøe Shipbrokers AS, Pareto Wealth Management AS, Pareto Forsikringsmegling AS and Pareto Nordic Investments AS. Pareto AS is the parent company of the group.

The market

In 2014, the framework conditions within which the Norwegian economy operates took a sharp and pronounced turn for the worse with the substantial drop in the price of oil – from USD 112 a barrel at the end of the first half of the year to just USD 57 by the end of the year. This triggered a more pronounced general level of pessimism and a fairly immediate drop in the price of oil-related stocks, as well as higher risk and required rates of return for corporate bonds issued by companies in oil-related businesses.

Pareto has been concerned, and has been expecting, that the long-term effect for the Norwegian economy will be more far-reaching. A lower oil price and the prospect of slimmer investment budgets in the oil industry will also impact on the mainland economy. According to our estimates, there will be a lag of some six quarters, which means that we have yet to see the full impact of the drop in the oil price. However, the financial markets will attempt to discount these effects. For example, from its peak at the end of June 2014, Oslo Børs fell by more than one third.

For the companies in the Pareto group, there are two factors that pull in the opposite direction. One of these is the lower level of interest rates. During the course of 2014, the money market rate (3-month NIBOR) fell from 1.69 per cent to 1.48 per cent, while the yield on 10 year Norwegian government bonds was reduced from 3.04 per cent to 1.61 per cent. This had the effect of reducing both the opportunity cost and the discount rate for the investment products that the Pareto group buys/sells or manages.

The second factor is the weakening of the rate of exchange of the Norwegian krone. During 2014, one US dollar bought 22 per cent more kroner. In the case of the euro, the increase was eight per cent. Obviously, the weakening of the kroner was triggered by the drop in the price of oil, but it is of particular importance to other export industries where earnings are more marginal. Unless the Norwegian krone recovers its strength in relation to the currencies of our trading partners, the effect will be a substantial cushioning of the downturn in the mainland economy.

Future movements in the rate of exchange of the krone will be sensitive to the interest-rate decisions adopted by Norges Bank. Since Norway is now in a situation in which a weak currency must be viewed as advantageous, as a consequence of which the central bank will not face the inflation management dilemma that it has at times been confronted with in the past, there are reasons for believing that Norges Bank will pursue a low interest rate path for the foreseeable future.

The Norwegian stock market reacted to these developments with a modest uptick in 2014. In other markets without the same oil exposure, like Sweden or the United States, the upturn was more pronounced. For Pareto, the economic climate prevailing in 2014 must, on the whole, be seen as favourable, even though the second half of the year was undoubtedly more challenging for some of the subsidiaries of the group.

Earnings

Developments in the securities markets have a significant impact, directly and indirectly, on Pareto's income statement. Last year's changeable markets gave very mixed impulses to the operations of the group. Nevertheless, the income statement must be described as very satisfactory, both taken as a whole and for the majority of the activities of the group. In the assessment of the Directors, Pareto's operating model once again played its part in ensuring that attention was focused on prudent shop keeping, sensible cost levels and low risk.

The parent company of the group has for many years invested surplus liquidity in the securities market and has built up a relatively substantial portfolio of securities, much of which is in the form of investments in the group's own investment products. The value of this portfolio developed well in 2014.

The consolidated income statement recorded in 2014 does not vary greatly from the income statement recorded one year earlier. Group operating revenues in 2014 amounted to NOK 2,512 million, compared with NOK 2,485 million in 2013. Operating profit was NOK

985 million, as against NOK 989 million in 2013. Pre-tax profits totalled NOK 1,165 million, compared with NOK 1,174 million in 2013.

The financial strength and liquidity of the group are good. Book equity at yearend stood at NOK 5,824 million. Bank deposits totalled NOK 2,060 million. Of the group's portfolio investments, over 80 per cent are in equity instruments. The group has limited interest-bearing debt.

The Directors are satisfied with the progress made by the subsidiaries and have elected to continue the long-term investment strategy of the parent company. Distributions received from the subsidiaries will largely be applied in the development of new ventures or invested in equities and other securities.

Pareto Securities

For Pareto Securities, a strong performance in the first six months of 2014 was followed by a more challenging second half. Total revenues for the year exceeded NOK 1.5 billion, a modest reduction on the over NOK 1.6 billion reported in 2013, which was an outstanding year, and the pre-tax operating profit was NOK 466 million, compared with the NOK 557 million reported in 2013. A continued conservative stance on risk has ensured that losses on accounts receivable and own positions have been limited.

The company maintained its leading position in the Nordic capital market, recording substantial growth within equity issues and mergers and acquisitions. This year, the company took part in 56 equity capital placements to a total value of NOK 42 billion, an increase of almost 70 per cent. Activity levels were especially high in shipping, in which area the company was involved in raising NOK 28 billion.

2014 was yet another record year for high-yield bond loans, both in the Nordic region and internationally. Pareto Securities was involved in arranging placements of high-yield bond issues to a value of over 40 billion for, amongst other clients, Aker, Klavness, Ocean Yield and Prosafe. As sole book-runner and manager, Pareto Securities raised USD 725 million for Oro Negro Drilling, last year's biggest single transaction in the Nordic high-yield market.

Pareto Securities also advised on a number of major M&A transactions, including the acquisitions of listed companies Eltek and Sølvtans, as well as the sale of companies that included Jaya Holding, SveaReal, Mintra Trainingportal and Signal Bredbånd, as well as the Aker Solutions demerger.

Despite the falling oil price, subsidiary Pareto Offshore notched up yet another year of impressive results.

For the Pareto Securities group, approximately 80 per cent of revenues were related to issuers and investors outside Norway. The company continued its international expansion with the establishment of operations in Perth, Los Angeles, Calgary and Aberdeen. At the end of 2014, the company was also in the process of opening a representative office in Paris.

In 2015, the company will merge with Pareto Project Finance. The amalgamated company will have 420 employees and will be a substantial entity with a broad network of international contacts.

Pareto Project Finance

For Pareto Project Finance, 2014 was a particularly prosperous year. Operating revenues continued to rise, from NOK 252 million to NOK 399 million, while the operating profit increased from NOK 131 million to NOK 237 million.

The company advised on and was involved in the acquisition and syndication of real estate to a total value of approximately NOK 22 billion, a major increase on the approximately NOK 6 billion recorded the year before, and the purchase/sale and syndication of shipping/offshore projects to a value of approximately NOK 6 billion, up from NOK 3.5 billion in 2013. In the assessment of the Directors, there can now be no doubt that Pareto Project Finance has consolidated its position as the largest player in the Norwegian project financing market.

PPF opened a branch office in Stockholm in 2014. The new branch provides a full range of project financing services, the focus at present being on real estate. The company already has an office in Singapore and, at yearend, had plans in place to set up operations in both the UK and the US. The Directors see this process of internationalisation as the logical next step in the work to ensure continued profitable growth. This process will be brought to fruition with the merger with Pareto Securities, which will enable each company to derive mutual benefit from the other company's international contact network and selling power.

The trading volume of Pareto Project Finance's brokerage desk exceeded NOK 3.9 billion in 2014, measured in terms of project value.

At yearend, the subsidiary Pareto Business Management managed approximately 184 investment companies with a gross value of NOK 46 billion on behalf of Norwegian and international investors.

Pareto Forvaltning

Due to the weak market in the latter half of 2014, Pareto Forvaltning was unable to repeat the sterling performance of previous years, and operating revenues were down from NOK 302 million to NOK 278 million. The operating profit ended up at NOK 166 million, down from the figure of NOK 187 million recorded in the preceding year.

Assets under management increased from NOK 41.5 billion to NOK 45 billion. Some movement out of Norwegian shares was compensated for by substantial net subscriptions and high absolute returns on global equities, as well as continued high inflows of client funds into corporate bonds. Moreover, positive returns were also recorded on Norwegian equities, notwithstanding the steep drop in oil prices in the second half of the year. For the high-yield fund Pareto Kreditt, however, the reduction in the oil price meant a small negative return.

The assets under management also include liability management, which at yearend amounted to no less than NOK 10.9 billion.

Measured against their respective benchmark indices, only the discretionary management of Norwegian equities succeeded in creating excess return in the stock market in 2014. Even so, the long-term results in both the Norwegian and the global portfolio of equities are good, with a substantial excess return since start-up or the introduction of the current management team. This entails that

a not-insubstantial portion of the assets under management represents accumulated returns for current unit owners.

Last year, the company's portfolio of Norwegian fixed-income funds grew to NOK 12.3 billion. Most of this was in corporate bonds, making the company a major operator by Nordic standards.

In 2014, Pareto Forvaltning, too, opened an office in Stockholm, from which the company is planning to launch a new fund for global corporate bonds. The launch date is expected to be in March 2015.

Furthermore, in 2015 the company will merge with Pareto Nordic Investments. With this, all the fund management activities of the Pareto group will finally be concentrated in a single company. The assets under management of the merged company will be of the order of NOK 50 million.

Pareto JGO Shipbrokers and Pareto Bassøe Shipbrokers Once again, Pareto JGO Shipbrokers bested their performance in the preceding year. Notwithstanding a market that had grown more challenging by the autumn of 2014, the company succeeded in increasing revenues from NOK 76 million to almost NOK 87 million, while the operating profit rose to NOK 49 million (NOK 41 million in 2013), making 2014 the best year in the company's history.

Furthermore, during 2014 the company purchased UK shipbrokers Derrick Offshore. The combined brokerage business will be one of the biggest in the segment of the global oil and offshore industry in which the two firms operate. Consolidated operating revenues amounted to almost NOK 101 million, and the operating profit ended at NOK 44 million. Here, goodwill amortisations detracted more than a few months' share of profits added.

For the brokers at Pareto Bassøe Shipbrokers, 2014 was yet another year of mixed fortunes. In a still-depressed market for dry bulk charters, Pareto Dry Cargo was able to maintain operating revenues of NOK 13 million and an operating profit of over NOK 6 million, matching the performance recorded in the preceding year. With revenues of less than NOK 4 million and a pre-tax operating loss of NOK 78,000, P.F. Bassøe's performance in 2014 was, once more, poor – albeit an improvement on the loss of NOK 1.2 million reported in 2013. The market for tanker charters remained weak in 2014.

Pareto Wealth Management

Pareto Wealth Management's operating revenues were down from NOK 83 million in 2013 to NOK 77 million in 2014, while the operating profit fell from NOK 14 million to NOK 11 million. This fall can largely be attributed to a lower share of success fees and, to some extent, to non-recurring costs in connection with the transition to a new IT system. This system has now been implemented. Underlying earnings are showing clear signs of improvement.

Attention was focused throughout the year on developing and honing the company's investment advisory services and product menu. The revenue-generating portfolio has now grown to well over NOK 8 billion.

Pareto Forsikringsmegling

In its fourth full year of operations as part of the Pareto group, Pareto Forsikringsmegling succeeded in not only maintaining, but

also increasing its profitability. Operating revenues were down from NOK 72 million to NOK 68 million, but this was compensated for by lower costs. As a consequence, the operating profit increased from NOK 20 million to NOK 21 million.

The company provides brokerage and advisory services within non-marine insurance to large and medium-sized enterprises in the public and private sectors in Norway.

Pareto Nordic Investments

At year-end, Pareto Nordic Investments had total assets under management of almost NOK 4 billion, up from NOK 2.4 billion one year earlier. The company launched a new fund in 2014, Pareto Total, with a major subscription from the parent company, Pareto AS. In addition, healthy returns on the company's funds have made a marked contribution to increasing assets under management.

The company manages a variety of funds with an emphasis on Nordic securities. At yearend, a decision had been adopted to merge two of the funds. The accounts report net operating revenues of NOK 41 million and an operating profit of just under NOK 12 million. Both figures represent a modest decline on the figures reported one year earlier, a consequence of lower success fees recorded by some of the company's funds.

Pareto Bank

In January 2007, Pareto AS was the instigator of a project to found a new bank in Norway. The bank opened for business on 4 January 2008.

In accordance with the terms of the licence, Pareto AS holds a 15 per cent stake. Senior employees of Pareto Bank and of the Pareto group owned a total of 3.83 per cent of the shares at yearend.

Pareto Bank specialises in providing banking services for three customer segments: real estate, securities and shipping/offshore. The bank collaborates with other companies in the Pareto group, not least in terms of securities lending.

In its seventh year of operations the bank recorded an operating profit of NOK 209 million, as compared to NOK 153 million, NOK 94 million, NOK 66 million and NOK 31 million in the four preceding years.

Total assets stood at NOK 11.34 billion at yearend, as compared with NOK 8.89 billion at the end of the preceding year.

Pareto's strategy

Pareto's strategy is unaltered: to be a leading, independent Norwegian investment company in which the individual subsidiary has a decentralised and focused strategy.

Although priority is given to organic growth and the development of in-company expertise, acquisitions and mergers will also be options if they serve to develop and complement the company and extend the product range. Pareto will cooperate with other players wherever appropriate and whenever doing so will offer our clients the optimum product.

Pareto's aim is to be the preferred Nordic provider of financial

services, reflecting the company's thorough and detailed knowledge of social conditions, industries and individual companies. The energy and maritime sectors represent examples of industries of this nature.

The Directors believe that based on the group's proven ability to adapt and change, Pareto still has considerable potential for improvement and growth. One example of this is provided by the way in which Pareto has used its core expertise in selected industries as a platform for international expansion.

Outlook

In addition to its own efforts and development, Pareto's earnings are influenced by the general levels of activity in the financial markets.

Pareto has a modest cost structure and a very sound balance sheet and is therefore well equipped to tackle market challenges, as amply evidenced by developments in recent years.

Following constantly-recurring uncertainty in the wake of the financial crisis, optimism and a willingness to invest seem to have revived somewhat throughout the world. Although factors such as high sovereign debt, a need for long-term austerity measures and political unrest have by no means been eliminated, examples nevertheless abound of well-run companies producing satisfactory results.

Now, however, a new challenge has arisen: the drop in the oil price. Whereas in recent years the Norwegian economy has stood out as far healthier and sounder than most other developed economies, the high level of petroleum activity has probably been a more important driver of growth in the Norwegian mainland economy than many observers seem to have appreciated. This issue has now been brought to the fore by the substantial drop in the price of oil.

Historically, the Pareto group has focused on petroleum and offshore related industries and the group's exposure to these industries remains considerable. Accordingly, even though Pareto has been concerned about and prepared itself for a situation of this nature by building more stable sources of income and expanding internationally, the group nevertheless remains very vulnerable to major, long-term fluctuations in the oil price and, not least, to an oil price that remains low over a long period of time.

On the other hand, the Pareto group will on the whole benefit from a lower level of interest rates and a weaker Norwegian krone, even though there is no denying that both of these factors reflect weak-

nesses in the real economy, both for the West in general and for the Norwegian economy, both within and outside the oil industry, in particular. Furthermore, Pareto has a fundamental belief in oil and offshore related industries. This belief remains unshaken, even in the face of the cyclical fluctuations that we are now experiencing.

While entirely aware of these challenges, the Directors have a fundamentally optimistic outlook and take a positive view of Pareto's prospects, not only in the coming year but also in the longer term.

Distribution of profits and other matters

In addition to its role as the parent company of the group, Pareto AS' operations consist of investing in various securities. The company is exposed to market risks on its own holdings of financial instruments. In addition, its subsidiaries are exposed to risks associated with a limited amount of market making and client payments.

The working environment within the companies in the group is good and it has not been necessary to implement special measures. The level of absence due to sickness within the group is low and no injuries or accidents were reported during the reporting year. The group practises equality of opportunity between men and women. In its recruitment policy the company makes a deliberate effort to attract the ablest candidates without discriminating on the basis of gender, ethnicity or other factors.

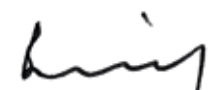
The company is not involved in research and development activities. The company's operations are not such that they pollute the external environment.

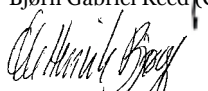
The group's profit after tax cost totals NOK 894.6 million. The parent company's after-tax profit is NOK 699.5 million. The Directors propose that the entire profit after taxes be transferred to Other Equity.

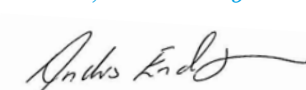
At yearend, owner's equity in the parent company had increased to NOK 4,895.4 million. Consolidated book equity stands at NOK 5,824.3 million.

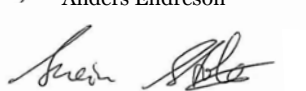
The Annual Report and Accounts are rendered on the going-concern assumption, which assumption still applies. The Directors consider that the accounts give a true picture of the Pareto group's assets and liabilities, its financial situation and profits. The Directors wish to thank our employees for their excellent work in the past year and the group's clients for the trust they have continued to place in us.

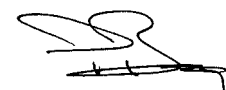
Oslo, 12 March 2015

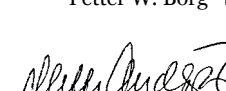

Bjørn Gabriel Reed (Chairman)


Ole Henrik Bjørge


Anders Endreson


Svein Støle (Director/CEO)


Petter W. Borg


Mette Andersen

Income Statement

Parent company (NOK '000)

Group (NOK '000)

2013	2014		Notes	2014	2013
		Operating revenues			
0	0	Operating revenues	2	2 511 861	2 485 211
0	0	Total operating revenues		2 511 861	2 485 211
		Operating expenses			
-7 352	-8 818	Personnel costs	3	-1 169 859	-1 162 154
-2 814	-1 846	Sundry other operating costs		-337 252	-320 430
-17	-17	Ordinary depreciation & amortisation	4	-20 123	-13 305
-10 183	-10 681	Total operating expenses		-1 527 234	-1 495 889
-10 183	-10 681	Operating profit/loss		984 627	989 322
		Financial income/expenses			
197 244	319 878	Financial income		374 412	243 657
385 466	486 508	Share dividends		98 361	81 624
44 627	-45 712	Adjustments, securities	10	-48 566	53 004
10 365	6 466	Share of associated companies	5	6 466	10 365
-115	-108	Interest paid		-7 090	-10 037
-1 631	-10 551	Other financial expenses		-243 626	-193 912
635 956	756 481	Total financial income/expenses		179 957	184 701
625 773	745 800	Income before tax		1 164 584	1 174 023
-12 631	-46 309	Tax cost	13	-269 944	-233 962
613 142	699 491	Profit for year		894 640	940 061
		Allocations:			
0	0	- Minority's share of profit		-69 816	-18 454
0	0	- Provision for dividend		-51 260	-116 249
-613 142	-699 491	- Transferred to other equity		-773 564	-805 358
-613 142	-699 491	Net		-894 640	-940 061

Balance Sheet - Assets

Parent company (NOK '000)

Group (NOK '000)

31.12.2013	31.12.2014	Fixed assets	Notes	31.12.2014	31.12.2013
		Intangible assets			
		Goodwill acquired	4	58 150	0
584	68	Deferred tax assets	13	55 699	39 818
584	68	Total intangible assets		113 849	39 818
		Property, plant & equipment			
329	312	Fixtures, fittings, machinery etc.	4	36 515	31 780
		Financial fixed assets			
430 854	490 854	Shares in subsidiaries	5	0	0
21 878	27 524	Shares in associated companies	5	27 524	21 878
53 700	53 700	Other securities	6	60 900	56 419
403	306	Other non-current receivables	7	16 281	1 688
264	233	Premium fund	8	612	774
507 099	572 617	Total financial fixed assets		105 317	80 759
508 012	572 997	Total fixed assets		255 681	152 357
		Current assets			
		Receivables			
0	0	Trade receivables		691 612	1 296 543
39 416	40 061	Other receivables	9	286 650	261 733
39 416	40 061	Total receivables		978 262	1 558 276
		Investments			
3 541 802	4 266 668	Securities	10	4 986 326	4 257 113
3 541 802	4 266 668	Total investments		4 986 326	4 257 113
121 214	68 796	Bank deposits	11	2 059 567	1 575 077
3 702 432	4 375 525	Total current assets		8 024 155	7 390 466
4 210 444	4 948 522	Total assets		8 279 836	7 542 823

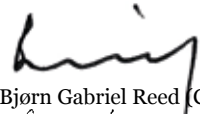
Balance Sheet – Equity and Liabilities


Parent company (NOK '000)

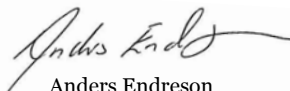
Group (NOK '000)


31.12.2013	31.12.2014	Equity	Notes	31.12.2014	31.12.2013
		Paid-in capital			
22 000	22 000	Share capital		22 000	22 000
50 138	50 138	Share premium reserve		0	0
72 138	72 138	Total paid-in capital		22 000	22 000
		Retained earnings			
4 123 793	4 823 284	Other equity		5 618 036	4 835 797
4 123 793	4 823 284	Total retained earnings		5 618 036	4 835 797
		Minority interests		184 313	112 421
4 195 931	4 895 422	Total equity	12	5 824 349	4 970 218
		Liabilities			
		Provision for commitments			
0	0	Pension commitments	8	4 039	4 465
0	0	Other long-term commitments	4	3 016	6 032
0	0	Deferred tax	13	374	399
0	0	Total provision for commitments		7 429	10 896
		Non-current liabilities			
0	0	Capital contributed by silent partners		25 742	25 367
0	0	Total non-current liabilities		25 742	25 367
		Current liabilities			
4 241	7 707	Other current liabilities	9	2 064 972	2 160 513
0	0	Financial instruments	10	0	1 744
10 176	45 301	Tax payable	13	268 296	229 895
0	0	Dividends		51 260	116 249
96	92	Government charges and special taxes payable		37 788	27 941
14 513	53 100	Total current liabilities		2 422 316	2 536 342
14 513	53 100	Total liabilities		2 455 487	2 572 605
4 210 444	4 948 522	Total liabilities and equity		8 279 836	7 542 823

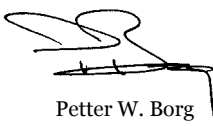
Oslo, 12 March 2015



Bjørn Gabriel Reed (Chairman)


Ole Henrik Bjørge


Anders Endreson


Svein Støle (Director/CEO)


Petter W. Borg


Mette Andersen

Cash Flow Statement

Parent company (NOK '000)

Group (NOK '000)

2013	2014		2014	2013
		Cash flow from operational activities		
625 773	745 800	Ordinary profit before income tax	1 164 584	1 174 023
-37	-10 668	Tax paid in period	-247 449	-155 434
17	17	Ordinary depreciation and amortisation	20 123	13 305
-44 627	45 712	Securities adjustments	48 566	-53 004
-9	31	Net change in pensions without cash effect	-264	4 052
-2 800	0	Other items without cash effect	8 961	0
-10 365	-6 466	Share of profits of associated companies	-6 466	-10 365
2 555	-645	Change in receivables	580 014	-345 869
396	3 462	Change in other debt items	-87 438	347 299
570 903	777 243	Net cash flow from operational activities	1 480 631	974 007
		Cash flow from investment activities		
0	0	Payments for purchases of tangible assets	-19 567	-13 129
-499 908	-770 578	Net cash flow, short-term investments	-777 779	-497 724
-147	-60 000	Payments for purchases of financial fixed assets	-85 531	-2 756
3 394	917	Received from sales of financial fixed assets	820	2 450
-496 661	-829 661	Net cash flow from investment activities	-882 057	-511 159
		Cash flow from financing activities		
0	0	Dividends paid	-116 249	-72 920
0	0	Change non-current commitments and liabilities	375	-49 704
0	0	Payments of equity to/from minority interests	1 790	-729
0	0	Net cash flow from financing activities	-114 084	-123 353
74 242	-52 418	Net change in bank deposits	484 490	339 495
46 972	121 214	Bank deposits in hand at 1 Jan.	1 575 077	1 235 582
121 214	68 796	Bank deposits in hand at 31 Dec.	2 059 567	1 575 077

Notes to the Accounts

Note 1 Group structure

- **Pareto AS** owns 75 per cent of Pareto Securities AS, 82.9 per cent of Pareto Project Finance AS, 83.2 per cent of Pareto Forvaltning AS, 100 per cent of Pareto Bassøe Shipbrokers AS, 100 per cent of Pareto Commodity AS, 100 per cent of Pareto JGO Shipbrokers AS, 100 per cent of Pareto Forsikringsmegling AS, 100 per cent of Pareto Wealth Management AS, 100 per cent of Gazza Eiendom AS, 100 per cent of Pareto Online AS, 100 per cent of Pareto Nordic Investments AS and 100 per cent of Vilfredo Kapitalforvaltning AS.
- **Pareto Securities AS** owns 100 per cent of Pareto Securities AB, 100 per cent of Pareto Securities Inc, 100 per cent of Pareto Securities Pte Ltd, 100 per cent of Pareto Securities Oy, 100 per cent of Pareto Securities Representação Ltda, 100 per cent of Pareto Securities Ltd, 100 per cent of Pareto Securities Pty Ltd, 87 per cent of Pareto Offshore AS and 60 per cent of North Atlantic Seafood Forum AS.
- **Pareto Project Finance AS** owns 100 per cent of Pareto Business Management AS, Pareto Eiendom AS, Pareto Maritime Services AS and Pareto Project (Asia) Pte. Ltd.
- **Pareto Bassøe Shipbrokers AS** owns 100 per cent of P.F. Bassøe AS and Pareto Dry Cargo AS.
- **Pareto Commodity AS** owns 100 per cent of Pareto Commodity Consulting AS.
- **Pareto Forsikringsmegling AS** owns 100 per cent of Pareto Forsikringsrådgivning AS.
- **Pareto JGO Shipbrokers AS** owns 100 per cent of Derrick Offshore Ltd.

Consolidation principles

Investments in subsidiaries are valued at procurement cost. In the consolidated accounts, the cost price of shares in the subsidiaries is eliminated against the share capital in the subsidiaries at the time of purchase. Inter-company transactions, receivables and debts as of 31 December are eliminated in the consolidated accounts. Investments by subsidiaries in companies that are the principals in internal partnerships in which the principal holds a small ownership interest, for example 1 per cent, are valued in the consolidated accounts at cost.

Accounting principles

The annual accounts are prepared in accordance with the rules provided for in the Norwegian Accountancy Act. Income items are recognised as earned and when claims for payment arise. Income is recognised at the value of the payment at the time of the transaction.

Assets intended for permanent ownership or use are classified as non-current. Other assets are classified as current assets. Receivables payable within one year are classified as current assets. Corresponding criteria are applied for classifying current and non-current liabilities.

Fixed assets are valued at procurement cost, but are written down to their real value when a drop in value is not expected to be temporary. Assets with a limited economic life are depreciated systematically. Long-term loans are entered in the balance sheet at the nominal sum received at the time of establishment of the loan.

Investments in companies in which the company owns between 20 and 50 per cent and has a significant influence, are reported according to the equity method.

Current assets are valued at whichever is the lower of procurement cost and fair value. Current liabilities are entered in the balance sheet at the nominal sum received at the time of establishment. Current liabilities are not written up to their fair value as a consequence of changes in interest rates.

Some items are valued according to other principles, as explained below.

The operational subsidiaries are principals in their respective internal partnerships. Accounts for the internal partnerships are incorporated in the principals' accounts, based on gross values. Silent partners' shares of the internal partnerships' profits are debited as personnel costs and other financial expenses, respectively. Debts to silent partners are recorded under other current liabilities.

Provisions for bad debts are based on an assessment of the individual receivable. In addition, a provision is made to cover estimated losses on other trade receivables.

Financial instruments in the trading portfolio that are traded on an efficient market are valued at their fair value as of the balance sheet date. Other financial instruments are valued at whichever is the lower of the average procurement cost and fair value as of the balance sheet date.

The companies in the group introduced a defined contribution pension scheme in 2006. Contribution plans are accrued according to the matching principle.

Tax cost is matched with the pre-tax book profit. Tax related to equity transactions is offset against equity. Tax cost consists of tax payable, change in deferred tax and reimbursements pursuant to the Tax Act.

Monetary items in foreign currencies are translated at the rate of exchange applicable on the balance sheet date.

Notes to the Accounts

Note 2 Operating revenues, consolidated

(NOK '000)

	2014	2013
Brokerage/Corporate finance	2 029 412	1 983 569
Management/Business management	482 449	501 642
Total operating revenues	2 511 861	2 485 211

Note 3 Salaries, number of employees, remuneration etc.

(NOK '000)

	<i>Parent company</i>		<i>Consolidated</i>	
	2014	2013	2014	2013
Wages and salaries, holiday pay, nat. insurance	1 793	1 895	457 439	357 102
Profit-related remuneration	6 765	3 366	653 432	757 508
Pensions and other personnel costs	260	2 091	58 988	47 544
Total	8 818	7 352	1 169 859	1 162 154
Number of man-years	4	4	609	569

The CEO earned NOK 3,500,000 in remuneration in 2014. A provision of NOK 250,000 has been made for fees for the directors of the parent company. A provision of NOK 1,530,000 has been made for fees for the directors of the subsidiaries.

Deloitte AS received fees of NOK 142,000 for auditing the parent company and NOK 2,537,000 for the group. Payment for other assurance engagements totalled NOK 24,000 for the parent company and NOK 1,749,000 for the group. All figures are exclusive of VAT.

Note 4 Tangible fixed assets

	<i>Parent company</i>		<i>Group</i>	
	Fixtures & fittings, IT	Fixtures & fittings, IT	Goodwill	Badwill
Procurement cost 01.01	388	207 264	0	-15 080
Additions in year	0	19 196	66 457	0
Disposals/sale in year	0	690	0	0
Procurement cost 31.12.	388	225 770	66 457	-15 080
Acc. depreciation 01.01.	59	175 485	0	-9 048
Disposals/sale in year	0	1 062	0	0
Depreciation in year	17	14 832	8 307	-3 016
Acc. depreciation 31.12.	76	189 255	8 307	-12 064
Book value 31.12.	312	36 515	58 150	-3 016
Economic life	3-6 years	2-7 years	3 years	5 years
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line

The parent company has a 10-year lease on the premises at Dronning Mauds gate 1-3, which expires on 13 July 2020. The annual rent excluding common expenses is approximately NOK 20.5 million.

Notes to the Accounts

Note 5 Shares in subsidiaries

(NOK '000)

Company	Office	% stake and votes	Book value 31.12.
Pareto Securities AS	Oslo	75.0%	50 728
Pareto Project Finance AS	Oslo	82.9%	30 125
Pareto Forvaltning AS	Oslo	83.2%	15 443
Pareto Bassøe Shipbrokers AS	Oslo	100.0%	40 600
Pareto JGO Shipbrokers AS	Kristiansand	100.0%	108 500
Gazza Eiendom AS	Oslo	100.0%	23 906
Pareto Commodity AS	Oslo	100.0%	52 205
Pareto Wealth Management AS	Oslo	100.0%	74 739
Pareto Nordic Investments AS	Oslo	100.0%	16 193
Pareto Online AS	Oslo	100.0%	35 220
Pareto Forsikringsmegling AS	Oslo	100.0%	20 423
Vilfredo Kapitalforvaltning AS	Oslo	100.0%	22 772
			490 854

Shares in associated companies

(NOK '000)

Company Office in Pareto's stake	Fondsforvaltning Oslo 35.0%	Odin Marine New York 35–41%	Total associated companies
Procurement cost	40 001	30 906	
Equity at time of purchase	23 939	10 540	
Goodwill at time of purchase	16 062	20 366	
Opening balance 1 Jan.	7 189	14 689	21 878
Share of year's profit	1 115	5 351	6 466
Dividends received	-820	0	-820
		0	
Closing balance 31 Dec.	7 484	20 040	27 524

Note 6 Other shares/bonds

Other securities, parent company:	Number	Cost price	Book value
Pareto Bank ASA	127 500	53 700	53 700
Total other securities, parent company		53 700	53 700
Other securities, subsidiaries		7 200	7 200
Total other securities, group		60 900	60 900

The shares have an estimated value at least equal to book value.

Notes to the Accounts

Note 7

The parent company has granted employees/partners of the subsidiaries interest-bearing loans on which the outstanding balance as of 31 December 2014 is NOK 306,063.

Note 8 Pensions

The group has a defined contribution pension scheme as required under the Act concerning Mandatory Occupational Pensions. Premium paid in 2014 totalled NOK 31,000 for the parent company and NOK 5,832,000 for the group.

One subsidiary has two unsecured pension agreements, and a provision in the amount of NOK 4,039,000 has been made in the balance sheet for this commitment as of 31.12.2014. The provision has been calculated on the basis of the assumptions normally employed in the insurance industry.

Note 9

The parent company has claims in the amount of NOK 36,151,484 on group companies.
The parent company has debts of NOK 106,853 to group companies.

Note 10 Securities

(NOK '000)

Mutual funds, parent company	Cost	Book value
Fixed income funds	98 857	98 467
Direct investment funds	114 804	86 578
Equity funds	1 978 342	1 978 342
	2 192 003	2 163 387
Other securities, parent company		
Shares (NOK)	891 244	826 986
Shares (SEK)	66 626	66 626
Shares (EURO)	426 934	426 934
Shares (GBP)	78 558	68 463
Shares (CHF)	13 838	13 838
Shares (USD)	412 670	412 670
Bonds	256 799	256 799
Other securities	29 232	30 965
	2 175 901	2 103 281
Total securities, parent company		4 266 668
Mutual funds and other securities, subsidiaries		
		Book value
Shares and partnership interests		141 404
Norwegian government bonds		89 597
Bonds and certificates		189 885
Fixed income funds		156 310
Equity funds		142 462
Total securities, subsidiaries		719 658
Total securities, group		4 986 326

Notes to the Accounts

Note 11 Bank deposits

The parent company has a non-distributable deposit of NOK 49,000 lodged in an account for tax withholdings. The group's bank deposits include NOK 216,800,000 in non-distributable accounts, of which NOK 11,501,000 in accounts for tax withholdings.

Sums lodged in client accounts belonging to clients (client funds) are not recorded in the balance sheets of the companies.

Note 12 Equity

(NOK '000)

Parent company	Share capital	Share premium account	Other equity	Total
Equity as of 1 Jan.	22 000	50 138	4 123 793	4 195 931
Year's profit			699 491	699 491
Total equity as of 31 Dec.	22 000	50 138	4 823 284	4 895 422

Group	Share capital	Other reserves	Total
Equity as of 1 Jan.	22 000	4 948 218	4 970 218
Provision for dividends		-51 260	-51 260
Translation differences, subsidiaries		8 961	8 961
Net minority interests		1 790	1 790
Year's profit after tax		894 640	894 640
Total equity as of 31 Dec.	22 000	5 802 349	5 824 349

The share capital as of 31 Dec. is NOK 22,000,000, divided into 44,000 shares with a nominal value of NOK 500 each.

	Number of shares	% stake and voting
Svein Støle	35 000	79.5%
Skoghøy Invest AS / Anders Endreson	6 000	13.6%
Svele AS / Svein Støle	3 000	6.8%
	44 000	100.0%

There are two classes of shares. Shares owned by Svele AS are classified as B shares and carry a preferential right to dividends as determined by the General Meeting.

Notes to the Accounts

Note 13 Taxes

(NOK '000)

Parent company

Group

2013	2014		2014	2013
625 773	745 800	Profit before income tax	1 164 584	1 174 023
-586 289	-570 570	Permanent differences	-145 535	-259 970
1 442	-1 910	Change in temporary differences	62 423	-18 872
40 926	173 320	Year's tax base	1 081 472	895 181
11 459	46 796	Tax payable	287 679	241 573
-1 283	-1 495	Tax payable, withholding	-19 383	-11 678
10 176	45 301	Total tax payable	268 296	229 895
		Specification of temporary differences		
-2 309	-390	Current assets	-32 575	-10 213
246	217	Tangible fixed assets	-131 515	-98 453
-99	-79	Intangible assets	-6 199	-7 745
0	0	Remaining loss for carrying forward	-35 818	-21 272
-2 162	-252	Basis for calculating deferred tax benefit/tax	-206 107	-137 683
-584	-68	27% deferred tax benefit/tax	-55 325	-39 419
		Year's tax cost		
12 975	45 301	Tax payable	286 184	243 089
38	492	Tax correction for earlier years	-332	796
-382	516	Change in deferred tax benefit/tax	-15 908	-9 923
12 631	46 309	Tax cost	269 944	233 962
2.0%	6.2%	Effective rate of taxation	23.2%	19.9%
		Reconciliation from nominal to true tax cost		
175 216	201 366	Anticipated tax cost at nominal rate	314 438	328 726
-161 301	-154 054	Permanent differences	-39 823	-71 358
-1 284	-1 003	Other items	-4 671	-23 406
12 631	46 309	Tax cost	269 944	233 962

Notes to the Accounts

Note 14

DNB has furnished guarantees for Pareto Securities AS and the company's participation in securities settlements with Norges Bank in the amount of NOK 100 million. These guarantees are secured by a first priority factoring lien on trade receivables and a lien on short-term securities.

Pareto Securities AS has given the Monetary Authority of Singapore an undertaking that it will cover any commitments its subsidiary Pareto Securities Asia Pte Ltd may have, to a maximum limit of SGD 12 million.

Note 15

The parent company is exposed to the risk of fluctuations in the price of its own securities. In addition, the subsidiaries are subject to risks linked with their own trading, market making and payments from clients.

The financial market risk relating to the business of the subsidiaries is managed according to the rules of the Companies Act, the Securities Trading Act and the Risk Management and Internal Control Regulations issued by Finanstilsynet (The Financial Supervisory Authority of Norway).

Note 16 Related-party transactions

Svein Støle holds the controlling interest in the parent company, Pareto AS. No transactions were conducted with the controlling interest.

Sales of services to other group companies	49 195
Purchases of services from other group companies	3 761

Transactions with related parties are on arm's length prices and terms.

The amounts include costs invoiced by external suppliers passed on between group companies.



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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Pareto AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Pareto AS, which comprise the financial statements of the parent company, showing a profit of NOK 699.491.000, and the financial statements of the group, showing a profit of NOK 894.640.000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at December 31, 2014, 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 the Norwegian accounting act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Pareto AS and of the group as at December 31, 2014, and

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Registrert i Foretaksregisteret
Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

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 allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, March 13, 2015
Deloitte AS

Jørn Borchgrevink
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

The logo for Pareto, featuring a white stylized arc above the word "Pareto" in a serif font.

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