

# Pareto Annual Report 2013



# Contents

|   |           |
|---|-----------|
| This is the Pareto group .....                      | 4         |
| The Pareto group in 2013 .....                      | 5         |
| The market and the economy in 2013 .....            | 6         |
| Pareto Securities AS .....                          | 12        |
| Pareto Project Finance AS .....                     | 14        |
| Pareto Forvaltning AS .....                         | 15        |
| Pareto JGO Shipbrokers AS .....                     | 16        |
| Pareto Bassøe Shipbrokers AS .....                  | 17        |
| Pareto Wealth Management AS .....                   | 18        |
| Pareto Nordic Investments .....                     | 19        |
| Pareto Forsikringsmegling AS .....                  | 20        |
| Pareto Bank ASA .....                               | 21        |
| A history of success and profitability .....        | 22        |
| <b>The Directors' report .....</b>                  | <b>23</b> |
| <b>Income Statement .....</b>                       | <b>27</b> |
| <b>Balance Sheet – Assets .....</b>                 | <b>28</b> |
| <b>Balance Sheet – Equity and Liabilities .....</b> | <b>29</b> |
| <b>Cash Flow Statement .....</b>                    | <b>30</b> |
| <b>Notes to the Accounts .....</b>                  | <b>31</b> |

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 skilfulness 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, 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 Norwegian market for financial services. The company has offices in Oslo, Stavanger, Bergen, Trondheim, Kristiansand, Stockholm, Malmö, Helsinki, Copenhagen, London, Rio de Janeiro, Singapore, New York and Houston. 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 605 employees and shareholders' equity of some NOK 5.0 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 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. The company 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, business and industry and companies. Our aim is to create sound financial solutions 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 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/<br>financial advisory<br>services | Ship/offshore<br>brokerage | Project financing/<br>investment/<br>management | Asset management /<br>wealth management | Banking and<br>insurance     |
|---|----------------------------|---|---|------------------------------|
| Pareto<br>Securities                                    | Pareto Offshore            | Pareto Project<br>Finance                       | Pareto<br>Forvaltning                   | Pareto Bank                  |
|   | Pareto JGO<br>Shipbrokers  |   |   | Pareto<br>Forsikringsmegling |
|   | Pareto Shipping            |   |   |                              |
|   | Pareto Dry Cargo           |   | Pareto Nordic<br>Investments            |                              |
|   | P. F. Bassøe               | Pareto Business<br>Management                   | Pareto Wealth<br>Management             |                              |

# The Pareto group in 2013

*2013 was another year in which a lot could have gone wrong – but very little did. A new all-time high on Oslo Børs provided a fitting illustration of a year in which market confidence kept on improving and the willingness to invest increased.*

All in all, this train of events produced higher total revenues and higher profits for the Pareto group than were recorded in the preceding year.

- Revenues for the Pareto group amounted to NOK 2.5 billion (2012: 1.9 billion). The operating profit totalled NOK 989 million (789 million), and the pre-tax operating profit was NOK 1,174 million (689 million). The profit for the year was NOK 940 million (536 million). The group's losses on accounts receivable remain negligible. The total personnel count of the group is expanding slowly and has now reached 605. Shareholders' equity at yearend stood at NOK 5.0 billion.

- Pareto Securities maintained its leading position in the Nordic capital market, recording substantial growth within mergers and acquisitions and equity issues. The company took part in 47 equity capital placements to a value of in total NOK 25 billion, an increase of some 60 per cent. Activity levels were especially high in shipping, in which area the company was involved in raising NOK 15 billion. 2013 was a record year for high-yield bond loans, both in Norway and internationally. Pareto Securities registered a major spurt in activity, especially in Sweden. The company was involved in arranging placements of high-yield bond issues to a value of almost 40 billion for, amongst other clients, Seadrill, Aker, North Atlantic Drilling and Det norske oljeselskap. The company raised over NOK 25 billion in the oil and upstream services sector. As sole book-runner and manager, Pareto Securities raised USD 575 million for Sea Trucks Group Limited, last year's biggest single transaction in the Norwegian high-yield market. The company also advised on a number of major M&A transactions, including the acquisitions of listed companies Norway Pelagic, Bridge Energy and Discovery Offshore, as well as the sale of companies that included Øglænd System, RigNet, Berner Gruppen, Help Forsikring and Schat Harding.

- Pareto Project Finance consolidated its leading position in the market for project finance. The company advised on and was involved in the acquisition and syndication of real estate to a value of approximately NOK 6 billion and the purchase/sale and syndication of shipping/offshore projects to a value of approximately NOK 3.5 billion. At yearend, subsidiary Pareto Business Management managed some 170 investment companies with a combined gross value of NOK 40 billion.

- Pareto Forvaltning recorded its best performance ever. The company's global equities portfolio doubled its assets under manage-

ment on the back of substantial net subscriptions and high returns. During the course of its six-year history, the current management team has recorded an average excess return of 3.8 percentage points over the MSCI World Index. The excess return relative to Oslo Børs recorded by the company's portfolio of Norwegian equities since the company was founded in 1998 amounts to approximately 4.1 percentage points per year. In 2013, however, a significant negative excess return was recorded. Growth was strongest within the management of corporate bonds on the back of satisfactory returns and significant net new subscriptions. In this area assets under management now total NOK 11.4 billion, making the company a major player by Nordic standards.

- Pareto JGO Shipbrokers had yet another year of very high activity levels, reporting an even better result than in the preceding year. As in previous years, the lion's share was attributable to the offshore department. The company has a very healthy backlog of orders for the supply market.

- The fortunes of Pareto Bassøe Shipbrokers in 2013 were more mixed, with challenging freight markets. Even so, Pareto Dry Cargo reported a satisfactory result.

- Pareto Wealth Management was able to report a marked improvement in performance following further measures to increase efficiency and the continuing development of the company's investment products. Sound returns on client funds and increased net sales produced a substantial growth in assets under management.

- Pareto Bank's profit after taxes increased by over 60 per cent. Moderate growth in lending and a somewhat stronger increase in deposits brought total assets close to NOK 8.9 billion and the deposit-to-lending ratio to almost 85 per cent. The capital ratio increased to 14.7 per cent.

- In its third full year as part of the Pareto group, Pareto Forsikringsmegling reported a significant improvement in performance, notwithstanding consistently stiff price competition.

- Pareto Nordic Investments recorded its best performance in many years. Net subscriptions were not satisfactory, but consistently high returns on funds were accompanied by increases in assets under management and higher performance-based success fees.

# The market and the economy in 2013

*Globally, growth estimates were adjusted downwards. In Norway, warnings that the good times were over became increasingly more urgent. All the while the stock market rose to new all-time highs. In other words, 2013 was just another normal year.*

There will always be something to worry about. A recurring concern this year was the fear of weaker global growth, generally accompanied by references to higher property prices and speculative lending in China. When the IMF presented its usual autumn World Economic Outlook in October, the estimates for 2013 were adjusted downwards for the sixth time running – accompanied by warnings about the many things that could go wrong. The estimates for 2014 were also adjusted downwards, for the third time out of a total of three.

In the meantime, the MSCI World Index rose to new all-time highs. Measured in local currency, the index recorded a return of almost 30 per cent, its best performance since 1986.

Here in Norway concern about the growth of the Norwegian economy was increasing. Not only was it becoming increasingly more obvious that growth in the mainland economy would suffer as a consequence of weaker impulses from the petroleum sector; it was also very apparent that the wage costs shouldered by Norwegian business and industry had raced past the levels borne by our trading partners. Nor could any help be expected from housing investments, quite the contrary. During the course of the year, the forecasts for the Norwegian economy were adjusted downwards by a significant amount.

In the meantime, the Oslo Børs benchmark index hit an all-time high for the first time in over six years. Not unexpectedly, the

new record – which lasted for exactly 24 hours – attracted much attention.

## Increasing optimism ...

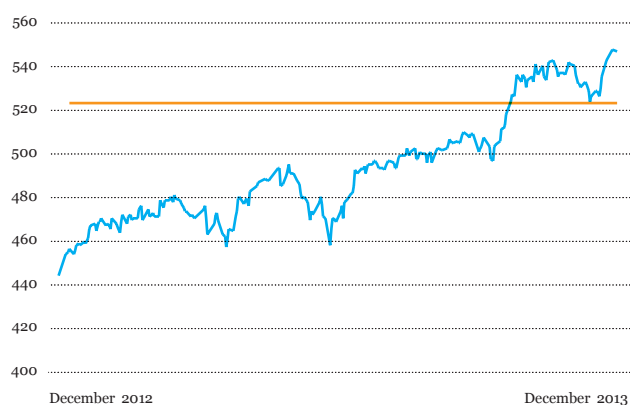
The attention focused on new all-time highs is as understandable as it is misunderstood. The market is destined to hit new peaks at regular intervals, quite simply because the listed companies normally operate at a profit. In fact, in aggregate, the constituent companies in the US S&P 500 index have never operated at a loss. Had it not been for fluctuations in price, the stock market would hit an all-time high every single day – in the same way that an ordinary savings account does.

That the new all-time high coincided with a rising torrent of negative signals is also entirely explicable. Three factors stand out as especially important.

Firstly, an increasing number of signals were received of new or increasing growth in countries that had long battled against stagnation or even recession, particularly European countries with absolutely no scope for fiscally stimulating their economies. Many key figures outstripped the predictions of the forecasters. The market became more confident in its belief in better times.

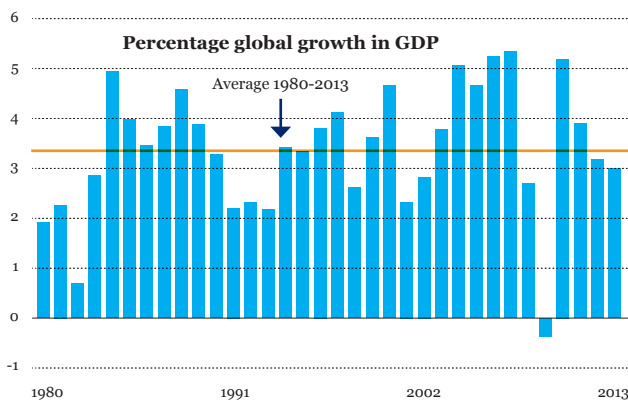
This might appear paradoxical, considering that a number of macro-economic observers were adjusting their estimates for both the global economy and the Norwegian economy downwards. Nor do

## The last peak is finally surmounted



The Oslo Børs benchmark index. Source: Oslo Børs

## Slightly below average



Source: IMF

provisional figures suggest that growth was especially strong in the year in question.

However, external studies as well as Pareto's own calculations show that there is no statistical connection between price changes and economic growth in the same year. On the other hand, however, there is a very clear connection between price movements in one year and economic growth in the *following year*.

From this perspective, the price rise foretold a far more optimistic outlook for 2014 than the estimates produced by various macro-economic observers, for example, Statistics Norway, which at the time of writing is forecasting GDP growth in Norway of 0.6 per cent.

Should we believe this more optimistic forecast? In purely statistical terms at least, there are grounds for doing so. Last year, Pareto documented that the World Index has been a far more accurate indicator of future growth than have the estimates produced by the IMF – even though in a number of circles the latter in many ways sets the tone. The strong link between developments in price and future growth has also been documented in other studies.

We know from past experience that there are many who find this surprising. They should not be surprised, however. After all, the stock market reflects the average of all active predictions about the future, or more precisely: all forecasts that are followed up by actual investment decisions. Accordingly, the market will normally be some way ahead of the real economy.

### ... higher pricing...

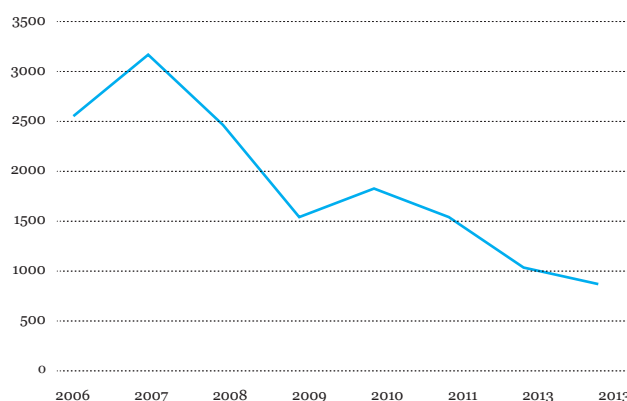
Secondly, increasing confidence and less uncertainty meant that investors reduced their risk aversion, and pricing rose. At the end of 2013 US stocks were priced at almost 2.7 times book equity, according to FactSet, while at just below 1.6 Norwegian stocks were signifi-

cantly more reasonable in price. Even so, the latter represented an upturn of close to 20 per cent. Measured against earnings, pricing increased by over 30 per cent, regardless of whether the comparison is with actual or estimated results.

Admittedly, 2013 ended with lower turnover of shares on Oslo Børs, as has now been the tendency over a number of years. Even so, the turnover for the year as a whole conceals the fact that month by month liquidity increased. At the start of the year, turnover was approximately half of what it had been at the same time in the preceding year. Towards the end of the year, turnover was substantially higher than in the corresponding period in 2012.

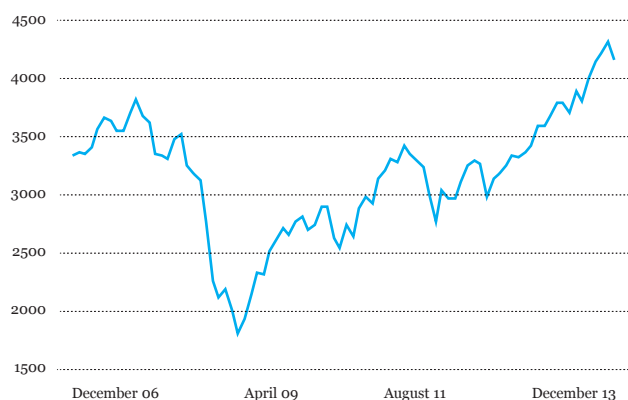
A similar pattern can be identified in asset management. For example, the month of December alone accounted for more than half

### The drought continues



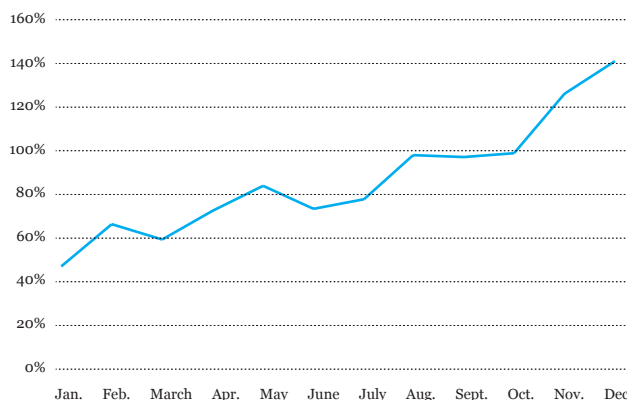
Total turnover of shares, equity certificates and ETFs on Oslo Børs in NOK billion. Source: Oslo Børs

### Towards new peaks



MSCI World net (excluding withholding tax), total return in US dollars. Source: MSCI

### The return of the much-missed willingness to invest



Total turnover of shares, equity certificates and ETFs on Oslo Børs, 2013 as a percentage of 2012, two months' moving average. Source: Oslo Børs.

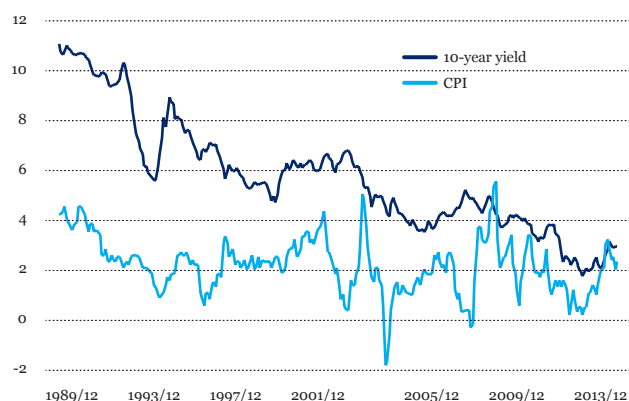
of net subscriptions for mutual funds for the entire year as a whole, according to the Norwegian Fund and Asset Management Association. The pattern isn't usually as sharply delineated as this, although December is normally a good month for funds.

### ... and very few tempting alternatives

And thirdly, the main alternative to equities did not look especially tempting. After interest rates had continued to fall for years in a row, in both nominal and real terms, the low rate of return on bank deposits and short-term fixed-income papers was not the only problem. The potential for further interest rate reductions, and with this an increase in the price of longer bonds, was clearly limited. As Norwegian central bank governor Øystein Olsen put it in his annual address in February 2014: "... But today there is no longer room for a considerable fall in interest rates."

Ice-skating legend Hjalmar Andersen, who as it happens died this year, once laconically remarked on the subject of the increasingly lower world speed-skating records that "they'll never get it down to zero". The central banks in a number of countries have demonstrated that key rates of interest are by no means governed by the same logic. The US target rate remains unchanged in the range 0-0.25 per cent (the actual rate is close to zero), while in Japan it remains at 0.1 per cent. Following two reductions during the course of the last year, the European key rate has now been reduced to 0.25 per cent. In Norway, the key rate has remained at an all-time low of 1.5 per cent.

### Shrinking potential



Yield to redemption 10-year government bonds and rolling 12-month changes in consumer price index. Source Norges Bank, Statistics Norway

One further effect of this has been lower money market rates here in Norway, with three month NIBOR having fallen from 1.832 to 1.69 per cent during the course of 2013.

Globally, not least in the United States, we have also seen that the move towards fixed-income funds has decreased or reversed. Here in Norway, net subscriptions for fixed-income funds totalled NOK 9.3 billion in 2013, down from NOK 32.3 billion the year before. However, at the same time these figures provide an excellent example of the way in which statistics can distort reality.

### High on high-yield

In actual fact, the market for corporate bonds was in sterling health in 2013. Risk premiums contracted, which resulted in a very satisfactory increase in the price of many corporate bonds, and the volume of issues scaled new peaks. In total, subscriptions for corporate bonds exceeded NOK 104 billion, of which a shade over NOK 61 billion in high-yield bonds.

In addition, we are seeing the emergence of a Nordic market for corporate bonds, which is attracting a great deal of interest not least from both issuers and investors in Sweden. The establishment of part-Norwegian-owned Swedish Trustee and a trustee services scheme based on the Norwegian model has created a relatively standardised institutional framework and provides improved scope for investors in both countries to diversify their portfolios of corporate bonds.

### Up from the yield trough



Yield to redemption 10-year government bonds during 2013. Source: Norges Bank



That short-term interest rates could continue to fall in such a lively market was due to the simple fact that the short end of the yield curve is not controlled by the market. The heftiest influence is wielded by central banks and politicians.

Long interest rates, however, are fairly freely fixed by the market. And, in fact, in this market, too, there were signs of an upturn. In Norway the yield to redemption on 10-year government bonds rose from 2.04 to 3.04 per cent – an increase of almost 50 per cent.

Thus during the course of 2013 the yield curve became much steeper. This is normally a sign of better times to come. So it would seem that both the stock market and the fixed-income market gave off the same signals about the future in 2013: clear signs of better times ahead.

### Saved by the fall of the kroner

One obvious question, however, is where times will get better. Whereas in recent years the Norwegian economy has surfed smoothly past the waves of concern that have washed over most other European countries, in 2013 we saw a combination of cautious optimism abroad and shrinking growth in the Norwegian economy. During the course of just a single year Statistics Norway downgraded its estimates of GDP growth for this year from 2.8 to 0.7 per cent, and from 2.9 to 1.8 per cent for the mainland economy.

In last year's annual report we presented the conclusions drawn

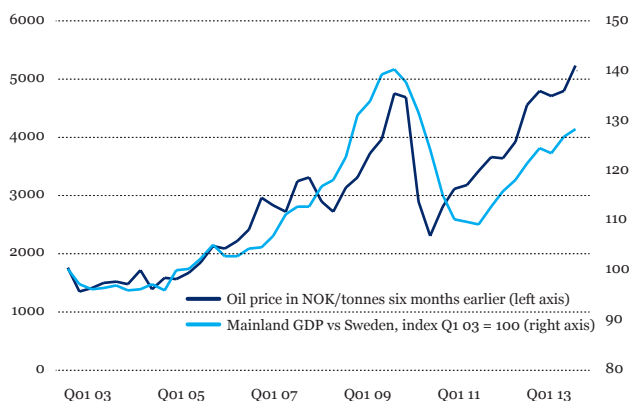
in an analysis showing how mainland Norway too had become dependent on oil. According to Pareto's calculations, "exports" from the mainland economy to the petroleum sector had reached a level of almost 10 per cent of mainland GDP, more than three times the total exports of goods and services to the entire Nordic region.

Much of this can be ascribed to the fact that producing oil had become more costly; more kroner per barrel accrued to subcontractors on the mainland. Measured in terms of funds not channelled to the Government Pension Fund Global this represented a total stimulus of the order of NOK 500 billion. The discussion about the expenditure of what is termed oil money – a few billion more or less in the national budget – paled by comparison.

In our assessment, this is one of the key reasons for why wage costs have also skyrocketed in other industries on the mainland. The Norwegian Technical Calculation Committee for Wage Settlements now estimates that average hourly wage costs for Norwegian industry in 2013 were a hefty 55 per cent higher than the rates borne by our trading partners in the European Union. Admittedly, after adjustments have been made for new basic data this corresponds to a reduction of two percentage points on the preceding year, but this reduction is due to a significant drop in the strength of the kroner.

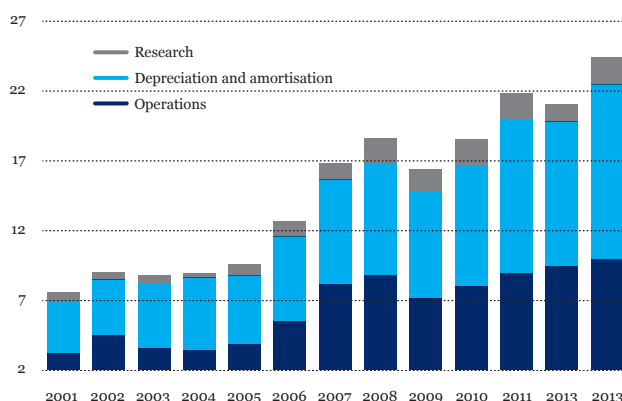
The drop in the value of the krone undoubtedly came as a surprise in many quarters. On the other hand, there can be no doubt that it arrived at a convenient time. Many exporters seem to have

### Oil-fired heating on the mainland



Sources: Pareto, SCB, Statistics Norway

### Costs continue to rise in the North Sea



Statoil's costs in Norway, US dollars per barrel. Source: Pareto Securities

rescued their otherwise failing margins in this way, at least in the short-term.

### A uniquely Norwegian rise in expenses

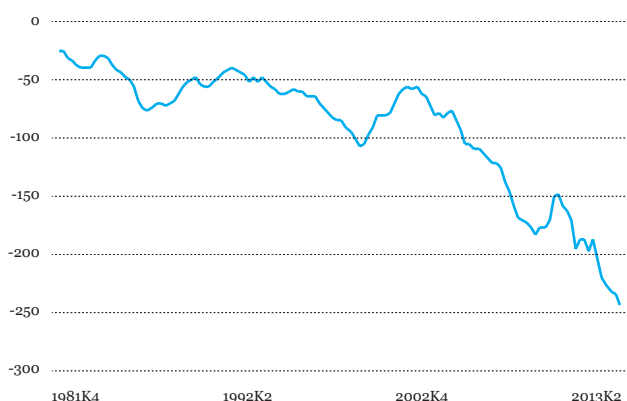
The question is whether we are also in the process of throttling the growth rate of the Norwegian business and industry by other means. Oil is not the only factor contributing to the one-sidedness of the Norwegian economy. In Norway public expenditure has reached a level that has a major effect on the national economy, without necessarily making it more robust.

Public expenditure as a percentage of GDP – be it the mainland economy or adjusted for the economic rent of the petroleum industry – provides an interesting, albeit limited, picture of this effect. In all likelihood, the petroleum industry has had long-term knock-on effects that go far beyond the annual economic rent. Without this stimulation of the Norwegian economy, public expenditure at the current level would have made up an even greater proportion of the economy.

Moreover, for obvious reasons, the public sector's own operations are concentrated around activities with limited scope for productivity increases. Washing and caring for senior citizens cannot be automated in the same way as can the production of cars and mobile telephones.

Many items of public expenditure undoubtedly have beneficial ripple effects (externalities) that might easily be underestimated,

### Drama on the mainland?



Rolling four quarters' mainland balance of trade (excluding exports of crude oil and natural gas). Sources: Statistics Norway, Pareto

### 2013 in a nutshell

|                                  |                               |
|----------------------------------|-------------------------------|
| OSEBX                            | +23.6%                        |
| S&P 500 return                   | +32.4%                        |
| MSCI World net                   | +26.7%                        |
| 3-month NIBOR                    | from 1.83% to 1.69%           |
| 10 year Norwegian Treasury       | from 2.04% to 3.04%           |
| Share turnover Oslo Børs (value) | -16.4%                        |
| Brent Blend                      | from USD 111.11 to USD 110.80 |
| USD/NOK                          | from 5.57 to 6.08             |
| EUR/NOK                          | from 7.34 to 8.38             |
| GDP growth, global               | 3.0%                          |
| GDP growth, Norway               | 0.6%                          |
| GDP growth, Mainland Norway      | 2.0%                          |

Sources: Oslo Børs, S&P Dow Jones Indices, MSCI, Norges Bank, FactSet, IMF, Statistics Norway, Pareto

typical examples being education and infrastructure. The question is just how great a proportion of the funds are used on items of this nature, and, not least, how efficiently the expenditure increase is channelled.

So far in this century public sector expenditure has increased by 141 per cent here in Norway. To the east of the Norwegian border, the increase has been 49 per cent, or 56 per cent if we adjust for changes

### Or business as usual?



Mainland balance of trade as a percentage of mainland GDP. Source: Statistics Norway, Pareto

in the exchange rate. And these are just the current expenses. In addition, future expenses have increased significantly more in Norway, in part through the commitments that follow from current expenditure items, in part as a result of the very much stronger increase in the pension debt.

Since 2001, the Norwegian public sector pension debt has almost kept up with the explosive increase in the value of the Government Pension Fund Global. Whereas the fund has increased in value by NOK 4,100 billion during the intervening period, the pension debt has grown by NOK 3,700 billion. In other words, the actual coverage of the debt is not much better than it was, notwithstanding the reports of how much richer each and every Norwegian has become.

Compared with other countries, however, we should be able to afford to pay people to stop working.

### Where are the end customers?

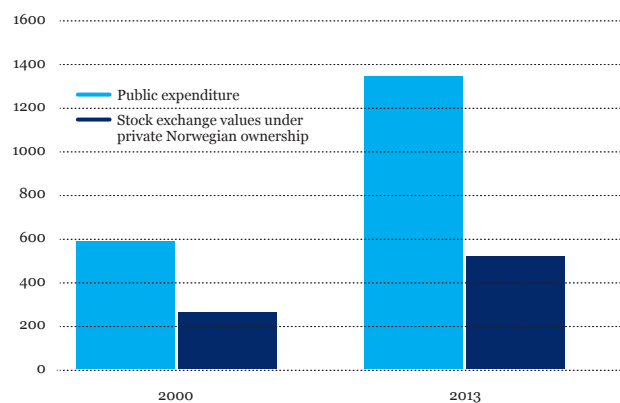
Although there may be grounds for scepticism about developments in the Norwegian economy, it should also be noted that business and industry in Norway are becoming ever less dependent on developments in the domestic economy. The apparently fairly stable level of exports may give a slightly misleading picture, since many companies with domestic customers are subcontractors to exporters – oil service companies being a prime example.

In other words, regardless of the problems in the domestic economy we will receive regular top-ups of new, vigorous companies with end

customers in other countries and with exposure to entirely different factors than the Norwegian national accounts.

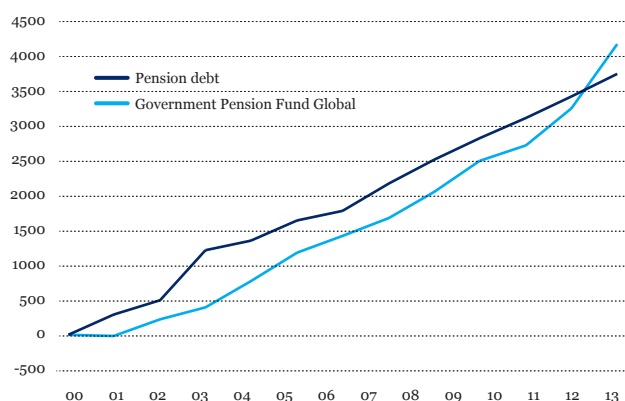
We can find sound investors for these companies, and we can find sound companies for them to invest in. These processes continue and give Pareto excellent opportunities for continued growth. The point is simply that an oil-fuelled increase in both costs and public expenditure has given business and industry a hefty burden to carry. In which case it is no bad idea to have some notion of the true weight.

### More politics, less stock market



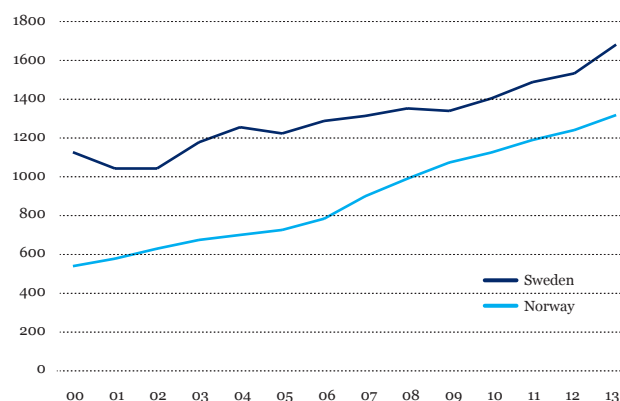
NOK billion. Source: Ministry of Finance, Oslo Børs

### The pension race



Aggregate changes since 2001 in NOK billion. Source: FI/NBIM

### From 50% of Sweden to 80%



Total public expenditure in NOK billion. Source: Statistics Norway/FI/SCB

# Pareto Securities AS

*Pareto Securities raises equity and loan capital for Nordic business and industry and for the international energy and oil service industry. We are a leading independent operator within stock and bond brokerage and financial advisory services in the Nordic Region.*

## Broking and financial advisory 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, as well as stock, bond and currency broking services. Pareto has held a leading position in these fields since the end of the last century. We also offer rig and ship broking services through subsidiary companies.

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.

## International placement power

The combination of a local presence and a network of international investor contacts forms the foundation for Pareto Securities' placement power in the stock and bond markets. International clients are the source of over half of our revenues, which enables us to undertake a large number of large-scale, complicated projects. The company is seeing a strong level of growth, not only in the proportion of revenues deriving from international clients, but also in the number of international clients.

## Share brokerage

We provide stockbroking services from offices in Oslo, Kristiansand, Stavanger, Bergen, Trondheim, Stockholm, Malmö, Helsinki, London and New York. The department now numbers more than 60 brokers.

*We offer investors a combination of:*

- regular dialogue with analysts and brokers
- visits by our analysts
- 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.

Our equities research team consists of 18 analysts in Norway, nine in Sweden, three in Finland and two 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.

The research department also serves as a recruitment and training unit in which young talent are 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, Sweden, New York, London or Singapore. 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.

Our credit analysis team is made up of six analysts in Norway, two in Sweden and one in the US. This team monitors the Norwegian and Swedish credit markets and the international credit market for oil service and energy and compiles corporate credit reports.

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.

## 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 oil-related companies. The 2013 seminar attracted 1,500 attendees – primarily international investors and representatives of the 107 companies making presentations. Other events organised by the company included an energy seminar in Oslo that attracted over 300 attendees, an E&P seminar in London that attracted 140 attendees and a shipping seminar in New York that attracted 200 attendees. We regularly take company representatives to meet our clients in the US and Europe. In addition, our analysts travel to clients to discuss the latest investment opportunities.

## A substantial bond broker

Pareto Securities is a major independent operator in the international bond market. This business enables us to offer debt funding to our corporate clients and profitable investment opportunities to our international investment clients. Our bond broking business recorded substantial growth in 2013.

As is the case for our stock market activities, our bond broking business is based on thorough research. This secures us the trust of investors and issuers alike.

### A comprehensive range of 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. Our advisory services are in particular directed at businesses that are already listed on a stock exchange or have the potential for listing within a reasonable time frame.

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 2013, and a number of sales and acquisitions were consummated. In addition, we work closely with Pareto Offshore, Pareto Shipping, 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.

### Pareto Securities Inc.

In 2009, Pareto Securities acquired all the shares of New York-based Nordic Partners and renamed the company Pareto Securities Inc. The staff now comprises 17 employees, two of whom work at the Houston office, which was set up in 2013. The subsidiary has established a strong position in the North American institutional investor community as a broker of Nordic shares and bonds. An expanding corporate finance department works closely with head office in Norway to offer US issuer companies equity and debt financing in the energy, shipping and oil service sectors. Close collaboration between our offices in the US and the Nordic countries enables us to combine closeness to the issuing companies with proximity to the investors.

### Pareto Securities Pte. Ltd.

Subsidiary Pareto Securities Asia in Singapore was founded in 2006 and now has a staff of 16. The company offers corporate finance services to Asian issuer companies, particularly in the energy, shipping and oil service sectors, in close collaboration with Norway. The local brokerage desk offers

stock and bond broking services to institutional investors throughout Asia.

### Pareto Securities AB

Swedish investment firm E. Öhman J:or Fondkommission AB was acquired in 2011 and was later renamed Pareto Securities AB. The company provides services within stock and bond broking as well as financial advisory services in Sweden and has offices in Stockholm and Malmö. The business has 73 employees. The company grew rapidly in 2013, improving its performance significantly, and is now a key player in the Swedish corporate bond market.

### Pareto Securities AS – Danish branch

In November 2012, Pareto Securities opened a branch office in Copenhagen. The company has a staff of three and provides financial advisory services to Danish issuer companies.

### Pareto Securities Oy

Finnish investment firm E. Öhman J:or Fondkommission Finland AB was acquired in 2012. The company was renamed Pareto Securities Oy and provides services within stock and bond broking as well as financial advisory services in Finland from offices in Helsinki. The business has 20 employees.

### Pareto Securities Ltd.

In December 2013, Pareto Securities acquired City of London investment firm Ocean Equities Ltd. Effective from the acquisition, the company changed its name to Pareto Securities Ltd. The company provides corporate finance and brokerage services, with a particular focus on the international mining and natural resources sector. The business has 15 employees.

### 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.

### Pareto Shipping AS

Subsidiary Pareto Shipping offers brokerage services relating to the purchase and sale of ships and the contracting of newbuilding orders. The company has four employees.

### Pareto Securities Representação Ltda.

Pareto Securities' representative office in Rio de Janeiro started trading in the spring of 2012. The office serves as a bridgehead on the Brazilian oil and oil service industry and works closely with the corporate department in Norway. The company has two employees.

### Other services

Pareto Securities has conducted currency operations since 2006 as an integral part of our investment services. A staff of three provides these services. The unit is also a broker of freight and commodity derivatives, which activities form an integral part of our investment services.

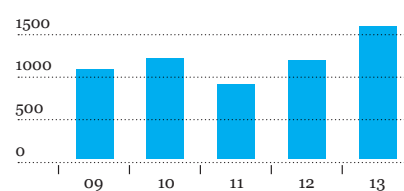
### Credit and trading for own account

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.

### Growth in personnel numbers

Personnel numbers increased during 2013: from 312 at the start of the year to 336 at the end of the year. Of these, 44 per cent work outside Norway. 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 incentives and early responsibility.

### Revenues NOK mill



### Pareto Securities AS

Dronning Mauds gate 3  
Postboks 1411 Vika  
0115 Oslo, Norway  
Telephone: 22 87 87 00  
Turnover 2013: NOK 1.6 billion  
Equity 2013: NOK 392 million  
Number of employees: 336  
CEO: Ole Henrik Bjørge  
ole.henrik.bjorge@pareto.no  
Chairman: Morten Goller  
[www.paretosec.no](http://www.paretosec.no)

# Pareto Project Finance AS

*Pareto Private Equity (PPF) offers project financing services within the shipping, offshore and real estate sectors, as well as related M&A and corporate services. In addition, PPF has a substantial business securing funding for and managing investment companies, with an investment portfolio with a total value of NOK 40 billion. The company has an extensive network of clients and investors in and outside Norway.*

## Shipping & Offshore

PPF has extensive experience and expertise in syndicating and managing shipping/offshore projects. At present we hold a portfolio of 73 ships/vessels, having sold off a substantial number of ships in recent years. 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 twelve 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.

In recent years, PPF has been the biggest operator by far in the Norwegian market for project financing. In 2013, the company was involved in purchases/sales and syndications of shipping/offshore projects to a value of approximately NOK 3.5 billion. Since its launch in 2011, Pareto Maritime Services AS has proved to be a very successful venture and now manages several project companies. The company's technical expertise enhances our ability to follow up projects.

In 2012, PPF formed a company in Singapore. This venture gives us even greater scope for identifying promising projects for our investors.

## 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 finance

services. PPF arranges direct investments in modern, centrally-located properties with long-term, financially sound tenants. An alternative to investing in equities, bonds and the money market, these investments have generated very satisfactory returns. With a total value of NOK 25 billion and a total floor area of approximately 1.3 million m<sup>2</sup>, 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 10 and 15 per cent. In 2013, PPF was involved in acquiring, syndicating and advising on real estate transactions with a total value of some NOK 6 billion and the company was one of the biggest fund raisers in the Norwegian real estate market.

## Investment companies

PPF manages diversified investment companies in the real estate, shipping and offshore sectors. The combined equity capital of these companies totals approximately NOK 3.3 billion. Capital structures are both geared and ungeared.

Since the market bottomed out in the wake of the financial crisis our investment companies have performed well, notwithstanding volatile markets. PPF will continue to focus on building investment companies in the real estate, offshore and shipping sectors. We are also developing new investment companies, which will be offered to our investors directly and through existing distribution networks.

## 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. We provide highly professional asset management and business management services and

have administrative responsibility for some 170 investment companies with a combined value of approximately NOK 40 billion. PBM's team includes experienced professionals in the areas of accountancy, financing, taxation, corporate law and technical management. Efficient web-based reporting tools have been established for sharing information, calculating returns and managing portfolios.

## The sale and broking of shares and partnership interests

The ability to place shares and partnership interests in the market is a prerequisite for successfully executing the assignments entrusted to us by our clients. PPF has a dedicated brokerage desk which works systematically to ensure the liquidity of the shares and project holdings invested in by PPF investors. The broking and sale of shares and holdings in existing projects is a key area of priority for PPF. The volume traded in 2013 was in excess of NOK 1.7 billion measured in terms of project value. The brokerage desk has increased its manning levels to give added strength to its international activities, safeguard the company's high market share and to continue to be able to offer a broad range of products.

–

## Pareto Project Finance AS

Dronning Mauds gate 3  
Postboks 1396 Vika  
0114 Oslo, Norway  
Telephone: 22 87 87 00  
Turnover 2013: NOK 252 millioner  
Equity 2013: NOK 66 millioner  
Number of employees: 70  
CEO: Anders Endreson  
anders.endreson@pareto.no  
Chairman: Bjørn Gabriel Reed  
**[www.paretoprojectfinance.no](http://www.paretoprojectfinance.no)**

# Pareto Forvaltning AS

*Pareto Forvaltning is an independent asset management company offering discretionary management, equities funds and fixed income funds. Having recorded high returns over a number of years, the company today manages securities to a value of over NOK 41 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 2013, the company managed assets to a value of NOK 20.2 billion in the equities market and NOK 21.3 billion in fixed-income instruments, of which a total of NOK 25.0 billion in securities funds.

The company manages no less than NOK 3.1 billion on behalf of companies and personnel in the Pareto group, making them the company's biggest "client". Our willingness to invest in our own products underscores our faith in our ability to invest wisely, our methodologies and our asset management philosophy.

The company has a staff of 40 people, including 11 fund managers and 20 strategic advisors with an average of 17 years' relevant experience. 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 concentrates 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 140 mandates under discretionary management replicating the Norwegian equities portfolio.

Since the company was founded in the autumn of 1998, our main profile under discretionary management in the Norwegian stock market has recorded a total return of 576 per cent net of expenses. This represents an excess return of 284 per cent over Oslo Børs, which during the same period delivered 292 per cent. The MSCI World Index delivered only 51.2 per cent, measured in NOK.

The development in the value of our portfolios in the Norwegian stock market represents an annual average return of 13.6 per cent net of all expenses. This has generated a very satisfactory excess return relative to both the 9.5 per cent return recorded by

Oslo Børs and a three-month NIBOR of 3.9 per cent during the period.

At yearend, our global equities fund management team reached its sixth anniversary and was able to look back on returns that are almost unrivalled amongst Norwegian funds and are in the top two per cent in Europe. Measured against its benchmark index (MSCI World) the fund recorded an accumulated excess return during this period of 31.1 per cent.

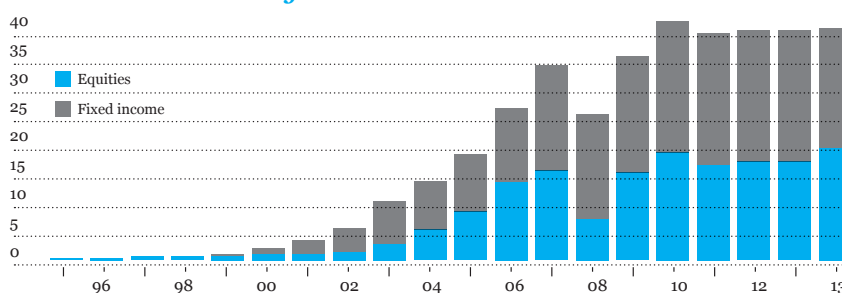
## Excess return on fixed-income funds

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 counterpart risk, we seek excess return by taking positions in selected areas of the yield curve.

## Pareto Forvaltning AS

Dronning Mauds gate 3  
P.O. Box 1396 Vika  
0114 Oslo, Norway  
Telephone: 22 87 87 00  
Turnover 2013: NOK 302 million  
Equity 2013: NOK 21 million  
Number of employees: 40  
CEO: Petter W. Borg  
petter.borg@pareto.no  
Chairman: Stig Even Jakobsen  
[www.paretoforvaltning.no](http://www.paretoforvaltning.no)

## Total assets under management NOK billion



# Pareto JGO Shipbrokers AS

*Pareto JGO Shipbrokers AS (JGO) offers shipping and offshore broking services and has a staff that represents a substantial fund of knowledge and experience of the company's market segments. The company joined the Pareto group in 2006.*

## 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.

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

## 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 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 by providing efficient professional services and follow up.

## The offshore department

The offshore department is numbered among the leaders in its field in Norway. It was formed in the 1970s, when the supply vessel companies started to appear. Since then, the department has 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 rights of disposition over the vessels for long periods of time, from a few months to several years. In the spot market the brokers arrange short 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 moving and towing rigs. Furthermore, JGO arranges the chartering, buying and selling of oil rigs.

Over the years, the department has developed broad 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.

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.

–

## Pareto JGO Shipbrokers AS

Dronningens gate 3  
4610 Kristiansand, Norway  
Telephone: 38 12 31 11  
Turnover 2013: NOK 65 million  
Equity 2013: NOK 8 million  
Number of employees: 21  
CEO: Karsten Christensen  
karstenc@jgoship.no  
Chairman: Svein Støle  
**[www.jgoship.no](http://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 2013: NOK 3 million  
Equity 2013: NOK 7 million  
Number of employees: 4  
CEO: Odd Jacob Fritzner  
crude@pfbassoe.no  
Chairman: Svein Støle  
**[www.pfbassoe.no](http://www.pfbassoe.no)**

–

## Pareto Dry Cargo AS

Dronning Mauds gate 3  
P.O. Box 1411 Vika  
0115 Oslo, Norway  
Telephone: 24 02 81 90  
Turnover 2013: NOK 13 million  
Equity 2013: NOK 3 million  
Number of employees: 6  
CEO: Morten Lie  
dry@pareto.no  
Chairman: Uno Grønlie  
**[www.pareto.no](http://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 a three-year period 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. The restructuring process involved merging with a sister company, acquiring a more extensive client portfolio, building up a network of regional offices and a continuing process of cost-cutting, and, not least, a comprehensive process of product development. Having harvested an excellent return on client funds in 2013, the company now manages a revenue-generating portfolio with a value of close to 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 has introduced an online service featuring streamlined and standardised solutions for registering orders and tracking portfolios.

During 2013, the company closed down its office at Bryne, which with the discontinuation of sales through external advisors had concentrated on back and middle-office services. Some former Bryne staff members are now working with investment advisers in new premises in Stavanger, whilst more IT services are now being acquired from external suppliers. The office in Tønsberg was also closed down in 2013.

## 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 harmonised.

Mutual funds, Norwegian and international, through various private banking accounts or as independent fund solutions, have accounted for a high proportion of assets, but the company also custom tailors 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.

–

## Pareto Wealth Management AS

Dronning Mauds gate 1  
P.O. Box 1418 Vika  
0115 Oslo, Norway  
Telephone: 23 23 99 00  
Turnover 2013: NOK 83 million  
Equity 2013: NOK 35 million  
Number of employees: 50  
CEO: Rune Wassum  
rune.wassum@pareto.no  
Chairman: Andreas Mellbye  
**pwm.pareto.no**

# Pareto Nordic Investments

*Pareto Nordic Investments manages a range of Nordic securities funds. The company's 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 reorganisation, 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 seven different funds with total assets under management of approximately NOK 2.4 billion. Very satisfactory results in recent years have thus far had only a modest impact on net subscriptions. With the aim of remedying this situation the company has taken on two sales staff. The back-office team has also been strengthened.

## **The company manages the following Norwegian-registered funds:**

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

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. For these funds too the Nordic region is defined as the investment universe.

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 securities 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 company cannot be utilised in the marketing of this fund.

As and when appropriate, the company will consider new products to supplement the current range of funds.

## **Pareto Nordic Investments AS**

Dronning Mauds gate 3  
P.O. Box 1724 Vika  
0121 Oslo, Norway  
Telephone: 22 87 87 00  
Turnover 2013: NOK 43 million  
Equity 2013: NOK 15 million  
Number of employees: 9  
CEO: Tore Været  
tore.vaeret@pareto.no  
Chairman: Lars August Christensen  
[www.paretonordic.no](http://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. We purchase insurance cover to a value in excess of NOK 1.2 billion kroner a year 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 33 employees: 29 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 remains intensely price competitive, with a large number of competing insurance suppliers. The major international companies and the 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 much of the advice provided by the company in 2013 related to the winding up of the defined benefit schemes. This will continue well into 2014. One major challenge will be to ensure that clients are not stuck in a portfolio that is being wound up.

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 2014/2015. Much of our work at present is devoted to this issue, to reduce 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
- 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.

–

## Pareto Forsikringsmegling AS

Dronning Mauds gate 3

P.O. Box 1527 Vika - 0117 Oslo, Norway

Telephone: 22 87 87 00

Turnover 2013: NOK 72 million

Equity 2013: NOK 55 million

Number of employees: 33

CEO: Vegard M. Finsæther - vmf@pareto.no

Chairman: Uno Grønlie

[www.pareto.no/forsikringsmegling](http://www.pareto.no/forsikringsmegling)

# Pareto Bank ASA

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

With just 27 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 decision-making processes enable decisions to be made quickly and precisely.

## Real estate, securities and the shipping and offshore sectors

Since its inception, 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 even greater advantage of the opportunities afforded by the bank's ties to the Pareto group. One of the main priorities of the bank in the coming years will be to build a portfolio of loans in this area.

## The sixth year of operations

In its sixth year of operations, Pareto Bank's profits developed well. Post-tax profit increased in 2013 by NOK 42.2 million to NOK 109.9 million. Total revenues increased to NOK 238.1 million (176.4 million). At the same time, operating costs and total loan loss provisions remained at more or less the same level as in 2011 and taken as a whole this contributed to the very satisfactory increase in profits. This represents a return on equity in 2013 of 12.7 per cent after taxes (8.6 per cent) and earnings per share of NOK 129.30 (NOK 79.60).

At yearend 2013, the bank held total assets of NOK 8,890 million (8,283 million). Lending grew by NOK 428 million in 2013, largely in the area of shipping and offshore. At yearend, loans to customers stood at NOK 7,162 million, while undrawn credit facilities and guarantees amounted to NOK 1,753 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 1,513 million.

The common equity Tier 1 capital ratio at yearend was 11.5 per cent, while the Tier I and primary capital ratios stood at 14.7 per cent. Going forward, the bank will continue to build up its equity from profits and a moderate net increase in credit in order to fulfil the stricter capital requirements.

## The biggest shareholders of Pareto Bank

| Navn                    | Andel  |
|-------------------------|--------|
| Pareto AS               | 15,00% |
| Geveran Trading Co Ltd. | 8,02%  |
| Indigo Invest AS        | 7,83%  |
| Rasmussengruppen AS     | 6,50%  |
| Centennial AS           | 4,52%  |
| Pecunia Forvaltning AS  | 3,38%  |

*Senior staff of Pareto Bank ASA and senior staff of the Pareto group own a total of 3.7 per cent of the shares.*

–

## Pareto Bank ASA

Dronning Mauds gate 3

P.O. Box 1823 Vika

0123 Oslo, Norway

Telephone: 24 02 81 20

Total assets 2013: NOK 8,890 million

Equity 2013: NOK 919 million

Number of employees: 27

CEO: Tiril Haug Villum

tiril.villum@paretobank.no

Chairman: Bjarne Borgersen

**[www.paretobank.no](http://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 and profits accumulated to date amount to more than seven billion kroner.*

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 close to NOK 3.5 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.

|      | 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 | 2044     | 1430             | 681                 | 1412   | 40,5%     |
| 2006 | 3277     | 2324             | 1099                | 2049   | 32,4%     |
| 2007 | 3470     | 2349             | 1126                | 2931   | 11,5%     |
| 2008 | 1755     | 927              | 2                   | 2801   | -54,1%    |
| 2009 | 1606     | 832              | 715                 | 3270   | 64,8%     |
| 2010 | 1899     | 1024             | 650                 | 3310   | 18,3%     |
| 2011 | 1678     | 748              | 436                 | 3707   | -12,5%    |
| 2012 | 1869     | 789              | 536                 | 4147   | 15,4%     |
| 2013 | 2485     | 989              | 940                 | 4970   | 23,6%     |

*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

Following several years of pronounced risk aversion and a limited willingness to invest, 2013 was characterised by a greater degree of optimism. Liquidity continued to increase throughout the year, share prices rose and the Norwegian stock market finally surpassed its last all-time high recorded in July of 2007. Moreover, the upturn was driven by higher pricing, and not solely by recovery from lower levels.

Admittedly, in terms of the real economy 2013 was a mediocre year. Growth in the Norwegian economy fell from 2.9 per cent (revised) to just 0.6 per cent, while growth in the mainland economy declined from 3.4 to 2.0 per cent. Globally, growth was down from 3.2 to 3.0 per cent, a rate that could rapidly have declined even further (and could still) were the combination of high property prices and speculative lending in China to go off the rails.

In the United States, however, the recovery appears to have gained a firmer foothold, and in Europe we saw increasingly clear signs of a dawning recovery – not least in the exposed euro zone countries. The stock market, which in terms of pure statistics is one of the more accurate indicators of future growth, chose to give the news flow a very optimistic interpretation. Measured in local currency, the World Index gained almost 30 per cent (including dividends).

For the financial services industry this involved higher levels of activity on the equity capital side, as well as increasing enthusiasm

for investing in shares and mutual funds, following many years of substantial net transfers of capital to fixed-income instruments.

The fixed-income market too signalled expectations of better times to come in the form of a relatively robust upturn in long-term interest rates. The yield to redemption on 10 year government bonds rose from slightly above 2 per cent to over 3 per cent. At the same time, a certain reduction could be detected at the short end of the yield curve, making the curve significantly steeper, a classic sign of better times ahead.

These optimistic signals from the market triggered significantly higher levels of activity for several of the companies in the group. All in all, the economic framework conditions in 2013 can only be described as good for Pareto.

## Earnings

Developments in the securities markets have a significant effect, both directly and indirectly, on Pareto's income statement. Thus the strong performance of the market last year had a favourable impact on the operations of the group, and the income statement must be described as very satisfactory. In the assessment of the Directors, Pareto's operating model once more 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 2013.

Group operating revenues in 2013 amounted to NOK 2,485 million, compared with NOK 1,869 million in 2012. Operating profit was NOK 989 million, as against NOK 789 million in 2012. Pre-tax profits totalled NOK 1,174 million, compared with NOK 689 million in 2012. The, relatively speaking, more modest increase in operating profit can be ascribed to the restructuring of a system of performance-based remuneration in one of the subsidiaries, where a greater proportion of costs are now recorded as operating expenses.

The financial strength and liquidity of the group are good. Book equity at yearend stood at NOK 4,970 million. Bank deposits amounted to NOK 1,575 million. Investments not related to operations amounted to NOK 4,314 million, of which around 75 per cent are equity investments. 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 the progress made by the company in earlier years continued in 2013. Total revenues rose from just under NOK 1.2 billion to well over NOK 1.6 billion and the pre-tax operating profit grew from NOK 304 million to NOK 557 million. A continued conservative stance on risk has ensured that losses on accounts receivable and own positions have been limited.

Pareto Securities 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 47 equity capital placements to a total value of NOK 25 billion, an increase of some 60 per cent. Activity levels were especially high in shipping, in which area the company was involved in raising NOK 15 billion.

2013 was a record year for high-yield bond loans, both in Norway and internationally. Pareto Securities registered a major spurt in activity, especially in Sweden. The company was involved in arranging placements of high-yield bond issues to a value of almost 40 billion for, amongst other clients, Seadrill, Aker, North Atlantic Drilling and Det norske oljeselskap. As sole book-runner and manager, Pareto Securities raised USD 575 million for Sea Trucks Group Limited, last year's biggest single transaction in the Norwegian high-yield market.

The company also advised on a number of major M&A transactions, including the acquisitions of listed companies Norway Pelagic, Bridge Energy and Discovery Offshore, as well as the sale of companies that included Øglænd System, RigNet, Berner Gruppen, Help Forsikring and Schat Harding.

The company continued its international expansion with the acquisition of investment firm Ocean Equities in London as well as opening a new office in Houston. Preparations are under way to open an office in Perth, Australia.

### Pareto Project Finance

For Pareto Project Finance, too, 2013 was a prosperous year. Operating revenues rose from NOK 211 million to NOK 252 million, while operating profit increased from NOK 102 million to NOK 131 million. The company advised on and was involved in the acquisition and syndication of real estate to a total value of approximately NOK 6 bil-

lion and the purchase/sale and syndication of shipping/offshore projects to a value of approximately NOK 3.5 billion. In the assessment of the Directors, Pareto Project Finance has consolidated its position as the largest player in the Norwegian project financing market.

Pareto Project Finance has worked systematically to create liquidity in the second-hand market for holdings in projects that it has arranged, with the ambition of being the leading player in the secondary broking of project holdings. Personnel levels in this area of the business have been increased

At yearend, the subsidiary Pareto Business Management managed approximately 170 investment companies with a gross value of NOK 40 billion.

### Pareto Forvaltning

Last year brought further success for Pareto Forvaltning, with operating revenues rising from NOK 275 million to NOK 302 million. Operating profit increased to NOK 187 million, an increase on the NOK 175 recorded the year before.

Assets under management increased to NOK 41.5 billion. Some movement out of Norwegian shares was compensated for by substantial net subscriptions for global equities and corporate bonds and by high returns in all of the three primary areas of business.

Assets under management of the company's portfolio of global equities doubled over the course of the year on the back of substantial new subscriptions and high returns. The current management team has been in place for six years and during this time has recorded an average excess return of 3.8 percentage points.

The annual excess return recorded on the Norwegian portfolio measured against Oslo Børs totals approximately 4.1 per cent since the company was founded in 1998. In 2013, however, a considerable negative excess return was recorded.

The management of corporate bonds has shown the strongest growth, on the back of healthy returns and significant net new subscriptions. Assets under management in this area now amount to NOK 11.4 billion, making the company a major player by Nordic standards.

### Pareto JGO Shipbrokers and Pareto Bassøe Shipbrokers

Pareto JGO Shipbrokers, which up until two years ago traded under the name of Johan G. Olsen Shipbrokers, recorded even better results than in the preceding year. In a market for newbuildings of technically sophisticated supply vessels that remains buoyant, the company succeeded in generating revenues of NOK 76 million, up



from the NOK 65 million reported for the preceding year, and an operating profit of NOK 41 million (NOK 35 million in 2012).

For the brokers at Pareto Bassøe Shipbrokers, 2013 was a yet another year of mixed fortunes. In a still-depressed market for dry bulk charters, Pareto Dry Cargo was able to record operating revenues of NOK 13 million and an operating profit of NOK 6 million. P.F. Bassøe had a poor year, generating revenues of less than NOK 4 million and an operating loss of almost NOK 2 million. Tanker chartering remained especially weak in 2013.

### Pareto Wealth Management

The restructuring of Pareto Wealth Management continued in 2013. The company closed its office in Bryne and moved half of the staff to the Stavanger office. With this, the former “wholesale business” of Pareto PPN, which was merged with Pareto Wealth Management, finally came to an end. The sales office in Tønsberg was also wound up. The work on developing products and reporting continued.

Even so, the company recorded a very satisfactory return on client funds and rising net new subscriptions for investment products. The upshot was that the revenue-generating portfolio increased in value from NOK 6.8 billion (excluding an external portfolio of NOK 700 million that was discontinued) to NOK 8.0 billion.

Operating revenues rose from NOK 68 million to NOK 83 million, while the operating profit increased from NOK 1 million to NOK 14 million.

### Pareto Forsikringsmegling

In its third full year of operations as part of the Pareto group, Pareto Forsikringsmegling increased its operating revenues from NOK 56 million to NOK 72 million. The operating profit of the company showed a marked improvement, increasing from NOK 3.3 million to NOK 20.0 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 the order of NOK 2.4 billion, an increase of roughly 20 per cent on the year before. This increase can be ascribed in the main to healthy returns on client funds, whereas the weak development in net subscriptions continued. During 2013, the company took on two sales personnel.

The company manages a variety of funds with an emphasis on

Nordic securities. The accounts report operating revenues of NOK 43 million and an operating profit of NOK 16 million, both figures representing a marked improvement on the figures reported one year earlier.

### Pareto Bank

In January 2007, Pareto AS was the instigator of a project to found a new bank in Norway. The bank commenced trading 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 3.7 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 sixth year of operations the bank recorded an operating profit of NOK 153 million, as compared to NOK 94 million, NOK 66 million and NOK 31 million in the three preceding years.

Total assets stood at NOK 8.89 billion at yearend, as compared with NOK 8.28 billion in the preceding year.

### Pareto's strategy

The group's strategy remains 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 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 Pareto's application of 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 affected by 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 picked up again. 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.

Whereas in recent years the Norwegian economy has stood out as far healthier and sounder than most other developed economies, it must be acknowledged that the danger signals are now more numerous and the outlook for the future is weaker. Similarly, it must be recognised that the high level of petroleum activity has been a more important driver of growth in the Norwegian mainland economy than many observers seem to have appreciated.

Historically, the Pareto group has focused on petroleum and off-shore related industries and the group's exposure to these industries remains considerable. Accordingly, even though the group has built more stable sources of income and has expanded internationally, it remains very vulnerable to major, long-term fluctuations in the oil price.

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 is low and no injuries or accidents were reported during the 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.

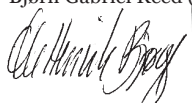
The group's profit after tax cost totals NOK 940.1 million. The parent company's after-tax profit is NOK 613.1 million. The Directors propose that the entire profit after taxes be transferred to Other Equity.

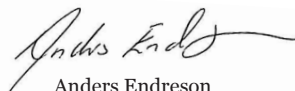
At yearend, owner's equity in the parent company had increased to NOK 4,195.9 million. Consolidated book equity stands at NOK 4,970.0 million.


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.

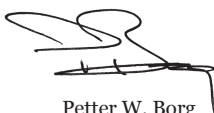
Oslo, 2 April 2014


  
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)

| 2012            | 2013            |  | Notes | 2013              | 2012              |
|-----------------|-----------------|--|-------|-------------------|-------------------|
|                 |                 | <b>Operating revenues</b>              |       |                   |                   |
| 0               | 0               | Operating revenues                     | 2     | 2 485 211         | 1 868 636         |
| <b>0</b>        | <b>0</b>        | <b>Total operating revenues</b>        |       | <b>2 485 211</b>  | <b>1 868 636</b>  |
|                 |                 | <b>Operating expenses</b>              |       |                   |                   |
| -6 153          | -7 352          | Personnel costs                        | 3     | -1 162 154        | -756 458          |
| -2 618          | -2 814          | Sundry other operating costs           |       | -320 430          | -304 575          |
| -17             | -17             | Ordinary depreciation & amortisation   | 4     | -13 305           | -18 674           |
| <b>-8 788</b>   | <b>-10 183</b>  | <b>Total operating expenses</b>        |       | <b>-1 495 889</b> | <b>-1 079 707</b> |
| <b>-8 788</b>   | <b>-10 183</b>  | <b>Operating profit/loss</b>           |       | <b>989 322</b>    | <b>788 929</b>    |
|                 |                 | <b>Financial income/expenses</b>       |       |                   |                   |
| 182 397         | 197 244         | Financial income                       |       | 243 657           | 152 058           |
| 276 288         | 385 466         | Share dividends                        |       | 81 624            | 64 672            |
| -2 572          | 44 627          | Adjustments, securities                | 10    | 53 004            | 2 084             |
| 2 098           | 10 365          | Share of associated companies          | 5     | 10 365            | 2 098             |
| -76             | -115            | Interest paid                          |       | -10 037           | -820              |
| -11 077         | -1 631          | Other financial expenses               |       | -193 912          | -320 352          |
| <b>447 058</b>  | <b>635 956</b>  | <b>Total financial income/expenses</b> |       | <b>184 701</b>    | <b>-100 260</b>   |
| <b>438 270</b>  | <b>625 773</b>  | <b>Income before tax</b>               |       | <b>1 174 023</b>  | <b>688 669</b>    |
| -9 679          | -12 631         | Tax cost                               | 13    | -233 962          | -152 413          |
| <b>428 591</b>  | <b>613 142</b>  | <b>Profit for year</b>                 |       | <b>940 061</b>    | <b>536 256</b>    |
|                 |                 | <b>Allocations:</b>                    |       |                   |                   |
| 0               | 0               | - Minority's share of profit           |       | -18 454           | -5 470            |
| 0               | 0               | - Provision for dividend               |       | -116 249          | -71 943           |
| -428 591        | -613 142        | - Transferred to other equity          |       | -805 358          | -458 843          |
| <b>-428 591</b> | <b>-613 142</b> | <b>Net</b>                             |       | <b>-940 061</b>   | <b>-536 256</b>   |

# Balance Sheet - Assets

Parent company (NOK '000)

Group (NOK '000)

| 31.12.2012       | 31.12.2013       | Fixed assets                           | Notes | 31.12.2013       | 31.12.2012       |
|------------------|------------------|--|-------|------------------|------------------|
|                  |                  | <b>Intangible assets</b>               |       |                  |                  |
| 202              | 584              | Deferred tax assets                    | 13    | 39 818           | 30 455           |
| <b>202</b>       | <b>584</b>       | <b>Total intangible assets</b>         |       | <b>39 818</b>    | <b>30 455</b>    |
|                  |                  | <b>Property, plant &amp; equipment</b> |       |                  |                  |
| 346              | 329              | Fixtures, fittings, machinery etc.     | 4     | 31 780           | 34 972           |
|                  |                  | <b>Financial fixed assets</b>          |       |                  |                  |
| 431 798          | 430 854          | Shares in subsidiaries                 | 5     | 0                | 0                |
| 13 963           | 21 878           | Shares in associated companies         | 5     | 21 878           | 13 963           |
| 241 940          | 53 700           | Other securities                       | 6     | 56 419           | 242 050          |
| 256              | 403              | Other non-current receivables          | 7     | 1 688            | 1 541            |
| 255              | 264              | Premium fund                           | 8     | 774              | 2 640            |
| 0                | 0                | Pension funds                          | 8     | 0                | 2 605            |
| <b>688 212</b>   | <b>507 099</b>   | <b>Total financial fixed assets</b>    |       | <b>80 759</b>    | <b>262 799</b>   |
| <b>688 760</b>   | <b>508 012</b>   | <b>Total fixed assets</b>              |       | <b>152 357</b>   | <b>328 226</b>   |
|                  |                  | <b>Current assets</b>                  |       |                  |                  |
|                  |                  | <b>Receivables</b>                     |       |                  |                  |
| 0                | 0                | Trade receivables                      |       | 1 296 543        | 532 022          |
| 41 971           | 39 416           | Other receivables                      | 9     | 261 733          | 680 385          |
| <b>41 971</b>    | <b>39 416</b>    | <b>Total receivables</b>               |       | <b>1 558 276</b> | <b>1 212 407</b> |
|                  |                  | <b>Investments</b>                     |       |                  |                  |
| 2 809 027        | 3 541 802        | Securities                             | 10    | 4 257 113        | 3 518 145        |
| <b>2 809 027</b> | <b>3 541 802</b> | <b>Total investments</b>               |       | <b>4 257 113</b> | <b>3 518 145</b> |
| 46 972           | 121 214          | Bank deposits                          | 11    | 1 575 077        | 1 235 582        |
| <b>2 897 970</b> | <b>3 702 432</b> | <b>Total current assets</b>            |       | <b>7 390 466</b> | <b>5 966 134</b> |
| <b>3 586 730</b> | <b>4 210 444</b> | <b>Total assets</b>                    |       | <b>7 542 823</b> | <b>6 294 360</b> |


# Balance Sheet – Equity and Liabilities


Parent company (NOK '000)

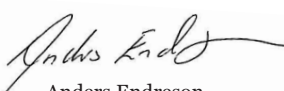
Group (NOK '000)

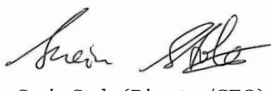
| 31.12.2012       | 31.12.2013       | Equity                                       | Notes     | 31.12.2013       | 31.12.2012       |
|------------------|------------------|--|-----------|------------------|------------------|
|                  |                  | <b>Paid-in capital</b>                       |           |                  |                  |
| 22 000           | 22 000           | Share capital                                |           | 22 000           | 22 000           |
| 50 138           | 50 138           | Share premium reserve                        |           | 0                | 0                |
| <b>72 138</b>    | <b>72 138</b>    | <b>Total paid-in capital</b>                 |           | <b>22 000</b>    | <b>22 000</b>    |
|                  |                  | <b>Retained earnings</b>                     |           |                  |                  |
| 3 510 651        | 4 123 793        | Other equity                                 |           | 4 835 797        | 4 023 104        |
| <b>3 510 651</b> | <b>4 123 793</b> | <b>Total retained earnings</b>               |           | <b>4 835 797</b> | <b>4 023 104</b> |
|                  |                  | <b>Minority interests</b>                    |           | <b>112 421</b>   | <b>102 031</b>   |
| <b>3 582 789</b> | <b>4 195 931</b> | <b>Total equity</b>                          | <b>12</b> | <b>4 970 218</b> | <b>4 147 135</b> |
|                  |                  | <b>Liabilities</b>                           |           |                  |                  |
|                  |                  | <b>Provision for commitments</b>             |           |                  |                  |
| 0                | 0                | Pension commitments                          | 8         | 4 465            | 4 884            |
| 0                | 0                | Other long-term commitments                  | 4         | 6 032            | 9 048            |
| 0                | 0                | Deferred tax                                 | 13        | 399              | 960              |
| <b>0</b>         | <b>0</b>         | <b>Total provision for commitments</b>       |           | <b>10 896</b>    | <b>14 892</b>    |
|                  |                  | <b>Non-current liabilities</b>               |           |                  |                  |
| 0                | 0                | Capital contributed by silent partners       |           | 25 367           | 75 071           |
| <b>0</b>         | <b>0</b>         | <b>Total non-current liabilities</b>         |           | <b>25 367</b>    | <b>75 071</b>    |
|                  |                  | <b>Current liabilities</b>                   |           |                  |                  |
| 3 620            | 4 241            | Other current liabilities                    | 9         | 2 160 513        | 1 778 406        |
| 0                | 0                | Financial instruments                        | 10        | 1 744            | 40 202           |
| 0                | 10 176           | Tax payable                                  | 13        | 229 895          | 141 443          |
| 0                | 0                | Dividends                                    |           | 116 249          | 72 920           |
| 321              | 96               | Government charges and special taxes payable |           | 27 941           | 24 291           |
| <b>3 941</b>     | <b>14 513</b>    | <b>Total current liabilities</b>             |           | <b>2 536 342</b> | <b>2 057 262</b> |
| <b>3 941</b>     | <b>14 513</b>    | <b>Total liabilities</b>                     |           | <b>2 572 605</b> | <b>2 147 225</b> |
| <b>3 586 730</b> | <b>4 210 444</b> | <b>Total liabilities and equity</b>          |           | <b>7 542 823</b> | <b>6 294 360</b> |

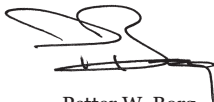
Oslo, 2 April 2014

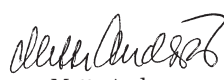
  
Bjørn Gabriel Reed (Chairman)

  
Ole Henrik Bjørge

  
Anders Endreson

  
Svein Støle (Director/CEO)

  
Petter W. Borg

  
Mette Andersen

# Cash Flow Statement

Parent company (NOK '000)

Group (NOK '000)

| 2012            | 2013            |   | 2013             | 2012             |
|-----------------|-----------------|---|------------------|------------------|
|                 |                 | <b>Cash flow from operational activities</b>            |                  |                  |
| 438 270         | 625 773         | Ordinary profit before income tax                       | 1 174 023        | 688 669          |
| 0               | -37             | Tax paid in period                                      | -155 434         | -128 533         |
| -8 400          | -2 800          | Group contributions in Income Statement, no cash effect | 0                | 0                |
| 17              | 17              | Ordinary depreciation and amortisation                  | 13 305           | 18 674           |
| 2 572           | -44 627         | Securities adjustments                                  | -53 004          | -2 084           |
| -237            | -9              | Net change in pensions without cash effect              | 4 052            | 1 891            |
| -2 098          | -10 365         | Share of profits of associated companies                | -10 365          | -2 098           |
| 3 828           | 2 555           | Change in receivables                                   | -345 869         | -72 152          |
| -6 554          | 396             | Change in other debt items                              | 347 299          | -53 671          |
| <b>427 398</b>  | <b>570 903</b>  | <b>Net cash flow from operational activities</b>        | <b>974 007</b>   | <b>450 696</b>   |
|                 |                 | <b>Cash flow from investment activities</b>             |                  |                  |
| 0               | 0               | Payments for purchases of tangible assets               | -13 129          | -5 129           |
| -528 320        | -499 908        | Net cash flow, short-term investments                   | -497 724         | -304 091         |
| -2 776          | -147            | Payments for purchases of financial fixed assets        | -2 756           | 0                |
| 5 800           | 3 394           | Received from sales of financial fixed assets           | 2 450            | 6 163            |
| <b>-525 296</b> | <b>-496 661</b> | <b>Net cash flow from investment activities</b>         | <b>-511 159</b>  | <b>-303 057</b>  |
|                 |                 | <b>Cash flow from financing activities</b>              |                  |                  |
| 0               | 0               | Dividends paid  | -72 920          | -33 460          |
| 0               | 0               | Change non-current commitments and liabilities          | -49 704          | -2 836           |
| 0               | 0               | Payments of equity to/from minority interests           | -729             | -24 066          |
| <b>0</b>        | <b>0</b>        | <b>Net cash flow from financing activities</b>          | <b>-123 353</b>  | <b>-60 362</b>   |
| -97 898         | 74 242          | Net change in bank deposits                             | 339 495          | 87 277           |
| 144 870         | 46 972          | Bank deposits in hand at 1 Jan.                         | 1 235 582        | 1 148 305        |
| <b>46 972</b>   | <b>121 214</b>  | <b>Bank deposits in hand at 31 Dec.</b>                 | <b>1 575 077</b> | <b>1 235 582</b> |

# Notes to the Accounts

## Note 1 Group structure

- **Pareto AS** owns 75.0 per cent of Pareto Securities AS, 85.2 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, 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 Shipping AS, 100 per cent of Pareto Securities Asia Pte Ltd, 100 per cent of Pareto Securities Representação Ltda, 87.0 per cent of Pareto Offshore AS, 70.0 per cent of Pareto Securities Oy and 60.0 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.

## 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 group companies 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 payable tax, 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)

|                                 | 2013             | 2012             |
|---------------------------------|------------------|------------------|
| Brokerage/Corporate finance     | 1 983 569        | 1 450 373        |
| Management/Business management  | 501 642          | 418 263          |
| <b>Total operating revenues</b> | <b>2 485 211</b> | <b>1 868 636</b> |

## Note 3 Salaries, number of employees, remuneration etc.

(1.000 kr)

|   | <i>Parent company</i> |              | <i>Group</i>     |                |
|---|-----------------------|--------------|------------------|----------------|
|   | 2013                  | 2012         | 2013             | 2012           |
| Wages and salaries, holiday pay, nat. insurance | 1 895                 | 2 643        | 357 102          | 387 708        |
| Profit-related remuneration                     | 3 366                 | 2 967        | 757 508          | 321 528        |
| Pensions and other personnel costs              | 2 091                 | 543          | 47 544           | 47 222         |
| <b>Total</b>                                    | <b>7 352</b>          | <b>6 153</b> | <b>1 162 154</b> | <b>756 458</b> |
| Number of man-years                             | 4                     | 4            | 569              | 552            |

The CEO was paid NOK 500,000 in remuneration. A provision of NOK 200,000 has been made for fees for the directors of the parent company. A provision of NOK 1,660,000 has been made for fees for the directors of the subsidiaries.

Deloitte AS received fees of NOK 140,000 for auditing the parent company and NOK 2,740,000 for the group. Payment for other assurance engagements totalled NOK 124,000 for the parent company and NOK 2,063,000 for the group.

The fee paid to law firm Deloitte Advokatfirma DA was NOK 43,000 for services. All figures are exclusive of VAT.

## Note 4 Tangible fixed assets

|                                | <i>Parent company</i>              |                                    | <i>Group</i>                       |                |
|--------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------|
|                                | <b>Fixtures &amp; fittings, IT</b> | <b>Fixtures &amp; fittings, IT</b> | <b>Fixtures &amp; fittings, IT</b> | <b>Badwill</b> |
| Procurement cost 01.01         | 388                                | 245 885                            | 245 885                            | -15 080        |
| Additions in year              | 0                                  | 13 225                             | 13 225                             | 0              |
| Disposals/sale                 | 0                                  | 51 846                             | 51 846                             | 0              |
| <b>Procurement cost 31.12</b>  | <b>388</b>                         | <b>207 264</b>                     | <b>207 264</b>                     | <b>-15 080</b> |
| Acc. depreciation 01.01.       | 42                                 | 210 913                            | 210 913                            | -6 032         |
| Disposals/sale                 | 0                                  | 51 750                             | 51 750                             | 0              |
| Depreciation this year         | 17                                 | 16 321                             | 16 321                             | -3 016         |
| <b>Acc. depreciation 31.12</b> | <b>59</b>                          | <b>175 484</b>                     | <b>175 484</b>                     | <b>-9 048</b>  |
| Book value 31.12               | 329                                | 31 780                             | 31 780                             | -6 032         |
| Economic life                  | 3-6 years                          | 2-7 years                          | 2-7 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 20.3 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         | 85.2%             | 30 125           |
| Pareto Forvaltning AS          | Oslo         | 83.2%             | 15 443           |
| Pareto Bassøe Shipbrokers AS   | Oslo         | 100%              | 40 600           |
| Pareto JGO Shipbrokers AS      | Kristiansand | 100%              | 48 500           |
| Gazza Eiendom AS               | Oslo         | 100%              | 23 906           |
| Pareto Commodity AS            | Oslo         | 100%              | 52 205           |
| Pareto Wealth Management AS    | Oslo         | 100%              | 74 739           |
| Pareto Nordic Investments AS   | Oslo         | 100%              | 16 193           |
| Pareto Online AS               | Oslo         | 100%              | 35 220           |
| Pareto Forsikringsmegling AS   | Oslo         | 100%              | 20 423           |
| Vilfredo Kapitalforvaltning AS | Oslo         | 100%              | 22 772           |
|                                |              |                   | <b>430 854</b>   |

## Shares in associated companies

(NOK '000)

| Company<br>Office in<br>Pareto's stake | Fondsforvaltning<br>Oslo<br>35.0% | Odin Marine<br>New York<br>35.0% | Total<br>associated<br>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.                 | 8 397                             | 5 566                            | 13 963                           |
| Share of year's profit                 | 821                               | 9 544                            | 10 365                           |
| Dividends received                     | -2 029                            | -421                             | -2 450                           |
|  |                                   |                                  | 0                                |
| Closing balance 31 Dec.                | 7 189                             | 14 689                           | 21 878                           |

## Note 6 Other shares/bonds

| Other securities, parent company              | Number  | Cost price    | Bokført verdi |
|---|---------|---------------|---------------|
| Pareto Bank ASA                               | 127 500 | 53 700        | 53 700        |
| <b>Total other securities, parent company</b> |         | <b>53 700</b> | <b>53 700</b> |
| Other securities, subsidiaries                |         | 2 719         | 2 719         |
| <b>Total other securities, group</b>          |         | <b>56 419</b> | <b>56 419</b> |

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 2013 is NOK 402,965.

## Note 8 Pensions

The group has a defined contribution pension scheme as required under the Act concerning Mandatory Occupational Pensions. Premium paid in 2013 totalled NOK 34,000 for the parent company and NOK 5,021,000 for the group, excluding Pareto Bank. The premium fund assets recorded in the balance sheet as at 31 December 2013 stood at NOK 264,000 for the parent company and NOK 774,000 for the group.

One of the subsidiaries of the group has a group pension scheme which was wound up in 2013. The pension cost for this company in 2013 totalled NOK 3,177,208.

One subsidiary has two unsecured pension agreements, and a provision in the amount of NOK 4,465,000 has been made in the balance sheet for this commitment as of 31.12.2013. 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 34,480,000 on group companies. The parent company has debts of NOK 116,000 to group companies.

## Note 10 Securities

(NOK '000)

| <b>Mutual funds, parent company</b>             | <b>Cost</b> | <b>Book value</b> |
|---|-------------|-------------------|
| Fixed income funds                              | 144 003     | 144 003           |
| Direct investment funds                         | 127 492     | 98 343            |
| Equities funds                                  | 980 362     | 980 362           |
|   | 1 251 857   | 1 222 708         |
| <b>Other securities, parent company</b>         |             |                   |
| Shares (NOK)                                    | 822 288     | 795 874           |
| Shares (SEK)                                    | 187 876     | 187 876           |
| Shares (EURO)                                   | 190 030     | 190 030           |
| Shares (GBP)                                    | 172 495     | 172 495           |
| Shares (CHF)                                    | 29 847      | 29 847            |
| Shares (USD)                                    | 474 509     | 472 199           |
| Bonds   | 443 684     | 443 684           |
| Other securities                                | 25 873      | 27 089            |
|   | 2 346 602   | 2 319 094         |
| <b>Total securities, parent company</b>         |             | <b>3 541 802</b>  |
|   |             | <b>Book value</b> |
| Shares  |             | 155 711           |
| Norwegian government bonds                      |             | 149 100           |
| Bonds and certificates                          |             | 316 574           |
| Fixed income funds                              |             | 43 114            |
| Equities funds                                  |             | 50 812            |
| <b>Total securities, subsidiaries</b>           |             | <b>715 311</b>    |
| <b>Total securities, group</b>                  |             | <b>4 257 113</b>  |
| <b>Financial liabilities, subsidiaries</b>      |             |                   |
| Unrealised losses on forward exchange contracts |             | 1 744             |
| <b>Total financial liabilities</b>              |             | <b>1 744</b>      |

# Notes to the Accounts

## Note 11 Bank deposits

The parent company has a non-distributable deposit of NOK 55,000 lodged in an account for tax withholdings. The group's bank deposits include NOK 164,574,000 in non-distributable accounts, of which NOK 12,477,000 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                | 3 510 651        | 3 582 789        |
| Year's profit                    |               |                       | 613 142          | 613 142          |
| <b>Total equity as of 31 Dec</b> | <b>22 000</b> | <b>50 138</b>         | <b>4 123 793</b> | <b>4 195 931</b> |

| Group                                 | Share capital | Other reserves   | Total            |
|---------------------------------------|---------------|------------------|------------------|
| Equity as of 1 Jan.                   | 22 000        | 4 125 135        | 4 147 135        |
| Provision for dividends               |               | -116 249         | -116 249         |
| Translation differences, subsidiaries |               | 13 843           | 13 843           |
| Currency hedging, subsidiaries        |               | -9 450           | -9 450           |
| Net minority interests                |               | -5 122           | -5 122           |
| Year's profit after tax               |               | 940 061          | 940 061          |
| <b>Total equity as of 31 Dec.</b>     | <b>22 000</b> | <b>4 948 218</b> | <b>4 970 218</b> |

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

| 2012  | 2013          |   | 2013            | 2012            |
|---|---------------|---|-----------------|-----------------|
| 438 271   | 625 773       | Profit before income tax                              | 1 174 023       | 688 669         |
| -399 854  | -586 289      | Permanent differences                                 | -259 970        | -111 513        |
| -4 569  | 1 442         | Change in temporary differences                       | -18 872         | -75 439         |
| <b>33 848</b>                                       | <b>40 926</b> | <b>Year's tax base</b>                                | <b>895 181</b>  | <b>501 717</b>  |
| 9 478   | 11 459        | Tax payable   | 241 573         | 142 521         |
| -1 078  | -1 283        | Tax payable, withholding                              | -11 678         | -1 078          |
| <b>8 400</b>  | <b>10 176</b> | <b>Total tax payable</b>                              | <b>229 895</b>  | <b>141 443</b>  |
| <b>Specification of temporary differences</b>       |               |   |                 |                 |
| -830  | -2 309        | Current assets  | -10 213         | -4 069          |
| 234   | 246           | Tangible fixed assets                                 | -98 453         | -31 278         |
| -124  | -99           | Intangible assets                                     | -7 745          | -9 685          |
| 0   | 0             | Remaining loss for carrying forward                   | -21 272         | -56 701         |
| <b>-720</b>   | <b>-2 162</b> | <b>Basis for calculating deferred tax benefit/tax</b> | <b>-137 683</b> | <b>-101 733</b> |
| -202  | -584          | 27%-28% deferred tax benefit/tax                      | -39 419         | -29 495         |
| <b>Year's tax cost</b>                              |               |   |                 |                 |
| 8 400   | 12 975        | Tax payable   | 243 089         | 141 443         |
| 0   | 38            | Tax correction for earlier years                      | 796             | -1 302          |
| 1 279   | -382          | Change in deferred tax benefit/tax                    | -9 923          | 12 272          |
| <b>9 679</b>  | <b>12 631</b> | <b>Tax cost</b>                                       | <b>233 962</b>  | <b>152 413</b>  |
| 2,2%  | 2,0%          | Effective rate of taxation                            | 19,9%           | 22,1%           |
| <b>Reconciliation from nominal to true tax cost</b> |               |   |                 |                 |
| 122 716   | 175 216       | Anticipated tax cost at nominal rate                  | 328 726         | 186 637         |
| -111 959  | -161 301      | Permanent differences                                 | -71 358         | -20 202         |
| -1 078  | -1 284        | Other items   | -23 406         | -14 022         |
| <b>9 679</b>  | <b>12 631</b> | <b>Tax cost</b>                                       | <b>233 962</b>  | <b>152 413</b>  |

# 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       | 45 654 |
| Purchases of services from other group companies | 3 098  |

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.



Deloitte AS  
Dronning Eufemias gate 14  
Postboks 221 Sentrum  
NO-0103 Oslo  
Norway  
Tlf: +47 23 27 90 00  
Faks: +47 23 27 90 01  
www.deloitte.no

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 613.142.000, and the financial statements of the group, showing a profit of NOK 940.061.000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at December 31, 2013, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the 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, April 2, 2014  
Deloitte AS

Jørn Borchgrevink (signed)  
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

# Pareto

Dronning Mauds gate 3  
Postboks 1396 Vika, 0114 Oslo, Norway  
Telephone: 22 87 87 00  
[www.pareto.no](http://www.pareto.no)