

Pareto Annual Report 2010

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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, Bryne, Tønsberg, Hamar, Singapore and New York. Pareto was founded at the tail end of 1985 and since that time has grown into a corporate group offering a wide array of products. The group has 480 employees and shareholders' equity of close to NOK 3.3 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 counselling and the broking of commercial properties, as well as asset management services in the equities and fixed income markets. Furthermore Pareto is involved in chartering and buying and selling tanker and dry bulk tonnage through its ship broking operation. Pareto PPN supplies product solutions and functional and comprehensive system solutions for independent financial advisers in Norway. With effect from 2010, the group also offers insurance broking services.

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 with sound, long-term returns. Pareto's long-standing engagement with local markets and companies has equipped us with experience and competence, enabling us to treat each client individually and to

safeguard and promote our clients' interests in the best way possible.

Pareto gives priority to organic growth and the development of in-house competence. Acquisitions, mergers and collaborations are continuously under consideration, with a view to complementing and developing the company still further.

Pareto's aims and strategies

Pareto's goal is to be the preferred Norwegian supplier of financial services, based on a thorough and detailed knowledge of Norwegian social conditions and of businesses and industries in which Norway enjoys particular advantages. 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 believe in continuous development and improvement. We have invested both 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 broking/ financial advisory services	Ship/ offshore broking	Project financing/ investment/ management	Asset management/ wealth management	Banking and insurance
Pareto Securities	Pareto Offshore	Pareto Project Finance	Pareto Forvaltning	Pareto Bank
	Johan G. Olsen Shipbrokers			Pareto Forsikringsmegling
	Pareto Shipping		Pareto Nordic Investments	
	Pareto Dry Cargo	Pareto Wealth Management		
	P. F. Bassøe	Pareto Business Management		

Pareto at 25

The first Pareto company was founded on 9 December 1985, which means that 2010 marked the group's twenty-fifth anniversary.

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 established in connection with the founding of Pareto's securities business in 1992.

In the intervening years, Pareto has not only recorded significant organic growth, but has also moved into new areas of business through acquisitions.

The table below summarises a rich history of innovation, growth and changing framework conditions, through market rises punctuated by intermittent financial crises. Pareto has recorded a profit in every single year of its existence, and most of these profits have been retained in the company to fuel future growth.

Since the turn of the millennium the company has been involved

in more than 80 stock exchange listings. Pareto has raised an estimated total of NOK 500 billion in risk capital for listed and unlisted companies as well as for projects and investment companies. This capital has increasingly come from international investors. A far greater amount has been channelled through the second-hand market through the broking of shares, bonds and other assets.

Pareto also manages a steadily expanding portfolio of securities and projects on behalf of clients. The accumulated return on these client funds totals somewhere in the region of NOK 25 billion.

Over the course of these years employment opportunities equivalent to some 3-400 man-years have been created and some NOK 5.8 billion has been paid in taxes by the company and its partners and employees. This does not include wealth tax on capital earned and received from the company by partners and employees.

	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 %

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 portfolio valued at over NOK 2 billion, as a result of which fluctuations in share prices can bring about major variations in the results 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 old All Shares Index.

The Pareto group in 2010

Following a good start to the year the market was overtaken by a mood of pessimism during the spring, with falling share prices both at home and abroad and a marked rise in risk premiums in the credit market.

However, optimism returned in the summer and most markets ended the year on a high note. For most of the companies in the Pareto group 2010 was a year of stronger performance than 2009.

- Revenues for the Pareto group amounted to NOK 1.9 billion (2009: 1.6 billion). The operating profit totalled NOK 1 024 million (832 million), and the pre-tax operating profit was NOK 828 million (879 million). The profit for the year was NOK 650 million (715 million). Value adjustments to the securities portfolio contributed just under NOK 100 million to this result, as compared with over NOK 300 million in the preceding year. The group's losses on accounts receivable continue to be negligible. As a result of acquisitions and organic growth the group's total personnel count increased by 72 people to 480 during 2010. Equity at yearend stood at NOK 3.3 billion.
- Pareto Securities consolidated its leading position in the Norwegian capital market. The company was involved as advisor to and arranger of four out of ten of the largest equity issues on Oslo Børs in 2010, including the listing of insurers Gjensidige Forsikring. At the same time, Pareto Securities maintained its position as one of the leading brokers in the Norwegian second-hand market. Over the last five years Pareto Securities has arranged almost 40 per cent of all IPOs on Oslo Børs/Oslo Axess. During the same period the company arranged equity placements of the order of approximately NOK 150 billion and high-yield bond loans to a value of over NOK 100 billion. Pareto Securities is the leading broker by far in the Norwegian second-hand market for high-yield bonds.
- Pareto Project Finance, which changed its name from Pareto Private Equity during the course of the year, strengthened its position as the largest operator in the Norwegian project finance market, through the purchase/sale and syndication of shipping/offshore projects to a value of approximately NOK 3 billion and purchases/ syndications of property to a value of approximately NOK 5 billion. The broker desk traded shares and project interests to a value of NOK 400 million. At yearend the company managed investment companies with a gross value of NOK 54 billion. Revenues and profits were on a par with the preceding year.
- Pareto Forvaltning recorded its best year ever. Total assets under management increased from NOK 36 billion to NOK 42 billion, following a marked rise in the value of Norwegian and global equities and fixed income products. One of the company's foremost products, Pareto Aksje Norge, which has a minimum investment requirement of NOK 100 million per client, recorded a return of over 29 per cent in 2010, higher than any other Norwegian equities fund. Over the last 12 years, the company's main profile on the Norwegian stock market has recorded an average return after expenses of 17 per cent. Over the same period Oslo Børs recorded an average return of 10 per cent. Measured over a three-year period Pareto Aksje Global now reports the best performance of a total of 79 global equities funds.
- Yet again, Johan G. Olsen Shipbrokers surpassed all previous results, thanks in no small part to the outstanding performance of the offshore department. The company has a very healthy order backlog in the supply market.
- All in all, Pareto Bassøe Shipbrokers can look back on yet another very satisfactory year. Activity levels for both Pareto Dry Cargo and P.F. Bassøe stayed consistently high throughout the year, notwithstanding a somewhat sluggish freight market and low rates. A stable level of spot closures and an increased focus on time charters contributed to a very satisfactory performance.
- Pareto PPN recorded yet another good year, improving its performance on the preceding year. In total, investment products to a value of over a billion and a half kroner were arranged within the company's various product platforms. Pareto Universal Funds continued to focus attention on building its client portfolio and recorded a modest improvement on the result reported last year. In November, the company changed its name to Pareto Wealth Management as part of its preparations for a major stepping-up of activity levels in 2011.
- At the end of 2010, Pareto Bank's total assets stood at just under NOK 6.2 billion. The bank recorded high levels of growth in both deposits and loans in 2010. To date, the bank has not reported defaults or losses on loans.
- In April, Pareto purchased a majority shareholding in insurers Factor Insurance Group, which subsequently changed its name to Pareto Forsikringsmegling. The business of the company is now concentrated exclusively in the Norwegian market.
- In November, Pareto acquired all the shares of Orkla Finans. We will not conduct any business under the Orkla Finans name. However, the acquisition gives Pareto the opportunity to strengthen its own business in a range of areas and to build on Orkla Finans' Nordic investment business.

The market and the economy in 2010

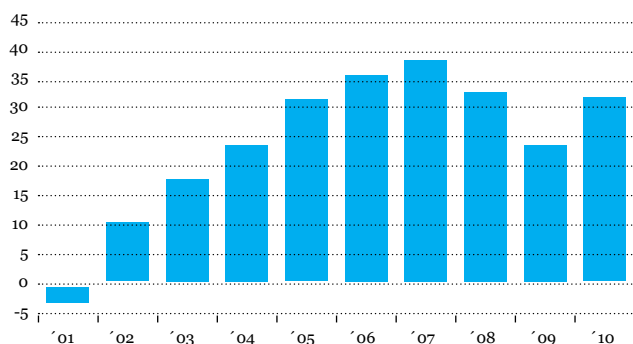
We often talk of being unable to see the wood for the trees, meaning of course that we are focusing so intently on individual details that we fail to see the bigger picture. The situation in 2010 was the reverse of this – many people were unable to see the trees for the wood. Those who were concerned only with the bigger picture, who focused on bad Western macro news (and there were a lot of them) overlooked the fact that, in reality, much of business and industry was in fact performing far better than had been feared.

Admittedly, the year began with a number of optimistic assessments and upbeat predictions. We started 2010 with clear hopes of an upturn in the wake of the most sweeping stimulus and rescue packages of all time. Stock markets, both home and abroad, rose sharply in the first quarter.

After that there was no end to the bad news. Ash from a volcanic outbreak in Iceland paralysed large parts of European civil aviation. The debt crisis escalated in Greece, Ireland, Portugal, Spain and Italy, with fears that it might spread even further afield. A raft of economists presented dire warnings of belt tightening measures within the OECD that would need to continue for years, to the accompaniment of intense protests and demonstrations against the cost-cutting. In the United States, there was talk of a possible double dip, in other words a new recession hard on the heels of the last recession, while China was increasingly seen as exposed to inflation and a growing housing bubble.

All this was topped off with a serious oil disaster in the Gulf of Mexico, followed by stringent restrictions which also affected Norwegian companies. At the time of writing, provisional figures published by the IMF reveal that the upturn in the developed economies has not after all been as significant as was thought. For most of these nations, including Norway, GDP has not yet climbed back to its 2008 level.

Buoyant growth in earnings

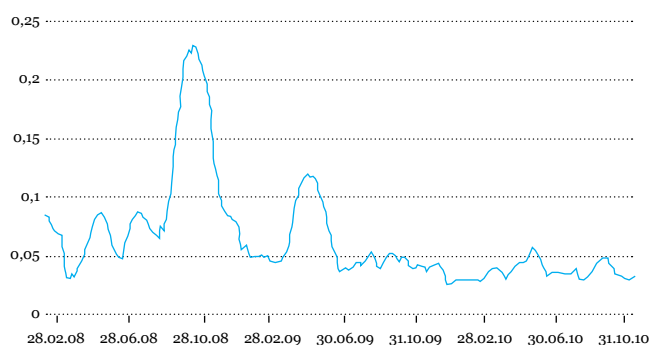


EPS (earnings per share) for OSEBX. (Source: FactSet)

In light of these developments, who would have predicted that the OSEBX would rise by 18 per cent last year? Or that the earnings of companies in the index would increase by no less than 31 per cent? Or that volatility (fluctuations) would be lower than for three years?

This was by no means apparent if developments in the market were analysed exclusively in terms of macro news and key figures. In other words, 2010 provided yet another example of the value of understanding companies, industries and long-term developments rather than timing peaks and troughs in the market.

An unusual year? Not in the stock market



OSEBX, 60 trading days standard deviation. (Source: Oslobors/Pareto)

Healthy trees in a sick forest

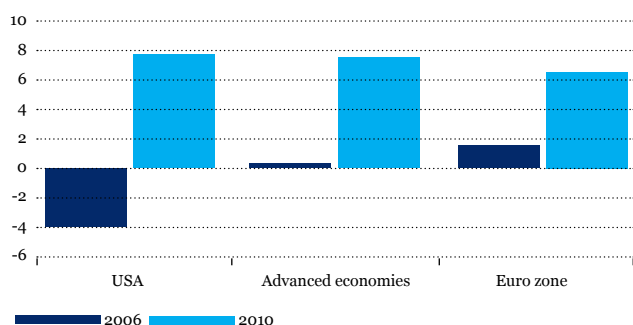
For anyone interested in stock markets, business and the economy, this diverging development also begged a very pertinent question: How could business and the stock market perform so well when the macro economy was so weak and apprehensive? The first part of the answer to this question must be that the massive accumulation of debt over the last two to three years primarily involves public sector debt. Over the course of just three years total world-wide public sector debt rose from 31 to almost 41.5 billion dollars, according to a continuously updated overview on The Economist website. If we also include municipalities and other public sector entities, the total may have exceeded 50 billion dollars.

This increase can in part be ascribed to expansive fiscal policy aimed at countering the financial crisis and the ensuing recession, in part to nothing less than the assumption of the debts of banks and other businesses under political decisions or guarantees. In this sense we are talking about a transfer of debt from the private to the public sector.

At the same time, that private sector has reduced its debt accumulation. Consumers in both the United States and Europe have increased their savings rates, admittedly from what were modest levels, while much of business and industry has significantly strengthened its balance sheets. For one thing, results have been surprisingly buoyant in the wake of the financial crisis and for another, payments in the form of dividends and investments have been modest.

It is no exaggeration to say that this consolidation in the private sector has been under-communicated when compared to the corresponding weakening of the public sector. One possible reason is that the figures are not readily available. On the other hand, they speak volumes. According to our calculations, the total financial surplus of the private sector in the United States (household savings and retained earnings in the corporate sector less investments) rose from minus 4.0 per cent of GDP in 2006 to plus 7.9 per cent in 2010. For the industrial nations as a group, the private sector increased the corresponding surplus from 0.1 per cent to 7.7 per cent of GDP in the course of the same four years.

Strengthened private sector



Private sector financial surplus (household savings plus retained corporate earnings less investments) as a percentage of GDP. (Source: Pareto/IMF)

This has not just resulted in a moderate level of business sector debt; we are in some instances talking about a substantial accumulation of cash holdings. The companies in the S&P 500 alone hold cash and liquid assets to an estimated value of 2.4 billion dollars, according to Bloomberg.

Thus, taken as a whole, the picture painted is of a massive transfer of debt from the private sector to the public sector. This helps to explain why the increase in debt and the widely publicised debt

angst have failed to have a material impact on the stock market. It is tempting to view the operation of a national treasury as a brilliant business scheme: You set your own prices (tax levels), payment is mandatory, and you even get to decide how many goods will be supplied in return for this payment – and of what quality. The problem is that maintaining this system is costly. Over time it may become necessary to purchase customer satisfaction and, in consequence, profits turn to losses.

At first glance, private companies appear to be faced with a tougher challenge: They must at all times strive to supply the best possible products at the lowest possible cost and the losers in this competition are eliminated continuously. Even so, this model has proved to be robust over the long term and a large number of listed companies are now in very good shape – notwithstanding macroeconomic uncertainty on an unfamiliar scale. In many ways this financial strength can be attributed to precisely this long-standing uncertainty, since it has forced companies to cut costs and to exercise prudence in their borrowings.

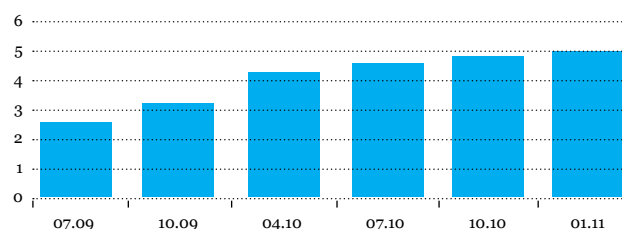
The overall effects of this can be seen in the significant growth in earnings and sound balance sheets of the private sector.

Profiting from Chinese growth

The next part of the answer is that private companies both at home and abroad have increasingly freed themselves from their former dependence on growth and fluctuations in their own home markets. Year by year international trade has increased relative to global GDP, interrupted only by a temporary set-back during the financial crisis, and measured as a proportion of market-oriented GDP (excluding the public sector) a significant portion of business and industry is now internationally oriented.

In other words, companies have become steadily more detached from the economic conditions in the countries in which they were based. As a consequence, it is far less of a problem that established industrial nations continue to report fairly anaemic growth rates with growth largely taking place in emerging markets. In 2010, Norway provided a good example of this, with provisional growth estimates of only 0.4 per cent.

Getting better all the time...

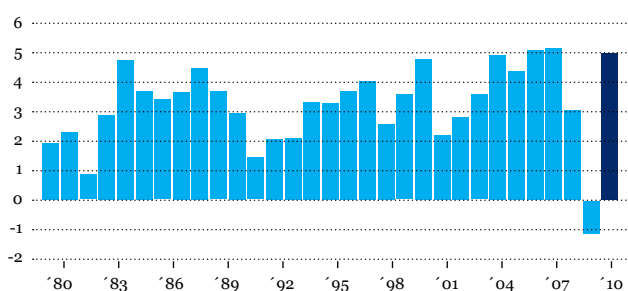


Global GDP growth estimates for 2010 have continuously been revised upwards. (Source: IMF World Economic Outlook database)

In fact, for the world as a whole the year ended with one of the highest growth rates in over 30 years. Estimates have consistently been adjusted upwards from just 2.5 per cent in July 2009 to precisely twice that figure in the IMF's most recent update (as at January 2011).

The most pessimistic macroeconomists have been forced into repeated retreats.

The third best year since 1980



Per cent annual growth in global GDP. (Source: IMF)

And it is not necessarily Chinese companies that are most likely to benefit from this situation. After all, many Chinese companies export goods to the West, where customers have not exactly been spending freely over the last few years.

The reverse applies on Oslo Børs. We may not deliver that many goods directly to Chinese customers, but we sell tonnes of products that benefit from Chinese demand. Commodities and less processed goods, not least oil, are traded by the bucket load on the world market as a consequence of the Chinese hunger for goods. And the effects have been felt even on markets for more sophisticated products. German luxury cars, for example, are rolling on to the Chinese market at a dizzying rate.

China's current account surplus has in fact been halved over a period of three years, something that very few observers in the West seem to have noted. Last year alone Chinese imports grew by 39 per cent.

Company accounts in millions of barrels?

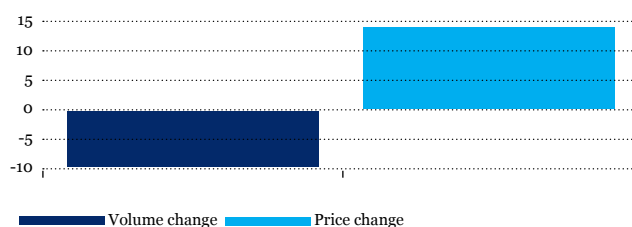
Finally, it should be noted that the constant focus on GDP growth can be misleading for anyone seeking to gain a true picture of developments in trade and industry. This is not solely because government accounts for a large proportion of GDP in modern welfare states like Norway, which means that cuts in government expenditure need to be removed in order to gain a true picture of developments in the rest of the economy.

Perhaps more importantly, GDP does not necessarily afford an accurate measure of the state of business and industry. The Norwegian economy in 2010 provided an excellent illustration of this: The low rate of growth of just 0.4 per cent can largely be

attributed to the unusually low level of growth in the extraction of crude oil and natural gas, where value added (the sector's contribution to GDP) fell by no less than 6.5 per cent. This is a dramatic drop by any measure.

So why did energy-related shares on Oslo Børs not nose-dive last year? The answer is simple: This same sector, the extraction of crude oil and natural gas, recorded an average price increase of no less than 13.9 per cent. The national accounts measure only the volume of oil sold, whereas in corporate accounts, of course, the krone is what counts.

Two oil paintings



Extraction of crude oil and natural gas in Norway in 2010. (Source: Statistics Norway)

Moreover, a number of studies have demonstrated that there is little or no relationship between GDP growth and developments in prices on the stock market. Similarly, our own figures show zero correlation between stock market indices and GDP growth in the same year. This is true both of Norway and the United States. By contrast, the correlation between the stock market development one year and GDP growth in the following year is very high (no less than 0.6). Of itself this does not provide evidence of causality, but it does appear to fit the general perception that stock price movements are a leading indicator of business cycles. From this perspective last year's upturn in the stock market should perhaps augur well for the future?

2010 in a nutshell

* OSEBX	+18.3%
* S&P 500 return	+15.06%
* MSCI World net	+11.8%
* 3-month NIBOR	From 2.19% to 2.60%
* 10 year Norwegian Treasury	From 4.15% to 3.68%
* Share turnover Oslo Børs (value)	+18.7%
* Brent Blend	from USD 78.70 to USD 94.70
* GDP growth global	5.0%
* GDP growth Norway	0.4%
* GDP growth Mainland Norway	2.2%

Sources: Oslo Børs, Standard & Poor's, MSCI Barra, Norges Bank, FactSet, IMF, SSB, Pareto.

Pareto Securities AS

Pareto Securities is a leading player within stock and bond broking and financial counselling. The firm concentrates on areas of business and industry in which Norway enjoys particular advantages. Analyses are based on detailed, in-depth knowledge and long-term engagement. In consequence, our research and broking products are rated highly by a wide community of international investors.

Broking and counselling

Pareto Securities' services consist primarily of stock and bond broking and financial advisory services in connection with corporate financing, stock exchange listings, and mergers and acquisitions. Pareto has held a leading position in both of these fields for more than 10 years.

Our focus on Norwegian securities and areas of business and industry in which Norway enjoys particular advantages, enables us to provide research and counselling based on detailed knowledge of the industries and companies with which we work. This is of particular importance to our international investors, since specialisation and first-hand knowledge is what they call for. Accordingly, Pareto's local presence gives us an important competitive edge, which helps to win the confidence of our clients.

International placement power

The combination of a local presence and international investor contacts forms the foundation for Pareto Securities' placement power in the stock and bond markets. International clients account for over 50 per cent of our revenues, which in turn enables us to complete a large number of large-scale, complicated projects. The company is recording considerable growth, not only in the proportion of revenues deriving from international clients, but also in the number of international clients.

Our European investors are generally serviced by our offices in Oslo and Stavanger. Our US clients are the responsibility of brokers in New York as well as a dedicated team of brokers in Norway. We also have offices in Bergen, Kristiansand and Trondheim. This enables us to offer our clients a combination of:

- regular dialogue with analysts and brokers with specialist expertise
- visits by our analysts
- local events at which company management are present (road shows and conferences)

Skilled research is the "powerhouse" of our operations

Our research staff comprises 23 advisers who work continuously to ensure that they have the market's best insight into the companies and sectors in which they specialise. A unique understanding of the companies and industries listed on Oslo Børs is a prerequisite for providing our clients with the best possible service. The knowledge accumulated by our research team benefits all of Pareto Securities' departments.

Importance is placed on the drafting of unique case studies, which, if timed correctly, can secure healthy returns for our clients. We focus on being proactive in identifying key factors that influence investment recommendations. This proactive stance gives our clients the opportunity to invest in "tomorrow's" case, before the market has priced it in. For this reason, in 2011, we will focus more attention on case analyses and less on maintenance analyses.

During 2010, the department worked on improving the distribution of products and cases by increasing the focus on road shows outside Norway and implementing a new publishing and database system. In 2011, further improvements will be made in the area of distribution with the introduction of new electronic solutions and we also aim to provide Norwegian investors with an even better service. Our research products are made available to our clients as and when they are com-

pleted at www.paretosec.no.

The research department also functions as a recruitment and training agency where young talent receive training in corporate research and finance. After one or more years these new recruits are given the opportunity to transfer to other departments in Norway, New York or Singapore. Our philosophy is that a solid grounding in research enhances the likelihood of success in the other areas of our business, and we have already seen numerous examples of smooth transitions from research to broking and corporate finance in Norway and abroad.

Our three credit analysts monitor the Norwegian and international credit markets and compile credit reports. Because credit analysis forms an integral part of the research product, our credit analysts cooperate with stock analysts. Pareto takes the view that 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.

Our analysts enjoy a high standing in the market and in recent years have appeared at the top of several major rankings, generally in the areas of oil and gas, offshore rigs, seismic surveys, oil services, shipping, fisheries and real estate.

Conferences and road shows

An important aspect of our research work involves arranging seminars and field trips for our investors. Amongst other events, Pareto hosts an annual oil and offshore seminar which has become one of Europe's leading investment forums for oil and oil-related companies. No fewer than 1,400 private and institutional investors and other interested parties from Norway and abroad attended the

2010 conference. Other events included an energy seminar in Oslo which attracted over 230 attendees. We regularly take company representatives to meet our clients in the US and Europe, in addition to which our analysts travel around to discuss the latest investment opportunities.

A comprehensive range of services

Being an independent financial adviser, Pareto Securities is able to offer a comprehensive range of financial services, from share and bond issues, listings and diffusion sales to mergers/demergers and acquisitions/disposals of businesses or companies.

Like our research activities, our advisory services are based on a long-term approach and in-depth knowledge of the areas of business in which we specialise. With divisions in Oslo, Stavanger, Bergen, Kristiansand and Trondheim we are close to the most important business communities in Norway. Our advisory team consists of people with broad management experience from industry, consultancy and the capital market.

Pareto Securities' main area of focus is listed companies or companies with the potential for listing within a reasonable time frame. In addition, we work closely with Pareto Offshore, Pareto Shipping and Pareto Project Finance, in order to serve companies that are at an early stage of development and to take full advantage of the group's expertise and networks.

A substantial bond broking business

Pareto Securities is a major independent operator in the Norwegian bond market. This enables us to offer debt funding to our corporate clients. We can also offer Norwegian and international investors investment opportunities in fixed income instruments.

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.

One important consequence of the close proximity between the equity and debt sectors of our operations is the broad

expertise that this enables us to bring to both advisory services and sales. The company is therefore able to perform transactions involving not only equity and debt, but also structured products such as convertible loans, share or bond issues with associated subscription rights and wholly or partly guaranteed equity products.

Pareto Securities Inc.

In 2009, Pareto Securities acquired all the shares of New York-based Nordic Partners and renamed the company Pareto Securities Inc. Since then we have augmented the staff, which now comprises a total of 22 employees. The subsidiary has established a strong position in the North American institutional investor community as a broker of Norwegian shares and bonds. The collaboration between our offices in the US and Norway enables us to combine closeness to the issuing companies with proximity to the investors. In 2010, a corporate finance operation was established in New York.

Pareto Securities Asia Pte. Ltd.

Subsidiary Pareto Securities Asia now has a staff of 14 and is in its sixth year of operations in Singapore. The company offers advisory services to local companies and Norwegian expatriate operators, mostly in the shipping and offshore sectors. Pareto Securities Asia has held a licence to conduct its corporate business since it was established and extended this licence in 2010, as a consequence of which the company is now authorised to provide both corporate and broking services.

Pareto Offshore AS

Subsidiary Pareto Offshore, which was founded in 2004, is a leading broker of offshore rigs and provider of advisory services to the global drilling industry. The firm's staff of five also undertakes valuations and market updates.

Pareto Shipping AS

Subsidiary Pareto Shipping offers broking services relating to the purchase and sale of ships and the contracting of newbuilding orders. The company is based in Oslo and has four employees.

Other services

Pareto Securities has conducted currency

operations since 2006 as an integral part of our investment services. We now have a staff of three to conduct these operations.

In 2009, the company expanded into the broking of freight and commodity derivatives, which forms an integral part of our investment services. The department comprises three people.

Integrated web solution

During 2010, the business of Pareto Online became part of Pareto Securities. The background to this integration is an increased commitment within the group to electronic securities trading.

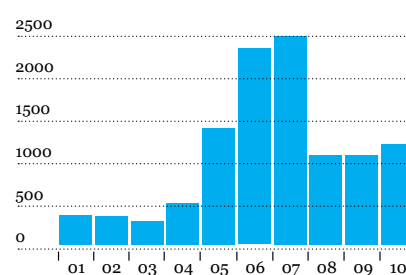
Credit and trading for own account

Pareto Securities does not grant clients credit. In managing its capital holdings, the company does no trading in shares for its own account. Surplus liquidity is deposited in financially sound Norwegian banks and in Norwegian treasury bills.

Growth in personnel numbers

Pareto Securities increased its personnel count from 226 to 247 during 2010. The company recruits young talent, focusing on the ablest 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
P.O. Box 1411 Vika
0115 Oslo, Norway
Telephone: 22 87 87 00
Turnover 2010: NOK 1.2 billion
Number of employees: 247
CEO: Ole Henrik Bjørge
ole.henrik.bjorge@pareto.no
www.paretosec.no

Pareto Project Finance AS

Pareto Project Finance (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 secures funding for and manages investment companies. The company has a wide network of clients and investors in Norway and abroad. We have five primary areas of activity:

I – Shipping and Offshore

PPF has extensive experience and expertise in syndicating and managing shipping/offshore projects. To date we have arranged well over 200 projects and currently hold a portfolio of 70 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. Since 2002 our portfolio has generated an annual return of 20.5 per cent. Our primary focus is on projects involving long-term charters and recognized charterers, although we also arrange more risky asset play projects. Our projects are generally established in collaboration with experienced shipowners/managers who are actively involved as owners. In 2010, PPF was the biggest operator on the Norwegian market within the field of project financing. The company was involved in purchases/sales and syndications of shipping/offshore projects to a value of approximately NOK 3 billion.

II – Real Estate

With over 20 years of experience, PPF is a leading financial operator in the Norwegian real estate market. The company acts as adviser on major real estate transactions, including IPOs and purchases and syndications of real estate in both 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. As an alternative to investing in equities, bonds and the money market, such investments have generated very satisfactory returns offering an expected annual return on equity of between 10 and 15 per cent. In 2010, PPF was involved in acquiring/syndicating properties at a total

value of about NOK 5 billion and was the biggest fund raiser in the Norwegian real estate market.

III – Investment companies

In 2010 PPF continued to develop its operations within the area of raising capital for and managing investment companies. Since these operations started in 2006, PPF has procured almost NOK 5.0 billion in equity capital for companies of this nature. PPF will continue to focus on building investment companies in established business sectors as well as developing new investment companies that will be offered to our investors directly and through existing distribution networks.

IV – Pareto Business Management

Pareto Business Management AS (PBM) is Norway's leading financial service and support partner within the areas of real estate and shipping/offshore. We provide professional asset management and business management services and have administrative responsibility for investment companies with a gross value of NOK 54 billion, some NOK 10 billion of which are projects acquired from what was formerly Orkla Finans. PBM's staff include 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.

V – Sales and broking of shares and partnership interests

Trading in shares and partnership interests is a separate business area within PPF. We have a dedicated brokerage desk with eight brokers working systematically to ensure liquidity in shares and project-holdings held by PPF investors. Volumes traded by the brokerage desk in 2010 out-

stripped the volume of OTC shares traded by any other brokers in the OTC market apart from Pareto Securities.

In 2010, the company changed its name from Pareto Private Equity AS.

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Pareto Project Finance AS

Dronning Mauds gate 3
P.O. Box 1396 Vika
0114 Oslo, Norway
Telephone: 22 87 87 00
Turnover 2010: NOK 210 million
Number of employees: 56
CEO: Anders Endreson
anders.endreson@pareto.no
www.paretoprojectfinance.no

Pareto Forvaltning AS

Pareto Forvaltning is an independent asset management company offering active management, equities funds and fixed income funds. Having recorded high returns over a number of years, the company today manages assets to a value of NOK 42 billion.

Pareto's in-house asset manager

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

In addition the company manages a total of NOK 3.7 billion on behalf of companies and personnel in the Pareto group, making them the company's largest "client". Our willingness to invest in all of our own products demonstrates our faith in our ability to invest wisely, our methodologies and our management philosophy.

The company has a staff of 35 people, including 10 asset managers and 17 strategic advisers with an average of 16 years' relevant experience. The company is located in Oslo. Pareto AS and the company's partners hold stakes of 81 per cent and 19 per cent, respectively.

A bespoke service

Our philosophy is that individually-tailored solutions are a prerequisite for sound, risk-controlled management. Our management concept is to provide a bespoke service adapted to the individual client's unique needs and risk profile, with a close and individual focus on the requirements of a small, exclusive group of clients.

The personal attention offered by the firm's advisers and healthy portfolio management results have generated substantial growth in recent years. At yearend 2010 the company managed NOK 19.9 billion in equities and NOK 22.1 billion in fixed-income instruments, of which a total of NOK 21.4 billion in securities funds.

Conservative, consistent and long-term

Our management of equities on the Norwegian and international markets is value-oriented and research-based. Over time there will be a close correlation between a company's financial performance and its stock market returns. We therefore focus

on analyses of individual companies rather than macroeconomic or technical analyses.

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 entails determining the value of a company by looking at a number of key figures (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 devotes little attention to speculative factors, such as special market conditions (technical, manipulative and psychological) or other factors associated with a high degree of uncertainty.

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 and thus avoid high turnover with the associated high decision-related risk and transaction costs that eat away at the return on the portfolio.

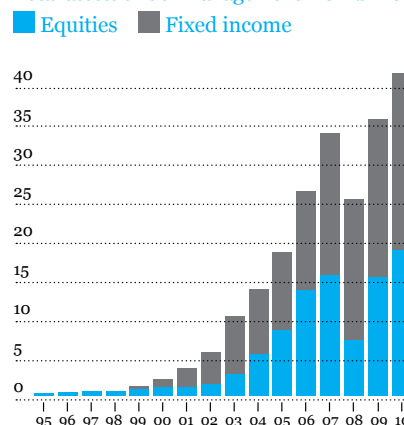
Similarly, our management of fixed income instruments is based on a fundamental analysis of the financial situation of the individual issuer and an assessment of relevant macroeconomic conditions. In the case of our liquidity fund and bond fund with investment grade counterpart risk, we aim for excess return by taking positions in selected areas of the yield curve. In the case of our two high yield funds, the risk premium and the right choice of company may contribute substantially to the excess return. Following a prudent management approach where funds are invested primarily in companies operating within finance, energy and manufacturing as well as in local government should provide a satisfactory return in excess of the risk-free rate.

Annual average returns of 17.0 per cent

Our long-term approach and a value-based management philosophy have paid off. Since the company was established in the autumn of 1998 our primary profile under active management in the Norwegian stock market has generated a total return of 556 per cent after expenses. This represents an excess return of 342 percentage points relative to Oslo Børs, which during the same period generated a return of 214 per cent. The MSCI World Index recorded no more than 5 per cent, measured in Norwegian kroner.

Our primary profile in the Norwegian stock market has over the last 12 years generated an annual average return of 17.0 per cent net of all expenses. This represents a very satisfactory excess return relative to both the 10.0 per cent return recorded by Oslo Børs and three-month NIBOR of 4.4 per cent during the period.

Total assets under management NOK billion



Pareto Forvaltning AS

Dronning Mauds gate 3
P.O. Box 1810 Vika
0123 OSLO, Norway
Telephone: 22 87 87 00
Turnover 2010: NOK 268 million
Number of employees: 35
CEO: Petter W. Borg
petter.borg@pareto.no
www.paretoforvaltning.no

Johan G. Olsen Shipbrokers AS

Johan G. Olsen 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 Johan G. Olsen started out in the lumber and ship broking business. Johan G. 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, Johan G. Olsen Shipbrokers 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

Johan G. Olsen Shipbrokers' offshore department is numbered among the leaders in its field in Norway. JGO established its offshore department in the 1970s, when the supply vessel companies started to grow. 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 instal-

lations. 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 demand analysis, 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, by cooperating with Pareto Securities and Pareto Project Finance, JGO is able to offer package solutions that include contracting for building/buying ships, full financing of both equity and loan capital, as well as employment for the new ship.

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Johan G. Olsen Shipbrokers AS

Vestre Strandgate 19A
4663 Kristiansand, Norway
Telephone: 38 12 31 11
Turnover 2010: NOK 78 million
Number of employees: 17
CEO: Karsten Christensen
karstenc@jgoship.no
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

P.F. Bassøe is a ship brokerage which primarily concentrates on tanker chartering. Our services are founded on a thorough knowledge of the markets in which we operate, and we seek to give our clients added value 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. Geographically, our emphasis is on Scandinavian countries, London and the Far East (Korea, Hong Kong, Singapore).

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 from 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 our 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.

Pareto Dry Cargo AS

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

P.F. Bassøe AS

Dronning Mauds gate 3
Postboks 1723 Vika
0121 Oslo, Norway
Telephone: 22 01 08 00
Turnover 2010: NOK 16 millioner
Number of employees: 9
CEO: Odd Jacob Fritzner
crude@pfbassoe.no
www.pfbassoe.no

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Pareto Dry Cargo AS

Dronning Mauds gate 3
P.O. Box 1411 Vika
0115 Oslo, Norway
Telephone: 22 01 09 30
Turnover 2010: NOK 14 million
Number of employees: 5
CEO: Morten Lie
dry@pareto.no
www.pareto.no

Pareto PPN AS

Pareto PPN is an investment firm which facilitates investment products and system solutions for financial advisers. The company represents 18 national and international suppliers.

Functional system solutions

Pareto PPN is in the vanguard of technology. All trading in investment products is conducted in a trading system developed in-house, and the individual funds statements of clients are updated daily online. Support and administrative systems for following up the client are directly linked to these systems. Advisors have access to functional and comprehensive system solutions that comply with the stringent requirements imposed on the provision of investment advisory services. Administrative procedures are speeded up, as a result of which time is freed up for recruiting new clients, providing advisory services and following up existing clients.

Investment products of the highest quality

By the time the market for international funds took off in Norway in the mid 1990s, Pareto PPN had already put in place a stable international network of renowned product suppliers. Since then, the product development process has been tailored to the needs of clients, and the company now offers a broad range of investment products, both its own product concepts and external investment products. These product solutions give the investment advisors a competitive edge in their local markets.

Pareto PPN has for some years been developing client concepts in which a selection of high quality mutual funds are offered through international bank platforms with the option of making deposits and funding investments in international currencies. These concepts make up the foundations of the product advisory services of investment advisors who offer private banking solutions and focus their services on high net worth individuals and investment companies. Pareto PPN represents suppliers such as Aviva Investors, BHF-Bank, Credit Suisse, East Capital, FMG, Delphi, Holberg, Jyske Bank, Jyske Invest, Altraplan, Franklin Templeton, Reyl, Pareto, Schroders, Storebrand, Sydbank, Sydin-vest and Vertikal.

Authorisation and distribution

Pareto PPN is an associate member of the Norwegian Mutual Fund Association. As a member of the industry organisation the company has opted to join the authorisation scheme for financial advisers and has been a major instigator of continuing professional development for financial advisers.

Our products are offered through a nationwide network of distributors, mainly investment firms offering investment advice.

In addition, the company has distributors who are “tied agents”, providing investment advice under Pareto PPN’s licence. However, the enactment of new regulations will impose significant restrictions on the company’s scope for using tied agents after yearend 2010.

Regulatory focus and subscriptions

In recent years, the Norwegian regulatory authorities have maintained a sharp focus on the investment counselling industry. In 2010, Pareto PPN itself underwent an onsite inspection by the Norwegian Financial Supervisory Authority, which found no reason to require corrective measures to be put in place. Nevertheless, the inspection provided an opportunity for a thorough and in-depth review of procedures and advisory services.

Relevant requirements apply not only to the advice itself, i.e. that it must be properly adapted to the individual clients, but also to the investment products. The use of traditional mutual funds allows the investment advice to be adapted to the requirements of the individual client in a cost-effective manner, while the client is able to track and has ready access to his or her funds. Pareto PPN’s product concepts are ideally suited to investment advisors who are adjusting to the new, stricter regulations governing the industry.

2010 was yet another fruitful year for the company, with subscriptions to the company’s various product platforms amounting to over NOK 1.5 billion. Most of this comprised mutual funds products with daily liquidity and pure liquidity deposits.

In 2011 a decision has been adopted to merge the company with Pareto Wealth Management, which is also Pareto PPN’s biggest client.

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Pareto PPN AS

Morenefarefaret 5
4340 Bryne, Norway
Telephone: 51 77 97 00
Turnover 2010: NOK 28 million
Number of employees: 20
CEO: Carl Egil Hana (from 1 March 2011: Stig Erlend Eidså)
stig.erlend.eidsa@paretoppn.no
www.paretoppn.no

Pareto Wealth Management AS

*The company's business is investment counselling and wealth management.
New strokes have brought a major step change to the operations of the company.*

Building client portfolios

Pareto Wealth Management, which in 2010 changed its name from Pareto Universal Fonds, sells investment products to high net worth individuals, to small and medium-sized enterprises and to associations. In terms of volume of turnover, the corporate market and the private market accounted for 60 per cent and 40 per cent, respectively, in 2010. The company has 21 employees, 17 of whom are advisors.

The company has continued its strategy of building a solid and appropriate client portfolio, with a high level of attention being devoted to existing and potential clients. The company sold investment products for NOK 560 million in 2010. Mutual funds, Norwegian and international, in various private banking accounts as well as independent investment fund solutions represented approximately 70 per cent of turnover, while 20 per cent came from second-hand sales of various project companies and the remainder from unit link products.

Methodology

Particular weight is attached to securing competence and to the development of products and personnel. Product development in collaboration with other Pareto companies is therefore given high priority with a view to creating a robust platform for our clients. The company also seeks to establish a broad product range outside traditional Pareto products, to supplement the client's overall investment portfolio. 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.

The chief challenge for our industry – apart from offering attractive products – is to create good relations with our clients. The regulatory changes introduced in recent years and the challenges associated with changing financial markets have sharpened the awareness of both the industry and its clients and the quality of products and companies alike have been improving. The shift in the direction of a sharper focus on managed products, at the expense of shorter more speculative “stories”, continued in 2010.

Our company's strategy, expertise, analysis of client needs and alternative products are such that we should profit from this change. We recognise that the investment process and client relationships take longer to develop now than in the past. At the same time, however, the value of the clients we recruit is increasing.

Challenges and areas of priority

In 2010, we continued to focus on providing advisory services with a more conservative bent to the more prosperous end of the market. This is a track we are more than comfortable to follow. In the longer term, it will provide higher earnings and an approach in which the quality of the advisory process itself makes up a key element.

Since yearend a total of 17 personnel from Orkla Finans have transferred to Pareto Wealth Management. This has enabled us to build up offices in Bergen, Trondheim, Kristiansand, Tønsberg and Hamar.

In 2011, a decision has been made to merge the company with Pareto PPN. These new strokes are helping us to build a company that will be in the forefront of investment counselling and wealth management services in Norway.

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Pareto Wealth Management AS

Dronning Mauds gate 1
P.O. Box 1418, Vika
0115 Oslo, Norway
Telephone: 23 23 99 00
Turnover 2010: NOK 22 million
Number of employees: 21
CEO: Rune Wassum
rune.wassum@pareto.no
www.pareto.no

The former Orkla Finans AS

In November, Pareto acquired the shares of Orkla Finans from Orkla. The acquisition strengthens a number of existing Pareto companies and also provides us with a new asset management company.

Orkla Finans AS

At the time of the acquisition, Orkla Finans had 75 employees and total assets under management of the order of NOK 20 billion.

By that time, the company was undergoing a downsizing process instigated by the preceding board of directors in the wake of poor results in recent years. Following the acquisition the name of the company was changed to Vilfredo AS.

The Orkla Finans name will also no longer be used in respect of subsidiaries and investment products. Nor will the business of Vilfredo be continued in its previous form. In essence, Pareto's acquisition involves the following strategic measures:

- The employees of Vilfredo's corporate finance business have largely been offered employment with Pareto Project Finance or the subsidiary Pareto Business Management. This entails working on shipping and property projects or in business management.
- The employees of Vilfredo's wealth management business have largely been offered employment by Pareto Wealth Management, either at our offices in Oslo or as part of the development of a network of regional offices where they will work on investment counselling and wealth management.
- Pareto is developing a new asset management company, Pareto Nordic Investments AS, which will be based on the asset management business of the Vilfredo system.
- For the present, some agreements and duties will be handled by Vilfredo through its subsidiary Vilfredo Kapitalforvaltning AS.

Pareto Nordic Investments

At yearend the company previously known as Orkla Finans Fondsførltning, now renamed Pareto Nordic Investments, managed a total of NOK 1.65 billion in mutual funds. The new name reflects the company's primary focus on Nordic securities. The company's approach is long-term and value-based, which matches Pareto's approach to asset management.

In addition, a more or less identical amount placed in alternative funds was managed through Vilfredo Kapitalforvaltning. Again, the primary focus was on Nordic shares. The aim is that this busi-

ness should be transferred to Pareto Nordic Investments once the necessary licence changes have been effected.

Thus the asset management previously conducted by the Orkla Finans group will now be concentrated in Pareto Nordic Investments, with an even greater emphasis on Nordic securities. A smaller part of the total assets under management have been managed on behalf of Orkla ASA, which in future will manage these assets itself. The foundations for the future operations of the consolidated Pareto Nordic Investments will accordingly be assets under management of the order of NOK 3 billion.

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Pareto Nordic Investments AS

Dronning Mauds gate 3
P.O. Box 1724 Vika
0121 Oslo, Norway
Telephone: 22 87 87 00
CEO: Tore Været
tore.vaeret@pareto.no
www.pareto.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 billion a year on behalf of our clients.

Insurance broking and advisory services

Pareto Forsikringsmegling offers broking and advisory services within non-marine insurance. Our clients are large and medium-sized enterprises in the private and public sectors. Drawing on in-depth risk analysis and industry expertise we advise our clients on the structure of the risk associated with their business and what we believe to be the correct level of protection. This analysis provides the basis for the drafting of a general insurance policy and an optimum insurance programme. The company has 29 employees. All our personnel have extensive experience and a high level of expertise within their professional fields. We are located in Oslo and are owned 100 per cent by Pareto AS. Pareto Forsikringsmegling is a member of the independent Wells Fargo Global Broker Network.

Non-life insurance

The market for non-life insurance in 2010 continued to be intensely competitive and numbered a large number of insurance suppliers. In addition to the major Norwegian companies, international operators such as Zürich, Allianz and Berkley have established presences on the Norwegian market. This has resulted in greater price competition.

Our non-life department is concerned that our clients should have the correct level of cover. We use risk and vulnerability analyses to alert our clients of areas of risk of which they may not have been aware previously. This applies to insurance areas such as property, automobile, liability and consequential loss. All the insurance cover obtained by our brokers on behalf of clients is from A-rated companies. As a result, our clients can be confident that the company will have the willingness and ability to meet claims should the need arise.

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 intense competition between suppliers and the major changes in the framework conditions that have come about as a result of the introduction of a new pension system.

The introduction of a new pension reform effective from 2011 has thrown up new challenges for clients, insurance companies and their collaboration partners alike. Generally speaking, the developments that have occurred over the last few years have resulted in increased flexibility and greater choice for the clients.

The consequence for suppliers has been intensified competition. From a client perspective this is a positive development, while the increasing complexity of the insurance market makes new demands as regards the acquisition and management of insurance cover and, not least, communicating personnel benefits to the 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 broking services

Damage prevention

As part of its 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 improved risk economy. This allows us to reduce risk, lower claims frequency and secure the optimal price for insurance solutions. Our damage prevention concept involves both general advice and services specifically related to personal/pension and non-life insurance.

Our damage prevention advice encompasses risk assessment and damage prevention analyses relating to risk management, safety culture and preparedness.

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Pareto Forsikringsmegling AS

Storgt. 33

P.O. Box 9037 Grønland

0130 Oslo, Norway

Telephone: 22 87 87 00

Turnover 2010: NOK 43 million

Number of employees: 29

CEO: Jan Kristian Løbersli

jkl@pareto.no

www.pareto.no/forsikringsmegling

Pareto Bank ASA

Pareto Bank is a specialist bank for financing projects and investments for major private clients and their companies.

Establishment

Since it was established in 2007, Pareto Bank has developed a real estate venture with a particular focus on building loans and project financing within the areas of both residential and commercial real estate. Through the Pareto group, Pareto Bank has access to expertise, clients and efficient system solutions. This has enabled competitive solutions to be developed within the area of securities. In 2011 the bank will continue to develop both of these business areas; the real estate business will be honed and the securities business will launch new products.

With a 15 per cent holding, Pareto AS is Pareto Bank's biggest shareholder and the Pareto group is a very important collaborator. Over the next three years Pareto Bank will develop a new business area offering financing projects beyond real estate. This business will define its focus during 2011, the aim being to take even greater advantage of the opportunities afforded by the bank's ties to the Pareto group.

The third year of operation

In its third year of operation Pareto Bank reported a net profit of NOK 22.5 million. To date the bank has not registered defaults or losses on lending.

Activity levels within the credit business were high in 2010, with lending growing by over NOK 2.1 billion. Growth was mainly within various forms of real estate financing and at yearend some 65 per cent of the bank's total commitments were secured by means of mortgages. At yearend, loans to customers stood at close to NOK 4.5 billion, whereas undrawn credit facilities and guarantees amounted to NOK 1.2 billion. As at the end of 2010 the bank held total assets of close to NOK 6.2 billion.

Customer deposits increased by over NOK 1.4 billion in 2010. The deposit-to-lending ratio stood at 85.9 per cent at yearend, and the bank will continue to apply a high deposit-to-lending ratio. The bank issued its first note and bond loans in 2009 and issued a further four loans during 2010. At yearend net outstanding securities debt totalled just under NOK 1.1 billion.

At yearend, the total capital and Tier 1 capital ratio stood at 15.44 per cent.

One of the primary goals of the bank is to offer a return on equity after losses and taxes of 10 per cent. The bank is now nearing a credit volume that will provide an efficient exploitation of its

equity, and the focus over the coming three years will be to attain further profitable growth. Going forward, credit growth will be somewhat lower and the need for financing will be reduced accordingly.

The biggest shareholders of Pareto Bank

Name	Stake
Pareto AS	15,00 %
Indigo Invest AS	7,54 %
Rasmussengruppen AS	6,50 %
Geveran Trading Co Ltd.	6,50 %
Goldman Sachs Int.	4,88 %

Senior staff of Pareto Bank ASA and senior staff of the Pareto group own a total of 4.37 per cent of the shares.

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Pareto Bank ASA

Dronning Mauds gate 3
P.O. Box 1823 Vika
0123 Oslo, Norway
Telephone: 24 02 81 20
Number of employees: 26
CEO: Tiril Haug Villum
tiril.villum@paretobank.no
www.paretobank.no

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, broking services in the field of securities, shipping, real estate and insurance, project development and asset management. Pareto's head office is located in Oslo. Group activities are mainly conducted through the subsidiaries Pareto Securities AS, Pareto Project Finance AS, Pareto Forvaltning AS, Pareto Bassøe Shipbrokers AS, Johan G. Olsen Shipbrokers AS, Pareto PPN AS, Pareto Wealth Management AS, Pareto Forsikringsmegling AS and Pareto Nordic Investments AS. Pareto AS is the parent company of the group.

The market

At the outset of 2010 the markets still bore the imprint of the rapid recovery after the financial crisis and the prospects of a new economic upturn. Nevertheless, macroeconomic uncertainty was widespread, primarily relating to public sector borrowing levels in a number of countries and the associated need for belt-tightening measures.

As the year progressed, this triggered increasing uncertainty about long-term prospects for growth in the advanced economies. This fundamental uncertainty was supplemented by more dramatic instant messages from the most debt-burdened countries in Europe, coupled with exogenous shocks such as the ash cloud emanating from Iceland and the oil disaster in the Gulf of Mexico. Over the course of the spring the optimism that had prevailed at the outset of the year turned to pessimism in most of the group's markets.

The second half of the year was characterised by a return to stability, and by the yearend it was clear that in most markets the year had been above average. Global growth, continuously revised upwards, proved to be the third strongest in 30 years, stock markets closed with returns that exceeded long-term expectations and credit premiums contracted again. The modest growth in the Norwegian economy, primarily attributable to lower levels of oil extraction, had less effect on the group's markets and business.

It should also be noted that the regulatory framework within which the group operates posed challenges. These include new regulations governing the use of what are termed tied agents and,

not least, the announcement of the introduction of regulations on the remuneration practices of the financial services industry – which gave rise to considerably uncertainty and activity until Finanstilsynet (The Financial Supervisory Authority of Norway) clarified the rules at the start of the current year.

All in all, 2010 can be summarised as a year of satisfactory framework conditions, notwithstanding considerable uncertainty – and as a reminder that uncertainty forms a fundamental part of the conditions under which Pareto operates.

Earnings

Movements on the securities markets have a significant impact, both directly and indirectly, on Pareto's income statement. The very satisfactory performance recorded at the close of 2010 meant that the group could yet again report excellent results, with growth in both operating revenues and operating profit. At the same time, the Directors are pleased to note that the group came through yet another year of growth and prosperous securities markets without increasing its operating costs per employee.

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, mainly in the form of investments in the group's own equity and fixed income funds. The reversal of write-downs on the securities made in connection with the financial crisis contributed to accounting write-ups in excess of 300 million in 2009 and almost NOK 100 million in 2010.

Group operating revenues in 2010 amounted to NOK 1,899 million, compared with NOK 1,606 million in 2009. Operating profit was NOK 1,024 million, as against NOK 832 million in 2009. Pre-tax profit totalled NOK 828 million, compared with NOK 879 million in 2009.

The financial strength and liquidity of the group are good. Book equity at yearend stood at NOK 3,310 million, of which goodwill now constituted NOK 0. Bank deposits amounted to NOK 1,301 million. Interest-bearing securities totalled NOK 678 million, while equity investments not related to operations stood at NOK 2,251 million at yearend. This represents a significantly higher proportion of equity investments than in the preceding year. The group has a very modest level of interest-bearing debt.

The Directors are satisfied with the progress and results reported by the subsidiaries and have chosen to continue the long-term investment strategy of the parent company. Distributions received from the subsidiaries will largely be invested in equities and fixed income securities.

Pareto Securities

For Pareto Securities 2010 was a very satisfactory year with total revenues in excess of NOK 1.2 billion and an operating profit of over NOK 681 million. At the same time the company maintained its conservative stance on risk, recording negligible losses on accounts receivable.

The company consolidated its strong competitive position in 2010. Pareto Securities was involved as advisor and lead manager in four out of ten of the biggest equity issues on Oslo Børs during the year, including the listing of insurers Gjensidige Forsikring. At the same time the company maintained its position as one of the leading brokers in the Norwegian second-hand market, for both equity capital and, not least, high interest bond loans.

Over the last five years Pareto Securities has arranged almost 40 per cent of all IPOs on Oslo Børs/Oslo Axess. During the same period of time the company arranged equity placements at a value of approximately NOK 150 billion and high interest bond loans of more than NOK 100 billion.

Subsidiary Pareto Offshore doubled both its operating revenues and its operating profit to NOK 97 million and NOK 69 million, respectively.

Subsidiary Pareto Shipping also recorded a significant increase in its operating revenues, which rose from NOK 15 to almost NOK 24 million.

2010 was the first year of operations after the business of Pareto Online was acquired by and integrated into Pareto Securities.

Moreover the company continued to increase its personnel levels and now employs 247 people.

Pareto Project Finance

In the spring of 2010 Pareto Private Equity was renamed Pareto Project Finance, the better to reflect the actual activities of the company. The results reported by the company showed little change from the preceding year with total revenues of some NOK 210 million and an operating profit of almost NOK 106 million.

During 2010 Pareto Project Finance arranged purchases/sales and syndications of shipping/offshore projects to a value of approximately NOK 3 billion and purchases/syndications of real estate to a value of approximately NOK 5 billion. In the assessment of the Directors this made Pareto Project Finance the largest operator by far in the Norwegian market for project financing.

The brokerage desk traded shares and project holdings to a value of NOK 400 million, which outstripped the volume of OTC shares traded by all brokers on the OTC market except Pareto Securities. At yearend, the subsidiary Pareto Business Management managed investment companies to a value of NOK 54 billion,

including projects acquired from the company formerly known as Orkla Finans.

Pareto Forvaltning

In 2010 Pareto Forvaltning achieved its best year ever, recording operating revenues of NOK 268 million and an operating profit of almost NOK 184 million. Total assets under management rose from NOK 36 billion to NOK 42 billion, of which NOK 19.9 billion on the stock market and NOK 22.1 billion in fixed income instruments.

The company's main product, Pareto Aksje Norge, which has a minimum investment requirement of NOK 100 million per client, recorded yet another very satisfactory year, with a return of 29 per cent. With this, the fund has more than doubled shareholder value in the course of two years. Last year, Pareto Aksje Norge performed better than any of the other 59 funds in the same class of funds.

Over the last 12 years the company's main profile in the Norwegian stock market has posted an annual average return of 17 per cent, after all costs have been taken into account. In the same period Oslo Børs recorded an average return of 10 per cent.

Since Pareto Forvaltning was established, in the autumn of 1998, the company's main profile under active management in the Norwegian stock market has recorded total returns of 556 per cent after expenses have been taken into account. This represents an excess return of 342 percentage points relative to Oslo Børs, which in the same period reported a return of 214 per cent. In contrast, the worldwide index MSCI World achieved only 5 per cent, measured in Norwegian kroner.

Measured by performance over the last three years the stock fund Pareto Aksje Global is now ranked the best fund in its class of in total 79 global stock funds. In 2010 the fund recorded a return of 12 per cent.

2010 was also a good year for fixed income products and, not least, corporate bonds. Pareto Kreditt recorded a return of over 12.8 per cent and Pareto Høyrente of just over 6 per cent. Even so, volatility remained low.

Johan G. Olsen Shipbrokers and Pareto Bassøe Shipbrokers

Yet again, Johan G. Olsen Shipbrokers posted a record year with the offshore department in particular posting impressive results. In total the company recorded a turnover of almost NOK 78 million and an operating profit of some NOK 49 million, up from just over NOK 32 million in the preceding year.

Pareto Bassøe Shipbrokers, which comprises tanker chartering arranged by P.F. Bassøe and dry bulk chartering arranged by Pareto Dry Cargo, faced a somewhat tougher freight market and low rates in 2010. Nevertheless, the company recorded higher

operating revenues and a more or less unchanged level of costs, as a consequence of which the operating profit increased to NOK 16.8 billion.

Pareto PPN and Pareto Wealth Management

For Pareto PPN, 2010 was a year of regulatory challenges. As a result of new regulations, the company was required to adapt to a significant reduction in the use of tied agents, which in 2010 still accounted for 30 per cent of the company's operating revenues. By yearend the company had only one associated agent.

Pareto PPN also underwent an onsite inspection, a process that necessitated considerable follow-up on the part of the company. The final report from the Financial Supervisory Authority of Norway (Finanstilsynet) was not devoid of criticism, but the company was not required to put in place corrective measures.

In spite of these challenges, the company succeeded in increasing its operating profit to NOK 6 million. In total, investment products for over NOK 1.5 billion were arranged on the company's various product platforms.

During the course of 2010, Pareto Universal Funds was renamed Pareto Wealth Management. Selling and managing various investment products generated operating revenues of in total almost NOK 22 million, a modest increase on the year before.

Since yearend the company has taken on a total of 17 former Orkla Finans personnel. This has provided an opportunity to build up offices in Bergen, Trondheim, Kristiansand, Tønsberg and Hamar.

In 2011, it has also been decided that the company should be merged with Pareto PPN, with Pareto Wealth Management being the acquiring company.

Pareto Forsikringsmegling

In April, Pareto acquired the majority shareholding in insurers Factor Insurance Group, which was later renamed Pareto Forsikringsmegling. The company provides broking and advisory services within the area of non-marine insurance to large and medium-sized enterprises in the private and public sectors.

In recent years the company has sustained major losses following costly attempts at expansion in neighbouring Nordic countries. Pareto Forsikringsmegling now focuses exclusively on the Norwegian market. In 2010, the company recorded a turnover of almost NOK 43 million and an operating loss of just over NOK 6 million.

After buying out minority shareholders, Pareto now owns 100 per cent of the shares of the company.

The acquisition of Orkla Finans

In November, Pareto acquired the shares of Orkla Finans from Orkla. At the time of the acquisition, Orkla Finans had 75 employ-

ees and managed assets of the order of NOK 20 billion. The company had embarked upon a downsizing process, which had been instigated by the former board of directors in response to the poor performance of the company over the preceding years. Following the takeover the company was renamed Vilfredo AS.

This new acquisition will in part strengthen existing Pareto companies and in part provide the basis for new Pareto ventures:

- The employees of Vilfredo's corporate finance business have largely been offered posts within Pareto Project Finance or its subsidiary Pareto Business Management.
- The employees of Vilfredo's wealth management business have largely been offered positions with Pareto Wealth Management, either at our offices in Oslo or as part of the development of a network of regional offices.
- Pareto is developing a new asset management company, Pareto Nordic Investments AS. The fund management business formerly conducted within the Orkla Finans Group will be transferred to this company, which will sharpen its focus on Nordic securities. Assets under management of the order of NOK 3 billion will provide the basis for this venture.
- For the present, some agreements and functions will be handled by Vilfredo through its subsidiary Vilfredo Kapitalforvaltning AS.

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 the Pareto group and of Pareto Bank own a total of 4.37 per cent of the shares.

The bank provides specialist banking services within the financing of securities and real estate. In its third year of operations the bank recorded an operating profit of NOK 31 million, as against NOK 17 million in the preceding year. The bank recorded no losses on loans or guarantees.

At yearend, total assets stood at NOK 6.16 billion, as compared with NOK 3.96 billion at the end of the preceding year.

Pareto's strategy

The group's strategy remains unaltered: to be a leading, independent Norwegian investment company with a decentralised and focused strategy for the individual subsidiary. Although priority is given to organic growth and the development of in-company expertise, mergers and acquisitions will also be options if they serve to develop and complement the company. Pareto will cooperate with other players wherever appropriate and whenever doing so will offer clients the optimum product.

One example might be transactions requiring broader international

competence and distribution than Pareto is able to provide on its own. Pareto's aim is to be the preferred Norwegian provider of financial services, reflecting the company's thorough and detailed knowledge of Norwegian social conditions and businesses in which Norway enjoys particular advantages; for example, energy and maritime industries.

The Directors believe that Pareto still has considerable potential for improvement and growth. Pareto is registering a steady increase in demand for its research and advisory based services within brokerage, syndication and asset management. Over the past few years, Pareto has invested substantial sums in upgrading and developing its IT systems and Internet solutions. Communicating, reporting and trading on the Internet offer major business opportunities for Pareto, especially in combination with the company's traditional and personal brokerage and advisory services.

Outlook

In addition to its own efforts and development, Pareto's earnings are affected by general activity on 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 evidenced by developments in recent years.

Following a significant downturn during and in the wake of the financial crisis, global growth is now back to pre-crisis levels. Nevertheless, there is still considerable uncertainty about how the world economy will develop in the future, not least about the significant levels of public sector borrowing and the steadily increasing public debt burden in a number of countries. In the longer term, it is doubtful whether the key rates of interest can be maintained at their current low levels, particularly in Norway.

Although fully cognisant of these challenges, the Directors have a fundamentally optimistic outlook and take a buoyant view of Pareto's opportunities, both in the coming year and 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 in 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 their own trading, 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 conscious effort to attract the ablest candidates without discriminating on the basis of sex, ethnicity or other factors.

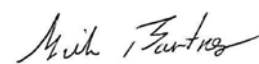
The company's operations do not pollute the external environment.

The group's profit after tax cost totals NOK 650.3 million. The parent company's after-tax profit is NOK 503.5 million. The Directors propose that NOK 13.6 million be allocated for dividends and that NOK 489.9 million be transferred to Other Equity.

At year-end, owner's equity in the parent company had increased to NOK 2,675.6 million, of which NOK 2,406.3 million is distributable capital as provided for in the Norwegian Companies Act. Consolidated book equity stands at NOK 3,309.6 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.

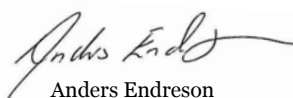
Oslo, 23 March 2011



Erik Bartnes (chairman)



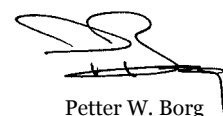
Ole Henrik Bjørge



Anders Endreson



Svein Støle (director/CEO)



Petter W. Borg



Mette Andersen

Income Statement

Parent company (NOK '000)

Group (NOK '000)

2009	2010		Notes	2010	2009
Operating revenues					
0	0	Operating revenues	2	1 899 029	1 605 897
0	0	Total operating revenues		1 899 029	1 605 897
Operating expenses					
-5 124	-7 419	Personnel costs	3	-605 813	-531 698
-3 875	-3 280	Sundry other operating costs		-245 825	-213 369
-931	-931	Ordinary depreciation	4	-23 217	-29 275
-9 930	-11 630	Total operating expenses		-874 855	-774 342
-9 930	-11 630	Operating profit/loss		1 024 174	831 555
Financial income/expenses					
59 078	64 794	Financial income		95 670	79 413
339 227	377 277	Share dividends		51 374	29 187
313 427	95 400	Adjustments, securities	10	98 976	319 738
-3 247	1 828	Share of associated companies	5	1 828	-3 247
0	-39	Interest paid		-3 646	-1 777
-10 580	-15 297	Other financial expenses		-440 233	-375 822
697 905	523 963	Total financial income/expenses		-196 031	47 492
687 975	512 333	Income before tax		828 143	879 047
-17 095	-8 796	Tax cost	13	-177 865	-163 803
670 880	503 537	Profit for year		650 278	715 244
Allocations					
0	0	- Minority's share of profit		18 057	12 125
-12 149	-13 601	- Provision for dividend		-129 351	-110 834
-658 731	-489 936	- Transferred to other equity		-538 984	-616 535
-670 880	-503 537	Net		-650 278	-715 244

Balance Sheet - Assets

Parent company (NOK '000)

Group (NOK '000)

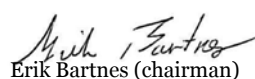
31.12.2009	31.12.2010	Fixed assets	Notes	31.12.2010	31.12.2009
		Intangible assets			
0	0	Goodwill acquired	4	0	1 142
411	923	Deferred tax assets	13	48 017	30 488
411	923	Total intangible assets		48 017	31 630
		Tangible fixed assets			
1 706	775	Fixtures, fittings, machinery etc.	4	38 726	30 783
		Financial fixed assets			
311 685	421 606	Shares in subsidiaries	5	0	0
14 777	12 291	Shares in associated companies	5	12 291	14 777
282 751	282 751	Other securities	6	289 721	287 749
4 553	308	Other long-term receivables	7	1 889	4 771
34	30	Premium fund	8	6 652	8 125
0	0	Pension funds	8	3 466	3 924
613 800	716 986	Total financial fixed assets		314 019	319 346
615 917	718 684	Total fixed assets		400 762	381 759
		Current assets			
		Receivables			
0	0	Trade receivables		730 918	467 446
31 243	10 116	Other receivables	9	0	0
31 243	10 116	Total receivables		730 918	467 446
		Investments			
1 992 696	1 933 158	Securities	10	2 640 051	3 086 891
1 992 696	1 933 158	Total investments		2 640 051	3 086 891
45 083	31 110	Bank deposits	11	1 301 008	632 222
2 069 022	1 974 384	Total current assets		4 671 977	4 186 559
2 684 939	2 693 068	TOTAL ASSETS		5 072 739	4 568 318

Balance Sheet - Equity and Liabilities

Parent company (NOK'000)

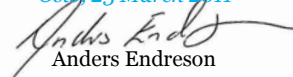
Group (NOK '000)

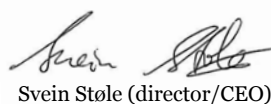
31.12.2009	31.12.2010	Equity	Notes	31.12.2010	31.12.2009
		Paid-in capital			
23 500	22 000	Share capital		22 000	23 500
319 577	50 138	Share premium account		0	0
343 077	72 138	Total paid-in capital		22 000	23 500
		Retained earnings			
2 319 092	2 603 427	Other equity		3 199 584	3 135 917
2 319 092	2 603 427	Total retained earnings		3 199 584	3 135 917
		Minority interests		88 017	110 553
2 662 169	2 675 565	Total equity	12	3 309 601	3 269 970
		Liabilities			
		Provision for commitments			
0	0	Pension commitments	8	5 328	5 566
0	0	Other long-term commitments	5	15 080	0
0	0	Deferred tax	13	1 498	1 915
0	0	Total provision for commitments		21 906	7 481
		Non-current liabilities			
0	0	Capital contributed by silent partners		113 427	112 749
0	0	Total non-current liabilities		113 427	112 749
		Current liabilities			
5 030	3 712	Other current liabilities		1 264 177	890 083
0	0	Line of credit	17	26 535	0
5 540	1	Tax payable	13	178 829	148 392
12 149	13 601	Dividends		133 369	110 834
51	189	Government charges and special taxes payable		24 895	28 809
22 770	17 503	Total current liabilities		1 627 805	1 178 118
22 770	17 503	Total liabilities		1 763 138	1 298 348
2 684 939	2 693 068	TOTAL LIABILITIES AND EQUITY		5 072 739	4 568 318

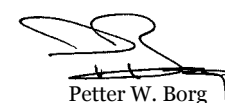

Erik Bartnes (chairman)


Ole Henrik Bjørge

Oslo, 23 March 2011


Anders Endreson


Svein Støle (director/CEO)


Petter W. Borg


Mette Andersen

Cash Flow Statement

Parent company (NOK '000)

Group (NOK '000)

2009	2010	Cash flow from operational activities	2010	2009
687 975	512 333	Ordinary profit before income tax	828 143	879 047
-14 166	-5 540	Tax paid in period	-165 374	-219 599
0	-9 307	Group contributions in Income Statement, no cash effect	0	0
931	931	Gain on sale of tangible assets	23 217	29 275
-313 427	-95 400	Ordinary depreciation	-98 976	-319 738
-1	4	Securities adjustments	1 693	11 576
3 247	-1 828	Net change in pensions without cash effect	-1 828	3 247
23 291	21 127	Share of profits of associated companies	-263 472	237 854
-7 383	-1 180	Change in receivables	396 715	-312 613
380 467	421 140	Net cash flow from operational activities	720 118	309 049
Cash flow from investment activities				
0	0	Payments for purchases of tangible assets	-30 018	-11 593
-287 280	154 938	Net cash flow, short-term investments	543 871	-195 110
-27 961	-109 921	Payments for purchases of financial fixed assets	-1 464	0
3 240	8 559	Received from sales of financial fixed assets	8 633	26 538
-312 001	53 576	Net cash flow from investment activities	521 022	-180 165
Cash flow from financing activities				
-50 803	-12 149	Dividends paid	-106 816	-138 006
-119 850	-476 540	Capital reduction paid out	-476 540	-119 850
0	0	Payments of equity received	0	0
0	0	Change non-current commitments and liabilities	15 758	-12 500
0	0	Payments of equity to/from minority interests	-4 756	-15 677
-170 653	-488 689	Net cash flow from financing activities	-572 354	-286 033
-102 187	-13 973	Net change in bank deposits	668 786	-157 149
147 270	45 083	Bank deposits in hand at 1 Jan.	632 222	789 371
45 083	31 110	Bank deposits in hand at 31 Dec.	1 301 008	632 222

Notes to the Accounts

Note 1 Group structure and accounting principles

- **Pareto AS** owns 75.0 per cent of Pareto Securities AS, 85.4 per cent of Pareto Project Finance AS, 80.5 per cent of Pareto Forvaltning AS, 100.0 per cent of Pareto Bassøe Shipbrokers AS, 100.0 per cent of Pareto Commodity AS, 100.0 per cent of Johan G. Olsen Shipbrokers AS, 100.0 per cent of Pareto Forsikringmegling AS, 100.0 per cent of Pareto Wealth Management AS, 100.0 per cent of Pareto PPN AS, 100.0 per cent of Vilfredo AS, 100.0 per cent of Gazza Eiendom AS and 100.0 per cent of Pareto Online AS.
- **Pareto Securities AS** owns 90.0 per cent of Pareto Offshore AS, 100.0 per cent of Pareto Shipping AS, 62.5 per cent of Pareto Securities Asia Pte Ltd and 100.0 per cent of Pareto Securities Inc.
- **Pareto Project Finance AS** owns 100.0 per cent of Pareto Business Management AS, Pareto Eiendom AS and Pareto Investorservice AS.
- **Pareto Bassøe Shipbrokers AS** owns 100.0 per cent of P.F.Bassøe AS and Pareto Dry Cargo AS.
- **Pareto Commodity AS** owns 100.0 per cent of Pareto Commodity Consulting AS.
- **Pareto Forsikringmegling AS** owns 100.0 per cent of Pareto Forsikringsrådgivning AS.
- **Vilfredo AS** owns 100.0 per cent of Vilfredo Kapitalforvaltning AS and Pareto Nordic Investments 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.

Accounting principles

The annual accounts are prepared in accordance with the rules provided for in the Norwegian Accountancy Act.

Income items are entered as earned and when claims for payment arise. Income is recorded at the value of the payment at the time of the transaction.

Assets intended for permanent ownership or use are classified as fixed assets. 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 long-term 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 real 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 included 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.

Pensions are entered according to a straight-line earning profile with the estimated retirement salary as the contribution base. Estimate variances are amortised over the anticipated remaining earnings period in so far as they exceed 10 per cent of the pension commitments or the pension assets, whichever is higher. The group companies introduced a defined contribution pension scheme in 2006. Contribution plans are accrued according to the matching principle.

Notes to the Accounts

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.

Note 2 Operating revenues, consolidated

(NOK '000)

	2010	2009
Brokerage/Corporate finance	1 541 964	1 323 548
Management/Business management	357 065	282 349
Total operating revenues	1 899 029	1 605 897

Note 3 Salaries, number of employees, remuneration etc.

(NOK '000)

	<i>Parent company</i>		<i>Consolidated</i>	
	2010	2009	2010	2009
Wages and salaries, holiday pay, nat. insurance	1 701	1 198	270 969	230 095
Profit-related remuneration	3 481	3 672	310 013	279 915
Pensions and other personnel costs	2 237	254	24 831	21 688
Total	7 419	5 124	605 813	531 698
Number of man-years	3	2	442	408

The CEO was paid NOK 2,289,000 in remuneration. No provision has been made for remuneration for the directors of the parent company. A provision of NOK 635,000 has been made for remuneration for directors of subsidiaries.

Deloitte AS received fees of NOK 140,000 for auditing the parent company and NOK 1,701,000 for the group. Payment for other certification services totalled NOK 7,000 for the parent company and NOK 1,068,000 for the group. Payments to other auditors for services provided to the group totalled NOK 523,000.

The law firm Deloitte Advokatfirma DA was paid NOK 344,000 for services provided to the parent company and NOK 3,586,000 for services for the group. All figures are exclusive of VAT.

Note 4 Tangible fixed assets

(NOK '000)

	<i>Parent company</i>		<i>Consolidated</i>	
	Fixtures & fittings, IT		Fixtures & fittings, IT	Goodwill
Procurement cost 01.01	4 010		175 393	84 270
Additions in year	0		23 112	0
Disposals/sale	0		519	0
Procurement cost 31.12.	4 010		197 986	84 270
Acc. depreciation 01.01.	2 304		143 562	83 128
Depreciation this year	931		22 075	1 142
Acc. depreciation 31.12.	3 235		165 637	84 270
Book value 31.12.	775		32 349	0
Economic life	3-6 years		2-6 years	3 years
Depreciation plan	Straight-line		Straight-line	Straight-line

A subsidiary owns a holiday home with a book value of NOK 6,376,945 as at 31 December 2010.

The parent company has concluded a 10-year lease on the premises Dr. Maudsgate 1-3, which expires on 13 July 2020. The annual rent excluding common expenses is approximately NOK 19.5 million.

Notes to the Accounts

Note 5 Shares in subsidiaries

(NOK '000)

Company	Office	% stake and votes	Book value 31.12.
Pareto Securities AS	Oslo	75,00 %	50 728
Pareto Project Finance AS	Oslo	85,39 %	27 344
Pareto Forvaltning AS	Oslo	80,52 %	14 941
Pareto Bassøe Shipbrokers AS	Oslo	100,00 %	40 600
Johan G. Olsen Shipbrokers AS	Kristiansand	100,00 %	41 500
Gazza Eiendom AS	Oslo	100,00 %	23 906
Pareto Commodity AS	Oslo	100,00 %	52 205
Pareto Wealth Management AS	Oslo	100,00 %	17 957
Pareto PPN AS	Bryne	100,00 %	56 782
Pareto Online AS	Oslo	100,00 %	35 220
Pareto Forsikringsmegling AS	Oslo	100,00 %	20 423
Vilfredo AS	Oslo	100,00 %	40 000
			421 606

The shares of Pareto Forsikringsmegling AS were acquired as at 30 April 2010 at a purchase price that was equal to book equity.

The shares of Vilfredo AS were acquired as at 2 November 2010 at a purchase price that was NOK 15,080,000 less than book equity.

Shares in associated companies

Company Office in	Fondsforvaltning Oslo	Odin Marine New York	Total Associated comp.
Pareto's interest	35,0 %	35,0 %	
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.	6 899	7 878	14 777
Share of year's profit/loss	697	2 500	3 197
Depreciation goodwill	0	-1 369	-1 369
Dividends received	-556	-3 758	-4 314
Closing balance 31 Dec.	7 040	5 251	12 291

Note 6 Other shares/bonds

(NOK '000)

Other securities, parent company	Number	Cost price	Book value
Imarex ASA	108 662	10 596	10 596
Pareto Bank ASA	127 500	53 700	53 700
Oslo Børs VPS Holding ASA	3 662 230	213 893	213 893
Norsk Tillitsmann ASA	5 925	4 562	4 562
Total other securities, parent company		282 751	282 751
Other securities, subsidiaries		7 690	6 970
Total other securities, group		290 441	289 721

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 in the subsidiaries interest-bearing loans on which the outstanding balance as of 31 December 2010, was NOK 267,916.

Note 8 Pensions

The group has a defined contribution pension scheme as required under the Act concerning Mandatory Occupational Pensions. Premium paid in 2010 totalled NOK 21,000 for the parent company and NOK 3,635,000 for the group. The premium fund assets recorded in the balance sheet as at 31 December 2010, stood at NOK 30,000 for the parent company and NOK 6,652,000 for the group.

One of the subsidiaries of the group has a group pension scheme encompassing 12 people.

The actuarial assumptions about demographic factors and exits are based on those normally employed in the insurance industry.

(NOK '000)

	2010	2009
Present value of year's pension earnings	435	533
Interest cost on pension commitments	452	489
Estimate adjustment entered in income statement	116	31
Administration expenses	56	94
Accrued employer's nat. ins. contribution	11	15
Return on pension funds	-519	-651
Net pension costs	551	511
Estimated pension commitments	-9 863	-8 585
Pension funds (at market value)	8 469	9 424
Accrued employer's nat. ins. contribution	-196	0
Effect of estimate variances, not recognised in income statement	5 056	3 085
Pension funds in balance sheet	3 466	3 924
Unsecured pension commitments	-5 328	-5 566
Financial assumptions		
Expected return on funds	5,4 %	5,6 %
Discount rate	4,6 %	5,4 %
Expected wage growth	4,0 %	4,3 %
Expected adjustment of basic nat. ins. amount	3,8 %	4,0 %

Note 9

The parent company has claims in the amount of NOK 8,490,000 on group companies.

Notes to the Accounts

Note 10 Securities

(NOK '000)

Mutual funds, parent company	Cost	Book value	
Fixed income funds	110 110	114 307	
Direct investment funds	139 892	119 711	
Equities funds	1 110 311	1 099 622	
	1 360 313	1 333 640	
Other securities, parent company			
Shares (NOK)	319 047	299 445	
Shares (SEK)	132 850	132 850	
Shares (EURO)	24 476	24 476	
Shares (GBP)	52 036	52 036	
Shares (CHF)	29 847	29 847	
Shares (USD)	49 399	41 547	
Bonds	11 635	12 185	
Other securities	8 072	7 132	
	627 362	599 518	
Total securities, parent company			1 933 158
Mutual funds and other securities, subsidiaries			
		Market value	
Shares		97 121	
Norwegian government bonds		348 460	
Bonds and certificates		202 910	
Mutual funds		58 402	
Total securities, subsidiaries			706 893
Total securities, group			2 640 051

Note 11 Bank deposits

The parent company has a non-distributable deposit of NOK 117,000 lodged in an account for tax withholdings. The group's bank deposits include NOK 133,437,000 in non-distributable accounts, of which NOK 11,660,000 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.

Notes to the Accounts

Note 12 Equity

(NOK '000)

Parent company	Share capital	Share premium account	Other equity	Total
Equity as of 1 Jan.	23 500	319 577	2 319 092	2 662 169
Capital reduction 3,000 own shares	-1 500	-20 399	-205 601	-227 500
Capital reduction, share premium account		-249 040		-249 040
Provision for dividends			-13 601	-13 601
Year's profit			503 537	503 537
Total equity as of 31 Dec.	22 000	50 138	2 603 427	2 675 565

Group	Share capital	Other equity	Total
Equity as of 1 Jan.	23 500	3 246 470	3 269 970
Capital reduction 3,000 own shares	-1 500	-226 000	-227 500
Capital reduction share premium account		-249 040	-249 040
Provision for dividends		-129 351	-129 351
Net payment to minority interest		-4 756	-4 756
Year's profit after tax		650 278	650 278
Total equity as of 31 Dec.	22 000	3 287 601	3 309 601

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 have a preferential right to dividends as determined by the General Meeting.

Notes to the Accounts

Note 13 Taxes

(NOK '000)

Parent company

Group

2009	2010		2010	2009
687 975	512 333	Profit before income tax	828 143	879 047
-626 923	-480 920	Permanent differences	-131 867	-314 000
-41 266	1 828	Change in temporary differences	370	-65 792
0	0	Loss brought forward from earlier years	0	-18
19 786	33 241	Year's tax base	696 646	499 237
5 540	9 308	Tax payable	178 829	148 392
0	0	Tax payable, supplement	0	0
5 540	9 308	Total tax payable	178 829	148 392
		Specification of temporary differences		
-1 190	-3 074	Current assets	-3 374	-2 116
-39	-31	Tangible fixed assets	-45 791	-48 262
-241	-193	Intangible assets	-15 136	-18 907
0	0	Remaining loss for carrying forward	-96 808	-21 631
-1 470	-3 298	Basis for calculating deferred tax benefit/tax	-161 109	-90 916
-411	-923	28% deferred tax benefit/tax	-46 519	-28 573
		Year's tax cost		
5 540	9 308	Tax payable	178 829	148 392
0	0	Tax correction for earlier years	-188	138
11 555	-512	Change in deferred tax benefit/tax	-776	15 273
17 095	8 796	Tax cost	177 865	163 803
2,5 %	1,7 %	Effective rate of taxation	21,5 %	18,6 %
		Reconciliation from nominal to true tax cost		
192 633	143 453	Anticipated tax cost at nominal rate	231 131	249 570
-175 538	-134 657	Permanent differences	-36 924	-87 920
0	0	Other items	-16 342	2 153
17 095	8 796	Tax cost	177 865	163 803

Notes to the Accounts

Note 14

DnBNOR has furnished guarantees for Pareto Securities AS and the company's participation in securities settlements with Norges Bank in the amount of NOK 150 million and with VPS Clearing ASA in the amount of NOK 12 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 NOK 55 million (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

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

Note 17

A subsidiary has established a multi-currency drawing facility with a ceiling of NOK 33 million secured by a lien on trade receivables.



Deloitte AS
Karenslyst allé 20
Postboks 347 Skøyen
NO-0213 Oslo
Norway

Tel: +47 23 27 90 00
Fax: +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 for the parent company, showing a profit of NOK 503.537.000, and the financial statements for the group, showing a profit of NOK 650.278.000. The financial statements comprise the balance sheets as at 31 December 2010, income statements and cash flows statements 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 give a true and fair view of the financial position of Pareto AS and of the group as at 31 December 2010, and of its financial performance and its cash flows for the year

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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 and the allocation of the profit

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the the allocation of the profit complies with the law and regulations and that the information is consistent with the financial statements.

Opinion on Registration and Documentation

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

Oslo, 23 March 2011
Deloitte AS

Jern 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
Telefon 22 87 87 00
www.pareto.no