

Pareto Annual Report 2009

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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, Singapore and New York. Pareto was founded in 1986 and has developed into a corporate group offering a wide array of products. The group has 408 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 commercial real estate brokerage services. Pareto is also 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.

Diversity and a strong local presence

The broad scope of Pareto's product range has provided opportunity 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 given us 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 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 approach is always innovative, creative and unique.

Securities broking

*Equities
Bonds
Derivatives
Foreign exchange*

Advisory services

*Listing
Mergers and acquisitions
Financing
Private banking*

Project financing

*Limited companies
Limited partnerships
Private equity funds
Unlisted companies*

Banking services

*Securities financing
Real estate financing
Retail banking services*

Asset broking

*Shipping
Rigs
Commercial properties
Chartering*

Active management

*Equities
Bonds
Structured products
Specialised funds*

Pareto approaching 25

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

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 Pareto group is now a key player in the Norwegian market for financial services.

The table below summarises a rich story of innovation, growth and changing framework conditions, through market rises punctuated by intermittent financial crises. It also tells the story of long-term growth: turnover last year alone exceeded accumulated turnover during the last millennium.

A comparison with annual returns recorded on the Norwegian stock exchange makes it apparent that Pareto's results fluctuate with the stock market, although we are happy to note that earnings have remained robust: in every year since the outset, Pareto has recorded a profit and each year most of this has been retained and ploughed back into new business activities and securities. 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.

	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 %

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. Oslo Børs stock market returns are based on the Benchmark Index linked backwards to the old All Shares Index.

The Pareto group in 2009

Unusually volatile markets made 2009 a challenging year for our businesses. Here are some of the highlights and key figures.

Recovery and a fresh upturn

- While the early months of 2009 still bore the imprint of the financial crisis, pessimism was soon replaced by optimism. Share prices skyrocketed, especially in Norway, and risk premiums in the credit market fell significantly. This contributed to a marked improvement for many of our companies as the year progressed.
- Revenues for the Pareto group amounted to NOK 1.6 billion (2008: 1.8 billion). The operating profit totalled NOK 832 million (2008: NOK 927 million) and the pre-tax operating profit was NOK 879 million (NOK 189 million). The profit for the year was NOK 715 million (NOK 2 million). Value adjustments to the securities portfolio contributed in excess of NOK 300 million to this result. Throughout the financial crisis and its aftershocks the group's losses on accounts receivable have been negligible. The total number of personnel employed by the group increased by 10 people during the course of the year to 408. Equity at yearend stood at NOK 3.3 billion (NOK 2.8).
- Pareto Securities has strengthened its competitive position in the Norwegian capital market. The company acted as adviser to and arranger of five out of the ten largest equity issues on Oslo Børs in 2009 and maintained its position as one of the leading brokers in the second-hand market. Since 2006, Pareto Securities has arranged more than 35 per cent of all IPOs on Oslo Børs/Oslo Axess. During the same period the company arranged equity placements in excess of NOK 100 billion and bond loans at a total value of over NOK 75 million. The company is the leading broker by far in the second-hand market for these instruments.
- The first part of 2009 was challenging for Pareto Private Equity, with slumping transaction volumes in both shipping and real estate. The company devoted a great deal of time and energy during this period to safeguarding the assets of our investors. Fortunes reversed in the second half of the year, with a step shift in activity levels: within shipping project financing transactions were placed in both Norway and internationally. It is estimated that our real estate business accounted for over a third of all capital raised for real estate investments in Norway. In the field of corporate finance the company was involved in several major transactions. In addition, attention

was focused on enhancing the liquidity of unlisted shares and partnership interests through the establishment of a dedicated broker desk. Pareto Private Equity manages a total of 140 investment companies with a value of more than NOK 37 billion.

- Pareto Forvaltning had a very satisfactory year. Total assets under management increased from NOK 25.7 billion to NOK 36.0 billion. This rise can be attributed to a significant upturn in values on the stock market as well as high net subscriptions to both equity and fixed income funds. All the funds outperformed their respective benchmark indices, in some cases by substantial margins. The company's main profile on the Norwegian stock market has recorded an average return after expenses of 15.8 per cent since its launch 11 years ago. The corresponding Oslo Børs index return is 9.3 per cent.
- Pareto Bassøe Shipbrokers recorded continued growth in contract levels for both tanker chartering (PF Bassøe) and dry cargo chartering (Pareto Dry Cargo). Due to low rates and a weak dollar, however, turnover was lower than in the preceding year.
- Johan G. Olsen Shipbrokers recorded yet another good year within both offshore and large tanker broking. In fact, 2009 proved to be a record year for the company.
- Pareto PPN arranged financial products for independent financial advisers at a value equivalent to NOK 1.9 billion, an increase of over NOK 500 million on the preceding year.
- After a slow start, Pareto Universal Fonds succeeded in increasing sales of its investment products by over 25 per cent to NOK 655 million. These products were largely arranged by other Pareto companies.
- Pareto Bank completed its second year of operations and at yearend had total assets of almost NOK 4.0 billion. The capital adequacy of the bank is good and thus far it has recorded no defaults or losses on loans.

The market and the economy in 2009

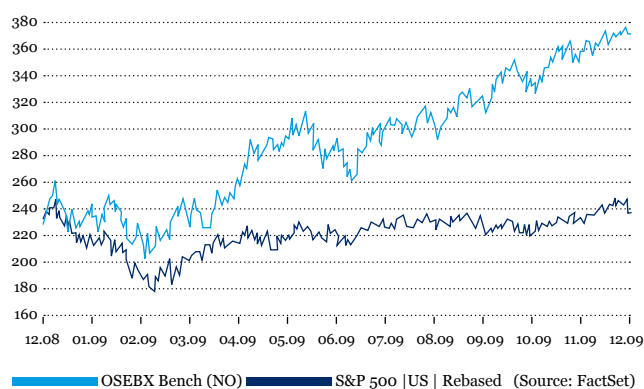
Pareto has always sought to understand companies, industries and long-term development trends rather than timing peaks and troughs in the market. The reason is simple: short-term prediction of the market is notoriously difficult. Developments in 2009 provided a striking example of this.

Not since the 1930s had pessimism been so deeply rooted as it was at the outset of 2009. Over the course of little more than seven months, US stocks (S&P 500) had dropped by almost 37 per cent and bond buyers were demanding sky-high risk premiums: globally, high yield bonds recorded spreads of up to 2,000 basis points.

In Norway, the stock market response was even more profound: the Oslo Børs Benchmark Index fell by more than half and the pessimism continued into the new year. By 3 March, the Benchmark Index had fallen by a further 12 per cent.

But then the situation reversed. And when the upturn finally arrived, it came in spades – not least in Norway. Having bottomed out, the Benchmark Index soared by over 88 per cent by the end of the year. We would be hard put to find a better illustration of the importance of patience and a long-term stance in the equities market.

Sea change on Oslo Børs



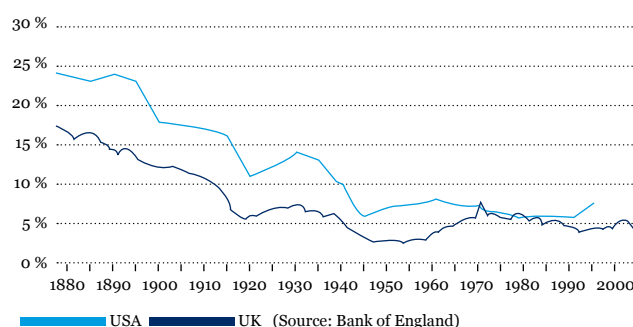
The Norwegian stock market bottomed out at about the same time last year as the US market, but went on to perform significantly better.

But why were the reactions so dramatic?

At this point it might be useful to recount the financial crisis, starting with the fundamentals: within a very short space of time the realisation emerged that financial institutions worldwide

were risking major losses on lending and other investments. At the heart of the financial crisis lay the danger of major financial losses.

Steadily falling capital adequacy



The capitalisation of banks in several countries had been falling for years. This made them more vulnerable when the crisis came.

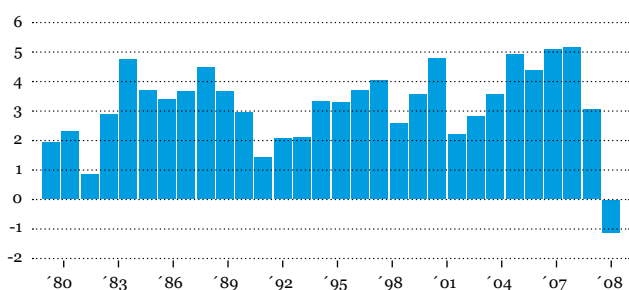
And big the losses would be. In October of 2009 the IMF put expected losses at 3,400 billion dollars, of which 2,800 billion would be sustained by banks and the rest would be distributed between insurance companies, pension funds and other financial institutions.

Simplifying somewhat, we can say that the extensive losses can be attributed to a combination of two factors: firstly, the market was overstretched. Low interest rates and the widespread availability of credit had pushed up credit volumes and asset prices in a number of countries, not least the United States. This drove both housing prices and share prices upwards. In a parallel development, the gearing ratio of many home owners and financial investors was increasing. Similarly, financial institutions in many countries were over-extending themselves through steadily decreasing capital adequacy and the creative evasion of capital requirements. All this meant that there was a long way to fall and that the potential for losses was considerable.

Secondly, the risk of triggering such losses was even greater than had been initially realised by the market. The securitisation of top risk mortgages in the US (subprime loans), the lack of under-

standing of financial innovations and the emergence of poorly regulated banking operations alongside the ordinary banking system – known as the shadow banking system – had both concealed the risk of losses and increased the actual level of risk.

Dramatic falloff in growth



Per cent global GDP growth, historical and estimated (Source: IMF)

During the period from 1980 to 2008, the world economy grew by an average of 3–4 per cent a year. In 2009 we saw a drop of 1.1 per cent.

On both points – the size of potential losses and the probability of losses – the situation had reached historical levels. When the market discovered this combination and realised how dire the situation actually was – when it became clear to all that potential losses could become actual losses – the downturn was amplified by good old-fashioned fear.

After this we saw an unusually exciting tug-of-war between negative effects and counter-measures. In the first round it was apparent that the knock-on effects would in any event be enormous. Estimates by the IMF show that global growth shrank from a solid 5.2 per cent in 2007 to -0.8 per cent in 2009 – significantly worse than all other years in the IMF database.

However, the counter-measures too were of historic dimensions. Last year the IMF estimated that the support measures announced by the advanced G20 countries amounted to some 5.7 per cent of GDP. Never before has a stronger dose been administered. And it would take time before the full effect was felt. By the autumn of 2009, the advanced G20 countries had used up half of the capital injections that had been adopted.

In retrospect it seems clear that support measures of this order would have to work and that their effects would be powerful. Even so, it was not until the spring of 2009 that this realisation sank in sufficiently for financial markets worldwide to shake off the fear of an even worse downturn.

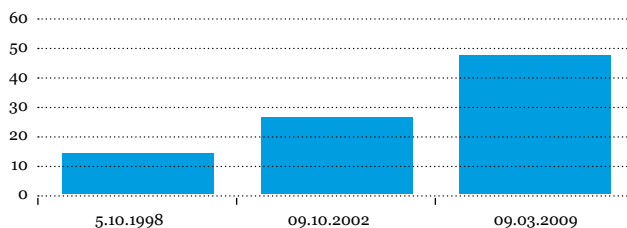
At the same time, there was a dawning awareness that demand in the emerging economies, not least China, was far more robust than had been widely feared. In part, this was because these countries had reached a level of development at which they were no longer so dependent on the West, in part because they had higher levels of savings and lower debt entering the crisis. Moreover, they had now reached a sufficient size in economic terms to make their presence felt in the world economy. This became steadily more apparent as 2009 unfolded.

Accordingly, the rational foundations for renewed growth were in place. The effect on markets that shortly before had swung from naïve over-optimism to exaggerated pessimism was dramatic. And once again the effects were enhanced by a large-scale synchronisation of the world's securities markets. First they had dived in concert, now they were rising in concert.

This has clearly served to undermine the argument that the globalisation of securities markets would reduce their volatility. It has also undermined the idea that risk can be easily controlled by diversification and hedging. One obvious conclusion to be drawn from this is that healthy equity levels and common sense can, when it comes down to it, not be replaced by models.

In 2009, however, few complaints against this synchronisation could be heard. By the end of the year, the S&P 500 had reached a level that was 26.5 per cent higher than at the previous yearend, while the Morgan Stanley Capital International World Index had risen by 30 per cent. Moreover, bond spreads were down by up to 70 per cent from their peak levels.

Deepest crisis, highest oil price



Average oil price (Brent Blend) 25 trading days before and after trough levels for the Morgan Stanley Capital International World Index. (Source: FactSet/Pareto)

Although the stock market downturn was far deeper this time around, the oil price fall was halted at a much higher price floor.

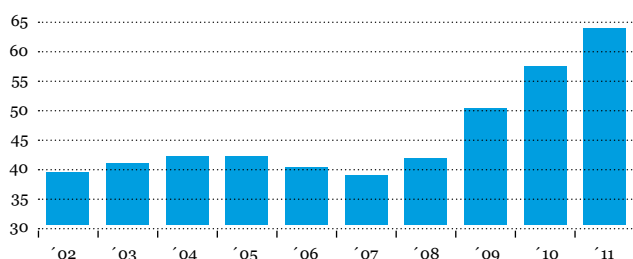
By comparison, Oslo Børs rose by no less than 64.8 per cent during the course of the year. Was this simply a classic bounce by a particularly volatile stock exchange?

Not at all. Because on one point this financial crisis differs markedly from earlier crises and stock market slumps: the oil price remained far higher. Whereas, for example, the Asia crisis sent Brent Blend down to approximately 12.50 dollars, the financial crisis – which was a far more serious crisis for the world economy – merely lowered the oil price to somewhere around 48 dollars. This is calculated as an average of price quotes during 25 trading days before and after the stock market bottomed out. It is true that the oil price had risen far higher before things went awry this time, but we don't need to look that far backwards in time before 48 dollars would be perceived as a remarkably high price.

Accordingly, it is not difficult to understand that Oslo Børs, with its high proportion of oil and energy related stocks, performed far better than other exchanges. This came as something of a relief to Pareto, which focuses on industries in Norway that enjoy particular advantages – not least oil and energy related shares.

At the start of 2010, the support measures have become the greatest cause of concern for the markets. Worries now centre around public sector debt problems and the danger of higher inflation further down the line and, not least, future belt-tightening measures in order to rein in these debt problems. Major price fluctuations thus far into 2010 indicate that the market is bewildered as to future developments.

Significant debt growth



Net public debt as a percentage of GDP, OECD total. (Source: OECD December 2009)

This is what investors are concerned about at the outset of 2010: The abundant stimulus measures within the OECD are contributing to a sharp increase in debt. Will this result in corresponding austerity measures further down the line? Or will we see a rise in inflation?

Pareto's basic outlook on both the Norwegian economy and the international economy is optimistic and we are convinced that well-run companies will pull through this period of turbulence, as they have pulled through earlier crises. Some will even emerge strengthened. The important thing is to make the right choices, weather downturns and take a sufficiently long-term view.

2009 in a nutshell

OSEBX	+64,8%
S&P 500 return	+ 26,46 %
MSCI World net	+30,0%
3-months NIBOR	from 3,97% to 2,10%
10 year Norwegian Treasury	from 3,81% to 4,15%
Share turnover Oslo Børs (value)	-38,6%
Brent Blend	from USD 48,80 to USD 78,70
GDP global	-0,8%
GDP Norway	-1,5%
GDP Mainland Norway	-1,5%

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 brokering 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 the past 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.

Our European investors are generally serviced by our offices in Oslo and Stavanger. Our US clients are the responsibility of a dedicated team of brokers in Norway. In addition we have brokers in New York and Singapore. 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 man-

agement are present (road shows and conferences).

Skilled research is the "powerhouse" of our operations

Our research staff comprises 26 advisers who work continuously to ensure that they have the market's best insight into the companies and sectors in which they specialise. Importance is placed on the drafting of unique case studies, which, if timed correctly, can secure healthy returns for our clients. During 2009, the department worked on professionalising the product by implementing a new design, which is now used across all departments within the organisation. We also focused on being proactive – rather than reactive – 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. In , the department will concentrate on improving the distribution of the research product, which in practice will mean enhancing our publication tools and web site, and on following up our Norwegian and international clients more closely.

A high quality research product is a prerequisite for servicing our clients as effectively as possible. We compile continuous industry and company analyses, which are issued both ad hoc and on a regular basis. The products are made available to our clients as and when they are completed at: www.pareto.no.

The research department also functions as a recruitment agency where young talent from schools in Norway and abroad receive training in corporate research and finance. After one or more years these new recruits are given the opportunity to switch to other departments within

the system. 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.

Our two credit analysts follow the Norwegian and international credit markets and compile credit reports on selected companies. 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 also work closely with Pareto Bassøe Shipbrokers, Pareto Private Equity and Pareto Offshore in the areas of shipping, real estate and offshore, respectively. Our analysts enjoy a high standing in the market and have appeared at the top of a number of major rankings and studies.

In recent years this has in particular applied to oil and gas, offshore rigs, seismic surveys, oil services, shipping, fisheries and real estate.

Pareto Shipping was incorporated into the company in 2009, following our acquisition of what was formerly known as Pareto Shipbrokers from Pareto Bassøe Shipbrokers. Our new subsidiary will concentrate on ship broking, while Pareto Bassøe Shipbrokers will focus on chartering.

Conferences and road shows

An important part of our research work is 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 from Norway and abroad attended the 2009 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 cases.

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/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. Our divisions in Oslo, Stavanger, Bergen, Kristiansand and Trondheim enable us to maintain proximity 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. In 2009, the business was strengthened with the acquisition of corporate advisers Medici Gruppen AS.

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 Bassøe Shipbrokers, Pareto Private Equity and Pareto Eiendom, 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.

Substantial bond broking

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

As is the case for our stock market activi-

ties, our bond broking business is based on thorough research. This secures us the trust of investors and issuers alike.

An important consequence of the close proximity between the equity and debt sectors of our operations is the broad expertise that this entails within both advisory services and sales. Pareto is therefore able to perform transactions that involve not only equity and debt, but also structured products such as convertible loans, share or bond issues with attached subscription rights and wholly or partly guaranteed equity products.

Pareto Securities Inc.

In 2009, we bought out our partners in New York-based Nordic Partners and renamed the company Pareto Securities Inc. In addition, we augmented the staff, which now comprises a total of 16 employees. The firm has established a strong position in the North American institutional investor community as a broker of Nordic shares. The collaboration between our offices in the US and Norway enables us to combine closeness to the issuing companies with proximity to the investors.

Pareto Securities Asia Pte. Ltd.

Pareto Securities Asia has a staff of twelve and is in its fifth 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 Offshore AS

Pareto Offshore offers broking, newbuilding, chartering and financing services for drilling units of all types. The firm's staff of five also undertakes valuations and market updates. Although most of Pareto Offshore's clients are American rig owners, in the past few years the company has assisted several Norwegian newcomers and existing clients with newbuilding contracts for floating and jack-up rigs. The company has also increased its focus on chartering and has been involved in a number of major transactions.

Other services

Pareto Securities has conducted currency operations since 2006 in connection with the provision of investment services. We now have a staff of four to provide these services.

In autumn 2007, Pareto Securities established a separate department to focus on capital advisory services and debt structuring. As a supplement to securing financing as equity and debt, our broad network of contacts in Norwegian and international banks and financial institutions enables us to advise on and arrange attractive funding solutions for our clients.

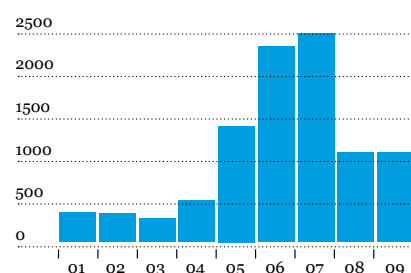
Integrated web solution

With effect from 1 January 2010, Pareto Online will be integrated into Pareto Securities and will communicate with our clients under the Pareto Securities name. The background to this integration is an increased commitment to electronic securities trading within the group. All agreements concluded with Pareto Online have been transferred to Pareto Securities.

Significant growth in personnel numbers

Whereas for most of the industry downsizing was the order of the day in 2009, Pareto Securities increased its personnel count from 204 to 226. The company actively recruits young talent, focusing on the best students from the top schools. The company offers them a flat organisational structure, early responsibility and attractive incentives.

Revenues NOK mill



Pareto Securities AS

Dronning Mauds gate 3
P.O.Box 1411 Vika
0115 OSLO Norway
Telephone: 22 87 87 00
Turnover: 2009 NOK 1.1 billion
Number of employees: 226
CEO: Ole Henrik Bjørge
ole.henrik.bjorge@pareto.no
www.pareto.no

Pareto Private Equity AS

Pareto Private Equity (PPE) offers corporate finance and project financing services within the shipping, offshore and real estate sectors, as well as M&A services and traditional corporate services for unlisted companies. In addition, PPE secures funding for and manages investor funds. PPE is solution-oriented and has a wide network of clients and investors in Norway and abroad. We have six primary areas of activity:

I – Shipping and Offshore

PPE has extensive experience and expertise in syndicating and managing shipping projects. To date we have arranged well over 200 shipping/offshore projects and currently hold a portfolio of 72 ships/vessels, having sold off 42 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 30 per cent and regular dividends at an acceptable level of risk. Our primary focus is on projects involving long-term charters and recognized charterers, but 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.

II – Real Estate

With over 20 years of experience, PPE 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. PPE 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 with an expected annual return on equity of between 10 and 15 per cent. In 2009, PPE was involved in buying/selling and syndicating properties at a total value of about NOK 3 billion and was the biggest fund raiser in the Norwegian real estate market.

III – Corporate Finance

The work of PPE's corporate finance team focuses on the private equity market. In the past few years the firm has cemented its leading position through more than

100 purchases and sales of companies (M&A) and private placements/issues. PPE establishes long-term collaboration with companies and investors within the core areas of oil/offshore, shipping, renewable energy, fish farming and real estate. Our clients are offered access to a substantial national and international network of institutional investors and major private investors. The team has over ten years' experience in arranging and structuring sales processes, marketing activities, negotiations and the execution of transactions.

IV – Investment funds

In 2009, PPE continued raising capital for and managing its investment funds. Since its inception in 2006, PPE has procured almost NOK 5.0 billion in equity capital. PPE will continue to build funds in established business sectors as well as developing new investment funds that will be offered to our investors directly and through existing distribution networks.

V – Pareto Business Management

Pareto Business Management AS (PPM) is Norway's leading financial service and support partner within the areas of real estate and shipping/offshore. The firm manages approximately 140 investment companies with a value in excess of NOK 37 billion, of which some 70 per cent are Pareto-related projects. Our services cover the handling of day-to-day operations including management, accounts, reporting and advisory services. PPM's personnel include experienced accounting, taxation, corporate law and technical management professionals. Efficient reporting tools have been established for sharing information, calculating returns and managing portfolios. The reports are made available to investors on the Internet.

VI – Sales and brokering of shares and partnership interests

By establishing sales of equity instruments as a separate business area, PPE is taking steps to increase the liquidity of the market for PPE-related projects and funds. The aim is both to increase the syndication of new projects and to strengthen liquidity on the second-hand market. Volumes traded in 2009 were on a par with the volume of OTC shares traded by the largest brokers in the OTC market.

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Pareto Private Equity AS

Dronning Mauds gate 3
P.O.Box 1396 Vika
0114 OSLO Norway
Telephone: 22 87 87 00
Turnover: 2009 NOK 205 mill
Number of employees: 48
CEO: Anders Endreson
anders.endreson@pareto.no
www.pareto.no

Pareto Forvaltning AS

Pareto Forvaltning is an independent asset management company offering active management, equities funds and fixed income funds. Our investment strategy has generated substantial excess returns, and at present the company manages a total of NOK 36 billion.

Pareto's in-house asset manager

Pareto Forvaltning offers asset management in the securities market through the Active Management service and through our fixed-income and equities funds. Our clients are 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 3.2 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 own expertise, methodologies and management philosophy.

The company has a staff of 35 people including 10 managers and 17 strategic advisers with an average of 15 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 the company managed NOK 15.7 billion in equities and NOK 20.3 billion in fixed-income instruments.

Conservative, consistent and long-term

Our management of equities 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 general market factors, macro-economic variables, technical analyses etc.

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 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 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 analysis of relevant macro-economic 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 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 15.8 per cent

Our long-term approach and a value-based management philosophy have paid off. Our first client, who came to us in August 1995, remains on our list of actively managed portfolios. Notwithstanding numerous significant drops in the stock market this client has enjoyed a total return of 585 per cent before expenses. This represents an excess return of 341 percentage points relative to Oslo Børs, which during the same period generated a return of 244 per cent. The MSCI World Index recorded no more than 64 per cent, measured in Norwegian kroner.

Our primary profile in the Norwegian stock market has over the last 11 years generated an annual average return of 15.8 per cent net of all expenses. This represents a very satisfactory excess return relative to both the 9.3 per cent return recorded by Oslo Børs and three-month NIBOR of 4.6 per cent during the period.

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Pareto Forvaltning AS

Pareto Forvaltning AS
Dronning Mauds gate 3
P.O. Box 1396 Vika
0114 OSLO Norway
Telephone: 22 87 87 00
Turnover: 2009 NOK 202 million
Number of employees: 35
CEO: Petter W. Borg
petter.borg@pareto.no
www.pareto.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 primarily concentrating 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 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
P.O. Box 1396 Vika
0114 OSLO Norway
Telephone: 22 01 08 00
Turnover 2009: NOK 21 million
Number of employees: 9
CEO: Lars Irgens
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 2009: NOK 10 million
Number of employees: 4
CEO: Morten Lie
dry@pareto.no
www.pareto.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 the 1930s. Until as recently as about 1980, Johan G. Olsen Shipbrokers was the exclusive broker for a great many shipping companies in southern Norway when it came to chartering, contracting new-buildings, 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 good 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 dominant broker in most segments of the offshore market. The offshore brokers arrange long-term contracts between the owners of supply vessels and the operators/oil companies, securing rights of disposition over the vessels for long periods of time, from a few months to several years. In the spot market the brokers arrange short contracts for supply vessels to carry cargoes and supplies to drilling and production platforms and other offshore installations. They also arrange contracts for anchor-handling vessels and tugs for moving and towing rigs. Furthermore, JGO arranges the chartering, buying and selling of oil rigs.

Over the years, the department has developed broad expertise in the areas of 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 Private Equity, 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

Johan G. Olsen Shipbrokers AS

Vestre Strandgate 19 A

4663 Kristiansand Norway

Telephone: 38 12 31 11

Turnover 2009: NOK 56 million

Number of employees: 16

CEO: Karsten Christensen

karstenc@jgoship.no

www.jgoship.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 and has 250 active financial advisers as its distributors.

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 advisers 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, New PEL, Oak Capital, Pareto, Realkapital, Schroders, Storebrand, Sydbank, Sydinvest 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 that offer investment advice. In addition, the company has distributors who are “associated agents”, providing investment advice under Pareto PPN’s licence.

Subscriptions in 2009

In recent years, the Norwegian regulatory authorities have focused considerable attention on the investment counselling industry. The requirements imposed apply not only to the advice itself, i.e. that it is properly adapted to the individual clients, but also to the investment products. The use of traditional mutual funds allows the investment counselling product 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.

2009 was a good year for the company with subscriptions to the company’s various product platforms amounting to almost NOK 2 billion. Of this no less than 94 per cent comprised mutual funds products with daily liquidity and pure liquidity deposits.

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Pareto PPN AS

Morenefaret 5
4340 Bryne Norway
Telephone: 51 77 97 00
Turnover 2009: NOK 27 million
Number of employees: 22
CEO: Carl Egil Hana
carl.egil.hana@paretoppn.no
www.paretoppn.no

Pareto Universal Fonds AS

The company's business is investment counselling and asset management and the sale of financial products based on a limited selection of products in a variety of risk classes.

Pareto Universal Fonds

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 approximately 50 per cent each in 2009. The company has 23 employees, 18 of whom are advisers. There has been some turnover of staff. When recruiting new personnel, the company focuses on younger, well-educated candidates.

During 2009, the company focused on 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 655 million in 2009. Mutual funds, Norwegian and international, in various private banking accounts represented 70 per cent of turnover. The remaining 30 per cent largely comprised issues on the private equity market as well as second-hand sales of existing private equity funds.

Partners

Our chief partners are Pareto PPN and its collaborators, as well as Pareto Private Equity in particular. As a financial adviser, we aim to tailor our various investment products to each client's needs, taking into account the client's present and future financial position.

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.

Methodology

The chief challenge for our industry – apart from offering attractive products – is to create good relations with our clients. The continuing focus on the MiFID (Markets in Financial Instruments Directive) and the enactment of a new Securities Trading Act have increased industry and company awareness of the structure and control procedures applicable to the investment process. Clients and the market as a whole are perceived as increasingly

quality-conscious and constructively critical of products and suppliers. We have seen a shift away from short, swift decisions as regards products and investors and towards a decision-making process that stresses quality evaluation.

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 2009, 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.

Competence and focus are central concepts in our operations. Our employees must be known for their expertise in their fields. We are more interested in excelling in a narrow range of products than in supplying the full range of investment products.

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Pareto Universal Fonds AS

Dronning Mauds gate 1
P.O. Box 1418 Vika
0115 OSLO Norway
Telephone: 23 23 99 00
Turnover 2009: NOK 21 million
Number of employees: 23
CEO: Rune Wassum
rune.wassum@pareto.no
www.pareto.no

Pareto Bank ASA

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

Establishment

In January 2007, Pareto AS was the instigator of a project group established for the purpose of applying for a banking licence and creating a new Norwegian commercial bank. The Norwegian Ministry of Finance granted a licence on 1 November 2007, and a share issue of NOK 750 million was arranged. In formal terms, Pareto Bank became a commercial bank with effect from 2 January 2008.

With a 15 per cent holding, Pareto AS is the Pareto Bank's biggest shareholder. Moreover, other companies in the Pareto group are important collaborators in terms of products, services and expertise. Even so, the bank is financially and operationally independent of Pareto AS, and all cooperation is at arm's length, the focus at all times being on the needs of the client.

Three main areas of operation

Pareto Bank's business concept is to contribute to the realisation of value-added projects and investments, primarily for major private clients and their investment companies. The three main business areas are real estate financing, securities financing and retail banking services. Competence, products and systems are tailored to providing these services at a high level of quality.

In real estate financing, Oslo and its surrounding areas are the main catchment area. The bank is able to provide funding for the entire real estate development value chain, from acquisition to the building and refurbishing of properties. The bank also offers long-term real estate financing. To investors managing a portfolio of financial assets the bank offers bespoke financing solutions. The bank grants mortgages on portfolios of securities and the level of lending is determined by the negotiability and volatility of the assets in question.

In addition, the bank offers retail banking services with a high level of service and deposit products with competitive terms.

No losses on lending

Pareto Bank has now completed its second year of operations, keeping up its good development and positive reported results. To date, no defaults or losses on lending have been registered. The bank practises a high deposit-to-lending ratio in order to provide scope for prudent lending growth. In addition to customer deposits, the bank also wishes to take advantage of other sources of funding. To this end it issued its first note and bond loans in 2009.

In its second year of operations the bank recorded a pre-tax profit of NOK 17.2 million, with a high equity ratio and a capital adequacy of 23.5 per cent. At yearend the bank had total assets of close to NOK 4.0 billion. Customer deposits totalled NOK 2.4 billion, whereas lending totalled NOK 2.3 billion.

The biggest shareholders of Pareto Bank:

Navn	Stake
Pareto AS	15,00 %
Indigo Invest AS	7,24 %
Rasmussengruppen AS	6,50 %
Geveran Trading Co Ltd.	6,50 %
Goldman Sachs Int.	5,57 %

Senior staff of Pareto Bank and senior staff of the Pareto group own a total of 4.7 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
CEO (acting): Ole Tandberg
ole.tandberg@paretobank.no
www.paretobank.no

The Directors' report

Our business objectives

Pareto will continue to develop as a focused and profitable company. The aim of the directors and the management 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, real estate and shipping, project development and asset management. Pareto's head office is located in Oslo. Group activities are mainly conducted through its subsidiaries Pareto Securities AS, Pareto Private Equity AS, Pareto Forvaltning AS, Pareto Bassøe Shipbrokers AS, Johan G. Olsen Shipbrokers AS, Pareto PPN AS and Pareto Universal Fonds AS. Pareto AS is the parent company of the group.

The market

For the real economy, 2009 was an unusually bad year. According to the provisional national accounts, Norway's GDP fell by 1.5 per cent, making 2009 the worst year since 1931. Statistics Norway has calculated that our trading partners experienced a drop of no less than 3.5 per cent. We have not been able to find a corresponding downturn in any other year for which statistics were compiled.

In very many markets, however, ranging from oil to equities, optimism had returned with full force by the end of the year. This was particularly true of Oslo Børs, which rose by almost 65 per cent during the course of the year. We need to go back as far as 1993 to find records of a comparable performance.

A more detailed discussion can be found on pages 7-9 of the Annual Report. For the purpose of this report, the Directors will confine themselves to noting that the early months of the year were characterised by deep-seated uncertainty on the part of our clients, with correspondingly low levels of activity on the markets of the various Pareto companies, with activity levels having increased – in some cases by a substantial amount – by the close of the year.

Accordingly, after an unusually turbulent year, 2009 can be summarised as having offered the group reasonably satisfactory framework conditions, although the Directors note that at the outset of 2010 considerable uncertainty prevails in a number of areas. This is not least true with respect to government borrowing in some countries and the effects that this may have on both future growth and credit markets.

Earnings

Movements on the Norwegian and international securities markets have a significant impact on Pareto's earnings and results. The uplifting close of 2009 meant that the group could again report excellent results, although the Directors would add that the group also demonstrated its ability to generate earnings and maintain its strong position during the very unpromising first months of the year.

The parent company of the group has for many years invested surplus liquidity in the securities market and has built up a relatively extensive portfolio of securities, mainly in the form of investments in the group's own equity and fixed income funds. Whereas in 2008 this entailed large write-downs and an unrealised accounting loss of NOK 423 million, in 2009 it brought on write-ups in excess of NOK 300 million. Most of this represented reversals of last year's write-downs.

Group operating revenues in 2009 amounted to NOK 1,606 million, compared with NOK 1,755 million in 2008. Operating profit was NOK 832 million, as against NOK 927 million in 2008. Pre-tax profit totalled NOK 879 million, compared with NOK 189 million in 2008.

The financial strength and liquidity of the group are good. Book equity at yearend stood at NOK 3,270 million, of which goodwill constituted NOK 1.1 million. Bank deposits amounted to NOK 632 million, interest-bearing securities to NOK 1,393 million, whereas equity investments not related to operations stood at NOK 1,692 million at yearend. The group has no interest-bearing debt.

The Directors are very satisfied with the progress and results reported by the subsidiaries and we have chosen to continue the long-term investment strategy of the parent company. Over NOK 250 million, which more or less corresponds to the distributions received from the subsidiaries, was invested in equities and fixed income securities during the course of the year.

Pareto Securities

Pareto Securities reported very satisfactory earnings in 2009, recording an operating profit of close to NOK 564 million. Unlike certain other stockbrokers, the company has recorded negligible losses on accounts receivable. This represents Pareto Securities' reward for its conservative approach to risk through a difficult time for the market.

Our assessment is that Pareto Securities has strengthened its position relative to its competitors. During 2009, Pareto Securities acted as advisor on and lead manager of five out of the ten biggest equity issues on Oslo Børs and maintained its position as

one of the leading brokers on the second-hand market, not least for bonds. Since 2006, Pareto Securities has arranged more than 35 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 more than NOK 100 billion kroner and bond loans of more than 75 billion kroner. In 2009 this business was strengthened with the acquisition of corporate advisers Medici Gruppen AS.

The subsidiary Pareto Offshore, which offers broking, newbuilding, chartering and financing services for drilling units of all types, had a good year, recording an operating profit of over NOK 30 million.

Two businesses were moved internally within the group and placed under the auspices of Pareto Securities in 2009. At the start of the year the company acquired what was formerly Pareto Shipbrokers from Pareto Bassøe Shipbrokers. Pareto Shipping, as the new subsidiary is now known, will be involved in ship broking (sale and purchase), while Pareto Bassøe Shipbrokers will focus on chartering.

Effective from the end of 2009, the business of Pareto Online was taken over by and integrated into Pareto Securities.

Pareto Private Equity

Notwithstanding a challenging start, 2009 turned out to be a good year for Pareto Private Equity and the company recorded an operating profit of NOK 121 million. In the area of project financing for shipping and offshore installations, transactions were placed both in Norway and internationally, while it is estimated that the real estate business accounted for over one-third of all capital raised for real estate investment in Norway. In addition, the company's expanding brokerage desk traded PPE-related projects and funds of a considerable total amount. Within the area of corporate finance the company was involved in several very large transactions. Pareto Business Management now manages some 140 investment companies with a total equity in excess of NOK 37 billion.

Pareto Forvaltning

Both Pareto Forvaltning and the company's clients can look back on 2009 with satisfaction. The total amount of assets under management increased from NOK 25 billion to NOK 36 billion as a consequence of positive net subscription, a high absolute return and a very satisfactory excess return: All funds outperformed their respective benchmark indices, in some cases by a wide margin.

The highest excess returns were recorded by Pareto Kreditt (high yield corporate bonds) and Pareto Aksje Global, which recorded 17.8 and 16.5 percentage points, respectively. The highest absolute return was recorded by the company's flagship in the Norwegian stock market, Pareto Aksje Norge, an impressive 74.5 per cent.

Since its inception in August 1995, our Norwegian equities management operation has generated a return of 585 per cent before

expenses, as compared to the 244 per cent recorded by Oslo Børs and the 64 per cent recorded by the MSCI World index, measured in Norwegian kroner. The company's main profile on the Norwegian stock market has recorded an average annual return over the last eleven years of 15.8 per cent after all expenses are taken into account. During the same period, Oslo Børs recorded 9.3 per cent and three-month NIBOR 4.6 per cent.

Pareto Forvaltning posted an operating profit of approximately NOK 135 million.

Pareto Bassøe Shipbrokers and Johan G. Olsen Shipbrokers

Pareto Bassøe Shipbrokers, which comprises tanker chartering arranged by PF Bassøe and dry bulk chartering arranged by Pareto Dry Cargo, registered continuing high levels of chartering activity in 2009. However, low rates and a weak dollar meant that turnover was down on the preceding year.

For Johan G. Olsen Shipbrokers, however, 2009 was the best year ever, with high levels of activity and substantial revenues particularly in the field of offshore broking, which represents an increasing share of the company's revenues. Large tanker broking also had a good year.

Taken together, the ship broking business recorded a turnover of NOK 87 million and an operating profit of close to NOK 46 million.

Pareto PPN and Pareto Universal Fonds

Market conditions in 2009 posed challenges for Pareto PPN, although activity levels increased considerably as the year progressed. In total, the firm arranged investment products for independent advisors at a value of well over NOK 1.9 billion – over half a billion kroner more than in the preceding year. Of total sales, mutual fund products constituted 94 per cent. The operating profit posted by the company was close to NOK 5.2 million.

Pareto Universal Fonds, which sells investment products primarily arranged by Pareto PPN and other Pareto companies, had yet another challenging year in 2009 with a very slow start. Nevertheless, close attention to existing customers and a determined sales effort succeeded in increasing sales by some 25 per cent to NOK 655 million.

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. At yearend senior employees of the Pareto group and of Pareto Bank owned 4.7 per cent, whereas other employees of the Pareto group held an ownership stake that was somewhat smaller than this.

The bank provides specialist banking services within the financing of securities and real estate. In its second year of operations the bank recorded an operating profit of NOK 17 million, as compared with NOK 12 million in the preceding year. The bank recorded no losses on loans or guarantees.

Pareto's strategy

The group's strategy remains unaltered: to be a leading, independent and focused Norwegian investment company. Although priority is given to organic growth and the development of in-company expertise, acquisitions and mergers will also be options if they serve to develop and complement the company. 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 alone.

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 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 conventional and personal brokerage and advisory services.

Outlook

In addition to its own efforts and development, Pareto's earnings are affected by general financial market activity. Pareto has a modest cost structure and a very sound balance sheet and is accordingly well equipped to tackle market challenges, as evidenced by developments over the last two years.

Most countries have now put the financial crisis itself and the ensuing recession behind them, and the financial markets have once again demonstrated their tendency to rise in advance of im-

provements in the real economy. Nevertheless, uncertainty about the further development of the world economy prevails, not least about the substantial levels of government borrowing and the steadily increasing debt burden in a number of countries.

Although wholly aware 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 group companies 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.

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

The group's profit after tax cost totals NOK 715.2 million. The parent company's after-tax profit is NOK 670.9 million. The Directors propose that NOK 12.1 million be allocated for dividends and that NOK 658.7 million be transferred to Other Equity.

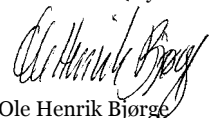
At year-end, owner's equity in the parent company had increased to NOK 2,662.2 million, of which NOK 2,318.7 million is distributable capital as provided for in the Norwegian Companies Act. Consolidated book equity stands at NOK 3,270.0 million.

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

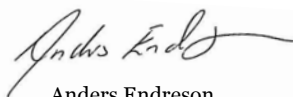
Oslo, 25 March 2010



Erik Bartnes (styreformann)



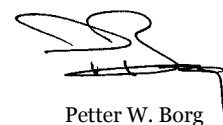
Ole Henrik Bjørge



Anders Endreson



Svein Støle (Director/CEO)



Petter W. Borg



Mette Andersen

Income Statement

Parent company (NOK '000)

Group (NOK '000)

2008	2009	Operating revenues	Notes	2009	2008
0	0	Operating revenues	2	1 605 897	1 755 166
0	0	Total operating revenues		1 605 897	1 755 166
Operating expenses					
(11 191)	(5 124)	Personnel costs	3	(531 698)	(548 249)
(1 367)	(3 875)	Sundry other operating costs		(213 369)	(232 296)
(930)	(931)	Ordinary depreciation	4	(29 275)	(47 586)
(13 488)	(9 930)	Total operating expenses		(774 342)	(828 131)
(13 488)	(9 930)	Operating profit/loss		831 555	927 035
Financial income/expenses					
96 155	59 078	Financial income		79 413	136 085
595 058	339 227	Share dividends		29 187	45 386
(423 058)	313 427	Adjustments, securities	10	319 738	(487 016)
(1 333)	(3 247)	Share of associated companies	5	(3 247)	897
(218)	0	Interest paid		(1 777)	(2 807)
(11 852)	(10 580)	Other financial expenses		(375 822)	(430 742)
254 752	697 905	Total financial income/expenses		47 492	(738 197)
241 264	687 975	Income before tax		879 047	188 838
(4 402)	(17 095)	Tax cost	13	(163 803)	(186 728)
236 862	670 880	Profit for year		715 244	2 110
Allocations:					
0	0	- Minority's share of profit		12 125	(1 199)
(50 803)	(12 149)	- Provision for dividend		(110 834)	(137 979)
(186 059)	(658 731)	- Transferred to other equity		(616 535)	137 068
(236 862)	(670 880)	Net		(715 244)	(2 110)

Balance Sheet - Assets

Parent company (NOK '000)

Group (NOK '000)

31.12.2008	31.12.2009	Fixed assets	Notes	31.12.2009	31.12.2008
		Intangible assets			
0	0	Goodwill acquired	4	1 142	13 726
11 966	411	Deferred tax assets	13	30 488	38 524
11 966	411	Total intangible assets		31 630	52 250
		Tangible fixed assets			
2 637	1 706	Fixtures, fittings, machinery etc.	4	30 783	35 881
		Financial fixed assets			
301 724	311 685	Shares in subsidiaries	5	0	0
20 574	14 777	Shares in associated companies	5	14 777	25 014
264 751	282 751	Other securities	6	287 749	297 767
5 243	4 553	Other long-term receivables	7	4 771	14 301
33	34	Premium fund	8	8 125	19 341
0	0	Pension funds	8	3 924	4 316
592 325	613 800	Total financial fixed assets		319 346	360 739
606 928	615 917	Total fixed assets		381 759	448 870
		Current assets			
		Receivables			
0	0	Trade receivables	9	467 446	705 300
54 534	31 243	Other receivables	17	0	0
54 534	31 243	Total receivables		467 446	705 300
		Investments			
1 391 989	1 992 696	Securities	10	3 086 891	2 572 043
1 391 989	1 992 696	Total investments		3 086 891	2 572 043
147 270	45 083	Bank deposits	11	632 222	789 371
1 593 793	2 069 022	Total current assets		4 186 559	4 066 714
2 200 721	2 684 939	TOTAL ASSETS		4 568 318	4 515 584


Balance Sheet - Equity and Liabilities

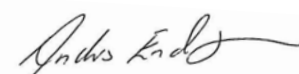
Parent company (NOK '000)

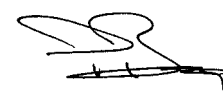
Group (NOK '000)


31.12.2008	31.12.2009	Equity	Noter	31.12.2009	31.12.2008
		Paid-in capital			
23 500	23 500	Share capital		23 500	23 500
439 427	319 577	Share premium reserve		0	0
462 927	343 077	Total paid-in capital		23 500	23 500
		Retained earnings			
1 660 361	2 319 092	Other equity		3 135 917	2 647 627
1 660 361	2 319 092	Total retained earnings		3 135 917	2 647 627
		Minority interests		110 553	129 960
2 123 288	2 662 169	Total equity	12	3 269 970	2 801 087
		Liabilities			
		Provision for commitments			
0	0	Pension commitments	8	5 566	5 598
0	0	Deferred tax	13	1 915	2 221
0	0	Total provision for commitments		7 481	7 819
		Non-current liabilities			
0	0	Capital contributed by silent partners		112 749	125 249
0	0	Total non-current liabilities		112 749	125 249
		Current liabilities			
12 256	5 030	Other current liabilities		890 083	1 206 755
14 166	5 540	Tax payable	13	148 392	211 918
50 803	12 149	Dividends		110 834	138 006
208	51	Government charges and special taxes payable		28 809	24 750
77 433	22 770	Total current liabilities		1 178 118	1 581 429
77 433	22 770	Total liabilities		1 298 348	1 714 497
2 200 721	2 684 939	TOTAL LIABILITIES AND EQUITY		4 568 318	4 515 584

Oslo, 25 March 2010


Erik Bartnes (styreformann)


Anders Endreson


Petter W. Borg


Ole Henrik Bjørg


Svein Støle (Director/CEO)


Mette Andersen

Cash Flow Statement

Parent company (NOK '000)

Group (NOK '000)

2008	2009	Cash flow from operational activities	2009	2008
241 264	687 975	Ordinary profit before income tax	879 047	188 838
-46	-14 166	Tax paid in period	-219 599	-442 919
0	0	Gain on sale of tangible assets	0	-251
930	931	Ordinary depreciation	29 275	47 586
423 058	-313 427	Securities adjustments	-319 738	487 016
-33	-1	Net change in pensions without cash effect	11 576	941
1 333	3 247	Share of profits of associated companies	3 247	-897
-36 736	23 291	Change in receivables	237 854	2 190 657
-8 121	-7 383	Change in other debt items	-312 613	-2 898 638
621 649	380 467	Net cash flow from operational activities	309 049	-427 667
Cash flow from investment activities				
-180	0	Payments for purchases of tangible assets	-11 593	-10 139
-398 804	-287 280	Net cash flow, short-term investments	-195 110	961 906
-80 365	-27 961	Payments for purchases of financial fixed assets	0	-43 997
15 877	3 240	Received from sales of financial fixed assets	26 538	24 719
-463 472	-312 001	Net cash flow from investment activities	-180 165	932 489
Cash flow from financing activities				
-29 116	-50 803	Dividends paid	-138 006	-219 544
0	-119 850	Capital reduction paid out	-119 850	0
4 700	0	Payments of equity received	0	4 700
0	0	Change non-current liabilities	-12 500	44 038
0	0	Payments of equity to/from minority interests	-15 677	1 071
-24 416	-170 653	Net cash flow from financing activities	-286 033	-169 735
133 761	-102 187	Net change in bank deposits	-157 149	335 087
13 509	147 270	Bank deposits in hand at 1 Jan.	789 371	454 284
147 270	45 083	Bank deposits in hand at 31 Dec.	632 222	789 371

Notes

Note 1 Group structure

- **Pareto AS** owns 75.0 per cent of Pareto Securities AS, 82.0 per cent of Pareto Private Equity AS, 81.3 per cent of Pareto Forvaltning AS, 100 per cent of Pareto Bassøe Shipbrokers AS, 100 per cent of Pareto Commodity AS, 100 per cent of Pareto PPN AS, 100 per cent of Pareto Universal Fonds AS, 100 per cent of Johan G. Olsen Shipbrokers AS, 100 per cent of Gazza Eiendom AS and 100 per cent of Pareto Online AS.
- **Pareto Securities AS** owns 90.0 per cent of Pareto Offshore AS, 100 per cent of Pareto Shipping AS, 62.5 per cent of Pareto Securities Asia Pte Ltd and 100 per cent of Pareto Securities Inc.
- **Pareto Private Equity AS** owns 100 per cent of Pareto Business Management AS, Pareto Eiendom AS and Pareto Investorservice AS.
- **Pareto Bassøe Shipbrokers AS** owns 100 per cent of P.F.Bassøe AS and Pareto Dry Cargo AS.
- **Pareto Commodity AS** owns 100 per cent of Pareto Commodity Consulting AS.

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.

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.

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

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

Notes

Note 2 Operating revenues, consolidated

(NOK '000)

	2009	2008
Brokerage/Corporate finance	1 323 548	1 535 594
Management/Business management	282 349	219 572
Total operating revenues	1 605 897	1 755 166

Note 3 Salaries, number of employees, remuneration etc

(NOK '000)

	<i>Parent company</i>		<i>Consolidated</i>	
	2009	2008	2009	2008
Wages and salaries, holiday pay, nat. insurance	1 198	2 700	230 095	199 210
Profit-related remuneration	3 672	5 292	279 915	323 864
Pensions and other personnel costs	254	3 199	21 688	25 175
Total	5 124	11 191	531 698	548 249
Number of man-years	2	3	408	385

The CEO was paid NOK 5,450,000 in remuneration. No provision has been made for remuneration for the directors of the parent company. A provision of NOK 240,000 has been made for remuneration for directors of subsidiaries.

Deloitte AS received fees of NOK 136,000 for auditing the parent company and NOK 2,883,000 for the group. Payment for other certification services totalled NOK 142,000 for the parent company and NOK 837,000 for the group. Payments to other auditors for services provided to the group totalled NOK 304,000.

The law firm Deloitte Advokatfirma DA was paid NOK 462,000 for services provided to the parent company and NOK 1,870,000 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	4 010		161 590	84 270
Additions in year	0		10 261	0
Disposals/sale	0		0	0
Procurement cost 31.12	4 010		171 851	84 270
Acc. depreciation 01.01	1 373		124 377	70 544
Depreciation this year	931		16 691	12 584
Acc. depreciation 31.12	2 304		141 068	83 128
Book value 31.12	1 706		30 783	1 142
Economic life	3-6 years		2-6 years	3 years
Depreciation plan	Straight-line		Straight-line	Straight-line

The parent company holds a 5-year lease on premises in Dronning Mauds gate 1-3 which expires on 13 July 2011. In addition, the parent company has a 10 year lease on a floor in Dronning Mauds gt. 1-3 with an option to terminate as at 13 July 2011. Annual rent for 2009 excluding common expenses totalled approximately NOK 19 million.

Notes

Note 5 Shares in subsidiaries

(NOK '000)

Company	Office	% stakes and votes	Book value 31.12
Pareto Securitates AS	Oslo	75,00 %	50 728
Pareto Private Equity AS	Oslo	82,04 %	22 846
Pareto Forvaltning AS	Oslo	81,33 %	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 %	7 205
Pareto Universal Fonds AS	Oslo	100,00 %	17 957
Pareto PPN AS	Bryne	100,00 %	56 782
Pareto Online AS	Oslo	100,00 %	35 220
			311 685

Shares in associated companies

Company Office in Pareto's interest	Parent company			Group total Associated company
	Fondsforvaltning Oslo	Odin Marine New York	Pareto Sec.Inc. New York	
	35,0 %	35,0 %	33,3 %	
Procurement cost	40 001	30 906	3 283	
Equity at time of purchase	23 939	10 540	3 043	
Goodwill at time of purchase	16 062	20 366	240	
Opening balance 1 Jan.	7 181	13 393	4 440	25 014
Purchases/disposals in year	0	0	-4 440	-4 440
Share of year's profit/loss	529	2 793	0	3 322
Write-down goodwill	0	-6 569	0	-6 569
Dividends received	-811	-1 739	0	-2 550
Closing balance 31 Dec.	6 899	7 878	0	14 777

The group's ownership stake in Pareto Securities Inc. (formerly Nordic Partners Inc.) increased from 33.3% to 100% in 2009.

Note 6 Other shares/bonds

(NOK '000)

	Quantity	Cost price	Book value
Other securities, parent company			
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 in subsidiaries		8 738	4 998
Total other securities in group		291 489	287 749

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

Notes

Note 7

The parent company has granted employees/partners in the subsidiaries interest-bearing loans on which the outstanding balance as of 31 December 2009 was NOK 4,553,553.

Note 8 Pensions

The group has a defined contribution pension scheme as required under the Act concerning Mandatory Occupational Pensions. Premiums paid in 2009 totalled NOK 10,000 for the parent company and NOK 2,512,000 for the group. The premium fund assets recorded in the balance sheet as at 31 December 2009 stood at NOK 34,000 for the parent company and NOK 8,125,000 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)	
	2009	2008
Present value of year's pension earnings	533	348
Interest cost on pension commitments	489	456
Estimate adjustment entered in income statement	31	91
Administration expenses	94	55
Accrued employer's nat. ins. contribution	15	53
Return on pension funds	-651	-664
Net pension costs	511	339
Estimated pension commitments	-8 585	-8 640
Pension funds (at market value)	9 424	11 244
Effect of estimate variances, not recognised in income statement	3 085	1 712
Pension funds in balance sheet	3 924	4 316
Unsecured pension commitments	-5 566	-5 598
Financial assumptions:		
Expected return on funds	5,6 %	5,8 %
Discount rate	5,4 %	5,8 %
Expected wage growth	4,3 %	4,0 %
Expected adjustment of basic nat. ins. amount	4,0 %	3,8 %

Note 9 Trade receivables, subsidiaries

	(NOK '000)	
	2009	2008
Specified bad debt provision as of 01.01.	16 803	14 788
Verified losses in period for which loss prov. made	-16 803	-34
Change in specified bad debt provision	13	2 049
Specified bad debt provision 31.12	13	16 803

Notes

Note 10 Securities

(NOK '000)

	Cost	Book value	
Mutual funds, parent company:			
Fixed income funds	206 168	210 251	
Direct investment funds	129 991	84 645	
Equities funds	1 155 177	1 095 312	
	1 491 336	1 390 208	
Other securities, parent company:			
Shares (NOK)	295 471	253 634	
Shares (SEK)	100 626	100 626	
Shares (EURO)	24 476	24 476	
Shares (GBP)	33 792	33 792	
Shares (CHF)	29 847	29 847	
Shares (USD)	38 913	29 633	
Bonds	122 364	129 162	
Other securities	2 661	1 318	
	648 150	602 488	
Total securities, parent company			1 992 696
		Market value	
Shares		30 124	
Norwegian government bonds		845 266	
Bonds and certificates		191 266	
Securities funds		27 539	
Total securities, subsidiaries			1 094 195
Total securities, group			3 086 891

Note 11 Bank deposits

The parent company has a non-distributable deposit of NOK 29,687 lodged in an account for tax withholdings. The group's bank deposits include NOK 124,667,000 in non-distributable accounts, of which NOK 8,521,000 in accounts for tax withholdings.

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

Notes

Note 12 Equity

(NOK '000)

Parent company	Share capital	Share premium account	Other equity	Total
Equity as of 1 Jan.	23 500	439 427	1 660 361	2 123 288
Capital reduction in 2009		-119 850		-119 850
Provision for dividends			-12 149	-12 149
Year's profit			670 880	670 880
Total equity as of 31 Dec.	23 500	319 577	2 319 092	2 662 169

Group	Share capital	Other equity	Total
Equity as of 1 Jan.	23 500	2 777 587	2 801 087
Capital reduction in 2009		-119 850	-119 850
Provision for dividends		-110 834	-110 834
Net payment to minority interest		-15 677	-15 677
Year's profit after tax		715 244	715 244
Total equity as of 31 Dec.	23 500	3 246 470	3 269 970

The share capital as of 31 Dec. is NOK 23,500,000, divided into 47,000 shares with a nominal value of NOK 500 each.

	Number of shares	Stake and voting %
Svein Støle	35 000	74,5%
Castel AS / Erik Bartnes	3 000	6,4%
Skoghøy Invest AS / Anders Endreson	6 000	12,8%
Svele AS / Svein Støle	3 000	6,4%
	47 000	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

Note 13 Taxes

(NOK '000)

Parent company

Group

2008	2009		2009	2008
241 264	687 975	Profit before income tax	879 047	188 838
-225 522	-626 923	Permanent differences	-314 000	478 795
34 852	-41 266	Change in temporary differences	-65 792	92 348
0	0	Loss brought forward from earlier years	-18	0
50 594	19 786	Year's tax base	499 237	759 981
14 166	5 540	Tax payable	148 392	211 265
0	0	Tax payable, supplement	0	653
14 166	5 540	Total tax payable	148 392	211 918
		Specification of temporary differences		
-42 384	-1 190	Current assets	-2 116	-44 658
-50	-39	Tangible fixed assets	-48 262	-56 312
-302	-241	Intangible assets	-18 907	-23 728
0	0	Remaining loss for carrying forward	-21 631	-4 954
-42 736	-1 470	Basis for calculating deferred tax benefit/tax	-90 916	-129 652
-11 966	-411	28% deferred tax benefit/tax	-28 573	-36 303
		Year's tax cost		
14 166	5 540	Tax payable	148 392	211 265
-6	0	Tax correction for earlier years	138	-3 549
-9 758	11 555	Change in deferred tax benefit/tax	15 273	-20 988
4 402	17 095	Tax cost	163 803	186 728
1,8 %	2,5 %	Effective rate of taxation	18,6 %	98,9 %
		Reconciliation from nominal to true tax cost		
67 554	192 633	Anticipated tax cost at nominal rate	249 570	50 353
-63 146	-175 538	Permanent differences	-87 920	134 062
-6	0	Other items	2 153	2 313
4 402	17 095	Tax cost	163 803	186 728

Notes

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 600 mill and with VPS Clearing ASA in the amount of NOK 12 mill. 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 41 mill.

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 Internal Control Regulations issued by Finanstilsynet (The Financial Supervisory Authority of Norway).

Note 16

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

Note 17

The parent company has claims of NOK 28,314,000 on group companies.



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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Pareto AS

AUDITOR'S REPORT FOR 2009

We have audited the annual financial statements of Pareto AS as of 31 December 2009, showing a profit of NOK 670.880.000 for the parent company and a profit of NOK 715.244.000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to prepare the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting practice in Norway
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 25 March 2010

Deloitte AS

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

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