

# Annual Report 2000

 Pareto

# Annual Report 2000

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 Pareto

# This is Pareto

Pareto is a leading and independent player in the Norwegian financial services market. The company was established in 1986.

Pareto offers a broad range of brokerage services related to equity, debt and partnership units, including management of new issues. In addition, Pareto has significant business operations with respect to the management of direct investments, valuations, re-financing, advisory services and real estate brokerage. Pareto also offers equity and fixed income portfolio management.

Pareto has offices in Oslo, Stavanger, Bergen, Kristiansand and Haugesund. The company has 140 employees and partners. Pareto has a total equity of NOK 431.7 million.

Figure 2 Business areas

Companies	Services
Pareto Securities	Equity brokerage Bond brokerage Corporate finance
Pareto Private Equity	Corporate finance Project finance Business management services
Pareto Eiendom	Sale and leasing of commercial property
Pareto Forvaltning	Portfolio management Fund management Business management services
Pareto AS	Holding company Investments

Figure 1 Pareto's operating revenues (NOK million)

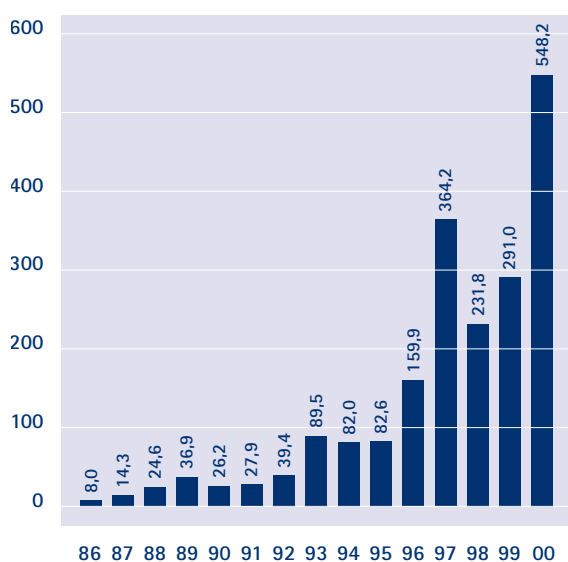


Figure 3 Key group figures (NOK million)

	2000	1999
Operating revenues	548.2	291.0
Operating profit	312.6	162.3
Net financial items	-105.2	-43.6
Profit before tax	207.3	118.6
Tax	-58.2	-47.2
Profit for the year	149.1	71.4
<i>Equity</i>	431.7	293.4

# Directors' report

## Business goals

Pareto aims to be a focused and profitable company providing advisory, brokerage, project development and portfolio management services.

The board and management desire to build up the business based on the respect and trust of the company's clients, competitors and the authorities.

## Financial results

The company's revenues and profit showed a clear improvement compared to the previous year, and the company strengthened its position in several key focus areas.

Pareto's revenues totalled NOK 548.2 million in 2000, as compared to NOK 291.0 million in 1999. The operating profit after bonuses and performance-related costs was NOK 312.6 million in 2000, as compared to NOK 162.3 million in 1999. The profit for the year after tax totalled NOK 149.1 million, as compared to NOK 71.4 million in 1999. The board is very satisfied with the results achieved in 2000.

## Market conditions

Growth in Norway's mainland economy was 1.9% last year. There was, however, a marked decline in growth throughout the second half of the year. Oil-related investments declined a total of 27%. Price inflation in Norway was 3% towards the end of the year, approximately 0.5% higher than in the Euro area. Due to a more positive picture for oil prices, the US dollar and the Norwegian economy, the Oslo Stock Exchange managed quite well, compared to other international exchanges, ending the year down only 1.7%. The finance sector showed the strongest performance of all the sectors represented on the Oslo Stock Exchange, advancing 27.9%, while the shipping index remained almost unchanged (-0.4%). IT and Telecommunications showed the weakest performance, with a total decline of 31.5%.

## Operations

Pareto's head office is located in Oslo. The group's business operations are primarily carried out through the subsidiaries Pareto Securities ASA, Pareto Private Equity ASA and Pareto Forvaltning ASA. Pareto AS is the parent company in the group. In 2000 Pareto Securities merged with Bergen Fondsmeglerforretning ASA and acquired the business operations of the investment bank Garde ASA

in Stavanger, Haugesund and Kristiansand. The integration of these businesses has been very successful, and it has given the company a better client structure that includes major institutional clients, medium-sized businesses and wealthy private individuals. Our placement ability improved significantly, and the company's share of client trading in equity instruments, measured in commission revenues reported to the Norwegian Banking, Insurance and Securities Commission, accounted for 11.1% of the market's overall commission revenues in 2000.

Pareto's activities in the fixed-income market focused on structured bond issues and industrial bond issues. Pareto led a development that allowed individual companies in the oil/offshore, shipping and other industries to place new issues in the Norwegian bond market. The company managed bond issues of approximately NOK 7 billion in 2000, including NOK 670 million in equity index bond issues. In the secondary market, our industrial bond market share increased (25%). Our finance bond market share remained stable and high (20%), while our local authority bond share was somewhat lower (14%).

There was a high level of activity in the corporate finance area. Our assignments were divided between advisory services in connection with mergers and acquisitions, and the management of new issues. The company was active in both the listed and unlisted sectors of the market. Assignments for listed companies and stock exchange related tasks are handled by Pareto Securities, while Pareto Private Equity has built up a solid team, which focuses on investment services for unlisted companies.

In 2000 our advisory services focused on oil, energy, offshore and other maritime industries. These are the sectors that dominate the corporate finance area. We have, however, made very good progress in the technology sector, and the company has hired a number of experienced advisers and analysts in this sector in recent years. In the banking and finance sector, the company's role as the Norwegian financial adviser for Nordea's acquisition of Kreditkassen was the largest single project.

Project finance for shipping and real estate projects has traditionally been a key focus area for Pareto Private Equity. Pareto has been one of the most active players in these markets for a number of years.

Pareto Asset Management can look back on a positive year, with good returns on its portfolios in relation to the reference indexes and significant growth in capital under management. The company managed around NOK 1.1 billion in equities and NOK 1 billion in fixed-interest securities. In addition, the company is the business manager or strategic partner for clients with portfolios totalling an additional NOK 6.7 billion.

### Pareto's strategy

The company's strategy remains unchanged. Pareto aims to be a leading, independent and focused Norwegian investment bank. The company gives priority to organic growth and internal skills development, but it will also entertain acquisitions and mergers if they can complement and help the company advance. Pareto will cooperate with other companies whenever such cooperation is natural and gives our clients a better product. This may for example be the case for transactions that require more international expertise and distribution than Pareto itself can provide.

Pareto seeks to be the preferred Norwegian supplier of financial services based on in-depth and detailed knowledge of the social conditions in Norway and industries where Norway has special competitive advantages. Energy, maritime industries and selected areas in the technology and finance sectors are examples of such industries.

Last year Pareto made a major investment to upgrade and develop IT systems and Internet solutions. The company has decided to develop Internet services as an integral part of its ordinary business operations. Communication, reporting and trading over the Internet represents a significant opportunity for Pareto in combination with the company's traditional and personal brokerage and advisory services.

The board believes that Pareto still has a significant potential for improvement and growth in the Norwegian market. Pareto is experiencing an

increasing degree of acceptance for its brokerage services based on research and advice.

Pareto's acquisition of the leading shipbroking firm, P.F. Bassøe AS & Co, in April 2001 is expected to strengthen the company's position in the maritime sector.

### Outlook

In addition to the company's own efforts, Pareto's earnings are also affected by the general level of activity in the financial markets. There has been a very high level of activity in the securities markets in recent years. We must expect periods with a lower level of activity.

### Allocation of profit and other information

In addition to being the parent company in the group, the business activities of Pareto AS include investing in various securities. The internal working environment at the group's companies is good, and it has not been necessary to implement any special measures. There is a low level of absence due to illness in the group, and there have been no reports of injuries or accidents during the year. The nature of the group's business operations is such that it does not pollute the external environment.

The group's profit after tax was NOK 149,111,000. The parent company's profit after tax was NOK 84,375,784, and the board proposes that the profit be transferred to other reserves.

The annual accounts have been prepared on the assumption that the company will continue as a going concern. The profit and loss account and balance sheet illustrate the Pareto Group's standing and the results of the operations in 2000. The board would like to take this opportunity to thank the company's clients and employees for the confidence they have shown in Pareto during the year that has passed.

Oslo, 19 March 2001



Widar Salbuvik



Erik Bartnes



Anders Endreson



Kai Engedal



Svein Støle

# Profit and loss account

## Parent company

(NOK)

1999	2000	
		<b>Operating revenues</b>
0	0	Fees and commissions
0	0	<i>Total operating revenues</i>
		<b>Operating expenses</b>
-231,331	-1,149,125	Personnel costs
-237,395	-1,283,499	Other operating expenses
0	-7,044	Ordinary depreciation
-468,726	-2,439,668	<i>Total operating expenses</i>
-468,726	-2,439,668	<i>Operating profit</i>
		<b>Financial income/expenses</b>
1,807,127	8,520,872	Financial income
111,384	84,564,643	Share dividends
0	0	Income attributable to associated companies
0	-124,879	Interest expenses
-3,872	-6,117,579	Other financial expenses
1,914,639	86,843,057	<i>Net financial items</i>
1,445,913	84,403,389	<i>Profit before tax</i>
-303,170	-27,605	Tax
1,142,743	84,375,784	<i>Profit for the year</i>
		<b>Allocation of annual profit</b>
0	0	Minority interests
0	0	Dividends
-1,142,743	-84,375,784	Other reserves
-1,142,743	-84,375,784	<i>Total allocations</i>

## Group

(NOK 1000)

notes	2000	1999
2	548,214	291,005
	548,214	291,005
3	-130,179	-76,522
	-86,258	-48,521
4	-19,216	-3,693
	-235,653	-128,736
	312,561	162,269
	24,650	13,160
	3,986	4,020
	0	1,809
	-6,095	-1,046
	-127,753	-61,587
	-105,212	-43,644
	207,349	118,625
15	-58,238	-47,221
	149,111	71,404
	-19,303	-8,529
	-15,963	-23,230
	-113,845	-39,645
	-149,111	-71,404

# Balance sheet

## Assets

### Parent company

(NOK)

31.12.1999      31.12.2000

		<b>Fixed assets</b>
		<b>Intangible fixed assets</b>
0	0	Goodwill
639,632	2,125,013	Deferred tax assets
639,632	2,125,013	<i>Total intangible fixed assets</i>
		<b>Tangible fixed assets</b>
0	369,459	Fixtures, machinery, etc.
		<b>Fixed asset investments</b>
145,573,431	62,636,489	Shares in subsidiaries
0	40,878,690	Shares in associated companies
2,143,127	4,782,909	Other securities
0	1,240,000	Other long-term receivables
0	0	Pension funds
0	0	Investments in partnerships
147,716,558	109,538,088	<i>Total fixed asset investments</i>
148,356,190	112,032,560	<i>Total fixed assets</i>
		<b>Current assets</b>
		<b>Accounts receivable</b>
0	0	Receivables from customers
0	162	Other receivables
0	162	<i>Total receivables</i>
		<b>Investments</b>
20,353,380	50,588,455	Securities
20,353,380	50,588,455	<i>Total investments</i>
11,428,485	59,748,317	Bank deposits
31,781,865	110,336,934	<i>Total current assets</i>
180,138,055	222,369,494	<i>Total assets</i>

### Group

(NOK 1000)

notes	31.12.2000	31.12.1999
4	37,690	70
15	6,612	0
	44,302	70
4	31,387	8,502
5	0	0
5	40,879	15,636
6	5,441	14,820
7	15,092	410
9	4,424	2,132
10	182	187
	66,018	33,185
	141,707	41,757
11	354,461	300,683
	160,858	63,111
	515,319	363,794
12	133,941	156,626
	133,941	156,626
13	290,267	206,826
	939,527	727,246
	1,081,234	769,003

## Equity and liabilities

### Parent company

(NOK)

31.12.1999 31.12.2000

31.12.1999	31.12.2000	
		<b>Equity</b>
50,000,000	50,000,000	Called-up and fully paid share capital
		Nominal share capital
50,000,000	50,000,000	<i>Total called-up and fully paid share capital</i>
		<b>Retained earnings</b>
130,067,068	167,235,753	Other reserves
130,067,068	167,235,753	<i>Total retained earnings</i>
		<b>Minority interests</b>
180,067,068	217,235,753	<i>Total equity</i>
		<b>Liabilities</b>
		<b>Provisions for liabilities and charges</b>
0	0	Pension liabilities
0	0	Deferred tax
0	0	<i>Total provisions for liabilities and charges</i>
		<b>Long-term liabilities</b>
0	0	Capital contributions from silent partners
0	0	Other long-term liabilities
0	0	<i>Total long-term liabilities</i>
		<b>Current liabilities</b>
0	3,775,886	Other current liabilities
30,869	1,164,844	Tax payable
0	0	Dividends
40,118	193,011	Unpaid government taxes
70,987	5,133,741	<i>Total current liabilities</i>
70,987	5,133,741	<i>Total liabilities</i>
180,138,055	222,369,494	<i>Total equity and liabilities</i>

### Group

(NOK 1000)

notes	31.12.2000	31.12.1999
	50,000	50,000
	50,000	50,000
	327,913	212,592
	327,913	212,592
	53,816	30,777
14	431,729	293,369
9	4,926	1,200
15	0	3,852
	4,926	5,052
	20,875	11,767
	1,292	0
	22,167	11,767
	542,246	377,416
15	49,556	43,886
	15,963	23,230
	14,647	14,283
	622,412	458,815
	649,505	475,634
	1,081,234	769,003

Oslo, 19 March 2001



Widar Salbuvik



Erik Bartnes



Anders Endreson



Kai Engedal



Svein Støle



# Cash flow statement

## Parent company

(NOK)

1999	2000	
		<b>Cash flow from operations</b>
1,445,913	84,403,389	Profit on ordinary activities before tax
-2,363	-1,418,385	Tax paid during the period
0	7,044	Ordinary depreciation
0	0	Net pension income without cash effect
0	0	Profit attributable to associated companies
0	12,804,138	Change in receivables
17,391,852	2,785,599	Change in intercompany accounts
505	3,916,279	Change in other liabilities
18,835,907	102,498,064	<i>Net cash flow from operations</i>
		<b>Cash flow from investment activities</b>
0	-376,503	Payments for tangible fixed assets
0	0	Proceeds from sale of tangible fixed assets
-20,353,380	-30,235,075	Net cash flow from short-term investments
0	-27,010,851	Payments for fixed asset investments
0	3,365,572	Proceeds from fixed asset investments
-20,353,380	-54,256,857	<i>Net cash flow from investment activities</i>
		<b>Cash flow from financing activities</b>
0	0	Dividends paid
0	0	Change in long-term liabilities
0	0	Change in equity from acquisition of subsidiaries
0	0	Equity contributions from minority interests
0	0	<i>Net cash flow from financing activities</i>
-1,517,473	48,241,207	Net change in cash and cash equivalents
12,945,958	11,507,110	Cash and cash equivalents as of 1 January
11,428,485	59,748,317	<i>Cash and cash equivalents as of 31 December</i>

## Group

(NOK 1000)

2000	1999	
		<b>Cash flow from operations</b>
207,349	118,625	Profit on ordinary activities before tax
-58,963	-40,820	Tax paid during the period
19,216	3,693	Ordinary depreciation
1,434	-949	Net pension income without cash effect
0	-1,809	Profit attributable to associated companies
-151,525	-310,776	Change in receivables
0	0	Change in intercompany accounts
165,194	306,067	Change in other liabilities
182,705	74,031	<i>Net cash flow from operations</i>
		<b>Cash flow from investment activities</b>
-80,442	-6,417	Payments for tangible fixed assets
721	298	Proceeds from sale of tangible fixed assets
22,684	5,716	Net cash flow from short-term investments
-33,906	-9,176	Payments for fixed asset investments
3,366	3,431	Proceeds from fixed asset investments
-87,577	-6,148	<i>Net cash flow from investment activities</i>
		<b>Cash flow from financing activities</b>
-23,230	-7,493	Dividends paid
10,400	8,069	Change in long-term liabilities
-3,869	763	Change in equity from acquisition of subsidiaries
5,012	5,587	Equity contributions from minority interests
-11,687	6,926	<i>Net cash flow from financing activities</i>
83,441	74,809	Net change in cash and cash equivalents
206,826	132,017	Cash and cash equivalents as of 1 January
290,267	206,826	<i>Cash and cash equivalents as of 31 December</i>

# Notes to the accounts

## Note 1

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### Group structure

Pareto AS holds 75.0% of the shares in Pareto Securities ASA, 84.7% of the shares in Pareto Private Equity ASA, 81.7 % of the shares in Pareto Forvaltning ASA and 100.0% of the shares in Pareto Fondsforvaltning AS. Pareto Private Equity ASA holds all the shares in Pareto Eiendom AS, Pareto Management AS and Pareto Consulting AS. Pareto Forvaltning ASA holds all the shares in Garde Aktiv Forvaltning ASA.

### Consolidation principles

Investments in subsidiaries are valued at cost. In the consolidated accounts the cost price of the shares in subsidiaries has been offset against the equity in the subsidiaries at the time of the acquisition. Intercompany transactions and balances as of 31 December have been eliminated in the consolidated accounts. Investments in companies where the group owns between 20 and 50 per cent and has a significant influence are accounted for in accordance with the equity method in the consolidated accounts. Associated companies are valued at cost in the company accounts.

### Accounting principles

The annual accounts have been prepared in accordance with the provisions in the Norwegian Accounting Act that apply to large companies. The operational subsidiaries are the general partners in their respective internal partnerships. The gross figures from the accounts of the internal partnerships are incorporated into the general partner's accounts. The share of the profit in the internal partnerships attributable to silent partners is charged as an expense under personnel costs and other financial expenses, respectively. Any amounts owed to silent partners are included in other current liabilities. Comparable figures for 1999 have been restated in accordance with the new classification principles. Assets intended for permanent ownership or use are classified as fixed assets. Tangible fixed assets are recorded on the balance sheet at cost, less any accumulated depreciation. Tangible fixed assets are written down to their net realisable value when the fall in value is not expected to be of a temporary nature. Provisions for losses are made on the basis of an assessment of the individual receivables. In addition, unspecified provisions are made for other receivables from customers to cover any estimated losses. Financial instruments that are part of a trading portfolio and traded in an efficient market are valued at their net realisable value as of the date of the balance sheet. Other financial instruments are valued at the lesser of historical cost or the net realisable value. Pensions are accounted for on the basis of a linear accrual profile and the anticipated final salary. Actuarial discrepancies in excess of 10% of the pension liabilities or pension funds, whichever is greater, are amortised over the expected remaining contribution period. The tax charge is matched against the financial accounting result before tax. Tax on equity transactions is offset against the equity. The tax charge consists of the tax payable, change in deferred tax assets and refund claims in accordance with the Norwegian Tax Code. On the consolidated balance sheet deferred tax in a subsidiary is offset against deferred tax assets in another subsidiary. Liabilities are recorded on the balance sheet based on the nominal amount of the liability at the time it is established. Monetary items in foreign currencies are converted at the rate in effect on the date of the balance sheet.

## Note 2 Operating revenues group (NOK 1000)

	2000	1999
Equity brokerage	173,682	92,887
Bond brokerage	67,026	24,603
Corporate finance	249,179	102,397
Business management services	12,447	8,970
Real estate brokerage	11,459	7,984
Management fees	7,318	6,562
Other project revenues	27,103	47,602
<i>Total operating revenues</i>	<b>548,214</b>	<b>291,005</b>

## Note 3 Payroll costs, number of employees, executive remuneration, etc. (NOK 1000)

	<i>Parent company</i>		<i>Group</i>	
	2000	1999	2000	1999
Salaries and holiday pay to employees	1,005	203	43,351	24,406
Performance-related remuneration to employees	0	0	81,190	48,405
Pensions and other personnel costs	144	28	5,638	3,711
<i>Total</i>	<b>1,149</b>	<b>231</b>	<b>130,179</b>	<b>76,522</b>
Average number of employees	1	1	120	87

The general manager received a total remuneration of NOK 1,005,087. Deloitte & Touche Statsautoriserete Revisorer AS invoiced NOK 70,000 for auditing and NOK 37,000 for other assistance. In addition, Deloitte & Touche Advokater AS invoiced NOK 201,715 for other services. NOK 87,500 was allocated as remuneration to the Board of the parent company.

In the consolidated accounts, NOK 499,125 was charged for auditing and NOK 119,625 for other services. NOK 394,144 was charged as the total remuneration to the boards of the group companies.

#### Note 4 Tangible fixed assets (NOK 1000)

	Parent company	Group	
	Fixtures, IT	Fixtures, IT	Goodwill
Historical cost as of 01.01.2000	0	15,914	100
Additions during the year	376	38,353	44,200
Disposals during the year	0	721	0
<i>Historical cost as of 31.12.2000</i>	376	53,546	44,300
Accumulated depreciation as of 01.01.2000	0	9,523	30
Depreciation for the year	7	12,636	6,580
<i>Accumulated depreciation as of 31.12.2000</i>	7	22,159	6,610
<i>Book value as of 31.12.2000</i>	369	31,387	37,690
Economic life	3–10 years	3–10 years	3.5 years
Depreciation schedule	Straight line	Straight line	Straight line

All the shares in Garde ASA were acquired in June 2000. The business operations were transferred to Pareto Securities ASA as of 1 July 2000. NOK 42,700,000 in goodwill was acquired in connection with this transaction.

#### Note 5 Shares in subsidiaries

Company	Office	Equity and voting share	Book value as of 31.12.00	Equity as of 31.12.00
Pareto Securities ASA	Oslo	75.00%	50,728,275	257,425,057
Pareto Private Equity ASA	Oslo	84.70%	480,000	17,462,303
Pareto Forvaltning ASA	Oslo	81.70%	8,847,569	10,594,053
Pareto Fondsforsvaltning AS	Oslo	100.00%	2,580,645	2,263,314
			62,636,489	287,744,727

The subsidiary's equity as of 31 December 2000 includes any provisions made for dividends.

Bergen Fondsmeglerforretning ASA, which was a wholly owned subsidiary of Pareto Securities ASA, merged with Pareto Securities ASA effective 1 January 2000. The merger was accounted for in accordance with the group continuity method.

## Note 5 Shares in associated companies

<i>Company</i>	<i>Office</i>	<i>Equity and voting share</i>	<i>Share of profit/ loss 2000</i>	<i>Book value as of 31.12.00</i>	<i>Equity as of 31.12.00</i>
Fondsforvaltning AS	Oslo	35.00%	-14,000	36,943,690	59,087,399
Pluss Aktiv Forvaltning ASA	Oslo	35.00%	80,000	646,000	2,022,751
Stratcorp AS	Oslo	35.00%	-201,000	2,500,000	1,833,000
Consilio ASA	Kristiansand	36.50%	135,000	789,000	3,080,921
			0	40,878,690	66,024,071

## Note 6 Other shares/bonds

	<i>Quantity</i>	<i>Cost price/ book value</i>
Other securities held by parent company, Natsource Inc.	105,376	4,782,909
Other securities held by subsidiaries		658,206
<i>Total other securities held by group</i>		5,441,115

The value of the shares is assessed as equal to or more than the book value.

## Note 7

The parent company's contributions to the Pareto Group Pension Fund total NOK 1,240,000.

## Note 8

The parent company is exposed to risks associated with fluctuation of the price for the securities it holds. The subsidiaries are also subject to risks associated with trading for their own account, market making and settlement from clients.

The financial market risks associated with the business operations of the subsidiaries are regulated in accordance with the Norwegian Public Limited Companies Act and the internal control regulations stipulated by the Norwegian Banking, Insurance and Securities Commission.

## Note 9 Pensions (NOK 1000)

The group has pension plans that cover 106 persons. The actuarial assumptions are based on the normal assumptions that are used by the insurance industry with regard to demographic factors and retirement.

	2000	1999
Present value of current year's pension benefits earned	3,405	3,074
Interest payable on pension liabilities	1,202	870
Actuarial discrepancies charged against income	21	0
Return on pension funds	-1,605	-1,268
<i>Net pension costs excluding National Insurance contributions</i>	<i>3,023</i>	<i>2,676</i>
Accrued National Insurance contributions	534	409
<i>Net pension costs including National Insurance contributions</i>	<i>3,557</i>	<i>3,085</i>
Estimated pension liabilities	-18,922	-17,231
Pension funds (at market value)	24,285	19,190
Unrecorded effect of actuarial discrepancies	-1,469	0
Accrued National Insurance contributions	265	173
<i>Pension funds on the balance sheet (incl. National Insurance contributions)</i>	<i>4,159</i>	<i>2,132</i>
<i>Unfunded pension liabilities (incl. National Insurance contributions)</i>	<i>-4,661</i>	<i>-1,200</i>
Economic assumptions:		
Expected return on pension funds	8.0%	8.0%
Discount rate	7.0%	7.0%
Expected wage inflation	3.0%	3.0%
Expected National Insurance basic amount adjustment	3.0%	3.0%

## Note 10

The group's units in limited companies and general partnerships are held by the subsidiaries. There is NOK 155,000 in committed, unpaid capital that is associated with the limited partnership units.

## Note 11

Receivables from customers in group companies are valued at their nominal value, less a provision for estimated losses of NOK 6,611,592 as of 31 December 2000. NOK 7,518,455 has been charged as bad debts in 2000.

## Note 12 Securities

	Quantity	Cost price	Book/ market value
<b>Parent company</b>			
<b>Securities funds</b>			
Pareto Likviditet	5,052	5,000,000	5,055,342
<b>Shares</b>			
Sparebanken Rogaland	31,800	7,993,650	7,854,600
Sparebanken Pluss	46,100	7,929,200	6,684,500
Bolig- og Næringsbanken	33,393	6,511,635	6,478,242
Sparebanken Midt-Norge	16,340	3,515,249	3,055,580
Adresseavisen	12,040	3,505,840	2,648,800
Norges Handels- & Sjøfartstidende	10,924	8,592,350	10,104,700
Stavanger Aftenblad	90,821	5,630,902	5,222,207
Other shares		4,253,752	3,484,484
		47,932,578	45,533,113
<i>Total securities held by parent company</i>			50,588,455
<b>Subsidiaries</b>			
<b>Securities funds</b>			
Pareto Likviditet	1,926	2,200,000	1,928,089
<b>Shares</b>			
Sense Communication ASA	668,118	14,628,908	13,028,301
Odin Offshore	50,000	5,000,000	4,473,000
AxxessIT ASA	1,100	2,200,000	2,200,000
Other shares		18,299,566	13,449,161
Other financial instruments		27,050,843	23,148,292
		67,179,317	56,298,754
<b>Bonds</b>			
Sense Communication ASA		7,500,000	7,350,000
Sparebanken Midt-Norge		5,735,400	5,809,797
Brøvig ASA		5,000,000	5,057,567
Nordlandsbanken ASA		3,000,069	3,111,402
Other bonds		3,885,962	3,797,514
		25,121,431	25,126,280
<i>Total securities held by subsidiaries</i>			83,353,123
<i>Total securities held by group</i>			133,941,578

## Note 13 Bank deposits

The parent company has tax deductions of NOK 28,547 in a restricted bank account. NOK 67,359,637 of the group's bank deposits are in restricted bank accounts, and NOK 2,708,002 of this amount refers to tax deductions.

## Note 14 Equity

	<i>Nominal share capital</i>	<i>Other reserves</i>	<i>Total</i>
<b>Parent company</b>			
Equity as of 31.12.1999	50,000,000	130,067,068	180,067,068
Effect of merger on equity		37,059,415	37,059,415
Revaluation of shares in subsidiaries after merger		-88,403,704	-88,403,704
Deferred tax effect of revaluation of subsidiaries		4,137,190	4,137,190
Total equity as of 1 January 2000 after merger	50,000,000	82,859,969	132,859,969
<i>Profit for the year</i>		84,375,784	84,375,784
<i>Total equity as of 31 December 2000 after merger</i>	50,000,000	167,235,753	217,235,753
<b>Group</b>			
Equity as of 31.12.1999	50,000,000	212,592,000	262,592,000
Minority interests as of 31 December 1999		30,777,000	30,777,000
Net cash flow from minority interests in 2000		5,012,000	5,012,000
Tax effect of revaluation of subsidiaries		4,137,000	4,137,000
Net excess values for new group companies		-4,170,000	-4,170,000
Revaluation of former subsidiaries		233,000	233,000
Profit for the year after tax		149,111,000	149,111,000
Minority interest dividends		-15,963,000	-15,963,000
<i>Total equity as of 31.12.2000</i>	50,000,000	381,729,000	431,729,000

The company's share capital as of 31 December 2000 is NOK 50,000,000, divided into 500,000 shares with a par value of NOK 100 per share, and is held by:

	<i>Number of shares</i>	<i>Equity and voting share</i>
Svein Støle	350,000	70.0%
Artship AS/Anders Endreson	75,000	15.0%
Erik Bartnes	75,000	15.0%
	500,000	100.0%



## Note 15 Tax (NOK 1000)

Parent company			Group	
1999	2000		2000	1999
1,446	84,403	Profit before tax	207,349	118,625
-70	3,359	Permanent differences	-12,137	-7,475
-1,154	3,872	Change in temporary differences	26,426	-8,605
0	0	Tax losses carried forward	-2,217	-12,586
222	91,634	<i>Tax basis for the year</i>	219,421	89,959
62	25,658	Tax payable (28%)	61,592	25,192
-31	-24,493	Allowance for dividends received	-3,489	-1,116
31	1,165	Tax payable before refund claims	58,103	24,076
		Prepaid income tax	-14,149	0
0	0	Refund claims pursuant to Section 31.5 of the Tax Code	5,602	19,810
31	1,165	<i>Tax payable</i>	49,556	43,886
		<b>Specification of temporary differences</b>		
0	0	Current assets	-144	6,190
-36	-5,790	Tangible fixed assets	-17,789	12,440
-2,248	-1,799	Intangible fixed assets	641	-598
0	0	Long-term liabilities	-170	-1,739
0	0	Tax loss carryforward balance	-6,159	-2,532
-2,284	-7,589	<i>Basis for calculation of deferred tax assets/liabilities</i>	-23,621	13,761
-640	-2,125	<i>28% tax on deferred tax assets/liabilities</i>	-6,612	3,852
		<b>Tax charge for the year</b>		
31	1,165	Tax payable	58,103	24,076
0	0	Refund claims pursuant to Section 31.5 of the Tax Code	5,602	19,810
0	0	Refund claim adjustment for previous years	-111	-26
272	-1,137	Change in deferred tax assets/liabilities	-5,356	3,361
303	28	<i>Tax charge</i>	58,238	47,221
21.0%	0.0%	Effective tax rate	28.1%	39.8%

## Note 16

Pareto Securities ASA is required by law to provide guarantees in favour of the Norwegian Banking, Insurance and Securities Commission and Norges Bank. Brokerage guarantees totalling NOK 25 million have been provided in favour of the Norwegian Banking, Insurance and Securities Commission, and guarantees of NOK 153 million have been provided in favour of Norges Bank. A factoring charge against accounts receivable from customers and a lien against the company's short-term securities have been provided as security for the guarantees.

# Auditor's report for 2000

Deloitte & Touche  
Statsautoriserte Revisorer AS  
Assurance  
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N-0213 Oslo

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**Deloitte  
& Touche**

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Pareto AS

## AUDITOR'S REPORT FOR 2000

We have audited the annual financial statements of Pareto AS as of 31 December 2000, showing a profit of NOK 84.375.784 for the parent company and a profit of NOK 149.111.000 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 financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. 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 the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing standards in Norway. Generally accepted 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 standards, 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 the law and regulations and present the financial position of the Company and of the Group as of 31 December 2000, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles in Norway
- the Company's management has fulfilled its duty to maintain the Company's accounting process in such a proper and well-arranged manner that the accounting process is in accordance with the law and generally accepted accounting practices
- 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 the law and regulations.

Oslo, 19 March 2001  
DELOITTE & TOUCHE

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

**Deloitte  
Touche  
Tohmatsu**

Bergen Florø Førde Haugesund Knarvik Kristiansand Levanger Lyngdal Oslo  
Sogndal Stavanger Steinkjer Trondheim Tønsberg Ørsta  
Medlemmer av Den norske Revisorforening  
Org.nr.: 980 211 282

# Pareto Securities

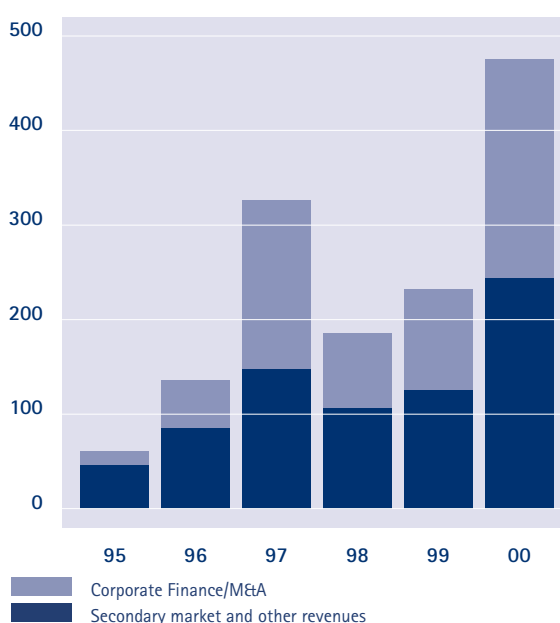
Pareto Securities offers brokerage services for equity, debt and derivatives, research and corporate finance including new issues, initial public offerings and mergers and acquisitions etc.

Pareto Securities has offices in Oslo, Stavanger, Bergen, Kristiansand and Haugesund. Pareto acquired 100% of Bergen Fondsmeglerforretning ASA in December 1999. In addition, Pareto increased its ownership interest in the investment bank Garde ASA in Stavanger from 25% to 100% effective 1 July 2000.

## Business concept and strategy

Pareto Securities seeks to be Norway's leading investment bank based on in-depth and detailed knowledge of the social conditions in Norway and industries where Norway has special competitive advantages. The company's business operations shall be based on thorough research. Our basic philosophy is that the company shall primarily be a broker and adviser. Investments for the company's own account shall only be made when they are necessary to promote trading (market making). The operations of Pareto Securities focus on Norwegian securities. On the investor side, we focus on Norwegian and international institutions, in addition to professional private investors. In the corporate finance area, Pareto Securities has traditionally focused on listed Norwegian companies. In recent years we have expanded our operations to include small companies and international mergers and acquisitions. This has for example taken place in the wake of an expanded focus on technology, media and telecommunications (TMT), the establishment of offices in Bergen and Stavanger and cooperation with Pareto Private Equity.

Figure 4 Distribution of revenues (NOK million)



## Operations in 2000

Overall the year 2000 was a very good year for Pareto Securities, with growth in all the business areas. Pareto Securities' revenues totalled NOK 475.3 million in 2000, as compared to NOK 230.3 million in 1999. The operating profit after bonuses and performance-related costs was NOK 276.7 million,

as opposed to NOK 131.6 million in 1999. Profit after tax totalled NOK 133.2 million, as opposed to NOK 52.1 million in 1999.

## Research

The goal of our research department is to offer a leading research product for the Norwegian debt and equity markets. The research team has been significantly reinforced in 2000. Pareto Securities had 15 analysts at the end of the year. The macro-economic and interest rate outlook is evaluated continuously by our chief economist. Our 13 equity analysts are responsible for covering the key sectors and most of the larger companies on the Oslo Stock Exchange. The TMT sector is covered by four analysts, while there are three dedicated analysts for the oil and offshore sector. In addition, we cover the banking and finance, shipping, biotechnology, industrial and consumer sectors. Our credit analyst follows the Norwegian and international credit markets and issues credit ratings for selected companies. Pareto Securities' research products are made available to the company's clients on our website [www.pareto.no](http://www.pareto.no).

In addition, we publish morning, weekly and monthly market reports, as well as updated industry and company research reports. In September Pareto Securities arranged its seventh annual oil and offshore seminar. This seminar has now been established as the leading investment forum in Scandinavia for oil and oil-related companies. Over 40 listed companies held presentations at the seminar, and close to 500 major private and institutional investors from Norway and abroad participated.

## Equities

After a rising economy for almost 10 years, the US economy started to show signs of declining growth last year. The Standard & Poors 500 index fell 10.1%. The prospects of weaker growth hit technology shares the hardest. After a record-breaking rise of 85.6% in 1999, the NASDAQ 100 index fell 39.3% in 2000. The Norwegian equities market also fell in 2000. However, an average oil price of around USD 28 per barrel contributed to a relatively good result for the Oslo Stock Exchange Total Index (-1.68%). The new issue market was relatively strong, and more than NOK 43 billion was raised.

In 2000 Pareto Securities expanded its broker capacity from 16 to 38 full-time equivalent employees in connection with the acquisition of Bergen Fondsmeglerforretning and Garde. The brokerage

business now operates from Oslo, Stavanger, Bergen, Kristiansand and Haugesund.

The brokerage operations achieved good results. Overall the company traded around NOK 72 billion in Norwegian shares, which makes Pareto Securities the second largest broker in Norway with a market share of 11.8%. Almost all our trading volume is client brokerage. Last year's good performance has continued into this year. The services offered by the brokerage business include the brokerage of equities and equity derivatives, as well as program, broker-to-broker and arbitrage related trading. Our client base consists of Norwegian and foreign institutional and private clients. The number of private clients has increased significantly in 2000, and Pareto Securities now has considerable placement power. The goals for the broker desk were met in 2000.

Pareto Securities has the following goals for 2001:

- Brokerage operations shall be research driven.
- Broker team shall help make Pareto Securities one of the best corporate brokerage houses in Norway.
- Pareto Securities' broker team shall be one of the three best in Norway, measured on the basis of profitability, volume and the market share of commissions.

**Figure 5** Market share in the secondary market for equities (percentage)

Ranking	Firm	Market share <sup>1)</sup>
1	Orkla Enskilda Sec.	13.53 <sup>2)</sup>
2	<b>Pareto</b>	<b>11.83 <sup>3)</sup></b>
3	Carnegie	10.60
4	Alfred Berg	10.57
5	Christiania Markets	7.75
6	First Securities	6.89
7	Sundal Collier	6.78
8	DNB Markets	6.53
9	Danske Securities	3.68
10	Handelsbanken Markets	3.63
11	Karl Johan Fonds	3.43
12	Fondsfinans	2.99
13	Norse Securities	2.33
14	ABG	2.17
15	Netfonds	1.53

1) Oslo Stock Exchange equity trading market share 2000

2) Including Orkla and Enskilda from 1 January

3) Including Pareto Securities, Garde and Bergen Fondsmeglerforretning as of 1 January

## Debt instruments

The Norwegian money market rates rose throughout last year in the wake of the rate hikes by the Norwegian Central Bank. From April to September the central bank increased key interest rates by a total of 1.5%. Three-month money market rates rose accordingly from just under 6% to around 7.5%. The object of these rate hikes was to bring inflation down to the European level in order to secure an economic foundation for stable exchange rates for the Norwegian krone in the future. The long-term rates remained relatively stable at around 6-6.5% throughout most of the year. In the autumn the rates declined and approached 6% as a result of a marked fall in the interest rates in the US and Europe. This fall was associated with the expectations of weaker growth and rate reductions on the part of the central bank.

## Money market

Pareto Securities reinforced its position in the Norwegian money market in 2000. The secondary certificate market was marked primarily by a reduction in liquidity. In addition, the new rules regarding the Norwegian banks' guarantees to Norges Bank opened up additional alternatives and thus Treasury bills became less attractive. Rising Norwegian rates resulted, however, in a high level of activity in the new issue market, where Pareto Securities has traditionally had a strong position.

## Bond market

Pareto Securities managed bond issues of NOK 7 billion in 2000, and the company's position in the bond market was strengthened. There were two main trends last year. In the first half of 2000, Pareto Securities focused primarily on large structured issues. In the second half of the year, Pareto Securities dominated a new trend in the Norwegian bond market through the issuance of bonds for a number of new players, especially in the oil/offshore, shipping and other industries.

In 2000 Pareto Securities managed five equity index bond issues totalling NOK 670 million. These new issues were carried out in close cooperation with the company's equities department.

In the last three months of 2000 Pareto Securities issued bonds for a total amount of NOK 1.5 billion – primarily for borrowers who did not have access to this market earlier. Pareto Securities is one of the few Norwegian investment banks that can offer credit

Figure 6 Loan transactions in 2000

Ordinary loans	Structured products
<b>Issuance of NOK 6.0 billion</b>	<b>Convertible bonds</b>
<b>Fixed interest rate</b>	<i>Company</i> <i>NOK million</i>
Sparebanken Nord-Norge	OceanRig 300
Bergen komune	OceanRig 200
Norgeskreditt	Brøvig 70
Statnett	Sense 70
Nøtterø Sparebank	<b>Shares with subscription rights</b>
Holla Sparebank	<i>Company</i> <i>NOK million</i>
Hjardal og Gransherad Sp.	Sense 170
Tinn Sparebank	<b>Bonds with subscription rights</b>
<b>Subordinated loans</b>	<i>Company</i> <i>NOK million</i>
Nordlandsbanken	Frontier Drilling 25
Sparebanken Nord Norge	<b>Equity index bonds</b>
<b>Floater</b>	<i>Company</i> <i>NOK million</i>
Kværner	Norlandsbanken 295
Pan Fish	Statkraft 90
BKK	Sparebanken Møre 130
Sparebanken Sør	Sparebank Pluss 90
Romsdal Fellesbank	Sparebank Hedemark 80
Bø Sparebank	
Seljord Sparebank	
Drangedal og Tørdal Sp.	
Wilh. Wilhelmsen ASA	
District Offshore ASA	
Brøvig Offshore	

analysis services. In addition, Pareto Securities has been a leader in the market for convertible loans or loans with warrants. Towards the end of 2000 we experienced, moreover, an increasing interest in Norwegian corporate loans in the international high-yield markets. In the secondary market for listed bonds, our market share increased in the industrial sector to 25%. Our market share in the major bank sector declined, but it is still over 20%. This was also the case in the local authority sector (14%). Pareto Securities was very active in relation to state-owned enterprises in 2000. Our market share doubled from 22% to 44%. The trading volume for loans from the power sector and mortgage companies increased slightly. There was insignificant activity in the government bond market. The bond desk will continue to focus on the issuance of new industrial bond loans in 2001. In addition, there will be a greater focus on the international

high-yield markets. Trading and the issuance of loans to the finance sector, both structured and traditional, will continue to have high priority.

## Corporate finance

Pareto Securities is one of the foremost Norwegian institutions in the field of corporate finance, offering advisory services aimed at all the major trade and industry sectors in Norway. As an independent long-term financial adviser, it is the goal of Pareto Securities to offer a full range of financial services to its clients, from new issues and initial public offering spinoffs, mergers and acquisitions. Pareto Securities is in close proximity to the major industry and commerce centres in Norway through its advisory service departments in Oslo, Stavanger and Bergen. Pareto Securities focuses primarily on companies that are already listed or have a potential to become listed within a reasonable time horizon. Pareto Securities cooperates with Pareto Private Equity so that it can also serve companies in an early development phase. Pareto Securities offers an advisory service team with management experience from industry, consulting firms and the capital markets. Our employees have broad experience as advisers in merger and acquisition processes, especially in our key focus areas:

- Oil, offshore and offshore services
- Cruise, shipping and fishing industries
- Technology, media and telecommunications
- Power companies, grid and transmission companies
- Banking and financial services
- Foodstuffs, building and construction industries

Pareto Securities carried out around 95 major projects in 2000. Projects in the TMT (Technology, Media, Telecommunications) area represented for the first time the largest industry for the advisory services of Pareto Securities.

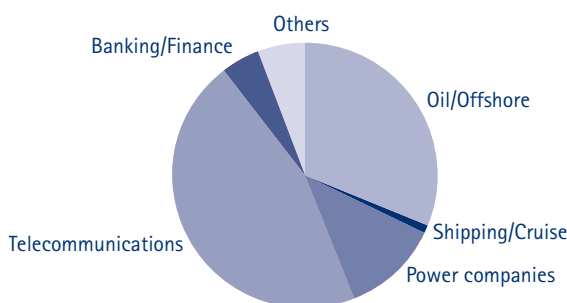
It has been particularly satisfying to note that foreign clients have found it expedient to make use of Pareto Securities' expertise for acquisitions in Europe.

Some of the most important projects carried out by Pareto Securities in 2000 include:

- Advising the Ministry of Oil and Energy in connection with the restructuring of the government interests in the oil sector (privatisation of Statoil/sale of the government's direct financial interest)
- Acquisition of Kreditkassen on behalf of Nordea

- Seven acquisitions with a total value of approximately NOK 3 billion, on behalf of the Swedish Internet company Adcore AB, in Sweden, the UK, Switzerland, France, the Netherlands, Germany and Denmark
- Initial public offering of Telenor
- Several new issues totalling NOK 530 million and the initial public offering of Sense Communications, where Pareto Securities has followed the development of the company from an early phase to one of the fastest growing mobile phone companies in Scandinavia
- New issue for Active ISP totalling NOK 625 million
- Several new issues of shares and convertible bonds for Ocean Rig ASA for a total of NOK 650 million
- 11 major sales transactions and new issues in the power sector, including a new issue of NOK 1,500 million for Oppland energiverk AS and the sale of shares in Istad Kraft AS valued at NOK 536 million
- Sale of the business area Rieber Roads from Rieber & Søn ASA to the Swedish company NCC AB
- Sale of UMOE ASA to ABB
- 42% share of market for new industrial bonds. Pareto Securities managed bond issues of approximately NOK 1.5 billion for borrowers without any previous access to the bond market, especially in the offshore, shipping and industry sector. These products have included high-yield loans, convertible loans and loans with warrants.

Figure 7 Distribution of corporate finance revenues in 2000



IT/Telecom was the largest sector, representing 42% of the revenues  
 Oil/Offshore represented 33% of the total revenues  
 Power/Energy was the fastest growing segment

# Pareto Private Equity

Pareto Private Equity offers corporate finance and project finance services. In addition, the company offers real estate brokerage services through Pareto Eiendom and business management services through Pareto Management.

## Company profile

The year 2000 was a very good year for Pareto Private Equity ASA and its subsidiaries, and there was a positive development in all the business areas.

In the corporate finance area, Pareto Private Equity has built up a solid team, which focuses on investment services for unlisted companies. The company's focus on corporate finance services has revealed that many clients have a need for assistance prior to and after new issues. Pareto Private Equity established Pareto Consulting to meet these needs.

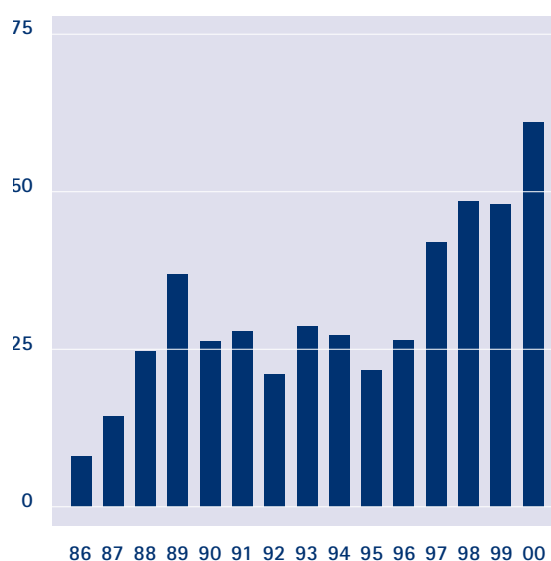
Project finance for shipping projects has traditionally been a key focus area for Pareto Private Equity. Pareto has been one of the most active players in this field for a number of years, both nationally and internationally.

Project finance for real estate projects has also been a key focus area for Pareto Private Equity, and several major real estate syndications were completed in 2000.

Pareto Private Equity hired additional high qualified personnel this last year in order to strengthen the company further. The company is thus well prepared to meet any future challenges.

Pareto Private Equity changed its name in 2000 from Pareto Prosjekt. The name was changed in order to signify that the company's range of services was broader than just project finance.

Figure 8 Earnings growth (NOK million)



## Project finance – shipping

Pareto Private Equity has been involved in more than 150 shipping projects since it was established. Today, we are the leading company for the syndication of shipping projects and have 22 active projects, with a total value of over NOK 3.3 billion.

This last year we have syndicated two large container vessels, with a total combined value of NOK 450 million. These vessels are on long-term charter parties to A.P. Møller. This solid charterer has allowed us to establish a high credit limit, and the cash flow provides substantial repayment of debt during the term of the loan.

Pareto Private Equity focuses primarily on projects with long-term hiring to solid and recognised charterers. Most of our projects are in cooperation with experienced management/shipowning companies, who also have active ownership interests. This is to provide the necessary technical and commercial follow-up for the projects.

## Project finance – real estate

Pareto Private Equity has managed over 50 real estate projects, with a total value of over NOK 5 billion, since it was established. We are one of the leading players in this segment, and we currently have a portfolio of 22 active projects with a total market value of NOK 2.6 billion. Our portfolio consists primarily of office and combination buildings.

The subsidiary Pareto Management manages around 260,000 m<sup>2</sup> of real estate. This places us among the 10 largest “real estate companies” in Norway, including the life insurance companies.

We focus primarily on modern properties with good locations and long-term leases. The average weighted remaining lease period for the portfolio is 10.5 years. This type of property entails a low level of risk to the investor. We are granted high credit limits and long-term repayment profiles by banks and mortgage companies. This means that the investors contribute only a relatively small share of the equity, normally 10-20%, and the projects’ cash flow enables at the same time regular distributions to equity. Compared to the Oslo Stock Exchange Real Estate Index and Total Index, Pareto Private Equity’s “real estate index” has risen 48% (14% p.a.) in value over the last three years. The Oslo Stock Exchange Total Index rose 3% and the Real Estate Index rose 5% during the same period.

Figure 9 Rate of return on Pareto’s real estate projects



## Corporate finance

Our focus on corporate finance has continued in full force in 2000, and we have concentrated on oil, offshore, shipping, telecom and technology. The major projects we carried out in 2000 have included the restructuring and recapitalisation of Nomadic Shipping ASA, sale of Trondhjems AS, new issues for Pocket IT AS, Sospita AS, IO Publishing Technology AS, Axess Spesialistklinikk AS, as well as the restructuring of Actinor Shipping ASA.

Pareto Private Equity offers investors access to interesting projects and investment opportunities from a broad network of leading industry players.

The members of our private equity team have 12 years of experience on the average from industry, management consulting and the capital markets. The corporate finance revenues have more than doubled in relation to 1999.

## Pareto Management

Pareto Management AS is an authorised accountant firm consisting of business managers with several years of accounting and tax experience from the group’s own brokerage operations and from shipping and real estate.



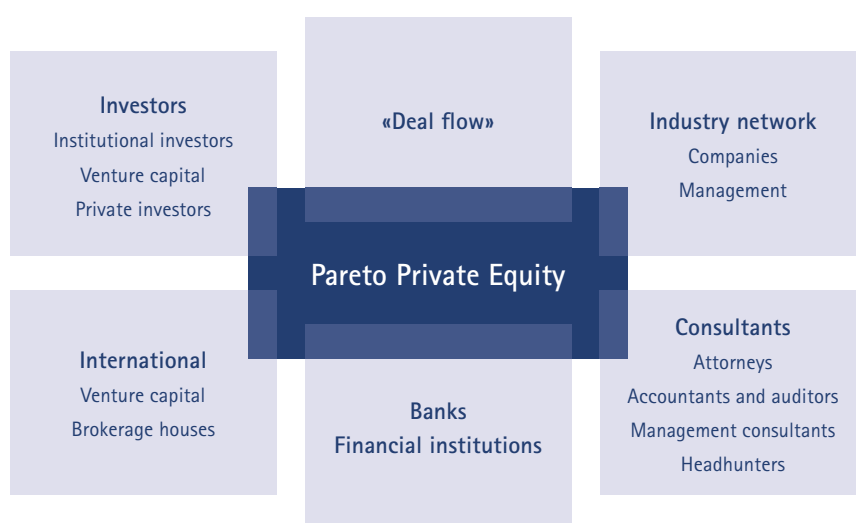
The company offers a full range of business management services, which include accounting, tax consulting and cash management services. Pareto Management is the business manager for around 60 companies with direct investments in shipping, offshore, real estate and industry.

These companies are organised as limited companies, limited partnerships, general partnerships and internal partnerships. Business management services

for single purpose shipping companies have traditionally been the primary source of revenues. Shipping/offshore related operations represent over 50% of the overall business management fees.

In recent years, however, the company has focused more on real estate projects. The company has generated a healthy profit since it was established in 1986, and it has a solid equity base. The year 2000 was a good year for Pareto Management.

**Figure 10** Network of Pareto Private Equity ASA



**Figure 11 Selection of current shipping projects**

Company	Type	Size <sup>1)</sup>	Built	Vessel value Millions
KS Tromaas	Tanker	96,551	1988	USD 20.80
Bergitta KS	Tanker	105,400	2000	USD 39.50
Fosna KS	Tanker	96,000	1992	USD 33.50
KS AS Bergen Drillpart	Rig	-	1983	NOK 1,036.20
Tønnevold Hamburg KS	Container	3,800	1983	USD 23.07
Tønnevold Felixstowe KS	Container	3,951	1985	USD 26.32
Tønnevold Tacoma KS	Container	3,169	1982	USD 20.50
Tønnevold Reefer 5 KS	Reefer	237,984	1982	USD 2.30

1) Container vessel size is stated as the container capacity. Reefer size is stated in cubic feet, and the size of other vessels is stated in dead weight tonnes.

**Figure 12 Selection of current real estate projects**

Project	Tenant	m <sup>2</sup>	Built	Value (NOK million)	Avg. weighted remaining lease period
Berghagan Næringseiendom KS	Atlas Copco	19,169	1978	87.6	10
Brånås Eiendom AS	Erling Qvale	10,405	1999	94.8	8.5
Fornebu Næringseiendom KS	Braathens ASA	11,700	1985/97	167.6	11
Fornebuveien Bygg AS	Grøner AS	8,726	1995	79.5	1.5
Fornebuveien 1-3 AS	Kværner	8,376	1987	106.9	2
Gardermoen Næringseiendom KS	Braathens ASA	21,000	1998	239.9	19
Gasmannsvei Eiendom KS	Teleselskaper	23,750	1975/84/99	241.3	11
Mediahuset Rosten AS	Melhuus+diverse	5,020	1986	32.5	4
Merino KS	NHH	19,370	Multiple	204.3	8.5
Noble House Hotell KS	First Hospitality	4,900	1920/1998	78.5	14
Regnbuen Næringseiendom KS	Ingram Micro	5,000	1997	89.2	9
Regnbuen Næringseiendom II KS	Hakon Meny	11,427	2000	91.7	8.5
Sameyd KS	Ellos AB	4,318	1992	36.0	1.5
Stavanger Næringseiendom KS	Aker Offshore	21,000	1999	223.8	9
Unninvest AS/SS	Telemark Politi	4,311	1984	54.0	19

# Pareto Eiendom

Pareto Eiendom aims to be one of the leading players in the large commercial property market with respect to consulting, sales and leasing. Our work shall be based on a long-term philosophy and the quality of our projects shall maintain high standards.

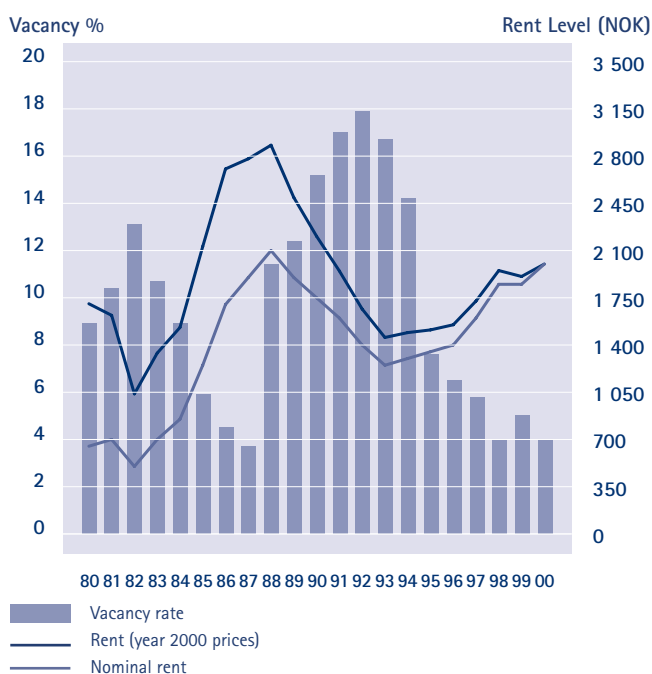
Pareto Eiendom performed well in 2000 and can look back on its best year ever. The company completed a number of major transactions involving the leasing and sale of commercial property, and it is well positioned for further growth.

## Rental market

The rent levels have on the whole been relatively stable during the past year. Central Oslo and the Aker Brygge/Vika/Egertorget area in particular have, however, been an exception. The demand for modern high quality premises in this area was significantly greater than the supply at the end of 2000, and we estimate that the vacancy rate is somewhere between 1-3%. This has resulted in higher rents.

According to Pareto Eiendom's rent statistics in the area, the rents have increased by around 10-15% during the last year. A number of large tenants (1,000-5,000 m<sup>2</sup>) have signed leases and will be moving in in one to three years.

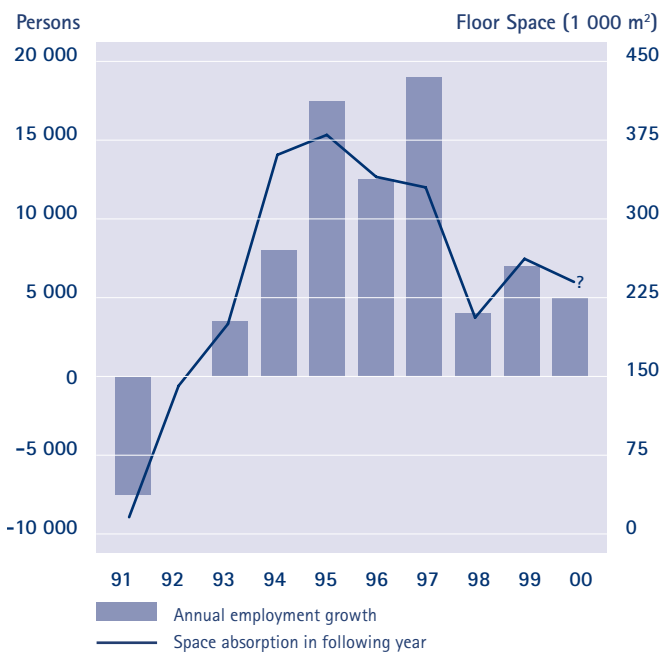
Figure 13 Vacancy/Rent Levels in Oslo



This figure illustrates the development of the rent level and vacancy rate for centrally located office space of a high standard in central Oslo.

Several large office properties are scheduled for rehabilitation and completion is expected in the middle of 2003. In addition, it is expected that several major construction projects in central Oslo will be completed during the next two to three years. The construction projects will most likely not start until major portions of the buildings have been leased. During the last 8 years an average of around 280,000 m<sup>2</sup> has been absorbed annually. The vacancy rate in central Oslo has been very low, and the supply of large modern premises has been almost non-existent. Now that Telenor is moving out and

Figure 14 Employment growth/space absorption



This figure illustrates the covariance between employment growth and space absorption in the following year for Oslo during the period from 1991 to 2000. (Source: Oslo Study, Statistics Norway)

a large area around the central train station is being made available/planned, the vacancy rate will most likely normalise and the pressure in the central area will subside.

During the last two years the rental market in central Oslo has been marked by expansion in the IT sector. Many relatively long-term leases (5–10 years) have been signed in this segment. The long-term leases that these tenants have signed, in spite of the uncertainty concerning the future development of the companies, has contributed to an increasing number of subleases.

The rents have levelled off in the outskirts of Oslo, and this is attributed primarily to the increase in the supply of new premises and close to full employment. Our experience is also supported by the survey conducted by Eiendomsspar AS early in 2001, which concludes that the vacancy rate is just over 4% of the total supply – a decline from 5% in 1999. However, there is still a significant surplus in the eastern and northern areas. A continued shortage of space in the central/western areas of Oslo, and a slight increase in the vacancy rate in the outlying areas is expected in 2001.

## Investor market

After a relatively active real estate market in the first half of the year, the market calmed down in the third quarter. The reason for this change was primarily related to the rise in short-term interest rates, which rose from around 5.9% to 7.5% during this period. The long-term interest rates hovered around 6–6.5% during this same period, and then they fell below 6% in the fourth quarter. The fall in the long-term interest rates and the uncertainty related to the future development on the stock exchanges resulted in an increased interest in real estate, and thus a reduction in the yield towards the end of the year. It was primarily financially oriented investors looking for projects with limited real estate and tenant risks who showed this interest. This type of investor invests traditionally through the stock exchange, but the real estate segment on the Oslo Stock Exchange is not regarded as very attractive. These investments are channelled therefore to the project market, which has experienced a higher level of activity in recent years.

We estimate that the real estate values are in general at the following level:

Figure 15 Rent Level/Net Yield

Description of leased premises		Rent level <sup>1)</sup>	Net yield <sup>2)</sup>
Prestige	Best Aker Brygge and Vika	2,600–3,000	7.0–7.5
High standard	Central Oslo – Vika	2,200–2,600	7.4–7.7
High standard	Central Oslo – other	1,800–2,200	7.7–8.1
Normal standard	Central Oslo	1,300–1,900	8.0–9.0
High standard	Lysaker and Skøyen	1,600–1,900	7.7–8.3
High standard	Nydalen	1,400–1,600	8.0–9.0
High standard	Bryn and Økern	1,300–1,500	8.0–9.0
Oslo	Warehouse, 6m headroom w/several doors	700–850	8.5–10.5

- 1) This indicates the rent level for commercial property. The rents may vary more than the ranges indicated due to individual differences in the location, standard and terms of the lease.
- 2) This indicates the market level for the sale of properties with a modern standard and good leases at the market rate. Very long-term and secure contracts, in particular, may deviate somewhat from the factors above. The net yield is defined as the net rental income divided by the value of the property.

We are expecting stable market conditions for 2001 and a positive development on the real estate market.

# Pareto Forvaltning

Every investor has a unique risk profile. Individual management solutions should therefore be a prerequisite for good risk management.

The company offers portfolio and business management services for investors in the securities market.

## Company profile

Pareto Securities launched portfolio management services in the spring of 1995. As a result of the growth of this business and the desire to invest in the portfolio management market, Pareto Forvaltning ASA was established in the autumn of 1998.

Our clients consist of large and medium-sized enterprises in the private and public sector, pension funds, foundations and wealthy private individuals. The company has eight managers/advisers with an average of 15 years of relevant experience. Two employees work with financial services, which is a service that showed significant growth in the year 2000. Other services such as research, settlement, technology and accounting are contracted from Pareto Securities and Pareto Management. For investments in the international securities market, we have established a close relationship with Credit Suisse, which is one of the leading companies worldwide, with over 60,000 employees in the advisory and management service field.

At the end of January 2001 Pareto Forvaltning provided portfolio and financial services for capital totalling NOK 8 billion, and portfolio management accounted for approximately NOK 2.3 billion, which is divided between 150 clients. Due to our acquisition of Garde Aktiv Forvaltning ASA in March 2000, we are now represented by a manager/adviser in Stavanger to serve our clients in Southwestern Norway.

## Business concept and management philosophy

Our business concept is based on the fact that every investor has a unique risk profile. Individual management solutions should therefore be a prerequisite for good portfolio and risk management. Our management concept is based on providing a combination of management service modules that can be customised to the client's various needs and risk profiles. Our management services are based on thorough in-house research. The number of investments in the Norwegian equities market will be limited, 15-20 different positions ordinarily. This provides adequate risk diversification in our opinion, and a thorough and continuous monitoring of each investment is possible.

In accordance with Pareto's Internet strategy, which dictates that electronic access and communication shall be an important supplement to the personal

follow-up of our clients, we have developed an online reporting system via our website. This service shall be available 24 hours a day, and the reports will be updated daily, based on the closing price on the Oslo Stock Exchange the previous trading day. The updated reports available on the site will include detailed portfolio reports (cost price, market value, allocation, etc.), performance reports (from start, annual, last month) and a trading summary (transactions for last three months).

## Pareto Fondsforvaltning

To enhance our financial services, Pareto Fondsforvaltning AS was established in September 1999.

Pareto Fondsforvaltning will initially offer interest-bearing investments through three securities funds, Pareto Likviditet and the bond funds Pareto OBL-I and Pareto OBL-II.

## Financial services

Many investors desire to handle all or parts of their own management operations. Limitations in their own organisation can make this problematic. In addition to traditional management, we offer a business management service, where Pareto Forvaltning acts as a strategic partner. This is a flexible and useful concept for major investors who recognise the value of outsourcing parts of their management/finance operations and desire at the same time to maintain a high level of control and influence in the various phases of the investment process.

Last year financial services contracts were signed for the management of assets valued at NOK 3 billion.

This service consists of flexible modules, which include:

### Investment strategy

- development of an investment policy/strategy
- risk analysis/simulation of asset allocation
- definition of restrictions/management profile

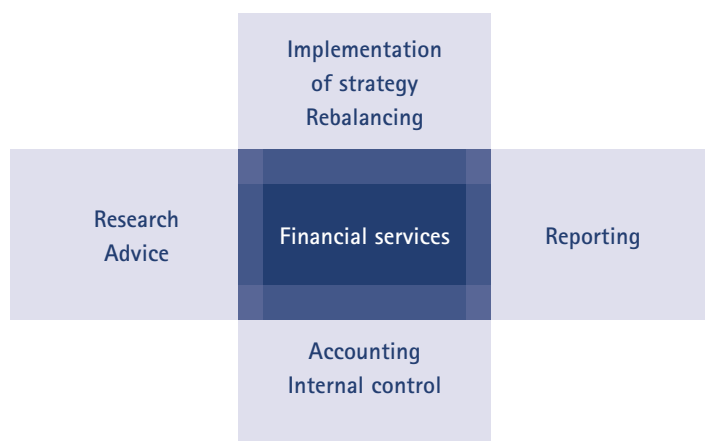
### Research/advice

- international/national macroeconomics
- sector/industry/company research
- equity/debt asset allocation

### Implementation/rebalancing

- securities trading
- settlement risk
- control of adopted profile/restrictions

Figure 16 Investment strategy



### Reporting

- portfolio summary – return/deviation/reference index
- risk management reports

### Accounting/internal control

- interim/annual reports (RISK adjustment)
- VPS/bank account maintenance and reconciliation
- custodial services/transactions
- documentation/auditing/internal control

### Outlook

Participants in the securities market have experienced yet another turbulent year with major fluctuations in both the international and Norwegian markets. The major correction last autumn was driven by international technology shares and uncertainty about the US economy (hard/soft landing). The Oslo Stock Exchange Total Index fell 1.7%. The year 2000 was a satisfactory year for the portfolios under our management, and they yielded a return of 3-11%, depending on the client's risk profile. Due to the high level of structural activities, the increased investments in the oil industry and a repricing/positive correction for segments of the technology sector, we envision a positive outlook for the Norwegian equities market in the year 2001.

As a consequence of the fluctuating securities market during the last three years, with mixed returns for investors, we assume that much more emphasis will be placed on strategic asset allocation and good risk management in 2001. Our range of financial services and flexible management solutions make Pareto Forvaltning an attractive strategic partner for investors in the securities market.

# Pareto AS

Pareto AS is the parent company in the group. In addition to the company's investments in shares of subsidiaries in the Pareto Group, Pareto AS also makes strategic investments in companies engaged in related businesses who can be a strategic partner for Pareto.

In addition, the company makes financial investments in the securities market as part of its cash management operations.

## Investments in subsidiaries

We have equity stakes of between 75% to 100% in our subsidiaries. The total book value of our shares in subsidiaries is NOK 62.6 million on the parent company's balance sheet. Additional equity has been built up through retained earnings as the subsidiaries have grown. The parent company's share of book equity in subsidiaries totals NOK 218.8 million. The remaining shares in subsidiaries are owned by employees and partners in the subsidiaries. During the year new shares were issued in the subsidiaries and placed with employees of Pareto Securities, Pareto Private Equity and Pareto Forvaltning. Reference is made to the presentation of the individual subsidiaries.

## Strategic investments

### Garde ASA/Bergen Fondsmeglerforretning ASA

In 1997 and 1998 Pareto AS made strategic investments in the investment banks Garde ASA in Stavanger/Haugesund/Kristiansand and Bergen Fondsmeglerforretning ASA. The ownership changes in both Garde ASA and Bergen Fondsmeglerforretning ASA during 1999 and 2000 gave the Pareto Group an opportunity to purchase 100% of the shares in these companies. Pareto AS sold its stakes of 25% and 30%, respectively, to its subsidiaries Pareto Securities and Pareto Forvaltning in connection with the acquisitions. Pareto Securities acquired the brokerage operations of Garde effective 1 July 2000, while the brokerage operations of Bergen Fondsmeglerforretning were acquired as of 1 January 2000. Minor management operations in both the companies were transferred to Pareto Forvaltning.

### Fondsforvaltning AS and PLUSS Aktiv Forvaltning ASA

Pareto AS owns 35% of Fondsforvaltning AS and 35% of PLUSS Aktiv Forvaltning ASA. These companies are primarily engaged in portfolio management services for major investors. Fondsforvaltning AS manages money market, bond and equity funds, the "Pluss" funds, which are primarily for major investors, such as companies, public sector entities, private investors, organisations and institutions, as well as foundations and trusts.

At year-end the company managed around NOK 3.1 billion, NOK 1.9 billion of which was in fixed-interest securities and NOK 1.2 billion of which was in equities. The company had a total of 6 employees at year-end. In 2000 the company reported revenues of

NOK 22.4 million and a profit after tax of NOK 11.8 million. The company's book equity totalled NOK 61 million as of 31 December 2000.

#### **Consilio ASA**

Pareto AS owns 36.5% of the Kristiansand based consulting firm Consilio ASA. This company offers advisory and commercial development services. The company has 8 employees and reported revenues of NOK 5.5 million in 2000. The company's book equity is NOK 3.08 million.

#### **Natsource LLC**

Pareto AS has a minority stake in Natsource LLC (approximately 1%). Natsource is active as a broker in most of the energy markets in the US and Europe. Natsource is involved in the power, gas, coal and emissions markets (Co<sub>2</sub>, So<sub>2</sub> and No<sub>x</sub>). The head office of Natsource LLC is located in New York. Pareto became a minority stakeholder in Natsource after the company acquired CBF energimegling AS, a company in which Pareto held a 14% stake.

#### **P.F. Bassøe AS**

In April 2001 Pareto AS acquired all of the shares in the shipbroking firm P.F. Bassøe & Co.

Bassøe is a leading international shipbroker and is engaged in chartering and the buying and selling of tanker tonnage. The company was established in 1972 and currently has 23 employees and partners. It reported revenues of NOK 72.4 million in 2000, as compared to NOK 44.1 million in 1999. Profit before tax for the limited partnership K/S P.F. Bassøe & Co AS and the general partner P.F. Bassøe AS totalled NOK 17.9 million (NOK 6.3 million in 1999). The book equity at the time of the acquisition totalled NOK 15.0 million.

The acquisition of Bassøe is part of the Pareto Group's strategy to focus on maritime industries with strong Norwegian roots. Cooperation between Bassøe and Pareto's other business operations is expected to give a higher level of expertise and a broader contact network with respect to the shipping industry. Analysis of the development of supply and demand for oil and oil related services is an important part of the business operations of both Bassøe and Pareto. The companies complement each other in this area, and the resultant effect is increased knowledge of more areas than just shipping. Pareto Private Equity has managed and syndicated around 150 shipping projects in the investor market and is currently the business manager for 24 active projects.

## **Cash management**

Pareto AS manages a securities portfolio of approximately NOK 100 million, which is distributed more or less equally between fixed-interest and equity investments.



Pareto's website www.pareto.no was completely revamped this year. We have invested a great deal of resources in the development of an advanced service for the distribution of research, recommendations and market information. Our solution has been designed to accommodate electronic trading, and our clients will be able to trade shares online very soon. Our products and services on the Internet shall be of the same high quality that our clients experience when they are in direct contact with Pareto. We believe that most of our clients will find that there are situations where it is advantageous to make use of the Internet – not just to find information, but to execute transactions as well. Our website offers increased access, a better basis for making decisions and lower costs.

**Min Pareto**  
Mine innstillinger

Marked  
Analyser  
Kurs  
Nyheter  
Aksjeindeksobligasjoner  
Hjelp

Markedsoversikt  
Indekser Oslo Børs  
Indekser Utland  
Indikatorer  
Vinnere i dag  
Tapere i dag

## Velkommen! Torsdag, 1. Mars.

Morning Comments 01.03.01  
**Markets Slide as Hopes of Early Rate Cuts Burst**  
**Conclusion:** *The market will merge to defensive sectors and attractively valued stocks today, and we recommend to BUY Nycomed.*

Siste selskapsanalyser fra Pareto

Dato	Ticker	Analysen
28.02.01	NYA	2H00: Attractive valuation overshadows disappointing earnings
28.02.01	EXP	Expert 4Q preview: Focus on high 2001 ambitions can be expected
27.02.01	BEA	Q4 Review - Starting to fire on both cylinders
27.02.01	SME	Smedvig-4Q review: Strong figures - West Delta sold at USDm 110
27.02.01	FRO	Q4 Review: Strength in all areas
27.02.01	SME	Smedvig reports strong 4Q figures - West Delta Sold at USDm 110
23.02.01	NYA	2H00Preview: Poor report expected
23.02.01	SME	Preview 4Q00 - Earnings momentum continues
23.02.01	BEA	Q4 Preview: How much gas ?
23.02.01	DOF	Review - Good performanc in 4Q00, in line with our expectations
22.02.01	TAT	Tandberg TV Q4 00 Review: Turnaround being confirmed
22.02.01	NOK	Norkom Q4 00 Review: The Internet Blockbuster!

**Ny aksjeindeksobligasjon: Global/Helse 2001/2006**  
 Pareto Securities ASA er tilrettelegger for Sandnes Sparebanks aksjeindeksobligasjon Global/Helse 2001/2006.  
 Tegningsperioden er fra 19.februar til 16.mars 2001.

► Les mer

► logg ut

**Siste kjøpsanbefalinger**

Ticker	Navn	Dato
NYA	Nycomed	28.02.01
EXP	Amersham	28.02.01
EXP	Expert Eilag	28.02.01
BEA	Bergesen d.y.	27.02.01
SME	Smedvig	27.02.01
FRO	Frontline	27.02.01

**Indikatorer**

Totalindeksen

2 days Intraday chart  
Dow Jones

2 days Intraday chart  
► Markedsoversikt

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At [www.pareto.no](http://www.pareto.no) you will for example have access to (depending on your client relationship):

- Continuous updates on our recommendations.
- Comments/evaluations in connection with company results, macroeconomic events and relevant news items.
- Updated key financial figures and other financial information for individual companies.
- Price and market information.
- Online trading on the Oslo Stock Exchange.
- Online trading on the New York Stock Exchange, American Stock Exchange and NASDAQ.
- Updated prices for Pareto's equity index bonds.
- Alert service for research and recommendations.
- Daily updated portfolio reports from Pareto Forvaltning.
- Information/prospectuses for properties that are available for sale or leasing through Pareto Eiendom.
- Information/prospectuses for projects offered by Pareto Private Equity and Pareto Securities.

*This closed service is available only to Pareto's clients and associates. If you would like to have access, you can register at [www.pareto.no](http://www.pareto.no).*

# Organisation

*As of 1 March 2001*

## **Board of Pareto AS**

*Widar Salbuviik (Board Chairman)*  
*Erik Bartnes*  
*Anders Endreson*  
*Kai Engedal*  
*Svein Støle*

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