

Annual Report 2001



Pareto

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 Pareto

This is Pareto

Pareto is a leading, independent and focused Norwegian investment bank. The company was established in 1986 and currently has 160 employees.

Pareto offers a broad range of financial products and services including securities brokerage (equity and debt), investment research, corporate finance/M&A advisory services, project finance, financial services, fund management, commercial property brokerage and letting, freight derivatives, tanker chartering and acquisitions and sales.

Pareto has offices in Oslo, Tønsberg, Kristiansand, Stavanger, Haugesund, Bergen and Bodø, as well as a presence in New York.

Figure 1 – Paretos operating revenues

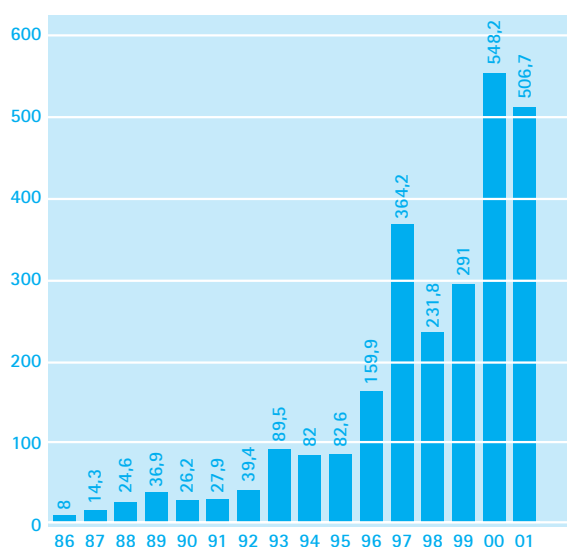


Figure 2 – Business areas

Companies	Services
Pareto Securities	Securities brokerage (equity and debt) Research Corporate finance/M&A
Pareto Private Equity	Project finance Corporate finance/M&A Business management services
Pareto Eiendom	Sale and leasing of commercial property
Pareto Forvaltning	Discretionary Asset Management Fund management Business management services
P.F. Bassøe	Tanker chartering Sale and purchase Research and consultancy
Pareto AS	Holding company Investments

Figure 3 – Key group figures (NOK million)

	2001	2000	1999
Operating revenues	506,7	548,2	291,0
Operating profit	201,1	312,6	162,3
Net financial items	-77,0	-105,2	-43,6
Profit before tax	124,1	207,3	118,6
Tax charges	-44,8	-58,2	-47,2
Profit for the year	79,3	149,1	71,4
<i>Equity</i>	466,0	431,7	293,4

Directors' report

Business objectives

The goal is to develop Pareto as a focused and profitable company. The company's Board and management wish to build up the business based on the respect and trust of the company's clients, competitors and the authorities.

Financial results

Despite a downturn compared with the previous year, 2001 was a good year for Pareto, and the company strengthened its position in several key areas.

Pareto's revenues totalled NOK 506.7 million in 2001, as compared with NOK 548.2 million in 2000. Operating profit was NOK 201.1 million in 2001, as compared with NOK 312.6 million in 2000. Profit after taxes was NOK 79.3 million in 2001, as compared with NOK 149.1 million in 2000.

In view of the to some extent difficult market for financial services, the Board is satisfied with the results achieved in 2001.

Market conditions

The record-breaking period of growth in the US economy, which commenced in March 1991, was replaced by recession from March 2001. Higher interest rate levels and energy prices throughout 1999 and 2000 curbed private consumption, which, in conjunction with falling sales reduced corporate earnings. Falling stock markets and increased capital costs undermined capital expenditure, at the same time as household wealth was weakened. In addition, the terrorist actions against the World Trade Center in September led to a new all-time low in corporate and household optimism. Aggressive easing of monetary policy, in conjunction with expansive fiscal policy and falling energy prices, have, however, laid the foundation for an upturn in the economy, both in the US and the rest of the world in 2002.

The Norwegian economy has also felt the slow-down, but a steady petroleum price has made a positive contribution, while the prospects of tax cuts in the years to come, as a result of the further reorganisation of fiscal policy, will strengthen the financial situation of private households. The increase in unemployment has been limited and the prospect of continued revenue growth is good. In December, Norges Bank lowered the sight deposit rate by 0.5 percentage points to 6.5%.

The Oslo Stock Exchange All Share Index fell by 16.7% in 2001; only once in the last 20 years has a bigger fall been registered. The largest decline occurred in the field of IT, where the index fell by 26.5%, but a number of other major companies on the stock exchange also experienced set-backs. Two listed companies, Customax and Enitel, went into liquidation. However, there were some bright spots; Tandberg and Norkom both advanced by almost 150%. In spite of a poor year, the Oslo Stock Exchange fared better than the financial markets in Sweden, the United Kingdom and Germany, for example. On the petroleum market, 2001 was in many respects a repeat of 2000. Following a very strong oil price through most of the year, a marked decline was experienced in the last quarter. While the average price for oil was over \$26 a barrel for the first nine months of the year, it fell to under \$20 in the final quarter.

Operations

The group's activities are in the fields securities brokerage, corporate finance/M&A advisory services, real estate and shipping, project finance and fund management.

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, Pareto Forvaltning ASA and P.F. Bassøe AS. Pareto AS is the parent company in the group.

Pareto Securities ASA

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 broader-client base that includes major institutional clients, medium-sized businesses and wealthy private individuals. Our placement ability improved significantly, and the company's market share on the Oslo Stock Exchange rose from 6.6% in 1999 to 8.8% in 2001, in terms of volume of trading. This made the group the third largest player in the field of equity brokerage. During 2001, the group opened offices in Tønsberg and Bodø, the latter being in co-operation with Nordlandsbanken.

Activity in the field of corporate finance was high. Once again, the company's most important activities in 2001 were in the petroleum sector and other maritime industries. The level of activity was also high in the power industry. Our assignments were divided between M&A advisory services and equity and debt offerings. Among the transactions the company took part in were the Statoil IPO, the sale of Nortrans Offshore and the merger between Hafslund and Viken Energinet.

Pareto Securities managed bond issues totalling NOK 7.5 billion in 2001, maintaining the company's leading position in the bond market. The bond desk managed stock index bond issues for a total of NOK 500 million in the course of the year. In the secondary market the company maintained its market share of 25% in the industrial sector. For the fourth consecutive year, our share of the important bank sector was over 20%. Our share in sales of local authority loans held steady at about 14%, while the share in the field of state-owned enterprises fell to 18%.

Pareto Private Equity ASA

2001 was a very satisfactory year for Pareto Private Equity. The company experienced strong growth in the area of project financing, and syndicated property with a value of more than NOK 1.9 billion. The company continues its involvement in large, high-quality properties in attractive locations, with long-term leases, and the property portfolio controlled by Pareto Private Equity has a market value of about NOK 4 billion.

The company's involvement in the field of corporate finance continued unabated, and in 2001, we were awarded a full securities market licence. The activities of the company are focused upon small and medium-sized enterprises that are not listed on the stock exchange. As it was difficult for unlisted companies to carry out cash issues in the last year, activity was concentrated on structural modifications and M&A services.

Pareto Eiendom continued its positive development in 2001, showing strong growth in its sales and profits. The company is at present one of the largest brokers of commercial property in Norway. Pareto Management is also developing positively, as the administrator of companies and projects managed and syndicated by Pareto Private Equity.

Pareto Forvaltning ASA

Pareto Forvaltning ASA, Pareto's asset management business, can boast strong rates of return relative to benchmark indices as well as a significant growth in assets under management. The company acquired a number of new clients in the Norwegian equity and fixed income market in 2001. At the end of the year, the company had funds under management totalling NOK 1.6 billion in equities and NOK 2.5 billion in fixed income. The company is also strategic joint-venture partner and business manager for clients holding portfolios with an additional value of approximately NOK 5.7 billion.

P.F. Bassøe AS

Pareto acquired all of the shares in the shipbroking firm P.F. Bassøe with effect from May 2001. P.F. Bassøe is a leading international shipbroker, engaged in sale & purchase and chartering of tanker tonnage. The acquisition of Bassøe is part of the Pareto Group's strategy of focusing on maritime industries with strong Norwegian roots. Closer co-operation between Bassøe and Pareto's other business operations will give a higher level of expertise and a broader network for the group with respect to the shipping and petroleum industries. P.F. Bassøe's financial performance in 2001 was good, in spite of a sharp decline in rates for large tanker tonnage compared with the previous year.

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 the company and help it advance. Pareto will co-operate with other companies whenever such co-operation 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's aim is 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.

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 research and advisory based services in the fields of brokerage, corporate and project finance and fund management.

In recent years, the company has invested considerable amounts in upgrading and developing 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.

Outlook

In addition to the company's own efforts and performance, Pareto's earnings are also affected by the general level of activity in the financial markets. Our expectations with regard to stable financial conditions, increased savings and expansion in parts of Norwegian industry justify continued optimism with respect to the company's future development and results.

Allocation of profit and other conditions

In addition to being the parent company in the group, the business activities of Pareto AS include investment in various securities. The internal working environment in 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 they do not pollute the external environment.

The group's profit after tax was NOK 79.3 million. The parent company's profit after tax was NOK 57.8 million, 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 2001. The Board would like to take this opportunity to thank the company's clients for the confidence they have shown in Pareto, and the employees for their efforts during the past year.

Oslo, 18 March 2002



Widar Salbuvik



Erik Bartnes



Anders Endreson



Kai Engedal



Svein Støle

Profit and Loss statement

Parent Company

(NOK 1,000)

2000	2001	
0	0	Operating revenues
		Fees and commissions
0	0	<i>Total operating revenues</i>
		Operating expenses
-1 149	-3 177	Personnel costs
-1 284	-1 896	Other operating expenses
-7	-40	Ordinary depreciation
-2 440	-5 113	<i>Total operating expenses</i>
-2 440	-5 113	<i>Operating profit</i>
		Financial income/expenses
8 521	7 694	Financial income
84 565	56 432	Share dividends
0	-2 323	Income attributable to associated companies
-125	-774	Interest expenses
-6 118	-263	Other financial expenses
86 843	60 766	<i>Net financial items</i>
84 403	55 653	<i>Profit before tax</i>
-27	2 143	Tax charges
84 376	57 796	<i>Profit for the year</i>
		Allocation of annual profit
0	0	Minority interests
0	0	Dividends
-84 376	-57 796	Other reserves
-84 376	-57 796	<i>Total allocations</i>

Group

(NOK 1,000)

notes	2001	2000
2	506 685	548 214
	506 685	548 214
3	-140 280	-130 179
	-119 822	-86 258
4	-45 503	-19 216
	-305 605	-235 653
	201 080	312 561
	29 519	24 650
	4 470	3 986
5	-2 323	0
	-12 117	-6 095
	-96 547	-127 753
	-76 998	-105 212
	124 082	207 349
14	-44 788	-58 238
	79 294	149 111
	22 418	-19 303
	-38 116	-15 963
	-63 596	-113 845
	-79 294	-149 111

Balance sheet

Assets

Parent Company

(NOK 1,000)

31.12.2000	31.12.2001	
		Fixed assets
		Intangible fixed assets
0	0	Goodwill
2 125	5 201	Deferred tax assets
2 125	5 201	<i>Total intangible fixed assets</i>
		Tangible fixed assets
369	506	Fixtures, machinery, etc.
		Fixed asset investments
62 637	97 540	Shares in subsidiaries
40 879	31 143	Shares in associated companies
4 783	4 783	Other securities
1 240	1 240	Other long-term receivables
0	0	Pension funds
0	0	Investments in partnerships
109 539	134 706	<i>Total fixed asset investments</i>
112 033	140 413	<i>Total fixed assets</i>
		Current assets
		Accounts receivable
0	0	Receivables from customers
0	2 154	Other receivables
0	2 154	<i>Total receivables</i>
		Investments
50 589	154 215	Securities
50 589	154 215	<i>Total investments</i>
59 748	9 195	Bank deposits
110 337	165 564	<i>Total current assets</i>
222 370	305 977	<i>Total assets</i>

Group

(NOK 1,000)

notes	31.12.2001	31.12.2000
4	37 854	37 690
14	11 432	6 612
	49 286	44 302
4	31 084	31 387
5	0	0
5	31 143	40 879
6	5 959	5 441
7	13 327	15 092
8	9 493	4 424
9	60	182
	59 982	66 018
	140 352	141 707
10	417 440	354 461
	0	160 858
	417 440	515 319
11	225 734	133 941
	225 734	133 941
12	245 149	290 267
	888 323	939 527
	1 028 675	1 081 234

Balance sheet

Equity and liabilities

Parent Company

(NOK 1,000)

31.12.2000 31.12.2001

31.12.2000	31.12.2001	
		Equity
50 000	50 000	Called-up and fully paid share capital
		Nominal share capital
50 000	50 000	<i>Total called-up and fully paid share capital</i>
167 236	218 037	Retained earnings
		Other reserves
167 236	218 037	<i>Total retained earnings</i>
		Minority interests
217 236	268 037	<i>Total equity</i>
		Liabilities
		Provisions for liabilities and charges
0	0	Pension liabilities
0	0	Deferred tax
0	0	<i>Total provisions for liabilities and charges</i>
		Long-term liabilities
0	0	Capital contributions from silent partners
0	0	Other long-term liabilities
0	0	<i>Total long-term liabilities</i>
		Current liabilities
3 776	36 058	Other current liabilities
1 165	933	Tax payable
0	0	Dividends
193	949	Unpaid government taxes
5 134	37 940	<i>Total current liabilities</i>
5 134	37 940	<i>Total</i>
222 370	305 977	<i>Total equity and liabilities</i>

Group

(NOK 1,000)

notes 31.12.2001 31.12.2000

notes	31.12.2001	31.12.2000
	50 000	50 000
	50 000	50 000
	384 514	327 913
	384 514	327 913
	31 462	53 816
13	465 976	431 729
8	2 329	4 926
14	148	0
	2 477	4 926
	25 639	20 875
	0	1 292
	25 639	22 167
	430 132	542 246
14	49 394	49 556
	38 116	15 963
	16 941	14 647
	534 583	622 412
	562 699	649 505
	1 028 675	1 081 234

31 December 2001
Oslo, 18 March 2002


Erik Bartnes


Anders Endreson


Kai Engedal


Widar Salbuvik


Svein Støle

Cash flow statement

Parent Company

(NOK 1,000)

2000	2001	
		Cash flow from operations
84 403	55 653	Profit on ordinary activities before tax
-1 418	-1 165	Tax paid during the period
7	40	Ordinary depreciation
0	0	Net pension income without cash effect
0	2 323	Profit attributable to associated companies
12 804	-3	Change in receivables
2 786	32 745	Change in inter-company accounts
3 916	-1 858	Change in other liabilities
102 498	87 735	<i>Net cash flow from operations</i>
		Cash flow from investment activities
-377	-177	Payments for tangible fixed assets
0	0	Proceeds from sale of tangible fixed assets
-30 235	-103 626	Net cash flow from short-term investments
-27 011	-34 903	Payments for fixed asset investments
3 366	7 413	Proceeds from fixed asset investments
-54 257	-131 293	<i>Net cash flow from investment activities</i>
		Cash flow from financing activities
0	-6 995	Payment to shareholders following equity write-down
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	-6 995	<i>Net cash flow from financing activities</i>
48 241	-50 553	Net change in cash and cash equivalents
11 507	59 748	Cash and cash equivalents as of 1 January
59 748	9 195	<i>Cash and cash equivalents as of 31 December</i>

Group

(NOK 1,000)

2001	2000
124 082	207 349
-49 622	-58 963
45 503	19 216
-7 666	1 434
2 323	0
97 879	-151 525
0	0
-109 820	165 194
102 679	182 705
-45 364	-80 442
0	721
-91 793	22 684
-518	-33 906
9 300	3 366
-128 375	-87 577
-6 995	0
-15 963	-23 230
3 472	10 400
0	-3 869
64	5 012
-19 422	-11 687
-45 118	83 441
290 267	206 826
245 149	290 267

Notes to the accounts

Note 1

Group structure

Pareto AS holds 75.0% of the shares in Pareto Securities ASA, 84.3% of the shares in Pareto Private Equity ASA, 81.7 % of the shares in Pareto Forvaltning ASA, 100.0% of the shares in Pareto Fondsförvaltning AS, 100.0% of the shares in P.F. Bassøe AS and 89.0% of the shares in KS P.F. Bassøe AS & Co. P.F. Bassøe is the general partner and owns the remaining 11.0% of the shares in KS P.F. Bassøe AS & Co. Pareto Private Equity ASA holds all the shares in Pareto Eiendom AS, Pareto Management AS and Pareto Consulting AS.

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. Inter-company transactions and balances as of 31 December have been eliminated in the consolidated accounts.

Accounting principles

The annual accounts have been prepared in accordance with the provisions in the Norwegian Accounting Act applying to large companies.

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables which are to be repaid within one year are classified as current assets. Similar criteria form the basis of the classification of short-term and long-term liabilities.

Tangible fixed assets are recorded on the balance sheet at cost, but are written down to their net realisable value when the fall in value is not expected to be of a temporary nature. Tangible fixed assets with limited economic life-time are written down according to a plan. Long-term loans are registered in the balance sheet as the nominal amount received at the time of establishment.

Investments in companies where Pareto owns between 20 and 50 per cent and has significant control are treated according to the equity method.

Current assets are evaluated at either the acquisition cost or the realisable value, whichever is lower. Short-term liabilities are registered in the balance sheet as the nominal amount received at the time of establishment. Short-term liabilities are not re-valued to the realisable value as a result of interest rate changes.

Certain items are evaluated according to other principles, as specified below.

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 partners' 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 classified as other current liabilities.

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 effective 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 as of the date of the balance sheet.

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 associated with 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.

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 1,000)

	2001	2000
Securities brokerage	172 166	240 708
Corporate finance	200 731	249 179
Ship brokerage	46 184	0
Business management services	13 718	12 447
Real estate brokerage	17 734	11 459
Management fees	10 052	7 318
Other project revenues	46 100	27 103
<i>Total operating revenues</i>	506 685	548 214

Note 3 Payroll costs, number of employees, executive remuneration, etc. (NOK 1,000)

	Parent Company		Group	
	2001	2000	2001	2000
Salaries, holiday pay, National Insurance contributions	2 632	1 005	86 886	43 351
Performance-related remuneration to employees	0	0	47 123	81 190
Pensions and other personnel costs	545	144	6 271	5 638
<i>Total</i>	3 177	1 149	140 280	130 179
Average number of employees	1	1	164	120

The general manager received a total remuneration of NOK 1,005,087.

Deloitte & Touche Statsautoriserete Revisorer AS invoiced NOK 80,000 for auditing and NOK 62,000 for other assistance. In addition, Deloitte & Touche Advokater AS invoiced NOK 644,785 for other services. NOK 200,000 was allocated as remuneration to the Board of the parent company.

In the consolidated accounts, NOK 696,670 was charged for auditing and NOK 732,434 for other services. A total of NOK 215,000 was allocated as remuneration to the Boards of the subsidiary companies. Deloitte & Touche Advokater AS invoiced the group for NOK 1,106,785 in fees.

Note 4 Tangible fixed assets (NOK 1,000)

	Parent Company Fixtures, IT	Group Fixtures, IT	Group Goodwill
Historical cost as of 1/1/2001	376	56 724	44 300
Additions during the year	177	27 126	16 308
Disposals during the year	0	19 900	0
<i>Historical cost as of 31/12/2001</i>	553	63 950	60 608
Accumulated depreciation as of 1/1/2001	7	24 309	6 610
Depreciation for the year	40	29 359	16 144
Disposals during the year	0	19 705	0
<i>Accumulated depreciation as of 31/12/2001</i>	47	33 963	22 754
<i>Book value as of 31/12/2001</i>	506	29 987	37 854
Economic life	3-10 years	3-10 years	3-5 years
Depreciation schedule	Linear	Linear	Linear

The group owns a holiday dwelling valued at NOK 1,097,00.

All the shares and interests in P.F. Bassøe AS and KS P.F. Bassøe AS & Co were acquired as of 1 May 2001. In connection with this transaction, goodwill valued at NOK 16,308,524 was acquired.

Note 5 Shares in subsidiaries (NOK 1,000)

Company	Office	Equity and voting share	Bookvalue as of 31.12.
Pareto Securities ASA	Oslo	75,00 %	50 728
Pareto Private Equity ASA	Oslo	84,32 %	480
Pareto Forvaltning ASA	Oslo	81,70 %	8 848
Pareto Fondsforvaltning AS	Oslo	100,00 %	2 581
P.F. Bassøe AS (11% general partner)	Oslo	100,00 %	14 445
KS P.F. Bassøe AS & Co	Oslo	89,00 %	20 458
			97 540

Garde Aktiv Forvaltning ASA, which was a wholly owned subsidiary of Pareto Forvaltning ASA, merged with Pareto Forvaltning ASA with effect as of 1 January 2001. The merger was accounted for in accordance with the group continuity method.

Note 5 Shares in associated companies (NOK 1,000)

Company :	Fondsforvaltning	Pluss Aktiv	Consilio	StratCorp	Total attributable
Office:	Oslo	Oslo	Kristiansand	Oslo	to associated
Pareto's equity interest:	35,0 %	35,0 %	36,5 %	35,0 %	companies
Acquisition cost	40 001	646	789	2 500	43 936
Share of equity in company	23 939	708	1 125	705	26 477
<i>Goodwill/badwill</i>	16 062	-62	-336	1 795	17 459
Incoming balance 1/1/2001	36 944	646	789	2 500	40 879
Share of profit for the year	2 976	95	132	293	3 496
Depreciation goodwill	-5 354	21	112	-598	-5 819
Dividend received	-7 000	0	0	-413	-7 413
<i>Outgoing balance 31/12/2001</i>	27 566	762	1 033	1 782	31 143

Note 6 Other shares and bonds (NOK 1,000)

	Number	Cost price/ book value
Other securities held by parent company: Natsource Inc.	105 376	4 783
Other securities held by subsidiaries		1 176
<i>Total other securities held by group</i>		5 959

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 Pensions (NOK 1,000)

The group has pension plans that cover 161 persons. The actuarial assumptions are based on the normal assumptions that are used by the insurance industry with regard to demographic factors and retirement.

	2001	2000
Present value of current year's pension benefits earned	4 584	3 405
Interest payable on pension liabilities	2 489	1 202
Actuarial discrepancies charged against profits	-3	21
Return on pension funds	-3 437	-1 605
<i>Net pension costs excluding National Insurance contributions</i>	<i>3 633</i>	<i>3 023</i>
Accrued National Insurance contributions	655	534
<i>Net pension costs including National Insurance contributions</i>	<i>4 288</i>	<i>3 557</i>
Estimated pension liabilities	-45 089	-18 922
Pension funds (at market value)	55 078	24 285
Unrecorded effect of actuarial discrepancies	-973	-1 469
Accrued National Insurance contributions	477	265
<i>Pension funds on the balance sheet (incl. National Insurance contributions)</i>	<i>9 493</i>	<i>4 159</i>
<i>Unfunded pension liabilities (incl. National Insurance contributions)</i>	<i>-2 329</i>	<i>-4 661</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 9

The group's interests in limited partnerships and unlimited liability partnerships are held by the subsidiaries. There is NOK 168,120 in committed, unpaid capital that is associated with the limited partnership units.

Note 10 Accounts receivable in subsidiaries (NOK 1,000)

	2001	2000
Specified provision for bad debts as of 1/1/2001	6 612	0
Confirmed losses for which provision for bad debts has already been made	-3 460	0
Increase in specified provision for bad debts	5 733	6 612
<i>Specified provision for bad debts as of 31/12/2001</i>	<i>8 885</i>	<i>6 612</i>

Note 11 Securities (NOK 1,000)

	Number	Cost price	Book/ market value
Securities funds in parent company			
Pareto Likviditet	43 522	41 055	43 627
Pareto High Yield	10 128	10 000	10 041
Pareto Obligasjon	9 907	10 000	9 962
Pareto Aktiv	53 417	50 000	55 551
Pluss Aksje	1 497	2 861	2 484
		113 916	121 665
Shares in parent company			
Bankia Bank	125 000	2 500	2 500
Sparebanken Pluss	16 150	2 778	2 261
Bolig- og Næringsbanken	33 393	6 512	6 211
Wilh. Wilhelmsen	25 000	1 750	1 625
Adresseavisen	12 040	3 506	2 468
Norges Handels- & Sjøfartstidende	10 924	8 592	9 832
Stavanger Aftenblad	103 821	6 440	5 191
Other shares		4 119	2 462
		36 197	32 550
<i>Total securities held by parent company</i>			
		150 113	154 215
Securities			
Oslo Børs Holding ASA	100 000	10 021	10 021
Odin Offshore	50 000	5 000	3 539
Other shares		13 662	11 012
Other financial instruments		9 367	8 016
		38 050	32 588
Bonds and certificates			
Sparebanken Pluss		4 952	3 999
Sparebanken Midt-Norge		2 005	2 005
Eksportfinans Fund Linked		7 853	7 315
Miscellaneous certificates		21 027	21 804
Other bonds		1 822	1 736
		37 659	36 859
Securities funds:			
Pareto Likviditet	2 066	2 000	2 072
<i>Total securities held by subsidiaries</i>			
			71 519
<i>Total securities held by the group</i>			
			225 734

Note 12 Bank deposits

The parent company has a total of NOK 47,291 in a restricted bank account for tax deductions. A total of NOK 108,711,000 of the group's bank deposits is in restricted bank accounts, and NOK 5,150,000 of this amount refers to tax deductions.

Note 13 Equity (NOK 1,000)

	<i>Nominal share capital</i>	<i>Other reserves</i>	<i>Total</i>
Parent Company			
Equity as of 31/12/2000	50 000	167 236	217 236
Payment to shareholders following equity write-down		-6 995	-6 995
Profit for the year		57 796	57 796
<i>Total equity as of 31/12/2001</i>	<i>50 000</i>	<i>218 037</i>	<i>268 037</i>
Group			
Equity as of 31/12/2000	50 000	381 729	431 729
Net cash flow from minority interests in 2001		64	64
Payment to shareholders following equity write-down		-6 995	-6 995
Profit for the year after tax		79 294	79 294
Minority interest dividends		-38 116	-38 116
<i>Total equity as of 31/12/2001</i>	<i>50 000</i>	<i>415 976</i>	<i>465 976</i>

The company's share capital as of 31 December 2001 is NOK 50,000,000, divided into 50,000 shares with a par value of NOK 1,000 per share, and is held by:

	<i>Number of shares</i>	<i>Equity and voting share</i>
Svein Støle	35 000	70,0%
Erik Bartnes	6 000	12,0%
Artship AS / Anders Endreson	6 000	12,0%
Svele AS / Svein Støle	3 000	6,0%
	<i>50 000</i>	<i>100,0%</i>

Note 14 Tax (NOK 1,000)

Parent Company

2001	2000
55 653	84 403
-2 103	3 359
13 472	3 872
0	0
67 022	91 634
18 766	25 658
-17 833	-24 493
933	1 165
0	0
933	1 165
-8 999	0
-8 137	-5 790
-1 439	-1 799
0	0
0	0
-18 575	-7 589
-5 201	-2 125
933	1 165
0	0
0	0
-3 076	-1 137
-2 143	28
0,0 %	0,0 %
15 583	23 633
107	941
-17 833	-24 493
	0
	-53
-2 143	28

Tax payable

Profit before tax
Permanent differences
Change in temporary differences
Tax losses carried forward

Tax basis for the year

Tax payable (28%)
Allowance for dividends received

Tax payable before refund claims
Prepaid income tax
Refund claims pursuant to Section 31.5 of the Tax Code

Tax payable

Specification of temporary differences

Current assets
Tangible fixed assets
Intangible fixed assets
Long-term liabilities
Tax loss carry-forward balance

Basis for calculation of deferred tax assets/liabilities

28% tax on deferred tax assets/liabilities

Tax charge for the year

Tax payable
Refund claims pursuant to Section 31.5 of the Tax Code
Refund claim adjustment for previous years
Change in deferred tax assets/liabilities

Tax charges

Effective tax rate

Balancing of nominal and actual tax charge

Expected tax charge according to nominal rate
Permanent differences
Allowance for dividends received
Refund claims pursuant to Section 31.5 of the Tax Code
Other items

Tax charges

Group

2001	2000
124 082	207 349
7 694	-12 137
20 457	26 426
-2 968	-2 217
149 265	219 421
41 801	61 592
-3 286	-3 489
38 515	58 103
0	-14 149
10 879	5 602
49 394	49 556
-11 100	-144
-21 545	-17 789
-4 367	641
-83	-170
-3 208	-6 159
-40 303	-23 621
-11 285	-6 612
38 515	58 103
10 879	5 602
119	-111
-4 725	-5 354
44 788	58 240
36,6 %	28,1 %
47 942	58 058
1 788	-3 398
-17 833	-3 489
10 998	5 491
1 893	1 578
44 788	58 240

Note 15

Securities houses are 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.

Note 16

The parent company is exposed to risks associated with fluctuations in the value of 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.

Auditor's report

Deloitte & Touche
Statsautoriserte Revisorer AS
Assurance
Karenslyst allé 20
Postboks 347 Skøyen
N-0213 Oslo

Telefon: 23 27 90 00
Telefax: 23 27 90 01
www.deloitte.no

**Deloitte
& Touche**

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Pareto AS

AUDITOR'S REPORT FOR 2001

We have audited the annual financial statements of Pareto AS as of 31 December 2001, showing a profit of NOK 57.796.602 for the parent company and a profit of NOK 79.294.000 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 2001, 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 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 the law and regulations.

Oslo, 18 March 2002
DELOITTE & TOUCHE

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

**Deloitte
Touche
Tohmatsu**

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

Pareto Securities provides securities brokerage (equity and debt), research and financial advisory services (corporate finance), including stock exchange listing, equity and debt offerings, mergers/demergers, acquisitions and sales (M&A).

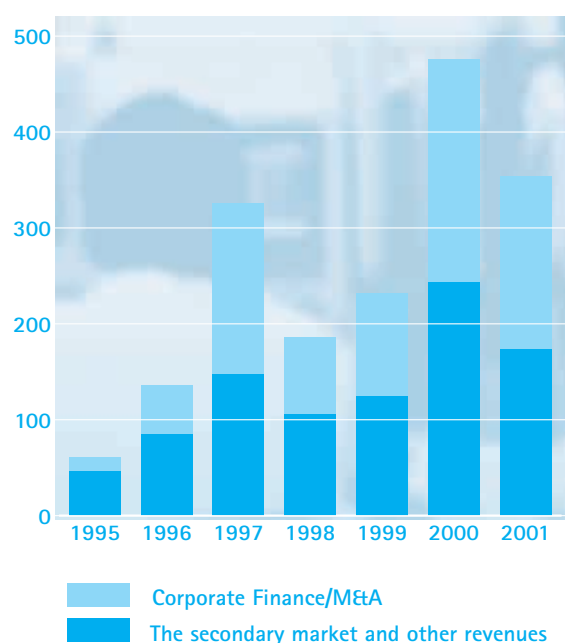
Pareto Securities has offices in Oslo, Bergen, Bodø, Haugesund, Kristiansand, Stavanger and Tønsberg. The offices in Bodø and Tønsberg were opened during 2001. In addition, Pareto Securities has a presence in New York through Nordic Partners, a joint venture between Öhman Fondkommission in Sweden and Evli Bank Plc in Finland.

Business concept and strategy

The aim of Pareto Securities is to be one of the leading Norwegian investment banks 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 focus of the company's activities is on Norwegian securities. On the investor side, attention is directed towards Norwegian and international institutions, in addition to professional private investors. In the corporate finance area, Pareto has traditionally focused on listed Norwegian companies.

Figure 4 – Distribution of revenues (NOK million)



Operations in 2001

Business in 2001 was characterised by a downturn compared with 2000, which was a record year. The equity and bond markets were weaker, with lower volume turnover. The market for financial advisory services also showed a certain decline, which affected the profits of Pareto Securities. The operating revenues totalled NOK 353.6 million in 2001, as compared with NOK 475.3 million in 2000.

In our opinion, Pareto Securities strengthened its position relative to several of its competitors in 2001, in spite of the weaker financial performance. The company maintained its position as one of the three leading players in equity trading on the Oslo Stock Exchange, with a market share of 8.8%. The company's position as one of Norway's leading institutions in the field of corporate finance was developed further, and approximately 60 major projects were completed, covering a wide range of industry sectors. In the certificate market and parts of the bonds market, the company's position as the market leader was reinforced, with improved revenues and market shares in most segments.

Research

One of Pareto Securities' aims is to offer investors a leading research product on the Norwegian debt and equity markets. The company builds on staff with a high level of financial expertise, and attaches great importance to the industrial experience of its employees.

At the end of 2001, Pareto had twelve analysts, with average experience from industry or the financial markets of approximately nine years. The macroeconomic and interest rate outlook are subject to continuous assessment by our chief economist. Our nine equity analysts are responsible for monitoring the principal industry sectors and the majority of the larger companies on the Oslo Stock Exchange. The TMT sector is covered by two analysts, while three analysts are dedicated to the petroleum and offshore sector. In addition, the fields of shipping, cruise, aquaculture, biotechnology, industry, consumer goods and banking and finance are catered for. Two credit analysts monitor the Norwegian and international credit markets and perform credit evaluations of selected companies.

Pareto Securities' research products are made continuously available to the company's clients via the website <http://www.pareto.no>. The team of analysts prepares continuous sector and company research, which are published regularly on a daily, weekly and monthly basis. The organisation of conferences and company visits for our investors forms an important part of our research operations. A number of conferences were arranged in 2001. Our technology seminar was held in June, and was attended by representatives of eight listed companies and over 100 institutional investors. The oil and offshore conference took place for the eighth time

in September, and was attended by nearly 500 major Norwegian and foreign private and institutional investors.

Equities

Pareto's brokerage activity has grown significantly in recent years, and the company has evolved from a niche player into one of the largest brokers on the Oslo Stock Exchange. In 2001 we were the third largest broker, with registered sales of approximately NOK 93 billion and approximately 366,000 completed transactions.

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

Ranking	Company	Market share
1	Orkla Enskilda Sec.	14.47 %
2	Carnegie	9.44 %
3	Pareto Securities	8.82 %
4	Handelsbanken	8.79 %
5	First Securities	8.17 %
6	Alfred Berg	6.41 %
7	ABG Sundal Collier Norge	5.81 %
8	Nordea Securities	5.53 %
9	DNB Markets	5.51 %
10	Danske Securities	5.00 %
11	Gjensidige NOR Equities	3.52 %
12	Morgan Stanley & Co	2.79 %
13	Fondsfinans	2.34 %
14	Norse Securities	2.22 %
15	UBS Warburg	1.82 %
16	Netfonds	1.79 %

Source: Oslo Stock Exchange

Although our main source of income is our institutional clients, we have provided brokerage services to more than 5,000 individual clients in 2001.

The five largest brokers on the Oslo Stock Exchange represent almost 50% of turnover. The purely Internet brokers handle less than 4% of the volume of the market. In 2001, Pareto Securities began providing Internet-based equity trading to the Norwegian and American markets. The service is directed towards our existing clients and is intended to supplement our traditional brokerage services.

The range of services offered by the company's brokers and specialists has been extended significantly in recent years. The services offered by our brokerage operations include the brokerage of equities and equity derivatives, as well as programme, broker-to-broker and arbitrage-related trading. Our client base consists of Norwegian and foreign institutional and private clients.

Debt instruments

Norges Bank kept the sight deposit rate unchanged at 7% through much of 2001. Only towards the end of the year were there signals of a relaxation in monetary policy, and a cut of 50 bp was implemented, mainly in response to weak growth and inflation rates on the international markets. The money market rates were therefore stable, being slightly over 7% until the autumn, when they fell to 6.5%.

Long-term bond yields have remained relatively stable in the region of 6-6.5% through most of the year. Interest rates rose somewhat at the approach of summer, following signs of international economic expansion, but declined after the terrorist action in September, recovering again slightly towards the end of the year. Pareto Securities managed bond issues totalling approximately NOK 7.5 billion in 2001, maintaining the company's strong position in the bond issues market. Two main trends were in effect in 2001; in the first nine months of the year, there was considerable interest in industrial bond loans, but following 11 September, and after Kværner's financial problems became known, activity in this market was significantly reduced. Interest in low-risk loans and low risk-weighted (with regard to capital adequacy requirements) bonds increased significantly. The interest in industrial loans was primarily concentrated upon bonds issued by energy producing companies towards the end of 2001.

During 2001, Pareto Securities managed six equity index bond issues with a total value of NOK 500 million. The issues were carried out in close co-operation with the company's equity department and external partners.

In the secondary market for listed bonds, Pareto Securities maintained its market share of 25% in the industrial sector. For the fourth consecutive year, our share of the important bank sector was over 20%. Our share of sales in the local authority sector held steady at about 14%, while the share in the field of state-owned enterprises fell from a very

high level to 18%. The company's activities in the government bond market were insignificant. Rate fixing and turnover of government bonds in their traditional form will continue to be an area of little interest to the company, although the possibility of providing such sales through Pareto's Internet portal is under consideration.

The bond desk will continue to focus on issues of new industrial bond loans in 2002. 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 subordinated, 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 designed for all the major 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 initial public listings, new issues and to mergers/demergers, acquisitions and sales. Pareto Securities is in close proximity to the major industry and commerce centres in Norway through its advisory service departments in Oslo, Bergen and Stavanger.

Pareto Securities focuses primarily on companies that are already listed or have a potential to become listed in the not too distant future. Pareto Securities co-operates with Pareto Private Equity so that it can also serve companies in an early development phase. It has always been the opinion of Pareto Securities that financial advisory services should be based on in-depth expertise in the industrial sector in which the companies operate. Pareto Securities possesses this expertise in particular in the fields of:

- Oil, offshore and offshore services
- Technology, the media, and telecommunications
- The cruise and shipping industries
- Power companies, grid and transmission companies
- Banking and financial services
- Industry, foodstuffs, building, construction and fisheries

Pareto Securities offers the services of a team with broad managerial experience from industry, consultancy and the capital markets. Our dedicated employees have wide-ranging experience as advisors on merger, acquisition and sales processes.

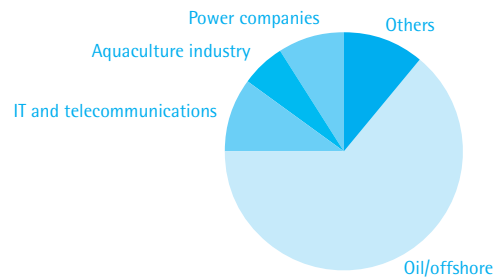
Pareto Securities carried out around 60 major projects in 2001, in a wide range of sectors, business activities and project types.

Pareto Securities acted as manager in a number of the most important equity issues in the Norwegian market in 2001, including the Statoil, Kværner, ProSafe, Pan Pelagic, Tandberg, Ocean Rig and Frontier issues. In all, Pareto Securities was involved in 70% of all issues registered on the Oslo Stock Exchange (in terms of NOK), including Statoil, and 50% of all issues not including Statoil.

Some of the most important projects carried out by Pareto Securities in 2001 include:

- The stock exchange listing of Statoil
- The Kværner flotation and the merger between Aker Maritime and Kværner
- The merger between Viken Energi and Hafslund
- The merger between Dockwise and Offshore Heavy Transport
- ProSafe's acquisition of the FPSO company Nortrans Offshore
- The stock exchange launch of Pan Pelagic
- Tandberg's private placing
- Flotations of shares and convertible bonds for Ocean Rig ASA
- Ten major sales, flotations and mergers in the energy sector, including the merger of Viken Energy and Hafslund and the merger of Eidsiva Energi and Hedemark Energi (HEAS)
- A number of international acquisitions for Hydralift
- Pareto Securities managed bond issues of approximately NOK 3.3 billion for borrowers without any previous access to the bond market, especially in the offshore, shipping and industry sector.

Figure 6 – Distribution of corporate finance revenues in 2001



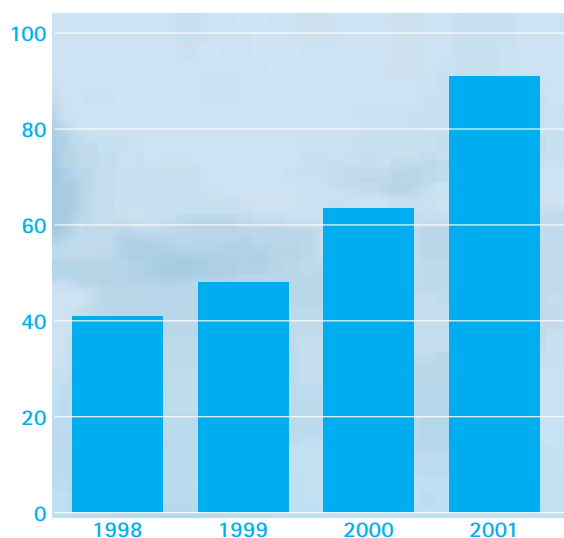
Pareto Private Equity

Pareto Private Equity is a rapidly growing securities house offering services in the fields of corporate finance, project financing and business management. 2001 was a good year for Pareto Private Equity, with both earnings and sales reaching record levels. This is very satisfactory, especially in view of the fact that it is the result of organic growth.

Company profile

2001 was a turbulent year for both the national and international financial sectors, culminating in the terrorist attacks in New York on 11 September. However, towards the end of the year, investment interest was much improved, especially in the real estate sector. Pareto Private Equity's turnover rose from NOK 61.5 million in 2000 to NOK 91.3 million in 2001.

Figure 7 – Earnings growth



Project finance

Pareto Private Equity area experienced strong growth in the project financing area in 2001. Interest was focused especially on real estate, as a consequence of the shortage of interesting shipping projects.

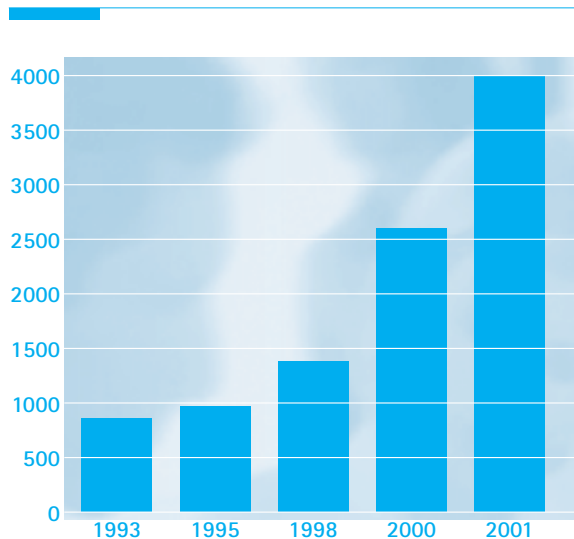
The company syndicated real estate projects with a value of more than NOK 1.9 billion in 2001. We have continued our involvement in large, high-quality properties in attractive locations, with long-term leases. The average weighted remaining lease period for Pareto Private Equity's portfolio is 10.6 years, which is comparable with that of the major life insurance companies. The real estate portfolio managed by Pareto Private Equity has a market value of approximately NOK 4 billion.

Figure 8 – Some real estate projects established in 2001

Project	Tenant	Term of lease (in years)	Value (NOK mill)
Nokian	Nokian Dekk	20	53
Telebygget	Telenor ASA	13,8	293
Sandvika Boliginvest	Housing project	8,8	600
Tangen Alle	Kitron ASA	15	67
Kolstadgaten	Ministry of Church and Education	8,8	68
Drammensveien 133	Zürich Forsikring + div.	8	134
Stortingsgaten 6	Fokus Bank ASA	12	259
Leiraveien 11	Reitan Narvesen Group	20	175
Kragsgate Eiendom	Kongsberggruppen ASA	17	265
Total			1 913

In 2001, the company has given increased attention to create a liquid 2. hand market for shares/parts in the different projects, and with good results. In this respect, considerable resources have been applied to developing the company's market report for limited partnership interests in 2001. Pareto Private Equity's market report is a useful tool for investors who wish to acquire stakes in real estate projects. The market report has been published for many years, but in 2001 it was decided to put effort into a major upgrade, as well as including more information on each projects and the market in general. The projects are also presented on the Internet (www.pareto.no).

Figure 9 – Development of the real estate value of the portfolio



Investments in real estate have been very profitable in recent years, and in the period between 1/1/1998 and 31/12/2001, the average yield of Pareto Private Equity's real estate portfolio has been approximately 16%.

Figure 10 – Average duration of contracts

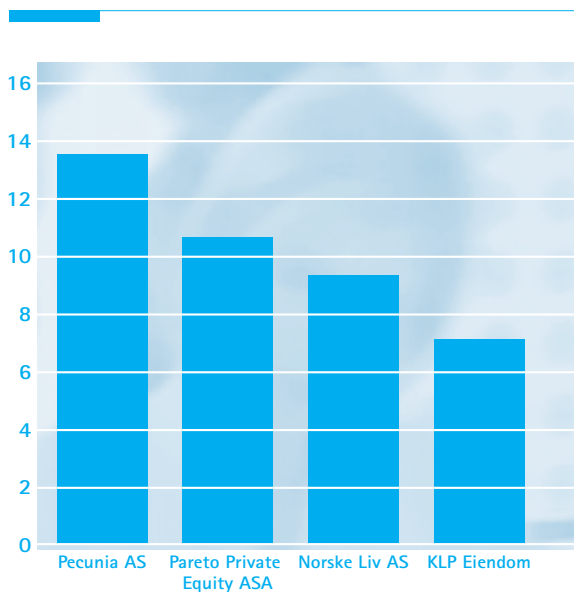


Figure 11 – Pareto's real estate index



Historical rates of return are no guarantee as regards future yield, but with the criteria to which the company attaches importance in the selection of projects, real estate can be a good alternative investment.

Corporate finance

Our focus on corporate finance has continued, and in 2001, the company was awarded a full securities market licence. Pareto Private Equity has focused its operations on small and medium-sized enterprises, and this activity has been well received by the market.

In 2001, the company experienced – as did the rest of the market – that it was difficult for unlisted companies to raise new equity, partly as a result of considerable scepticism regarding certain sectors, but also because of a general reluctance to invest in equities. Much activity was therefore concentrated on structural modifications and M&A services. Our corporate team was strengthened further in 2001, and represents today a solid team with wide-ranging experience and expertise.

As an independent long-term financial adviser, it is the goal of Pareto to offer a full range of financial services, from private issues to mergers, acquisitions and stock exchange listings. While Pareto Securities focuses on major, stock exchange listed companies, Pareto Private Equity will handle smaller, unlisted companies.

Pareto Private Equity aims to be the preferred partner of companies in our areas of operation; IT/telecommunications/media, oil/offshore/shipping and real estate.

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

Pareto Management

Pareto Management is a wholly-owned subsidiary of Pareto Private Equity, and acts as business manager for companies and projects arranged and syndicated by Pareto Private Equity. Pareto Management also acts as the accountant for several of the internal companies in the Pareto Group. The company is in a phase of positive development with a turnover of NOK 10.8 million in 2001.

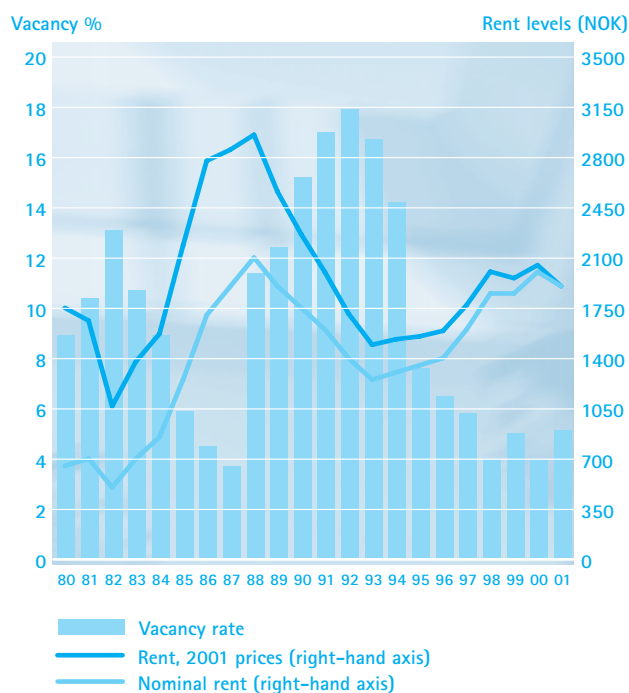
Pareto Management is currently the business manager of more than 60 companies, and offers a full range of business management services, which include accounting, tax consulting and cash management services.

Pareto Eiendom is 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.

The rental market

The rent levels for office and storage premises have been stable during the past year, and for certain types of property we have registered a fall in rental prices. Property in central locations, with a high technical standard and efficient use of floor space are still in demand, while less modern properties on the outskirts of Oslo have become more difficult to rent out. The period from the commencement of listing of a property until the premises are leased out has become longer, and vacancy rates have risen. As a consequence of increased uncertainty in the rental market, tenants' decision-making processes have become longer and tenants have become more reluctant to enter into new leasing agreements. A number of tenants with 100 to 600 employees signed new leasing agreements in the period 1995-2001, but fewer companies of this size now indicate that they are considering relocation within the next 3-5 years. In the last half-year, the largest vacant areas have principally been absorbed by public enterprises.

Figure 12 – Vacancy/rent levels in Oslo



Because relatively few new leasing agreements have been signed in the last half-year, the statistical basis for evaluating developments is limited. Hence we will obtain a better indication of the actual development of rental prices in 2002.

The trend is also confirmed by the survey of Oslo, carried out by Eiendomsspar AS at the beginning of 2002, which showed vacancies of office premises in Asker, Bærum and Oslo of 425,000 square metres – an increase of 28%. This represents a vacancy rate of slightly more than 5% of the total volume of office premises in the area. Any increase in unemployment may lead to a further fall in rental prices.

In recent years, many leasing agreements have been entered into for terms of ten years or more, and some companies will find themselves forced to sub-let premises in connection with staff cuts and restructuring. It is likely that they will opt for reducing rental prices in cases where the only alternative is to be left with vacant premises on their hands. Nevertheless, it is expected that a greater differentiation of rental prices will be seen, depending on the standard and location of the individual premises.

Our general assessment of the levels of property values is as follows:

Figure 13 – Rent level/net yield

Description of leased premises		Rent level ¹⁾	Net Yield ²⁾
Prestige	Best Aker Brygge and Vika	2 400–2 800	6,9–7,4
High Standard	Central Oslo – Vika	2 100–2 400	7,3–7,6
High Standard	Rest of Central Oslo	1 700–2 100	7,8–8,2
Ordinary Standard	Central Oslo	1 300–1 650	8,2–9,2
High Standard	Lysaker and Skøyen	1 400–1 850	7,9–8,6
High Standard	Nydalen	1 300–1 500	8,0–9,0
High Standard	Bryn and Økern	1 300–1 450	8,4–9,5
Oslo	Warehouse with 6m headroom and several entrance doors	650–800	9,0–10,5

1) The table indicates the rent level for commercial premises. 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 of modern standard and with good leases at the market rate. Especially long-term and secure contracts may deviate somewhat from the factors above. Net yield is defined as the net rental income divided by the value of the property.

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

The company offers discretionary asset management and business management services for investors in the security market.

Pareto Forvaltning

Pareto launched its discretionary asset management services in the spring of 1995. As a result of the growth of this business and the wish to enter the asset management industry, Pareto Forvaltning ASA was established in the autumn of 1998.

The company offers discretionary asset management and business management services for investors in the security market. 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 nine managers/advisors with an average of 15 years of relevant experience. Two employees work in business management. Other services such as research, settlement, technology and accounting are contracted from other companies in the group.

For investments in the international security market, we have established a close relationship with Credit Suisse, one of the leading companies worldwide in the field of advisory and management services for the international market.

At the end of January 2002, Pareto Forvaltning provided management services totalling NOK 9.6 billion, where of NOK 4.1 billion under discretionary asset management for approximately 170 clients.

Pareto Fondsforsvaltning

To enhance our management services, Pareto Fondsforsvaltning AS was established in September 1999. Pareto Fondsforsvaltning offers investment opportunities in three fixed income funds (Pareto Likviditet, Pareto OBL-I and Pareto High Yield) and one equity fund (Pareto Aktiv). The latter is designed for the larger professional investor Capital of at least NOK 50 million).

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 clients' varying needs and risk profiles. Our management services are based on thorough in-house research. The number of investments in the Norwegian equity market will be limited,

normally between 15 and 20. In our opinion, this strategy provides together with a continuous monitoring of each investment, a satisfying risk diversification.

According to Pareto's Internet strategy, electronic access and communication shall be an important supplement to personal service. We have developed an online reporting system via our website. This service is available 24 hours a day, and the reports are updated daily, based on the closing price of 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 in last three months).

Business management services

In addition to traditional asset management, we offer a business management service, where Pareto Forvaltning acts as a strategic partner associated with the investors' management environment. This is a flexible and useful concept for major investors who recognise the value of outsourcing parts of their management operations and at the same time wish to maintain a high level of control and influence in the various phases of the investment process.

This service consists of flexible modules, which may include:

Investment strategy

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

Research / consultancy

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

Implementation of strategy/rebalancing

- security trading
- settlement risk
- control of adopted profiles/restrictions

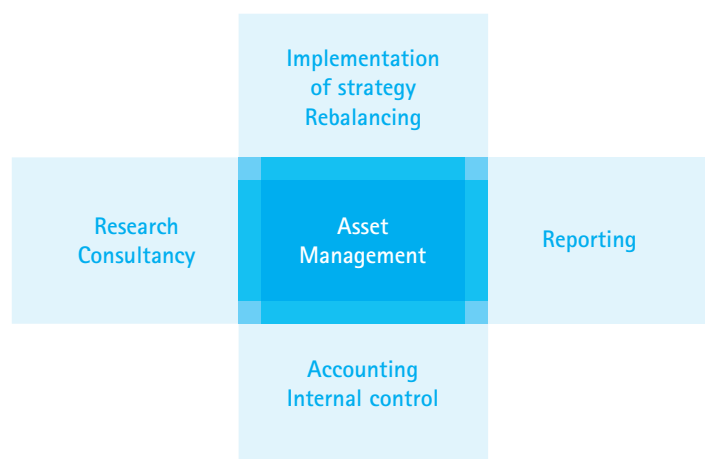
Reporting

- portfolio summary – return/deviation/benchmark
- risk management reports

Accounting/internal control

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

Figure 14 – Investment strategy



Financial returns 2001

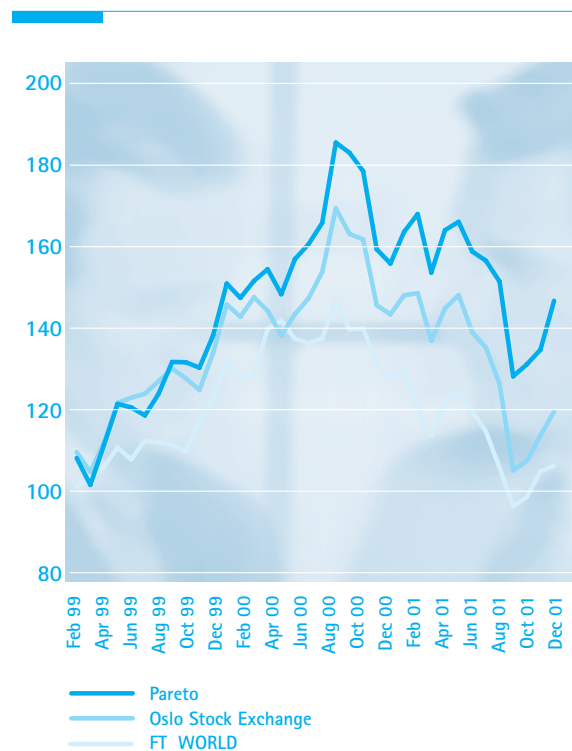
Financial investors experienced in 2001 yet another turbulent year in both the international and Norwegian equity and fixed income markets. The main factors were the recession and lack of confidence in the American economy, as well as a major re-pricing of highly valued companies, especially in the telecommunications and technology industries. Global financial markets showed some improvement towards the end of the year.

Despite the considerable difficulties, Pareto Forvaltning can show to a very positive year, with relatively good results from its asset management. Pareto's main equity market profile showed returns that exceeded the Oslo Stock Exchange benchmark by 10-14%. This represents a better rate of return than the best Norwegian listed mutual fund.

Over the last three years, the equity market profile has yielded a positive rate of return of 46%, giving an excess return of 27% compared with the Oslo Stock Exchange.

As a result of high historical yields, a sound asset management philosophy and working methods, focusing on risk management and control, total assets under management doubled in 2001.

Figure 15 – Comparison between Pareto Forvaltning, the Oslo Stock Exchange and the FT World index from 1/1/1999 to 31/12/2001



P.F. Bassøe offers brokerage of shipping, oil cargoes and transport derivatives, principally in the large crude carrier segments. In addition to its Norwegian clients, the company has an international client base, mainly in Korea, Hong Kong and Greece.

P.F. Bassøe

P.F. Bassøe was acquired by Pareto AS with effect from 1 May 2001. P.F. Bassøe was founded in 1972, has a staff of 22, with activities focused on the following principal areas:

- Tanker chartering (principally VLCC, Suezmax and Aframax)
- Freight derivatives (FFA and Imarex)
- Sale & purchase / projects / corporate finance
- Market research

The company's operating profits totalled NOK 64.9 million in 2001, which was 10% lower than in the record year 2000.

Tanker chartering

The company has maintained its market share in Scandinavia as regards chartering of large tanker tonnage. In the course of the year, the reduction in the traditional domestic market continued, but this was partially compensated for by an increased focus on international clients. The chartering department does not focus only on providing services to shipping companies; for many years, the department has had Korean and middle-east based oil companies among its clients, in addition to the Norwegian company Navion.

Sale & purchase

The volume of sale & purchase of tonnage in 2001 was stable compared with the previous year, but the majority of transactions were finalised in the first half of the year. The company brokered, for example, five modern VLCCs between Norwegian companies. In addition to the majority of the larger Scandinavian shipowners, our client file includes international names – principally from Korea, Hong Kong, Singapore and Greece.

Freight derivatives

As a leading tanker brokerage company, P.F. Bassøe has extended its range of services to include brokerage of freight derivatives. This has historically been a limited market, but over the last two to three years, increased volatility has resulted in an increased demand for, and interest in, hedging instruments.

As part of these efforts, Bassøe has invested in the new freight futures exchange Imarex, which commenced trading on 2 November 2001. The company is also a trading member in this marketplace, and is the only broker that has established a system giving selected clients the possibility of trading through its membership. The volume of trading through Imarex has so far been modest, but is expected to improve during 2002, as additional major players become members.

The OTC market (so-called Future Freight Agreements or FFAs) is an established market that has seen considerable growth in recent years. Bassøe is involved in this sector, and carries on a dialogue with most of the major players both in Norway and abroad. Further growth is anticipated in this field of activity.

The tanker market in 2001

“It was the best of times, it was the worst of times”

– Dickens’ famous line applies admirably to the situation in the tanker market in 2001. The year began with a continuation of the very strong market which characterised 2000. Several factors lay behind the steep upturn; very high demand for petroleum in the US, rapidly increasing oil imports from the Middle East and a severely restricted situation for modern tanker tonnage as a result of the shipping companies’ increased focus on quality following the “Erica” incident of December 1999. All these factors contributed to keeping the spot rates for modern VLCC tonnage over USD 60,000 per day throughout the first quarter of the year. Although this represents a fall of approximately 25% compared with the previous quarter, it was still extremely strong, historically. In spite of repeated cut-backs in OPEC’s production and weaker economic activity in a number of important markets, resulting in a gradual decline in freight rates during the spring, market sentiment remained relatively optimistic in anticipation of a seasonal recovery during the second half of the year. However, this was not to be; in the early summer, the market fell further as OPEC continued to reduce its production. An even greater cause for concern was that the expectations of an economic recovery in the second half of the year gradually disappeared as a result of less favourable developments in the US, as well as in Europe and Asia. Market confidence was also weakened when the International Maritime Organisation, the UN-appointed control

agency for shipping, adopted a less aggressive phasing-out plan than expected for older single-hull tonnage.

Then came 11 September, and the reaction in the tankers market was, paradoxically enough, positive, with a sharp increase in rates taking place immediately after the terrorist attacks. The fear of war and consequent shortage of oil forced the demand for spot tonnage upwards. However, this turned out to be an extremely short-lived situation, and attention was soon focused upon the underlying fundamental conditions. The main influencing factor was that OPEC once again decided to limit oil production in an attempt to keep the price of crude above USD 20 a barrel. The result was lower availability of shipments, and a sharp downturn in rates. During the fourth quarter of the year, rates for modern tonnage had fallen to around USD 15,000 per day, and for older tonnage, which to an increasing degree is being pushed to the back of the queue by quality-orientated charterers, the actual earnings were even lower. The result has also been a distinct increase in the number of vessels broken up in the last few months.

At the beginning of the new year, it would be easy to paint a pessimistic picture of the situation in the tanker market. International economies are going through a serious decline, OPEC is attempting to counter low oil prices by further production cuts, and the order book for crude carriers is historically high. However, it is also evident that the expectations of increased economic activities have improved somewhat in the course of recent months, which should have a positive influence on oil consumption in the long run. There is also reason to expect a continued high pace in the scrapping of older tonnage, in view of the fact that more than 20% of the large crude carrier fleet is at least 20 years old, and is experiencing very difficult market conditions and very low earnings. Seen from P.F. Bassøe’s point of view, there appears therefore to be reason for modest optimism at the beginning of the new year.

Pareto AS is the parent company in the group. In addition to the company's investments in shares in subsidiaries in the Pareto Group, Pareto AS also makes strategic investments in companies engaged in related business activities, which can be strategic partners 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 97.5 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 466 million.

Strategic investments

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, which are primarily intended for major investors, such as companies, public sector entities, private investors, organisations and institutions, as well as foundations and trusts. At year-end the companies managed funds of about NOK 2.9 billion, NOK 1.9 billion of which was in fixed-interest securities and NOK 1.0 billion of which was in equities. The two companies had a total of six employees at year-end. In 2001 the companies reported revenues of NOK 20 million and a profit after tax of NOK 8.8 million, and their book equity totalled approximately NOK 50 million.

Consilio ASA

Pareto AS owns 36.5% of the Kristiansand based consulting firm Consilio ASA. This company offers mainly advisory and commercial development services, has eight employees and reported sales of NOK 7.4 million in 2001.

Natsource LLC

Pareto AS has a minority stake (approximately 1%) in Natsource LLC. Natsource is an active broker in most of the energy markets in the US and Europe, and is involved in the power, gas, coal and emissions markets (CO₂, SO₂ and NO_x). 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 13% stake.

Cash management

At the end of 2001, Pareto AS managed a securities portfolio of approximately NOK 160 million, of which slightly more than NOK 70 million was in fixed-interest securities, and the rest was in the form of equity investments.

Pareto's active clients and business associates have access to a range of financial services via the website www.pareto.no. We attach great importance to using the Internet to make available high-quality information and advisory services, offering better services and accessibility, as well as value-creating services centred around our core activities. The basic philosophy is that the technology shall build upon our expertise and existing dialogue with our clients, rather than replacing them. In this way, we believe that we provide our clients with the best possible decision-making foundation for their investments. For many clients, the service will be a supplement to the continuous personal contact they have with Pareto. However, the service also functions well as a product in its own right, and for many clients this will be the most attractive option, owing to its simplicity and clarity. During 2001, the number of users of Pareto's Internet service has approximately doubled, and the statistics show that the number of visits per user is growing continually. It is gratifying to see that our customers are increasingly learning to appreciate the usefulness of the service. In 2001 we have launched a number of new services and product improvements, of which the most important are the trading solution and the portfolio service. At www.pareto.no you will for example have access to (depending on your client relationship):

The research service

By means of the research service, our customers can obtain full access to Pareto Securities' complete research product, which is updated and released on the Internet as soon as it is available. The other content of the research service is as follows:

- Morning commentary
- Company assessments and recommendations
- Sector analyses and macroeconomic and credit assessments
- Securities strategy reports
- Comments, presentations and updated information
- Daily updated fundamental data, key figures and prognoses for approximately 100 of the most important companies on the stock market.
- Access to Pareto's comprehensive research archive
- A personalised e-mail and SMS notification service for new analyses and other events we consider to be of importance to our clients.
- A ranking list of companies based on various key figures
- A personalised summary list of securities
- A simulated portfolio



The trading solution

Online trading of securities listed on the Oslo Stock Exchange. Internet clients may submit, modify and cancel orders in a simple and cost-effective way, and also obtain a full overview of their client profile.

We would like to draw attention to the following functions:

- Order summary
- Portfolio information, including value development, realised and unrealised gains, as well as weighting according to various criteria
- A contract note file
- An account overview
- Clients who submit some orders directly to a broker and some via the Internet can obtain a complete overview of these
- Tax reporting

Online trading of US securities. Pareto also offers one of the best solutions on the market for Internet trading on the New York Stock Exchange, the American Stock Exchange and NASDAQ. The solution provides full market information in real time from the American stock exchanges, a range of order types and remarkably rapid implementation of orders. Clients are welcome to register for Internet trading on the American markets without being registered for online trading on the Oslo Stock Exchange. Because the solution is based on the client opening a dollar account for direct settlement, exchange rate costs in connection with each transaction are avoided and an overview of the amount available for trading in dollars is available at all times.

The portfolio service

This is the solution for clients wishing to have an overview of their client profile on the Internet, but who prefer orders to be handled by a broker. The portfolio service offers the same functions as the trading solution, but without the right to submit, modify or cancel orders.

Miscellaneous

- Price and market information for stock exchange listed and unlisted securities, domestic and foreign indexes and selected indicators
- A module for technical analysis
- Updated prices for Pareto's equity index bonds
- 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



Further information and registration application forms for both existing and new clients of Pareto can be found on www.pareto.no, or can be obtained upon enquiry to info@pareto.no.

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As of 1 March 2002

Board of Pareto AS

Widar Salbuvik (Chairman of the Board)
Kai Engedal
Erik Bartnes
Anders Endreson
Svein Støle

Pareto AS

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