INFORMASJON OM PARETO STAUR ENERGY AS
Pareto Staur Energy AS (Selskapet) er et investeringsselskap hvis formål er å investere i globale energi og energi/hydro-service selskaper. Investeringene foretas gjennom det aktive forvaltningsmandat Pareto Staur Energy (PSE), hvor Pareto Asset Management AS er Kapitalforvalter.

Selskapsform: Aksjeselskap
Tidspunkt for selskapetablering/første kapitalinnskudd: 1. kvartal 2012
Levetid: 6 år (opsjon 2 år)
Investeringsperiode: 2 år (opsjon 1 år)
Total innbetalt egenkapital: 31.12.2015 NOK 81 091 000
Total utbetalt egenkapital: 31.12.2015 NOK 6 471 900
Total utbetalt egenkapital pr. aksje: 31.12.2015 NOK 3 995
Estimert NAV pr. aksje: 31.12.2015 NOK 46 637
Sist omsatt: Ingen omsetning

INFORMASJON OM SELSKAPETS ANDEL AV KOMMITERT KAPITAL MV. I DET AKTIVE FORVALTNINGSMANDATET PARETO STAUR ENERGY

Kommitert kapital: 31.12.2015 NOK 75 460 000
Innkalt kapital: 31.12.2015 NOK 61 877 200
Uinnkalt kapital: 31.12.2015 NOK 13 582 800

Denne rapporten er delvis basert på engelskspråklig kvartalsrapport for PSE-mandatet fra Kapitalforvalter, som ligger vedlagt til sist i denne kvartalsrapporten.

VERDSETTELSE AV PARETO STAUR ENERGY AS PR. 31.12.2015


Nedenfor vises en oversikt over kostpris og virkelig verdi for Selskapets eiendeler og gjeld pr. 31.12.2015:

<table>
<thead>
<tr>
<th>Pareto Staur Energy AS</th>
<th>Kostpris</th>
<th>Virkelig verdi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drilling Technologies Ltd</td>
<td>21 013 336</td>
<td>26 147 688</td>
</tr>
<tr>
<td>Lithicon AS</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pareto Staur SPV I AS</td>
<td>26 696 174</td>
<td>30 314 601</td>
</tr>
<tr>
<td>West Indian Energy Holding AS</td>
<td>13 295 528</td>
<td>6 058 179</td>
</tr>
<tr>
<td>Rentefond</td>
<td>10 254 408</td>
<td>10 219 551</td>
</tr>
<tr>
<td>Fordring salg Lithicon AS</td>
<td>285 862</td>
<td>411 433</td>
</tr>
<tr>
<td>Andre kortsiktig fordringer</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Bankinnskudd</td>
<td>2 514 468</td>
<td>2 514 468</td>
</tr>
<tr>
<td>Gjeld</td>
<td>-114 100</td>
<td>-114 100</td>
</tr>
<tr>
<td><strong>Kostpris / Verdi</strong></td>
<td><strong>73 945 676</strong></td>
<td><strong>75 551 819</strong></td>
</tr>
<tr>
<td><strong>Antall aksjer</strong></td>
<td>1 620</td>
<td></td>
</tr>
<tr>
<td><strong>Verdi pr. aksje</strong></td>
<td><strong>46 637</strong></td>
<td></td>
</tr>
</tbody>
</table>
1) Drilling Technologies Ltd. (Drilltek)
   - Selskapet eier 92 964 aksjer i Drilltek, til en gjennomsnittlig kost pris på NOK 226,04 (USD 28,77)
   - Aksjene er vertsatt til NOK 281,27 per aksje (USD 31,93)
   - For omregning fra NOK til USD er det benyttet valutakurs som er offentliggjort av Norges Bank

2) Lithicon AS
   - Aksjene i Lithicon AS ble solgt i februar 2014
   - Av salgsprovenyet er ca. 95 % utbetalte til de selgende aksjonærer. Resterende ca. 5 % vil evt. bli utbetalte etter utløpet av en garantiperiode på 36 måneder.

3) Pareto Staur SPV I AS (PS SPV I)
   - Pareto Staur Energy AS har en eierandel i Pareto Staur SPV I AS på ca. 19 %
   - Aksjene er vertsatt til NOK 11 709 per aksje
   - Dette selskapet har investert i aksjer og lån i til Acona Invest AS, lån til Aqualyng Holding AS og lån til Scal Arabia Ltd.

4) West Indian Energy Holding AS (WIEH)
   - Pareto Staur Energy AS har en eierandel i West Indian Energy Holding AS på ca. 19 %
   - Aksjene er vertsatt til NOK3 803 per aksje
   - Dette selskapet har investert i aksjer i Steeldrum Oil Company Ltd.

5) Rentefond
   - Plassering av likviditet i Skagen Høyrente (kost NOK 3 801 000) og Pareto Høyrente (kost NOK 6 454 000)

VERDIUTVIKLING FOR PARETO STAUR ENERGY AS
INFORMASJON OM PORTEFØLJEINVESTERINGENE
Vi viser til vedlagte rapport om porteføljeinvesteringene utarbeidet av Pareto Asset Management AS.

OMSETNING AV SELSKAPETS AKSJER I ANNENHÅNDSMARKEDET
Investorer som har interesse for kjøp eller salg av Selskapets aksjer, bes kontakte sin investeringsrådgiver i Pareto Wealth Management AS (PWM). De som ikke har et direktenummer kan ta kontakt med PWMs BackOffice i Stavanger på telefon: 51 77 97 00 eller e-post: pwm@pareto.no.

KONTAKTINFORMASJON
For spørsmål knyttet til selskapet, er det bare å ta kontakt med undertegnede.

Med vennlig hilsen,
for Pareto Business Management AS / Pareto Wealth Management AS

Hans Gunnar Martinsen            Rune Wassum
Business Manager               CEO
Tel: + 47 22 01 58 88     Tel: + 47 22 87 87 00
Faks: + 47 22 87 88 00      Faks: + 47 23 23 99 01
E-post: hgm@pareto.no        E-post: rune.wassum@pareto.no
General information

This quarterly report provides general portfolio updates to investors in Pareto Staur Energy ("PSE"). Investors invested directly under discretionary portfolio management agreements can access their individual reports (portfolio overview, tax, returns and transaction history) by logging into www.paretoam.com and "Min Side". Investors in Pareto Staur Energy AS ("the feeder company") will be provided reports or further information from the facilitator, Pareto Wealth Management (www.pareto.no/ParetoWealthManagement or +47 22 87 87 00).

Investment period and exit

PSE is fully invested with 92% of committed capital drawn down. In February 2014, PSE successfully sold Lithicon AS. 80% of the sale proceeds were distributed to the PSE investors in 2014; additional 15% were repaid in June 2015.

Portfolio valuation

Fair value estimates fourth quarter 2015

<table>
<thead>
<tr>
<th>Company Segment</th>
<th>Value in NOK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drilling Technologies (&quot;Petricore&quot;) Oil service</td>
<td></td>
</tr>
<tr>
<td>- Value per ordinary share</td>
<td>218</td>
</tr>
<tr>
<td>- Value per preferred share</td>
<td>490</td>
</tr>
<tr>
<td>Lithicon Oil service</td>
<td>80% of sales price</td>
</tr>
<tr>
<td>- Distributed to Investors (Feb. 2014)</td>
<td></td>
</tr>
<tr>
<td>- Distributed to investors (June 2015)</td>
<td>15% of sales price</td>
</tr>
<tr>
<td>- Special escrow (36 months, max 5%) No pay-out expected</td>
<td></td>
</tr>
<tr>
<td>Pareto Staur SPV I Oil/hydro service</td>
<td></td>
</tr>
<tr>
<td>- Value per share</td>
<td>11 709</td>
</tr>
<tr>
<td>West Indian Energy Holding Energy</td>
<td></td>
</tr>
<tr>
<td>- Value per share</td>
<td>3 803</td>
</tr>
</tbody>
</table>

* Pareto Staur SPV I AS is a holding company invested in Aqualyng Holding, Acona and ResQ.

Portfolio headlines

The portfolio had a strong quarter given a highly challenging oil and oil-service market.

- Petricore: positive cash flow 2015, profitable growth into 2016
- Aqualyng: wins contracts, positive cash flow 2015. Put/call option exercised with IFC. Sale of China asset in order to finance strong growth in India; although the cash consideration still locked up in Hong Kong.
- West Indian Energy: successful merger, Pareto Staur with a controlling ownership of 60% in the new merged entity, Steeldrum Oil Company. Production increasing from 150 to 250 bbl per day, increasing asset base from one to three assets.
- Acona: extreme cost focus, challenging market conditions.
- ResQ: on track, gaining significant market share, offshore market remains highly challenging.

Investments in primarily small/mid-cap energy & hydro/energy services companies

- Primarily non-listed companies
- Duration: 6 years (+1+1)
- Investment period: 2 years (+1)
- Management fee: 2% p.a., Success fee 20% above a preferred return of 8% p.a.

The managers/active owners co-invest ~ NOK 139m

Key Men

Staur Private Equity AS:
Bernt Østhus

Pareto Asset Management AS:
Ola Lyngstad, Christian Helland

Active Portfolio Management

Pareto Staur Energy is structured under Pareto Asset Management’s license to allow investors a high degree of investor protection. Pareto Asset Management is regulated by the Financial Supervisory Authority of Norway.

Valuation principles

Portfolio valuation is performed twice a year (30/06 and 31/12) with quarterly adjustments (i.e. extraordinary events, exchange rates).

The Portfolio valuation is based upon the Private Equity and Venture Capital Association (EVCA). EVCA bases its principles upon "fair value" assessment.
Petricore Ltd (“Drilling Technologies Ltd”)

Company summary
Petricore Ltd (former Drilling Technologies Ltd) is a company registered in Great Britain with operations in South and Central America, US and the Middle East. Petricore focuses on core analysis, mud-logging and drilling materials. The company was founded by some of the managers running Reservoir Laboratories, a successful business developed and funded by, among others, Staur.

Why Petricore
- Management is well known to the Key Men
- A proven and highly successful track record of a similar company
- Demand for an independent player in this segment

Source
A privately negotiated deal with major shareholders in the company (Staur Private Equity AS, Geological Investments Ltd and Hauken Invest AS)

Financials/valuation
Petricore shares are valued as follows:

- Ordinary shares: NOK 217 ($25) per share
- Preferred shares: NOK 490 ($56) per share

Petricore keeps improving the financial results, but a significant downturn in the market price of Petricore’s listed comparables in the oil-service sector has resulted in a slightly lower valuation for Petricore.

News
Key events for Petricore during the fourth quarter:

- Petricore finalised the negotiations in acquiring Houston-based GeoSystem. The formal takeover to take place during the first quarter
- For 2016, Petricore has secured contracts for USD 25 million and probable contracts for USD 20 million. The numbers for 2017 are USD 15 million and USD 25 million, respectively.
- Mexico delivers stable and satisfactory numbers both for the core and the mud division
- Abu Dhabi delivers growth, but at a slower pace than anticipated after the launch of the laboratory in the first half of 2015
- Houston delivers stable, but small numbers. We expect strong growth, in particular from orders outside of the Houston area
- In total, the expected revenue growth (2015-2016) for Petricore is approximately 60%
- Petricore has a tight cash position, in particular as a consequence of delayed payments from PeMex and a strong need for working capital

Drilling Technologies changed its name to PetriCore Ltd in 2015
Lithicon AS (sold in 2014)

Company summary
Lithicon AS (previously Numerical Rocks AS and Digital Core Pty Ltd) is a relatively small oil-service company headquartered in Trondheim, Norway. The company’s technology can be described as an electronic core laboratory for modelling petrophysical properties and simulating fluid flow in the pore scale of reservoir rocks. The e-Core technology is the result of more than 10 years of research with pore scale modelling and the availability of today's high performance computers.

Why Lithicon
- Clear growth strategy
- Attractive valuation
- Proven technology (i.e. the highest tech clearing within Statoil)
- Experienced management

Source
A privately negotiated buy-out/growth deal with the major shareholders:
- Controlling ownership

Financials/valuation
Lithicon has been sold. Please refer to individual investor reports by logging into www.paretoam.com and “Min Side”.

News
Lithicon was sold to the US listed company FEI for USD 69 million in cash in February 2014. 80% of the transaction was paid out directly to the Pareto Staur investors in Q1 2014. Additional ~15% was repaid in full to the PSE investors in June 2015.

Additional ~5% remains in escrow until February 2017 (guarantees to the buyer). The PSE managers expect the repayment from the remaining escrow to be low due to cost and uncertainty related to certain patent rights.

The investment was highly successful for the Pareto Staur investors with an internal rate of return ("IRR") above 60% p.a.
General information and specification of the Pareto Staur Energy mandate

Certain investments may be done through Special Purpose Vehicles (SPV's) and Holding Companies.

The SPV will be considered a Portfolio Company. Pareto Asset Management will ensure that the SPV has exposure towards companies as set out in the Active Portfolio Management Agreement. SPVs may be used if it is considered to be in the best interest of the Investors of the mandate. The below list contains examples of circumstances where Pareto Asset Management considers it to be in the best interest of the Investors to use SPVs and/or Holding Companies:

Examples

- The SPV acts as one investor. Certain investments (e.g. a co-investment with IFC in Aqualyng and a co-investment with CapMan in Acona) require significant due diligence of the shareholders. A significant due diligence of the investors may not be a preferred solution and may delay, complicate and in certain cases prevent an investment from taking place.
- Simplified structure and increased flexibility. Certain investments can be a combination of equity, warrants and loans, which in certain cases can be challenging to own directly and may not align interests with other shareholders.
- Exit. It may be more beneficial for the investors to sell the SPVs shares instead of several smaller holdings. An SPV can increase the probability of a successful sale, giving Pareto Staur flexibility when negotiating (e.g. allowing certain guarantees).
- The yearly costs of an SPV will primarily be a third party administration fee of approximately NOK 0.1 million p.a. No compensations are made to the board members or board observers. By acting as one investor instead of several, we expect lower transaction costs in connection with the investments.

Pareto Staur SPV I AS & West Indian Energy Holding AS

Pareto Staur SPV I AS and West Indian Energy Holding AS are Norwegian registered companies 100% owned by the Pareto Staur Energy investors. The SPVs invest primarily in non-listed energy and energy service companies that are not available to Pareto Staur Energy investors, or practically difficult for them to own directly. The chairman of the holding companies is Stig Even Jakobsen, who is also the chairman of Pareto Asset Management AS.

Overview

Pareto Staur SPV I AS has invested/committed capital to:
- Aqualyng Holding AS: NOK 72 million invested (including the exercise of the IFC put/call option).
- Acona AS: NOK 41 million invested and NOK 8 million as a guarantee.

West Indian Energy Holding AS has invested/committed capital to:
- West Indian Energy: NOK 64 million invested, USD 1 million committed

Please find further information about the investments below.
Company summary
Aqualyng is a one-stop-shop for water providing project, products and services for the water industry. Specialising in desalination and treatment of difficult water, Aqualyng and its subsidiaries have delivered water solutions to sectors like oil/gas, power, mining and other industrial applications since 1996. The company operates in Singapore, India, Norway, China, Australia, Spain and the UAE.

Why Aqualyng
- A company well known to the Key Men
- Verified technology with strong growth opportunities
- Preferred capital (last in – first out)

Source
Aqualyng is a privately negotiated investment (Pareto Energy Solutions and Staur Private Equity are already investors in the company). The investment decision is based on detailed third party due diligence (legal, financial and technical reports by specialised national and international companies).

Financials/valuation
Pareto Staur has invested NOK 72 million in Aqualyng (including the put/call option that was exercised the fourth quarter with IFC). The valuation is based on the merger terms and confirmed with a recent third party report from Deloitte Touche less a 35% risk/liquidity rebate.

News
During 2015, Aqualyng and Earth Water Group have operated and reported as one combined company. The formal process was anticipated concluded in the fourth quarter, but has been delayed. Earth Water Group has a very strong foothold in the operation and maintenance ("O&M") of water projects in India. Aqualyng has decided to turn more of its business towards O&M to increase robustness and increase the expected short-term cash flow. The plan is to list the merged company 2017/2018.

Aqualyng had a breakthrough in the second half of 2015 with the award of a contract delivering bottled water at railway stations in India. It is expected that this business will provide a high and stable cash flow with annual sales of USD 15 million. It is anticipated that the combined company will significantly reduce the risk of the PSE shareholders.

The cash flow situation is strongly influenced by the underlying strong growth and hence need for working capital. The company expects to receive approx. USD 7 million from the asset sale in China during the first quarter 2016.
**Pareto Staur SPV I (Acona)**

**Company summary**
Acona is a major service and competence provider to the upstream oil and gas companies (E&P) mainly in the North Sea basin. The company has also built and established a strong incident and training organisation for the offshore sector. The company has 370 professionals headquartered in Stavanger, Norway. Acona has divided its operations primarily into three main segments:

- Drill and well technology
- Safety and emergency
- Subsurface and flow technology

**Why Acona**
- One of the leading players within well management in Norway
- Quality of employees and a clear business plan

**Source**
Semi-private. Pareto Staur and CapMan co-invest pari passu. CapMan is the majority shareholder; Pareto Staur owns approximately 8% of the company.

**Financials/valuation**
The investment is financed with equity, shareholder loans and external loans. Net interest bearing debt is currently NOK 280m (reduced from NOK 365m in 2012).
Pareto Staur SPV I has invested a total of NOK 41m in Acona Invest AS and a guarantee of EUR 1 million. Acona Invest AS holds 100% of the shares in both Acona and ResQ. The investment is valued at 0.1 times cost.

**News**
The market situation in the offshore sector has not improved. With an oil price around USD 30 per barrel, Acona experiences continued cost pressure from customers and reduced activity level. Acona has restructured and implemented substantial cost cuts of around 40% the last two years to counteract the dramatic drop in the market.

Oil price and exploration activity is not foreseen to increase until towards 2017/2018. The continued change in market fundamentals requires additional reorganisation of Acona Group and ResQ. The cost cutting and restructuring also take time and require additional one-off restructuring costs. This impacts EBITDA and liquidity negatively going forward, resulting in a likely covenant breach in 2016.

On the positive side, the adjusted EBITDA (adjusting for one-off costs) for the Acona Group remains positive for 2015 with an estimated result of ~NOK 20 million. In a highly challenging market the Acona Group predicts a slightly positive EBITDA result for 2016. Acona’s smaller UK office has now been closed down, reducing the overall cash burn.
Pareto Staur SPV I (ResQ)

Company history
ResQ is a national provider of safety and emergency response training. ResQ was established in 1973 as the National Accident Protection School (Statens Havariverkskole). ResQ AS was established in 2001 and has since experienced major growth with safety centers in Haugesund, Stavanger and Kristiansund. ResQ’s customers come primarily from oil and gas operators, rig and oil service companies. We also have customers from shipping, the military and governmental departments.

Why ResQ
• A strong merger rationale with Acona’s emergency group
• The opportunity to create a full scale niche provider within safety and emergency response
• A clear business plan with strong management and local footprints

Source
The new ResQ Safety and Emergency Group is a spin-off from Acona.

Financials/valuations
See Acona. The investment is financed with equity, shareholder loans and external loans. Net interest bearing debt is currently NOK 280m (reduced from NOK 365m in 2012). Pareto Staur SPV I has invested a total of NOK 41m in Acona Invest AS and a guarantee of EUR 1 million. Acona Invest AS holds 100% of the shares in both Acona and ResQ. The investment is valued at 0.1 times cost.

News
ResQ expects the total market for safety courses to decline further. Despite a challenging market and harder competition, ResQ increased its market share by 4-5% percentage points.

While Customers push for re-negotiation (price reduction) on new and existing agreements, ResQ has a good strategic position and is well positioned for growth when the oil market recovers. As an example, ResQ has a strong position in Safety Training within Statoil and ConocoPhillips, which together represent 70-80% of all field development activities in the North Sea.

ResQ’s aggressive cost cutting and swift reorganisation has strengthened future EBITDA. The management expects the adjusted EBITDA-result to increase from 8 to 16 million (2015-2016), due to a significant lower cost base (NOK 20 million in operational expenses are cut since 2014). Total headcount has been reduced from 99 to 63 over the last 12 months while key personnel and a unique growth platform remain in place.
Steeldrum Oil Company ("West Indian Energy")

Company history
Steeldrum oil company is the owner of the Inniss Trinity field, South Erin and Cory Moruga field. All three assets are on-shore, oil producing fields located in the southern region of Trinidad. The Inniss Trinity field has historically produced 23 million barrels ("bbl") of oil. Texaco abandoned the field in the 1980’s, leaving an estimated 10-25 million bbl of oil recoverable.

The recovery targets are in most areas shallow, 1,000–5,000 feet, and the expected paybacktime is low. West Indian Energy is the local operator with a skilled management team located in Trinidad.

Why West Indian Energy
- Strong growth possibilities by increased oil recovery
- Strong local management
- Knowledge of the assets

Source
A privately negotiated deal with a local management team in Trinidad.

Financials
West Indian Energy Holding AS ("WIEH") is a Norwegian holding company 100% owned by the Pareto Staur Energy investors. PSE has invested NOK 64 million and committed $1 million.

News
During the quarter, WIEH has successfully finalised a merger with Rex Caribbean Holding giving WIEH a controlling 60% ownership in the newly founded company, Steeldrum Oil Company Ltd. The merger provides WIEH full access to a skilled management, three producing assets and a more robust financial platform in a highly challenging oil market. Since last quarter, oil production has increased from 150 – 250 barrels per day.

Steeldrum’s short term strategy is to run a very lean structure with minimal overhead costs. The company is currently focusing on several small, low cost initiatives while the oil price remains low. If the oil price continues to fall, Steeldrum is prepared to shut-down production and store the reserves in the ground.

On the other hand, the burn rate is minimal and the cash position comfortable with a year-end balance of USD 2 million and no debt. While all the listed competitors on the island struggle with debt and minimal market values, Steeldrum’s cash position can be valuable. The board continuously evaluates possibilities in order to increase production/reserve and distressed equipment in order to reduce operational costs further.
Disclaimer

This presentation does not constitute or form part of an offer or invitation or recommendation to subscribe for or purchase any securities or mutual funds. The distribution of this information may be restricted by law in certain jurisdictions and this information is not intended for distribution to any person or entity in such jurisdiction. Any failure to comply with these restrictions may constitute a violation of the laws of any such jurisdiction. Pareto Asset Management AS shall not have any responsibility for any such violations. Any decision to purchase or subscribe for securities or mutual funds in any offering must be made solely on the basis of the information contained in the prospectus or other offering circular issued in connection with such offering.

In preparing this document we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to us or otherwise reviewed by us. The information contained in this document has been taken from sources deemed to be reliable. We do not represent that such information is accurate or complete and it should not be relied on as such. Any opinions expressed herein reflect our judgment at this date, all of which are accordingly subject to change. Pareto Asset Management AS accepts no liability whatsoever for any direct, indirect or consequential loss arising from the use of this document or its contents.

Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the asset manager’s skill, the risk profile of the investment, subscription and redemption fees and management fees. The return may become negative as a result of negative price developments. Some of the returns mentioned in this presentation may vary due to differentiated pricing based on invested volume and cost related to subscription and redemption.

The content and degree of openness in the PSE reports are in certain cases limited in order to secure the Investor’s interests.