



**ANNUAL REPORT 2020**

## PARETO SECURITIES

### DIRECTORS' REPORT 2020

#### Business activities

Pareto Securities AS ("the company") is a regulated investment firm with business activities within primary and secondary brokerage of equities and fixed income instruments, investment banking services and project financing. The company has its head office in Oslo, a regional office in Stavanger, and branch offices in Denmark and Germany.

The company has security-licensed subsidiaries in Sweden (with a branch in Norway), Finland, UK, USA, Singapore and Australia and a representative office in Switzerland. Norwegian subsidiaries have activities in rig-brokering and business management of project finance companies.

The international presence secures our proximity both to the major capital centers of the world and to issuers within our core areas of expertise. The combination of a local presence and a network of international investor contacts form the foundations for company's placement power in the equity and bond markets. The company was established in 1992 and is part of the Pareto group with Pareto AS as its parent company. The company and its subsidiaries ("the group") had 450 employees as of 31 December 2020.

#### Financial developments and profits

2020 was an extraordinary year, with the outbreak of the COVID-19 pandemic causing unprecedented disruption of our daily lives and the global economy. The pandemic outbreak significantly increased market uncertainty and had adverse impact on debt and equity markets. The outbreak led to increased activity in the secondary market (equity and bonds) and later in the year to a strong demand for advisory services (IPOs, private placements and M&A services). As further described below, the company does not trade in equities or bonds for its own account as part of its general investment management and the company was to a limited extent directly exposed to the volatile markets.

Financial developments and profits are reported in thousands of Norwegian kroner (NOK).

The group's operating revenues increased with 27% from NOK 1 790 000 in 2019 to NOK 2 272 000 in 2020. Profit before taxes increased from NOK 346 000 to NOK 784 500. Profit before taxes in 2019 was to some extent influenced by non-recurring items related to restructuring and legal disputes. The group's equity increased from NOK 580 506 as of 31 December 2019 to NOK 615 605 as of 31 December 2020.

The company's operating revenues increased with 25% from NOK 980 300 in 2019 to NOK 1 229 700 in 2020. Profit before taxes increased from NOK 236 500 in 2019 to NOK 587 800 in 2020. The company's equity increased from NOK 469 899 as of 31 December 2019 to NOK 495 494 as of 31 December 2020.

#### Key risks factors, risk management and capital adequacy

The group is exposed to market risks related to its holding of financial instruments. The group is also indirectly exposed to fluctuation in the capital markets. Weak capital markets lead to fewer transactions and lower revenues. The group's operating cost base is low, which strengthens the ability to face periods with reduced activity.

Furthermore, the group is exposed to settlement risk linked to unsettled transactions, securities financing, counterparty risk, currency exchange risk and litigation risk related to alleged errors in the facilitation of capital raisings and project financing projects. The group does not trade in equities or bonds for its own account as part of its general investment management but takes to a limited degree positions in relation to capital raising projects. Surplus liquidity is deposited in financially sound banks. These factors limit the company's financial risk.

The company's risk is managed in accordance with the provisions in the Norwegian Private Limited Companies Act and the Norwegian Securities Trading Act with appurtenant regulations, as well as risk management and internal directives. Corresponding risk management requirements apply to the regulated subsidiaries abroad, subject to and in accordance with the laws of the applicable jurisdiction.

Internal procedures have been established for compliance with applicable laws. The quality of deal facilitation work is ensured through teamwork under experienced project leaders and established capital raising project procedures, including a thorough assessment of potential new investment banking assignments in the internal "Deal Committee".

**Going concern**

The annual financial statements have been prepared under the going concern assumption. This assumption is based on the financial situation at year-end 2020 and the profit forecast for 2021.

**Outlook for 2021**

The battle to beat the COVID-19 pandemic is still not won but with positive development in the sense that the vaccination has started. The pandemic called upon us to act, but also to be even more proactive and accessible. The company maintained high levels of client activity during 2020 and have served our clients and other stakeholders through virtual meetings and other digital solutions. We expect this to continue.

The COVID-19 pandemic has accelerated the shift towards more sustainable and resilient economies. Governments across the globe advocate for allocation of investments to companies and infrastructure projects that tackle climate risk, stimulate green innovation, reduce inequality and improve social cohesion.

The group's revenue base has over the last few years become more diversified, in terms of both products and industries, as well as geographically. Diversification has made the group less dependent on energy prices, and also provides a stable platform for further growth. In recent years the company has especially grown presence within TMT, Healthcare, Cleantech and Energy Transition and we expect this development to continue into 2021.

**Working environment**

The working environment is considered to be good. There are no reports of work-related injuries or accidents among the group employees in 2020. The company has established a working environment committee and has appointed safety representatives in Oslo and Stavanger. The working-environment committee held one meeting in 2020, and safety inspections were conducted for the purpose of maintaining a healthy and safe working environment in the company. Sickness absence is consistently low.

**Diversity and equality**

The group is committed to ensuring that all employees are treated equally, including fair and un-biased remuneration decisions. The group has gender-neutral guidelines and offer equal opportunities to women and men.

The group wants employees to challenge the ordinary and find great ideas. To achieve this, the group depends on a workforce with a diverse mindset that contributes with different experiences, backgrounds and perspectives.

A Diversity and Inclusion Policy was implemented in 2019 and sets out the following key principles:

- Zero tolerance for discrimination and harassment
- Treat colleagues with fairness and respect, irrespectively of background
- Keep internal dialogue open and safe
- Do what we can to make colleagues feel valued and belonging to a community

The group aims to provide a workplace that is free from discrimination, and the group has zero tolerance of any form of harassment, victimisation or similar violations in the workplace. The group seeks a balanced age, education and nationality balance among the employees. Processes shall be equal, fair, unbiased and inclusive. This is reflected in the adopted Diversity and Inclusion Policy. In recruitment processes, the group aims to recruit the most suitable candidates for each available position, regardless of gender, ethnicity, religion, sexual orientation or disabilities. Gender balance is an important factor to set the right teams and fill positions with the best candidates on all levels of the organization, management and within all business areas. The proportion of women in the group is relatively low but has been steadily increasing the last years. The number of women in the group as of 31 December 2020 was 113 out of 450 employees. There are no women in the Board of Directors.

The statement describing the actual state of gender equality in Pareto Securities and the statement of work for equality and against discrimination prepared in accordance with the Norwegian Act on gender equality and prohibition against discrimination (No: Lov om likestilling og forbud mot diskriminering) is included our Responsibility Report 2020 available on [www.paretosec.com](http://www.paretosec.com).

**Sustainability**

The company has adopted a sustainability policy which establishes standards and principles to ensure that the group operates in a sustainable manner and meets fundamental human rights, labour, environmental and anti-corruption responsibilities.

The group's ambition is to contribute to achieving the two-degree climate change target by doing our share of reducing greenhouse gas emissions and more efficient use of natural resources. The group is an office-based organization, and the environmental footprint of the group is therefore relatively small. That said, the group is constantly making changes to reduce our negative environmental impact. We focus our efforts on energy management by monitoring and minimizing energy consumption and greenhouse gas emissions derived from our business travels.

Our commitment is that our global operations shall be fully greenhouse gas compensated. We will achieve this goal by reducing our greenhouse gas emissions, tracking and calculating of our greenhouse gas emissions throughout our operations and purchasing greenhouse gas offsets equaling to our carbon emissions.

The group has committed to report on its sustainability impact and how the adopted sustainability policy has been followed up. The key findings regarding the group's sustainability impact is described in the Responsibility Report 2020 available on [www.paretosec.com](http://www.paretosec.com).

Oslo, 25 March 2021

Morten Goller  
Chairman

Svein Støle  
Board member

Inge Edvardsen  
Board member

Arild Hille  
Board member

Lars Buin  
Board member

Eirik Haavaldsen  
Board member

Tormod Høyby  
Board member

Christian Jomaas  
Chief Executive Officer

PARETO SECURITIES

COMPANY				INCOME STATEMENT	GROUP	
2020	2019	Note		Amounts in NOK 1 000	2020	2019
1 229 700	980 300	2		Operating revenues	2 272 000	1 790 000
596 610	539 313	3		Personnel expenses	1 089 191	945 394
6 794	7 052	6		Depreciation	15 322	14 930
233 404	324 948			Other operating expenses	398 141	477 223
836 808	871 313			Total operating expenses	1 502 654	1 437 548
392 892	108 987			Operating profit	769 346	352 452
5 110	9 576			Interest income	5 885	17 673
300 930	162 368			Other financial income	30 362	7 704
-2 585	-1 432			Interest expenses	-6 025	-7 071
-10 247	-13 099			Other financial expenses	-15 068	-24 758
293 208	157 413			Net financial result	15 154	-6 452
686 100	266 400			PROFIT BEFORE TAXES	784 500	346 000
98 300	29 900	16		Tax expense	175 600	82 900
587 800	236 500			NET PROFIT FOR THE YEAR	608 900	263 100
				Net profit attributable to owners of parent	567 273	248 119
		7		Net profit attributable to non-controlling interests	41 627	14 981
				Allocation of net profit		
-562 631	-248 194			Proposed dividend		
-25 169	11 694			Transferred to/from other equity		
-587 800	-236 500	14		Total allocations		

PARETO SECURITIES

COMPANY		BALANCE SHEET AS OF 31 DECEMBER		GROUP	
2020	2019	Note	Amounts in NOK 1 000	2020	2019
<b>NON-CURRENT ASSETS</b>					
65 808	45 771	16	Deferred tax assets	68 680	60 720
3 193	426	6	Software	12 257	8 927
69 001	46 197		Total intangible assets	80 937	69 647
10 682	5 820	6	Office equipment and fittings	16 080	11 878
269 972	250 647	7	Shares in subsidiaries	0	0
75 171	72 169		Loans to subsidiaries	0	0
345 143	322 816		Total financial assets	0	0
424 826	374 833		TOTAL NON-CURRENT ASSETS	97 017	81 525
<b>CURRENT ASSETS</b>					
499 251	391 541	8	Receivables from clients	1 955 494	1 418 800
269 249	123 456		Receivables from financial institutions	269 249	123 456
299 163	266 193		Receivables from group companies	0	0
180 850	140 000		Other receivables	374 649	299 260
1 248 513	921 190		Total receivables	2 599 392	1 841 516
28 017	32 849	9	Financial instruments	51 235	58 695
938 644	611 127	10	Bank deposits	2 017 356	1 293 264
2 215 174	1 565 166	20	TOTAL CURRENT ASSETS	4 667 983	3 193 475
2 640 000	1 940 000		TOTAL ASSETS	4 765 000	3 275 000

PARETO SECURITIES

COMPANY		BALANCE SHEET AS OF 31 DECEMBER		GROUP	
2020	2019	Note	Amounts in NOK 1 000	2020	2019
<b>EQUITY</b>					
90 000	90 000	13	Share capital	90 000	90 000
-500	-826		Own shares	-500	-826
66 400	66 400		Share premium	66 400	66 400
155 900	155 575		Total paid-in capital	155 900	155 575
339 594	314 325		Retained earnings	416 900	401 766
495 494	469 899		Equity attributable to owners of the parent	572 800	557 341
			Non-controlling interests	42 805	23 165
495 494	469 899	14	TOTAL EQUITY	615 605	580 506
<b>LIABILITIES</b>					
2 343	2 820	5	Pension liabilities	2 355	2 820
21 690	21 870		Deposits from silent partners	22 230	22 410
39 197	28 667		Other liabilities	63 032	46 592
63 230	53 357		Total long-term liabilities	87 617	71 822
486 201	52 475		Payables to financial institutions	486 201	52 475
233 721	435 752	11	Payables to clients	1 985 796	1 543 727
117 106	147 789		Payables to group companies	0	0
114 423	52 310	16	Income tax payable	143 422	63 755
8 873	7 132		Public dues payable	30 784	26 157
562 631	248 194		Proposed dividends	603 805	263 098
558 321	473 091	12	Other liabilities	811 770	673 460
2 081 276	1 416 743		Total short-term liabilities	4 061 778	2 622 672
2 144 506	1 470 100	20	TOTAL LIABILITIES	4 149 395	2 694 495
2 640 000	1 940 000		TOTAL EQUITY AND LIABILITIES	4 765 000	3 275 000

Oslo, 25 March 2021

Morten Goller  
Chairman

Svein Støle  
Board member

Inge Edvardsen  
Board member

Arild Hille  
Board member

Lars Buin  
Board member

Eirik Haavaldsen  
Board member

Tormod Høyby  
Board member

Christian Jomaas  
Chief Executive Officer

PARETO SECURITIES

COMPANY		CASH FLOW STATEMENT Amounts in NOK 1 000	GROUP	
2020	2019		2020	2019
686 100	266 400	Profit before tax	784 500	346 000
-59 186	-97 013	Tax paid	-98 605	-157 874
6 794	7 052	Depreciation	15 322	14 930
-330 325	-266 088	Change in receivables	-757 876	-345 536
299 686	304 432	Change in short-term and other liabilities	1 043 160	216 638
603 069	214 783	Net cash flow from operating activities	986 502	74 158
-14 427	-3 080	Purchase of fixed assets	-26 407	-21 086
-14 493	-9 926	Net cash flow from investments	7 460	40 790
-28 920	-13 006	Net cash flow from investing activities	-18 947	19 704
-180	960	Change in deposits from silent partners	-180	960
1 737	-5 001	Purchase/sale of own shares	1 737	-5 001
0	0	Capital investment from minority	19 640	-3 465
-248 190	-352 119	Dividend paid	-264 659	-370 943
-246 633	-356 160	Net cash flow from financing activities	-243 462	-378 449
327 516	-154 383	Net change in cash during the year	724 092	-284 587
611 127	765 509	Cash and cash equivalents 1.1	1 293 264	1 577 851
938 644	611 127	Cash and cash equivalents 31.12	2 017 356	1 293 264



### General information

Pareto Securities AS is a private limited company headquartered in Oslo, Norway ("the company"). The company together with its subsidiaries ("the group") is an independent full-service investment firm.

The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the company. Unless otherwise indicated, the amounts have been rounded to the nearest thousand.

Pareto Securities has been granted an exemption from the requirement under Section 3-4 of the Norwegian Accounting Act for financial statements and annual reports to be prepared in the Norwegian language.

### Basis of preparation

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act, Norwegian Generally Accepted Accounting Principles and the Regulations on the Annual Financial Statements of Investment Firms in Norway.

### Consolidation principles

Pareto Securities' consolidated financial statements comprise the parent company Pareto Securities AS with branches and companies in which Pareto Securities AS has a controlling interest. Investments in subsidiaries are carried at acquisition cost in the company's financial statements. If impairments are not expected to be temporary, write-downs to fair value will be carried out. Foreign branches are incorporated in the parent company's financial statements based on the same principles as other branches of the company. The acquisition cost of shares in subsidiaries are in the consolidated financial statements eliminated against the equity of the subsidiary at the date of acquisition. Internal transactions between the companies, as well as receivables and payables per 31 December, are eliminated in the consolidated financial statements. Foreign exchange loss and gain from currency translation of foreign subsidiaries is recorded to equity.

### Accounting of partnership

Pareto Securities AS is the principal partner of Pareto Securities silent partnership established on 1 January 2018. The silent partnership's financial statements are fully incorporated in the financial statements of the principal partner. The partner's share of the profit of the silent partnership is classified as other financial expenses in the income statement, while undistributed profits to partners are classified as short-term liabilities. Capital contributions from partners are classified as long-term liabilities in the financial statements of the principal partner.

### Revenue recognition

Revenues from investment banking engagements for which the company receives fees that are contingent upon the transaction outcome, are recognised upon transaction completion, or upon the right to such fee becoming unconditional. Secondary brokerage fees are recognised at the trade date.

### Estimates

The financial statements are based on estimates and assumptions. Future events may cause a change in estimates. Changes in estimates are recognised for in the period in which they occur.

### Tangible assets

Tangible assets are recognised at historical cost adjusted for accumulated depreciation. Fixed assets are depreciated on a straight-line basis, based on their estimated economic life.

**NOTE 1 ACCOUNTING POLICIES CONT.****Receivables/write-downs of bad debts**

Receivables include balances outstanding from other financial institutions and other companies. Receivables and payables are reported on a gross basis in the balance sheet in accordance with the Regulations on the Financial Statements of Investment Firms in Norway. Trades that are closed at year-end with settlement after year-end are recognised as receivables from clients/receivables from financial institutions and payables to clients/payables to financial institutions. Receivables are carried at fair value at the transaction date. Earned, not paid, fees related to corporate finance engagements are included in other receivables. Provisions for bad debt are based on a case-by-case assessment.

**Financial investments**

Marketable financial instruments are carried at fair value on the balance sheet date. The fair value of quoted financial instruments is based on the latest transaction price. Other financial instruments are recognised using valuation techniques based on observable market values. When applying valuation techniques, the value is adjusted for credit- and liquidity risk.

**Financial derivatives**

Financial derivatives are recognised as assets if their value is positive and as liabilities if their value is negative.

**Tax**

Tax expenses are matched with profit before tax. Tax expenses consist of current income tax and change in deferred tax.

**Liabilities**

Liabilities are recognised at their nominal value at the time incurred.

**Foreign currency**

Monetary items in the balance sheet in foreign currency are translated into NOK at the exchange rate on the balance-sheet date.

**NOTE 2 OPERATING REVENUES**

	Company		Group	
	2020	2019	2020	2019
Investment banking	929 540	739 884	1 594 461	1 246 272
Secondary brokerage	300 160	240 416	569 854	420 428
Business management	0	0	79 400	85 600
Other operating revenues	0	0	28 285	37 700
<b>Total operating revenues</b>	<b>1 229 700</b>	<b>980 300</b>	<b>2 272 000</b>	<b>1 790 000</b>

	Company	
	2020	2019
Capital raisings	701 704	444 398
Investment advice/order execution	240 815	187 755
Market making and own account trading	11 373	6 845
Related services (M&A, advisory, research and FX)	275 808	341 302
<b>Total operating revenues</b>	<b>1 229 700</b>	<b>980 300</b>

## NOTE 2 OPERATING REVENUES CONT.

## Disclosure in accordance with Section 5-7 of the Regulations on the Annual Financial Statements of Investment Firms in Norway

Investment banking and secondary brokerage establishments in the Group	Avg no of employees	Operating revenues	Profit before tax	Tax expense
Pareto Securities AS (Norway)	177	1 146 200	425 842	102 375
Pareto Securities AS, Frankfurt branch (Germany)	34	49 000	-26 484	-6 621
Pareto Securities AS, Copenhagen branch (Denmark)	7	34 500	11 315	2 546
Pareto Securities AB (Sweden)	104	647 200	314 861	66 418
Pareto Securities AB NUF (Norway)	2	16 700	10 400	2 600
Aktieinvest FK AB (Sweden)	31	65 600	6 496	1 488
Pareto Securities Oy (Finland)	9	24 400	482	107
Pareto Securities Ltd (UK)	7	27 200	2 061	687
Pareto Securities AG (Switzerland)	6	31 600	3 523	20
Pareto Securities Inc (USA)	10	78 200	15 199	2 209
Pareto Securities Pte Ltd (Singapore)	12	44 100	7 227	450
Pareto Securities Pty Ltd (Australia)	2	6 200	2 617	0
Sub-total	399	2 170 900	773 538	172 279

  

Business management and other establishments in the Group	Avg no of employees	Operating revenues	Profit before tax	Tax expense
Pareto Business Management AS (Norway)	27	56 700	4 927	1 182
Pareto Business Management AB (Sweden)	10	15 700	-1 256	77
Pareto Business Management A/S (Denmark)	3	7 000	-811	-177
Pareto Maritime Services AS (Norway)	2	13 000	9 100	2 004
Pareto Offshore AS (Norway)	4	7 400	757	204
North Atlantic Seafood Forum AS (Norway)	2	1 300	-1 719	0
Pareto Project AS (Norway)	0	0	0	0
Deponova AB	0	0	0	0
Pareto Eiendom AS (Norway)	0	0	-20	0
Pareto Investorservice AS (Norway)	0	0	-16	0
Sub-total	47	101 100	10 962	3 290
Total	446	2 272 000	784 500	175 600

The business acquired from equinet Bank AG on 1 December 2018 forms part of the company's Frankfurt branch. The company is liable to tax in Norway on all its income in Norway and abroad, cf. Section 2-2, Sub-section 6, of the Norwegian Tax Act. Furthermore, the tax treaty between Norway and Germany stipulates that income earned by a Norwegian tax resident which is attributable to a permanent establishment in Germany can be taxed both in the country of residence (Norway) and the country of origin (Germany), cf. Articles 7 and 5. On the same basis, losses attributable to the permanent establishment in Frankfurt for 2020 are deductible for the company against income in Norway and hence reduce the tax payable in Norway for 2020. Under the said tax treaty, double taxation is prevented by Norway providing a credit for foreign income taxes paid against Norwegian tax payable on foreign income (the credit method), cf. Article 23 of said treaty.

Furthermore, the loss in the Frankfurt branch in 2020 has resulted in an increased tax loss carry forward in Germany, which can be set off against future profits in Germany. The company will through the Frankfurt branch be liable for tax in Germany after the tax loss carried forward has been used.

None of the establishments have received any public subsidies.

**NOTE 3 PERSONNEL EXPENSES**

	Company		Group	
	2020	2019	2020	2019
Partner remuneration and salaries	541 103	486 102	933 491	804 765
Employer's national insurance contributions	34 674	34 021	112 211	95 827
Pension costs	3 581	3 375	12 300	12 892
Other personnel costs	17 251	15 815	31 189	31 909
<b>Total personnel expenses</b>	<b>596 610</b>	<b>539 313</b>	<b>1 089 191</b>	<b>945 394</b>
Average number of man-years	217	240	446	468

**NOTE 4 REMUNERATION**

Fees to Deloitte AS for the statutory audit of the company were NOK 658 (2019: 836). Fees for other assurance services amounted to NOK 102 (2019: 94), fees for tax services amounted to NOK 312 (2019: 401) and other non-audit services fees amounted to NOK 36 (2019: 10). Corresponding fees for the group amounted to NOK 2 373 (2019: 2 443) for the statutory audit, NOK 122 (2019: 102) for other assurance services, NOK 461 (2019: 497) for tax-related services and NOK 36 (2019: 24) for other non-audit services. Fees to Deloitte Advokatfirma AS (law firm) amounted to NOK 559 (2019: 506). All amounts reported are exclusive of VAT.

Remuneration to the Chairman of the Board, Morten Goller amounted to NOK 475. Members of the Board who are employees of the Pareto AS Group do not receive remuneration.

Under the remuneration scheme of the company, partners and employees receive a fixed remuneration and may in addition receive a discretionary remuneration. The discretionary remuneration is based on the earnings of the company as a whole, as well as within the department of the employee, participation in major acquisitions, externally or internally focused work of significant value to the company, extraordinary work effort, extensive client/employee responsibility or similar performance indicators.

Personnel identified as "material risk takers" pursuant to the qualitative or quantitative criteria as defined in Commission delegated regulation (EU) No 604/2014 of 4 March 2014 as amended by Commission delegated regulation (EU) 2016/861 are governed by the Norwegian Regulations on Remuneration in Investment Firms. For 2020, these employees have received NOK 40 867 as fixed remuneration. Final variable remuneration for these employees will be decided by the Board of Directors after the Annual Report has been approved. The aggregate remuneration for 2020 has been fully accrued in the financial statements for 2020. More detailed information will be published in the company's Pillar 3 reporting on [www.paretosec.com](http://www.paretosec.com). The variable remuneration is comprised of 50% cash and 50% contingent capital. The cash portion is paid after the financial statement has been approved. The contingent capital is withheld by the company in the form of a subordinated loan bearing a market interest rate. The contingent capital is risk adjusted yearly and is paid over a three-year period.

Paid remuneration to CEO Christian Jomaas in 2020 amounted to NOK 11 417, consisting of fixed remuneration for 2020, 50% bonus for 2019 and paid contingent remuneration from 2018, 2017 and 2016. Christian Jomaas participates in the company's remuneration scheme and he holds 2,44% of the shares of Pareto Securities AS through Klevsund AS.

**NOTE 5 PENSIONS**

The company has a defined contribution pension scheme as required under the Norwegian Mandatory Occupational Pensions Act. The defined contribution plan is managed by Sparebank 1 and Storebrand. Pension contributions for 2020 amount to NOK 2 439.

The company has two unfunded pension plans, and the liabilities under these are recognised in the balance sheet as of 31 December 2020 at NOK 2 343 through actuarial valuations based on commonly applied assumptions.

**NOTE 6 FIXED ASSETS**

	Office equipment and fittings		Software	
	Company	Group	Company	Group
Acquisition cost 1.1	27 294	90 477	7 022	90 624
Additions during the year	10 605	12 471	3 823	13 937
Disposals	-14 369	-14 880	-766	-4 119
Acquisition cost 31.12	23 530	88 068	10 078	100 442
Accumulated depreciation 1.1	21 474	78 600	6 596	81 697
Depreciation	5 743	8 072	1 051	7 250
Disposals	-14 369	-14 684	-762	-762
Accumulated depreciation 31.12	12 848	71 988	6 886	88 184
Net carrying value 31.12	10 682	16 080	3 193	12 257
Economic life	3-10 years	3-10 years	3-10 years	3-10 years
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line

**NOTE 7 SHARES IN SUBSIDIARIES**

**Consolidated companies**

Company name	Equity	Registered Office	Holding
Pareto Securities Pte Ltd	25 824	Singapore	100,00 %
Pareto Securities Inc	32 057	New York	100,00 %
Pareto Securities AB	175 058	Stockholm	83,88 %
Pareto Securities Oy	16 177	Helsinki	100,00 %
Pareto Securities Ltd	39 434	London	100,00 %
Pareto Securities Pty Ltd	12 232	Perth	100,00 %
Pareto Securities AG	7 919	Zurich	100,00 %
Pareto Offshore AS	10 006	Oslo	87,01 %
Pareto Business Management AS	9 207	Oslo	100,00 %
Pareto Business Management AB	7 142	Stockholm	100,00 %
Pareto Business Management A/S	1 925	Copenhagen	100,00 %
Pareto Maritime Services AS	15 015	Oslo	100,00 %
North Atlantic Seafood Forum AS	989	Oslo	100,00 %
Aktieinvest FK AB	57 879	Stockholm	74,07 %
Deponova AB	53	Stockholm	74,07 %
Pareto Investorservice AS	938	Oslo	100,00 %
Pareto Eiendom AS	52	Oslo	100,00 %
Pareto Project AS	30	Oslo	100,00 %

**Non-consolidated companies**

Pareto Maritime Services AS holds 100% of the shares of 2B Offshore AS, Pipebarge 1 AS, Partankers IX AS and Adriatic Tankers AS (subsidiaries). The subsidiaries are the principal partners of 2B Offshore silent partnership, Pipebarge 1 silent partnership, Partankers IX silent partnership and Adriatic Tankers silent partnership, respectively. The four investments are project finance shipping/offshore companies syndicated by Pareto Securities AS.

The general partner's ownership interest in the underlying silent partnership is 1.0% of 2B Offshore silent partnership, 1.5% of Pipebarge 1 silent partnership, 1.0% of Partankers IX silent partnership and 1.0% of Adriatic Tankers silent partnership, respectively. The total carrying value after write-downs of these investments in Pareto Maritime Investment AS and in the consolidated financial statement for the group is NOK 5 300. There is no uncalled committed capital in the four companies.

Pareto Securities group has in accordance with Section 3-8 of the Norwegian Accounting Act not consolidated the subsidiaries owned through Pareto Maritime Services AS in the consolidated financial statements as these are of no significance for the assessment of the group's financial position and performance.

**NOTE 8 RECEIVABLES FROM CLIENTS**

	<b>Company</b>	<b>Group</b>
Receivables from securities financing clients	0	1 367 816
Receivables from secondary trading	499 251	587 678
<b>Total receivables from clients</b>	<b>499 251</b>	<b>1 955 494</b>

Loans to clients for securities financing are secured through securities in custody.

**NOTE 9 FINANCIAL INSTRUMENTS**

	<b>Company</b>		<b>Group</b>	
	<b>Acquisition cost</b>	<b>Carrying value</b>	<b>Acquisition cost</b>	<b>Carrying value</b>
Shares	4 626	4 626	23 036	23 571
Bonds and notes	29 253	23 391	33 526	27 664
<b>Total financial instruments</b>	<b>33 879</b>	<b>28 017</b>	<b>56 562</b>	<b>51 235</b>

**NOTE 10 BANK DEPOSITS**

	<b>Company</b>	<b>Group</b>
Restricted in respect of payroll taxes deducted at source	3 468	6 204
Restricted in respect of margin security etc	191 680	191 680
<b>Total restricted deposits</b>	<b>195 148</b>	<b>197 884</b>

Funds in client accounts and equity proceeds accounts that belong to clients (client funds) amount to NOK 4 963 951 and are not recognised in the company's balance sheet. The corresponding client liabilities are NOK 4 961 627. The net balance of NOK 2 324 is the result of timing differences on transfers and interest on client deposits.

The company has a credit facility of NOK 200 000 and an intraday credit facility.

**NOTE 11 PAYABLES TO CLIENTS**

	<b>Company</b>	<b>Group</b>
Client deposits	0	1 673 320
Payables to clients from secondary trading	233 721	312 476
<b>Total payables to clients</b>	<b>233 721</b>	<b>1 985 796</b>

Client deposits are carried at acquisition cost. Received deposits are due on demand.

**NOTE 12 OTHER LIABILITIES**

	<b>Company</b>		<b>Group</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Remuneration to partners and bonus to employees	387 328	284 539	581 961	421 961
Accrued costs and other short-term liabilities	170 993	188 552	229 809	251 499
<b>Total other liabilities</b>	<b>558 321</b>	<b>473 091</b>	<b>811 770</b>	<b>673 460</b>

**NOTE 13 SHAREHOLDER INFORMATION**

The company has 900 000 shares with a nominal value of NOK 100 each, held as of 31.12.2020:

	Number of shares	Ownership
Pareto AS (owned 100% directly and indirectly by Board member Svein Støle)	584 810	64,98 %
Klevsund AS (owned 100% by CEO Christian Jomaas)	22 000	2,44 %
Nes Invest AS	15 190	1,69 %
Bakkejord Invest AS (owned 100% by Board member Inge Edvardsen)	15 000	1,67 %
Emis AS (owned 100% by Board member Arild Hille)	15 000	1,67 %
Sempra AS (owned 100% by Board member Tormod Høiby)	15 000	1,67 %
Bielkevågeninvest AB	12 000	1,33 %
Vøøy Invest AS	12 000	1,33 %
Dragesund Invest AS	10 000	1,11 %
Myrianda AB	9 000	1,00 %
Own shares	5 000	0,56 %
Other shareholders with holdings below 1%	185 000	20,56 %
<b>Total</b>	<b>900 000</b>	<b>100,00 %</b>

**NOTE 14 EQUITY**

Company	Share capital	Own shares	Share premium	Other equity	Total equity
Equity 1.1	90 000	-826	66 400	314 324	469 899
Own shares	0	326	0	1 412	1 737
Currency translation	0	0	0	-1 311	-1 311
Net profit for the year	0	0	0	587 800	587 800
Proposed dividend	0	0	0	-562 631	-562 631
<b>Total equity 31.12</b>	<b>90 000</b>	<b>-500</b>	<b>66 400</b>	<b>339 594</b>	<b>495 494</b>

Group	Share capital	Own shares	Share premium	Other equity	Minority interest	Total equity
Equity 1.1	90 000	-826	66 400	401 766	23 165	580 506
Own shares	0	326	0	1 412	0	1 737
Currency translation	0	0	0	9 080	501	9 581
Net profit for the year	0	0	0	567 273	41 627	608 900
Proposed dividend	0	0	0	-562 631	-41 174	-603 805
Non-controlling interests	0	0	0	0	18 686	18 686
<b>Total equity 31.12</b>	<b>90 000</b>	<b>-500</b>	<b>66 400</b>	<b>416 900</b>	<b>42 805</b>	<b>615 605</b>

**NOTE 15 GUARANTEES**

Guarantees furnished by DNB in favour of Norges Bank for participation in the Norwegian security settlement scheme amount to NOK 100 000. These guarantees are secured through a first factoring charge on the company's receivables and a charge on securities held as current assets.

The company is member of the Norwegian Investor Compensation Scheme and Norwegian Banks' Guarantee Fund.

The company has, in relation to the granting of a licence to its subsidiary Pareto Securities Pte Ltd, issued an undertaking to the Monetary Authority of Singapore that the company will cover any liability less than SGD 12 million.

## NOTE 16 TAX

	Company		Group	
	2020	2019	2020	2019
<b>Tax payable</b>				
Profit before tax	686 100	266 400	784 500	346 000
Permanent differences	-293 014	-138 878	-17 412	23 562
Change in temporary differences	80 145	122 476	71 897	124 572
Adj. tax payable previous year with effect to temp. diff.	-15 541	-33 579	52 171	-33 579
Loss carried forward	0	0	-54 640	-1 314
Taxable income for the year	457 690	216 419	836 516	459 241
Tax payable	114 423	54 104	198 261	106 646
Prepaid tax	0	-1 794	-54 839	-42 890
Current income tax payable in the balance sheet	114 423	52 310	143 422	63 755
<b>Specification of temporary differences</b>				
Fixed assets	4 908	7 938	6 771	9 712
Shares and bonds	4 887	4 000	5 537	4 000
Receivables	-13 571	-10 350	-3 028	-2 711
Provisions	267 006	181 497	267 006	193 388
Loss carried forward	0	0	0	54 640
Basis for calculation of deferred tax	263 230	183 085	276 286	259 029
Net deferred tax asset	65 808	45 771	68 680	60 720
<b>Tax expense</b>				
Tax payable for the year	114 423	54 104	198 261	106 646
Change in deferred tax	-20 036	-30 619	-7 960	-29 598
Adjustments tax payable from previous years	3 857	6 268	-9 142	6 268
Other items	57	147	-5 559	-415
Tax expense on ordinary profit	98 300	29 900	175 600	82 900
<b>Reconciliation from nominal to actual tax rate</b>				
Expected tax expense based on nominal tax rate (22%)	150 942	58 608	172 590	76 120
Permanent differences	-64 463	-30 553	-3 831	5 184
Finance tax effect Norway (25% vs 22%)	11 793	3 826	11 793	3 826
Differences in tax rates outside Norway	0	0	-2 239	-1 335
Adjustments from previous years	0	-2 204	-3 212	-1 936
Other items	28	224	499	1 042
Tax expense	98 300	29 900	175 600	82 900

## NOTE 17 RISK MANAGEMENT AND INTERNAL CONTROLS

The group is exposed to market-related risks in respect of own-account securities holdings, counterparty risk and foreign currency risk. The company's interest risk is limited. Furthermore, the company is exposed to credit risk and operational risk. The main categories of credit risk are securities financing (note 8) and settlement risk. The settlement risk is considered low, and no significant loss has been recorded in 2020.

The company works systematically to identify, analyze, measure, monitor, prevent and limit risks associated with the business. The Board of Directors ensures that the company has appropriate risk management systems and internal controls in accordance with Norwegian Regulations on Risk Management and Internal Controls in Investment Firms. PWC is appointed as internal auditor. The Chief Executive Officer provides an annual report with an overall assessment and confirmation of the groups internal control and risk situation which is presented to the Board of Directors. The report is reviewed by the internal auditor who has confirmed that the internal control assessment in 2020 is compliant with the requirements in the relevant regulations.



**NOTE 18 REPORTED CAPITAL RATIO**

Capital adequacy is calculated on the basis of the provisions in the Norwegian Securities Trading Act with regulations based on Directive 2013/36/EU of 26 June 2013 and Regulation 575/2013 of 26 June 2013 of the European Parliament and of the Council.

Specification of tier 1 capital (CET1)	Company		Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total equity	495 494	469 899	615 605	580 506
Adjustments to CET1 due to prudential filters:				
Minority interests	0	0	-14 982	-8 108
Deferred tax assets	-16 581	0	-9 882	0
Intangible assets	-3 193	-426	-12 257	-8 927
Value adjustments (prudent valuation)	-30	-111	-384	-137
Own funds	475 690	469 362	578 100	563 334
Initial capital requirement (EUR 730 000)	7 643	7 262	7 643	7 262
<b>Specification of capital adequacy</b>				
Capital adequacy of credit- and counterparty risk	1 033 908	730 780	1 182 689	829 146
Capital adequacy of position- and currency risk	529 537	453 292	1 019 052	780 244
Capital adequacy operational risk	2 007 847	1 948 711	3 665 318	3 499 673
Total capital adequacy	3 571 292	3 132 783	5 867 059	5 109 063
Total capital adequacy ratio	13,32 %	14,98 %	9,85 %	11,03 %
Initial capital requirement (EUR 730 000)	7 643	7 262	7 643	7 262

Operational risk is calculated using the following amounts (revenues and net financials):

	Company		Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
2020	1 253 734		2 287 154	
2019	988 444	988 444	1 800 602	1 800 602
2018	970 377	970 377	1 776 753	1 776 753
2017		1 159 117		2 022 121
Capital adequacy of operational risk	2 007 847	1 948 711	3 665 318	3 499 673

**NOTE 19 RELATED PARTIES**

The company is a part of the Pareto Group. Transactions with related parties are based on market terms and conditions. Pareto AS holds 64.98 % of the shares of the company. Svein Støle is the 100% owner of Pareto AS. There are no transactions with the controlling owner Svein Støle.

The company's transactions with related parties:	2020	2019
Parent company (Pareto AS)	483	376
Other group companies	103 346	70 819
Total allocation of external costs and sale of internal services	103 829	71 195
Parent company (Pareto AS)	2 697	1 774
Other group companies	11 355	10 485
Total allocation of external costs and purchase of internal services	14 052	12 259

**NOTE 20 LIQUIDITY RISK (GROUP)**

<b>Agreed residual maturity of assets</b>	<b>1-30 days</b>	<b>30 days-1 year</b>	<b>1-5 years</b>	<b>Total value</b>
Receivables from clients	1 955 494			1 955 494
Receivables from financial institutions	269 249			269 249
Other receivables	301 348	73 301		374 649
Financial instruments		51 235		51 235
Bank deposits	2 017 356			2 017 356
<b>Total</b>	<b>4 543 447</b>	<b>124 536</b>	<b>0</b>	<b>4 667 983</b>

  

<b>Agreed residual maturity of liabilities</b>	<b>1-30 days</b>	<b>30 days-1 year</b>	<b>1-5 years</b>	<b>Total value</b>
Pension liabilities	40	440	1 875	2 355
Deposits from silent partners			22 230	22 230
Payables to financial institutions	486 201			486 201
Payables to clients	1 985 796			1 985 796
Income tax payable		143 422		143 422
Public dues payable		30 784		30 784
Proposed dividends		603 805		603 805
Other liabilities	296 885	514 885	63 032	874 802
<b>Total</b>	<b>2 768 922</b>	<b>1 293 336</b>	<b>87 137</b>	<b>4 149 395</b>

**NOTE 21 LEGAL MATTERS/DISPUTES****Crew Gold 2010**

In 2019 eight sellers of shares in Crew Gold brought legal claims against Pareto Securities AS for the payment of additional consideration up to NOK 1.90 per share under a three months' price protection agreement with a subsidiary of Severstal following their sale of 138.3 million Crew Gold shares at NOK 1.10 on 24 February 2010.

The claim from the largest of these sellers, representing 80.8 million Crew Gold shares, was settled in 2019. In its decision in January 2020, Oslo District Court ordered Pareto Securities AS to pay an additional consideration of NOK 1.1263 per share to the remaining seven claimants, amounting to NOK 89.2 million including interest and legal costs.

Pareto Securities AS has appealed the decision to Borgarting Court of Appeal and provided security to the sellers for the amount awarded under the judgement. Pareto Securities AS has recognised the court's ruling and the settlement amount in its annual financial statement for 2019. The appeal will be heard by Borgarting Court of Appeal in the autumn 2021.

**Septem Offshore 2015**

In 2018, Investec Bank plc brought a claim for damages against Pareto Securities AS in the amount of USD 39.6 million plus interest, for alleged losses incurred on the financing provided by the bank to the project company Septem Offshore AS syndicated by Pareto Securities AS in 2015.

In a judgement by Oslo District Court dated 21 April 2020, Pareto Securities was acquitted in full and awarded legal costs. Investec Bank plc has appealed the decision to Borgarting Court of Appeal. Investec Bank plc has provided security for the legal costs awarded Pareto Securities AS in the judgement from Oslo District Court. The appeal will be heard by Borgarting Court of Appeal in the spring 2021. Pareto Securities AS has made provisions in relation to the deductible under its professional liability insurance policy in its annual financial statement for 2019.

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## Svein Støle

### Underskriver

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## Tormod Høyby

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To the General Meeting of Pareto Securities AS

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Pareto Securities AS showing a profit of TNOK 587 800 in the financial statement of the parent company and profit of TNOK 608 900 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Pareto Securities AS (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Pareto Securities AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***Responsibilities of the Board of Directors and the Managing Director for the Financial Statements***

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report*

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

*Opinion on Registration and Documentation*

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

Oslo, 25 March 2021  
Deloitte AS

**Jørn Borchgrevink**

State Authorised Public Accountant (Norway)

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The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

*"By my signature I confirm all dates and content in this document."*

**Jørn Olav Borchgrevink**

**State Authorised Public Accountant (Norway)**

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