zalaris

2019 Annual Report

Simplify work life. Achieve more.

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Simplify Work Life. Achieve More.

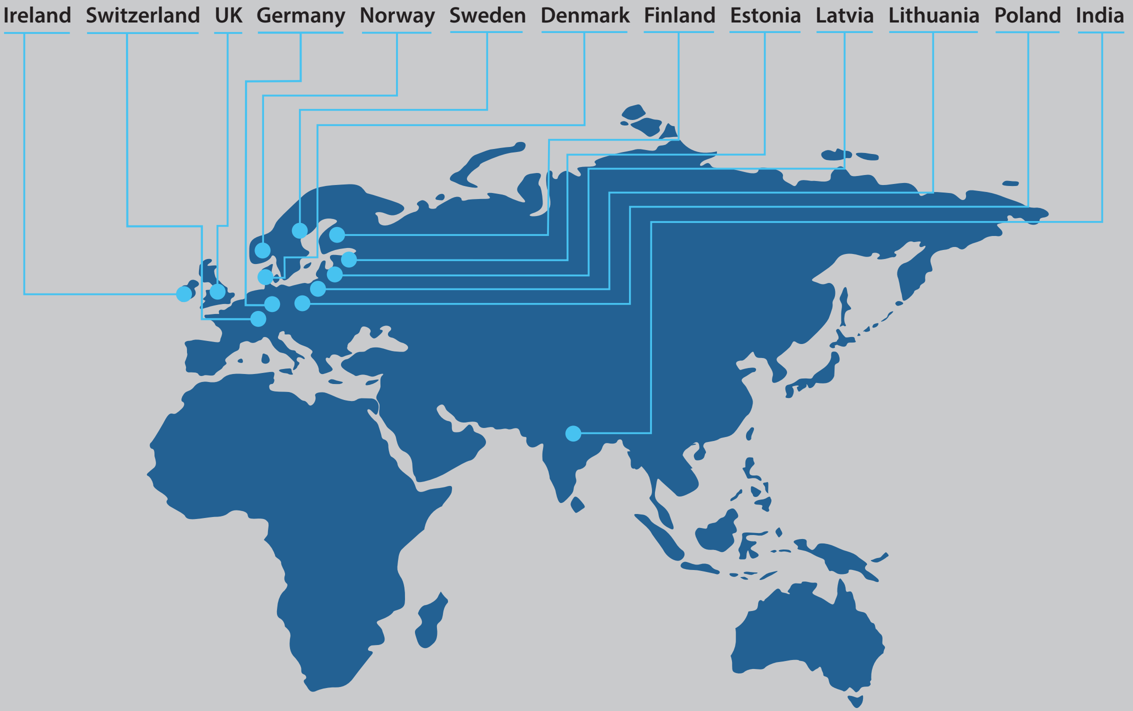
This year's annual report cover features our new logo and tagline, which reflect the progressive nature of our business, entering its 20th year. We have driven 19 years of consecutive growth since our founding in 2000.

About Zalaris

Zalaris ranks among Europe's top providers of human capital management (HCM) and payroll solutions – addressing the entire employee lifecycle, from recruiting and onboarding to compensation, time and attendance, travel expense and performance management.

Our proven local and multi-country delivery models include on-premise implementations, software as a service (SaaS), integrated cloud and business process outsourcing (BPO). Zalaris' experienced consultants and advisors cover all industries and IT environments.

Headquartered in Oslo, Norway, and publicly traded on the Oslo Stock Exchange (ZAL), we serve more than one million employees each month, across multiple industries and with many of Europe's most reputable employers. We have generated uninterrupted growth since our founding in 2000 and today operate in the Nordics, Baltics, Poland, Germany, Switzerland, India, Ireland and the UK.



Dear Shareholders

Streamlining Zalaris to Simplify Work Life During Unprecedented Times

The last year was challenging for Zalaris, and, as a result, our financial performance came in below expectations. However, during the second half of 2019, we implemented a focused operational improvement program across all operations, and I am proud of the organization's change efforts, which have repositioned the way we deliver our services — with higher efficiency and improved customer and employee satisfaction.

Now the world has entered unprecedented times, due to the outbreak of the COVID-19 pandemic. Home offices and updated labor compliances are the new normal, and we are in a position to support our customers in simplifying HR and payroll, facilitating re-skilling and empowering our customers with useful and timely information. We are poised to serve as a critical backbone for our customers, ensuring the smooth running of their HR function.

Over the past year, we have secured new agreements and renewed long-term contracts with landmark customers and implemented significant operational improvements. Our focus is now on securing the health and safety of our employees and delivering on commitments to our customers. We are planning and preparing ourselves — together with our customers — to navigate effectively through the COVID-19 crisis. We are also optimizing our capacity to support our clients' extraordinary work processes. Thus, we are confident that throughout the crisis, we can continue to prove our business model's sustainability, serve customers by ensuring stability of their business operations, and build a stronger, more agile company that operates as one #teamZalaris across all of our locations.

Simultaneously, we aim to achieve our 20th consecutive year of uninterrupted growth, expanding relationships with existing and new customers by continuing to simplify their payroll and HR administration. We aim to empower them with useful information so they can invest more in their people. And we aim to help our customers with any unforeseen changes resulting from COVID-19 by supporting them with business continuity plans.

Disruptions like COVID-19, as extreme as it is, spotlight the sustainability and structural value of Zalaris' business model in real time. A structural value that, even before the pandemic, attracted customers, partners and investors who recognized Zalaris as a unique investment opportunity with attractive fundamentals.

Scalable Infrastructure and Organization Supporting Business Continuity

Our modern and scalable IT infrastructure provides one common backbone with which work, and information, can be distributed

Hans-Petter Mellerud, Chief Executive Officer, Zalaris anywhere in real time. Governments in countries where we operate have introduced restrictions as a part of the COVID-19 pandemic, for instance, allowing us to introduce remote work for our 850-plus employees within days. No additional investments were needed to secure access equal to that of sitting in our offices. Our standardized and well-documented processes, in combination with our geographically distributed service centers and talented employees, allow us to shift work between locations in real time.

This makes our company resilient. Because even if governments and authorities impose travel or other restrictions on an employee or a group of employees, Zalaris can continue to work and deliver on customer commitments.

Resilient and Growing Market

The global payroll market is estimated at USD $17.5 Billion and has been growing annually at a near-10% rate. The market for multi-country payroll is growing at over 20%. Meanwhile, the market for multi-process HR outsourcing services is also growing at a rate of around 10%.

How these growth projections will be impacted by the COVID-19 pandemic remains to be seen.

However, paying employees on time and administering employment are business-critical processes that must run for a company to operate successfully. The COVID-19 pandemic has increasingly shown customers the benefit of working with providers such as Zalaris, as we continue delivering these services and maintaining business continuity. Previous calamitous events, such as the financial crisis in 2008, have shown that companies will look for ways to reduce and restructure costs in the aftermath. This is often a time when companies in our industry are in demand, leading to an uptick in sales.

Diversified Business with Blue-Chip Client Base

Our client base is distributed across several industries and consists of some of the leading companies and public organizations in the countries in which we operate. They think long-term and maintain relationships with their employees even in times of crisis. We have seen reduced demand in some areas, such as travel expense processing, but notice increased demand in others, such as the implementing of system changes resulting from government regulations. Another area of increased demand involves handling increased levels of sick leave and the possibility of implementing shorter working hours and even layoffs.

High Degree of Recurring/Contracted Revenues

More than 90% of the revenue in our Managed Services business unit, providing cloud-based payroll and HR services and solutions, is recurring, based on long-term agreements (typically, a duration of five years or more). Most of these have been renewed throughout the last 18 months, ensuring a substantial recurring revenue stream in periods of uncertainty.

In our Professional Services business, where we deliver a combination of implementation services and application maintenance services, more than 60% of our agreements are recurring, many with large public customers. Thus, continuing to deliver these services and implementing change orders for Managed Services customers, supports continuous revenue streams in times of crisis.

Looking Forward and Coming Out of the COVID-19 Pandemic

After ensuring we had taken the necessary steps to secure the health of our employees and our deliveries to customers, we started thinking about opportunities. We started thinking about how we should come out of the crisis.

We will, of course, continue our quest for profitable growth, adapting new experiences from working at home to create an even more effective organization going forward. For example, working remotely while supported by effective video-based tools has proven an effective way to manage distributed teams and improve face time with geographically distributed team members. This optimized way of working ensures continuous contact, increasing morale and helping us operate as a high-performance team. We will continue this practice going forward to maintain our agility. At the same time, we want to address the work/life balance with environmental issues in mind — ideally reducing the amount of commuting for our employees as well as the need for office space.

We are also well-positioned to deliver on the increased demand for flexible work solutions through our fully digitized payroll and HR offerings.

Our most valuable resource, now and always, is our employees. As we continue driving toward Year 20 of uninterrupted growth, we will rely on them first and foremost. We're strengthening the #teamZalaris identity this year in kind — with a new mission and values — to guide the way we work. We're also revitalizing our brand and logo to spotlight our long-term commitment to transforming human resources.

For the last 20 years, we've simplified the work lives of many. We will continue to do so in 2020, impacting millions of people and enabling them to achieve more.

Hans-Petter Mellerud
Chief Executive Officer, Zalaris

Management Team

Hans-Petter Mellerud
Chief Executive Officer

Gunnar Manum
Chief Financial Officer

Halvor Leirvåg
Chief Technology Officer

Øyvind Reiten
Executive Vice President
Business Development -
Global Managed Services

Sami Seikkula
Executive Vice President
Northern Europe

Harald Goetsch
Executive Vice President
Central Europe

Will Jackson
Executive Vice President
Zalaris UK & Ireland

Balakrishnan Narayanan
Executive Vice President
APAC

Richard E. Schiørn
Executive Vice President
Solution & Delivery -
Global Managed Services

Hilde Karlsmyr
Chief Human
Resources Officer

Lars Laier Henriksen
Chairman of the Board

Liselotte Hägertz Engstam
Board Member

Jan M. Koivurinta
Board Member

Adele Bugge Norman Pran
Board Member

Jon Erik Haug
Board Member

Kenth Eriksson
Board Member

Corinna Schäfer
Board Member

Zalaris'[1] mission is to help clients maximize the value of their human capital through excellence in people processes.

Zalaris ranks among Europe's top providers of human capital management (HCM) and payroll solutions, addressing the entire employee lifecycle, from recruiting and onboarding to compensation, time and attendance, travel expense, performance management and learning. The Group's proven local and multi-country delivery models include on-premise implementations, software as a service (SaaS), integrated cloud and business process outsourcing (BPO).

Zalaris delivers a full range of services organized as two business segments; Managed Services and Professional Services. Managed Services consists of cloud services and HR outsourcing together with all of Zalaris' other outsourcing services. Professional Services consists of Zalaris' consulting business, assisting clients with transformation projects within HR and finance.

With more than 19 years of experience and 850+ employees, Zalaris provides payroll services to large-scale customers for more than 300,000 employees each month, and more than 1 million employees are served monthly across all human resource (HR) solutions.

Zalaris is headquartered in Oslo and delivers services out of local-language centers covering northern and central Europe, the UK and Ireland, India, and Thailand. Zalaris ASA is listed on the Oslo Stock Exchange (ZAL).

Operational Highlights

Zalaris recorded an all-time high revenue of NOK 777 million in 2019, which makes it the 19th year of consecutive revenue growth by the Company.

During the year, Zalaris successfully started delivering Managed Services for several top-tier Norwegian customers, such as DNB, Kongsberg Group and AkerBP. The Group's strong market position was confirmed with the renewal of long-term contracts with key clients like Nordea, Telenor, Yara (subsequent to year-end), Finnair, ABB and Bilfinger in the Nordic region. In Germany, several new customers were signed, including Frankfurt Airport (FRAPORT), Dräger, Eurowings, Gasnetz Hamburg and Universität Siegen, and a new banking client, PEKAO bank, was signed in Poland.

Zalaris' strong position in the public sector in Germany was confirmed with the renewal of a framework agreement with the German Federal Administration for application maintenance of their personnel and payroll system, which pays close to 300,000 employees, civil servants and pension recipients on a monthly basis, as well as the extension of the agreement with the State of North Rhine-Westphalia for SAP Application Management Services, which were signed subsequent to year-end.

In the UK and Ireland, Zalaris closed its first local Managed Services deals with Barden and ABB, representing another milestone for the Group.

In May 2019, the Company announced an EBIT improvement program, and the following actions were initiated with an aim to reach a profitability target of 10% EBIT margin going forward:

- Centralizing support functions as Finance, HR and IT to accelerate process improvements, synergy realization and cost reductions;
- Reducing costs for external advisors and downsizing administrative functions;
- Converting internal resource usage to market-facing capacity;
- Focusing sales efforts to improve scale utilization; and
- Increasing offshore capability utilization.

Consolidating delivery locations, improving operational efficiency, and downsizing administrative non-market facing capacity has resulted in a net reduction of 52 FTEs.

The improvement program has incurred short-term restructuring costs that have affected the 2019 results negatively. However, going forward the program is expected to have significant positive operational and financial effects.

1. Zalaris (the "Company" or the "Group") refers to Zalaris ASA and its subsidiaries if not otherwise stated.

Consolidated Financial Results for the Group

Zalaris' consolidated revenue for 2019 was NOK 776.8 million (2018: NOK 745.4 million), an increase of 4.2% compared to last year. The operating profit was NOK 14.1 million (17.3 million), which gives an operating margin of 1.8% (2.3%). Zalaris' ordinary profit before tax was negative NOK 10.0 million (negative NOK 4.2 million). Net results for the year was negative NOK 7.0 million (negative NOK 1.3 million).

Cash flow in 2019 shows net cash from operating activities of NOK 42.5 million (NOK 5.2 million). Net cash flow from investing activities was negative NOK 25.5 million (negative NOK 21.3 million). The investing activities mainly relate to internal development projects.

Net cash flow from financing activities was negative NOK 40.1 million (NOK 57.3 million), which is mainly represented by payment of lease liabilities reclassified under IFRS 16 and purchases of own shares. Proceeds from a bond issue, net of repayments of bank loans, contributed to the positive cash flow from financing activities in 2018. Zalaris had cash and cash equivalent amounting to NOK 82.4 million (NOK 107.8 million) at the end of 2019. The Board's view is that Zalaris has sufficient cash to internally finance the Group's liabilities, investment needs and operations for the next 12 months.

Zalaris' consolidated equity amounted to NOK 92.2 million (NOK 108.9 million) as of 31 December 2019. This corresponds to an equity ratio of 13.1% (15.0%). The Board and executive management expect the equity ratio to increase going forward in line with expected improvements in Zalaris' financial results.

Total assets at the end of 2019 were NOK 713.0 million (NOK 725.6 million). Total liabilities were NOK 620.9 million (NOK 616.7) at the end of 2019.

Business Segments

Zalaris has two business segments: Managed Services and Professional Services. These business segments were organized as separate segments in January 2019, and the comparable figures for 2018 in the segment information in the financial report has been re-presented accordingly.

Managed Services had a revenue of NOK 574.5 million in 2019 (NOK 550.0 million), an increase of 4.4.% compared to 2018. Operating profit for the segment in 2019 was NOK 63.5 million (NOK 60.0 million).

Revenue for 2019 for Professional Services amounted to NOK 202.3 million (NOK 195.9 million), an increase of 3.3% compared to the previous year. Operating profit for the segment in 2019 was NOK 18.2 million (NOK 18.0 million).

Zalaris research and development (R&D) is focusing on developing its own IP and integrating standard software to new and innovative solutions and process designs that support customers simplifying payroll and HR processes and achieving more. Key projects in 2019 included enhancements in the Company's mobile solutions framework enabling the completion of all transaction processes on the go, a concept for reducing project implementation costs and calendar time, the utilization of Robotic Process Automation technologies to improve process efficiency, and customer support and the utilization of machine learning technologies for early detection of anomalies.

The Company does not have dedicated R&D resources, but development projects are carried out by Zalaris' consultants, with the support of suppliers and partners.

Parent Company's Results

The financial statements of the parent company, Zalaris ASA, are prepared and presented in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway ("NGAAP"). Zalaris ASA is a holding company offering centralized management group services to its subsidiaries such as IT, accounting and controlling, HR and marketing. The parent company is invoicing its subsidiaries for some of its management services.

For Zalaris ASA, total revenue for 2019 was NOK 118.0 million (NOK 116.4 million), which is an increase of 1.4% compared to 2018. Result from operations was a loss of NOK 60.7 million (loss of NOK 55.8 million). Zalaris ASA reported a net loss for the year of NOK 20.9 million (NOK 18.3 million).

Total shareholders' equity in Zalaris ASA as of 31 December 2019 was NOK 62.5 million (NOK 92.6 million), corresponding to 11.2% (16.8%) of total assets.

The Board proposes to allocate the net loss of NOK 20.9 million to other equity.

Dividend Payment

The Board of Directors proposes that no dividend is paid for the financial year 2019.

Continuing Operation

With reference to the Norwegian Accounting Act § 3-3, the Board confirms its belief that conditions exist for continuing operations and that these financial statements have been prepared in accordance with the going concern principle. The confirmation is based on an estimated long-term profitable growth and the Company's solid cash and equity standing.

Operational and Financial Risks

The Group is exposed to various risks and uncertainties of operational, market and financial character. Internal controls and risk management are an integrated part of all Zalaris organizational business processes and of achieving the Company's strategic and financial objectives.

Operational Risk

The Group has a broad customer base, but a large share of the revenues come from a relatively low number of major customers. After contracts are entered into, the deterioration of relations with, or the termination of any major contracts by, Zalaris' major customers could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, should any of the Group's major customers divest large portions of their operations, experience consolidation or a change of control, the functions outsourced by such customer may face significant alteration, which could lead to reductions or changes of the scope of, or termination of, major contracts with the Group.

The Group might fail to accurately forecast its ability to deliver outsourcing services efficiently and contracts may not be implemented within appropriate timescales or could be implemented poorly and fail to deliver savings to the customers. If the Group underestimates the cost, complexity or time requirements to deliver a contract it may incur losses. Such delays or failures may have an adverse effect on the Group's business, results of operations and financial conditions, and on its reputation as an outsourcing provider.

The Group is increasingly exposed to cyber security-related risks through the nature of the services provided, which heavily involve storage of both identifiable and sensitive personnel data, as well as the handling of large amounts of payments to customers' employees. This exposes the Group's IT systems and personnel as potential targets for threats ranging from insiders misusing legal accesses to external threats like hackers and others trying to exploit the data the Group is processing, for financial gain or collecting of information for other illegal purposes.

As a result of these cyber security threat scenarios and their potential for severe disruptions to the services, the Group has established numerous countermeasures both of a technical and organizational nature. A dedicated Cyber Security Operations Center (CSOC) has been established with continuous monitoring of all systems and user activities with the explicit goal of preventing threats from converging into actual attacks or exploits of our systems and the customer data contained within them. If the Group fails to prevent any such disruptions, it could have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

Financial Risk

Zalaris' client portfolio consists mainly of large, financially stable companies with high credit ratings; thus, the Company has no significant credit risk. The Group invoices customers monthly and continuously monitors incoming payments.

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities as it matures. The Company continuously estimates the need of cash to pay its liabilities as it matures and ensures that cash is available at all times, both for operational and capitalized expenditures. Cash and cash equivalents amounted to NOK 82.4 million as of 31 December 2019 (NOK 107.8 million).

At the end of 2019, the Group had interest-bearing debt amounting to NOK 369.1 million (NOK 378.4 million). In 2018, the Company issued a EUR 35 million bond loan. The proceeds were used to repay existing EUR-denominated bank loans and for additional cash reserves. The Company is thus exposed to changes in the EUR/NOK exchange rate. The Group also has foreign currency-denominated cash deposits.

The Group provides services in countries with a different currency than NOK and is consequently exposed to any fluctuations in the currency rate between these currencies and NOK. The Group also has variable interest rate borrowings and is thus exposed to interest rate fluctuations. The Group settles internal transactions on an ongoing basis to reduce the risk associated with movement in currencies and interest rates.

Despite the Group's focus on reducing risks through internal controls and risk management, there will still be risk factors that cannot be adequately handled through preventative measures. Further details on financial risk, including the sensitivity analysis required by IFRS, can be found in note 19 in the financial statements.

The Organization

Zalaris had 869 employees at the end of 2019 (2018: 877). The aggregated offshore and nearshore presence was 29% (30%) of Zalaris workforce.

Absence due to sick leave averaged 3.0% (2.3%) in 2019. No incidents of injury or accidents in the workplace were reported during 2019.

Zalaris aims to have a balanced representation of gender, age, race and religion. Women are well represented in all the Group's companies and units, comprising 53% (56%) of the workforce. The Group's executive management team was at the end of the year represented with 10% female. The Company aims to increase the female representation by actively seeking and developing female talent.

Corporate Social Responsibility, the Environment and Employees

Zalaris aspires to achieve sustainable development by striking a good balance between financial results, value creation, sustainability and corporate social responsibility (CSR). The Company's objective is to minimize Zalaris' impact on the environment and to maximize the positive impact the Company has on the working conditions, society and customer satisfaction. At the same time, the Company aims at supporting its customers visualizing, driving and documenting the same. The statement of corporate social responsibility required under Section 3-3c of the Norwegian Accounting Act follows below.

Equal Rights

Zalaris promotes the benefits of equality and aims at being gender and "background" neutral. The Company shall be a professional workplace with an inclusive working environment and respect for the International Labor Organization's fundamental conventions.

Zalaris aims to be a workplace free from discrimination. No direct or indirect negative discrimination shall take place based on race, color, gender, sexual orientation, age, disability, language, religion, employee representation, political or other opinions, national or social origin, property, birth or other status.

Zalaris' personnel policy is based on equal pay for the same work. This means that women and men receive the same pay for the same position, given all other applicable circumstances are the same. Zalaris ASA will continue to strive for gender balance in the Group's management and board of directors. Zalaris aims to provide the physical environment necessary to not exclude the participation of persons with physical disability from performing the Company's various functions.

Many of Zalaris' core solutions and offerings support customers in target setting, ensuring and documenting compliance with CSR targets. Our recruiting solution allows for standardized effective anonymized gender and race-related recruiting and evaluation processes. Our global HR master data solutions ensure that personnel master data is documented according to customer's requirements. Zalaris' payroll solutions ensure compliance with all local tax and other reporting requirements. With multi-country payroll on one common IT solution and master data being maintained in one global HR solution – data can be compared and benchmarked independent of location.

Zalaris Analytics and Data Management solutions helps customers visualize personnel data and document compliance. Visualizing workforce composition helps to identify any potential issues related to equal rights, such as race, gender and pay levels, so that these can be addressed.

Life-Work Balance and Healthy Lifestyle

Zalaris strives to make it possible for employees of either gender to combine their work and private life, and therefore offers leave arrangements, home office solutions and part-time positions and other flexible work arrangements to support this objective. The Company organizes programs to motivate its employees to stay physically active while ensuring the availability of healthy food in our canteens.

Zalaris' solution helps customers and their employees easily track work hours, overtime and leave through effective mobile based solutions. Our workforce planning solutions are being used to secure optimal staffing over the year – building the foundation for a sound life-work balance. Our analytics solutions for reporting and analyzing absence and sick leave allows for early detection of potential issues and documentation of management's responsibility in getting colleagues with health issues back to work.

Our mobile and portal-based solutions delivering fully digital payroll and HR processes fully support flexible work arrangement and working from home.

Health, Safety and Environment (HSE) Policy

The long-term business success of Zalaris depends on our ability to live our values of "Service Excellence, Quality-Focused Processes and Employees – our key assets." The Company wants to continuously improve the quality of its services while contributing to a positive working environment for its people.

Zalaris requires the active commitment to and accountability for health and safety from all employees and contractors. Line management has a leadership role in the communication and implementation of, and ensuring compliance with, these policies and standards.

We are committed to:

- Protect and strive for the improvement of health, safety and security of our people at all times with the goal to eliminate "health and safety"(HS)-related accidents;
- Set HS performance objectives, measure results, assess and continually improve processes, services and product quality through the use of an effective management system;
- Work with management, employees and employee representatives to create a positive physical and psychological work environment that maximizes the motivation and teamwork for all impacted people;

- Plan for, respond to and recover from any emergency, crisis and/or business disruption;
- Develop services that can help our customers monitor and act upon HS issues;
- Communicate openly with stakeholders and ensure an understanding of our HS policies, standards, programs and performance.

Environment

Pollution of the external environment because of Zalaris' operations is limited. Zalaris' environmental impact is primarily linked to energy consumption, travel and waste from office activities. One of Zalaris' environmental measures is to provide all customer-facing IT operations in a centralized infrastructure concept hosted in several energy-efficient data centers powered by green renewable hydro-powered energy.

Zalaris has limited paper consumption through the introduction of web- and mobile-based solutions for customers for viewing of pay slips and reports, thus reducing paper printing. At the same time, Zalaris has implemented printer systems where documents are not printed unless the user logs in to pick up the printed document.

The Group's environmental initiatives focus on using organized recycling schemes for obsolete IT equipment, reducing travel activities through the increased use of teleconferencing and web meetings such as Teams, and responsible waste management.

All employees have a mandatory obligation to consciously observe the environmental impact of work-related activities, and to select solutions, products and methods that minimize environmental impact. This is described in the Company's Code of Conduct.

Through Zalaris' Travel expense solutions the Company collects detailed information on travel and consumption patterns that allow customers to monitor and follow up on the frequency of travel. This is a key influenceable environmental driver.

Business Ethics

Zalaris' Code of Conduct is an integral part of the Zalaris' formal governance. The Code defines the core principles and ethical standards that form the basis of how the Company creates value. The Code applies to Zalaris ASA and any subsidiary in which Zalaris, directly or indirectly, owns more than 50% of the voting shares.

It also applies to members of the Board of Directors, managers and other employees, as well as those acting on behalf of the Company.

Zalaris requires that the Company's business partners have appropriate ethical standards that is at a minimum of those defined in the Company's Code of Conduct and other relevant policies. Zalaris does not want to be associated with business partners that do not have appropriate ethical standards. This is the way we shall conduct business in Zalaris – and the way we shall create value for our customers, investors, staff and anyone benefiting from the services we provide.

Corporate Governance

Zalaris' corporate governance policy is based on, and complies with, the Norwegian Corporate Governance Code.

Zalaris ASA is incorporated and registered in Norway and is subject to Norwegian law. According to the Accounting Act § 3-3b, the Company is obliged to report on the principles and practices of corporate governance. In addition, the Oslo Stock Exchange requires an annual statement on compliance with the Company's corporate governance policy in accordance with NUES the Norwegian Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board, most recently revised on 17 October 2018.

The statement for the fiscal year 2019 is based on the disposal in the Accounting Act § 3-3b, as well as the disposal for Corporate Governance Policy for Zalaris ASA, as adopted by the Board of Directors on 26 April 2018, and has been included in a separate section of this annual report.

Events After the Reporting Period

After the closure of the 2019 financial year, the COVID-19 crisis has emerged, seriously impacting people and businesses worldwide. Zalaris has executed its Business Continuity Plan, and established an Emergency Response Team lead by the CEO. The Emergency Response Team meets daily for status updates, and to coordinate necessary activities to deal with an ever changing situation. The Company's priorities are firstly, to safeguard Zalaris' employees, partners, customers and society at large. Secondly, to be a responsible company and behave according to government guidelines. And thirdly, to keep our operations running, to help support our customers with HR and payroll services in accordance with our promises, also in these difficult times.

Zalaris is at the time of this annual report experiencing limited operational and financial impact from COVID-19, but the situation is dynamic and could change quickly. Employees being involved with service deliveries to customers could be affected, and customers could potentially experience financial difficulties and/or employee reductions. Zalaris has a strong focus on maintaining sufficient financial capacity and flexibility should the situation change, and will be closely monitoring the situation. Even though the Company is currently not experiencing any material negative financial impact of

COVID-19, the effects of the pandemic will depend on its scope and duration. No other events have occurred after the balance sheet date which have had a material effect on the issued accounts.

Outlook

The market fundamentals remain strong and Zalaris' key markets are expected to grow in the foreseeable future. The Company is well-positioned to capture part of this growth through new customers and by expanding the service offering to existing customers. The Company's financial results are expected to improve from the levels observed in 2019, as a result of the cost reduction initiatives implemented in 2019 through the EBIT improvement program. This includes streamlining of the organization, ramp-up of digitizing efforts, automating services and increasing Robotic Process Automation (RPA) projects, all aimed at increasing quality in deliveries and reducing costs. The COVID-19 pandemic has had limited financial impact on the Company so far, but revenue could be impacted negatively in the time to come, depending on the scope and duration of COVID-19. However, the underlying market fundamentals remain strong, and the long-term outlook is positive.

Oslo, 20 April 2020

Lars Laier Henriksen Chairman of the Board	**Liselotte Hägertz Engstam** Board Member	**Jan M. Koivurinta** Board Member	**Adele Bugge Norman Pran** Board Member
Jon Erik Haug Board Member	**Kenth Eriksson** Board Member	**Corinna Schäfer** Board Member	**Hans-Petter Mellerud** Chief Executive Officer

We hereby confirm that the consolidated financial statements and the financial statements for the parent company for the period 1 January 2019 to 31 December 2019, to the best of our knowledge, have been prepared in accordance with applicable accounting standards and that the information in the financial statements provides a true and fair view of the Group's and the parent company's assets, liabilities, financial position, and results as a whole.

We also hereby declare that the annual report provides a true and fair view of the financial performance and position of the Group and the parent company, as well as a description of the principal risks and uncertainties facing the Group and the parent company.

Oslo, 20 April 2020

Lars Laier Henriksen
Chairman of the Board

Liselotte Hägertz Engstam
Board Member

Jan M. Koivurinta
Board Member

Adele Bugge Norman Pran
Board Member

Jon Erik Haug
Board Member

Kenth Eriksson
Board Member

Corinna Schäfer
Board Member

Hans-Petter Mellerud
Chief Executive Officer

Consolidated Group Annual Accounts Report 2019 Zalaris ASA

The consolidated group annual accounts report for Zalaris ASA contains the following documents:

- **Consolidated Statement of Profit and Loss**
- **Consolidated Statement of Comprehensive Income**
- **Consolidated Statement of Financial Position**
- **Consolidated Statement of Cash Flows**
- **Consolidated Statement of Changes in Equity**
- **Consolidated Notes to the Financial Statement**

The consolidated financial statements, which have been drawn up by the Board and management, should be read in relation to the Annual Report and the independent auditor's opinion.

Consolidated statement of profit or loss for the period ended 31 December

(NOK 1000)	Notes	2019	2018
Revenue	**2, 3**	**776,792**	**745,434**
Operating expenses			
License costs		67,981	60,492
Personnel expenses	4	438,543	426,623
Other operating expenses	5	166,887	177,823
Depreciation and impairments	10	4,048	3,635
Amortization right-of-use assets	11	21,932	-
Amortization intangible assets	9	26,704	23,575
Depreciation implementation costs customer projects	3	36,606	35,947
Total operating expenses		**762,701**	**728,094**
Operating profit		**14,091**	**17,339**
Financial items			
Financial income	6	2,632	9,675
Financial expense	6, 16, 19	(26,683)	(31,176)
Net financial items		**(24,051)**	**(21,501)**
Profit before tax		**(9,960)**	**(4,161)**
Tax expense	7	2,950	2,888
Profit for the period		**(7,011)**	**(1,273)**
Earnings per share:			
Basic earnings per share (NOK)	8	(0.36)	(0.06)
Diluted earnings per share (NOK)	8	(0.35)	(0.06)

Consolidated statement of comprehensive income for the period ended 31 December

(NOK 1000)	Note	2019	2018
Profit for the period		(7,011)	(1,273)
Other comprehensive income			
Items that will be reclassified to profit and loss in subsequent periods			
Currency translation differences		1,688	2,088
Total other comprehensive income		**1,688**	**2,088**
Total comprehensive income		**(5,323)**	**815**

Consolidated statement of financial position as of 31 December

(NOK 1000)	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	9	132,950	143,064
Goodwill	9	153,248	151,996
Total intangible assets		**286,198**	**295,059**
Deferred tax asset	7	11,710	6,468
Fixed assets			
Office equipment	10	1,761	1,737
Right-of-use assets	11	34,849	-
Property, plant and equipment	10	31,376	33,455
Total fixed assets		**67,986**	**35,192**
Total non-current assets		**365,894**	**336,720**
Current assets			
Trade accounts receivable	12	148,614	158,118
Customer projects assets	3	88,808	97,272
Other short-term receivables	13	27,275	25,653
Cash and cash equivalents	14	82,448	107,844
Total current assets		**347,145**	**388,887**
TOTAL ASSETS		**713,039**	**725,607**

Consolidated statement of financial position as of 31 December

(NOK 1000)	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	15	1,957	2,003
Other paid-in equity		3,804	2,061
Share premium		34,252	45,140
Total paid-in capital		**40,014**	**49,205**
Other equity		(374)	(33)
Retained earnings		52,526	59,733
Total equity		**92,166**	**108,905**
Liabilities			
Non-current liabilities			
Deferred tax liability	7	25,313	25,776
Interest-bearing loans and borrowings	16	362,487	355,746
Lease liabilities	11	16,536	-
Total long-term debt		**404,337**	**381,522**
Current liabilities			
Trade accounts payable		29,845	24,358
Customer projects liabilities	3	55,740	64,284
Interest-bearing loan from shareholders	16	5,326	7,849
Interest-bearing loans	16	1,245	14,795
Lease liabilities	11	19,099	-
Income tax payable	7	5,408	4,801
Public duties payable		37,314	36,517
Other short-term debt	18	61,464	81,695
Derivatives		1,095	881
Total short-term debt		**216,535**	**235,180**
Total liabilities		**620,873**	**616,702**
TOTAL EQUITY AND LIABILITIES		**713,039**	**725,607**

Oslo, 20 April 2020

Lars Laier Henriksen
Chairman of the Board

Liselotte Hägertz Engstam
Board Member

Jan M. Koivurinta
Board Member

Adele Bugge Norman Pran
Board Member

Jon Erik Haug
Board Member

Kenth Eriksson
Board Member

Corinna Schäfer
Board Member

Hans-Petter Mellerud
Chief Executive Officer

Consolidated statement of cash flow for the period ended 31 December

(NOK 1000)	Note	2019	2018
Cash flow from operating activities			
Profit (Loss) before tax		(9,960)	(4,161)
Net financial items	6	24,051	21,501
Share-based payments	15, 22	1,743	945
Depreciation and impairments	10, 11	25,981	3,635
Amortization intangible assets	9	26,705	23,575
Depreciation implementation costs customer projects	3	36,606	35,947
Recognized customer projects assets	3	(29,505)	(36,872)
Recognized customer projects liabilities	3	(8,545)	(9,203)
Taxes paid	7	(6,356)	(4,996)
Changes in accounts receivable	12, 19	9,504	(624)
Changes in accounts payable	19	5,487	148
Changes in other items	18	(8,313)	(12,260)
Interest received	6	162	212
Interest paid	6	(25,052)	(12,645)
Net cash flow from operating activities		**42,508**	**5,200**
Cash flows to investing activities			
Investment in fixed and intangible assets	9, 10	(25,462)	(21,330)
Net cash flow from investing activities		**(25,462)**	**(21,330)**
Cash flows from financing activities			
Buyback of own shares		(10,934)	-
Bank overdraft		-	(25,135)
Proceeds from issue of new borrowings	16	-	340,282
Payment of lease liabilities	11	(22,807)	-
Repayment of loan	19	(6,320)	(244,736)
Dividend payments to owners of the parent	15	-	(13,080)
Net cash flow from financing activities		**(40,062)**	**57,331**
Net changes in cash and cash equivalents		**(23,016)**	**41,201**
Net foreign exchange difference		**(2,380)**	**3,851**
Cash and cash equivalents at the beginning of the period		**107,844**	**62,792**
Cash and cash equivalents at the end of the period		**82,449**	**107,844**

Consolidated statement of changes in equity for the period ended 31 December

(NOK 1000)	Share Capital	Share Premium	Other Paid-in Equity	Total Paid-In Equity	Other Equity	Retained Earnings	Total Equity
Equity at 01.01.2019	**2,003**	**45,140**	**2,061**	**49,205**	**(32)**	**59,733**	**108,905**
Profit of the year	-	-	-	-	-	(7,011)	(7,011)
Other comprehensive income	-	-	-	-	1,688	-	1,688
Buyback of own shares	(46)	(10,888)	-	(10,934)	-	-	(10,934)
Share-based payments	-	-	1,743	1,743	-	-	1,743
Issue of Share Capital	-	-	-	-	-	-	-
Transactional costs related to issue of new shares	-	-	-	-	-	-	-
Other changes	-	-	-	-	(2,030)	(196)	(2,226)
Dividend	-	-	-	-	-	-	-
Equity at 31.12.2019	**1,957**	**34,252**	**3,805**	**40,014**	**(374)**	**52,526**	**92,166**
Equity at 01.01.2018	**2,003**	**58,220**	**1,116**	**61,339**	**(2,114)**	**60,461**	**119,687**
Profit of the year	-	-	-	-	-	(1,273)	(1,273)
Other comprehensive income	-	-	-	-	2,088	-	2,088
Payments	-	-	945	945	-	-	945
Other changes	-	-	-	-	(7)	545	538
Dividend	-	(13,080)	-	(13,080)	-	-	(13,080)
Equity at 31.12.2018	**2,003**	**45,140**	**2,061**	**49,204**	**(33)**	**59,733**	**108,905**

Note 1 - Accounting Principles and Basis for Preparation

The Zalaris Group consists of Zalaris ASA and its subsidiaries, all fully owned. Zalaris ASA is a limited company incorporated in Norway. The Group's main office is located in Hovfaret 4, Oslo, Norway. The Group delivers full-service outsourced personnel and payroll services.

The consolidated financial statements of Zalaris for the period ending on 31 December 2019 were approved in a board meeting on 20 April 2020.

1.1 The Basis for the Preparation of the Financial Statements

The Group's consolidated financial statements of Zalaris ASA for the accounting year 2019 have been prepared in accordance with international accounting standards ("IFRS") as adopted by the European Union (EU).

The consolidated financial statements are based on the principles of historic cost, with the exception of financial instruments which are recognized at fair value. The consolidated financial statements have been prepared on the basis of going concern.

1.2 Accounting principles Basis of Consolidation

The consolidated financial statements comprise the financial statements of Zalaris ASA and its subsidiaries (together referred to as "the Group"). Subsidiaries are all entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed during the year are included in the consolidated financial statement from the date when control is obtained, to the date the Group no longer has control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intercompany balances and transactions have been eliminated upon consolidation.

The acquisition of a subsidiary is considered on a case-by-case basis to determine whether the acquisition should be deemed as a business combination or as an asset acquisition.

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Transaction costs are expensed as incurred. The excess of the consideration transferred over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. When acquisitions are deemed as asset acquisitions no deferred tax on initial differences between carrying values and tax bases are recorded, nor are any goodwill recorded at the date of acquisition.

Foreign Currency

Functional currency, presentation currency and consolidation:

The Group's presentation currency is NOK. The functional currency of the Parent Company is NOK.

For consolidation purposes, the balance sheet figures for subsidiaries with a different functional currency than NOK are translated into the presentation currency (NOK) at the rate applicable at the balance sheet date. Income statements are translated at the average monthly exchange rate. Exchange differences from translating subsidiaries are recognized in other comprehensive income.

Transactions in Foreign Currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into the functional currency at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group's revenue consists of revenue from providing HR services, so called managed services. Managed Services do also include cloud services. The other segment is Professional Services which is basic consulting services.

Managed Services, the revenue from contracts related to outsourcing consists of a basic fixed fee and variable revenue based on number of factors as number of employees, pay slips and expense claims produced. All the above-mentioned deliverables are considered to be highly interrelated and are therefore considered to not be separate identifiable, i.e. one performance obligation. Revenue from outsourcing contracts are also recognized over time, since the customer simultaneously receives and consumes the benefits provided by the Group.

Cloud services, a part of managed services, delivered by the Group may comprises of several deliverables (monthly services, hosting, licenses etc.) The hosting of program solutions is either on the Group's platform or third-party platform. All the deliverables are considered to be highly interdependent and are therefore deemed to be one performance obligation. The revenue from cloud services are recognized over time, since the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from professional services contains one performance obligation, i.e. consultant services. The revenue from these contracts are recognized over time since the customer simultaneously receives and consumes the benefits provided by the Group. The measurement of progress is based on hours.

Costs related to customer contracts are expensed as incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts (transition and/or transformation costs) may be deferred when they are costs specific to a given contract, generate or enhance the Group's resources that will be used in satisfying performance obligations in the future, and are recoverable. These costs are considered to be "costs to fulfill a contract" and are recognized as customer project asset. The deferred costs are expensed evenly over the period the outsourcing services are provided. The amortization of deferred cost is presented in the Statement of Profit and Loss in the line item "amortization implementation costs customer projects". These costs are accrued before startup of the delivery. The customer's acceptance of startup signifies the recognition of the delivery and revenue is hence rendered from this date forward.

Contract Balances

Contract assets: A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group is transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables: A receivable represents the Group's right to an amount of consideration that is unconditional.

Contract liabilities: A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group fulfills the performance obligation(s) under the contract.

The Group may receive prepayments from customers in the implementation phase of outsourcing projects. The payments are recognized as contract liabilities ("customer project liabilities") and recognized as revenue over the period the Group fulfills the related performance obligation.

Principal Versus Agent Considerations (Cloud Services)

For Cloud services the Group delivers services partly based on a SAP-license. Where hosting services are delivered from the Group together with other services rendered, the customer will have to discontinue the hosting service upon a termination of the contract. Where the hosting is rendered by a third party there is a possibility for the customer to continue to receive the hosting service, but without the add-ons and services rendered by the Group. This will leave the customer with a different product, and hence the Group is the principal supplier of cloud services as a whole.

Consideration

The Group's revenue is determined on contractual pricing connected to delivered services within a certain period. Outsourcing and Cloud services revenue is based on rendered service in the period while consulting services are invoiced based on hourly performance. The is no right of return of the services sold by the Group.

If the consideration in a contract includes a variable amount, the Group estimates the most likely amount of consideration to which it will be entitled in exchange for transferring the good or service to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Consideration of Significant Financing Component in a Contract

The Group invoices for delivered services throughout the contractual period. Some of these services are short-term financed by the Group while outsourcing contracts contains an element of financing over the contract periods. However, the financing of customer project is not considered to be significant. Hence, the Group has chosen to apply the practical expedient not to adjust any prepayments form customers.

Income Tax

Income tax expense for the period comprises current tax expense and deferred tax expense. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity. Items of the other comprehensive income presented net of related tax effects in the Statement of Other Comprehensive Income.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to apply when the assets are realized or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The companies included in the consolidated financial statement are subject to income tax in the countries where they are domiciled.

Intangible Assets: Internally Developed Software

Costs related to internally developed software are capitalized to the extent that a future economic benefit associated with the development of identifiable intangible assets and costs can be reliably measured. Otherwise, the costs are expensed as incurred. Capitalized development is amortized over their useful lives. Research costs are expensed as incurred.

Fixed Assets

Fixed assets are valued at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the gross carrying amount and depreciation are derecognized, and any gain or loss on the sale or disposal is recognized in the income statement.

The gross carrying amount of fixed assets is the purchase price, including duties/taxes and direct acquisition costs related to making the fixed asset ready for use.

The depreciation periods and methods are assessed each year. The residual value is estimated every year-end and changes in the estimate for residual value are accounted for as an estimation change. The residual value of the Group's fixed assets is estimated to be nil.

Leases

Zalaris has applied IFRS 16 using the modified retrospective approach. The impact of changes in accounting policies and impact of the initial application is disclosed in note 11.

Identifying a Lease

At the inception of a contract, Zalaris assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the right to direct the use of the asset
- The supplier does not have a substantive right to substitute the asset throughout the period of use

Zalaris as a Lessee

Separating Components in the Lease Contract Zalaris accounts for each lease component within the contract as a lease separately from non-lease components of the contract. Non-lease components, such as other occupancy costs related to office lease agreements, are accounted for by applying other applicable standards.

Recognition of Leases and Exemptions

At the lease commencement date, Zalaris recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets (NOK 50,000 or less)

For these leases, Zalaris recognizes the lease payments as other operating expenses in the statement of profit or loss when they incur.

Measuring the Lease Liability

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with both periods covered by an option to extend the lease when Zalaris is reasonably certain to exercise that option, and periods covered by an option to terminate the lease when Zalaris is reasonably certain not to exercise that option. Based on relevant circumstances, Zalaris does consider whether to exercise extension options or termination options or not when determining the lease term. Zalaris is not expecting the terms for the extension period to be lower than the current market price at the time of execution of an extension period compared to similar lease agreements. The Group continuously evaluates more cost-effective leases as the business does not have assets that are particularly important.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

Zalaris presents its lease liabilities as separate line items in the statement of financial position.

Measuring the Right-of-Use Asset

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprises:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the Group

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. The Group has elected to not apply the revaluation model for its right of use asset for leased buildings.

The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The Group presents its right-of-use assets as separate line items in the consolidated statement of financial position.

Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Trade receivables that do not contain a significant financing component, as defined by IFRS 15 – Revenue from Contracts with Customers, are measured at the transaction price (e.g., invoice amount excluding costs collected on behalf of third parties, such as sales taxes). Determining whether a significant financing component exists involves considering things like the difference between the cash price for an asset and the transaction price in the contract, the term of the receivable and prevailing interest rates. As a practical expedient, Zalaris presumes that a trade receivable does not have a significant financing component if the expected term is less than one year. According to IFRS 9, Zalaris can recognize a loss allowance based on lifetime ECLs (Expected Credit Loss) after the simplified approach if the asset does not consist of a significant financing component in accordance with IFRS 15. Zalaris uses a provision matrix as a practical approach for measuring expected credit losses for trade receivables. The provision matrix is based on historical default rates within different ranges of overdue receivables for groupings of trade receivables that share similar default patterns. Groupings are made based on segment and product type. The provision matrix is also calibrated based on assessment of current and future financial conditions. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

31 December 2019	**Trade Receivables - Days Past Due**					
(NOK 1000)	**Current**	**<30 Day**	**30-60 Days**	**61-90 Days**	**>91 Days**	**Total**
Expected credit loss rate	0.2 %	0.5 %	0.5 %	1.0 %	2.0 %	-
Estimated total gross carrying amount at default	110,215	28,213	3,505	2,118	4,564	**148,614**
Expected credit loss	220	141	18	21	104	**505**

Cash and Cash Equivalents

Cash and the equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial Liabilities

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. The measurement of financial liabilities depends on their classification. Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains and losses are recognized in profit or loss when the liabilities are derecognized. For further information see note 18.

Pension Plans

Defined Contribution Plan
The Group has only defined contributions plans. Contributions are paid to pension insurance plans and charged to the income statement in the corresponding period. Once the contributions have been paid, there are no further payment obligations.

Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shares using the weighted average number of ordinary shares outstanding during the year after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of the basic earnings per share, but gives at the same time effect to all dilutive potential ordinary shares that were outstanding during the period, by adjusting the profit/loss and the weighted average number of shares outstanding for the effects of all dilutive potential shares, i.e.:

- The profit/loss for the period attributable to ordinary shares is adjusted for changes in profit/loss that would result from the conversion of the dilutive potential ordinary shares.

The weighted average number of ordinary shares is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary.

Share-Based Compensation

The Group operates an equity-settled compensation plan, under which the entity receives services from employees as consideration for equity instruments (options and restricted stock units (RSUs)) of the Group. The fair value of the employee services received in exchange for the grant of the options or RSUs is recognized as an expense (payroll expenses) over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options and RSUs granted:

- Including any market performance conditions (e.g., an entity's share price)
- Excluding the impact of any service and non-market performance vesting conditions
- Including the impact of any non-vesting conditions

At the end of each reporting period, the Group revises its estimates of the number of options and RSUs that are expected to vest based on the non-market vesting conditions and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. If options are forfeited, the expenses relating to those options are reversed. The fair value of the options which have been estimated at grant date and are not subsequently changed.

When the options are exercised, and the Company elects to issue new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

1.3 New and Amended Standards and Interpretations

The following new standards and amendments became effective as of 1 January 2019:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Lon-term interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

Below we comment on the standards relevant for the Zalaris Group.

Standards Issued and Effective

IFRS 16 Leases
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. As a consequence of this change, the lease payments will no longer be included in the operating expenses and thus has a positive impact on EBITDA in the Group's consolidated income statement.

Depreciation expense will increase due to the capitalization of the leased assets. The Group implemented the new standard on 1 January 2019 using the modified retrospective approach.

Standards Issued But Not Yet Effective

Standards, amendments and interpretations to existing standards that are not yet effective and for which early adoption has not been applied by the Group, are listed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (1st January 2021/ or likely 1st January 2023)
- Amendment to IAS 1 and IAS 8 – Definition of Material (1st January 2020)
- Amendments to IRFS 3 – Definition of a Business (1st January 2020)

1.4 Key Sources of Estimation Uncertainty and Critical Accounting Judgments

The preparation of the financial statements in accordance with IFRS requires management to make judgments, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. The management does not assess that there is any specific areas for which there has been much estimation uncertainty.

Critical Accounting Judgments

a) Customer Projects
Revenues from outsourcing agreements are recognized over the term of the contract as the services are rendered. The related costs are recognized as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts may be deferred when they are specific to a given contract, relate to future activity on the contract, will generate future economic benefits and are recoverable. These costs are capitalized as “customer projects assets” and any prepaid revenues by the client are presented separately as “customer projects liabilities” in the statement of financial position. When calculating cost, the hourly rates applied are based on estimates.

The deferred costs are expensed evenly over the period the outsourcing services are provided and included in the line item “Amortization implementation cost customer projects”. Deferred revenue is recognized over the corresponding period.

The principle requires management to ensure routines for correct and complete allocation of cost and prepaid revenues to the individual customer project and updated and accurate rates to be applied in the cost estimation. Capitalized customer projects are tested at least annually for impairment.

b) Capitalization of Intangible Assets
Development costs of software have been capitalized as intangible assets to the extent it is assessed that future benefits can be substantiated. Judgment must be applied in determining which amount of expenses that can be capitalized.

The Group tests annually if carrying amounts exceed its recoverable amount (higher of fair value less cost to sell and its value in use.) Determining recoverable amount requires that the management makes several assumptions related to future cash flows from these assets which may involve high degree of uncertainty. As of 31 December, no indication of impairment was identified.

c) Deferred Tax Asset
Deferred tax asset is recognized in the different entities where it is expected to be utilized within the jurisdiction in question, and according to expected future profits in the same entity.

Note 2 - Segment Information

The Company has changed its reporting of business segments with effect from 1 January 2019. HR Outsourcing and Cloud Services have been merged into one segment now reported as Managed Services. Consulting has been renamed to Professional Services. The changes are made to improve visibility and reflect market trends, especially the increasingly overlapping sales and deliveries of HR Outsourcing and Cloud services to the same customers. Managed Services will be organized as a group-wide business unit to speed growth and adaptation in key markets.

Managed services include a full range of payroll and HR outsourcing services, such as payroll processing, time and attendance, travel expenses as well as related cloud system solutions and services. This includes additional cloud-based HR functionality to existing outsourcing customers as talent management, digital personnel archive, HR analytics, mobile solutions, etc.

Professional Services is a segment that has grown significantly through our acquisitions. Professional Services include deliveries of change projects based on Zalaris templates or implementation of customer-specific functionality. This business unit also assists customers with cost-effective maintenance and support of customers’ own on-premise solutions. A large portion of these services are of recurring nature and much of the services are based on long-term customer relationships.

Information is organized by business area and geography. The reporting format is based on the Group's management and internal reporting structure. Items that are not allocated are mainly intercompany sales, interest-bearing loans and other associated expenses and assets related to administration of the Group. The Group's executive management is the chief decision maker in the Group. The investing activities comprise total expenses in the period for the acquisition of assets that have an expected useful life of more than one year. The operating assets and liabilities of the Group are not allocated between segments.

2019

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	574,504	202,288	-	776,792
Operating expenses	(457,970)	(175,294)	(40,148)	(673,412)
EBITDA	**116,534**	**26,994**	**(40,148)**	**103,380**
Depreciation and amortization	(52,999)	(8,814)	(27,477)	(89,290)
EBIT	**63,535**	**18,180**	**(67,625)**	**14,091**
Net financial income/(expenses)	-	-	(24,051)	(24,051)
Income tax	-	-	2,950	2,950
Profit for the period	**63,535**	**18,180**	**(88,726)**	**(7,011)**
Cash flow from investing activities	**-**	**-**	**(25,462)**	**(25,462)**

2018*

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	549,559	195,862	13	745,434
Operating expenses	(451,006)	(175,605)	(38,327)	(664,938)
EBITDA	**98,553**	**20,257**	**(38,314)**	**80,496**
Depreciation and amortization	(38,513)	(2,211)	(22,433)	(63,157)
EBIT	**60,040**	**18,046**	**(60,747)**	**17,339**
Net financial income/(expenses)	-	-	(21,501)	(21,501)
Income tax	-	-	2,888	2,888
Profit for the period	**60,040**	**18,046**	**(79,360)**	**(1,273)**
Cash flow from investing activities	**-**	**-**	**(21,330)**	**(21,330)**

* Restated to new business segments for reporting purposes

Geographic Information

The Group's operations are carried out in several countries, and information regarding revenue based on geography is provided below. Information is based on location of the entity generating the revenue, which to a large extent, corresponds to the geographical location of the customers.

Revenue from External Customers Attributable to

(NOK 1000)	as % of Total	2019 Total	as % of Total	2018 Total
Norway	29%	228,438	27%	197,764
Northern Europe, excluding Norway	29%	221,455	31%	233,133
Central Europe	38%	294,135	39%	288,213
UK & Ireland	4%	32,764	4%	26,324
Total	**100%**	**776,792**	**100%**	**745,434**

Information About Major Customers

(NOK 1000)	as % of Total	2019 Jan-Mar	as % of Total	2018 Jan-Mar
Largest customer	12%	90,279	13%	99,378
5 largest customers	26%	198,539	27%	202,304
10 largest customers	36%	281,120	38%	284,033
20 largest customers	52%	400,907	53%	398,121

Note 3 - Revenue from Contracts with Customers

Disaggregated Revenue Information

The Group's revenue from contracts with customers has been disaggregated and presented in note 2.

Contract Balances

(NOK 1000)	Note	31.12.2019	31.12.2018
Trade receivables	12	148,614	158,118
Customer project assets		88,808	97,272
Customer project liabilities		(55,739)	(64,284)
Prepayments from customers	18	(9,608)	(18,021)

Trade receivables are non-interest bearing and are on general terms from 14 to 90 days credit. In 2019 TNOK 505 (2018 TNOK 540) was recognized as provision for expected credit losses on trade receivables.

Customer project assets are costs specific to a given contract, generate or enhance the Group's resources that will be used in satisfying performance obligations in the future, and are recoverable. These costs are deferred and amortized evenly over the period the outsourcing services are provided.

Customer project liabilities are prepayments from a customer specific to a given contract and are recognized as revenue evenly as the Group fulfills the related performance obligations over the contract period.

Prepayments from customers comprise a combination of short- and long-term advances from customers. The short-term advances are typically deferred revenues related to smaller projects or change orders related to the system solution. The long-term liabilities relate to initial advances paid upon signing the contract. These advances are contracted to be utilized by the customer to either transformation-, change- or other projects. These advances are open for application until specified, or when the contract is terminated, where the eventual remainder of the amount become the property of Zalaris and is hence rendered as income by the Group.

Movements in Customer Project Assets Through the Period:

(NOK 1000)	2019	2018
Opening balance 1 January	97,272	95,284
Cost capitalized	29,505	36,872
Amortization	(36,606)	(35,947)
Disposals & currency	(1,363)	1,063
Customer projects assets	**88,808**	**97,272**

Movements in Customer Project Liabilities Through the Period:

(NOK 1000)	2019	2018
Opening balance 1 January	(64,284)	(73,487)
Revenue deferred	(17,188)	(24,296)
Revenue recognized	28,505	33,499
Disposals & currency	(2,773)	-
Customer project liabilities	**(55,739)**	**(64,284)**

Performance Obligations

Information related to the Group´s performance obligations and related revenue recognition is summarized below:

Professional Services (Consulting)

Consulting services consist of services delivered and defined by project plans with defined milestones and completion specifications (one performance obligation). The performance obligation is satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognizes revenue based on the labor hours incurred relative to the total expected labor hours to complete the installation. Where contracts have clauses of support hours utilized by the customer the revenue is recognized when support has been delivered. In contracts where some unused hours may be transferred to later periods the performance obligation is not deemed fulfilled, and revenue is only recognized when the hours later are utilized or on the last possible time of transfer of un-utilized hours to future periods.

Managed Services (Outsourcing and Cloud)

HR Outsourcing normally consists of services delivered on a regular basis. Typically, the deliverables for these contracts are payroll services where different variable elements are delivered.

These may be salary calculation, payslip delivery, accounting reports, official statistics reporting, travel expense claims reimbursed, sick leave registration and reporting etc. All the deliverables are highly interrelated and therefore not capable to be distinct, i.e. one performance obligation. The performance obligation is satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognizes revenue based on the labor hours incurred.

Cloud services delivered by the Group comprise of several deliverables (hosting, licenses etc.), all the deliverables are highly interdependent and are therefore deemed to be one performance obligation.

The revenue from the cloud services are recognized over time, since the customer simultaneously receives and consumes the benefits provided by the Group.

Transaction Price

The transaction price is determined either by fixed agreed price per period for licenses and hosting services while for outsourcing and consulting the actual consumption, being manhours spent or customer employee transactions initiated, on agreed price per unit. The variable element of the contracts are typically not limited on customer-initiated transactions while transition and change projects can be limited. The transaction price is distributed over the time the services has been rendered.

Note 4 - Personnel Expenses

(NOK 1000)	2019	2018
Salary	366,516	367,842
Bonus	19,437	19,198
Social security tax	54,099	54,679
Pension costs (see note 17)	19,333	19,905
Other expenses*	24,953	19,796
Capitalized development expenses	(16,290)	(17,924)
Capitalized implementation costs customer projects	(29,505)	(36,872)
Total personnel expenses	**438,543**	**426,623**

*Share based payment is further specified in note 22

	2019	2018
Average number of employees	875	877
Average number of FTEs	792	799

See note 20 for transactions with related parties.

Note 5 - Other Operating Expenses

(NOK 1000)	2019	2018
External services	74,706	55,105
IT services and telecom	38,684	41,759
Office premises*	7,819	23,995
Travel and transport	23,379	31,500
Postage and freight	5,105	5,197
Marketing	5,718	8,036
Audit & Accounting	5,637	7,183
Other expenses	5,839	5,048
Total other operating expenses	**166,887**	**177,823**

*2018-figures are not adjusted for IFRS-16 leasing

Auditors Fee

(NOK 1000)	2019	2018
Audit fee	2,665	2,652
Other attestation services	331	482
Fee for tax services	8	128
Other fees	883	-
Total, excl VAT	**3,887**	**3,262**

Note 6 - Finance Income and Finance Expenses

(NOK 1000)	2019	2018
Interest income on bank accounts and receivables	160	104
Currency gain	1,916	9,180
Other financial income	556	391
Finance income	**2,632**	**9,675**
Interest expense on financial liabilities measured at amortized cost	19,253	13,225
Currency loss	3,377	1,524
Unrealized foreign currency loss	(2,375)	12,734
Interest expense on leasing*	2,126	-
Other financial expenses	4,302	3,692
Finance expenses	**26,683**	**31,176**
Net financial items	**(24,051)**	**(21,501)**

* IFRS 16 implementation 2019.

Note 7 – Income Taxes

(NOK 1000)	2019	2018
Tax paid / payable	7,822	5,743
Changes in deferred taxes	(10,772)	(8,631)
Tax expense	(2,950)	(2,888)

Tax payable in balance sheet:

(NOK 1000)	2019	2018
Calculated tax payable	5,408	4,801
Total income tax payable	5,408	4,801

Reconciliation of income tax:

(NOK 1000)	2019	2018
Ordinary profit before tax	(9,960)	(4,161)
Tax at Zalaris ASA's statutory tax rate of 22 %	(2,191)	(957)
Non tax deductible costs and other permanent differences	10,622	(704)
Effect of different tax rates and impact of changes in rates and legislation	(13,063)	(58)
Losses not recognized as deferred tax assets	1,637	80
Adjustments in respect of prior years and other adjustments	(501)	(1,249)
Tax expense	**(2,950)**	**(2,888)**
Effective tax rate	29.6 %	69.4 %

Specification of tax effects of temporary differences:

(NOK 1000)	2019	2018
Property, plant and equipment	71,584	78,454
Other differences	14,498	14,501
Tax losses carry forward	(49,441)	(32,576)
Total temporary differences	36,641	60,379
Total deferred tax assets	11,710	6,468
Total deferred tax liability	25,313	25,776
Net recognized deferred tax asset/(liability) 22 %	(13,604)	(19,308)

The Group offsets tax assets and liabilities, if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities. And if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Group has tax losses which have arisen in Norway MNOK 49.4 that has no expiration date. Based on an assessment of future profitability of the entities the deferred tax assets related to these tax losses have been recognized.

As of 31 December 2019 the Group has deferred tax liabilities of MNOK 21.3 on excess values in connection with the acquisition of sumarum Group and ROC Group.

Note 8 - Earnings Per Share

The calculation of basic earnings per share is based on the net income attributable to the shareholders of the parent company and a weighted average number of shares outstanding during the years ending 31 December 2019 and 2018 respectively. Shares issued during the periods are included in the calculations of weighted average number of shares from the date the shares issue was approved by the general meeting. Diluted equity instruments outstanding are related to employee share purchase program.

(NOK 1000)	2019	2018
Net profit/(loss) attributable to ordinary equity holders of the parent	(7,011)	(1,273)
Weighted average number of shares	19,730,098	20,030,029
Weighted average diluted number of shares	20,123,670	20,176,948
Basic earnings per share (NOK)	**(0.36)**	**(0.06)**
Diluted earnings per share	**(0.35)**	**(0.06)**

Note 9 – Intangible Assets

(NOK 1000)	Licenses and Software	Internally Developed Software	Internally Developed Software under Construction	Customer Relationships & Contracts	Goodwill	Total
Acquisition cost at 1 January 2018	47,351	83,455	10,555	99,994	151,075	392,430
Additions through acquisition	-	-	-	-	-	-
Additions of the year	2,608	-	18,097	-	-	20,705
Reclassifications	-	8,715	(8,715)	-	-	-
Currency effects	686	(595)	0	609	921	1,621
Total 31 December 2018	**50,645**	**91,575**	**19,937**	**100,604**	**151,996**	**414,755**
Additions through acquisition	-	-	-	-	-	-
Additions of the year	135	1,579	21,389	-	-	23,103
Disposals of the year	(12,980)	(26,755)	(3,709)	-	-	(43,444)
Reclassifications	-	18,055	(18,055)			-
Currency effects	(118)	(1,796)	(1,672)	830	1,253	(1,504)
Accumulated 31 December 2019	37,682	82,658	17,889	101,434	153,248	392,911
Amortization						
At 1 January 2018	38,411	51,997	-	5,200	-	95,608
Disposals of amortization and currency	104	95	-	314	-	513
This year's ordinary amortization	3,073	10,715		9,787		23,575
Accumulated 31 December 2018	**41,588**	**62,806**	**-**	**15,302**	**-**	**119,696**
Disposals of amortization	(11,261)	(28,709)	-	-	-	(39,970)
This year's ordinary amortization	2,944	13,711	-	10,049	-	26,705
Miscellaneous	-	-	-	-	-	-
Currency effects	(93)	197	-	178	-	281
Accumulated 31 December 2019	**33,177**	**48,006**	**-**	**25,528**	**-**	**106,712**
Net Book value						
Net Book value at 31 December 2018	9,057	28,768	19,937	85,302	151,996	295,059
Book value at 31 December 2019	**4,505**	**34,652**	**17,889**	**75,905**	**153,248**	**286,198**
Useful life	3-10 years	5 years	N/A	10 years	N/A	
Depreciation method	linear	linear		linear		

The addition of goodwill and customer relationships in 2017 relates to the acquisitions of sumarum AG (sumarum) and Roc Global Solution Ltd. (ROC). The acquisitions were made in line with the Group's growth strategy and is expected to benefit both business segments.

As of 31 December 2019, the market capitalization of the Group was 3 times the book value of its equity, indicating no impairment of the Group's assets.

The current net book values of goodwill and customer relationships and contracts were recognized in as part of the aforementioned business acquisitions. The calculated recoverable amount has been calculated based on the corresponding CGU. The close integration and synergies within the Group's geographical and operating segments makes this a shared asset for the entire Group. Provision of seamless multinational HR outsourcing services is a core value proposition for the Group, hence expanding the geographical coverage improves the value proposition. This results in higher win rates and the ability to capture more of the profits from multinational customer contracts. Cross-selling of services between the segments and geographies is and will continue to be an important part of the business and is essential to drive growth throughout the Group.

The recoverable amount is based on a value-in-use calculation, using cash flow projections for the next 5 years. The projections are based on an existing business model without non-organic growth. The expected cash flow is based on company estimates for the period 2020 to 2024. Terminal value is included in the calculations. Estimates and pertaining assumptions are made to the best of the management's knowledge of historical and current events, experience and other factors that are deemed reasonable in the circumstances.

The value-in-use calculation is most sensitive to the following assumptions:

- Revenue
- EBITDA / EBITDA margin
- Discount rate

Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The beta factor is evaluated annually based on publicly available market data and is the same for all segments.

A conservative growth assumption of 1.5% is applied in the terminal value, which is slightly below the inflation targets for the markets in which the Group operates.

A headroom sensitivity analysis has been carried out, which indicates sensitivity to changes in WACC and operating profit. The range is +/-20% in EBITDA and +/-2% in WACC.

Headroom Sensitivity Analysis in NOK Million

		Weighted Average Cost of Capital				
		7.5%	**8.5%**	**9.5%**	**10.5%**	**11.5%**
	-20.0%	1,076	852	684	554	450
	-10.0%	1,336	1,074	879	726	605
Percentage Change in EBITDA	**0.0%**	1,596	1,297	1,073	899	760
	10.0%	1,856	1,519	1,267	1,071	915
	20.0%	2,116	1,742	1,462	1,244	1,070

Note 10 – Property, Plant and Equipment

(NOK 1000)	Land	Buildings	Vehicles	Furniture and Fixtures	IT-Equipment	Total
Acquisition cost						
At 1 January 2018	3,694	23,726	475	20,088	8,400	56,383
Additions through acquisition	-	-	-	357	(653)	(296)
Additions of the year	-	-	-	-	1,240	1,240
Disposals of the year	-	-	-	(319)	-	(319)
Currency effects	41	225	4	(565)	1,503	1,208
At 31 December 2018	**3,735**	**23,951**	**479**	**19,561**	**10,490**	**58,217**
Additions of the year	-	-	59	943	1,357	2,359
Disposals of the year	-	-	-	(1,384)	(3,899)	(5,284)
Currency effects	(27)	(176)	(3)	(181)	(39)	(425)
Accumulated 31 December 2019	**3,708**	**23,775**	**536**	**18,939**	**7,909**	**54,866**
Depreciation						
At 1 January 2018	-	40	224	12,793	11,708	24,765
Currency effects	-	15	6	(567)	23	(524)
This year's ordinary depreciation		464	121	1,835	1,214	3,635
At 31 December 2018	**-**	**519**	**351**	**14,062**	**12,945**	**27,876**
Disposals of ordinary depreciation	-	-	-	(1,303)	(3,855)	(5,158)
This year's ordinary depreciation	-	476	138	2,123	1,312	4,049
Currency effects	-	(4)	(1)	(778)	600	(184)
Accumulated 31 December 2019	**-**	**990**	**487**	**14,105**	**11,002**	**26,583**
Net book value 31 December 2018	3,735	23,432	129	5,499	2,399	35,194
Net book value 31 December 2019	**3,708**	**22,785**	**49**	**4,834**	**1,761**	**33,137**

Note 11 – Right-of-use Assets and Lease Liabilities

Changes in Accounting Policies and Disclosure

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, Zalaris recognized a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Zalaris separately recognizes the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The agreements as of January 1, 2019 increase annual depreciation by MNOK 20.8, reduce other operating expenses by MNOK 21.3 and increase financial expenses by MNOK 2.0. The expected EBIT increase for 2019 is approximately NOK 0.5.

Effective 1 January 2019 Zalaris adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated. For leases where Zalaris is a lessee and the agreements were previously recognized as financial leases, the carrying amount of the Right of Use (ROU) and the lease liability will not change. For leases that were previously recognized as operational and not capitalized, the lease liability is measured at the time of transition to the present value of outstanding lease payments, discounted by Zalaris' incremental borrowing rate. The right-of-use asset is recognized at the same value as the lease liability at the time of transition for all agreements.

Leasing Liability	Total
Estimated leasing liability as of 31 December 2018	53,000
Actual leasing liability as of 1 January 2019	53,407
Deviation from estimate 1 January 2019	**(407)**

The marginal interest rate is 4.75%

A summary of the changes and practical expedients applied is presented below:

Determining Whether a Contract is or Contains a Lease

On the transition to IFRS 16, Zalaris elected to reassess whether a contract is, or contains a lease. Zalaris applied IFRS 16 to all contracts with the right to control and direct the use of an identified asset for a period in exchange for consideration.

Zalaris as a Lessee

Zalaris previously classified leases as a finance lease if it transferred substantially all the risks and rewards incidental to ownership to the Group.

Leases Previously Classified as Operating Leases Under IAS 17

At the date of initial application of IFRS 16, Zalaris recognized a lease liability for leases previously classified as operating leases after IAS 17 in accordance with the transition requirements. Zalaris measured the lease liabilities at the present value of the remaining lease payments, discounted by using the Group's incremental borrowing rate at 1 January 2019.

Zalaris has applied the following practical expedients to leases previously classified as operating leases at the date on initial application:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low-value assets (NOK 50,000 or less)

Leases Previously Classified as Finance Leases Under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date of initial application of IFRS 16.

IFRS 16 Impact on the Consolidated Financial Statements

On transition to IFRS 16, Zalaris recognized MNOK 55.3 in right-of-use assets (see table below) and MNOK 53.4 million as lease liabilities.

The impact on the date of initial application is further presented below:

Reconciliation of Lease Commitments to lease Liabilities	1/1/19
Finance lease liabilities at 31 December 2018	2,594
+/- Sublease reclassifications and short-term lease exemptions	-
Non-cancellable operating lease commitments at 31 December 2018	57,769
+/- Sublease reclassifications	-
+ Extension options reasonably certain to be exercised	-
- Termination options reasonably certain to be exercised	-
- Practical expedient related to short-term leases (including short-term low value assets)	527
- Practical expedient related to low-value leases	699
- Residual value guarantees	-
- Discounting using the incremental borrowing rate	3,137
Lease Liabilities Recognized at Initial Application	**53,407**
The weighted average incremental borrowing rate applied:	4.75%

Zalaris as a Lessee

Right-of-Use Assets

Zalaris leases several assets such as buildings, equipment and vehicles. The Group's right-of-use assets are categorized and presented in the table on the right.

Practical Expedients Applied

Zalaris has elected to apply the practical expedient of low-value assets and does not recognize lease liabilities or right-of-use assets. The leases are instead expensed when they incur. Zalaris has also applied the practical expedient to not recognize lease liabilities and right-of-use assets for short-term leases, presented in the table on the right. The calculated lease liabilities include annual adjustments based on public indexes.

Extension Options

Zalaris' lease of buildings have lease terms that vary from one year to 10 years, and several agreements involve a right of renewal which may be exercised during the last period of the lease terms. Zalaris assesses at the commencement whether it is reasonably certain to exercise the renewal right. This is because the Group is not expecting the terms for the extension period to be lower than the current market price at the time of execution of an extension period compared to similar lease agreements. Zalaris continuously evaluates more cost-effective leases as the business does not consider these assets to be particularly important.

Right-of-Use Assets	Buildings	Equipment	Vehicles	Total
Acquisition cost 1 January 2019	42,218	3,428	6,680	52,326
Addition of right-of-use assets	3,402	747	305	4,455
Acquisition cost 31 December 2019	**45,620**	**4,175**	**6,985**	**56,781**
Accumulated depreciation and impairment 1 January 2019	-	-	-	-
Depreciation	16,653	1,629	3,650	21,932
Accumulated depreciation and impairment 31 December 2019	**16,653**	**1,629**	**3,650**	**21,932**
Carrying amount of right-of-use assets 31 December 2019	**28,967**	**2,547**	**3,335**	**34,849**
Lower of remaining lease term or economic life	1-10 years	3-6 years	3-6 years	
Depreciation method	Linear	Linear	Linear	

Lease liabilities

Undiscounted Lease Liabilities and Maturity of Cash Outflows	Total
Less than 1 year	17,913
1-2 years	10,237
2-3 years	5,278
3-4 years	2,129
4-5 years	77
More than 5 years	-
Total undiscounted lease liabilities at 31 December 2019	**35,635**

Summary of the Lease Liabilities in the Financial Statements	Statement of:	Total
At initial application 01.01.2019		52,326
New lease liabilities recognized in the year		4,455
Cash payments for the principal portion of the lease liability	Cash flows	(22,807)
Cash payments for the interest portion of the lease liability	Cash flows	(2,126)
Interest expense on lease liabilities	Profit and loss	2,126
Reassessment of the discount rate on previous lease liabilities	Profit and loss	-
Currency exchange differences	P&L and other compr. income	(463)
Total lease liabilities at 31 December 2019		**33,511**
Current lease liabilities	Financial position	19,099
Non-current lease liabilities	Financial position	16,536
Total cash outflows for leases	Cash flows	(24,933)

The leases do not contain any restrictions on Zalaris' dividend policy or financing. Zalaris does not have significant residual value guarantees related to its leases to disclose.

Summary of Other Lease Expenses Recognized in Profit or Loss	Total
Variable lease payments expensed in the period	**22,807**
Operating expenses related to short-term leases	155
Operating expenses period related to low value assets	453
Total lease expenses included in other operating expenses	23,415

Note 12 – Trade Accounts Receivables

(NOK 1000)	2019	2018
Gross trade accounts receivable	149,119	158,658
Provisions for losses	(505)	(540)
Trade accounts receivable	**148,614**	**158,118**

Losses on trade accounts receivable are classified as other operating expenses in the income statement. See note 19 for assessment of credit risk.

Movements in the Provision for Loss are as Follows:	2019	2018
Opening balance	(505)	(419)
Provision of the year	(62)	(387)
Realized loss this year	62	266
Reversal of previous provision	-	-
Closing balance	**(505)**	**(540)**

Details on the credit risk concerning trade accounts receivable are given in note 19.

The Group had the following trade accounts receivable due, but not paid or written off:

NOK 1000	Total	Not due	<30	d30-60	d60-90	d>90d
31 December 2019	148,614	110,215	28,213	3,505	2,118	4,564
31 December 2018	158,118	111,126	24,351	4,749	5,644	12,249

Note 13 – Other Short-Term Receivables

(NOK 1000)	2019	2018
Advances to employees	1,494	201
Prepaid rent	1,740	814
Prepaid software	7,052	3,830
Prepaid insurance	181	1,495
Prepaid other expenses	429	188
Prepaid Maintenance and Service	-	258
Prepaid Travel/entertainment cost	-	407
Accrued income	3,942	6,081
Public duties and taxes	6,739	10,188
Other receivables	5,697	2,190
Total other short-term receivables	**27,275**	**25,653**

Note 14 – Cash and Cash Equivalents and Short-Term Deposits

(NOK 1000)	2019	2018
Cash in hand and at bank - unrestricted funds	56,132	89,419
Deposit accounts - guarantee rent obligations - restricted funds	21,529	13,289
Employee withheld taxes - restricted funds	4,787	5,136
Cash and cash equivalents in the balance sheet	**82,448**	**107,844**

The Group does not have credit facilities as of 31 December 2019, but did as of 31 December 2018 have an unused facility of NOK 7 million.

Short-Term Deposits

The Group pays salaries on behalf of its customers. For this purpose, separate deposit accounts are established. These deposits accounts are not recognized in the Group's balance sheets. The table below provides information about amounts on these deposit accounts.

(NOK 1000)	2019	2018
Customer deposits	4,051	6,924

Note 15 – Share Capital, Shareholder Information and Dividend

Shares	2019	2018
Shares - nominal value NOK 0.10	20,122,979	20,122,979
Total number of shares	**20,122,979**	**20,122,979**

The nominal value of the share is NOK 0.10. All the shares in the Company have equal voting rights and are entitled to dividend.

The computation of earnings per share is shown in note 8.

The Major Shareholders at 31.12.2019 are:

Shareholder	Number of Shares	% of Total	Type of Account
Norwegian Retail AS	3,091,482	15.36%	Ordinary
Skandinaviska Enskilda Banken AB	2,081,662	10.34%	Nominee
Handelsbanken Nordiska Smabolag	1,795,339	8.92%	Ordinary
Protector Forsikring AS	1,222,524	6.08%	Ordinary
Strawberry Capital AS	1,039,887	5.17%	Ordinary
Verdipapirfondet Nordea Kapital	795,508	3.95%	Ordinary
Athanase	795,255	3.95%	Ordinary
Commerzbank Aktiengesellschaft	748,779	3.72%	Nominee
Danske Bank A/S	572,230	2.84%	Nominee
Athanase Industrial Partners II AB	553,790	2.75%	Ordinary
Vestland Invest AS	527,525	2.62%	Ordinary
Verdipapirfondet Nordea Avkastning	505,705	2.51%	Ordinary
J.P. Morgan Bank Luxembourg S.A.	368,603	1.83%	Nominee
Verdipapirfondet Nordea Norge Plus	366,916	1.82%	Ordinary
Avanza Bank AB	338,078	1.68%	Nominee
Næringslivets Hovedorganisasjon	309,259	1.54%	Ordinary
Taconic AS	300,212	1.49%	Ordinary
UBS Switzerland AG	295,139	1.47%	Nominee
A/S Skarv	225,000	1.12%	Ordinary
Shares owned by the Company	554,627	2.76%	
Others	**3,635,459**	**18.07%**	
Total	**20,122,979**	**100.00%**	

Shares held by related parties are disclosed in note 20.

Dividend

No dividend was paid to the shareholders of the parent company in 2019. In 2018, a dividend amounting to NOK 13.1 million, or NOK 0.65 per share, was paid to the shareholders of the parent company. The board proposes that no dividend is paid for 2019.

Note 16 – Interest-Bearing Loans and Borrowings

(NOK 1000)						2019			2018		
Financial Institution	Agreement	Financing	Maturity	Duration	Interest Rate	Non-Current	Current	Total	Non-Current	Current	Total
SG Finans*	Financial leasing	SAP licenses own use	Mar 2019	5 years	9.0%	-	-	-	-	39	39
SG Finans*	Financial leasing	SAP licenses single sign-on functionality	Dec 2019	5 years	6.0%	-	-	-	-	500	500
SG Finans*	Financial leasing		Dec 2022	5 years	7.2%	-	-	-	866	252	1,118
SG Finans*	Financial leasing	SAP licenses own use	Aug 2023	5 years	4.0%	-	-	-	621	154	775
SG Finans*	Financial leasing	SAP licenses own use	Apr 2020	5 years	5.5%	-	-	-	41	120	161
Oslo Stock Exchange**	Bond loan	Acquisitions	Sep 2023	5 years	See below	338,428	-	338,428	340,282	-	340,282
Sparkasse Südholstein, Germany	Bank loan		Mar 2019	5 years	2.3%	-	-	-	-	132	132
KfW Bank, Germany***	Bank loan		2022-2032	Various	1,5%-2,5%	11,379	92	11,471	-	12,436	12,436
Commerzbank, Bank****	Bank loan	Leipzig office building	Dec 2031	14 years	1.3%	12,681	1,153	13,834	13,936	1,161	15,097
Interest-bearing debt and borrowings						**362,487**	**1,245**	**363,733**	**355,746**	**14,794**	**370,540**

* In accordance with the exemption in IFRS 16 intangible assets are not recognized as ROU asset. Lease agreements on software previously classified as financial lease agreements in accordance with IAS 17 has been derecognized.

** The Company refinanced its Nordea loan, with a EUR 35 million bond loan registered on the Oslo Stock Exchange in September 2018. The bond loan has maturity on 29 September 2023 with no down payments before maturity. Interest rate to be paid is 3 months Euribor 4.75%. The Company has deferred NOK 7.5 million in issuing costs (2% of the bond loan), which are being amortized over the term of the loan. The balance at 31.12.19 is NOK 6.7 million. The Company has continued the swap arrangement entered in 2017 to hedge the interest rate exposures arising from this debt obligation.

***Loan from KfW Bank was initially planned to be repaid in 2019, but due to favorable terms the loans will continue according to original payment plan.

****sumarum AG went into a loan agreement with Commerzbank in March 2017 related to the financing of the new office building in Leipzig.

Assets Pledged as Security

Shares in all subsidiaries of Zalaris ASA have been pledged as guarantee for the bond loan. In addition assets in the subsidiaries Zalaris HR Services Norway AS, Zalaris HR Services Sweden AB, Zalaris HR Services Denmark AS, Zalaris HR Services Finland OY and Zalaris Deutchland AG have been pledged as guarantees for the loan.

Shareholder Loan

(NOK 1000) Shareholder Loan*	Agreement	Maturity	Duration	Interest Rate	2019	2018
MBG	Shareholder loan	Dec 2023	10 years	6.5%	2,466	2,484
MBG	Shareholder loan	Dec 2023	10 years	6.5%	1,479	1,490
MBG	Shareholder loan	Aug 2026	10 years	6.5%	1,381	1,391
MBG	Shareholder loan	Dec 2019	10 years	6.5%	-	2,484
Total					**5,326**	**7,849**

* Loans given from shareholders of Sumarum.

Total Loans

	Finance Institutions	Shareholder Loan	Total
Opening balance	370,540	7,849	378,389
Payments 2019	(3,797)	(2,523)	(6,321)
Financial lease SG Finance reclassified (IFRS 16 adjustment)	(1,487)	-	(1,487)
Agio	(1,523)	-	(1,523)
Closing balance	**363,732**	**5,326**	**369,058**

Guarantees and Commitments

The Company is a certified SAP BPO partner. SAP BPO Partners offer the full stack of business process outsourcing services based on SAP HCM business applications. Certified providers undergo a rigorous assessment of their delivery and support capabilities every two years by SAP's outsourcing partner certification group. The agreement involves commitments for future purchases of licenses and maintenance fees amounting to NOK 20.1 million.

Under section 479A of the UK Companies Act 2006 the two Zalaris UK entities, Zalaris UK Ltd (registration no 08240911) and Zalaris Consulting UK Ltd (registration no 3538201), have availed exemption for audit of their statutory financial statements pursuant to guarantees issued by Zalaris to indemnify the subsidiaries of any losses towards third parties that may arise in the financial year ended 31 December 2019 in these subsidiaries. Zalaris can make an annual election to support such guarantees for each financial year.

For leasing liabilities on right-of-use assets, see note 11.

Note 17 - Pensions

Pension for Employees in the Norwegian Entities

The Group is required to have an occupational pension scheme in accordance with the Norwegian law on mandatory occupational pension ("Lov om obligatorisk tjenestepensjon"). The Group's pension schemes satisfy the requirements of this law, and represent a defined contribution plan, with disability coverage. At the end of the year there were 136 participants in this defined contribution plan, including the AFP-scheme.

The pension expenses equals the calculated contribution for the year and is NOK 5.5 million (2018: NOK 5.4 million). The scheme is administered by Storebrand.

In 2016 a new AFP-scheme was established. The new AFP-scheme is not an early retirement plan, but a plan that gives a lifelong contribution to the ordinary pension. The employees can choose to exercise the new AFP-scheme starting at the age of 62 years, also in combination with continued work, and the annual regular post-employment benefits increases in the new scheme if early AFP retirement is rejected. The new AFP-scheme is a defined benefit multi-employer plan which is financed through contributions that are determined by a percentage of the employee's earnings. There is currently no reliable measure and allocation of liabilities and assets in the plan. The plan is accounted for as a defined contribution plan which means that the contributions are recognized as expenses with no provisions.

The premium paid during 2019 was 3.5% of salary between 1 G and 7.1 G. 1G equals NOK 0.1 million as of 31.12.2019.

The AFP-scheme does not publish any estimates on future rate of premiums, but it is expected that the premiums will be increased over time to meet the expectations of increased pension payments.

Pensions for Other Employees

Employees in Group companies outside Norway have pension plans in accordance with local practice and local legislation. The Group has only defined contribution plans. Contributions are paid to pension insurance plans and charged to the income statement in the corresponding period. Once the contributions have been paid, there are no further payment obligations.

Denmark has defined contribution plans for all employees, a total of 35 people end of the year. Finland has a defined contribution plan for all of its employees, a total of 36 employees. Sweden has a defined contribution plan for all employees, a total of 55 employees. UK has a defined contribution plan for all employees, a total of 31 employees. Germany has defined contribution plan for executive employees.

Total expenses recognized related to pension in 2019 amounts to NOK 19.3 million (2018: NOK 19.9 million).

Note 18 – Other Short-Term Debt

(NOK 1000)	2019	2018
Prepayments from customers*	9,608	18,021
Wages, holiday pay and bonus	21,937	25,667
Accrued expenses and other current liabilities	29,919	38,006
Total	**61,464**	**81,695**

* Prepayments from customers both relate to prepayments of fixed service fees for the first month starting outsourcing deliveries, and prepayments related to liabilities for transferred personnel.

Note 19 – Financial Instruments

Financial Instruments by Category

2019 (NOK 1000)	Financial Assets at Amortized Cost	Fair Value Through Profit or Loss	Financial Liabilities at Amortized Cost	Total Book Value
Financial Assets				
Trade accounts receivable	148,614	-	-	148,614
Other short-term receivables	27,275	-	-	27,275
Cash and cash equivalents	82,448	-	-	82,448
Total	**258,337**	**-**	**-**	**258,337**
Financial Liabilities at Amortized Cost				
Derivatives, Interest rate swaps	-	1,095	-	1,095
Borrowings, long term	-	-	362,487	362,487
Trade accounts payables	-	-	29,845	29,845
Other short-term debt	-	-	61,464	61,464
Total	**-**	**1,095**	**453,796**	**454,891**

2018 (NOK 1000)	Financial Assets at Amortized Cost	Fair Value Through Profit or Loss	Financial Liabilities at Amortized Cost	Total Book Value
Financial Assets				
Trade accounts receivable	158,118	-	-	158,118
Other short-term receivables	25,653	-	-	25,653
Cash and cash equivalents	107,844	-	-	107,844
Total	**291,615**	**-**	**-**	**291,615**
Financial Liabilities at Amortized Cost				
Derivatives, Interest rate swaps	-	882	-	882
Borrowings, long term	-	-	355,746	355,746
Trade accounts payables	-	-	24,358	24,358
Other short-term debt	-	-	81,695	81,695
Total	**-**	**882**	**461,799**	**462,681**

Fair Value of Financial Instruments

The Group classifies fair value measurements by using a fair value hierarchy which reflects the importance of the input used in the preparation of the measurements. The fair value hierarchy has the following levels:

The fair value of the interest rate swap is determined by discounting expected future cash flows to present value through the use of observed market interest rates from Nordea. The fair value measurement for interest swap at period-end 2019 using Level 2 is MNOK 1.1 (2018: MNOK 0.9).

It is assessed that the carrying amounts of financial instruments recognized at amortized cost in the financial statements approximate their fair values. The assessment is based on a judgment that difference between interest rate at year-end compared to draw down.

Value assessment is Level 3 in the fair value hierarchy.

Financial Risk Management Overview

The Group has some exposure to risks from its use of financial instruments, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the Group's exposure to each of the above-mentioned risks, and the Group's objectives, policies and processes for managing such risks. At the end of this note, information regarding the Group's capital management is provided.

Market Risk from Financial Instruments

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: market risk (e.g. interest rate risk and currency risk), commodity price risk and other price risk. The Company's financial instruments are mainly exposed to interest rate and currency risks.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest is managed by the mix of fixed and variable rate loans. As described above, the Company has entered into swap arrangements to hedge its interest exposures arising from its debt obligations on the bond loan (ref. Note 15). The interest risk is thus considered to be low.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is primarily exposed to foreign exchange risk arising from various currency exposures with respect to the SEK, EUR and GBP in relation to its debt obligations as well as from commercial transactions.

For operational transactions denominated in currencies other than the functional currency of the Group entity, the Company's policy is to exchange into foreign currency as required on a spot basis. The majority of transactions carried out by Group entities are done in the functional currency of those entities.

As of 31 December 2019 the Company has a Euro-based bond loan related EUR 35 million. Per 31 December the Company had an unrealized currency loss amounting to NOK 13.7 million (2018 NOK 12.7 million) related to this loan. Otherwise the Group has limited exposure to currency risk from assets and liabilities recognized as of 31 December 2019 that are denominated in currencies other than the functional currency of the Group entities. As of 31 December 2019 the Group has currency exposure from EUR, DKK, INR, SEK, GBP, CHF and PLN. It is mainly Euro exchange rates constituting a currency risk for the Company. A 10% negative change in the exchange rate of Euro would have resulted in a finance loss pre tax of NOK 0.1 million.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, derivatives, debt instruments and account receivables. The counterparty to the cash and cash equivalents and deposits banks which are assessed to be solid.

Trade Receivables and Contract Assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored. The Group has a customer portfolio of well-known companies and has had low credit losses (Note 16).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Liquidity Risk

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have enough liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Group's reputation. Prudent liquidity risk management implies maintaining enough cash and the availability of appropriate funding.

The following table details the contractual maturities for the Group's financial liabilities. The tables do not include interest payments. The contractual amounts were estimated based on the closing exchange rates at balance sheet date.

(NOK 1000)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Per 31 December 2019				
Borrowings, long term	-	-	362,487	362,487
Borrowings, short term	311	934	-	1,245
Trade creditors and other short term liabilities	29,845	51,856	9,608	91,309
Total liabilities	**30,156**	**52,789**	**372,095**	**455,041**
Per 31 December 2018				
Borrowings, long term	-	-	355,746	355,746
Borrowings, short term	3,721	11,074	-	14,795
Trade creditors and other short term liabilities	24,358	73,247	8,447	106,053
Total liabilities	**28,079**	**84,322**	**364,193**	**476,594**

Capital Management

A key objective in relation to capital management is to ensure that the Company maintains a sufficient capital structure in order to support its business development and to maintain a strong credit rating. The Company evaluates its capital structure in light of current and projected cash flows, potential new business opportunities and the Group's financial commitments. In order to maintain or adjust the capital structure, the Company may issue new shares or obtain new loans.

Note 20 – Transactions with Related Parties

a) Purchase from Related Parties

Related Party	Transaction	2019	2018
Rayon Design AS[1]	Management Services	1,556	1,667
Haug Advisory AS[2]	Management Services	200	-
Total		**1,756**	**1,667**

1. Norwegian Retail AS, a company owned 100% by Hans-Petter Mellerud, CEO of Zalaris ASA, owns 40% of the shares in Rayon Design AS.
2. Jon Erik Haug, Board Member of Zalaris ASA, owns 100% of Haug Advisory AS.

b) Remuneration to Management and Board of Directors:

2019

Management	Title	Salary Incl./Bonuses	Pensions	Other Benefits	Total
Hans-Petter Mellerud	CEO	3,396	204	39	3,639
Nina Stemshaug (01.01-31.08)	CFO	1,705	102	7	1,814
Anders Sjåstad (01.09-31.12)*	Interim CFO	1,229	N/A	-	1,229
Halvor Leirvåg	CTO	1,646	99	7	1,752
Richard Schiørn	VP Strategic	1,737	104	7	1,848
Hilde Karlsmyr	CHRO	1,686	101	7	1,794
Øyvind Reiten	EVP Bus.dev. - GMS	1,831	111	9	1,952
Sami Seikkula	Executive VP Northern Europe	1,306	239	2	1,548
William Peter Jackson	Executive VP UK and Ireland	1,364	66	-	1,429
Harald Götsch	Executive VP Central Europe	1,825	50	-	1,875
Balakrishnan Narayanan	Executive VP Asia Pacific	484	3	-	488
Total		**18,209**	**1,080**	**78**	**19,367**

* Interim CFO was hired as a consultant and amount listed is consultant fee for the period.

Board of Directors	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the Board	400	400
Liselotte Hägertz Engstam	Board Member	200	200
Jan M. Koivurinta	Board Member	200	200
Corinna Schäfer (01.06 - 31.12)	Board Member	117	117
Kenth Erikssson (01.06 - 31.12)	Board Member	100	100
Jon Erik Haug	Board Member	200	200
Adele Bugge Norman Pran	Board Member	200	200
Total		**1,417**	**1,417**

The CEO is entitled to six months severance pay in case of dismissal from the Company or if terminating at own will due to a position change resulting in no longer solely managing the Zalaris Group.

2018

Management	Title	Salary Incl./Bonuses	Pensions	Other Benefits	Total
Hans-Petter Mellerud	CEO	3,778	71	39	3,888
Nina Stemshaug	CFO	1,860	71	8	1,939
Halvor Leirvåg	CTO	1,600	71	9	1,680
Richard Schiørn	VP Strategic	1,620	71	8	1,700
Hilde Karlsmyr	CHRO	583	25	5	612
Øyvind Reiten	Executive VP Northern Europe	1,800	71	37	1,909
Jerry Chilvers	Executive VP UK and Ireland	1,412	133	-	1,546
Harald Götsch	Executive VP Central Europe	2,209	51	151	2,410
Balakrishnan Narayanan	Executive VP Asia Pacific	312	2	-	314
Jan Erik Nessmo	VP PMO and Transformation	1,620	71	8	1,700
Total		**16,793**	**638**	**266**	**17,697**

Board of Directors	Title		Remuneration	Total
Lars Laier Henriksen	Chairman of the Board		400	400
Liselotte Hägertz Engstam	Board Member		200	200
Jan M. Koivurinta	Board Member		200	200
Tina Steinsvik Sund	Board Member	Jan-May	83	83
Karl Christian Agerup	Board Member	Jan-May	83	83
Jon Erik Haug	Board Member	Jun-Dec	117	117
Adele Bugge Norman Pran	Board Member	Jun-Dec	117	117
Total			**1,200**	**1,200**

The CEO is entitled to six months severance pay in case of dismissal from the Company or if terminating at own will due to a position change resulting in no longer solely managing the Zalaris Group.

c) Shares held by related parties as of 31 December 2019

Name	Role	Number of Shares	Number of Share Options	Number of RSUs
Norwegian Retail AS	CEO (Hans-Petter Mellerud)	3,091,482	-	-
Harald Götsch	Executive VP Central Europe	506,292	-	-
Jan M. Koivurinta	Board Member	295,139	-	-
Lars Laier Henriksen	Chairman of the Board	71,112	-	-
Hilde Karlsmyr	CHRO	5,000	10,000	19,000
Jon Erik Haug	Board member	7,000	-	-
William Peter Jackson	Executive VP UK and Ireland	5,000	10,000	19,000
Sami Seikkula	Executive VP Northern Europe	4,000	10,000	19,000
Halvor Leirvåg	CTO	7,825	10,000	33,841
Øyvind Reiten	Executive VP Northern Europe	8,464	10,000	63,357
Balakrishnan Narayanan	Executive VP APAC	-	10,000	3,774
Athanase/SEB	Board Member (Kenth Eriksson)	3,420,125	-	-
Richard Schiørn	VP Strategic Projects	7,047	10,000	46,662
Total		**7,428,486**	**70,000**	**204,634**

Note 21 – Overview of Subsidiaries

The following subsidiaries are included in the consolidated accounts:

Company	Country	Ownership/Voting Share
Zalaris HR Services Denmark A/S	Denmark	100%
Zalaris Consulting Denmark A/S	Denmark	100%
Zalaris HR Services Sverige AB	Sweden	100%
Zalaris HR Services Finland OY	Finland	100%
Zalaris HR Services Norway AS	Norway	100%
Zalaris HR Services Latvia SIA	Latvia	100%
Zalaris HR Services Lithuania UAB	Lithuania	100%
Zalaris HR Services Poland Sp Z.o.o	Poland	100%
Zalaris HR Services Estonia	Estonia	100%
Zalaris HR Services India Pvt Ltd	India	100%
Zalaris Deutchland AG	Germany	100%
LBU Personal Complete GmbH	Germany	100%
Zalaris Switzerland AG	Switzerland	100%
Zalaris UK Ltd	UK	100%
Zalaris Consulting Ltd	UK	100%
Zalaris Consulting GmbH	Germany	100%
Zalaris Consulting Poland Sp. Z.o.o	Poland	100%
Zalaris HR Services Ireland Ltd.	Ireland	100%

The following companies were merged in 2019 with their sister companies in their respective countries:

Company	Country
Zalaris Consulting Finland OY	Finland
Zalaris Consulting AB	Sweden
Zalaris Consulting AS	Norway
Zalaris Academy GmbH	Germany

Note 22 – Share-Based Payment Plan

Zalaris ASA (the "Company") operates a share-based payment plan for members of the executive management and key employees.

The share-based payment plan consists of a share option program and restricted stock units ("RSUs").

The costs recognized for the share-based payment plan are shown in the following table:

(NOK 1000)	2019	2018
Restricted Share Units	1,780	947
Employee share options	51	-
Accrued social security costs	210	-
Total recognized costs	**2,041**	**947**
Accrued payroll tax at the end of the period	**512**	**302**

Restricted Stock Units

The general meeting of Zalaris ASA held on 13 May 2016, gave the Board the authority to grant up to 300,000 RSUs, with matching requirements. The purpose of the RSUs is to further align the interests of the Company, its Subsidiaries and its shareholders by providing long term incentives in the form of an own investment in the Company done by the participant and matching awards (the RSUs).

The matching awards are free of charge for the participants. The maximum number of shares covered by, or subject to matching awards, under this plan is 300,000.

The granted RSUs vests until May 2020 and May 2021. The RSUs require the employee to purchase the required number of matching shares at the grant date and hold these until the RSUs are fully vested. Non-vested RSUs are canceled when the employee has given notice of termination and are treated as forfeited. If for some reason the Company is not holding a sufficient number of shares at the relevant settlement date, any RSUs awarded and settled under the plan shall be settled by a cash bonus payment equal to the fair market value per share on the date of settlement multiplied by the number of RSUs.

The Company will do its utmost to settle the granted RSUs as shares, and thus accounts for the RSUs as an equity-settled plan.

A total of 172,595 RSUs were granted in 2019, and the following table illustrates the number of RSUs outstanding:

Number of RSUs	2019	2018
Outstanding at the beginning of the period	146,919	146,919
Granted	172,595	-
Exercised	-	-
Forfeited	(24,589)	-
Outstanding at the end of the period	**294,925**	**146,919**

The fair value of the RSUs is estimated at the grant date using Black&Scholes Merton pricing model, taking into account the terms and conditions on which the RSUs were granted. The following table lists the key inputs to the model used for the year ended 31 December:

The Weighted Average Assumptions Used	2019	2018
Expected volatility (%)	39.34	-
Risk-free interest rate (%)	1.19	-
Expected life of options (year)	2.64	-
Weighted average share price	21.21	-

Historic volatility is assumed to be a reasonable indicator of expected volatility. Expected volatility is therefore defined as historic volatility. The risk-free interest rate used for RSU calculations is collected as of grant date from Norges Bank. Where there is no exact match between the term of the interest rates and the term of the RSU, interpolation is used to estimate a comparable term.

Share Option Program

The general meeting of Zalaris ASA held on 15 May 2018, gave the Board the authority to grant up to 400,000 employee share options annually for a three-year period. The strike price is based on the weighted average share price for seven days preceding the grant, which is increased by 1% per month until the options have been fully vested. 60% of the options granted vest after 36 months, while the remaining 40% vest after 60 months. Each share option corresponds to one share.

Employee share options are not subject to any performance-based vesting conditions. The Company has the option to settle the share options in cash, however they have no legal or constructive obligation to repurchase or offer cash-settlements for options granted. Non-vested share options are canceled when the employee has given notice of termination and are treated as forfeited. A total of 333,000 options were granted in 2019, at an average exercise price of NOK 34.31.

The following table illustrates the number of options outstanding and their weighted average exercise price (WAEP):

	2019		2018	
	Number of Options	WAEP (NOK)	Number of Options	WAEP (NOK)
Outstanding at the beginning of the period	-	-	-	-
Granted	333,000	34,31	-	-
Outstanding at the end of the period	**333,000**	**34,31**	**-**	**-**
Exercisable at the end of the period	**-**	**-**	**-**	**-**

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair value of share options granted to employees during the period was NOK 3,45 per option (2018: 0). The following table lists the key inputs to the model used for the year ended 31 December 2019 and 2018:

The Weighted Average Assumptions Used	2019	2018
Expected volatility (%)	34.10	-
Risk-free interest rate (%)	1.20	-
Expected life of options (year)	3.8	-
Weighted average share price	23.33	-

Historic volatility is assumed to be a reasonable indicator of expected volatility. Expected volatility is therefore defined as historic volatility. The risk-free interest rate used for share option calculations is collected as of grant date from Norges Bank. Where there is no exact match between the term of the interest rates and the term of the share options, interpolation is used to estimate a comparable term.

Annual Share Purchase Program

The Company completed an annual share purchase program for employees in Q4 2019. As part of the program, Zalaris has sold 52,460 own shares to employees at a subscription price of NOK 20.62 per share. The shares will be transferred to the employees on or about 31 March 2020. The subscription price was based on the volume-weighted average share price in the period between 18 December to 30 December 2019, less a 20% discount. To receive the discount the shares have a 12 months lock-up period.

See Executive Remuneration Policy for detailed information.

Note 23 – Events After the Balance Sheet Date

After the closure of the 2019 financial year, the COVID-19 crisis has emerged, seriously impacting people and businesses world-wide. Zalaris has executed its Business Continuity Plan, and established an Emergency Response Team lead by the CEO. The Emergency Response Team meets daily for status updates, and to coordinate necessary activities to deal with an ever changing situation. The Company priorities are firstly, to safeguard Zalaris' employees, partners, customers and society at large. Secondly, to be a responsible company and behave according to government guidelines. And thirdly, to keep our operations running, to help support our customers with HR and payroll services in accordance with our promises, also in these difficult times.

Zalaris is at the time of this annual report experiencing limited operational and financial impact from COVID-19, but the situation is dynamic and could change quickly. Employees being involved with service deliveries to customers could be affected, and customers could potentially experience financial difficulties and/or employee reductions. Zalaris has a strong focus on maintaining sufficient financial capacity and flexibility should the situation change, and will be closely monitoring the situation. Even though the Company is currently not experiencing any material negative financial impact of COVID-19, the effects of the pandemic will depend on its scope and duration.

No other events have occurred after the balance sheet date which have had a material effect on the issued accounts.

Parent Company
Annual Accounts Report 2019
Zalaris ASA

The parent company annual accounts report for Zalaris ASA contains the following documents:

- **Statement of Income**
- **Balance Sheet**
- **Statement of Cash Flows**
- **Statement of Changes in Equity**
- **Notes to the Financial Statements**

The financial statements, which have been drawn up by the Board and management, should be read in relation to the Annual Report and the independent auditor's opinion.

Income Statement: 1 January - 31 December

(NOK 1000)	Notes	2019	2018
Revenue		-	25
Other revenue		117,964	116,354
Total Revenue		**117,964**	**116,379**
Operating expenses			
License costs		43,485	38,235
Personnel expenses	3	25,440	20,613
Other operating expenses	4	95,657	101,290
Amortization intangible assets	5	13,752	11,707
Depreciation and impairments	6	377	376
Total operating costs		**178,711**	**172,221**
Operating profit		**(60,747)**	**(55,842)**
Financial items			
Financial income	15	54,424	59,572
Financial expenses	15	(22,771)	(14,556)
Unrealized foreign currency loss	14, 15, 16	2,312	(12,734)
Net financial items		**33,965**	**32,282**
Ordinary profit before tax		**(26,782)**	**(23,560)**
Income tax expense			
Tax expense on ordinary profit	7	(5,840)	(5,223)
Total tax expense		**(5,840)**	**(5,223)**
Profit for the year		**(20,943)**	**(18,337)**
Attributable to:			
Proposed dividend		-	-
Share premium		-	-
Other Equity		(20,943)	(18,337)

Balance Sheet at 31 December

(NOK 1000)	Notes	2019	2018
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax asset	7	10,051	4,203
Other intangible assets	5	49,394	49,815
Total intangible assets		**59,446**	**54,018**
Fixed assets			
Property, plant and equipment	6	615	529
Total fixed assets		**615**	**529**
Financial non-current assets			
Shares in subsidiaries	8	341,666	341,125
Total financial non-current assets		**341,666**	**341,125**
Total non-current assets		**401,726**	**395,672**
Current assets			
Prepayments		7,010	3,772
Other short-term receivables	9	990	924
Other short-term receivables to group company	9	137,396	73,102
Cash and cash equivalents	10	10,562	78,382
Total current assets		**155,957**	**156,181**
TOTAL ASSETS		**557,684**	**551,853**

Balance Sheet at 31 December

(NOK 1000)	Notes	2019	2018
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital		1,957	2,003
Other paid-in equity		3,804	1,737
Share premium		34,253	45,140
Total paid-in capital		**40,014**	**48,881**
Other equity		22,440	43,685
Total earned equity		**22,440**	**43,685**
Total equity		**62,453**	**92,566**
Non-current liabilities			
Interest-bearing loans and borrowings	16	338,428	341,810
Total long-term debt		**338,428**	**341,810**
Current liabilities			
Trade accounts payable		10,679	10,613
Interest-bearing loans	16	123,992	69,313
Short term debt to group company		2,014	13,649
Derivatives	14	1,095	882
Public duties payable		587	1,163
Other short-term debt	17	18,434	21,856
Total short-term debt		**156,803**	**117,476**
Total liabilities		**495,230**	**459,286**
TOTAL EQUITY AND LIABILITIES		**557,684**	**551,853**

Oslo, 20 April 2020

Lars Laier Henriksen
Chairman of the Board

Liselotte Hägertz Engstam
Board Member

Jan M. Koivurinta
Board Member

Adele Bugge Norman Pran
Board Member

Jon Erik Haug
Board Member

Kenth Eriksson
Board Member

Corinna Schäfer
Board Member

Hans-Petter Mellerud
Chief Executive Officer

Statement of Cash Flows: 1 January - 312 December

(NOK 1000)	Notes	2019	2018
Cash flows from operating activities			
Ordinary profit before tax		(26,783)	(23,560)
Income taxes paid		-	-
Net financial items		(37,244)	(33,790)
Amortization and depreciation		14,129	12,083
Changes in trade accounts receivable and payables		66	2,617
Changes on other accruals		(76,237)	(61,506)
Interest received		910	21
Interest paid		(17,665)	(10,669)
Net cash flows from operating activities		**(142,823)**	**(114,804)**
Cash flows from investing activities			
Purchase of intangible assets and property, plant and equipment		(20,582)	(18,938)
Purchase and investment in subsidiary	8	(541)	(2,843)
Net cash flow from investing activities		**(21,123)**	**(21,781)**
Cash flows from financing activities			
Group contribution and dividends from daughters		52,462	50,296
Purchase of own shares		(11,238)	-
Issuance of new shares		-	(115)
Stock purchase program		2,067	832
IPO related costs		-	-
Net new debt		(3,383)	136,675
Revolving credit		54,679	(49,197)
Proposed dividend payment		-	-
Net cash flow from financing activities		**94,588**	**138,491**
Net changes in cash and cash equivalents		**(69,358)**	**57,336**
Net foreign exchange differences		**1,537**	**(5,858)**
Cash and cash equivalents at the beginning of the period		**78,382**	**26,904**
Cash and cash equivalents at the end of the period		**10,561**	**78,382**

Statement of Changes in Equity for the Period Ended 31 December

(NOK 1000)	Shares Capital	Share Premium	Other Paid-in Equity	Total Paid-in Capital	Other Equity	Total Equity
Equity at 01.01.2018	**2,003**	**45,255**	**905**	**48,164**	**61,962***	**110,126**
Income for the year	-	-	-	-	(18,337)	(18,337)
Proposed Dividend	-	-	-	-	-	-
Share based payments	-	-	832	832	-	832
Other changes in equity	-	(115)	-	(115)	61	(54)
Equity at 31.12.2018	**2,003**	**45,140**	**1,737**	**48,881**	**43,685**	**92,566**
Equity at 01.01.2019	**2,003**	**45,140**	**1,737**	**48,881**	**43,685**	**92,566**
Income for the year	-	-	-	-	(20,943)	(20,943)
Proposed Dividend	-	-	-	-	-	-
Share based payments	-	-	2,067	2,067	-	2,067
Other changes in equity	(46)	(10,888)	-	(10,934)	(303)	(11,237)
Equity at 31.12.2019	**1,957**	**34,253**	**3,804**	**40,014**	**22,440**	**62,453**

*Group contribution of MNOK 55.4 was not recognized as finance income in 2017, and was not correctly included in total equity 31.12.2017. Other equity 01.01.2018 is adjusted to reflect this.

Note 1 - Accounting Principles and Basis for Preparation

Zalaris ASA ("the Company") is a limited liability company incorporated and domiciled in Norway. The Company's main office is located in Hovfaret 4, Oslo, Norway. The Company delivers full-service outsourced personnel and payroll services.

The financial statements of Zalaris ASA for the period ending on 31 December 2019 were approved in a board meeting on 20 April 2020.

1.1 The Basis for the Preparation of the Financial Statements

The financial statements of Zalaris ASA for the accounting year 2019 have been prepared in accordance with the Norwegian Accounting act and generally accepted accounting principles in Norway ("NGAAP").

1.2 Accounting Principles

Foreign Currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into the functional currency at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Revenue Recognition

The Company's revenue consists of revenue from providing services to subsidiaries and basic consulting services. Revenue is in general recognized when it is probable that transactions will generate future financial benefits for the Company and the size of the amount can be reliably estimated. Sales revenue is presented net of value-added tax and potential discounts.

The service revenue and the revenue from basic consulting services are recognized according to the rendering of the service. Small projects and change orders beyond the terms of the main contract with the customer service delivery are recognized according to the rendering of the services.

Income Tax

Income tax expense for the period comprises current tax expense and deferred tax expense. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to apply when the assets are realized or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets and liabilities are not discounted.

Intangible Assets: Internally Developed Software

Costs related to internally developed software are capitalized to the extent that a future economic benefit associated with the development of identifiable intangible assets and costs can be reliably measured. Otherwise, the costs are expensed as incurred. Capitalized development is amortized over their useful lives. Research costs are expensed as incurred.

Fixed Assets

Fixed assets are valued at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the gross carrying amount and depreciation are derecognized, and any gain or loss on the sale or disposal is recognized in the income statement.

The gross carrying amount of fixed assets is the purchase price, including duties/taxes and direct acquisition costs related to making the fixed asset ready for use.

The depreciation periods and methods are assessed each year. The residual value is estimated every year-end and changes in the estimate for residual value are accounted for as an estimation change.

Leases (as Lessee)

Financial Leases

Leases where the Group assumes most of the risk and rewards of ownership are classified as financial leases. Financial leasing contracts are recognized on the balance sheet and depreciated on a linear basis over the expected useful life of the assets. The leasing debt is classified as a long-term debt and the leasing debt is reduced by the payments according to the leasing contract deducted by an interest element which is expensed.

Operating Leases

Leases in which most of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Shares in Subsidiaries

Shares in subsidiaries are measured using the cost method of accounting in the parent company accounts. Investments are valued at the acquisition cost of the shares unless impairment losses have been made.

Shares in subsidiaries are impaired to fair value when the decrease in value is not considered as temporary. Impairment losses are reversed when the reason for the impairment no longer applies.

Trade and Other Financial Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method (if the amortization effect is material), less impairment.

Cash and Cash Equivalents

Cash and the equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Pension Plans

The Company has a defined contribution pension plan. Contributions are paid to pension insurance plans and charged to the income statement in the corresponding period. Once the contributions have been paid, there are no further payment obligations.

Cost of Equity Transactions

Transaction costs directly attributable to an equity transaction are recognized directly in equity, net after deducting tax.

Events After the Balance Sheet Date

New information on the Company's position at the balance sheet date is taken into account in the financial statements. Events after the balance sheet date that do not affect the Company's position at the balance sheet date, but will affect the Company's position in the future, are stated if significant.

Use of Estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway

Cash Flow Statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid investments.

Note 2 - Segment Information

The Company has two operating segments, which is Cloud Services to external customers and Group Services to subsidiaries.

The Cloud services unit is offering additional cloud-based HR functionality to existing outsourcing customers as talent management, digital personnel archive, HR analytics, mobile solutions etc. It did not have any cloud service revenue in 2019.

The Company is providing shared services to its subsidiaries within accounting, IT solutions both for internal use and customer deliveries, and consulting services. Items that are not allocated are mainly sales activities, executive management, HR, interest-bearing loans and other associated expenses and assets related to administration of the Group. The key management in the Company is the chief decision maker in the Group. The investing activities comprise total expenses in the period for the acquisition of assets that have an expected useful life of more than one year.

Assets and liabilities are not allocated to segments.

2019

(NOK 1,000)	Cloud	Group Services	Non-allocated	Total
Other operating income, external	-	117,964	-	117,964
Other operating expenses	-	(103,835)	(60,747)	(164,582)
Depreciation and amortization	-	(14,129)	-	(14,129)
Operating profit/(loss)	**-**	**-**	**(60,747)**	**(60,747)**
Net financial income/(expenses)	-	-	33,965	33,965
Income tax	-	-	5,840	5,840
Profit for the period	**-**	**-**	**(20,943)**	**(20,943)**
Cash flow from investing activities	-	-	(21,123)	(21,123)

2018

(NOK 1,000)	Cloud	Group Services	Non-allocated	Total
Other operating income, external	25	116,354	-	116,379
Other operating expenses	(25)	(104,271)	(55,842)	(160,138)
Depreciation and amortization	-	(12,083)	-	(12,083)
Operating profit/(loss)	**-**	**-**	**(55,842)**	**(55,842)**
Net financial income/(expenses)	-	-	32,282	32,282
Income tax	-	-	5,223	5,223
Profit for the period	**-**	**-**	**(18,337)**	**(18,337)**
Cash flow from investing activities	-	-	(21,781)	(21,781)

Non-allocated costs includes general administrative costs including group management, business development, marketing, finance and controlling and certain group centralized IT costs.

Geographic Information

The Company is delivering services to its subsidiaries in different countries in the Nordic, Baltic and Poland, Germany, UK and Ireland, in addition to external customers in Norway, and information regarding revenue based on geography is provided below.

(NOK 1,000)	as % of total	2019	as % of total	2018
Norway	44%	51,774	44%	51,313
Sweden	19%	22,192	20%	22,700
Denmark	14%	15,934	13%	14,957
Finland	11%	12,396	10%	11,986
Germany	4%	4,623	4%	4,514
Latvia	4%	4,304	4%	4,520
UK	1%	1,138	1%	649
Other	5%	5,603	5%	5,740
Total	**100%**	**117,964**	**100%**	**116,379**

Note 3 - Personnel Expenses

(NOK 1,000)	2019	2018
Salary	27,033	23,323
Social security tax	4,599	3,948
Pension costs (see note 12)	1,186	1,400
Capitalized development expenses	(14,824)	(14,686)
Other expenses	7,445	6,629
Total personnel costs	**25,440**	**20,613**

	2019	2018
Average number of employees	**23**	**22**
Average number of FTE	**22**	**21**

See note 13 for transactions with related parties.

Note 4 - Other Operating Expenses

(NOK 1,000)	2019	2018
External services	62,023	63,683
IT services and telecom	25,818	28,792
Office premises	2,450	2,081
Travel and transport	1,076	1,644
Postage and freight	32	92
Other expenses	4,259	4,998
Total other operating expenses	**95,657**	**101,290**

Auditors fee

(NOK 1000)	2019	2018
Auditor fee	2,069	2,038
Other attestation services	222	126
Fee for tax services	8	74
Other fees	370	-
Total, excl VAT	**2669**	**2,238**

Note 5 - Other Intangible Assets

(NOK 1,000)	Licenses and Software	Internally Developed Software	Internally Developed Software Under Construction	Total
Acquisition cost				
Accumulated 1 January 2018	31,824	69,439	10,022	111,284
Additions of the year	3,094	-	15,567	18,661
Disposals and currency effects	-	-	-	-
Internal AUC reclassified	-	7,905	(7,905)	-
Accumulated 31 December 2018	**34,918**	**77,343**	**17,684**	**129,945**
Accumulated 1 January 2019	34,918	77,343	17,684	129,945
Additions of the year	3,388	22,720	(5,989)	20,119
Disposals and currency effects	(13,008)	(22,700)		(35,708)
Internal AUC reclassified	-	(5,100)	5,100	-
Accumulated 31 December 2019	**25,297**	**72,264**	**16,795**	**114,356**
Depreciation				
Accumulated 1 January 2018	27,223	41,200	-	68,423
This year’s ordinary amortization	2,000	9,707		11,707
Disposals of amortization and currency effects	-	-	-	-
Accumulated 31 December 2018	**29,223**	**50,907**	**-**	**80,130**
Accumulated 1 January 2019	29,223	50,907	-	80,130
This year’s ordinary amortization	2,958	10,794	-	13,752
Disposals of amortization and currency effects	(8,962)	(19,959)	-	(28,921)
Accumulated 31 December 2019	**23,219**	**41,743**	**-**	**64,961**
Book value at 31 December 2018	**5,695**	**26,436**	**17,684**	**49,815**
Book value at 31 December 2019	**2,079**	**30,521**	**16,795**	**49,394**
Useful life	5-10 years	5 years	NA	
Depreciation method	linear	linear		

Note 6 - Property, Plant and Equipment

(NOK 1,000)	Furniture and Fixtures	IT-equipment	Total
Acquisition cost			
Accumulated 1 January 2018	2,913	1,189	4,102
Additions of the year	88	189	277
Disposals of the year	-	-	-
Accumulated 31 December 2018	**3,001**	**1,378**	**4,379**
Accumulated 1 January 2019	3,001	1,378	4,379
Additions of the year	-	463	463
Disposals of the year	-	(951)	(951)
Accumulated 31 December 2019	**3,001**	**891**	**3,892**
Depreciations			
Accumulated 1 January 2018	2,699	777	3,476
This year's ordinary depreciation	92	283	376
Disposals of the year	-	-	-
Accumulated 31 December 2018	**2,791**	**1,060**	**3,852**
Accumulated 1 January 2019	2,791	1,060	3,852
This year's ordinary depreciation	74	303	377
Disposals of the year	-	(951)	(951)
Accumulated 31 December 2019	**2,865**	**412**	**3,278**
Book value at 31 December 2018	**209**	**319**	**529**
Book value at 31 December 2019	**135**	**480**	**615**

Note 7 - Income Taxes

Income Tax Expense:

(NOK 1,000)	2019	2018
Tax paid & payable	-	-
Changes in deferred taxes	(5,840)	(5,223)
Tax expense/income	**(5,840)**	**(5,223)**

Tax Payable in Balance Sheet:

(NOK 1,000)	2019	2018
Ordinary profit before tax	(79,244)	(73,857)
Permanent differences	238	667
Change in temporary differences	5,963	(5,186)
Group contribution	52,462	50,296
Basis for tax payable	**(20,581)**	**(28,079)**
Tax payable	**(4,734)**	**(6,458)**

Reconciliation of Effective Tax Rate:

(NOK 1,000)	2019	2018
Ordinary profit before tax*	(79,244)	(73,857)
Calculated tax	(17,434)	(16,987)
Other permanent differences	52	5
Group contribution	11,542	11,568
Effect change in tax rate	-	191
Tax expense	**(5,840)**	**(5,223)**
Effective tax rate	**7%**	**7%**

Specification of Tax Effects of Temporary Differences:

(NOK 1,000)	2019	2018
Property, plant and equipment	(3,006)	2,281
IFRS amortization loan	6,760	7,436
Tax losses carry forward	(49,441)	(28,823)
Total temporary differences	**(45,687)**	**(19,106)**
Total deferred tax assets	(10,877)	(6,341)
Total deferred tax liability	826	2,138
Net deferred tax	**(10,051)**	**(4,203)**

* Exclusive group contribution from subsidiaries

Note 8 - Overview of Subsidiaries

Company	Consolidated	Location	Ownership
Zalaris HR Services Danmark A/S	15/07/00	Copenhagen	100%
Zalaris HR Services Sverige AB	19/04/01	Stockholm	100%
Zalaris HR Services Finland OY	26/09/03	Helsinki	100%
Zalaris HR Services Norway AS	30/11/06	Lødingen	100%
Zalaris HR Services Latvia AS	27/12/06	Riga	100%
Zalaris HR Services Lithuania UAB	08/05/13	Vilnius	100%
Zalaris HR Services Poland Sp Z.o.o	26/04/13	Warsawa	100%
Zalaris HR Services Estonia	04/06/13	Tallinn	100%
Zalaris HR Services India	01/10/15	Chennai	100%
Zalaris HR Services Ireland Ltd	01/02/18	Dublin	100%
Zalaris Deutschland AG	18/05/17	Henstedt-Ulzberg	100%
Zalaris UK Ltd	26/09/17	London	100%
Indirect owned subsidiaries			
Zalaris Consulting Danmark A/S	20/12/07	København	100%
LBU Personal Complete GmbH	18/05/17	Amtzell	100%
Zalaris Switzerland AG	18/05/17	Zürich	100%
Zalaris Consulting UK Ltd	26/09/17	London	100%
Zalaris Deutschland GmbH	26/09/17	Taufkirchen	100%
Zalaris Consulting Poland Sp Z.o.o	26/09/17	Gdynia	100%

Company (NOK 1,000)	Other	Equity*	Share Capital in Local Currency	Local Currency	Number of Shares	Normal Value Per Share	Carrying Value
Zalaris HR Services Danmark A/S	-	-	500.0	DKK	5,000	100.0	5,484
Zalaris HR Services Sverige AB	-	-	100.0	SEK	1,000	100.0	9,716
Zalaris HR Services Finland OY	-	-	8.0	EUR	1,000	8.0	67
Zalaris HR Services Finland OY	-	2,450	-	EUR	-	-	21,589
Zalaris HR Services Norway AS	-	-	100.0	NOK	1,000,000	0.1	283
Zalaris HR Services Latvia AS	-	-	2.8	EUR	2,000	1.4	23
Zalaris HR Services Lithuania UAB	-	-	10.0	EUR	1,000	10.0	22
Zalaris HR Services Poland Sp Z.o.o	-	-	5.0	PLN	100	50.0	28
Zalaris HR Services Estonia	-	-	2.5	EUR	2,500	1.0	3,617
Zalaris HR Services India	-	-	40,000.0	INR	4,000,000	10.0	5,196
Zalaris HR Services Ireland Ltd	-	-	0.1	EUR	100	1.0	1
Zalaris Deutschland AG	-	-	54.6	EUR	54,552	1.0	191,229
Zalaris UK Ltd	-	-	376.5	GBP	372,193	1.0	104,411
Total							**341,666**

* Other Equity is converted subordinated loan to subsidiary to equity.

Dividend

No dividend was paid to the shareholders of the Company during 2019. In 2018, a dividend amounting to NOK 13.1 million, or NOK 0.65 per share, was paid. No dividend has been proposed for 2019.

Note 9 - Other Short-Term Receivables

(NOK 1,000)	2019	2018
Receivables group companies	137,396	73,102
Other receivables	990	924
Total other short-term receivables	**138,386**	**74,027**

Note 10 - Cash and Cash Equivalents

(NOK 1,000)	2019	2018
Cash in hand and at bank - unrestricted funds	8,773	65,577
Deposit accounts - guarantee rent obligations	178	11,336
Employee withheld taxes - restricted funds	1,611	1,469
Cash and cash equivalents in the balance sheet	**10,562**	**78,382**

Note 11 - Share Capital, Shareholder Information and Dividend

Cash	2019	2018
Shares - nominal value NOK 0.10	20,122,979	20,122,979
Total number of shares	**20,122,979**	**20,122,979**

The nominal value of the share is NOK 0.10. All the shares in the Company have equal voting rights and are entitled to dividend.

The computation of earnings per share is shown in note 8 in the consolidated financial statement.

The Major Shareholders at 31.12.2019 are:

Shareholder	Number of Shares	% of Total	Type of Account
Norwegian Retail AS	3,091,482	15.36%	Ordinary
Skandinaviska Enskilda Banken AB	2,081,662	10.34%	Nominee
Handelsbanken Nordiska Smabolag	1,795,339	8.92%	Ordinary
Protector Forsikring AS	1,222,524	6.08%	Ordinary
Strawberry Capital AS	1,039,887	5.17%	Ordinary
Verdipapirfondet Nordea Kapital	795,508	3.95%	Ordinary
Athanase	795,255	3.95%	Ordinary
Commerzbank Aktiengesellschaft	748,779	3.72%	Nominee
Danske Bank A/S	572,230	2.84%	Nominee
Athanase Industrial Partners II AB	553,790	2.75%	Ordinary
Vestland Invest AS	527,525	2.62%	Ordinary
Verdipapirfondet Nordea Avkastning	505,705	2.51%	Ordinary
J.P. Morgan Bank Luxembourg S.A.	368,603	1.83%	Nominee
Verdipapirfondet Nordea Norge Plus	366,916	1.82%	Ordinary
Avanza Bank AB	338,078	1.68%	Nominee
Næringslivets Hovedorganisasjon	309,259	1.54%	Ordinary
Taconic AS	300,212	1.49%	Ordinary
UBS Switzerland AG	295,139	1.47%	Nominee
A/S Skarv	225,000	1.12%	Ordinary
Shares owned by the Company	554,627	2.76%	
Others	**3,635,459**	**18.07%**	
Total	**20,122,979**	**100.00%**	

Dividend

No dividend was paid to the shareholders of the Company during 2019. In 2018, a dividend amounting to NOK 13.1 million, or NOK 0.65 per share, was paid. No dividend has been proposed for 2019.

Note 12 - Pensions

The Company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The Group's pension schemes satisfy the requirements of this law, and represents a defined contribution plan, with disability coverage. At the end of the year there were 23 participants (2018 - 23 participants) in this defined contribution plan.

Expenses equals this years calculated contribution and amounts to MNOK 1.2 (2018: MNOK 1.4). The scheme is administered by Storebrand.

Note 13 - Transactions with Related Parties

a) Purchase from Related Parties

Related Party	Transaction	2019	2018
Rayon Design AS[1]	Management Services	1,556	1,677
Haug Advisory AS[2]	Management Services	200	-
Total		**1,756**	**1,677**

1. Norwegian Retail AS, a company owned 100% by Hans-Petter Mellerud, CEO of Zalaris ASA, owns 40% of the shares in Rayon Design AS.
2. Jon Erik Haug, Board Member of Zalaris ASA, owns 100% of Haug Advisory AS.

b) Loans with Related Parties

There were no loans with related parties in either 2019 nor in 2018.

c) Receivables with Related Parties

There were no receivables with related parties in neither 2019 nor 2018.

d) Remuneration to Board of Directors and Executive Management

2019

Management (NOK 1,000)	Title	Salary[1]	Pensions	Other Benefits	Total
Hans-Petter Mellerud	CEO	3,396	204	39	3,639
Nina Stemshaug (01.01-31.08)	CFO	1,705	102	7	1,814
Anders Sjåstad (01.09-31.12)*	Interim CFO	1,229	N/A	0	1,229
Halvor Leirvåg	CTO	1,646	99	7	1,752
Richard Schiørn	VP Strategic	1,737	104	7	1,848
Hilde Karlsmyr	CHRO	1,686	101	7	1,794
Øyvind Reiten	EVP Bus.dev. - GMS	1,831	111	9	1,952
Sami Seikkula	Executive VP Northern Europe	1,306	239	2	1,548
William Peter Jackson	Executive VP UK and Ireland	1,364	66	0	1,429
Harald Götsch	Executive VP Central Europe	1,825	50	0	1,875
Balakrishnan Narayanan	Executive VP Asia Pacific	484	3	0	488
Total		**18,209**	**1,080**	**78**	**19,367**

1. Including bonuses
* Interim CFO was hired as a consultant and amount listed is consultant fee for the period

Board of Directors (NOK 1,000)	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the Board	400	400
Liselotte Hägertz Engstam	Board Member	200	200
Jan M. Koivurinta	Board Member	200	200
Corinna Schäfer (01.06 - 31.12)	Board Member	117	117
Kenth Erikssson (01.06 - 31.12)	Board Member	100	100
Jon Erik Haug	Board Member	200	200
Adele Bugge Norman Pran	Board Member	200	200
Total		**1,417**	**1,417**

2018

Management (NOK 1,000)	Title	Salary[1]	Pensions	Other Benefits	Total
Hans-Petter Mellerud	CEO	3,778	71	39	3,888
Nina Stemshaug	CFO	1,860	71	8	1,939
Halvor Leirvåg	CTO	1,600	71	9	1,680
Richard Schiørn	VP Strategic	1,620	71	8	1,699
Hilde Karlsmyr	CHRO	583	25	5	613
Jan Erik Nessmo	VP PMO and Transformation	1,620	71	8	1,699
Total		**11,061**	**381**	**77**	**11,519**

1. Including bonuses

Board of Directors (NOK 1,000)	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the Board	400	400
Liselotte Hägertz Engstam	Board Member	200	200
Jan M. Koivurinta	Board Member	200	200
Tina Steinsvik Sund	Board Member	83	83
Karl Christian Agerup	Board Member	83	83
Jon Erik Haug	Board Member	117	117
Adele Bugge Norman Pran	Board Member	117	117
Total		**1,200**	**1,200**

The CEO is entitled to six months severance pay in case of dismissal from the Company or if terminating at own will due to a position change resulting in no longer solely managing the Zalaris Group.

e) Shares Held by Related Parties as of 31 December 2019

Name	Role	Number of Shares	Number of Share Options	Number of RSUs
Norwegian Retail AS	CEO (Hans-Petter Mellerud)	3,091,482	-	-
Harald Götsch	Executive VP Central Europe	506,292	-	-
Jan M. Koivurinta	Board Member	295,139	-	-
Lars Laier Henriksen	Chairman of the Board	71,112	-	-
Hilde Karlsmyr	CHRO	5,000	10,000	19,000
Jon Erik Haug	Board Member	7,000	-	-
William Peter Jackson	Executive VP UK and Ireland	5,000	10,000	19,000
Sami Seikkula	Executive VP Northern Europe	4,000	10,000	19,000
Halvor Leirvåg	CTO	7,825	10,000	33,841
Øyvind Reiten	Executive VP Northern Europe	8,464	10,000	63,357
Balakrishnan Narayanan	Executive VP APAC	-	10,000	3,774
Athanase/SEB	Board Member (Kenth Eriksson)	3,420,125	-	-
Richard Schiørn	VP Strategic Projects	7,047	10,000	46,662
Total		**7,428,486**	**70,000**	**204,634**

Note 14 - Financial Instruments

2019

Financial Instruments by Category (NOK 1,000)	Loans and Receivables	Fair Value Through Profit or Loss	Liabilities at Amortized Cost	Total Book Value
Financial assets				
Trade accounts receivable	-	-	-	-
Other short-term receivables to group company	137,396	-	-	137,396
Other short-term receivables	990	-	-	990
Cash and cash equivalents	10,562	-	-	10,562
Total	**148,947**	**-**	**-**	**148,947**
Financial liabilities				
Derivatives, Interest rate swaps	-	1,095	-	1,095
Borrowings, long term	-	-	338,428	338,428
Borrowings, short term, revolving credit	-	-	123,992	123,992
Other short-term debt to group company	-	-	2,014	2,014
Trade accounts payables	-	-	10,679	10,679
Other short-term debt	-	-	19,022	19,022
Total	**-**	**1,095**	**494,135**	**495,230**

2018

Financial Instruments by Category (NOK 1,000)	Loans and Receivables	Fair Value Through Profit or Loss	Liabilities at Amortized Cost	Total Book Value
Financial Assets				
Trade accounts receivable	-	-	-	-
Other short-term receivables to group company	73,102	-	-	73,102
Other short-term receivables	924	-	-	924
Cash and cash equivalents	78,382	-	-	78,382
Total	**152,409**	**-**	**-**	**152,409**
Financial liabilities				
Derivatives, Interest rate swaps	-	882	-	882
Borrowings, long term	-	-	341,810	341,810
Borrowings, short term, revolving credit	-	-	69,313	69,313
Other short-term debt to group company	-	-	13,649	13,649
Trade accounts payables	-	-	10,613	10,613
Other short-term debt	-	-	23,019	23,019
Total	**-**	**882**	**458,405**	**459,286**

Fair Value of Financial Instruments

The Company classifies fair value measurements by using a fair value hierarchy which reflects the importance of the input used in the preparation of the measurements. The fair value hierarchy has the following levels:

Level 1: Non-adjusted quoted prices in active markets.

Level 2: Other data than the quoted prices included in Level 1, which are observable for assets or liabilities either directly, i.e. as prices, or indirectly, as derived from prices.

Level 3: Data for the asset or liability which is based on unobservable market data.

The fair value of the interest rate swap is determined by discounting expected future cash flows to present value through the use of observed market interest rates from Nordea. The fair value measurement for interest swap at period-end 2019 using Level 2 is NOK 1.1 million.

It is assessed that the carrying amounts of financial instruments recognized at amortized cost in the financial statements approximate their fair values. The assessment is based on a judgment that difference between interest rate at year-end compared to draw down. Value assessment is level 3 in the fair value hierarchy.

Financial Risk Management

Overview

The Company has some exposure to risks from its use of financial instruments, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the Company's exposure to each of the above mentioned risks, and the Company's objectives, policies and processes for managing such risks. At the end of this note, information regarding the Company's capital management is provided.

Market Risk from Financial Instruments

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: market risk (e.g. interest rate risk and currency risk), commodity price risk and other price risk. The Company's financial instruments are mainly exposed to interest rate and currency risks.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest is managed by the mix of fixed and variable rate loans. As described above, the Company has entered into swap arrangements to hedge its interest exposures arising from its debt obligations (ref. Note 16). The Company had an overdraft facility which was canceled when issuing a bond loan in September 2018.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is primarily exposed to foreign exchange risk arising from various currency exposures with respect to the USD, EUR and GBP in relation to its debt obligations as well as from certain commercial transactions. As described above, the Company has entered into swap arrangements to hedge its currency exposures arising from its debt obligations (ref. Note 12).

For operational transactions denominated in foreign currencies, the Company's policy is to exchange into foreign currency as required on a spot basis.

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For operational transactions denominated in foreign currencies, the Company's policy is to exchange into foreign currency as required on a spot basis.

As of 31 December 2019 the Company has a bond loan listed on the Oslo Stock Exchange. Per 31 December the Company had an unrealized currency loss amounting to NOK 14 million related to this loan. Otherwise the Group has limited exposure to currency risk from assets and liabilities recognized as of 31 December 2019 that are denominated in currencies.

Credit Risk

The carrying amounts of financial assets represents the Company's maximum credit exposure. The counterparty to the cash and cash equivalents and deposits banks which are assessed to be solid.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is primarily exposed to foreign exchange risk arising from various currency exposures with respect to the USD, EUR and GBP in relation to its debt obligations as well as from certain commercial transactions. As described above, the Company has entered into swap arrangements to hedge its currency exposures arising from its debt obligations (ref. Note 12).

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Per 31 December 2019

(Amounts in NOK 1,000)	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Borrowings, long term	-	-	338,428	338,428
Borrowings, short term	-	123,992	-	123,992
Trade creditors and other short term liabilities	10,679	21,036	-	31,715
Total liabilities	**10,679**	**145,028**	**338,428**	**494,135**

Per 31 December 2018

(Amounts in NOK 1,000)	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Borrowings, long term	-	-	341,810	341,810
Borrowings, short term	266	69,047	-	69,313
Trade creditors and other short term liabilities	10,613	36,668	-	47,281
Total liabilities	**10,879**	**105,715**	**341,810**	**458,404**

Capital Management

A key objective in relation to capital management is to ensure that the Company maintains a sufficient capital structure in order to support its business development and to maintain a strong credit rating. The Company evaluates its capital structure in light of current and projected cash flows, potential new business opportunities and the Group's financial commitments. In order to maintain or adjust the capital structure, the Company may issue new shares or obtain new loans.

Note 15 - Financial Items

(NOK 1,000)	2019	2018
Interest income on bank accounts and receivables	910	21
Group contribution	52,462	50,296
Foreign exchange gains	1,052	9,255
Other financial income		
Finance income	**54,424**	**59,572**
Interest expenses	17,665	10,669
Foreign exchange loss	1,827	2,378
Unrealized foreign currency loss	(2,312)	12,734
Other financial expenses	3,280	1,509
Finance expenses	**20,459**	**27,290**
Net financial items	**33,965**	**32,282**

Note 16 - Interest-Bearing Loans and Borrowings

2019

(NOK 1,000) Financial Institution	Agreement	Maturity	Duration	Interest Rate	Balance Sheet Non-Current	Current	Total
Oslo Stock Exchange*	Bond loan	Sept 2023	5 years	See below	338,428	-	338,428
Nordea Bank Norge AS**	Revolving credit				-	123,992	123,992
Interest-bearing debt and borrowings					**338,428**	**123,992**	**462,420**

2018

(NOK 1,000) Financial Institution	Agreement	Maturity	Duration	Interest Rate	Balance Sheet Non-Current	Current	Total
SG Finans	Financial leasing	Mar 2019	5 years	9.0%	-	39	39
SG Finans	Financial leasing	Dec 2019	5 years	6.0%	-	500	500
SG Finans	Financial leasing	Apr 2020	5 years	5.5%	41	120	161
SG Finans	Financial leasing	Dec 2022	5 years	7.2%	866	252	1,118
SG Finans	Financial leasing	Aug 2023	5 years	4.0%	621	154	775
Oslo Stock Exchange*	Bond loan	Sept 2023	5 years	See below	340,282	-	340,282
Nordea Bank Norge AS	Revolving credit				-	68,248	68,248
Interest-bearing debt and borrowings					**341,810**	**69,313**	**411,124**

* Bond loan , Oslo Stock Exchange
** Group cash pool

The Company refinanced it's Nordea loan of EURO 35 million, with a bond loan registered on the Oslo Stock Exchange in September 2018.

The bond has maturity on 29 September 2023 with no down payments before maturity.

Interest rate to be paid is 3 month Euribor +4.75%.

The Company has deferred NOK 7.5 million in issuing costs (2% of the bond loan), which are being amortized over the term of the loan. The balance at 31.12.19 is NOK 6.8 million.

The Company has entered into a swap arrangement to hedge its interest exposures arising from this debt obligation.

Assets Pledged as Security

Shares in all subsidiaries of Zalaris ASA have been pledged as guarantee for the bond loan. In addition, assets in the subsidiaries Zalaris HR Services Norway AS, Zalaris HR Services Sweden AB, Zalaris HR Services Denmark AS, Zalaris HR Services Finland OY and Zalaris Deutchland AG have been pledged as guarantees for the loan.

Guarantees and Commitments

There are not issued any guarantees from the parent company on behalf of the Company against third parties.

The Company is a certified SAP BPO partner. SAP BPO Partners offer the full stack of business process outsourcing services based on SAP HCM business applications. Certified providers undergo a rigorous assessment of their delivery and support capabilities every two years by SAP's outsourcing partner certification group. The agreement involves commitments for future purchases of licenses and maintenance fees amounting to NOK 20.1 million.

Note 17 - Other Short-Term Debt

(NOK 1,000)	2019	2018
Wages, holiday pay and bonus	3,886	3,352
Accrued expenses and other current liabilities	14,549	18,504
Proposed dividend	-	-
Total	**18,434**	**21,856**

Note 18 - Share-Based Purchase Plan

Zalaris ASA (the "Company") operates a share-based payment plan for members of the executive management and key employees.

The share-based payment plan consists of a share option program and restricted stock units ("RSUs").

The costs recognized for the share-based payment plan are shown in the following table:

(NOK 1,000)	2019	2018
Restricted share units	1,780	947
Employee share options	51	-
Accrued social security costs	210	(27)
Total recognized costs	**2,041**	**920**
Accrued payroll tax at the end of the period	**512**	**302**

Restricted Stock Units

The general meeting of Zalaris ASA held on 13 May 2016, gave the Board the authority to grant up to 300,000 RSUs, with matching requirements. The purpose of the RSUs is to further align the interests of the Company, its Subsidiaries and its shareholders by providing long term incentives in the form of an own investment in the Company done by the participant and matching awards (the RSUs). The matching awards are free of charge for the participants. The maximum number of shares covered by, or subject to matching awards, under this plan is 300,000.

The granted RSUs vests until May 2020 and May 2021. The RSUs require the employee to purchase the required number of matching shares at the grant date, and hold these until the RSUs are fully vested. Non-vested RSUs are canceled when the employee has given notice of termination, and are treated as forfeited. If for some reason the Company is not holding a sufficient number of shares at the relevant settlement date, any RSUs awarded and settled under the plan shall be settled by a cash bonus payments equal to the fair market value per share on the date of settlement multiplied by the number of RSUs.

The Company will do its utmost to settle the granted RSUs as shares, and thus accounts the RSUs as an equity-settled plan.

A total of 172,595 RSUs were granted in 2019, and the following table illustrates the number of RSUs outstanding:

Number of RSUs	2019	2018
Outstanding at the beginning of the period	146,919	146,919
Granted	172,595	-
Exercised	-	-
Forfeited	(24,589)	-
Outstanding at the end of the period	**294,925**	**146,919**

The fair value of the RSUs is estimated at the grant date using Black&Scholes Merton pricing model, taking into account the terms and conditions on which the RSUs were granted.

The following table lists the key inputs to the model used for the year ended 31 December 2019 and 2018:

The Weighted Average Assumptions Used	2019	2018
Expected volatility (%)	39.34	-
Risk-free interest rate (%)	1.19	-
Expected life of RSUs (year)	2.64	-
Weighted average share price	21.21	-

Historic volatility is assumed to be a reasonable indicator of expected volatility. Expected volatility is therefore defined as historic volatility. The risk-free interest rate used for RSU calculations is collected as of grant date from Norges Bank. Where there is no exact match between the term of the interest rates and the term of the RSU, interpolation is used to estimate a comparable term.

Share Option Program

The general meeting of Zalaris ASA held on 15 May 2018, gave the Board the authority to grant up to 400,000 employee share options annually for a three-year period. The strike price is based on the weighted average share price for seven days preceding the grant, which is increased by 1% per month until the options have been fully vested. 60% of the options granted vest after 36 months, while the remaining 40% vest after 60 months. Each share option corresponds to one share. Non-vested share options are canceled when the employee has given notice of termination and are treated as forfeited.

Employee share options are not subject to any performance-based vesting conditions. The Company has the option to settle the share options in cash, however they have no legal or constructive obligation to repurchase or offer cash-settlements for options granted. Non-vested share options are canceled when the employee has given notice of termination and are treated as forfeited.

A total of 333,000 options were granted in 2019, at an average exercise price of NOK 34.31.

The following table illustrates the numbers of options outstanding and their weighted average exercise price (WAEP):

	2019		2018	
	Number of Options	WAEP (NOK)	Number of Options	WAEP (NOK)
Outstanding at the beginning of the period	-	-	-	-
Granted	333,000	34.31	-	-
Outstanding at the end of the period	333,000	34.31	-	-
Exercisable at the end of the period	-	-	-	-

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair value of share options granted to employees during the period was NOK 3,45 per option (2018: 0).

The following table lists the key inputs to the model used for the year ended 31 December 2019 and 2018:

The Weighted Average Assumptions Used	2019	2018
Expected volatility (%)	34.10	-
Risk-free interest rate (%)	1.20	-
Expected life of options (year)	3.8	-
Weighted average share price	23.33	-

Historic volatility is assumed to be a reasonable indicator of expected volatility. Expected volatility is therefore defined as historic volatility. The risk-free interest rate used for share option calculations is collected as of grant date from Norges Bank. Where there is no exact match between the term of the interest rates and the term of the share options, interpolation is used to estimate a comparable term.

Annual Share Purchase Program

The Company completed an annual share purchase program for employees in Q4 2019.

As part of the program, Zalaris has sold 52,460 own shares to employees at a subscription price of NOK 20.62 per share. The shares will be transferred to the employees on or about 31 March 2020. The subscription price was based on the volume-weighted average share price in the period between 18 December to 30 December 2019, less a 20% discount. To receive the discount the shares have a 12 months lock-up period.

See Executive Remuneration Policy for detailed information.

Note 19 - Events After the Balance Sheet Date

After the closure of the 2019 financial year, the COVID-19 crisis has emerged, seriously impacting people and businesses world-wide. Zalaris has executed its Business Continuity Plan, and established an Emergency Response Team lead by the CEO. The Emergency Response Team meets daily for status updates, and to coordinate necessary activities to deal with an ever changing situation. The Company priorities are firstly, to safeguard Zalaris' employees, partners, customers and society at large. Secondly, to be a responsible company and behave according to government guidelines. And thirdly, to keep our operations running, to help support our customers with HR and payroll services in accordance with our promises, also in these difficult times.

Zalaris is at the time of this annual report experiencing limited operational and financial impact from COVID-19, but the situation is dynamic and could change quickly. Employees being involved with service deliveries to customers could be affected, and customers could potentially experience financial difficulties and/or employee reductions. Zalaris has a strong focus on maintaining sufficient financial capacity and flexibility should the situation change, and will be closely monitoring the situation. Even though the Company is currently not experiencing any material negative financial impact of COVID-19, the effects of the pandemic will depend on its scope and duration.

No other events have occurred after the balance sheet date which have had a material effect on the issued accounts.

Zalaris ASA's ("Zalaris" or the "Company") corporate governance policy is based on, and complies with, the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). Good corporate governance will strengthen confidence in Zalaris and help to ensure the greatest possible value creation over time, in the best interests of shareholders, employees and other stakeholders. The objective of the Code of Practice is that companies listed on Norwegian-regulated markets shall practice corporate governance that regulates the division of roles between shareholders, the Board of Directors (or the "Board") and executive management more comprehensively than is required by legislation.

Zalaris ASA is incorporated and registered in Norway and is subject to Norwegian law. According to the Accounting Act § 3-3b, the Company is obliged to report on its principles and practices of corporate governance. In addition, the Oslo Stock Exchange requires an annual statement on compliance with the Company's corporate governance policy, in accordance with NUES the Norwegian Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board, most recently revised on 17 October 2018.

The statement for fiscal year 2019 is based on the disposal in the Accounting Act § 3-3b, as well as the disposal for Corporate Governance Policy for Zalaris ASA, and was adopted by the Board of Directors on 20 April 2020:

1. Zalaris' corporate governance is in compliance with the Code of Practice.
2. The Code of Practice is available on www.nues.no.
3. The Board of Directors has below made a statement of corporate governance, and comments on any deviations are made under each chapter.
4. In Chapter 10, the main elements of Zalaris' risk and internal control in the financial reporting process are described.
5. Zalaris has no shareholder decisions that expand or differ from the Norwegian Public Limited Liability Companies Act, chapter 5.
6. The composition of the Board, the remuneration committee, the nomination committee and the audit committee are described in Chapters 7, 8 and 9. The main elements of their instructions and guidelines are described in Chapters 8 and 9.
7. Shareholder decisions that regulate the election period for the Board of Directors are described in Chapter 8.
8. Shareholder decisions and Board of Directors authorizations for the issuing of new shares or purchasing of own shares are described in Chapter 3.

1. Statement on Corporate Governance

Zalaris complies with the Code of Practice. There are no significant differences between the code and how it is abided by at Zalaris. The Board shall ensure that the Company always has sound corporate governance. Zalaris provides an overall review of the Company's corporate governance in the Company's annual report (herein). In addition, a description of the most important corporate governance principles of the Company shall be made available for external interest groups on the Company's website.

The annual review of the Company's compliance with the Code of Practice was adopted on 20 April 2020.

2. Business

Zalaris ASA and its subsidiaries are providing full service outsourcing and consulting services related to advisory, sales, implementing and operating processes for the HR (Human Resources) function as payroll, payroll accounting, personnel administration, travel expenses, statutory leave, recruiting, performance management, learning process administration etc., and the sale of related software, and to own shares in other companies and other activities related to this.

Zalaris focuses on high efficiency and high customer satisfaction and a close relationship to its customers, which includes local service centers in all countries in which we operate, complemented with offshoring, automation of processes, and utilization of cloud and AI. Local personnel with high competence in HR function processes ensure successful long-term relationships with our customers.

A more detailed description of our services is available on Zalaris' website, www.zalaris.com.

The Board of Directors has adopted a yearly plan focusing on its work to develop objectives, strategy and risk profiles for the Company, and to oversee the implementation of this once a year. In addition, the Board of Directors executes supervision to ensure that the Company reaches its defined targets and that the Company has satisfactory risk management.

Corporate ethics are about how we behave towards each other and the world around us. It relates to human rights, employee rights and social matters, the external environment, the prevention of corruption, the working environment, equal treatment discrimination, and environmental impact. Everyone associated with Zalaris shall comply with the rules and guidelines that build on Zalaris' basic values. At Zalaris, we want everyone to contribute to a sound corporate culture.

Zalaris has defined a Code of Conduct which is the foundation of our corporate culture and defines the core principles and ethical standards by which we create value in our Company.

The Code of Conduct valid for the Company and its subsidiaries is available on Zalaris' website, www.zalaris.com.

The Company has guidelines for how it integrates considerations related to its stakeholders into its value creation.

3. Equity and Dividends Equity

Zalaris believes in further profitable growth in the years to come. To reach this, it is essential that the Company has a solid capital structure and liquidity.

Zalaris' equity per 31 December 2019 was NOK 92.2 million equal to 13.1% equity ratio.

The cash and cash equivalent per 31 December 2019 was NOK 82.4 million.

The Board of Directors considers the Company's capital structure as satisfactory.

Dividend Policy

The Board shall establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the general meeting. The dividend policy shall be disclosed on the Company's IR website.

The Board of Directors proposes that no dividend will be paid for the financial year 2019.

Authorizations to Increase Share Capital

Authorizations granted to the Board to increase the Company's share capital shall be restricted to defined purposes. If the general meeting is to consider authorizations to the Board for the issuance of shares for different purposes, each authorization shall be considered separately by the general meeting. Authorizations granted to the Board shall be limited in time to no longer than until the next annual general meeting. At Zalaris' annual general meeting on 21 May 2019, pursuant to Section 10-14 of the Norwegian Public Limited Companies Act, the Board of Directors was granted an authorization to increase the Company's share capital to NOK 201,230. The shareholders' preferential rights pursuant to Section 10-4 of the Norwegian Public Limited Companies Act can be deviated from.

The authorization can be used at the Board's discretion for the purpose of realizing the Company's growth ambitions and for general corporate purposes.

The authorization was limited until the earliest occurring date of either the ordinary general meeting in 2020 or 30 June 2020.

Authorization to Purchase Own Shares

The Board of Directors' recommendation is that its authority to buy back its own shares shall be granted for a period limited to the next annual general meeting.

At Zalaris' annual general meeting on 21 May 2019, the Board of Directors was granted an authorization to acquire shares with a total nominal value up to NOK 201,230. The highest amount which can be paid per share is NOK 160 and the lowest is NOK 0.10. The Board of Directors is authorized to acquire and sell shares as the Board finds it appropriate. Acquisition can nevertheless not be done by subscription for shares.

The authorization was limited until the earliest occurring date of either the ordinary general meeting in 2020 or 30 June 2020.

4. Equal Treatment of Shareholders and Transactions with Close Associates General Information

Zalaris has one class of shares. Each share carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

Share Issues without Preemption Rights for Existing Shareholders

Any decision to deviate from the preemption rights of existing shareholders to subscribe for shares in the event of an increase in share capital shall be justified. Where the Board resolves to carry out an increase in share capital and deviate from the pre-emption rights of existing shareholders on the basis of an authorization granted to the Board, the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Transactions in Own Shares

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Stock Exchange, or at prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

Approval of Agreements with Shareholders and Other Close Associates

In the event of not immaterial transactions between the Company and its shareholders, a shareholder's parent company, members of the Board, executive personnel or close associates of any such parties, the Board shall arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Norwegian Public Limited Liability Companies Act. Independent valuations shall also be arranged with respect to transactions between companies in the same group where any of the companies involved have minority shareholders.

5. Freely Negotiable Shares

Zalaris shares are freely negotiable and there are no limitations of the negotiability in Zalaris' Articles of Associations. There are no limitations for any party's ability to own, trade or vote for shares in Zalaris.

6. General Meetings

Exercising Rights

Zalaris facilitates that as many shareholders as possible may participate in the Company's general meetings and that the general meetings are an effective forum for the views of shareholders and the Board.

The notice and the supporting documents and information on the resolutions to be considered at the general meeting shall be available on the Company's website no later than 21 days prior to the date of the general meeting. The notice and agenda for the meeting will be sent per post to all shareholders with a known address in Verdipapirsentralen (VPS) no later than 21 days prior to the date of the general meeting. According to Zalaris' Articles of Associations, it is sufficient that the supporting documents and information on the resolutions to be considered are available on the Company's website. A shareholder may, nevertheless, demand to receive the documents concerning matters that are to be discussed in the general meeting.

The resolutions and supporting documentation, if any, shall be sufficiently detailed and comprehensive to allow shareholders to understand and form a view on matters that are to be considered at the meeting.

The deadline for shareholders to give notice of their attendance at the general meeting will be set as close to the date of the general meeting as possible. The Board and the person who chairs the general meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Company's Board and committees.

Shareholders who cannot be present at the general meeting must be given the opportunity to vote by proxy or to participate by using electronic means. The Company will provide information on the procedure for attending by proxy and nominate a person who will be available to vote on behalf of shareholders as their proxy. In addition, a proxy form will be prepared, which shall, insofar as this is possible, be formulated in such a manner that the shareholder can vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

The general meeting should be attended by representatives from the Board. The chairman of the Nomination Committee, the Remuneration Committee and the Audit Committee may attend whenever practical. In addition, as a minimum, the CEO and CFO from the management team of Zalaris, will attend the general meeting.

The Board of Directors decides the agenda of the general meeting. The main issues of the agenda follow the requirements in the law. Each general meeting appoints a chairman. The Code of Practice recommends that an independent person is appointed to chair the general meeting. Considering the Company's organization and shareholder structure, the Company considers it unnecessary to appoint an independent chairman for the general meeting, and this task will, for practical purposes, normally be performed by the chairman of the Board. However, the need for an independent chairman is evaluated in advance of each general meeting based on the items to be considered at the general meeting.

The minutes from the annual general meeting will be published on the Company's websites and on the website of the Oslo Stock Exchange.

7. Nomination Committee

The Company shall have a nomination committee comprising such number of persons as determined by the general meeting of the Company from time to time — and whose members shall be appointed by a resolution of the general meeting, including the Chairman of the committee. The general meeting shall determine the remuneration of the nomination committee and shall stipulate guidelines for the duties of the nomination committee.

The nomination committee's duties are to propose candidates for election to the Board and to propose remuneration to be paid to such members. The nomination committee shall justify its recommendations. The Company shall provide information of the nomination committee and any deadlines for submitting proposals to the committee.

The general meeting on 21 May 2019 elected Bård Brath Ingerø (Leader), Ragnar Horn and Stefan Charette to the nominating committee for a period until the annual general meeting in 2020.

8. Board; Composition and Independence Board Composition

According to the Articles of Associations for Zalaris ASA, the Board of Directors shall consist of three to ten members.

At the end of 2019, the Zalaris' Board of Directors consisted of seven members — three women and four men. The Chief Executive Officer of Zalaris is not part of the Board.

The Board of Directors in Zalaris has broad representation from countries in the Nordic region and Germany, and experience from different industries like IT, finance, industrial and consulting, as well as competencies within organization, management, finance, HR and marketing.

A presentation of the Board of Directors is available on Zalaris' website.

Board Independency

The composition of the Board is such that it can attend to the common interests of all shareholders and meet Zalaris' need for expertise, capacity and diversity and that it can act independently of the Company's executive management and material business connections. All members of the Board are independent of the Company's major shareholders, defined as a shareholder that controls 10% or more of Zalaris' shares or votes, with the exception of Kenth Eriksson, who is connected to entities which control 17.43% of the issued shares in Zalaris.

An overview of the shares owned by related parties as of 31 December 2019, including board members, is available in the financial statement note 20.

9. The Work of the Board General

The Board of Directors is responsible for the management of the Company, including the appointment of a Chief Executive Officer to assume the daily management of the Company. The Board members shall perform their duties in a loyal manner, attending to the interests of the Company, and ensure that its activities are organized in a prudent manner. The Board of Directors shall adopt plans and budgets and guidelines applicable to the activities of the Company. The Board of Directors shall keep itself informed of the financial position of the Company and has a duty to ensure that its corporate accounts and asset management are subject to satisfactory controls. Members of the Board and executive personnel must notify the Board if they have any significant, direct or indirect, interest in a transaction carried out by the Company.

The duty and responsibilities of the Board of Directors are defined by applicable law, Zalaris' Articles of Associations and the authorizations and instructions given by the General Assembly.

The Board of Directors discusses all relevant matters related to Zalaris' activities of significance or of special nature. In 2019, the Board of Directors held nine board meetings.

In accordance with Norwegian Public Limited Companies Act § 6-13, rules of procedure were adopted on 25 April 2014 to set out more detailed provisions regarding the duties and working procedures of the Board of Directors and Chief Executive Officer of Zalaris ASA.

The Chairman is responsible for ensuring that the Board's work is performed in an efficient and proper manner and in accordance with applicable law.

Rules of Procedure for CEO

The Board of Directors is responsible for the appointment of CEO of Zalaris. The Board of Directors also defines instructions, authorizations and conditions for CEO.

Audit Committee

The audit committee shall consist of between two and four members of the Board. The committee shall be composed within the rules set out in the Norwegian Public Limited Companies Act. Any committee member may be replaced by the Board at any time.

The function of the committee is to assist the Board in overseeing the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and the performance of the Company's internal accounting function and independent auditor.

The committee shall meet as often as it shall determine, but not less frequently than four times per year. The committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the committee or to meet with any members of, or any advisor or consultant to, the committee.

The committee may, at its discretion, request management, the independent auditor, or other persons with specific competence, including outside counsel and other outside advisors, to undertake special projects or investigations which it deems necessary to fulfill its responsibilities, especially when potential conflicts of interest with management may be apparent.

The auditor shall annually present a plan for the auditing work to the audit committee and have at least one annual meeting with the committee to go through the Company's internal control systems and to identify possible weaknesses and potential areas of improvement.

Members of the current audit committee are Adele Bugge Norman Pran (leader), Kenth Eriksson and Corinna Schäfer.

Remuneration Committee

The remuneration committee shall consist of at least two members of the Board, both of whom shall be independent of the management of the Company.

The remuneration committee's primary responsibilities include:

- Assessing the Group's compensation and benefits strategy by an annual review of the organization's overall compensation plan (or practices). This includes monitoring the effectiveness of the design, performance measures and award opportunities offered by the Group's executive compensation plans.
- Overseeing the CEO's efforts to identify and develop potential successors for key executive positions.
- Reviewing annually the Board including performance, working methods and practices and the adequacy of its composition.

The current members of the remuneration committee are Liselotte Hägertz Engstam (leader) Jon Erik Haug, and Lars Laier Henriksen.

Annual Evaluations

The Board has conducted an evaluation of its performance and expertise in 2019.

10. Risk Management and Internal Control

The Board and the management in Zalaris emphasize the importance of establishing and maintaining routines for internal control and risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal controls and the systems for risk management should also encompass the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility.

The Board carries out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. The most important areas are:

Motivation and Training of Employees

One of Zalaris' focus areas is to ensure high-quality services to our customers. This is only possible through efficient processes and tools and through highly competent and engaged employees. Thus, Zalaris has implemented a talent management program to ensure a good development of highly qualified personnel in all our departments and functions of the Company. To constantly follow up with employee engagement, Zalaris performs regular employee surveys to uncover improvements needed to achieve a healthy and good social environment for its employees. High employee engagement is important to achieving the Company's overall targets.

Internal Work Procedures, Instructions and Authorities

In addition to the instructions which follow each employment contract, Zalaris has established internal procedure manuals for employees to be followed to ensure quality, efficiency and transparency in our internal processes. The Company focuses on the understanding, training and execution of these defined internal procedures.

Financial Reporting

Zalaris has developed internal procedures for monthly, quarterly and annual financial reporting including routines for internal controls. The audit committee reviews the quarterly reporting in separate meetings with the CFO of the Company. The consolidated financial statement is prepared in accordance with IAS/IFRS.

The Board receives a monthly report of the consolidated financial results with comments on deviation to adopted forecast numbers for the year per business unit. At mid-year, the Company updates its forecasted numbers for the actual financial year, which are presented to the Board. Any discrepancies are explained and planned actions to reach financial targets are presented.

The Company has monthly business reviews with each business unit responsible in which financial results for the unit, status on key performance indicators in the customer deliveries, personnel statistics and risk areas are presented and commented on by each manager. The target of these business reviews is to identify risks of deviation in all these areas, which can cause financial discrepancies to adopted targets as early as possible to be able to initiate actions to reduce potential risks at the earliest. The unit managers and the CFO participate in these reviews.

Each Group unit manager presents financial achievements for their respective business unit in monthly 1:1 meetings with the CEO.

Customer Satisfaction

Zalaris' mission is to enable our clients to maximize the value of human capital through excellence in HR processes, and, thus, customer satisfaction is a focus area for Zalaris. The Company undertakes customer satisfaction surveys on a regular basis to have knowledge about customer satisfaction and to collect information about improvement areas to achieve a high level of customer satisfaction and ensure further profitable growth for Zalaris.

11. Remuneration of the Board

The remuneration of the Board is to be decided by the shareholders at the Company's annual general meeting. The nomination committee is to propose remuneration to be paid to such members. The level of remuneration of the Board shall reflect the responsibility of the Board, its expertise and the level of activity in both the Board and any Board committees. The remuneration of the Board shall not be linked to the Company's performance. The Company shall not grant share options to members of the Board.

Members of the Board and/or companies with whom the members are associated shall not take on specific assignments for the Company in addition to their appointments as members of the Board. If they, nonetheless, do take on such assignments this must be reported to the Board and the remuneration for such additional duties must be approved by the Board.

Any remuneration in addition to normal fees to the members of the Board shall be specifically identified in the annual report.

An overview of the remuneration for the Board for fiscal year 2019 is available in the financial statement note 20.

12. Remuneration of Executive Personnel

The Board establishes guidelines for the remuneration of the executive personnel setting out the main principles applied in determining the salary and other remuneration of the executive personnel. These guidelines are communicated at the annual general meeting.

The main principles for determining salaries and other remuneration to the CEO and other executive personnel in Zalaris, is that these should be competitive. Further, Zalaris should offer terms that encourage value creation for Zalaris and its shareholders and that promote loyalty to the Company.

At Zalaris, the performance-based remuneration for executive personnel is at a maximum 30% of the annual fixed salary.

The CEO has a six-month term of termination. The other executive personnel in Zalaris have terms of termination between three to six months. The termination time is valid from end of the calendar month in which the notice of termination is communicated in written form.

The CEO is entitled to six months' severance pay in case of dismissal from the Company or if terminating at own will due to a position change resulting in no longer solely managing the Zalaris Group.

An overview of salaries and other remunerations to the executive personnel in Zalaris is available in the financial statement note 20.

13. Information and Communication

The communication policy of Zalaris is based on the approach that objective, detailed and relevant information to the market is essential for a proper valuation of the Company's shares. Thus, the Company has continuous dialogue with analysts and investors.

All periodic financial reporting is published according to the adopted guidelines for companies listed on the Oslo Stock Exchange. Zalaris strives at all time to publish all relevant information in a timely, correct, non-discriminatory and efficient manner to the market. All relevant information will be published on the Company's websites and on the website of the Oslo Stock Exchange.

Zalaris shall give all shareholders the same information at the same time. In contact with analysts and investors, the Board of Directors and the management of the Company shall only communicate already published information. The Company has established a communication channel for the shareholders on its website. All published information is available on Zalaris' website. It is also possible for shareholders to send inquiries through the website.

Zalaris holds quarterly web-based presentations in which the financial results of the closed quarter and focus areas of the Company are commented on in addition to market outlooks and special events which the Company considers as relevant information for its shareholders. The presentation is held by the CEO and the CFO of the Company. Both the quarterly reporting and the presentations will be published on Zalaris' website.

The financial calendar valid for Zalaris is adopted by the Board of Director and determines the date and time for publishing interim reports, annual financial statement and holding of the annual general meeting. The financial calendar is published on Zalaris' website and on the website of the Oslo Stock Exchange.

14. Takeovers

In the event of a takeover process, the Board shall ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board shall also ensure that the shareholders have sufficient information and time to assess the offer.

The Board shall not attempt to prevent or impede the takeover bid unless this has been decided by the general meeting in accordance with applicable laws. The main underlying principles shall be that the Company's shares shall be kept freely transferable and that the Company shall not establish any mechanisms which can prevent or deter takeover offers unless this has been decided by the general meeting in accordance with applicable law. If an offer is made for the Company's shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer.

If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board have excluded themselves from the statement.

The Board shall consider whether to arrange a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder (as defined in Section 8 herein). Any such valuation should either be enclosed with the Board's statement or reproduced/referred to in the statement.

15. Auditor

Zalaris is audited by EY.

Zalaris does not use the auditor for any purposes other than auditing without approval from the Board. The auditor submits on an annual basis the main features of the plan for the audit of the Company to the Board.

The auditor participates in board meetings dealing with the annual accounts, accounting principles, assessment of any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the executive management of the Company. The auditor shall at least once a year present to the Board a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. In addition, the Board shall hold a meeting with the auditor at least once a year at which no representative of the executive management is present.

The Board reports the remuneration paid to the auditor to the shareholders at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments. An overview of the remuneration paid to the auditor is available in the financial statement note 4.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Zalaris ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zalaris ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2019, the income statement, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the Consolidated statement of financial position as at 31 December 2019, the Consolidated statement of profit and loss, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows and Consolidated changes in equity 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 financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of 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 consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Building a better working world

Contracts with customers

The Group derives a significant part of its revenues from outsourcing contracts that require an implementation phase before services can be delivered. Cost related to these contracts are capitalized as customer project assets, and prepayments related to the contracts are recognised as customer project liabilities.

Revenue recognition of the various customer projects involve consideration of and determination of performance obligations and the transaction price relating to the service provided.

Accounting for customer projects was a key audit matter due to the number of, complexity and various terms in the customer contracts.

We obtained an understanding of the process for how management determines the performance obligations and the transaction price. For a sample of significant customer projects, we evaluated the assessments made by management. We read contracts and compared contract information to transaction prices and invoicing. Further, we assessed the Group's disclosures in notes 1 and 3 of the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. 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 on the other information obtained prior to the date of the auditor's report, 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 management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 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 the 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 law, regulations and generally accepted auditing principles 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, 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 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 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 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 fair presentation;
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

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 and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result 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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 22 April 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Petter Larsen
State Authorised Public Accountant (Norway)

In accordance with the Public Limited Companies Act § 6-16a, the Board of Directors has prepared the following declaration on guidelines and main principles for the stipulation of salaries and other remuneration for the CEO and other senior management. The declaration was approved by the Board of Directors on 20 April 2020 and will be presented to the Annual General Meeting of Zalaris ASA on 18 May 2020 for an advisory vote.

1. Main Principles for Zalaris' Remuneration Policy

The Group's development is closely linked to its ability to recruit and retain senior executives. Executives are remunerated at market terms. Remuneration varies over time both in level and methodology.

In addition to salary, the Group uses performance-related and personal bonuses that typically vary from 15% to 30% of annual salary, lump-sum payments, leave arrangements, education opportunities and option agreements.

The Group has collective pension schemes (defined contribution plans).

The Board represented by the Remuneration Committee shall conduct an annual evaluation of the agreement terms with the Group CEO. Remuneration to other members of the Group executive management is evaluated and settled by the CEO and reviewed by the Remuneration Committee. Remuneration is reviewed annually, but is assessed over several years to maintain continuity.

The decision making process for implementing or changing remuneration policies and concepts for the executive management is in accordance with the Norwegian Public Limited Liability Companies Act sections 5-6 and 6-16 and the instructions of the Board of Directors of Zalaris adopted on 5th of May 2014.

2. Principles of Remuneration to Executive Management

2.1. Base Salary

Management salaries shall be competitive and fair, reflecting local market conditions — as Zalaris wants to attract and retain attractive leaders.

The basic salary shall normally be the main element of managers' salaries and thus differentiate based on the scope of work, responsibility and performance.

A limitation of the total salary level to management has not been defined. However, significant and structural changes shall be approved by the remuneration committee.

Management positions are not paid overtime as compensation for overtime is included in the fixed salary.

2.2. Bonus Program

The bonus program in Zalaris has been designed to motivate managers to strive for continuous improvement of the business and its results and to align with the interest of shareholders.

The bonus scheme for management positions is based on reaching two main categories of targets:

1) Reaching overall company EBIT % target and;
2) Reaching KPI's for own business unit and individual goals that have been defined with weighting decided in a mutual discussion between the CEO and each group manager, documented and followed up in Zalaris' SAP SuccessFactors solution.

3. Executive Management Share Purchase Program and Ownership of Zalaris Shares

3.1. Share Purchase Program for All Employees

Zalaris encourages employees to own shares in Zalaris. The Company shall aim at offering annual share purchase programs that will offer employees and management the ability to purchase discounted shares within the bounds of the tax-free limits.

Share Purchase Program

Eligibility	All employees
Rationale	Incentivize employees to own Zalaris shares to create additional engagement, long-term motivation and added focus on company goals.
Frequency	Once per year in Q4.
Principle for allocation	All permanent employees that have been employed at least 6 months with the Company are eligible to purchase up to NOK 15,000 of shares with 20% discount based on average market price 2 weeks before offering date. The program is in accordance with the Norwegian Tax regulation for tax-free discounts.
Restrictions	The employee shall not be allowed to sell the shares within 12 months of the purchase date.
Impact	If all (approx. 850) employees decided to participate 100% in the program, the total number of shares that would be issued would be valued at approximately NOK 12.7 million and at a share price of NOK 30 would equal to 425,000 shares, or 2.11% of the current number of issued shares. The total value of the discount would be approx. NOK 2.55 million, which is approximately 0.6% of the Zalaris Group's total personnel expenses. The discount is tax-free for Norwegian employees and does not trigger employer/social security tax.

3.2. Share-Based Payment Plan

Zalaris has the following two equity-based programs that will affect executives and key personnel, approved by the Board of Directors on 20 April 2020 will be presented to the Annual General Meeting of Zalaris ASA on 18 May 2020 for approval.

3.2.1. Restricted Stock Units (RSUs)

As of 2020 Zalaris has a share purchase program for executive management. The key parameters of the approved and implemented share purchase program for executives include converting bonuses to shares and a matching with RSUs:

Eligibility	Executive management
Rationale	Incentivize executive management to invest part of performance-based bonus to Zalaris share ownership with the goal of creating additional engagement and long-term focus on company goals.
Frequency	Annually — allocations of shares to be completed Q2 each year, subject to be matched by executive's own purchase of shares.
Principle for allocation	Allocation to be made on the basis of tenure, perceived value for company and reaching of individual targets. 50% of the approved total bonus to be transformed to RSU's at a 100% higher value (e.g. NOK 50k in bonus is converted to NOK 100k worth of RSUs).
Allocation of Restricted Stock Units (RSU) subject to executive still employed at vesting date and holding required number of shares	Annually max. 135,000 RSUs based on 100% bonus achievement, which represents approx. 0.7% of current number of issued shares.
Matching requirement (i.e.) shares the the executive at the vesting date to receive the matching shares	1/12 of allocation (8.3%) – i.e. a total of 11,205 shares (minimum 1,000 shares).
Vesting	3 years from grant date.

3.2.2 Option Scheme to Executive Management and Key Employees

Eligibility	Executive Management and Key Employees.
Rationale	Incentivize management and key employees to stay with company and focus on long-term shareholder value creation.
Frequency	Three-year program to be completed in Q4 each year .
Principle for allocation	Executive Management and Key Employees granted options on the basis of own performance-based gross bonus as % of total group gross bonus for eligible managers and key employees for the year (allocation %). Number of options to be granted equal to allocation % * total number of options to be granted for the Zalaris Group that year. Strike price for options to be set at average market price 2 weeks before grant date. Max number of options of the program to be limited to 250,000 options per year (approx. 1.2% of issued shares) with a total number of options equal to 750,000 (approx. 3.7% of the issued shares) for the three-year program.
Restrictions	Options to vest 60% after 36 months and 100% after 60 months and be subject to good leaver/bad leaver clause.
Impact	Examples below are based on a share price of NOK 30 at grant date. The IFRS 2 cost for the company has been estimated at NOK 6.9 per option per year (i.e. a total of NOK 1.7 million per trance of 250,000 options per year), excluding any social security tax. The options will trigger income tax for the receiver and social security tax for the Company when the options are executed The social security tax to be paid and expensed by the Company will depend on the difference between the actual share price and the strike price at the execution date.

4. Severance Schemes

The Group has limited use of severance payments. However, it does not preclude the use of this if it seems appropriate. No current agreements include allowance for more than six months base salary. Any use of severance payments is restricted and requires approval. Severance payments to employees are approved by CHRO. Severance payments to management are approved by CEO and reviewed by board via Remuneration Committee. Severance payments to CEO are approved by board via Remuneration Committee.

5. Benefits

Managers will receive benefits that are common for similar positions. Normal benefits include mobile phone and broadband. Zalaris actively works to avoid benefits that have a residual cost in the event an employee leaves – such as company cars.

There are no particular limitations on the type of benefits that can be agreed. However, Zalaris seeks to limit the number of benefits to simplify our internal processes and visualize total compensation through the fixed salary.

6. Pensions

Pension for Executive Management Employed in the Norwegian Entities

The Group is required to have an occupational pension scheme in accordance with the Norwegian law on mandatory occupational pension ("lov om obligatorisk tjenestepensjon"). The Group's pension schemes satisfy the requirements of this law, and represent a defined contribution plan, with disability coverage.

Pension for Executive Management Employed in Entities Outside Norway

Pension levels and arrangements for managers outside must be seen in the context of the individual's total wage and employment conditions and shall be comparable to the total compensation package offered executive management in Norway. Local rules related to pension legislation, social security rights, tax, etc. is taken into account when deciding the individual pension schemes.

7. Procedures for Determination of Remuneration to Executive Management

7.1. Remuneration to the CEO

Remuneration to the CEO is determined annually by the board, executed by Remuneration Committee, and includes allocation of options linked to the Group's options programs approved by the General Assembly.

7.2. Remuneration to the Group Executive Management

Remuneration to the individual members of the executive management group is determined by the CEO.

Prior to settlement, the CEO shall discuss proposed changes with the Remuneration Committee. The Board will be informed about agreed changes in remuneration.

Arrangements that include allocation of shares, options and other forms of remuneration linked to the Group's shares shall be approved by the General Assembly. Within the framework of resolution set by the General Assembly, the Board shall decide on the process of implementing the remuneration scheme. The Board may also delegate such authority to the CEO.

The increase in the base salaries to the Group's Executive Management is expected to be moderate but fair.

7.3. Remuneration to the Board of Directors

Remuneration to the Board of Directors is not performance-based.

Board members are neither part of a stock option program nor a share purchase program in Zalaris.

Remuneration to the Board for the coming year is determined by the General Assembly, based on a proposal from the Nominating Committee.

7.4. Remuneration to Executive Management in Subsidiaries of Zalaris ASA

All subsidiaries of Zalaris ASA shall follow the main principles of the Group's executive remuneration policy for executive management in each company as described in the preceding sections of this Executive Remuneration policy. The increase in base salaries to executive management in subsidiaries is expected to be moderate.

7.5. Principles of Disclosing Remuneration Information

The Board's statement regarding remuneration, including information about remuneration paid to members of the executive management, shall be presented in Zalaris' group financial statements, note 20.

8. Execution of Remuneration Policy

8.1. Execution of Remuneration Policy in 2019

The Company's remuneration of the CEO and senior management has been conducted in accordance with the guidelines presented above in the preceding financial year, with the exception of certain changes to the share-based payment plan.

8.2. Binding Guidelines for Remuneration in 2020

For 2020, the Board of Directors proposes to continue the existing remuneration policy as presented above.

Introduction

There were 20,122,979 issued shares at the end of 2019. A total of 6.6 million Zalaris shares were traded on the Oslo Stock Exchange ("OSE") during 2019 at a value of NOK 153 million. The average daily trading volume for Zalaris shares on the OSE during 2019 was 27k shares (2018: 22k). Zalaris' share price closed at NOK 27.60 at the end of 2019.

Zalaris' shares are listed on the Oslo Stock Exchange.

Key Figures for Zalaris Share

(All figures in NOK unless stated)	**2019**	2018	2017	2016	2015
Share price high	**27.60**	58.20	58.50	35.10	38.00
Share price low	**19.90**	25.20	33.00	28.20	30.60
Share price average	**23.63**	40.55	44.62	31.14	33.95
Share price year-end	**27.60**	25.20	56.00	32.80	35.80
Earnings per share	**(0.36)**	(0.06)	(0.61)	1.34	1.11
Dividend per share[1]	**0.00**	0.00	0.65	0.87	0.85
Issued shares, average[3]	**19,729**	20,030	19,637	19,124	19,124
Diluted[2] shares, average	**20,123**	20,177	20,265	19,056	19,124
Total number of shares, year-end	**19,568**	20,030	20,030	19,124	19,124
Diluted[2] shares, year-end	**20,196**	20,177	20,230	19,231	19,124

1. The Board of Directors will not propose a dividend for the financial year 2019
2. Including employee share options and restricted stock units (RSUs)
3. All shares in 1,000

Dividend Policy

Zalaris' overall objective is to create value for its shareholders through an attractive and competitive return in the form of an increase in the value of the share and through the distribution of dividends. The dividends paid should reflect the Company's growth and profitability.

Zalaris will aim to make annual dividend payments in the region of 50 percent of the net profits before tax, provided that this will not influence target growth negatively and that the capital structure is sound and at a satisfactory level. When deciding the final dividend amount to be proposed for the General Meeting, the Board of Directors will also take into consideration Zalaris' capital requirements, including legal restrictions, capital expenditure requirements and potential investment plans.

The Board of Directors does not propose a dividend for the fiscal year 2019.

Buyback of Shares

Zalaris may consider buying back shares. This consideration will be made in the light of alternative investment opportunities and the Company's financial situation. In circumstances when share buybacks are relevant, the Board of Directors proposes buyback authorizations to be considered and approved by the Annual General Meeting. Authorizations are granted for a specific time period and for a specific share price interval during which share buybacks can be made. During 2019, Zalaris bought back 461,677 shares at an average purchase price of NOK 23.68 per share.

Shareholders and Voting Rights

Zalaris has one class of share. Each share carries one vote and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently. Zalaris shares are freely negotiable and there are no limitations of the negotiability in Zalaris' Articles of Associations.

As of 31 March 2020, the number of shareholders in Zalaris was 689, of which 94.0 percent were in the Nordics.

Investor Relations Policy

The investor relations policy at Zalaris is based on the idea that objective, detailed and relevant information to the market is essential for a proper valuation of the Company's shares; thus, the Company has continuously had a dialogue with analysts and investors.

Zalaris shall give all shareholders the same information at the same time. In contact with analysts and investors, the Board of Directors and the Management of Zalaris shall only communicate already published information.

Zalaris has established a communication channel for the shareholders on its website and all published information is made available on this website. General investor relations inquiries should be addressed to the following email address: ir@zalaris.com

Zalaris strives at all time to publish all relevant information in a timely, correct, non-discriminatory and efficient manner to the market. All relevant information will be published on the Zalaris website and on the website of the Oslo Stock Exchange. Shareholders can register to Zalaris' Investor Relations distribution list if they would like to receive investor information directly per email.

Zalaris holds quarterly web-based presentations highlighting the financial results of the closed quarter and focus areas going forward. In addition, market outlooks and special events which are considered relevant for its shareholders are addressed. The presentation is held by the CEO and the CFO of the Company.

Both the quarterly reporting and the presentations will be published on Zalaris' website.

Investor Relations Contacts

The CFO in Zalaris ASA is the main contact person for matters related to financial information, such as quarterly reporting and financial statements.

For all other matters, such as new customer contracts or other share price sensitive information, the CEO of Zalaris ASA is the contact person.

CEO and founder: Hans-Petter Mellerud
hans-petter.mellerud@zalaris.com

CFO: Gunnar Manum
gunnar.manum@zalaris.com

Analyst Coverage

ABG Sundal Collier: Aksel Øverland Engebakken
aksel.engebakken@abgsc.no

ABG Sundal Collier: Daniel Thorsson
daniel.thorsson@abgsc.se

Sparebanken1 Markets: Petter Kongslie
petter.kongslie@sb1markets.no

VPS Registrar

Nordea Bank Norway ASA
Wholesale Banking | Securities Services
P.O. Box 1166 Sentrum,
N-0107 Oslo, Norway

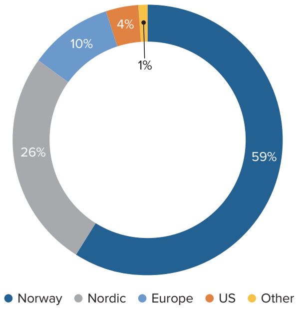
Financial Calendar 2020

- **Results Q1:** 08 May 2020
- **Annual General Meeting:** 18 May 2020
- **Results Q2:** 18 August 2020
- **Results Q3:** 29 October 2020

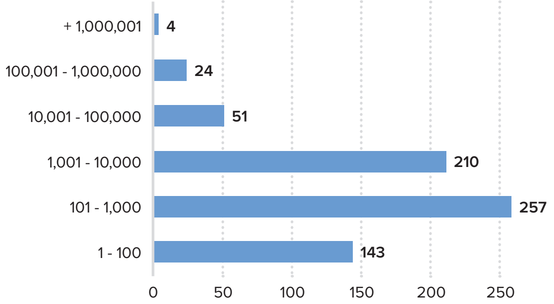
The 20 Largest Shareholders Hold 81.0 Percent of the Total Issued Shares as of 31 March 2020

	Investor	Holding	Stake	Type of Account	Citizenship
1	Norwegian Retail AS	3,091,482	15.4 %	Ordinary	Norway
2	Skandinaviska Enskilda Banken AB	2,634,227	13.1 %	Nominee	Sweden
3	Handelsbanken Nordiska Smabolag	1,395,339	6.9 %	Ordinary	Sweden
4	Protector Forsikring AS	1,349,533	6.7 %	Ordinary	Norway
5	Verdipapirfondet DNB SMB	877,740	4.4 %	Ordinary	Norway
6	Athanase	795,255	4.0 %	Ordinary	Cayman Islands
7	Verdipapirfondet Nordea Kapital	775,508	3.9 %	Ordinary	Norway
8	Commerzbank Aktiengesellschaft	716,152	3.6 %	Nominee	Germany
9	Vestland Invest AS	662,467	3.3 %	Ordinary	Norway
10	Danske Bank A/S	572,230	2.8 %	Nominee	Denmark
11	Zalaris ASA	554,627	2.8 %	Ordinary	Norway
12	Verdipapirfondet Nordea Avkastning	505,705	2.5 %	Ordinary	Norway
13	J.P. Morgan Bank Luxembourg S.A.	368,603	1.8 %	Nominee	Luxembourg
14	Verdipapirfondet Nordea Norge Plus	366,916	1.8 %	Ordinary	Norway
15	Næringslivets Hovedorganisasjon	303,217	1.5 %	Ordinary	Norway
16	Taconic AS	300,212	1.5 %	Ordinary	Norway
17	UBS Switzerland AG	295,139	1.5 %	Nominee	Switzerland
18	Tigerstaden AS	275,200	1.4 %	Ordinary	Norway
19	Avanza Bank AB	242,175	1.2 %	Nominee	Sweden
20	A/S Skarv	225,000	1.1 %	Ordinary	Norway
Total		**16,306,727**	**81.0 %**		

Regional Distribution, # of Shareholders



Ownership Structure by # of Shares Held
(as of 31 March)



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Postal Address	PO Box 1053 Hoff NO-0218 Oslo, Norway
Visiting Address	Hovfaret 4b NO-0275 Oslo
Telephone	+47 4000 3300
Telefax	+47 2202 6001
Website	www.zalaris.com
eMail	info@zalaris.com