2017 Annual Report

– Value people

ZALARIS

Zalaris | 2017 at a Glance

Building on the company's strong position in the Nordics, Zalaris advanced to become a leading provider of consulting, outsourced human capital management and payroll services across northern and central Europe, the UK and Ireland.

Growth and Acquisitions

- Revenues increased 46% to NOK 577 million in 2017 through acquisitions and continued organic growth. Revenues in Q4 were approaching the NOK 800 million level on an annualized basis.
- Operating profit was NOK 37 million and operating margin was 6.4%, somewhat lower than in the previous year. This was primarily due to integration work and investments in a consulting capacity within SAP SuccessFactors, which will increase Zalaris' competitiveness.

roc
A ZALARIS COMPANY

sumarum AG
A ZALARIS COMPANY

Strengthened Customer Base

- Secured several new contracts with renowned customers, such as Norway's leading bank DNB, the European renewable energy company Statkraft, and the Chinese-Swedish development center China Euro Vehicle Technology (owned by car manufacturer Geely).
- Expanded agreements with existing customers, such as the Swedish branch of German engineering company Siemens and global aluminum giant Norsk Hydro.

Geographical Reach

- With the acquisition of sumarum and ROC, Zalaris secured a strong foothold in the UK and Ireland as well as in Germany, Switzerland and Austria (jointly referred to as DACH), all markets characterised by significant growth prospects.
- With a scalable platform and broad presence in the region, Zalaris is reaching out to new customers. At the same time, the company is deepening its relationship with existing customers through its holistic and multi-country approach to human capital management.

Market and Offering Changes

- Talent management is becoming increasingly important to our customers, and enterprises prefer strategic partners with the capabilities and expertise required to build the next-generation multi-country and multi-process HR outsourcing model on a digital platform and in the cloud.
- Zalaris remains customer-oriented, technology-driven and entrepreneurial at heart. As the business of providing HR services changes, we are transforming ourselves, too. Extensive insight and proven capabilities in SAP Human Capital Solutions and SAP SuccessFactors are key in this respect.

ZALARIS

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Dear Fellow Shareholders

The year 2017 was marked by several important milestones for Zalaris. We entered the year as a predominantly Nordic player with activity in Poland and the Baltics, along with an offshoring operation in India. We ended the year as a European player, with activities stretching across northern and central Europe, the UK and Ireland, India, and Thailand.

Since the company was listed on the Oslo Stock Exchange in 2014, we have seen our markets gradually develop and customer expectations change. Whereas outsourcing of basic HR services used to be a key driver for growth, new technology and cloud solutions that can be offered across country borders have emerged as a great opportunity.

As a response, we changed our strategy and decided it was time for Zalaris to look outside our traditional home markets for attractive acquisition opportunities. With sumarum and ROC becoming part of Zalaris, we have positioned the company as a leading provider of consulting and outsourced human capital management and payroll services with a scalable platform in regions characterised by significant growth.

Growth and Change

In 2014, when the company was listed, group revenues were NOK 326 million. In the fourth quarter of 2017, annualized group revenues were nearly NOK 800 million. Revenues have more than doubled in the period. The company has grown, and so has shareholder value. In the initial public offering in June 2014, the price of one Zalaris share was set at NOK 23. The average closing price in the first three months of 2018 was NOK 50.37 per share.

The company has not only grown; it has changed. While we remain customer-oriented, technology-driven and entrepreneurial at heart, we see that the business of providing HR services is changing, and we are transforming ourselves to reflect that change.

In 2015, our HR outsourcing business represented 93 percent of our revenue. In the fourth quarter of 2017, the corresponding number was 55 percent. Our other business segments, consulting and cloud, are becoming increasingly important, with 28 and 18 percent of revenues, respectively. Our extensive insight and proven capabilities in SAP Human Capital Solutions and SAP SuccessFactors are key in this respect.

Providing Tomorrow’s HR Services

Our transformation mirrors the way that our customers are adapting to new realities. Talent management is becoming increasingly important to them, and we see that enterprises are preferring strategic partners with the capabilities and expertise required to build the next generation multi-process HR model on a digital platform. When you read about current market trends in the insights section prepared by Everest Group elsewhere in this report, you will learn that tomorrow’s HR services are likely to be highly automated. They will offer a seamless and integrated employee experience, be delivered through the cloud and give deep strategic insight through high-end analytics.

We firmly believe that Zalaris is well-positioned to gain from these industry trends. We have already received encouraging feedback and increased business from existing customers while expanding our offering and capabilities to new geographies. We have also been challenged by industry leaders to help them design, develop and implement sophisticated new integrated solutions that will significantly alter their talent management processes.

Continue Growing With Our Customers and Lead the Way

Our main focus going forward is growing our customer base and business organically, though we may still be looking for new ways to expand our business through acquisitions. We will continue to strengthen our talent strategy advisory capability. Our ultimate objective is to keep our customers satisfied and offer them even better, broader and more valuable services.

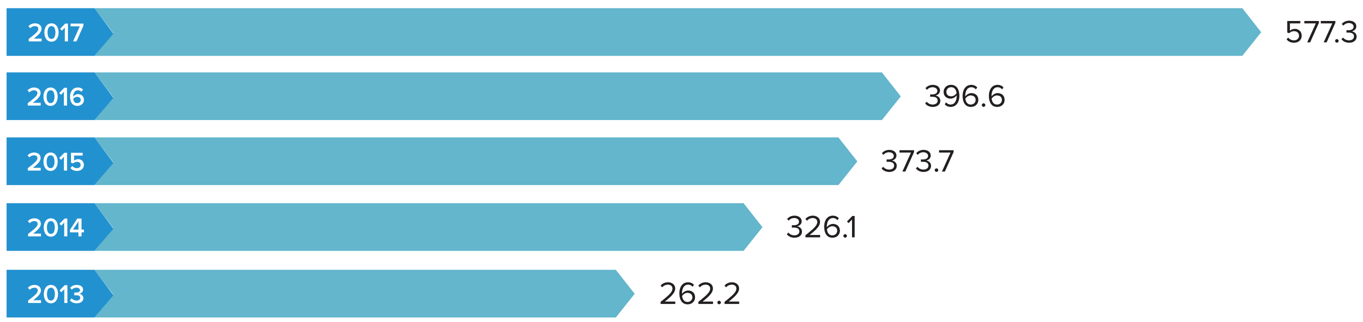
We will continue streamlining our own operations, improving with digital technologies such as AI and expanding our margin, not only by reducing cost but by ensuring that all of Zalaris is running at an optimal speed. While some further integration activities are planned in the first half of 2018, we expect profit margins towards the end of the year to gradually climb towards our double-digit ambition for the long term.

I am deeply inspired by what we have achieved, encouraged with the opportunities that lie before us, and grateful to all of you for your efforts and support.

Hans-Petter Mellerud
Chief Executive Officer

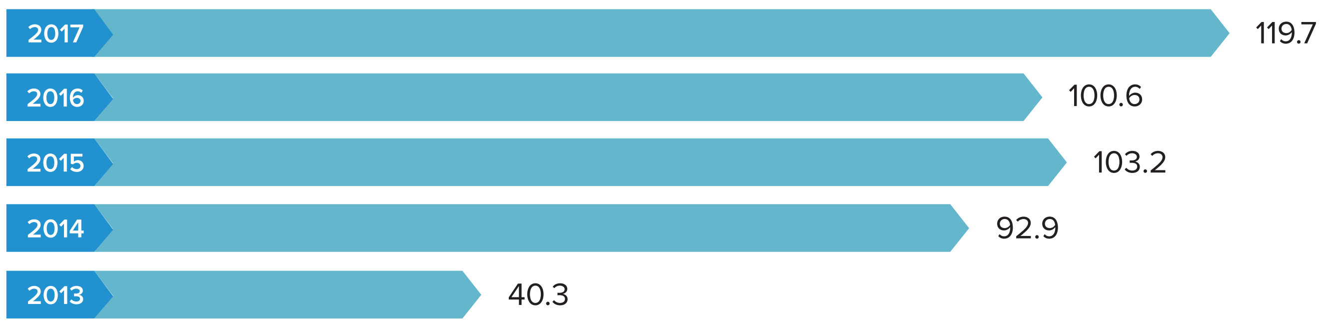
– Value people

Revenue Million NOK



Operating Profit Before other non-recurring costs in Million NOK

Total Equity Million NOK



46% Increase in revenue

5.9% EBIT (excluding other costs related to acquisitions)

Earnings per share **NOK -0.62** (adjusted 0.57 NOK)

2017

January

- Prominent industry analyst Nelson Hall cites Zalaris as market leader
- Building on its 15+ years of experience with SAP, Zalaris advances to SAP Gold Partner status

February

- Zalaris extends its partnership with Norsk Hydro ASA, a global aluminum company, providing payroll and HR services to Hydro's 4,400 employees and 8,100 pensioners in Norway
- Eika Gruppen selects Zalaris to deliver HR and payroll services

March

- Zalaris becomes one of the first SAP® SuccessFactors® Cloud BPO service providers

April

- Zalaris acquires sumarum AG – a leading HR outsourcing and consulting company in Germany
- Siemens, a global industrial conglomerate, signs five-year renewal with Zalaris for its Swedish operations

May

- Statkraft chooses Zalaris to deliver HR and payroll services for its global activities
- China Euro Vehicle Technology (CEVT) selects Zalaris for SAP SuccessFactors-based cloud services for its growing workforce; CEVT is the development center of the Geely Group, owners of Volvo Cars and Geely Automobiles

September

- Zalaris acquires ROC Global Solution Consulting Limited with operations in the UK and Ireland

October

- Leading Nordic bank DNB ASA chooses Zalaris to support their strong global workforce of approximately 9,500 employees

November

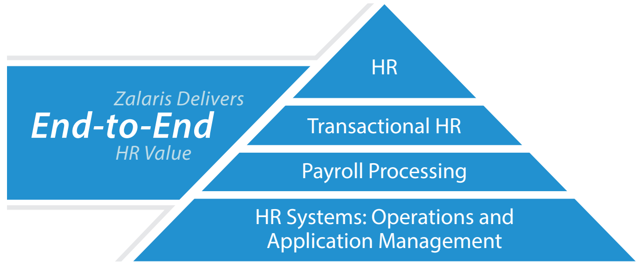
- CEO Hans-Petter Mellerud wins 'EY Entrepreneur Of The Year 2017' award
- AKTIV Against Cancer and Zalaris enter into a new agreement

December

- Santander Consumer Bank in Norway selects Zalaris to handle BPO transactional HR and payroll services for approximately 600 employees

Zalaris Offerings & Strategy

In a world that is more globalized and technologically developed than ever before, businesses and people are experiencing a digital transformation in most areas. This transformation requires people and companies to rapidly adapt and develop to ensure they are among the winners in the market .



The human resources (HR) function and its processes are becoming increasingly important in companies to help them change with speed and remain agile. An increased focus on the temporary workforce and the advent of many new HR tools requires new insights and focus from HR. With the traditional way of doing HR, businesses are having a hard time staying competitive. Businesses are about people, and the digital transformation empowers people – if the right solutions are implemented. New HR solutions foster effectiveness, mobility and quality, as leaders and HR directors are empowered to become more strategic-minded and employees to become more task-focused. Today, some HR departments are bottlenecks maintaining old systems. They need new tools to become strategic, innovative and part of delivering business results.

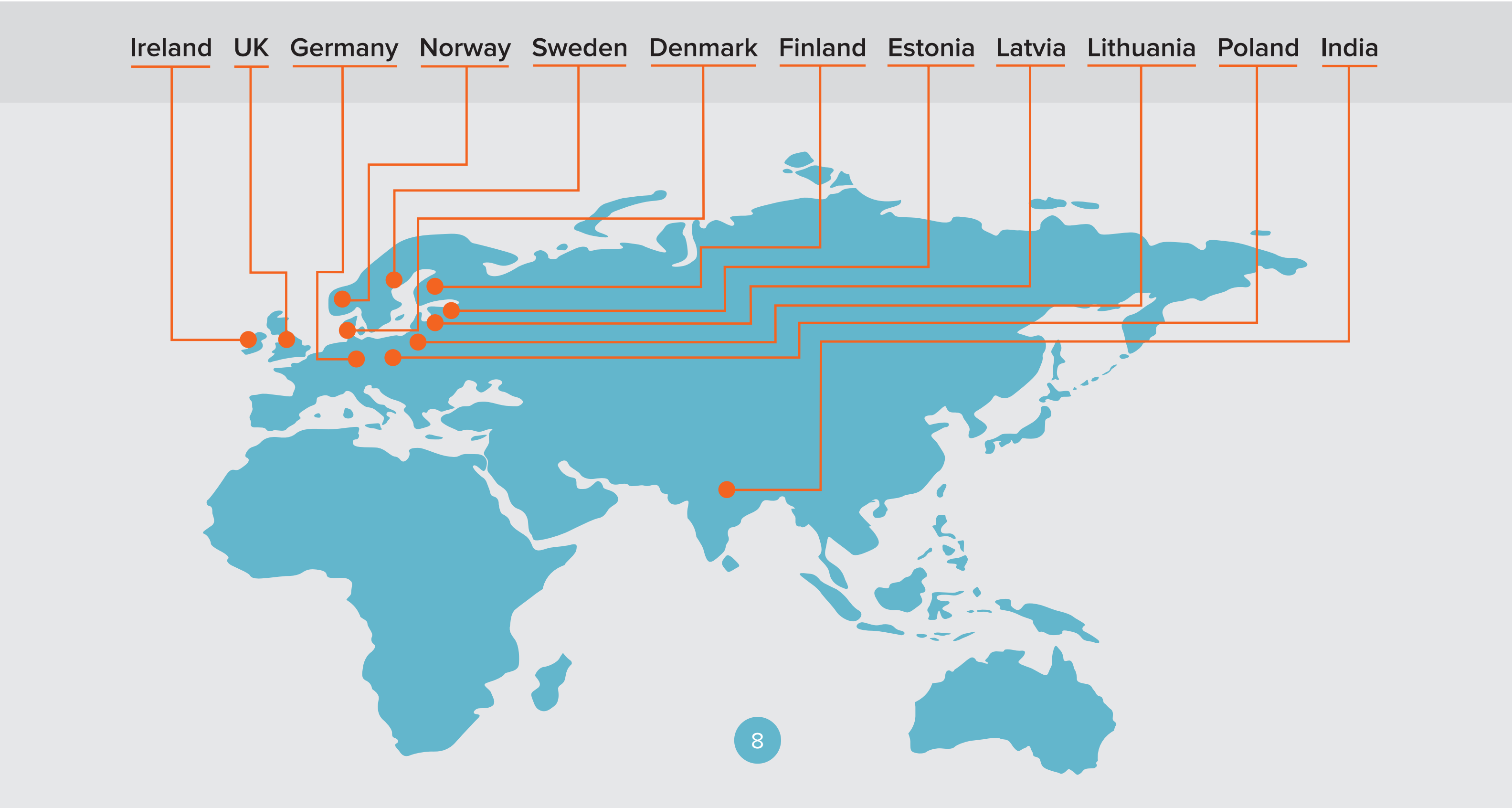
Zalaris' response to the digital transformation is to create better solutions, through digitalized and mobilized services, high-end consultants, and safe handling of business-critical data and services. We always pursue the most suitable and effective solutions while striving to provide the best services to our customers.

With its historic growth in the last year, Zalaris has now positioned itself to meet higher demand through its European reach and increase of consultants available for European and global customers. Our scalable platform will help us continue to expand our European scope going forward.

Four Strategic Efforts

Our strategic efforts are focused on four priorities: local support, technological advantage, best-practice solutions and certified expertise.

- Zalaris offers local service centers in Denmark, Finland, Norway, Sweden, Latvia, Lithuania, Estonia, Poland, Germany, the UK, Ireland and India – where we not only speak the language but also provide customers with top-notch expertise in local laws and regulations.
- Zalaris offers unique technological advantages, knowledge and guidance, specific to the companies we support, anywhere and everywhere they do business. This includes applying technologies such as RPA (Robot Process Automation) and AI for insights and improvement.



- Zalaris offers proven best practices and change transformation insights associated with today's most sophisticated web- and mobile-based cloud solutions, powered by SAP and SAP SuccessFactors.
- Zalaris offers Talent Strategy Advisory and certified expertise as an SAP Business Process Outsourcing (BPO) Partner and leading SAP Human Capital Management (HCM) and SuccessFactors consulting partner.

The Zalaris Way

Zalaris is all about maximizing the value of human capital through excellence in HR processes. Our job is to focus all HR directors and leaders on their core business and strategic development instead of being prevented by ineffective demands.

Our way of doing that is by handling all transactional HR tasks for HR directors and leaders. We address all aspects of the employee experience, from the time of hiring through the full tenure of employment as well as in the alumni phase of this paradigm.

Our Solutions

We serve more than one million employees each month with our solutions, across multiple industries and with many of the region's most reputable employers. These are companies that rank among the largest and most diverse when it comes to cost-effectively harmonizing processes for personnel administration, payroll and talent management across borders.

Zalaris knows the critical importance and value of advancing HR beyond traditional roles and into a position to make a stronger overall contribution to core business objectives and a successful strategic direction.

Our Services

Zalaris' business is organised in three operating segments: HR Outsourcing, Cloud Services and Consulting. We offer a wide range of cloud-based services, including personnel administration and payroll, benefits management, pension administration, travel management, time management, talent management and personnel controlling (HR Analytics). This is a response to enterprises taking a more holistic approach to HR tasks.

The cloud segment is the segment where we are experiencing the strongest growth. We offer complete SAP HCM and SAP SuccessFactors outsourcing services directly from the cloud. We serve as "a single source" for a comprehensive range of proven HR solutions that are secure, reliable and configured to unique customer requirements.

Through our extensive expertise and experience, we can provide timely, reliable and agreed-upon budgets, even for complex projects. With more than 80 experienced consultants spread out across Europe, we can ensure that our solutions are optimally implemented into our customers' companies.

Our consultants provide advice and solutions while guiding customers through both short- and long-term projects. While customers focus on daily tasks, Zalaris consultants manage implementation as well as HR transformation, including the challenge of integrating an increasing amount of new HR tools. The result is an effective process and quality implementation while business continues as usual. We currently offer our consulting services in Sweden, Norway, Denmark, Finland, Latvia, Lithuania, Poland, Germany, Switzerland, Austria, the UK and Ireland.

The first step of any HR transformation journey should begin with a knowledgeable, trusted partner that can help achieve unique, long-term goals. Together with our customers we create the functional concepts and deliver individual solutions tailored to their specific requirements.

Changing World of Talent and Talent-Related Services

The talent world is no longer on the cusp of change, but well in the midst of it. Enterprises and their HR service providers need to navigate this evolution skillfully and effectively to create differentiation and gain a competitive advantage. The two most critical levers of this evolution are the **Emergence of Digital** and the **Changing Nature of Talent**. These are not isolated developments. They are closely interlinked.

Changing Nature of Talent

The desires and preferences of the global workforce have undergone a sea change in the last few years. Some important trends include:

- **Greater focus on experience:** Today, talent — especially high-skilled talent — looks beyond compensation in terms of how they perceive their workplace. The overall experience at the workplace is important to modern workers, and they expect it to be similar to the seamless mobile and digital experience they have as a customer. In other words, enterprises need to woo their employees in the same way brands woo their customers. As employees evolve to become "consumers of the HR department's services," the workplace experience becomes increasingly relevant to employee satisfaction, engagement and retention.
- **The movement away from "permanent" jobs:** There is now an ongoing, irreversible movement away from permanent jobs. This provides enterprises greater flexibility by having a larger proportion of the workforce comprised of contingent and freelance workers – a reflection of a more independent approach to work by an increasingly bigger segment of the workforce. As a significant portion of high-skilled, often digital-based roles become contingent, managing this part of the workforce well has become a necessity. More and more enterprises are now looking for external help in this. This is visible in the strong, sustained growth of the Contingent Workforce Management services market in Europe and around the globe (see Figure 1).

Figure 1

Contingent Workforce Management Services
Growth Rates (2016-2017)

Source: Everest Group 2018

Emergence of Digital

The advent of digital has caused the composition of the workforce to change in other significant ways as well.

"Digital" is a loosely and variably defined term, but in the context of HR and talent, the following digital levers assume the utmost importance: Cloud/SaaS/BPaaS, Analytics, Mobility, Robotic Process Automation (RPA), and Artificial Intelligence (especially Natural Language Processing and Machine Learning). Digitalization is obviously already upon us and is having a multi-dimensional impact on talent and how it is managed and leveraged.

- **Composition of Workforce:** As digital technologies become more prevalent, the nature of work is changing, along with certain job and talent requirements. On one hand, lesser manpower will be required for many transactional jobs. On the other, newer positions will be created to develop and manage these digital technologies. In most organisations, the ratio of high-skilled talent engaged in judgement-intensive work will increase vis-à-vis lesser-skilled talent performing repetitive and transactional tasks. In essence, the traditional bottom-heavy pyramid structure is likely to be upended and replaced by a middle-heavy diamond structure. This has large implications on how organisations manage acquisition, retention, training, re-skilling, and outplacement of talent. This workforce composition change will affect the overall enterprise, particularly the HR organisation.
- **Efficiency and cost reduction:** As digital technologies become viable alternatives to low-skilled talent for transactional jobs, they are also acting as an effective efficiency multiplier. Greater speed and accuracy, combined with seamlessly integrated HR technologies, is leading to meaningful cost reductions. SaaS-based systems, RPA, and AI all contribute to these savings.
- **Better Insights:** Talent is not just another resource, but a strategic asset and competitive differentiator for enterprises. In this context, it is imperative to replace intuition-based decision-making with strategic decision-making, supported by numbers and data. Greater availability of digitized data across cloud-based HR systems as well as advanced predictive & prescriptive analytics is ushering in a more evolved form of decision-making for HR. The ability to generate common insights across permanent and contingent talent will be a big leap forward for talent-related decision-making.

- **Better experience:** The digital experience as customers has led to the demand for a better experience as employees. Now, the same technologies are helping fulfill that demand. Digital levers such as mobility, SaaS, AI and analytics help enhance the employee experience significantly.

This interplay between the various digital levers and changing nature of talent is transforming the traditional "pyramid" HR model to a leaner, more employee-focused "diamond" model (see Figure 2).

As enterprises and their HR organisations try to navigate this change, they will increasingly be challenged in terms of the expertise, time, and investment required to do so. HR service providers with sharp focus on this domain will emerge as natural partners to enterprises. Everest Group's research on the HR services market shows this is already happening through clear, visible signs.

Effect of Digital Levers and Role of HR Service Providers

Digital continues to impact the HR and HR services market in various ways. In addition to the traditional HR outsourcing market segment growing faster, relatively newer segments have also emerged in response to strong enterprise demand.

Digital and Traditional HR Outsourcing

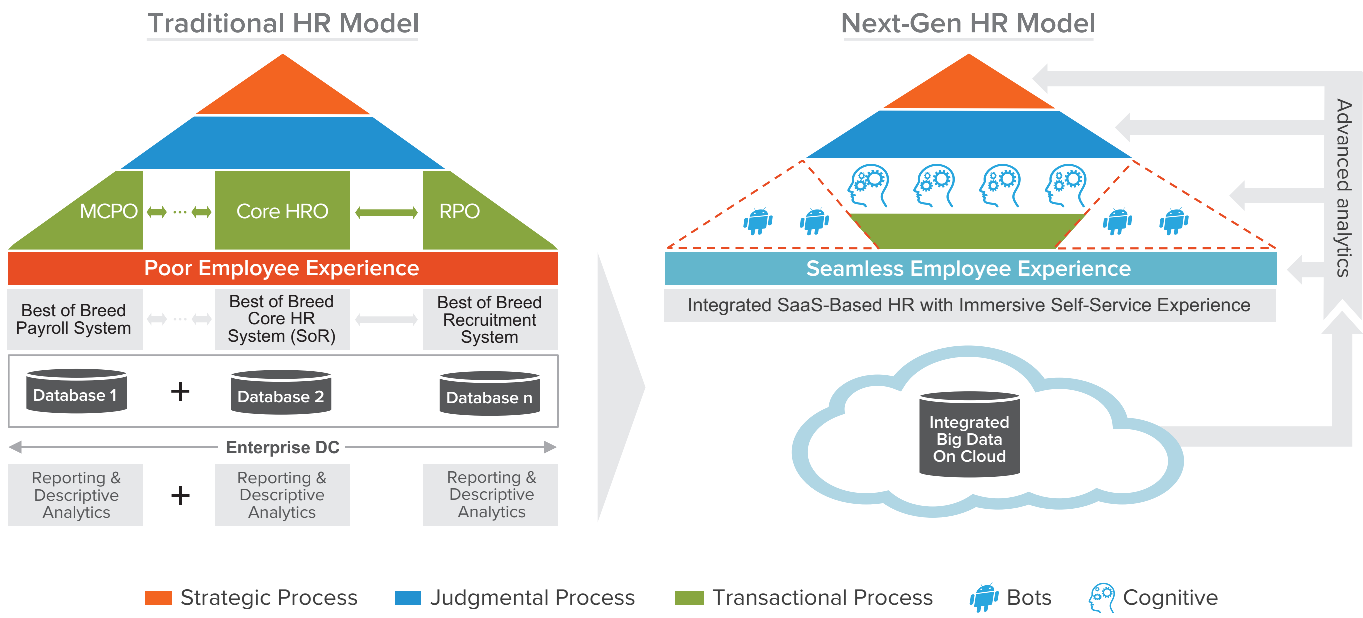
Multi-Process HR Outsourcing (MPHRO), where multiple HR processes are outsourced to a single provider, has been the traditional HR outsourcing construct. This market has grown at low single-digit rates in the last few years, but as the digital puzzle unfolds and emphasis on employee experience rises, enterprises are partnering more with HR outsourcing providers. This has led to a sharp upturn in growth globally and especially in Europe (see Figure 3 on next page). This has been driven not only by the demand from more enterprises wanting to outsource but also by the broader scope of services in such arrangements, including analytics and employee experience services. As demand for these services continues to increase, growth of the MPHRO market is expected to accelerate.

Cloud/SaaS

SaaS-based systems are among the biggest recent disruptors in the HR universe. Workday and SuccessFactors have upended the tech landscape for many reasons. These systems are less expensive than traditional, on-premise ERPs, in terms of license costs as well as implementation and application management. The SaaS systems are also easier to use, enhancing employee and manager experience.

Figure 2

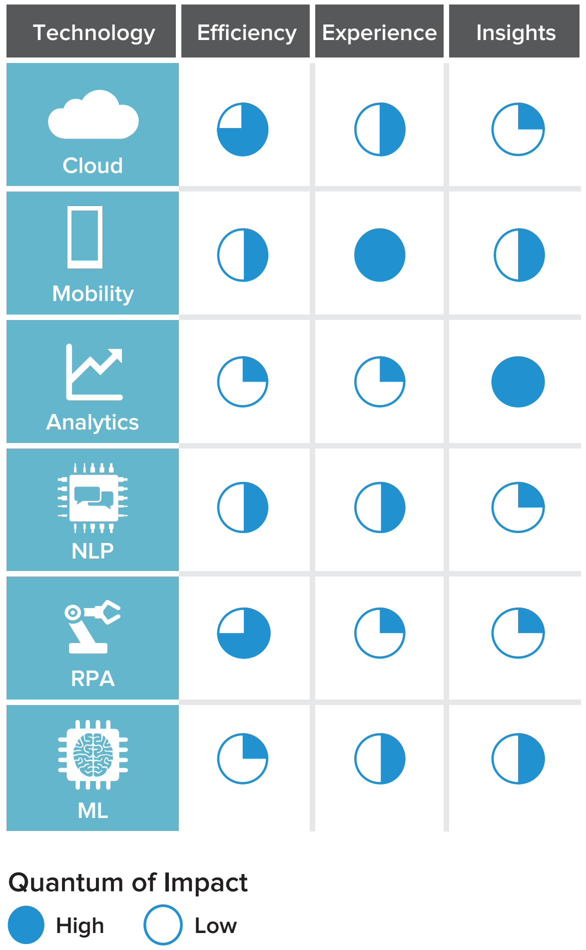
Evolving HR Model



Source: Everest Group 2018

Figure 3

Digital Levers and Their Benefits



Source: Everest Group 2018

In addition, they integrate more easily with other cloud-based point solutions, leading to better availability of data and more advanced analytics.

These SaaS systems have given rise to a newer genre of services that enterprises require from providers. Providing Business Process Services (BPS) or HR services on top of SaaS systems, which is better known as Business Process as a Service (BPaaS), is a fast-growing market segment globally, and more so in Europe (see Figure 4). SaaS implementation & management services are also witnessing a huge increase in demand, which is reflected in the rapid market growth rates of over 20%. With the continued adoption of SaaS systems, both the BPaaS market as well as the SaaS implementation & management services market will continue to grow at a rapid clip in the near future.

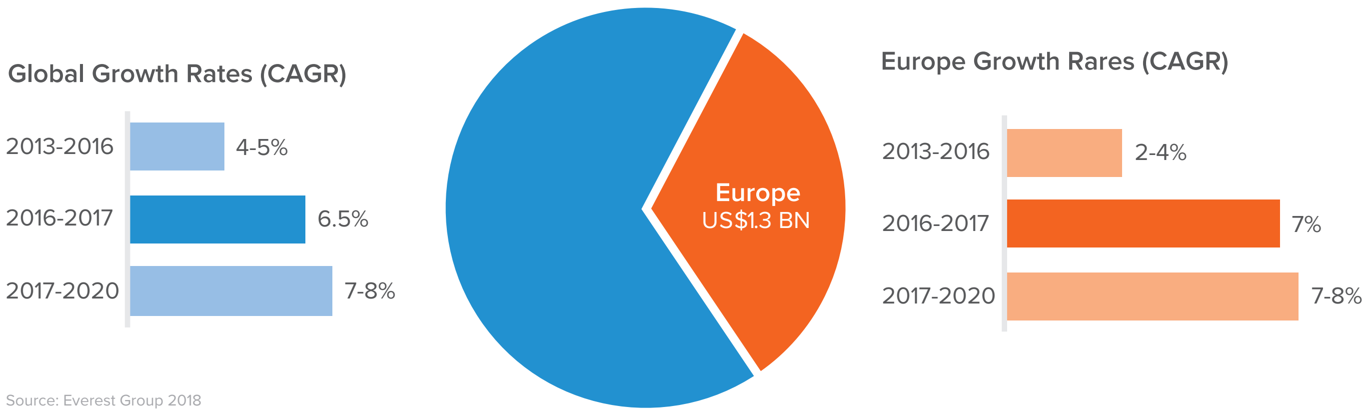
Analytics

HR analytics, with the ability to provide better insights, is also becoming increasingly important. Optimal leverage of HR analytics has the potential to affect every piece of the hire-to-retire value chain. The insights gleaned can have a positive impact on efficiency and cost savings while providing more strategic benefits such as improving quality of hire, reducing attrition, and enhancing employee engagement & experience. Aside from the technology layer, human intervention will be required to bring it into the HR domain context for problem identification and solving as well as data interpretation – an area where enterprises are increasingly looking towards service providers for assistance through advisory services.

Figure 4

MPHRO Market Size and Growth

Global Market Size (2017) = US$4.0 - 4.1 Billion



Source: Everest Group 2018

Mobility

Mobile access is a critical component to improving employee satisfaction and is fast becoming a bare necessity. A number of functionalities, especially those related to self-service, are now commonly available through mobile. Mobile usage analytics can add a layer of personalization and improve the overall experience while aiding an organisation's understanding of its employees.

Artificial Intelligence

Chatbot usage in employee contact centers is starting to move beyond the experimental phase. Leveraging Natural Language Processing (NLP) to interact with clients and Machine Learning (ML) to improve its efficiency is a natural way forward. Chatbots have an obvious impact on increasing cost savings. But having an optimal mix between chatbot and human interaction can also significantly enhance employee experience through improved response time and increased accuracy. In addition, ML combined with other digital levers (such as analytics) can appreciably elevate the effectiveness of all of them.

There are a number of chatbot tools in the market, and service providers are investing here as well. Bringing in the most relevant chatbot platform and training it requires expertise that many enterprises lack – providing an obvious area for HRO providers to step in.

Robotic Process Automation (RPA)

RPA has had a massive impact on the BPS world in terms of efficiency, accuracy and cost savings by replacing humans engaged in repetitive and transactional tasks with bots. While its effect has been sweeping for Finance & Accounting (F&A) processes such as accounts receivables, its impact on HR processes has been rather muted. This has partially to do with the high amount of technology already leveraged in HR. However, though not sweeping, RPA has the potential to be an efficiency multiplier in HR through calibrated application in multiple areas, such as:

- Automatic data capture from multiple sources such as Applicant Tracking Systems (ATS), resumes, performance management systems, and emails to make necessary changes in employee data in HR systems
- Inter-platform data capture
- Automated reporting and document generation

The level of effectiveness of RPA depends on the unique situation of an enterprise. With RPA application in HR being piecemeal and often requiring investigation and experimentation to identify the most optimal situations, an HR service provider is often better suited than the enterprise to provide the RPA implementation and maintenance services as an extension of HRO services.
Thus, the next-generation digital levers not only offer varying benefits (see Figure 5), they are also mutually inclusive of each other. This means a second digital lever at least is needed to bring out the maximum potential impact of a digital lever. As a result, it is important to take a holistic approach when investing in these technologies.

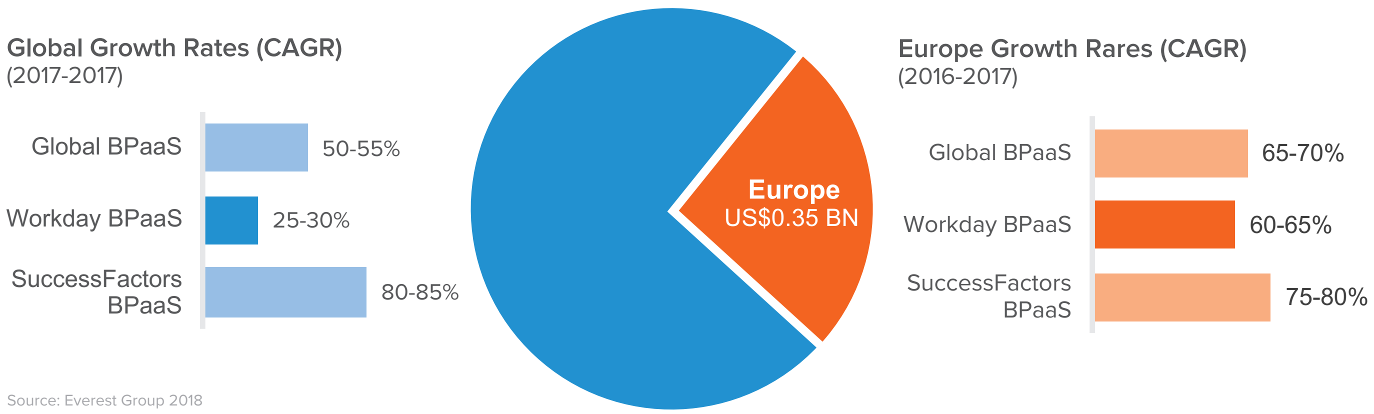
Role of HR Service Providers

As the digital era comes upon us and employee experience assumes importance, many enterprises do not have the money or bandwidth to invest

Figure 5

BPaaS Market Size and Growth

Global Market Size (2017) = US$1.3 - 1.4 Billion



Source: Everest Group 2018

internally in these initiatives. In addition, compliance with new and tougher regulations, such as GDPR, greatly depends on digital technologies and related best practices. In this context, the role of HR service providers becomes even more critical. The service provider moves beyond being just a "vendor" to a "partner."

The services provided by HR outsourcing providers also need to move beyond the relatively narrow outsourcing construct to a broader "orchestration" construct. HR orchestration implies broader and deeper provider visibility and involvement across the HR value chain, while not necessarily owning the entire chain. This includes SaaS implementation, ongoing system maintenance & execution of HR processes, re-imagining HR in a digital world, and advising the client on workforce strategy to make HR more efficient, provide better employee experience, and ultimately make them next-gen ready.

Where Does Zalaris Stand?

Zalaris' recent investments and acquisitions significantly enhance its portfolio in terms of:

- **Better breadth of offering:** Zalaris' recent acquisitions enhance its technology consulting and SaaS implementation capabilities, enabling them to better target a fast-growing market. In addition, as technology consulting services increasingly lead to downstream HR outsourcing service contracts (especially BPaaS), these acquisitions can have a broader impact on Zalaris' revenue growth.
- **Better geographic coverage:** The recent acquisitions also give Zalaris a strong foothold across a wider swath of Europe, especially in the two biggest markets of the UK and Germany.

This is likely to positively impact all of Zalaris' business and give it much better access to the single-country payroll markets growing at a moderate pace of 6-8%. It can have a particularly positive impact on the Multi-Country Payroll Outsourcing (MCPO) business, which is a high-growth market, including in Europe (see Figure 6).

Going forward, it will be key for Zalaris to integrate the complementary capabilities across its various units to unlock the full potential of the acquisitions. Continued investments related to digital, especially in development of talent strategy advisory capabilities, will be critical to standing out from the competition and emerging as the next-gen partner for its clients.

This market update is commissioned by Zalaris. All forward-looking statements contained in this update are based upon Everest Group's assumptions; there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing, and acts as trusted advisors to senior executives of leading enterprises, providers, and investors. The firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Everest Group's insight and guidance empower clients to improve organisational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

Email: info@everestgrp.com

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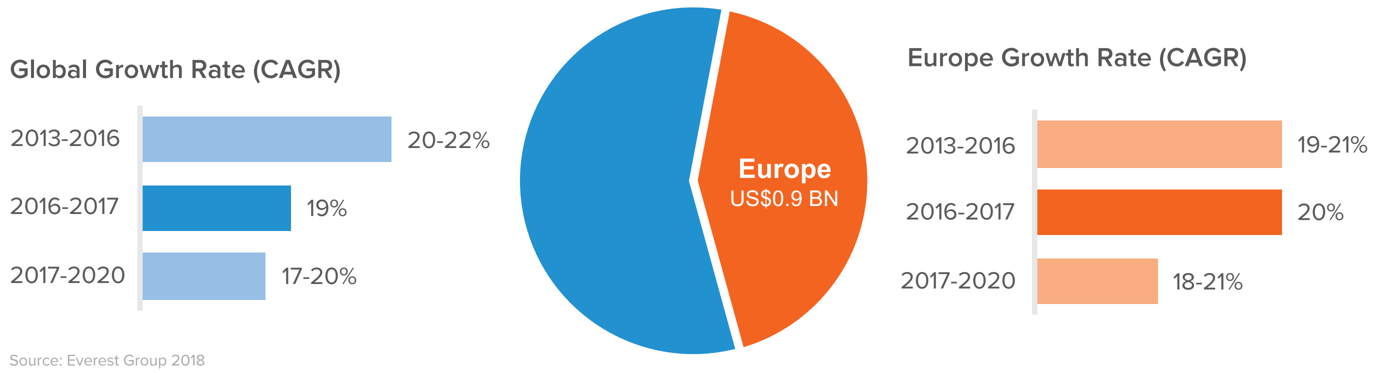
From insight to action.

Figure 6

MCPO Market Size and Growth
Global Market Size (2017) = US$2.0 - 2.1 Billion



Source: Everest Group 2018

Hans-Petter Mellerud
Chief Executive Officer

Nina Stemshaug
Chief Financial Officer

Balakrishnan Narayanan
Executive Vice President APAC

Halvor Leirvåg
Chief Technology Officer

Richard E. Schiørn
Executive Vice President Strategy

Øyvind Reiten
Executive Vice President Northern Europe

Jörg John
Executive Vice President People and Change

Harald Goetsch
Executive Vice President Central Europe

Jan Erik Nessmo
Vice President PMO and Transformation

Jerry Chilvers
Executive Vice President UK/IRL

Ismet Muratspahić
Vice President Alliances and Partners

Report from the Board of Directors

Lars Henriksen
Chairman of the Board

Liselotte Hägertz Engstam
Board Member

Jan Koivurinta
Board Member

Tina Steinsvik Sund
Board Member

Karl-Christian Agerup
Board Member

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

Zalaris delivers a full range of services, organised as three business units: HR Outsourcing, Cloud Services and Consulting.

The company meets the increasing demand for services, which enables human resources departments to focus on strategic processes. A stronger platform for continued growth has been established as a result of significant expansion through acquisitions and new deals in the last year. The full effect of the acquisitions is expected by mid-2018, as ROC Group and sumarum AG will be fully integrated. This will broaden the company's range of services and make markets in new geographies accessible.

With more than ten years of experience and 829 employees, Zalaris provides people (HR) services to customers for more than 270,000 people each month.

The Oslo-headquartered company delivers services out of local-language centers covering northern and central Europe, the UK and Ireland, India, and Thailand.

Key Highlights in the Reporting Period

Through the acquisitions of ROC Group and sumarum AG in the second half of 2017, Zalaris has positioned the company as a leading provider of consulting and outsourced human capital management and payroll services in Europe. Zalaris now has a scalable platform in regions characterised by significant growth and is able to offer existing and new customers services and expertise all over Europe.

In 2017, Zalaris signed contracts with new customers, such as DNB ASA, Statkraft AS and China Euro Vehicle Technology AB, while expanding its agreements with existing customers, such as Siemens AB and Norsk Hydro ASA.

Cloud services have increasingly become a part of the company's activities over the past year, driven by the customer need to move HR services to the cloud. In the last year, Zalaris has strengthened the organisation to support this growth, also through the latest acquisitions.

The historical growth of the company has an immediate impact on customers, as Zalaris has more local service centers and consultants available in north and central Europe, Asia and the Pacific. Existing customers will be able to utilize more support and custom-made solutions for industrial needs through specialist consultants with a wider geographical distribution than before.

Integration of the new businesses is progressing according to plan and is expected to be concluded by mid-2018. Zalaris has received positive feedback and increased business from existing and new customers as offerings and capabilities have expanded to new geographies.

Consolidated Results

Zalaris' Group turnover in 2017 was NOK 577.3 million, an increase of 45.6% compared to 2016 (NOK 396.7 million). This increase is mainly attributable to the acquired companies, with the majority of their business within the consulting and cloud segments.

Zalaris' Group 2017 operating profit was NOK 34.0 million, or 5.9% of turnover, when excluding extraordinary costs (NOK 38.0 million, or 9.6% of turnover in 2016). Zalaris' Group 2017 ordinary profit before tax was a loss of NOK 9.5 million (NOK 33.3 million in 2016). Profit for the period in 2017 was a loss of NOK 12.2 million (NOK 26.0 million in 2016).

Cash flow in 2017 shows net cash from operating activities of NOK 52.6 million (NOK 14.3 million in 2016). Net cash flow from investing activities was NOK 301,503 (NOK 14.1 million in 2016).

Net cash flow from financing activities was NOK 306.0 million in 2017. Zalaris has solid liquidity with cash and cash equivalent amounting to NOK 37.7 at the end of 2017 (NOK 43.5 million at the end of 2016).

The Board's view is that Zalaris has sufficient cash to internally finance the Group's liabilities, investment needs and operations.

The Group's equity amounted to NOK 119.7 million, as of 31.12.2017. The Board and management expect the equity ratio to remain strong based on further improvements in Group results.

As of 31.12.2017, the Group's current assets exceeded short-term debt by NOK 35.3 million (NOK 58.9 million, as of 31.12.2016).

Total assets at the end of FY 2017 were NOK 567.4 million (NOK 192 million in 2016). The main changes in assets from the previous year are related to the acquisitions of sumarum and ROC, which have resulted in increased intangible assets as goodwill and customer contracts, and increased trade accounts receivables. Net costs for implementation projects of new outsourcing contracts decreased from NOK 23.1 million in 2016 to 21.8 million in 2017.

Total liabilities were NOK 447.7 million at the end of fiscal year 2017 (NOK 91.4 million in 2016). The increase in liabilities is mainly due to increased interest-bearing debt related to the acquisitions and increased trade accounts payables related to the new business.

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, the 2017 turnover was NOK 101.4 million, which is an increase of 8.6% compared to 2016. Result from operations in 2017 was a loss of NOK 36.3 million (loss of NOK 32.4 million in 2016). Zalaris ASA reported a net loss of NOK 24.0 million for 2017, compared to a net income of NOK 5.6 million in 2016.

Total shareholders' equity in Zalaris ASA, as of 31 December 2017, was NOK 54.7 million, corresponding to 12.8% of total assets. Share premium and other equity, as of 31 December 2017, amounted to NOK 45.3 million and NOK 6.5 million, respectively.

The Board proposes allocating the net loss of NOK 24.0 million to other equity.

Dividend Payment

According to Zalaris' dividend policy and the solid cash and equity position of the Group at the end of fiscal year 2017, the Board proposes to pay a dividend to shareholders from the share premium in the total amount of NOK 13.0 million, equaling a dividend payment of NOK 0.65 per share for 2017.

Continuing Operation

With reference to the Norwegian Accounting Act § 3-3a, 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. This confirmation is based on an estimated long-term profitable growth and the company's solid cash and equity standing.

Segment Information

Zalaris is reporting in three business segments: HR Outsourcing, Consulting and Cloud Services.

HR Outsourcing

The HR Outsourcing segment revenues grew by 8.1% when comparing FY 17 with FY 16, reaching NOK 383.9 million (NOK 355.1 million). Zalaris' pre-acquisition business contributed to this growth with 1.5%, while the rest is attributable to sumarum business. 2017 operating profit was NOK 36.8 million, an increase from NOK 29.4 million in 2016.

Consulting

The revenue for 2017 amounted to NOK 101.4 million, an increase compared to previous year (NOK 11.5 million), explained by the acquisition of sumarum and ROC. 2017 operating loss was NOK 1.5 million (NOK 3.9 million in 2016).

Cloud Services

The revenue for 2017 amounted to NOK 92.1 million, a decrease from the previous year's revenue of NOK 30.0 million. 2016 operating profit was NOK 3.6 million (NOK 4.7 million, or 3.6% of turnover, in 2016).

Financial and Market Risks

The Group is exposed to various risks and uncertainties of operational, market-based and financial character. Internal controls and risk management are integrated into all Zalaris organisational business processes to achieve the company's strategic and financial objectives.

Zalaris' client portfolio consists mainly of large financially stable companies with high credit ratings, and, therefore, 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 to ensure cash is available at all times, both for operational and capitalised expenditures.

At the end of the 2017, the Group had interest-bearing debt amounting to NOK 220.2 million mainly floating interest rates. The increase from the previous year is related to Zalaris' acquisitions, as it went into a Euro loan agreement as part of the financing. Thus, the company is exposed to EURNOK fluctuations related to this loan agreement. The Group had an unrealised foreign currency loss amounting to NOK 12.1 million related to this loan. The cash and cash equivalents amounted to NOK 37.7 million and an unused credit facility of NOK 24.4 million.

The Group provides services in countries with different currencies and is consequently exposed to currency fluctuations in these nations. The Group also has variable interest rate borrowings and is subject to corresponding 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. The company therefore seeks, as much as possible, to cover these types of risks through the purchase of insurances.

The Organisation

Zalaris Group had 829 employees at the end of 2017. The aggregated offshore and nearshore presence was 40% of Zalaris' workforce, excluding employees in acquired companies. The workplace environment is positive, with motivated employees working together towards common goals. Absence due to sick leave averaged 3.4% in 2017. Zalaris ASA averaged a 1.3% absence rate due to sick leave in 2017.

No incidents of injury or accidents in the workplace were reported during 2017.

Women are well-represented in the Group's companies and units, comprising 65% of the workforce. The Group's leadership, including managers for all the separate business units, consists of 27 people, of which 9 (33.3%) are female.

Corporate Social Responsibility

Equal Rights

Zalaris has identified the Company's material sustainability issues and their potential impact on our business. With reference to the Norwegian Accounting Act section 3-3c, the following chapters present how Zalaris integrates the most material sustainability issues into its business strategies and processes.

Zalaris shall be a professional workplace with an inclusive working environment and respect the International Labor Organisation'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.

Life-Work Balance and Healthy Lifestyle

Zalaris strives to make it possible for employees of either gender to balance their work and private life, and, therefore, offers leave arrangements, home office solutions, part-time positions and other flexible work arrangements to support this objective.

The company organises programmes to motivate its employees to stay physically active while ensuring the availability of healthy food, such as fresh salads, in our canteens.

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 continually improve the quality of its services while contributing to a positive working environment for its people.

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

We are committed to:

- Protecting and striving for improvement of the health, safety and security of our people at all times with the goal to eliminate HS-related accidents;
- Setting HS performance objectives, measuring results, assessing and continually improving processes, services and product quality through the use of an effective management system;
- Working 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;
- Planning for, responding to and recovering from any emergency, crisis or business disruption;
- Developing services that can help our customers monitor and act upon HS issues;
- Communicating openly with stakeholders and ensuring an understanding of our HS policies, standards, programmes 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 to customers of web- and mobile-based solutions 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 organised recycling schemes for obsolete IT equipment, reducing travel activities through the increased use of teleconferencing and web meetings such as Lync, and overseeing 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 our Code of Conduct.

Business Ethics

Zalaris' Code of Conduct is an integral part of the company's 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.

The Code of Conduct does not apply directly to the company's business partners. However, Zalaris does not want to be associated with business partners that do not have appropriate ethical standards. Everyone associated with Zalaris shall comply with the rules and guidelines. Although failure to perform can be excused, we can never compromise on our integrity. This is the way we shall conduct business in Zalaris – and the way we shall create value for our customers, investors, staff or anyone benefiting from the services we provide. The Code of Conduct is available on the company's web site.

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 and 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 30 October 2014.

The statement for fiscal year 2017 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 23 April 2018. It is available on page 78 in this annual report.

Events after the Reporting Period

There have been no additional events after the balance sheet date significantly affecting the Group's financial position.

Outlook

With ROC Group and sumarum AG integrated into the greater Zalaris group, the company has established a stronger platform for continued growth. The transactions have been formally concluded, and Zalaris is already offering its broader range of services in new geographies. The full effect of the integration is expected by mid-2018.

Margin improvement will continue to be a priority throughout the year. A structured programme is being implemented for this purpose, as the company expects to gain additional synergies and efficiency improvements. Zalaris seeks to maintain or increase historic organic growth rates and profit margins.

The business of HR and human capital management is changing. Enterprises seek the advantages and cost savings of outsourcing as well as the digitization of respective functions. Driven by advances in digital technology, the European market for multi-process human resources outsourcing is strong, and cloud solutions and mobile innovations are key focus areas. Together with existing clients, Zalaris continuously develops new solutions, often custom-made for the specific needs in the industry.

The pipeline of business opportunities is strong with growth opportunities, both in the form of new contracts with new clients and increased scope with existing clients.

Oslo, 23 April 2018

Lars Laier Henriksen
Chairman of the Board

Liselotte Hägertz Engstam
Member of the Board

Tina Steinsvik Sund
Member of the Board

Jan Mikael Koivurinta
Member of the Board

Karl-Christian Agerup
Member of the Board

Hans-Petter Mellerud
Chief Executive Officer

Statement by the Board of Directors and the CEO

We hereby confirm that the consolidated financial statements and the financial statements for the parent company for the period 1 January 2017 to 31 December 2017, are, to the best of our knowledge, prepared in accordance with applicable accounting standards and 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, 23 April 2018

Lars Laier Henriksen
Chairman of the Board

Liselotte Hägertz Engstam
Member of the Board

Tina Steinsvik Sund
Member of the Board

Jan Mikael Koivurinta
Member of the Board

Karl-Christian Agerup
Member of the Board

Hans-Petter Mellerud
Chief Executive Officer

Consolidated Group
Annual Accounts Report 2017
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 Statements

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	2017	2016
Revenue	2	577,338	**396,646**
Operating expenses			
License costs		48,002	29,353
Personnel expenses	3	308,935	213,193
Other operating expenses	4	131,311	80,189
Depreciations and impairments	9	2,217	1,835
Amortisation intangible assets	8	14,963	9,434
Amortisation implementation costs customer projects	11	37,918	24,661
Other costs	22	23,398	1,558
Total operating expenses		**566,744**	**360,224**
Operating profit		**10,594**	**36,422**
Financial items			
Financial income	5	1,498	2,125
Financial expense	5, 15, 18	-9,560	-5,287
Unrealised foreign currency loss	5	-12,057	-
Net financial items		**-20,120**	**-3,162**
Profit before tax		**-9,526**	**33,260**
Income tax expense			
Tax expense on ordinary profit	6	2,661	7,693
Total tax expense		2,661	7,693
Profit for the period		**-12,187**	**25,567**
Profit attributable to:			
- Owners of the parent		-12,187	25,567
- Non-controlling interests		-	-
Earnings per share:			
Basic earnings per share (NOK)	7	-0.61	1.34
Diluted earnings per share (NOK)	7	-0.62	1.34

Consolidated statement of comprehensive income
for the year ended 31 December

(NOK 1000)	Note	2017	2016
Profit for the period		-12,187	25,567
Other comprehensive income			
Items that will be reclassified to profit and loss in subsequent periods			
Currency translation differences		14,003	-3,944
Total other comprehensive income		14,003	-3,944
Total comprehensive income		**1,815**	**21,623**
Total comprehensive income attributable to:			
- Owners of the parent		1,815	21,623
- Non-controlling interests		-	-

Consolidated statement of financial position
as of 31 December

(NOK 1000)	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	8, 22	145,747	39,054
Goodwill	22	151,075	
Total intangible assets		**296,822**	**39,054**
Deferred tax asset	6	848	2,028
Fixed assets			
Office equipment	9	1,546	1,120
Property, plant and equipment	9	34,926	4,282
Total fixed assets		**36,472**	**5,402**
Total non-current assets		**334,143**	**46,484**
Current assets			
Trade accounts receivable	10	157,493	70,887
Customer projects	11	21,798	23,112
Other short-term receivables	12	16,290	8,021
Cash and cash equivalents	13	37,657	43,509
Total current assets		**233,237**	**145,528**
TOTAL ASSETS		**567,380**	**192,012**

Consolidated Group

Consolidated statement of financial position
for the year ended 31 December

(NOK 1000)	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	14	2,012	1,912
Own shares - nominal value		-6	-6
Other paid in equity		1,116	122
Share premium		58,217	37,048
Total paid-in capital		**61,339**	**39,076**
Other equity		-2,114	
Retained earnings		60,461	61,548
Equity attributable to equity holders of the parent		**119,686**	**100,624**
Non-controlling interests		-	-
Total equity		**119,686**	**100,624**
Liabilities			
Non-current liabilities			
Deferred tax	6, 22	29,482	2,792
Interest-bearing loans and borrowings	15, 22	220,225	1,436
Employee defined benefit liabilities		-	103
Total long-term debt		**249,707**	**4,331**
Current liabilities			
Trade accounts payable		24,211	10,792
Interest-bearing loan from shareholders	15	7,775	-
Interest-bearing loans	15	41,782	691
Income tax payable		4,773	5,003
Public duties payable		36,418	24,853
Other short-term debt	17	82,773	45,719
Derivatives		255	
Total short-term debt		**197,987**	**87,057**
Total liabilities		**447,694**	**91,388**
TOTAL EQUITY AND LIABILITIES		**567,380**	**192,012**

Oslo, 23 April 2018

Lars Laier Henriksen
Chairman of the Board

Liselotte Hägertz Engstam
Member of the Board

Tina Steinsvik Sund
Member of the Board

Jan Mikael Koivurinta
Member of the Board

Karl-Christian Agerup
Member of the Board

Hans-Petter Mellerud
Chief Executive Officer

Consolidated statement of cash flows
for the period ended 31 December

(NOK 1000)	Note	2017	2016
Cash flow from operating activities			
Profit (Loss) before tax		-9,526	33,260
Financial income	5	-1,169	-1,108
Financial costs	5	18,546	3,280
Depreciation and impairments	9	2,217	1,835
Amortisation intangible assets	8	14,963	9,434
Amortisation implementation costs customer projects	11	37,918	24,661
Customer projects	11	-36,603	-21,450
Taxes paid	6	-1,711	-6,009
Changes in accounts receivable and accounts payable	10.17	-73,188	-15,359
Changes in other short term debt and disposals	17	106,222	-12,808
Interest received	5	129	20
Interest paid	5	-5,155	-1,490
Net cash flow from operating activities		**52,644**	**14,266**
Cash flows from investing activities			
Purchase of fixed and intangible assets	8, 9	-24,755	-14,078
Acquisition of fixed and intangible assets, including goodwill in connection with business combinations	8, 9, 22	-276,748	-
Net cash flow from investing activities		**-301,503**	**-14,078**
Cash flows from financing activities			
Buyback of shares from minorities		-	-5,983
Stock purchase programme	14	992	122
Issuance of new shares		35,713	-
Transaction costs related to issuance of new shares	22	-3,411	-
Proceeds from issue of new borrowings	15	258,327	-
Repayment of longterm loan	18	-31,507	-690
Dividend payments to owners of the parent	14	-16,557	-16,177
Dividend payments to non-controlling interest	14		-990
Net cash flow from financing activities		**243,556**	**-23,717**
Net changes in cash and cash equivalents		**-5,303**	**-23,529**
Net foreign exchange difference		**-550**	**-702**
Cash and cash equivalents at the beginning of the period		**43,509**	**67,740**
Cash and cash equivalents at the end of the period		**37,656**	**43,509**
Unused credit facilities		24,439	15,000

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

(NOK 1000)	Share capital	Own shares	Share premium	Other paid in equity	Total paid in equity	Cumulative translation differences	Other equity	Non-controlling interests	Total equity
Equity at 01.01.2017	**1,912**	**-6**	**37,048**	**122**	**39,076**	**-2,661**	**64,209**	**-**	**100,624**
Profit of the year	-	-	-	-	-	-	-12,187	-	-12,187
Other comprehensive income	-	-	-	2	2	14,001	-	-	14,003
Share based payments	-	-	-	992	992	-	-	-	992
Issue of Share Capital	100	-	37,727	-	37,827	-	-2,114	-	35,713
Transaction costs related to issue of new shares	-	-	-	-	-3,411	-	-3,411	-	-
Other changes	-	-	-	-	-	-570	1,080	-	510
Dividend	-	-	-16,557	-	-16,557	-	-	-	-16,557
Equity at 31.12.2017	**2,012**	**-6**	**58,217**	**1,116**	**61,339**	**10,769**	**47,576**	**-**	**119,686**
Equity at 01.01.2016	**1,912**	**-6**	**53,224**	**-**	**55,131**	**1,852**	**41,585**	**4,601**	**103,168**
Profit of the year	-	-	-	-	-	-	25,567	-	25,567
Other comprehensive income	-	-	-	-	-	-3,944	-	-	-3,944
Buyback of shares	-	-	-	-	-	-	-1,383	-4,601	-5,983
Share based payments	-	-	-	122	122	-	-	-	122
Other changes	-	-	-	-	-	-569	-570	-	-1,139
Dividend	-	-	-16,177	-	-16,177	-	-990		-17,167
Equity at 31.12.2016	**1,912**	**-6**	**37,048**	**122**	**39,076**	**-2,662**	**64,209**	**-**	**100,624**

Note 1 - Accounting principles and basis for preparation

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 Group financial statements of Zalaris ASA for the period ending on 31 December 2017 were approved in a board meeting on 23 April 2018.

1.1 The basis for the preparation of the financial statements

The Group's financial statements of Zalaris ASA for the accounting year 2017 have been prepared in accordance with international accounting standards ("IFRS") as adopted by the European Union (EU), in effect as of 31 December 2017.

The financial statements are based on the principles of historic cost.

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 effective date of acquisition or up to the effective date of disposal, as appropriate.

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 is 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 exchange rate that approximates the prevailing rate at the date of transaction. Exchange differences from translating subsidiaries are recognised 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 recognised in the income statement.

Revenue recognition

The Group's revenue consists of revenue from providing services, consulting services related to customer specific adaptions for new HR outsourcing customers and basic consulting services. Revenue is, in general, recognised when it is probable that transactions will generate future financial benefits for the Group and the size of the amount can be reliably estimated. Sales revenue is presented net of value-added tax and potential discounts.

Revenues from outsourcing agreements and cloud services are recognised over the term of the contract as the services are rendered. When the services are made up of different components which are not separately identifiable, the related revenues are recognised on a straight-line basis over the term of the contract. The related costs are recognised as they are 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 specific to a given contract, relate to future activity on the contract and/or will generate future economic benefits, and are recoverable. These costs are allocated to work-in-progress, and prepaid revenue by the client is recorded as a deduction from the costs incurred. The deferred costs are expensed, and the deferred revenue recognised, evenly over the period the outsourcing services are provided. The expense of deferred cost is presented in the income statement in the line item "amortisation implementation costs customer projects.

The service revenue and the revenue from basic consulting services are recognised according to the rendering of the service. Smaller projects and change orders beyond the terms of the main contract with the customer service delivery are recognised 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 recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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 realised 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 recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. 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 capitalised 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. Capitalised development is amortised 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 derecognised, and any gain or loss on the sale or disposal is recognised 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 is accounted for as an estimation change. The residual value of the Group's fixed assets is estimated to be nil.

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 recognised 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.

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 amortised cost using the effective interest rate method, less impairment. Amortised 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 amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Contract related accruals

Revenues and expenses related to service delivery, and which are incurred in advance of the contract's validity period, are accrued, and income and expenses are recognised over the contract period. Such deferred expense is included in the line item amortisation implementation cost customers. Net assets/liabilities are classified as customer projects/other liabilities.

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 amortised cost using the effective interest rate method.

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.

Equity reserves – currency translation differences
Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency is recognised directly in other comprehensive income.

Cost of equity transactions
Transaction costs directly attributable to an equity transaction are recognised directly in equity, net after deducting tax.

Contingent assets
Contingent assets are not recognised in the annual accounts but are disclosed if it's probable that a benefit will be added to the Group.

Events after the balance sheet date
New information on the Group'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 Group's position at the balance sheet date, but will affect the Group's position in the future, are stated if significant.

1.3 New and amended standards and interpretations

Standards issued and effective
There were no new standards and amendments to standards adopted by the company for the financial year beginning 1 January 2017.

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.

IFRS 9
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group has performed an impact assessment of all three aspects of IFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018, when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

IFRS 15 Revenue from contracts with customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS.

The Group has performed an assessment of IFRS 15 and found that the implementation of the new standard will not have any impact on the income statement or the balance sheet of the Group. The Group will implement the new standard on 1 January 2018 and will apply the modified retrospective method which requires the recognition of the cumulative effect of initially applying IFRS 15, as of 1 January 2018, to retained earnings and not restate prior years. However, since the results of the Group's impact assessment indicated that IFRS 15 is not expected to significantly change the amount or timing or revenue recognition in 2017 or prior periods, there will not be any cumulative adjustments to retained earnings as of 1 January 2018.

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 capitalisation of the leased assets. In addition the net finance expense will increase. The Group will implement the new standard on 1 January 2019.

As of 31 December 2017, the Group has identified certain property leases eligible for capitalisation. A preliminary estimate, based on existing lease contracts, indicates around NOK 30 million in additional lease liabilities as of 1 January 2019.

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 judgements, 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.

Estimation uncertainty
a) Customer projects
Revenues from outsourcing agreements are recognised over the term of the contract as the services are rendered. The related costs are recognised 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 capitalised as "customer projects" and any prepaid revenues by the client are recorded as a deduction from the costs incurred in the balance for customer projects. 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 "Amortisation implementation cost customer projects". Deferred revenue is recognised 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.

b) Capitalisation of intangible assets
Development costs of software have been capitalised as intangible assets to the extent it is assessed that future benefits can be substantiated. Judgement has to be applied in determining which amount of expenses can be capitalised.

At the end of a reporting period, the Group is required to assess whether there is any indication that the capitalised assets may be impaired. If such indications exist, the Group must test 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) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. Acquisition-related costs are expenses in the periods in which the costs are incurred and the services are received.

When acquiring a business, all financial assets and liabilities are assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions at the acquisition date. The acquired assets and liabilities are accounted for by using fair value in the opening group balance sheet (unless other measurement principles should be applied in accordance to IFRS 3).

Goodwill is recognised as the aggregate of the consideration transferred and the amount of any non-controlling interest and deducted by the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not depreciated but is tested at least annually for impairments. In connection with this, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the business combination. See note 8 for further information on impairment testing.

Note 2 - Segment information

The company has three operating segments, which are Outsourcing, Cloud Services and Consulting.

Outsourcing offers a full range of payroll and HR outsourcing services including payroll, time and attendance and travel expenses.

Consulting delivers turnkey projects based on Zalaris template or implementation of customer-specific functionality. They also assist customers with cost-effective maintenance and support of customers own on-premise solution.

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., and was divided into an own reporting segment in 2014.

Information is organised 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 key 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.

Assets and liabilities are not allocated to segments.

2017

(NOK 1.000)	Outsourcing	Cloud	Consulting	Non-allocated	Total
Other operating revenue, external	383,924	92,062	101,352	-	577,338
Other operating expenses	-306,439	-80,054	-101,754	-	-488,247
Depreciation and amortisation	-40,671	-8,390	-1,076	-4,962	-55,098
Other Costs (transaction related)	-	-	-	-23,398	-23,398
Operating profit/(loss)	**36,814**	**3,618**	**-1,478**	**-28,360**	**10,594**
Net financial items	-	-	-	-20,120	-20,120
Income tax	-	-	-	-2,661	-2,661
Profit for the period	**36,814**	**3,618**	**-1,478**	**-51,142**	**-12,187**
Cash flow from investing activities	-	-	-	-9,526	-9,526

2016

(NOK 1.000)	Outsourcing	Cloud	Consulting	Non-allocated	Total
Other operating revenue, external	355,123	29,996	11,527	-	396,646
Other operating expenses	-289,950	-25,235	-7,550	-	-322,736
Depreciation and amortisation	-35,797	-48	-85	-	-35,930
Other Costs (transaction related)	-	-	-	-1,558	-1,558
Operating profit/(loss)	**29,376**	**4,713**	**3,891**	**-1,558**	**36,422**
Net financial items	-	-	-	-3,162	-3,162
Income tax	-	-	-	-7,693	-7,693
Profit for the period	**29,376**	**4,713**	**3,891**	**-12,413**	**25,567**
Cash flow from investing activities	-	-	-	-154,887	-154,887

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 Group's operations are carried 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 correspond to the geographical location of the customers.

Information about geographical allocation of revenue

Revenue from external customers attributable to:

(NOK 1000)	as % of total	2017	as % of total	2016
Norway	32%	185,310	43%	169,374
Sweden	17%	98,070	25%	98,721
DACH*	24%	138,909	-	-
Denmark	11%	64,352	15%	60,406
Finland	10%	56,711	13%	52,095
UK	1%	6,436	-	-
Other	5%	27,549	4%	16,050
Total	**100%**	**577,338**	**100%**	**396,646**

* DACH = Germany, Austria and Switzerland

Information about major customers

(NOK 1000)	as % of total	2017	as % of total	2016
5 largest customers	36%	208,328	48%	191,760
10 largest customers	51%	291,821	68%	269,383
20 largest customers	64%	370,349	82%	326,253

1 of our customers are representing more than 10% of total revenue.

Note 3 - Personnel expenses

(NOK 1000)	2017	2016
Salary	276,540	191,826
Bonus	8,692	4,678
Social security tax	41,286	27,343
Pension costs (see note 16)	19,619	18,472
Other expenses	13,426	9,773
Capitalised development expenses	-10,360	-8,009
Capitalised implementation costs customer projects	-40,269	-30,890
Total personnel expenses	**308,935**	**213,193**

Average number of employees:	2017	2016
Administration, sales and management	87	59
Other employees	564	395
Total	**651**	**454**

Average FTEs:	2017	2016
Administration, sales and management	83	55
Other employees	524	368
Total	**607**	**423**

See note 19 for transactions with related parties.

Note 4 - Other operating expenses

(NOK 1000)	2017	2016
External services	44,039	18,814
IT services and telecom	32,317	28,358
Office premises	19,867	15,685
Travel and transport	17,913	5,983
Postage and freight	3,152	3,721
Other expenses	14,022	7,627
Total other operating expenses	**131,311**	**80,189**

Auditors fee

(NOK 1000)	2017	2016
Audit fee	2,721	1,660
Other attestation services	2,801	1,920
Fee for tax services	274	35
Other fees	10,058	1,546
Total, excl VAT	**15,854**	**5,161**

Other fees in the table above mainly relates to financial due diligence services. Other attestation fees mainly relates to ISEA 3402 attestation and other audit attestations.

Note 5 - Finance income and finance expenses

(NOK 1000)	2017	2016
Interest income on bank accounts and receivables	129	20
Currency gain	1,040	1,088
Other financial income	329	1,018
Finance income	**1,498**	**2,125**
Interest expense on financial liabilities measured at amortised cost	5,155	1,490
Currency loss	1,589	1,790
Unrealised foreign currency loss[1]	12,057	-
Other financial expenses	2,816	2,007
Finance expenses	**21,618**	**5,287**
Net financial items	**-20,120**	**-3,162**

[1] Relates to a Euro term loan facility amounting to EUR 24 million as of 31 December 2017. This loan was part of financing of the acquisitions of sumarum AG and ROC Global Solutions Ltd. in 2017.

Note 6 - Income taxes

Income tax expense:

(NOK 1000)	2017	2016
Tax paid / payable	1,387	6,079
Changes in deferred taxes	1,275	1,614
Tax expense	2,661	7,693

Tax payable in balance sheet:

(NOK 1000)	2017	2016
Calculated tax payable	4,773	5,003
Total income tax payable	4,773	5,003

Income tax payable:

(NOK 1000)	2017	2016
Reconciliation of effective tax rate		
Ordinary profit before tax	-9,526	33,260
Tax at Zalaris ASA's statutory tax rate of 24% (25% 2016)	-2,286	8,315
Non tax deductible costs	6,043	-6
Non taxable income	-	254
Effect of change in deferred taxes	-25	-1,260
Other permanent differences	-1,070	390
Tax expense	**2,661**	**7,693**
Effective tax rate	**-27.9%**	**23.1%**

Specification of tax effects of temporary differences:

(NOK 1000)	2017	2016
Property, plant and equipment	99,440	953
Other differences	15,509	12,691
Tax losses carry forward	-7,146	-10,951
Total temporary differences	**107,803**	**2,694**
Total deferred tax assets	848	2,028
Total deferred tax	29,482	2,792
Net recognised deferred tax/ deferred tax asset	**-28,633**	**-764**

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 the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. The main permanent difference relates to non-deductable transaction costs in connection with acquisitions.

The Group has tax losses which have arisen in Denmark, TNOK 683, Latvia, TNOK 3,673, Norway, TNOK 744 and Poland, TNOK 2,045, which are available to be applied within 3-5 years against future taxable profits in each company. Based on an assessment of future profitability of the entities the deferred tax assets related to these tax losses have been recognised.

Note 7 - Earnings per share

Basic 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 2017 and 2016 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 programme entered into in FY 2016.

(NOK 1000)	2017	2016
Net profit/(loss) attributable to ordinary equity holders of the parent	-12,187	25,567
Weighted average number of shares	19,840,940	19,056,305
Weighted average diluted number of shares	19,747,990	19,056,305
Basic earnings per share (NOK)	**-0.61**	**1.34**
Diluted earnings per share (NOK)	**-0.62**	**1.34**

Consolidated Group

Note 8 - Intangible assets

(NOK 1000)	Licenses and software	Internally developed software	Internally developed software under construction	Customer relationships contracts	Goodwill	Total
Acquisition cost						
Accumulated 1 January 2016	36,547	53,434	4,117	-	-	94,097
Additions of the year	594	6,380	11,851			18,825
Disposals of the year	-	-	-6,380	-	-	-6,380
Currency effects	-264	-267	-	-	-	-530
Accumulated 31 December 2016	**36,877**	**59,547**	**9,589**	**-**	**-**	**106,012**
Additions through acquisition[1]	6,776	7,017	-	95,535	144,337	253,665
Additions of the year	3,337	-	17,121	-	-	20,458
Reclassifications	-	16,210	-16,210	-	-	-
Currency effects	361	681	56	4,459	6,738	12,295
Accumulated 31 December 2017	**47,351**	**83,455**	**10,555**	**99,994**	**151,075**	**392,430**
Amortisation						
Accumulated 1 January 2016	28,407	29,460	-	-	-	57,867
Disposals of ordinary amortisation	-	-	-	-	-	-
Disposals of amortisation and currency effects	-227	-115	-	-	-	-342
This year's ordinary amortisation	2,085	7,349	-	-	-	9,434
Accumulated 31 December 2016	**30,265**	**36,694**	**-**	**-**	**-**	**66,958**
Accumulated depreciation at closing on additions through acquisitions[1]	5,935	6,601	-	-	-	12,536
Disposals of amortisation and currency effects	218	694	-	238	-	1,150
This year's ordinary amortisation	1,993	8,008	-	4,962	-	14,963
Accumulated 31 December 2017	**38,411**	**51,997**	**-**	**5,200**	**-**	**95,608**
Book value						
Book value at 31 December 2016	6,613	22,853	9,589	-	-	39,054
Book value at 31 December 2017	**8,940**	**31,458**	**10,555**	**94,794**	**151,075**	**296,822**
Useful life	3-10 years	5 years				
Depreciation method	linear	linear				

[1] For description of the acquisitions, see note 22.

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 are expected to benefit all business segments.

Refer to note 22 for further information regarding the acquisition of sumarum and ROC.

As of 31 December 2017, the market capitalisation of the group was 10 times the book value of its equity, indicating no impairment of the Group's assets. The Group's annual impairment test of intangible assets with indefinite useful lives performed as of year-end 2017 confirmed this.

Although the current book values of goodwill and customer relationships and contracts were recognized as part of the aforementioned business acquisitions, the recoverable amount has been calculated based on one CGU for the Group as a whole. The close integration and synergies within the Group's geographical and operating segments make 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 driving growth throughout the Group.

The recoverable amount is based on a value in use calculation, using cash flow projections for the next 5 years whereof the first year is approved by the board. The projections are based on existing business model without non-organic growth. The expected cash flow is based on company estimates for the period 2018 to 2022. 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
- EBIT / EBIT 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 EBIT and +/-2% in WACC.

Headroom sensitivity analysis in NOK Million

		Weighted average cost of capital				
		11.2%	12.2%	13.2%	14.2%	15.2%
Percentage change in EBIT	-20.0%	557	467	392	329	276
	-10.0%	676	574	489	418	358
	0.0%	796	681	587	507	440
	10.0%	915	788	684	597	522
	20.0%	1,034	896	782	686	604

Positive numbers in the table indicates positive headroom, and negative numbers in the table indicates impairment.

9 - Property, plant and equipment

(NOK 1000)	Land	Buildings	Vehicles	Furniture and fixtures	IT-equipment	Total
Acquisition cost						
Accumulated 31 December 2015	-	-	-	11,673	4,374	16,047
Additions of the year	-	-	-	777	855	**1,633**
Disposals of the year						**-**
Currency effects	-	-	-	-475	-230	**-706**
Accumulated 31 December 2016	**-**	**-**	**-**	**11,975**	**4,999**	**16,973**
Additions through acquisition	3,694	23,726	475	3,696	3,285	**34,877**
Additions of the year	-	-	-	4,052	245	**4,297**
Disposals of the year	-	-	-	-	-	**-**
Currency effects	-	-	-	365	-129	**236**
Accumulated 31 December 2017	**3,694**	**23,726**	**475**	**20,088**	**8,400**	**56,383**
Depreciation						
Accumulated 31 December 2015	-	-	-	6,683	8,490	15,173
Disposals of ordinary depreciation	-	-	-	-	-	**-**
Currency effects	-	-	-	-387	-196	**-583**
This year's ordinary depreciation				1,396	438	**1,835**
Accumulated 31 December 2016	**-**	**-**	**-**	**7,693**	**8,732**	**16,425**
Accumulated depreciation at closing on additions through acquisitions	-	-	199	3,372	2,423	**5,995**
Disposals of ordinary depreciation	-	-	-	-	-	**-**
Currency effects	-	2	-	303	-177	**128**
This year's ordinary depreciation	-	38	25	1,425	730	**2,217**
Accumulated 31 December 2017	**-**	**40**	**224**	**12,793**	**11,708**	**24,765**
Book value						
Book value at 31 December 2016	-	-	-	4,282	1,120	**5,402**
Accumulated 31 December 2017	**3,694**	**23,686**	**251**	**7,294**	**1,546**	**36,472**
Economic life	Indefinite	50 years	3 years	5 years	3 years	
Depreciation method	none	linear	linear	linear	linear	

Note 10 - Trade accounts receivable

(NOK 1000)	2017	2016
Gross trade accounts receivable	157,912	70,887
Provisions for losses	-419	-
Trade accounts receivable	**157,493**	**70,887**

Losses on trade accounts receivable are classified as other operating expenses in the income statement.
See note 18 for assessment of credit risk.

Movements in the provision for loss are as follows:	2017	2016
Opening balance	-419	-
Provision of the year	-190	-
Realised loss this year	190	-
Reversal of previous provision	-	
Closing balance	-419	**-**

Details on the credit risk concerning trade accounts receivable are given in note 18.

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

NOK 1000	Total	Not due	<30 d	30-60d	60-90d	>90d
31 December 2017	157,493	115,314	32,330	6,913	985	1,950
31 December 2016	70,887	60,922	9,245	453	93	173

Note 11 - Customer projects

(NOK 1000)	2017	2016
Deferred costs related to customer projects	95,284	83,440
Deferred revenue related to customer projects	-73,487	-60,328
Net customer implementation costs	**21,798**	**23,112**

Costs related to delivering outsourcing contracts are recognised 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 capitalised as "customer projects" and any prepaid revenues by the client are recorded as a deduction from the costs incurred in the balance for customer projects. The deferred costs are expensed evenly over the period the outsourcing services are provided and included in the line item "Amortisation implementation cost customer projects". Deferred revenue is recognised over the corresponding period.

Note 12 - Other short-term receivables

(NOK 1000)	2017	2016
Advances to employees	445	1
Prepaid rent	688	1,357
Prepaid software	3,817	3,497
Prepaid insurance	620	275
Prepaid other expenses	1,949	184
Prepaid Maintenance and Service	2,293	696
Prepaid Travel/entertainment cost	29	90
Other receivables	6,450	1,921
Total other short-term receivables	**16,290**	**8,021**

Note 13 - Cash and cash equivalents and short term deposits

Cash and cash equivalents

(NOK 1000)	2017	2016
Cash in hand and at bank - unrestricted funds	13,297	32,577
Deposit accounts - guarantee rent obligations - restricted funds	19,834	6,538
Employee withheld taxes - restricted funds	4,525	4,394
Cash and cash equivalents in the balance sheet	**37,657**	**43,509**

The group has unused credit facilities of NOK 24 million as of 31.12.2017 (NOK 15 million 31.12.2016). There are no restrictions on the use of these funds.

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 recognised in the Groups balance sheets. The table below provides information about amounts on these deposit accounts.

(NOK 1000)	2017	2016
Customer deposits	6,248	6,459
Short term deposits	-	-

Note 14 - Share capital, shareholder information and dividend

Shares	2017	2016
Shares - nominal value NOK 0,10	20,122,979	19,124,263
Total number of shares	**20,122,979**	**19,124,263**

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 7.

The major shareholders at 31.12.2017 are:

Shareholder	Number of shares:	% of total	Equal Voting
NORWEGIAN RETAIL AS	2,941,482	14.6%	14.6%
SKANDINAVISKA ENSKILDA BANKEN AB	1,806,411	9.0%	9.0%
STATE STREET BANK AND TRUST COMP	1,691,228	8.4%	8.4%
FIDELITY NORDIC FUND	1,688,300	8.4%	8.4%
STRAWBERRY CAPITAL AS	1,039,887	5.2%	5.2%
COMMERZBANK AKTIENGESELLSCHAFT	768,027	3.8%	3.8%
JPMORGAN CHASE BANK, N.A., LONDON	765,339	3.8%	3.8%
VPF NORDEA KAPITAL	748,604	3.7%	3.7%
TREDJE AP-FONDEN	703,881	3.5%	3.5%
STATE STREET BANK AND TRUST COMP	695,000	3.5%	3.5%
DANSKE BANK A/S	562,230	2.8%	2.8%
VPF NORDEA AVKASTNING	505,705	2.5%	2.5%
METZLER EURO SMALL + MICRO CAP	460,750	2.3%	2.3%
NORDEA 1 SICAV	368,603	1.8%	1.8%
RBC INVESTOR SERVICES TRUST	351,293	1.8%	1.8%
VERDIPAPIRFONDET NORDEA NORGE PLUS	326,520	1.6%	1.6%
TACONIC AS	285,212	1.4%	1.4%
AVANZA BANK AB	275,758	1.4%	1.4%
NHO - P665AK	259,259	1.3%	1.3%
A/S SKARV	225,000	1.1%	1.1%
Total number owned by top 20	**16,468,489**	**81.8%**	**81.8%**
Shares owned by the company	**92,950**	**0.5%**	**0.5%**
Others	**3,561,540**	**17.7%**	**17.7%**
Total	**20,122,979**	**100.0%**	**100.0%**

Shares held by related parties are disclosed in note 19.

Dividend

Dividend paid to the shareholders of the parent company in 2017 amounted to 16.6 MNOK or NOK 0.87 dividend per share. In 2016 a dividend amounting to NOK 16.3 million or 0.85 dividend per share, was paid to the shareholders of the parent company. A dividend of NOK 0.9 million was paid to non-controlling interests in 2016.

Proposed dividend to be approved at the annual general meeting amounts to NOK 0.65 per share.

Note 15 - Interest-bearing loans and borrowings

NOK 1000					2017			2016		
Financial institution	Agreement	Maturity	Duration	Interest rate	Non-current	Current	Total	Non-current	Current	Total
SG Finans	Financial leasing	Mar 2019	5 years	9.0%	43	145	188	188	136	324
SG Finans	Financial leasing	Dec 2019	5 years	6.0%	506	466	972	972	447	1,419
SG Finans	Financial leasing	Apr 2020	5 years	5.5%	163	112	275	275	108	383
Nordea Bank AB, Branch Norway*	Bank loan	May 2022	5 years	see below	204,424	31,740	236,164	-	-	-
Deutsche Bank, Germany	Bank loan	Sep 2018	6 years	3.5%	-	216	216	-	-	-
Sparkasse Südholstein, Germany	Bank loan	Mar 2019	5 years	2.3%	134	522	656	-	-	-
KfW Bank, Germany	Bank loan				-	7,431	7,431	-	-	-
Commerzbank, Bank**	Bank loan	Dec 2031	14 years	1.3%	14,955	1,150	16,105	-	-	-
Interest-bearing debt and borrowings					**220,225**	**41,782**	**262,007**	**1,436**	**691**	**2,126**

Loan Nordea Bank AB (publ), Branch: Norway
The company went into a loan facility agreement with Nordea Bank AB as part of the financing of the acquisitions of sumarum AG and ROC Global Solutions Ltd. in 2017 amounting to EUR 25.8 million.

As of 31 December the Euro term loan facility amounts to NOK 236.2 million which includes a currency effect of NOK 12.1 million increasing the balance of the loan. Relates to currency effects.

Interest rate to be paid, depends on the net debt to EBITDA ratio and the Euribor interest rate. In FY 2017 the company has paid NOK 3.0 million interest rates on the loan.

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

The company shall repay 6.25% of the aggregated loan each 6 months. Termination date is 31.05.2022, and any loan outstanding on this date shall then be repaid. In FY 2017 the company has repaid NOK 15.7 million on the loan in addition to the arrangement fees amounting to NOK 2.2 million.

*****Loan Commerzbank Germany***
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
For the loans to SG Finans and Nordea Bank AB, the Group has pledged trade receivables up to NOK 54 million as guarantee. Property, plant and equipment has been pledged as guarantee up to NOK 22 million for loans from Nordea Bank Norge.

Carrying amounts of pledged assets are; Trade receivables NOK 90.3 million, and fixed assets NOK 5.2 million.

(NOK 1000)

Shareholder loan	Agreement	Maturity	Duration	Int	2017	2016
MBG	Shareholder loan	Dec 2023	10 years	6.5%	2,460	-
MBG	Shareholder loan	Dec 2023	10 years	7.0%	1,476	-
MBG	Shareholder loan	Aug 2026	10 years	5.5%	1,378	-
MBG	Shareholder loan	Dec 2020	10 years	5.0%	2,460	-
Total					**7,775**	**-**

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 3.3 million.

Note 16 - 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 5.2 million (2016 NOK 5.3 million). The scheme is administered by Storebrand.

In FY 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 recognised as expenses with no provisions.

The premium paid during 2017 was 2.5% of salary between 1 G and 7.1 G. 1 G equals NOK 0.1 million as of 31.12.2017.

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 a defined contribution plan for all employees, a total of 42 people at the end of the year. Finland has a defined contribution plan for all of its employees, a total of 37 employees. Sweden has a defined contribution plan for all employees, a total of 64 employees end of the year. UK has a defined contribution plan for all employees, a total of 32 employees end of the year. Germany has a defined contribution plan for executive employees.

Total expenses recognised related to pension in 2017 amounts to NOK 19.6 million (2016 NOK 18.5 million).

Note 17 - Other short-term debt

(NOK 1000)	2017	2016
Prepayments from customers*	11,581	12,050
Wages, holiday pay and bonus	25,228	21,753
Accrued expenses and other current liabilities	45,964	11,916
Total	**82,773**	**45,719**

* 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.

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Note 18 - Financial instruments

Financial instruments by category

2017 (NOK 1000)

	Loans and receivables	Fair value through profit or loss	Liabilities at amortised cost	Total book value
Financial assets				
Trade accounts receivable	157,493	-	-	157,493
Other short-term receivables	16,290	-	-	16,290
Cash and cash equivalents	37,657	-	-	37,657
Total	**211,440**	**-**	**-**	**211,440**
Financial liabilities				
Derivatives, Interest rate swaps	-	255	-	255
Borrowings, long term			220,225	220,225
Trade accounts payables	-	-	24,211	24,211
Other short-term debt	-	-	82,773	82,773
Total	**-**	**255**	**327,209**	**327,464**

2016 (NOK 1000)

	Loans and receivables	Fair value through profit or loss	Liabilities at amortised cost	Total book value
Financial assets				
Trade accounts receivable	70,887	-	-	70,887
Other short-term receivables	8,021	-	-	8,021
Cash and cash equivalents	43,509	-	-	43,509
Total	**122,416**	**-**	**-**	**122,416**
Financial liabilities				
Borrowings, long term	-	-	1,436	1,436
Trade accounts payables	-	-	10,792	10,792
Other short-term debt	-	-	46,410	46,410
Total	**-**	**-**	**58,638**	**58,638**

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:

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 2017 using Level 2 is NOK 255 thousand.

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

Per 31.12. 2016 the Group had a placement of NOK 15.0 million in a fund (Nordea Plan Konservativ). Typically, 95% of the fund's investments were placed in the money market and 5% of the fund's investments are placed in listed shares or share funds. This was a low-risk fund containing readily redeemable cash-equivalent assets. The assessed value of the placement per 31.12.2016 was based on its realisable value (investment including earnings). As of 31.12.2017 this placement is NOK 0.

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 (ref. Note 15). The company has an overdraft facility in place which has a floating interest rate condition. At 31 December 2017, the company had drawn on this facility amounting to NOK 25,561 thousand. The company had not drawn on this facility at 31 December 2016.

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.

As of 31 December 2017 the company has a Euro based loan related to the acquisition of sumarum and ROC in FY 2017. Per 31 December the Company had an unrealized currency loss amounting to NOK 12 million related to this loan. Otherwise the Group has limited exposure to currency risk from assets and liabilities recognised as at 31 December 2017 that are denominated in currencies other than the functional currency of the Group entities.

As of 31 December 2017 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 pretax of NOK 273 thousand.

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

Regarding trade receivables, the credit exposure are evaluated continuously. The company has a customer portfolio of well-known companies and has had low credit losses (Note 10).

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 sufficient 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 sufficient 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 closing exchange rate at balance sheet date.

Per 31 December 2017

(Amounts in NOK)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Borrowings, long term	-	-	220,225	220,225
Borrowings, short term	180	41,603	-	41,782
Trade creditors and other short term liabilities	24,211	71,192	11,581	106,984
Total liabilities	**24,390**	**112,795**	**231,806**	**368,991**

Per 31 December 2016

(Amounts in NOK)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Borrowings, long term	-	-	1,435	1,435
Borrowings, short term	169	522	-	691
Trade creditors and other short term liabilities	10,792	33,669	12,050	56,511
Total liabilities	**10,961**	**34,191**	**13,485**	**58,638**

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 19 - Transactions with related parties

a) Purchase from related parties

Related party	Transaction	2017	2016
Rayon Design AS[1]	Management Services	902	162
Total		**902**	**162**

[1] Hans-Petter Mellerud, CEO, is director of the board and Norwegian Retail AS, a company 100% owned by Hans-Petter Mellerud, owns 40% of the shares in Rayon Design AS.

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b) Remuneration to management and board of directors:

2017

Management	Title	Salary incl. bonuses	Pensions	Other benefits	Total
Hans-Petter Mellerud	CEO	2,282	70	36	2,387
Nina Stemshaug	CFO	1,606	70	9	1,685
Halvor Leirvåg	CTO	1,460	70	8	1,537
Richard Schiørn	VP Strategic	1,522	70	6	1,597
Peter T. Gogstad	VP Quality and Compliance	1,807	70	26	1,903
Øyvind Reiten	Executive VP Northern Europe	1,595	70	30	1,695
Jerry Chilvers	Executive VP UK and Ireland (from 26 September 2017)	350	35	2	387
Harald Götsch	Executive VP Central Europe (from 18 May 2017)	1,214	28	86	1,328
Balakrishnan Narayanan	Executive VP Asia Pacific	508	-	-	508
Jörg John	CHRO	1,381	-	-	1,381
Jan Erik Nessmo	VP PMO and Transformation	1,630	70	-	1,699
Ismet Muratspahic	VP Alliances and Partners	1,327	225	4	1,556
Otto Leppiko	COO (01.01.-31.05)	1,121	157	28	1,306
Total		**17,802**	**932**	**234**	**18,968**

Board of Directors	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the Board	340	340
Liselotte Hägertz Engstam	Board Member	170	170
Jan Koivurinta	Board Member	170	170
Tina Steinsvik Sund	Board Member	170	170
Karl Christian Agerup	Board Member	170	170
Total		**1,020**	**1,020**

2016

Management	Title	Salary	Pensions	Other benefits	Total
Hans-Petter Mellerud	CEO	2,282	51	35	2,367
Nina Stemshaug	CFO	1,854	51	7	1,913
Halvor Leirvåg	CTO	1,331	51	7	1,389
Peter T. Gogstad	VP Quality and Compliance	1,645	51	28	1,724
Richard Schiørn	VP Strategic	1,370	51	7	1,428
Øyvind Reiten	VP Business development	1,418	51	28	1,497
Jan Erik Nessmo	VP Consulting	1,501	51	7	1,560
Saara Somersalmi	Group HR Director	1,102	63	2	1,167
Otto Lepikkö	COO	1,562	89	2	1,654
Ismet Muratspahic	VP Strategic products	1,256	206	3	1,465
Total		**15,322**	**718**	**125**	**16,165**

Board of Directors	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the board	332	332
Liselotte Hägertz Engstam	Board Member	166	166
Jan Koivurinta	Board Member	166	166
Tina Steinsvik Sund	Board Member	166	166
Karl Christian Agerup	Board Member	166	166
Total		**995**	**995**

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 2017

Name	Role	No. of shares
Norwegian Retail AS	CEO (Hans-Petter Mellerud)	2,941,482
Harald Götsch	Executive VP Central Europe (from 18 May 2017)	506,292
Jerry Chilvers	Executive VP UK and Ireland (from 26 September 2017)	103,448
Lars Laier Henriksen	Chairman of the board	36,112
Ismet Muratspahic	VP Alliances and Partners	4,000
Halvor Leirvåg	CTO	3,260
Øyvind Reiten	Executive VP Northern Europe	3,200
Nina Stemshaug	CFO	2,375
Jan Erik Nessmo	VP PMO and Transformation	1,600
Richard Schiørn	VP Strategic Projects	1,514
Total		**3,603,283**

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Note 20 - Leases

Operating leases
The group has entered into operating leases for vehicles and office equipment.
The agreements related to office equipment contain an option to extend.

(NOK 1000)	2017	2016
Ordinary lease payments	8,728	1,727
Future payments related to non-cancellable leases fall due for payment as follows:		
Within 1 year	6,769	1,304
1 to 5 years	8,157	1,580
Future lease commitment	**14,927**	**2,884**

Lease agreements for office premises
The group has the following lease commitments connected with office premises.
End of period is the same as termination of contract.

City	End of period	Annual lease	2017	2016
Denmark - Copenhagen	6 months' Notice	911	885	1,153
England - Hersham	Aug. 2018	377	126	-
England - London	6 months' Notice	133	44	-
Estonia - Tallinn	2021	236	147	194
Germany - Dresden	Apr. 2018	106	35	-
Germany - Heidelberg	Jun. 2018	626	209	-
Germany - Taufkirchen	Jul. 2018	500	167	-
Germany - Amtzell	2019	402	251	-
Germany - Bad Vilbel PW	1 month's Notice	171	107	-
Germany - Coburg	2019	234	146	-
Germany - Düsseldorf PW	2018	104	65	-
Germany - Düsseldorf PW	1 month's Notice	89	55	-
Germany - Düsseldorf PW	1 month's Notice	92	57	-
Germany - Frankfurt	2021	1,372	858	-
Germany - Henstedt-Ulzburg	2021	994	621	-
Germany - Köln	2019	207	129	-
Germany - Leipzig	Oct. 2017	604	252	-
Germany - Wehretal PW	1 month's Notice	30	10	-
Finland - Helsinki	2021	1,273	1,101	1,780
India - Chennai	2018	1,018	1,018	971
Ireland - Dublin	2019	96	-	-
Latvia - Riga	Oct. 2018	1,104	1,064	902
Lithuania - Vilnius	Nov 2021	295	246	231
Norway - Ålesund	Jan. 2018	204	201	-
Norway - Karmøy	6 months' Notice	42	42	40
Norway - Lødingen	3 months' Notice	1,317	1,302	1,260
Norway - Notodden	2018	319	315	296
Norway - Oslo	2021	1,715	1,666	1,524
Norway - Sandnes	2018	917	917	895
Poland - Gdynia	2018	47	16	-
Poland - Kraków	2018	59	20	-
Poland - Warszawa	2021	415	401	509
Poland - Warszawa 2	3 months' Notice	74	25	-
Poland - Wroclaw	2018	31	10	-
Sweden - Avesta	Dec. 2018	108	-	-
Sweden - Karlskrona	Dec. 2019	229	212	209
Sweden - Sundbyberg	Dec. 2022	1,710	1,695	1,045
Sweden - Västerås	Dec. 2018	107	93	90
		18,266	**14,509**	

Note 21 - Overview of subsidiaries

The following subsidiaries are included in the consolidated accounts:

Company	Note	Country	Main business line	Ownership	Voting share
Zalaris HR Services Denmark A/S	1	Denmark	-	100%	100%
Zalaris Consulting Denmark A/S	2	Denmark	-	100%	100%
Zalaris HR Services Sverige AB	3	Sweden	-	100%	100%
Zalaris HR Services Finland OY	4	Finland	-	100%	100%
Zalaris Consulting Finland OY	5	Finland	-	100%	100%
Zalaris HR Services Norway AS	6	Norway	-	100%	100%
Zalaris HR Services Latvia SIA	7	Latvia	-	100%	100%
Zalaris HR Services Lithuania UAB	8	Lithuania	-	100%	100%
Zalaris HR Services Poland Sp Z.o.o	9	Poland	-	100%	100%
Zalaris HR Services Estonia	10	Estonia	-	100%	100%
Zalaris Consulting AB	11	Sweden	-	100%	100%
Zalaris Consulting AS	12	Norway	-	100%	100%
Zalaris HR Services India Pvt Ltd	13	India	-	100%	100%
sumarum AG	14	Germany	-	100%	100%
MediaTrain Gmbh	15	Germany	-	100%	100%
LBU Personal Complete GmbH	16	Germany	-	100%	100%
Zalaris Switzerland AG	17	Switzerland	-	100%	100%
ROC Global Solutions Ltd	18	UK	-	100%	100%
ROC System Consulting Ltd	19	UK	-	100%	100%
ROC Deutschland Gmbh	20	Germany	-	100%	100%
ROC Polsky Sp Z.o.o	21	Poland	-	100%	100%
Zalaris HR Services Ireland Ltd.	22	Ireland	-	100%	100%

Consolidated from 15.07.2000	1	
Consolidated from 20.12.2007	2	
Consolidated from 19.04.2001	3	
Consolidated from 29.08.2003	4	
Consolidated from 29.08.2003	5	
Consolidated from 30.11.2006	6	
Consolidated from 27.12.2006	7	
Consolidated from 08.05.2013	8	
Consolidated from 26.04.2013	9	
Consolidated from 04.06.2013	10	
Consolidated from 19.04.2001	11	Held by Zalaris Services Sverige AB
Consolidated from 01.08.2002	12	Held by Zalaris Services Norway AS
Consolidated from 01.10.2015	13	
Consolidated from 18.05.2017	14	
Consolidated from 18.05.2017	15	Held by sumarum AG
Consolidated from 18.05.2017	16	Held by sumarum AG
Consolidated from 18.05.2017	17	Held by sumarum AG
Consolidated from 26.09.2017	18	
Consolidated from 26.09.2017	19	Held by ROC Global Solutions Ltd
Consolidated from 26.09.2017	20	Held by ROC Global Solutions Ltd
Consolidated from 26.09.2017	21	Held by ROC Global Solutions Ltd
Consolidated from 01.02.2018	22	

Note 22 - Business combinations

Acquisition of shares in sumarum AG

Zalaris ASA acquired 97.32% of the total share capital and 98.64% of the voting shares in sumarum AG with its directly and indirectly owned subsidiaries (sumarum Group). The closing date for the transaction was 18 May 2017. On 10 October 2017, Zalaris ASA signed and closed a share purchase agreement to acquire the remaining 2.68% of the shares, in total 1,602 shares, in sumarum AG from the minority shareholders.

Total consideration of the acquisition was NOK 175.6 million (EUR 18.7 million), including a cash consideration of NOK 153.2 million (EUR 16.3 million), financed by new long term borrowings, and the issuance of 734,703 shares in Zalaris with a value of NOK 22.4 million (EUR 2.4 million).

sumarum Group provides cloud-based payroll and HR solutions on SAP's platform and a wide range of SAP HCM and SuccessFactors consulting services for entities in Germany, Austria and Switzerland. Today, the company has seven locations in Germany, and all specialize in different areas of the sumarum portfolio. sumarum has a broad spectrum of customers within public services, service providers, large industry players, energy companies and companies and trusts within the healthcare sector. At the end of June, sumarum Group had 183 employees. Total revenue from acquisition date until year end amounts to NOK 126,2 million and operating profit amounts to NOK 5.6 million.

As of the acquisition date, the fair values of the acquired assets and liabilities of the consolidated sumarum Group can be broken down as follows:

Cost of business combination	Shares acquired	Amount
Agreed purchase price	100%	175,619
Book value of equity		27,317
Excess value to be allocated		**148,302**
Fixed assets		
Office building		816
Intangible assets		
Customer contracts		19,159
Customer relationships		49,463
Deferred tax		-20,632
Total allocated to identifiable intangible assets:		**48,806**
Goodwill [1]		**99,496**

[1] The acquired goodwill is not tax deductible and mainly relates to human relations.
The excess values allocated as of 31 December 2017 are preliminary.

Acquisition of shares in ROC Global Solution Consulting Ltd.

Zalaris ASA has acquired 100% of the voting shares and share capital in ROC Global Solution Consulting Ltd. with its directly and indirectly owned subsidiaries (ROC Group). The closing date for the transaction was 25 September 2017. Total consideration for 100% of the shares in ROC is NOK 89.1 million (GBP 8.5 million) and was settled through cash payments in the total aggregate amount of up to NOK 80.1 million (GBP 7.6 million), financed by a new long term borrowings, and the issuance of 264,006 new shares in Zalaris with a value of NOK 9.9 million (GBP 0.9 million). The consideration shares were issued on 8 December 2017, registered on the Oslo Stock Exchange on 12 December 2017 and are subject to lock-up for a period of 24 months from completion.

ROC Group is a human capital management consultancy that specialises in SAP and SuccessFactors HCM-related services. SuccessFactors is SAP's strategic HR solution in the cloud, covering the entire value chain of HR tasks from recruiting to exit. ROC Group has five offices in UK, Germany and Poland and serves blue chip customers in the following sectors: banks, automotive, utilities, hospitality and professional services. At the end of September, ROC Group had 120 employees. Total revenue from acquisition date until year end amounts to NOK 30.2 million and operating loss amounts to NOK 0.4 million.

As of the acquisition date, the fair values of the acquired assets and liabilities of the consolidated sumarum Group can be broken down as follows:

Cost of business combination	Shares acquired	Amount
Agreed purchase price	100%	89,121
Book value of equity		32,028
Excess value to be allocated		57,092
Intangible assets		
Customer relationships		26,626
Deferred tax		(6,657)
Total allocated to identifiable intangible assets:		**19,970**
Goodwill[1]		**37,122**

[1] The acquired goodwill is not tax deductible and mainly relates to human relations.
The excess values allocated as of 31 December 2017 are preliminary.

Transaction costs

Transaction costs relating to the acquisition of sumarum AG and ROC Global Solution Consulting Ltd. of TNOK 23,398 were expensed and are included in Other Costs. The attributable costs of the issuance of the shares of TNOK 3,411 have been charged directly to equity as a reduction in Other Equity.

Note 23 - Employee Share purchase plan (ESPP)

Zalaris ASA (the company) adopted ESPP to reward certain key employees of the company and its subsidiaries by enabling them to receive shares of the company. The plan is effective as of 13th of May 2016.

The purpose of the ESPP 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, in the form of Restricted Stock Units (RSUs), based on the initial investment measured in number of shares. Any matching awards shall be granted based on amongst the considerations of position in the company and a review on the individual participant's performance prior to award. 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 whereof 171,519 shares were granted at the end of December 2017.

The granted RSUs per end of FY 2017, vest 30.05. 2021 conditioned by that the purchased shares (initial investment) are not sold and that the participant has not resigned or the participants employment is terminated (non-market condition). 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 shares subject to the Matching Award. The company will do its utmost to settle the granted awards as shares, and thus accounts the ESPP as an equity-settled plan.

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 costs recognised for the ESPP are shown in the following table:

(NOK 1000)	2017	2016
Restricted Share Units Costs	990	122
Accrued social security costs	307	22
Total recognised costs for the ESPP	**1,296**	**143**

Unamortised fair value per end of:

(NOK 1000)	2017	2016
RSU plan granted	4,314	6,136

Note 24 - Events after the balance sheet date

There have been no other events after the balance sheet date significantly affecting the Group's financial position.

Parent Company
Annual Accounts Report 2017
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.

Parent Company

Income Statement
1 January - 31 December

(NOK 1000)	Note	2017	2016
Revenue		572	530
Other revenue		100,831	92,883
Total Revenue		**101,403**	**93,413**
Operating expenses			
License costs		30,064	23,763
Personnel expenses	3	22,888	19,497
Other operating expenses	4	75,560	72,094
Amortisation intangible assets	5	8,799	8,645
Depreciations and impairments	6	371	270
Other costs		-	1,558
Total operating costs		**137,682**	**125,828**
Operating profit		**-36,279**	**-32,415**
Financial items			
Financial income	15	30,169	43,153
Financial expenses	15	-5,365	-1,745
Unrealised foreign currency loss	14, 15, 16	-12,057	-
Net financial items		**12,746**	**41,408**
Ordinary profit before tax		**-23,533**	**8,993**
Income tax expense			
Tax expense on ordinary profit	7	511	3,405
Total tax expense		**511**	**3,405**
Profit for the year		**-24,043**	**5,587**
Attributable to:			
Proposed dividend		-12,965	-16,557
Share premium		12,965	16,557
Other Equity		-24,043	5,587

Balance Sheet
at 31 December

(NOK 1000)	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax asset	7		
Other intangible assets	5	42,861	34,817
Total intangible assets		**42,861**	**34,817**
Fixed assets			
Property, plant and equipment	6	627	741
Total fixed assets		**627**	**741**
Financial non-current assets			
Shares in subsidiaries	8	338,283	42,003
Total financial non-current assets		**338,283**	**42,003**
Total non-current assets		**381,771**	**77,562**
Current assets			
Trade accounts receivable		45	103
Prepayments		4,510	3,668
Other short-term receivables	9	869	1,623
Other short-term receivables to group company	9	14,400	61,522
Cash and cash equivalents	10	26,904	6,475
Total current assets		**46,728**	**73,391**
TOTAL ASSETS		**428,498**	**150,953**

Balance Sheet
at 31 December

(NOK 1000)	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital		2,012	1,912
Own shares - nominal value		-6	-6
Other paid in equity		905	94
Share premium		45,253	20,491
Total paid-in capital		**48,164**	**22,491**
Other equity		6,532	33,986
Total earned equity		**6,532**	**33,986**
Total equity		**54,696**	**56,477**
Non-current liabilities			
Interest-bearing loans and borrowings	16	205,136	1,436
Deferred tax	7	1,019	509
Employee defined benefit liabilities		-	-
Total long-term debt		**206,155**	**1,945**
Current liabilities			
Trade accounts payable		8,040	6,762
Interest-bearing loans	16	118,510	49,778
Short term debt to group company		3,056	6,951
Derivatives	18	255	-
Income tax payable	7	-	2,025
Public duties payable		415	2,135
Other short-term debt	17	37,371	24,880
Total short-term debt		**176,747**	**92,531**
Total liabilities		**373,803**	**94,476**
TOTAL EQUITY AND LIABILITIES		**428,498**	**150,953**

Oslo, 23 April 2018

Lars Laier Henriksen Chairman of the Board	**Liselotte Hägertz Engstam** Member of the Board	**Tina Steinsvik Sund** Member of the Board
Jan Mikael Koivurinta Member of the Board	**Karl-Christian Agerup** Member of the Board	**Hans-Petter Mellerud** Chief Executive Officer

Statement of Cash Flows
1 January - 31 December

(NOK 1000)	Note	2017	2016
Cash flows from operating activities			
Ordinary profit before tax		-23,533	8,993
Income taxes paid		-2,025	-
Finance income		-30,169	-43,153
Financial costs		16,409	1,173
Amortisation and depreciation		9,170	8,915
Changes in trade accounts receivable and payables		1,337	-1,424
Changes in other accruals		50,754	4,846
Interest received		-	-
Interest paid		-3,545	-553
Net cash flows from operating activities		**18,398**	**-21,202**
Cash flows from investing activities			
Purchases of Intangible assets and property, plant and equipment		-17,100	-12,157
Purchase and investment in subsidiary	8	-296,279	-9,234
Net cash flows from investing activities		**-313,379**	**-21,392**
Cash flows from financing activities			
Group contribution and dividends from daughters		29,860	42,815
Purchase of own shares	10	-	-
Issuance of new shares		37,827	-
Stock purchase programme		811	94
IPO related costs		-	-
New debt		-	-
Repayment of borrowings		203,700	-690
Revolving credit		68,732	17,399
Proposed dividend payment		-12,965	-16,557
Net cash flows from financing activities		**327,965**	**43,061**
Net changes in cash and cash equivalents		**32,984**	**468**
Net foreign exchange difference		**-12,555**	**-283**
Cash and cash equivalents at the beginning of the year		**6,475**	**6,290**
Cash and cash equivalents at the end of the year		**26,904**	**6,475**

Statement of Changes in Equity

(NOK 1000)	Share Capital	Own Shares	Share Premium	Other Paid in Equity	Total Paid in Equity	Other Equity	Total Equity
Equity at 01.01.2016	**1,912**	**-6**	**37,048**	**-**	**38,954**	**28,399**	**67,353**
Income for the year	-	-	-	-	-	5,587	5,587
Proposed Dividend			-16,557		-16,557		-16,557
Share based payments (Note 18)	-	-	-	94	94	-	94
Other changes in equity	-	-	-		-	-	-
Equity at 31.12.2016	**1,912**	**-6**	**20,491**	**94**	**22,491**	**33,986**	**56,477**
Equity at 01.01.2017	**1,912**	**-6**	**20,491**	**94**	**22,491**	**33,986**	**56,477**
Income for the year	-	-	-	-	-	-24,043	-24,043
Proposed Dividend	-	-	-12,965	-	-12,965	-	-12,965
Issue of new shares (18.05.2017)	72	-	25,821	-	25,893	-	25,893
Issue of new shares (10.10.2017)	1	-	520	-	521	-	521
Issue of new shares (08.12.2017)	26	-	11,386	-	11,413	-	11,413
Stock purchase programme	-	-	-	811	811	-	811
Other changes in equity	-	-	-	-	-	-3,411	-3,411
Equity at 31.12.2017	**2,012**	**-6**	**45,253**	**905**	**48,164**	**6,532**	**54,695**

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 2017 were approved in a board meeting on 23 April 2018.

1.1 The basis for the preparation of the financial statements

The financial statements of Zalaris ASA for the accounting year 2017 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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 realised 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 recognised 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 capitalised 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. Capitalised development is amortised 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 derecognised, and any gain or loss on the sale or disposal is recognised 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 is 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 recognised 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 amortised cost using the effective interest rate (EIR) method (if the amortisation 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 amortised 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 recognised 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 includes 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..

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.

2017

(NOK 1,000)	Cloud	Group Services	Non-allocated	Total
Other operating income, external	572	100,831	-	**101,403**
Other operating expenses	-153	-91,661	-36,698	**-152,624**
Depreciation and amortisation	-	-9,170	-	-9,170
Operating profit/(loss)	**419**	**-**	**-36,698**	**-60,391**
Net financial income/(expenses)	-	-	12,291	**12,291**
Income tax	-	-	-511	**-511**
Profit for the period	**419**	**-**	**-24,462**	**-48,610**
Cash flow from investing activities	-	-	-313,379	-313,379

2016

(NOK 1,000)	Cloud	Group Services	Non-allocated	Total
Other operating income, external	530	92,883	-	**93,413**
Other operating expenses	-177	-87,460	-29,276	**-116,913**
Depreciation and amortisation	-	-5,423	-3,492	**-8,915**
Operating profit/(loss)	**353**	**-**	**-32,768**	**-32,415**
Net financial income/(expenses)	-	-	41,408	**41,408**
Income tax	-	-	-3,405	**-3,405**
Profit for the period	**353**	**-**	**5,234**	**5,587**
Cash flow from investing activities	-	-	-21,392	-21,392

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 in addition to external customers in Norway, and information regarding revenue based on geography is provided below.

(NOK 1,000)	as % of total	2017	as % of total	2016
Norway	44%	44,643	47%	44,293
Sweden	22%	22,657	21%	19,151
Denmark	13%	12,687	11%	10,262
Finland	12%	12,583	13%	11,864
Other	9%	8,834	8%	7,843
Total	**100%**	**101,403**	**100%**	**93,413**

Note 3 - Personnel expenses

(NOK 1,000)	2017	2016
Salary	22,896	17,871
Social security tax	3,880	3,137
Pension costs (see note 12)	1,431	1,313
Capitalised development expenses	-10,071	-7,050
Other expenses	4,752	4,227
Total personnel costs	**22,888**	**19,497**

	2017	2016
Average number of employees	21	20
Average number of FTE	20	19

See note 13 for transactions with related parties.

Note 4 - Other operating expenses

(NOK 1,000)	2017	2016
External services	42,597	42,067
IT services and telecom	24,038	24,423
Office premises	2,007	1,570
Travel and transport	1,267	1,005
Postage and freight	29	88
Other expenses	5,623	2,939
Total other operating expenses	**75,560**	**72,094**

Auditors fee

(NOK 1000)	2017	2016
Auditor fee	1,980	1,035
Other attestation services	1,361	-
Fee for tax services	74	35
Other fees	9,760	120
Total, excl VAT	**13,175**	**1,190**

Other fees in the table above mainly relates to financial due diligence services. Other attestation fees mainly relates to ISEA 3402 attestation and other audit attestations.

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 2016	31,230	48,245	3,475	82,950
Additions of the year	594	-	10,897	11,492
Disposals and currency effects	-	-	-	-
Internal AUC reclassified	-	5,931	-5,931	-
Accumulated 31 December 2016	**31,824**	**54,177**	**8,441**	**94,441**
Accumulated 1 January 2017	31,824	54,177	8,441	94,441
Additions of the year	-	-	16,843	16,843
Disposals and currency effects	-	-	-	-
Internal AUC reclassified	-	15,262	-15,262	-
Accumulated 31 December 2017	**31,824**	**69,439**	**10,022**	**111,284**
Depreciation				
Accumulated 1 January 2016	23,868	27,112	-	50,979
This year's ordinary amortisation	1,825	6,820	-	8,645
Disposals of amortisation and currency effects				-
Accumulated 31 December 2016	**25,693**	**33,931**	**-**	**59,624**
Accumulated 1 January 2017	25,693	33,931	-	59,624
This year's ordinary amortisation	1,530	7,268		8,799
Disposals of amortisation and currency effects	-	-	-	-
Accumulated 31 December 2017	**27,223**	**41,200**	**-**	**68,423**
Book value at 31 December 2016	**6,131**	**20,245**	**8,441**	**34,817**
Book value at 31 December 2017	**4,601**	**28,239**	**10,022**	**42,861**
Useful life	5-10 years	5 years	5 years	
Depreciation method	linear	linear	linear	

Parent Company

Note 6 - Property, plant and equipment

(NOK 1,000)	Furniture and fixtures	IT equipment	Total
Acquisition cost			
Accumulated 1 January 2016	2,730	449	3,179
Additions of the year	142	524	666
Disposals of the year	-	-	-
Accumulated 31 December 2016	**2,872**	**973**	**3,845**
Accumulated 1 January 2017	2,872	973	3,845
Additions of the year	41	216	257
Disposals of the year	-	-	-
Accumulated 31 December 2017	**2,913**	**1,189**	**4,102**
Depreciations			
Accumulated 1 January 2016	2,462	372	2,835
This year's ordinary depreciation	112	158	270
Disposals of the year	-	-	-
Accumulated 31 December 2016	**2,574**	**531**	**3,105**
Accumulated 1 January 2017	2,574	531	3,105
This year's ordinary depreciation	125	246	371
Disposals of the year	-	-	-
Accumulated 31 December 2017	**2,699**	**777**	**3,476**
Book value at 31 December 2016	**298**	**442**	**741**
Book value at 31 December 2017	**213**	**413**	**627**
Useful life	5 year	3-6 years	
Depreciation method	linear	linear	

Note 7 - Income taxes

Income tax expense:

(NOK 1,000)	2017	2016
Tax paid & payable	-	3,102
Changes in deferred taxes	511	304
Tax expense/income	**511**	**3,405**

Tax payable in balance sheet:

(NOK 1,000)	2017	2016
Ordinary profit before tax	-23,533	8,993
Permanent differences	-29,586	22
Change in temporary differences	-3,056	-913
Group contribution	55,430	-
Tax losses carry forward		
Basis for tax payable	**-744**	**8,101**
Tax payable	**-179**	**1,944**
Reconciliation of effective tax rate:		
Ordinary profit before tax	-23,533	8,993
Calculated tax	-5,648	2,248
Other permanent differences	-7,101	1,165
Group contribution	13,303	-
Effect change in tax rate	-44	-8
Tax expense	**511**	**3,405**
Effective tax rate	**-2%**	**38%**

Specification of tax effects of temporary differences:

(NOK 1,000)	2017	2016
Property, plant and equipment	3,402	2,120
IFRS amortisation loan	1,774	-
Other differences		
Tax losses carry forward	-744	-
Total temporary differences	**4,432**	**2,120**
Total deferred tax assets	-171	-
Total deferred tax	1,191	509
Net deferred tax	**1,019**	**509**

Deferred tax 2017 - 23% in 2018.
Deferred tax 2016 - 24% in 2017.

Note 8 - Overview of subsidiaries

Amounts in NOK 1,000

Company	Consolidated	Location	Ownership
Zalaris HR Services Denmark 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 Consulting Finland OY	29/08/03	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%
sumarum AG	18/05/17	Henstedt-Ulzberg	100%
ROC Global Solutions Ltd	26/09/17	London	100%
Indirect owned subsidiaries			
Zalaris Consulting AB	19/04/01	Stockholm	100%
Zalaris Consulting AS	01/08/02	Oslo	100%
Zalaris Consulting Denmark A/S	20/12/07	København	100%
MediaTrain Gmbh	18/05/17	Frankfurt	100%
LBU Personal Complete GmbH	18/05/17	Amtzell	100%
Zalaris Switzerland AG	18/05/17	Zürich	100%
ROC System Consulting Ltd	26/09/17	London	100%
ROC Deutschland Gmbh	26/09/17	Taufkirchen	100%
ROC Polsky Sp Z.o.o	26/09/17	Gdynia	100%

	Other equity*	Share capital in local currency	Local currency	Number of shares	Nominal value per share	Carrying value
Zalaris HR Services Denmark 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	-	-	21,393
Zalaris Consulting Finland OY		10.0	EUR	100,000	0.1	84
Zalaris HR Services Norway AS		100.0	NOK	1,000,000	0.1	110
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	776
Zalaris HR Services India		40,000.0	INR	4,000,000	10.0	5,058
sumarum AG		54.6	EUR	54,552	1.0	197,893
ROC Global Solutions Ltd		376.5	GBP	372,193	1.0	97,629
Total						**338,283**

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

Acquisition of shares in sumarum AG

Zalaris ASA acquired 97.32% of the total share capital and 98.64% of the voting shares in sumarum AG with its directly and indirectly owned subsidiaries (sumarum Group). The closing date for the transaction was 18 May 2017. On 10 October 2017, Zalaris ASA signed and closed a share purchase agreement to acquire the remaining 2.68 % of the shares, in total 1,602 shares, in sumarum AG from the minority shareholders. Total consideration of the acquisition was NOK 175.6 million (EUR 18.7 million), including a cash consideration of NOK 153.2 million (EUR 16.3 million), financed by new long term borrowings, and the issuance of 734,703 shares in Zalaris with a value of NOK 22.4 million (EUR 2.4 million).

sumarum Group provides cloud-based payroll and HR solutions on SAP's platform and a wide range of SAP HCM and SuccessFactors consulting services for entities in Germany, Austria and Switzerland. Today, the company has seven locations in Germany, and all specialize in different areas of the sumarum portfolio.

sumarum Group provides cloud-based payroll and HR solutions on SAP's platform and a wide range of SAP HCM and SuccessFactors consulting services for entities in Germany, Austria and Switzerland. Today, the company has seven locations in Germany, and all specialize in different areas of the sumarum portfolio. sumarum has a broad spectrum of customers within public services, service providers, large industry players, energy companies and companies and trusts within the healthcare sector. End of June sumarum Group had 183 number of employees.

Acquisition of shares in ROC Global Solution Consulting Ltd.
Zalaris ASA has acquired 100% of the voting shares and share capital in ROC Global Solution Consulting Ltd. with its directly and indirectly owned subsidiaries (ROC Group). The closing date for the transaction was 25 September 2017. Total consideration for 100% of the shares in ROC is NOK 89.1 million (GBP 8.5 million) and was settled through cash payments in the total aggregate amount of up to NOK 80.1 million (GBP 7.6 million), financed by a new long term borrowings, and the issuance of 264,006 new shares in Zalaris with a value of NOK 9.9 million (GBP 0.9 million). The consideration shares were issued on 8 December 2017, registered on the Oslo Stock Exchange on 12 December 2017 and are subject to lock-up for a period of 24 months from completion.

ROC Group is a human capital management consultancy that specialises in SAP and SuccessFactors HCM-related services. SuccessFactors is SAP's strategic HR solution in the cloud, covering the entire value chain of HR tasks from recruiting to exit. ROC Group has five offices in UK, Germany and Poland and serves blue chip customers in the following sectors: Banks, Automotive, Utilities, Hospitality and Professional Services. At the end of September, ROC Group had 120 employees.

Transaction cost
Transaction costs relating to the acquisition of sumarum AG and ROC Global Solution Consulting Ltd. (see Note 22) of TNOK 23,398 were expensed and are included in Other Costs. The attributable costs of the issuance of the shares of TNOK 3,411 have been charged directly to equity as a reduction in Other Equity.

Note 9 - Other short-term receivables

(NOK 1,000)	2017	2016
Receivables group companies	14,400	61,522
Other receivables	869	1,623
Total other short-term receivables	**15,269**	**63,145**

Note 10 - Cash and cash equivalents

(NOK 1,000)	2017	2016
Cash in hand and at bank - unrestricted funds	7,687	-
Deposit accounts - guarantee rent obligations	17,955	5,257
Employee withheld taxes - restricted funds	1,263	1,218
Cash and cash equivalents in the balance sheet	**26,904**	**6,475**

Note 11 - Share capital, shareholder information and dividend

Shares	2017	2016
Shares - nominal value NOK 0,10	20,122,979	19,124,263
Total number of shares	**20,122,979**	**19,124,263**

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 7 in the consolidated financial statement.

The major shareholders at 31.12.2017 are:

Shareholder	Number of shares	% of total	Equal voting
NORWEGIAN RETAIL AS	2,941,482	14.62%	14.62%
SKANDINAVISKA ENSKILDA BANKEN AB	1,806,411	8.98%	8.98%
STATE STREET BANK AND TRUST COMP	1,691,228	8.40%	8.40%
FIDELITY NORDIC FUND	1,688,300	8.39%	8.39%
STRAWBERRY CAPITAL AS	1,039,887	5.17%	5.17%
COMMERZBANK AKTIENGESELLSCHAFT	768,027	3.82%	3.82%
JPMORGAN CHASE BANK, N.A., LONDON	765,339	3.80%	3.80%
VPF NORDEA KAPITAL	748,604	3.72%	3.72%
TREDJE AP-FONDEN	703,881	3.50%	3.50%
STATE STREET BANK AND TRUST COMP	695,000	3.45%	3.45%
DANSKE BANK A/S	562,230	2.79%	2.79%
VPF NORDEA AVKASTNING	505,705	2.51%	2.51%
METZLER EURO SMALL + MICRO CAP	460,750	2.29%	2.29%
NORDEA 1 SICAV	368,603	1.83%	1.83%
RBC INVESTOR SERVICES TRUST	351,293	1.75%	1.75%
VERDIPAPIRFONDET NORDEA NORGE PLUS	326,520	1.62%	1.62%
TACONIC AS	285,212	1.42%	1.42%
AVANZA BANK AB	275,758	1.37%	1.37%
NHO - P665AK	259,259	1.29%	1.29%
A/S SKARV	225,000	1.12%	1.12%
Total number owned by top 20	**16,468,489**	**81.84%**	**81.84%**
Shares owned by the company	**92,950**	**0.46%**	**0.46%**
Others	**3,561,540**	**17.70%**	**17.70%**
Total	**20,122,979**	**100.00%**	**100.00**

Dividend
Dividend paid to the shareholders of the parent company in 2017 amounted to 16.7 MNOK equaling NOK 0.87 dividend per share. Dividend paid to the shareholders of the parent company in 2016 amounted to 16.6 MNOK equaling NOK 0.85 dividend per share. The Board of Directors has proposed a dividend payment of 0.65 per share in 2018.

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 19 participants (2016, 23 participants) in this defined contribution plan.

Expenses equals this years calculated contribution and amounts to NOK 1,431 thousand (2016 NOK 1,313 thousand). The scheme is administered by Storebrand.

The company's employees participated in the LO / NHO scheme whereby employees could choose to take early retirement from the age of 62. Total expense related to the early retirement scheme is NOK 0 (NOK 0 in 2016). The company's obligation in respect of this scheme per 31.12.2017 is NOK 0 (31.12.2016 NOK 0).

Note 13 - Transactions with related parties

a) Purchase from related parties

Related party	Transaction	2017	2016
Rayon Design AS[1]	Management Services	902	162
Total		**902**	**162**

[1] Hans-Petter Mellerud, CEO, is director of the board and Norwegian Retail AS, a company 100% owned by Hans-Petter Mellerud, owns 40% of the shares in Rayon Design AS.

b) Loans with related parties
There were no loans with related parties in 2017 or 2016.

c) Receivables with related parties
There were no receivables with related parties in 2017 or 2016.

Parent Company

d) Remuneration to board of directors and executive management

2017

Management (NOK 1,000)	Title	Salary[1]	Pensions	Other benefits	Total
Hans-Petter Mellerud	CEO	2,282	70	36	2,387
Nina Stemshaug	CFO	1,606	70	9	1,685
Halvor Leirvåg	CTO	1,460	70	8	1,537
Richard Schiørn	VP Strategic	1,522	70	6	1,597
Peter T. Gogstad	VP Quality and Compliance	1,807	70	26	1,903
Øyvind Reiten	Executive VP Northern Europe	1,595	70	30	1,695
Jörg John	CHRO	1,381	-	-	1,381
Jan Erik Nessmo	VP PMO and Transformation	1,630	70	7	1,707
Total		**13,282**	**488**	**122**	**13,891**

[1] *Including bonuses.*

Board of Directors (NOK 1,000)	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the Board	340	340
Liselotte Hägertz Engstam	Board Member	170	170
Jan Koivurinta	Board Member	170	170
Tina Steinsvik Sund	Board Member	170	170
Karl Christian Agerup	Board Member	170	170
Total		**1,020**	**1,020**

2016

Management (NOK 1,000)	Title	Salary[1]	Pensions	Other benefits	Total
Hans-Petter Mellerud	CEO	2,282	51	35	2,367
Nina Stemshaug	CFO	1,854	51	7	1,913
Halvor Leirvåg	CTO	1,331	51	7	1,389
Peter T. Gogstad	VP Quality and Compliance	1,645	51	28	1,724
Richard Schiørn	VP Strategic	1,370	51	7	1,428
Øyvind Reiten	VP Business development	1,418	51	28	1,497
Jan Erik Nessmo	VP Consulting	1,501	51	7	1,560
Total		**11,402**	**360**	**118**	**11,879**

[1] *Including bonuses.*

Board of Directors (NOK 1,000)	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the board	332	332
Liselotte Hägertz Engstam	Board Member	166	166
Jan Koivurinta	Board Member	166	166
Tina Steinsvik Sund	Board Member	166	166
Karl Christian Agerup	Board Member	166	166
Total		**995**	**995**

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 2017

Name	Role	No. of shares
Norwegian Retail AS	CEO (Hans-Petter Mellerud)	2,941,482
Harald Götsch	VP Business Development	506,292
Jerry Chilvers	VP Strategic	103,448
Lars Laier Henriksen	Chairman of the Board	36,112
Ismet Muratspahic	VP Strategic Products	4,000
Halvor Leirvåg	CTO	3,260
Øyvind Reiten	VP Quality and Compliance	3,200
Nina Stemshaug	CFO	2,375
Jan Erik Nessmo	COO	1,600
Richard Schiørn	VP Strategic Projects	1,514
Total		**3,603,283**

Note 14 - Financial instruments

Financial instruments by category

2017

	Loans and receivables	Fair value through profit or loss	Liabilities at amortised cost	Total book value
Financial assets				
Trade accounts receivable	45	-	-	45
Other short-term receivables to group company	14,400	-	-	14,400
Other short-term receivables	869	-	-	869
Cash and cash equivalents	26,904	-	-	26,904
Total	**42,217**	**-**	**-**	**42,217**
Financial liabilities				
Derivatives, Interest rate swaps	-	255	-	255
Borrowings, long term	-	-	205,136	205,136
Borrowings, short term, revolving credit	-	-	118,510	118,510
Other short-term debt to group company	-	-	3,056	3,056
Trade accounts payables	-	-	8,040	8,040
Other short-term debt	-	-	24,821	24,821
Total	**-**	**255**	**359,563**	**359,818**

2016

(NOK 1,000)	Loans and receivables	Fair value through profit or loss	Liabilities at amortised cost	Total book value
Financial assets				
Trade accounts receivable	103	-	-	103
Other short-term receivables to group company	61,522	-	-	61,522
Other short-term receivables	1,623	-	-	1,623
Cash and cash equivalents	6,475	-	-	6,475
Total	**69,723**	**-**	**-**	**69,723**
Financial liabilities				
Borrowings, long term	-	-	1,436	1,436
Borrowings, short term, revolving credit	-	-	49,778	49,778
Other short-term debt to group company	-	-	6,951	6,951
Trade accounts payables	-	-	6,762	6,762
Other short-term debt	-	-	27,014	27,014
Total	**-**	**-**	**91,942**	**91,942**

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 2017 using Level 2 is NOK 255 thousand.

It is assessed that the carrying amounts of financial instruments recognised at amortised cost in the financial statements approximate their fair values. The assessment is based on a judgement 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 15). The company has an overdraft facility in place which has a floating interest rate condition. As of 31 December 2017, the company had drawn on this facility amounting to NOK 86,047 thousand. As of 31 December 2016 the company had drawn on this facility amounting to NOK 49,778 thousand.

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.

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 2017 the company has a Euro based loan related to the acquisition of sumarum and ROC in FY 2017 amounting to EUR 24 million. Per 31 December the company had an unrealized currency loss amounting to NOK 12 million related to this loan. Otherwise the Group has limited exposure to currency risk from assets and liabilities recognized as at 31 December 2017 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.

Regarding trade receivables, the credit exposure is evaluated continuously. The company has a customer portfolio of well-known companies and has had low credit losses.

Liquidity risk

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The company's approach to managing liquidity risk is to ensure that it will always have sufficient 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 company's reputation. Prudent liquidity risk management implies maintaining sufficient cash and the availability of appropriate funding.

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

Per 31 December 2017

(Amounts in NOK 1,000)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Borrowings, long term	205,136	205,136	-	-
Borrowings, short term	180	118,331	-	118,510
Trade creditors and other short term liabilities	8,040	27,877	-	35,918
Total liabilities	**8,220**	**146,208**	**205,136**	**359,563**

Per 31 December 2016

(Amounts in NOK 1,000)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Borrowings, long term	-	-	1,436	1,436
Borrowings, short term	169	522	-	691
Trade creditors and other short term liabilities	13,713	28,349	-	42,062
Total liabilities	13,882	28,871	1,436	44,189

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)	2017	2016
Interest income on bank accounts and receivables		
Group contribution	-	42,815
Dividend	29,860	-
Foreign exchange gains	309	338
Other financial income	-	-
Finance income	**30,169**	**43,153**
Interest expenses	3,545	553
Foreign exchange loss	807	621
Unrealised foreign exchange loss	12,057	-
Other financial expenses	1,014	571
Finance expenses	**17,423**	**1,745**
Net financial items	**12,749**	**41,408**

Note 16 - Interest-bearing loans and borrowings

2017

(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%	43	145	188
SG Finans	Financial leasing	Dec 2019	5 years	6.0%	506	466	972
SG Finans	Financial leasing	Apr 2020	5 years	5.5%	163	112	275
Nordea Bank AB, Branch Norway*	Bank loan	May 2022	5 years	see below	204,424	31,740	236,164
Nordea Bank Norge ASA	Revolving credit				-	86,047	86,047
Interest-bearing debt and borrowings					**205,136**	**118,510**	**323,646**

2016

(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%	188	136	324
SG Finans	Financial leasing	Dec 2019	5 years	6.0%	972	447	1,419
SG Finans	Financial leasing	Apr 2020	5 years	5.5%	275	108	383
Nordea Bank Norge ASA	Revolving credit				-	49,087	49,087
Interest-bearing debt and borrowings					**1,436**	**49,778**	**51,214**

*Loan Nordea Bank AB (publ), Branch: Norway

The company went into a loan facility agreement with Nordea Bank AB as part of the financing of the acquisitions of sumarum AG and ROC Global Solutions Ltd. in 2017.

As of 31 December the Euro term loan facility amounts to EUR 24 million.
Interest rate to be paid, depends on the net debt to EBITDA ratio and the Euribor interest rate.
The company has entered into a swap arrangement to hedge its interest exposures arising from this debt obligations. The company shall repay 6.25 percent of the aggregated loan each 6 months.
Termination date is 31.05.2022, and any loan outstanding on this date shall then be repaid.

Assets pledged as security

For the loans to SG Finans and Nordea Bank AB, the Group has pledged trade receivables up to NOK 54.0 million as guarantee. Property, plant and equipment has been pledged as guarantee up to NOK 22.0 million for loans from Nordea Bank Norge. Carrying amounts of pledged assets are; Trade receivables NOK 90.3 million and property, plant and equipment NOK 5.2 million.

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 3.3 million.

Note 17 - Other short-term debt

(NOK 1000)	2017	2016
Wages, holiday pay and bonus	2,821	2,429
Accrued expenses and other current liabilities	21,586	5,894
Proposed dividend	12,965	16,557
Total	**37,371**	**24,880**

Note 18 - Employee Share Purchase Plan (ESPP)

Zalaris ASA (the company) adopted ESPP to reward certain key employees of the company and its subsidiaries by enabling them to receive shares of the company. The plan is effective as of 13th of May 2016.

The purpose of the ESPP 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, in the form of Restricted Stock Units (RSUs), based on the initial investment measured in number of shares. Any matching awards shall be granted based on amongst the considerations of position in the company and a review on the individual participant's performance prior to award. The maximum number of shares covered by or subject to matching awards under this plan is 300,000 whereof 171,519 shares were allocated end of December 2017.

The granted RSUs per end of FY 2017 vest 30.05. 2021 conditioned by that the purchased shares (initial investment) are not sold and that the participant has not resigned or the participants employment is terminated (non-market condition). 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 shares subject to the Matching Award. The company will do its utmost to settle the granted awards as shares, and thus accounts the ESPP as an equity-settled plan.

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 costs recognised for the ESPP are shown in the following table:

(NOK 1000)	2017	2016
Restricted Share Units Costs	811	94
Accrued social security costs	214	14
Total recognised costs for the ESPP	**1,025**	**108**

Unamortised fair value per end of:

(NOK 1000)	2017	2016
RSU plan granted	2,838	4,740

Note 19 - Events after the balance sheet date

There have been no events after the balance sheet date significantly affecting the company's financial position.

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Statsautoriserte revisorer
Ernst & Young AS

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

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
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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 2017, the income statement, statement of cash flows and 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 2017, the consolidated statements of profit or loss, comprehensive income, cash flows and 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 2017, 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 2017 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 2017. 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.

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Customer Projects

The Group capitalises costs related to outsourcing contracts in the implementation phase. Contracts are customised for the individual projects. The capitalised costs comprise internal hours on the specified project and external license cost. The hourly rates applied are based on salary costs and estimates on indirect cost allocation and utilisation. Customer advance payments are recorded as a deduction in the balance for customer projects. When the implementation phase is completed, deferred costs are expensed and the advanced payment are recognised as revenue evenly over the period the outsourcing services are provided. Accounting for customer projects is a key audit matter due to the complexity in the contracts and judgement involved in estimation and allocation of costs and advance payments to the individual customer project.

We assessed the accounting policy on capitalization of customer projects and the related revenue recognition. We tested the design and effectiveness of controls related to time registration, the estimated hourly rates, and verified these to factual rates of implemented projects. We also tested capitalized internal cost and compared actual hours and rates applied towards budget. For external cost we verified the amounts to vendor invoices. We compared the terms of the contract to the revenue recognised.

We refer to note 2 and 11 in the consolidated annual accounts.

Accounting for acquisitions

During the year ended 31 December 2017, the Group acquired Sumarum Group and ROC Group for a consideration of NOK 175,6 million and NOK 89,1 million respectively, as detailed in note 22 in the consolidated annual accounts.

The excess values in the preliminary purchase price allocations are mainly allocated to customer relationships and existing customer contracts and goodwill. Key assumptions for the valuation of assets and liabilities were discount rates, growth rates, customer churn rate, contract margins, cash flow projections and useful lives assigned to the assets. Third party valuation specialists assisted management in preparing the preliminary purchase price allocations. Based on the significant degree of management judgment in the preliminary purchase price allocations this was a key audit matter.

We read the share purchase agreements and due diligence reports and considered the assessments made by management. We assessed the appropriateness of the methodology applied by management in determining the fair value of customer relationships and existing customer contracts. We considered the key assumptions including assessment of useful lives by comparing to observable market data and relevant sector and industry specific practices.

We also assessed the disclosures related to the acquisitions provided in note 22 in the consolidated annual accounts.

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) is 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, 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

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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

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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, 24 April 2018
ERNST & YOUNG AS

Petter Larsen
State Authorised Public Accountant (Norway)

Zalaris' 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 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 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 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 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 30 October 2014.

The statement for fiscal year 2017 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 23 April 2018:

1. Zalaris ASA 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 made a statement below 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 authorisations for issue of new shares or purchase 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 complied with at Zalaris ASA. The Board shall ensure that the company always has sound corporate governance. Zalaris provides an overall review of the company's corporate governance in its annual report. In addition, a description of the most important corporate governance principles of the company shall also 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 23 April 2018.

Corporate ethics are about how we behave towards each other and the world around us. 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 our website.

2. Business

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

Zalaris is focused on high efficiency, high customer satisfaction and a close relationship with 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 within HR function processes ensure long-term relationships with our customers.

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

3. Equity and Dividends

Equity

Zalaris has experienced a strong revenue growth and believes in further profitable growth in the years to come. To reach this, it is essential that the company has a solid equity and liquidity.

Zalaris' equity, per 31 December 2017, was NOK 119.7 million, which is equal to 21.1% equity ratio.

The cash and cash equivalent, per 31 December 2017, was NOK 37.6 million.

The Board of Directors considers the company's capital structure as solid.

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.

Dividend per share is proposed at NOK 0.65 per share for 2017.

Authorisations to Increase Share Capital

Authorisations granted to the Board to increase the company's share capital shall be restricted to defined purposes. If the general meeting is to consider authorisations to the Board for the issue of shares for different purposes, each authorisation shall be considered separately by the general meeting. Authorisations granted to the Board shall be limited to no longer than the time until the next annual general meeting.

In Zalaris' annual general meeting on 16 May 2017, pursuant to Section 10-14 of the Norwegian Public Limited Companies Act, the Board of Directors was granted an authorisation to increase the company's share capital with up to NOK 100,000. The shareholders' preferential rights, pursuant to Section 10-4 of the Norwegian Public Limited Companies Act, can be deviated from.

The authorisation can be used at the Board's discretion, including and without limitation, in connection with incentive programmes, increases against contribution in kind, etc., pursuant to Section 10-2 of the Norwegian Public Limited Companies Act, and increases in connection with mergers, pursuant to Section 13-5 of the Norwegian Public Limited Companies Act.

The authorisation was limited until the earliest occurring date of either the ordinary general meeting in 2018 or 30 June 2018.

Authorisation 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.

In Zalaris' annual general meeting on 16 May 2017, the Board of Directors was granted an authorisation to acquire up to 10% of the company's shares with a total nominal value of up to NOK 191,243. The maximum amount that can be paid per share is NOK 160, and the minimum amount that can be paid per share is NOK 1. The Board of Directors is authorised to acquire and sell shares as the Board finds it appropriate. Acquisition can nevertheless not be done by subscription for shares.

The authorisation was limited until the earliest occurring date of either the ordinary general meeting in 2018 or 30 June 2018.

4. Equal Treatment of Shareholders and Transactions with Close Associates

General Information

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.

Share Issues without Pre-Emption Rights for Existing Shareholders

Any decision to deviate from the pre-emption 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 authorisation 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 material 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 in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

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.

5. Freely Negotiable Shares

Zalaris shares are freely negotiable and there are no limitations of the negotiability in Zalaris' Articles of Association.

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 the Zalaris Articles of Association, 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 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 nomination committee, the remuneration committee and the audit committee. In addition, at minimum the CEO and CFO from the Zalaris management team 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 to ensure an independent chairman in accordance with the recommendation.

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 which 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 16 May 2017 elected Bård Brath Ingerø (Chairman), Ragnar Horn and Marius Therkelsen to the nominating committee for a period until the annual general meeting in 2018.

8. Board Composition and Independence Board Composition

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

At the end of 2017, the Zalaris Board of Directors consisted of five members, whereof two women and three 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 experience from different industries like IT, Finance, Industrial, Consulting with competencies in organisation, 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 while acting independently of the company's executive management and material business connections. All members of the Board of Zalaris are independent of the company's major shareholders, defined as a shareholder that controls 10% or more of Zalaris' shares or votes.

An overview of the shares owned by related parties as of 31 December 2017, including board members, is available in the financial statement note 19.

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. Board members shall perform their duties in a loyal manner, attending to the interests of the company and ensuring that its activities are organised in a prudent manner. The Board of Directors shall adopt plans, 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.

The duties and responsibilities of the Board of Directors are defined by applicable law, Zalaris' Articles of Association, and the authorisations and instructions given by the General Assembly.

The Board of Directors has adopted a yearly plan focusing on its work of developing the strategy of the company and overseeing the implementation of this. 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.

The Board of Directors discusses all relevant matters related to Zalaris' activities of significance or of special nature. In 2017, the Board of Directors held 14 board meetings.

In accordance with the 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 the CEO of Zalaris. The Board of Directors also defines instructions, authorisations and conditions for CEO.

Financial Reporting

The Board of Directors receives periodic reports in which the company's financial status is commented. The company is following instructions from the Oslo Stock Exchange related to regular reporting.

Audit Committee

The Committee shall consist of two to 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 Audit Committee for 2017/18 are Tina Steinsvik Sund (Chairwoman) and Karl Christian Agerup.

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 organisation'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.
- Annually reviewing the Board, including on performance, working methods and practices, and the adequacy of its composition.

Members of the Remuneration Committee for 2017/18 are Liselotte Hägertz Engstam (Chairwoman) and Lars Laier Henriksen.

Annual Evaluations

In April 2018, the Board has conducted an evaluation of its performance and expertise in 2017.

10. Risk Management and Internal Control

The Board and the management of Zalaris emphasise 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 ensuring high-quality services to our customers. This is only possible through efficient processes and tools combined with highly competent and engaged employees. Thus, Zalaris has implemented a talent management programme to ensure good development of highly qualified personnel in all departments and functions of the company. In order to maintain a focus on employee engagement, Zalaris performs regular employee surveys to uncover improvements needed to achieve a healthy social environment for its employees. High employee engagement and satisfaction are 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 monthly and quarterly reporting is complemented with a balanced scorecard following the improvement of key strategic priorities decided by the board.

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 responsible business unit, 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 by each manager. The target of these business reviews is to identify risks of deviation in all these areas, which can help detect financial discrepancies to adopted targets and allow the company to initiate actions to reduce potential risks as early as possible. The unit managers and the CFO participate in these reviews.

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

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 main focus area for Zalaris. The company undertakes customer satisfaction surveys on a regular basis to collect information on customer satisfaction and 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 annual general meeting of the company. 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 2017 is available in the financial statement note 19.

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 principle for determining salaries and other remuneration to the CEO and other executive personnel in Zalaris is that they should be competitive. Further, Zalaris should offer terms that encourage value creation for Zalaris and its shareholders and that promote loyalty to the company.

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

The CEO has six months terms 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 19.

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 dialog with analysts and investors.

All periodic financial reporting and information about important events is published according to the adopted guidelines for companies listed on the Oslo Stock Exchange. Zalaris strives at all times 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 information that has already been published. 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, in addition to market outlooks and special events that the company considers relevant information for its shareholders. The presentation is held by the CEO and 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 Directors and determines the date and time for publishing interim reports, the 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 or referred to in the statement.

15. Auditor

Zalaris is audited by EY.

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

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 will report 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.

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 23 April 2018 and will be presented to the Annual General Meeting of Zalaris ASA on 15 May 2018 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 bonus that typically vary from 10% to 30% of annual salary, lump-sum payments, leave arrangements, education opportunities and option agreements.

The Group has collective pension schemes.

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 a 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, fair and reflect 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 Programme

The bonus programme 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 individual goals that have been defined and documented. Typically, up to five individual goals are defined with weighting decided in a mutual discussion between the CEO and each group manager. Typical individual goals include reaching target contribution margin for own business units, meeting customer satisfaction targets, improving employee satisfaction etc. Goals are defined and followed up in Zalaris' SuccessFactors solution.

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

3.1. Share Purchase Programme for all employees

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

3.2. Share Purchase Programme for executive management

3.2.1. 2016 Programme

As of 31.12.2017 Zalaris has a share purchase programme for executive management in accordance with the share programme approved by the Board of Directors on 9 March 2016 and by the General Assembly on 16 May 2017. The key parameters of the approved and implemented share purchase programme for executives including a matching with restricted stock units are as follows:

Eligibility	Executive Management
Frequency:	Two allocations of shares subject to be matched by executive's own purchase of shares: • Allocation 1: November 2016 • Allocation 2: During first six months of 2017
Principle for allocation:	Allocation to be made on the basis of tenure, perceived value for company and reaching of individual targets:
Allocation of Restricted Stock Units (RSU) subject to Executive still employed at vesting date and holding required number of shares	Allocation 1: 199,935 shares Allocation 2: 100,065 shares Total: 300 000 shares
Matching requirement (i.e.) the number of shares needed to be held by the executive at the vesting date to receive the matching shares.	Allocation 1: 1/12 x of allocation (8,3%) – i.e. a total of 16,661 shares Allocation 2: 1 x of allocation (100%) – i.e. a total of 100,000 shares
Vesting:	Allocation 1: 60 months from 30 May 2016 Allocation 2: 60 months from date of allocation

3.2.2. 2018 Programme – to be proposed for approval of the Ordinary Annual General Assembly

The Board of Directors decided on 23 April to recommend to the Ordinary 2018 General Assembly to approve the following three equity-based programmes that will affect executives and key personnel.

The size of the proposed programmes shall be seen as maximum values. Distribution will be sized to fit geographic market conditions, compensation levels and strategic importance in cooperation with the Remuneration Committee.

3.2.2.1. Share Purchase with 20% Discount to All employees

Eligibility:	All employees
Rationale:	Incentivise employees to own Zalaris shares to create additional engagement, focus on company goals and long-term focus.
Frequency:	Once per year – to be completed in Q3 2018
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 programme 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 from the purchase date.
Impact:	If all (approx. 810) employees decided to participate in the programme, the total number of shares that would be issued would be valued at NOK 12.15 million and at a share price of NOK 50 would equal to 277,165 shares or 1.21 % of the current outstanding total number of shares. The total value of the discount would be approx. NOK 2.43 million which is approximately 0.8% of the Zalaris Group's total personnel expenses. The discount is tax free for Norwegian employees and does not trigger employer/social security tax.

3.2.2.2. Share Purchase with 20% Discount to Executive Management and Key Employees

Eligibility:	Executive Management and Key Employees
Rationale:	Incentivise management and key employees to invest part of performance-based bonus to Zalaris share ownership with the goal to create additional engagement and long-term focus on company goals
Frequency:	Three-year programme to be completed in Q3 each year.
Principle for allocation:	Executive Management and Key Employees eligible to purchase up to 50% of Net Bonus after Tax of shares with 20% discount based on average market price 2 weeks before offering date.
Restrictions:	The Manager shall not be allowed to sell the shares within 36 months from the purchase date.
Impact:	If all eligible managers decide to participate in the programme in full, the maximum value of shares to be issued is estimated at NOK 8.5 million and at a share price of NOK 50 would equal to 170,823 shares or 0.85% of the current outstanding total number of shares. The total value of the discount would be approx. NOK 1.7 million which is estimated at 2.8% of the eligible groups total fixed salary. The discount is taxable as income tax and will trigger employer/social security tax of 14.1% in Norway. Note: Eligibility is performance-based as performance-based bonus (company and individual targets) will be the basis for maximum amount that can be purchased.

3.2.2.3. Option Scheme to Executive Management and Key Employees

Eligibility:	Executive Management and Key Employees
Rationale:	Incentivise management and key employees to stay with company and focus on long-term shareholder value creation
Frequency:	Three-year programme to be completed in Q4 each year.
Principle for allocation:	Executive Management and Key Employees granted options on the basis 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 on average market price 2 weeks before offering date to be increased with 1% monthly. (i.e. strike price for an option with shares valued at NOK 50 at the offering date would be NOK 70.8) Max number of options of the programme to be limited to 400,000 options per year (approx. 2% of outstanding shares) with a total number of options equal to 1,200,000 (approx. 6% of the outstanding shares) for the three-year programme.
Restrictions:	Options to vest 60% after 36 months and 100% after 60 months and be subject to good leaver/bad leaver clause. Change of control not to affect vesting.
Impact:	Examples below are based on a base share price of NOK 50 at offering date. The IFRS 2 cost for the company has been estimated at NOK 5.5 per option per year. (i.e. a total of NOK 2.2 million per trance of NOK 400,000 options per year.) The options will trigger income tax for the receiver and social security tax for the company. Scenarios: Worst case: Share price development < 1% per month – i.e. share price less than NOK 70.83 after 36 months – no payout. Not cost and no gain. Medium: Share price doubles in 36 months. NOK 29 value per Option equals NOK 14.1 million value for the receiver with approximately NOK 2 mill social security tax for the company. The total value of the receiver equals approximately 25% of gross fixed salary. High: Share price quadruples in 36 months. NOK 129 value per Option equals NOK 64.5 million value for the receiver with approximately NOK 9.1 mill social security tax for the company. The total value of the receiver equals approximately 100% of gross fixed salary. Note: Eligibility is performance-based as performance based bonus (company and individual tar-ets) will be the basis for the % share of the total allocation.

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 the CEO. Severance payments to management are approved by the CEO and reviewed by board via remuneration committee. Severance payments to the CEO are approved by board via remuneration committee.

5. Fringe 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 upon. 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 of Norway 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 Remuneration Committee authorised by the board.

The CEO does not participate in a stock option programme or a share purchase programme per end of FY 2017.

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 Groups 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 new remuneration scheme. The Board may also delegate such authority to the CEO.

The increase in the base salaries to the Group 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 not a part of a stock option programme or a share purchase programme in Zalaris.

Remuneration of 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 Groups executive remuneration policy for executive management in each company as described in the preceding sections of this executive remuneration policy.

The increase in the 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' consolidated financial statements, note 19. (Nina will check when FS is finalized).

8. Execution of Remuneration Policy

8.1. Execution of remuneration Policy in 2017

The company's remuneration of the CEO and senior management is conducted in accordance with the guidelines presented above. There are no significant new agreements or changes in remuneration agreements that have been signed in 2017 other than the addition of new senior management members from the acquired companies and the share purchase programme and option schemes as described in section 3.2.2 above.

8.2. Binding guidelines for remuneration in 2018

For 2018, the Board of Directors proposes to continue the existing remuneration policy.

Zalaris ASA is listed on Oslo Børs with ticker ZAL. The share price increased 70.7% during 2017 (73.4% dividend adjusted) and ended on NOK 56.0 on 29 December, the last trading day of 2017. The market capitalisation end of 2017 was NOK 1,126.9 million.

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 Association.

General Information

Key Figures 2017 (all numbers in NOK)

Market capitalisation 31 December 2017
1,126,886,824

Share price per 31 December 2017
56.0

Total number of shares
20,122,979

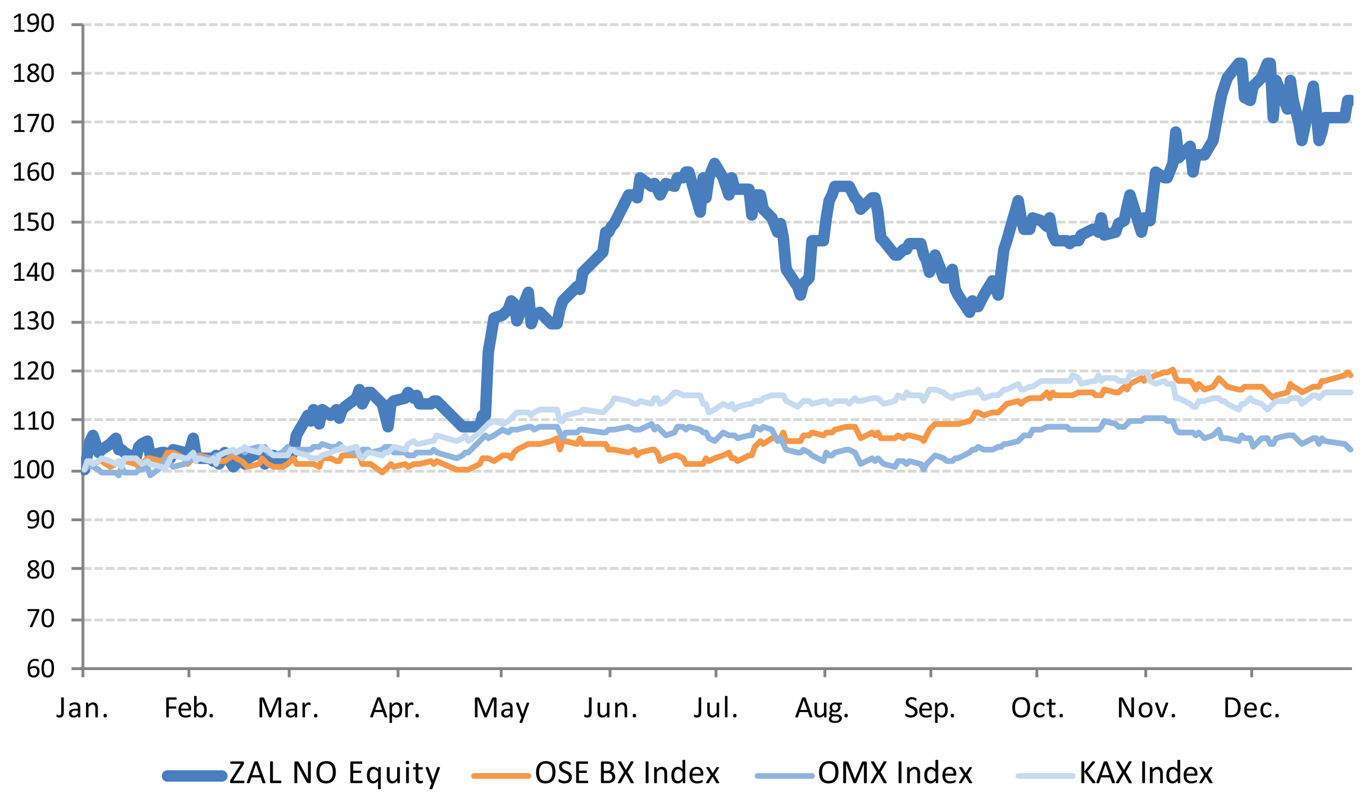
Proposed dividend per share
0.65

Earnings per share
-0.61

Financial Calendar 2018

Event Name	Date
Results Q1	03 May 2018
Annual General Meeting	15 May 2018
Results Q2	16 August 2018
Results Q3	25 October 2018

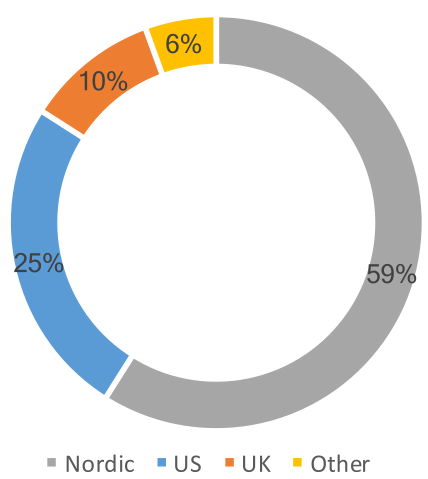
Share price development, 1 January – 31 December 2017. Zalaris vs Scandinavian indexes
(indexed as of close 1 January 2017, dividend adjusted)



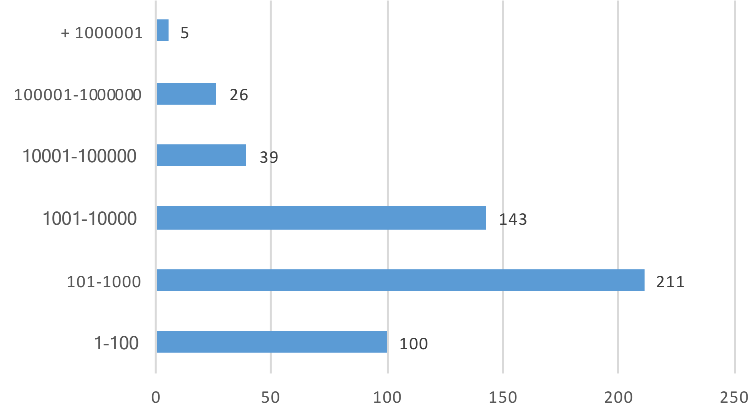
Shareholder

At the end of the year 2017, Zalaris ASA had 560 shareholders. Per 31 March 2018, the number of shareholders was 524 whereof 92% were in the Nordics; 59% of the shares were owned by investors in the Nordics.

Regional distribution, % of shares held



Ownership structure by # of shares held (as of 31 March)



The 20 largest shareholders hold 81.4% of the total shares outstanding.
The list below is updated as of 31 March 2018.

	Investor	Country	# of shares	Ownership
1	NORWEGIAN RETAIL AS	NORWAY	2,841,482	14.1 %
2	SKANDINAVISKA ENSKILDA BANKEN AB	SWEDEN	1,811,411	9.0 %
3	STATE STREET BANK AND TRUST COMP	US	1,691,228	8.4 %
4	FIDELITY NORDIC FUND	US	1,688,300	8.4 %
5	STRAWBERRY CAPITAL AS	NORWAY	1,039,887	5.2 %
6	COMMERZBANK AKTIENGESELLSCHAFT	GERMANY	768,027	3.8 %
7	JPMORGAN CHASE BANK, N.A., LONDON	UK	765,339	3.8 %
8	VPF NORDEA KAPITAL	NORWAY	749,508	3.7 %
9	TREDJE AP-FONDEN	NORWAY	703,881	3.5 %
10	STATE STREET BANK AND TRUST COMP	US	695,000	3.5 %
11	DANSKE BANK A/S	DENMARK	562,230	2.8 %
12	VPF NORDEA AVKASTNING	NORWAY	505,705	2.5 %
13	METZLER EURO SMALL + MICRO CAP	US	460,750	2.3 %
14	NORDEA 1 SICAV	UK	368,603	1.8 %
15	VERDIPAPIRFONDET NORDEA NORGE PLUS	NORWAY	326,520	1.6 %
16	NHO - P665AK	UK	309,259	1.5 %
17	RBC INVESTOR SERVICES TRUST	UK	308,994	1.5 %
18	TACONIC AS	NORWAY	285,212	1.4 %
19	AVANZA BANK AB	SWEDEN	276,752	1.4 %
20	A/S SKARV	NORWAY	225,000	1.1 %
	Total		**16,383,088**	**81.4 %**

Shareholder Policy

The Zalaris investor relations policy is based on the approach that objective, detailed and relevant market information is essential for a proper valuation of the company's shares. Thus, the company maintains a continuous dialog with analysts and investors.

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

Zalaris has established a communication channel for its shareholders on the company 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 times to publish all relevant information to the market in a timely, correct, non-discriminatory and efficient manner. 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 via 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 considered relevant for its shareholders are addressed. The presentation is held by the CEO and CFO of the company. Both the quarterly reporting and the presentations will be published on Zalaris' website.

Dividend

Zalaris' overall objective is to create value for its shareholders by providing an attractive and competitive return in the form of increased share value 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% 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 proposes a dividend payment of NOK 0.65 per share for the fiscal year 2017. Please note that historical dividends are not an assurance of future dividends.

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: Nina Stemshaug
nina.stemshaug@zalaris.com

Analyst Coverage

ABG Sundal Collier:	Aksel Øverland Engebakken	aksel.engebakken@abgsc.no
ABG Sundal Collier:	Daniel Thorsson	daniel.thorsson@abgsc.se
Nordea Markets:	Erik Aspen Fosså	erik.aspen.fossa@nordea.com
Beringer Finance:	Nicoleta Rosu	nicoleta.rosu@beringerfinance.com

VPS Registrar

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

About Zalaris

Zalaris is a leading business process outsourcing (BPO) specialist for human resources and a provider of technology and services for human capital management (HCM) and payroll services. The company enables human resources departments at mid-sized and large companies to focus on strategic processes through outsourcing of transactional HR functions, such as payroll and employee data maintenance.

From its early days as a Norwegian company in the year 2000, Zalaris has grown to become a leading European player with activities stretching across northern and central Europe, the UK and Ireland, India, and Thailand. The company's headquarters are in Oslo, and the company was listed on the Oslo Stock Exchange in 2014 (ZAL). Through local-language centers covering these geographical areas, Zalaris' more than 800 employees deliver services to more than 250,000 employees across the businesses they serve.

Zalaris' business is organised in three operating segments: HR Outsourcing, Cloud Services and Consulting. Zalaris offers a wide range of cloud-based services, including personnel administration and payroll, benefits management, pension administration, travel management, time management, talent management and personnel controlling (HR analytics).

Zalaris is one of a small number of European HR specialists licensed to offer complete SAP HCM and SAP® SuccessFactors® outsourcing services directly from the cloud. Zalaris serves as a "single source" for a comprehensive range of proven HR solutions that are secure, reliable and configured to unique customer requirements.

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

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