



# Annual Report 2018

→  
– *Value people*

*2018 was a year of transformation for Zalaris as we completed the integration of new businesses in the U.K., Poland and Germany – ultimately positioning the company for a strong and prosperous future as a pan-European market leader in HR and payroll services.*

### Successful Integrations

- Revenues increased 29 percent in 2018 to NOK 745.4 million as a result of the two acquired entities and continued organic growth.
- Operating profit was NOK 17.3 million with an operating margin of 2.3 percent, lower than in previous years. This was primarily due to the integration process taking slightly longer than anticipated.

### Expanding Strong European Customer Base

- Customer activity continued to grow and expand into new regions, including new contracts and renewals with highly reputable customers, such as global real estate consultants Knight Frank in the UK as well as Archdiocese Freiburg and Protestant Foundation Neuerkerode in Germany.
- Other noteworthy agreements in 2018 reflected our continued success with existing customers, such as in the Nordics, with leading Nordic bank Nordea, aluminum producer Norsk Hydro and mobile operator Telenor. Zalaris was also selected by Carlsberg to deliver HR and payroll services for their operations in the region.

### One United Zalaris

- After the integration, the Company now operates as one united Zalaris, with more than 800 colleagues in 13 countries throughout Europe. All of our acquired entities face the market with a unified identity under the Zalaris brand.
- One common solution for human capital management (HCM), accounting and IT now enables us to operate as a fully integrated company. Our new systems and procedures provide better insight and stronger control of the overall business.

### Changes to the Market and the Zalaris Offering

- Zalaris supports all major HR systems, fully integrated, across borders and with one user interface, underpinning operations for multinational companies with HR activities across borders.
- Talent management for the total workforce is becoming increasingly important to our customers, and enterprises prefer strategic partners with capabilities and expertise that will help build the next-generation multi-process GDPR compliant HR model on a digital platform and in the cloud.

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Ready to accelerate results – from the inside out!

Zalaris is simplifying payroll & HR through innovative cloud & outsourcing solutions.

## Dear Fellow Shareholders

*2018 turned out to be an exciting, but also demanding year for Zalaris. Integrating our new businesses in Germany, Poland and the UK consumed more time and resources than expected, negatively impacting our operational efficiency and financial performance. However, we ended the year on a positive note, and we enter 2019 as a truly pan-European player with a scalable business model and dominant position in a rapidly growing market for HR outsourcing.*

Zalaris has taken significant steps as a company in recent years. Revenues have more than doubled since our listing on the Oslo Stock Exchange in 2014, with the y-o-y growth of 29 percent in 2018 mainly driven by sumarum and ROC joining the group in late 2017. We acquired these companies to grasp what we saw as increasing opportunities for cross-border sales of not only basic HR outsourcing services, but also new technology and cloud solutions.

Merging companies with different cultures and business models from various countries is a delicate process. In hindsight, we underestimated the strain that this would put on the organization. However, I'm pleased to see that our performance in Q4/18 was a first step in the right direction. With the integration of sumarum and ROC into Zalaris completed, 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 characterized by significant growth. As our focus is shifting from integration to customers and sales, I expect a return to profitable growth for Zalaris and its shareholders in the years to come.

Our key value proposition is also a simple one: We deliver one common solution, supporting all major HR systems, fully integrated, across borders and with one user interface. This gives us a competitive edge with

multi-national companies looking for a "one-stop shop" solution for their HR activities. These customers expect cloud-based solutions to manage employee

master data and process support for recruiting, onboarding, performance review and compensation models. In parallel, they also want to include traditional transactional HR services such as payroll, time and attendance and expenses to avoid continuing with two separate HR systems. Simplicity is key, and our solutions deliver it. A firming pipeline and several new contracts and renewals during Q4/18 in our new German, Polish and UK markets demonstrate both our strong market position and our long-term relationships with customers in these countries.

At Zalaris, our target for 2019 and beyond is to continue 18 years of uninterrupted revenue growth. We will achieve this by growing our customer base and business organically, while also chasing margin improvements through efficiency gains, improved utilization of our consulting business and add-on sales that help our customers thrive. The markets in which we operate are expected to show solid growth, with Everest Group projecting 21-23 percent growth for MCPO (Multi-country payroll outsourcing) in Europe from 2017-2020, reaching a market size of USD 1.3 billion. The European market for MPHRO (multi-process human resources outsourcing) meanwhile, is expected to grow by eight to 10 percent in the same period, reaching a market size of USD 1.7 billion.

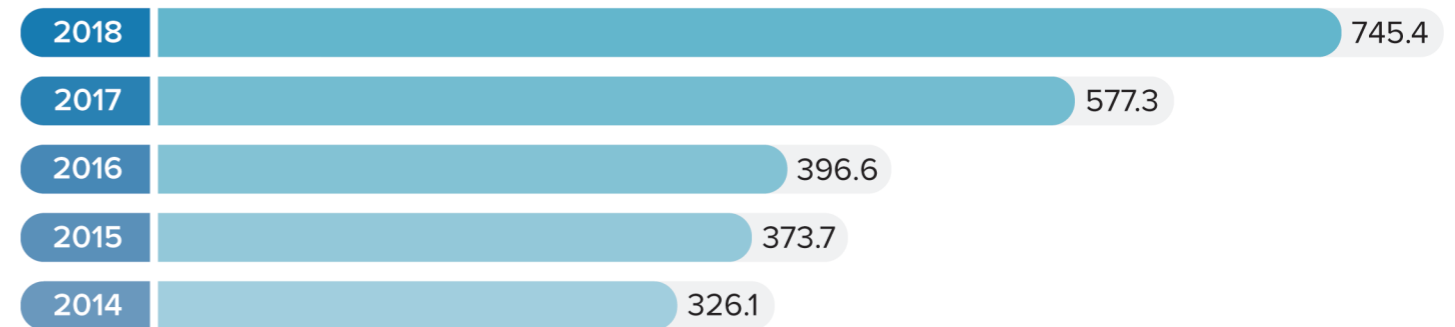
While our efforts throughout 2018 are only starting to become visible on the bottom line, we have worked hard during the year to establish an effective platform for the future of our business. We have welcomed new colleagues in Europe, integrated our new entities and established one system across all of our 13 countries. Hence, we are now an established pan-European player and market leader with the ability to deliver on other continents as well.

We are happy to see that we are moving in the right direction, towards our long-term goal of continued organic, profitable growth and satisfied customers. I would like to thank all of you for your patience and support over the past year. With the efforts we have made in 2018, we are well positioned for taking further strides as a company in 2019.

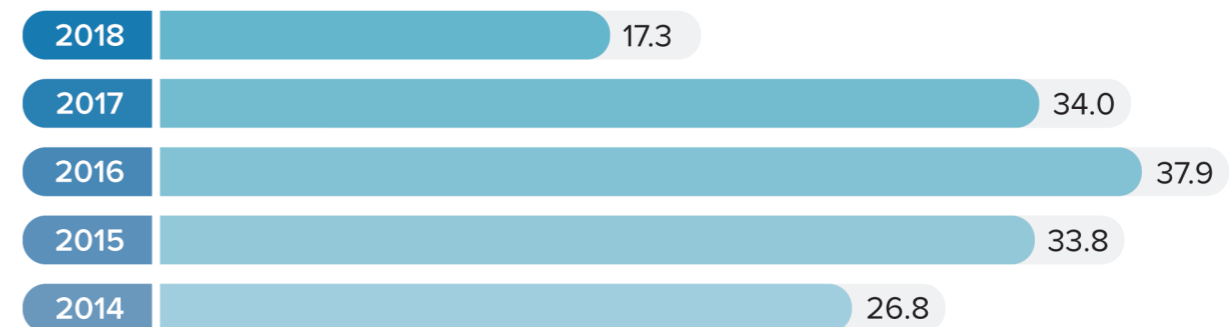


**Hans-Petter Mellerud**  
Chief Executive Officer

## Revenue | Million NOK



## Operating Profit | Before other non-recurring costs in Million NOK



## Total Equity | Million NOK



**29.1% Increase** in revenue

**2.3% EBIT** (excluding other costs related to acquisitions)

Earning per share **NOK -0.06**



## Capitalizing on International Growth Prospects... with a Local Touch

### Powering Up Market & Industry Expansion

Zalaris' 2018 business activity covered a broad spectrum of countries, companies and industries, including with both new and existing customers – all at a time when we continuously honed, integrated and harmonized our organic operations with businesses acquired in the previous year.

From energy, transportation and engineering firms to retailers, beverage makers and telecom market leaders, Zalaris continued to deepen its customer portfolio and HR and payroll expertise in 2018. Our solutions are ideal for enterprises in nearly all types of industries, organizations and business sectors. This versatility bodes well for our current and long-term future.

As we strengthened our own international operations and service offerings over the past year, we also found that our “Value People” foundation continued to advance. For example, in Germany at the end of 2018, we announced new agreements with Archdiocese Freiburg and Protestant Foundation Neuerkerode along with eight other HR and payroll contracts inked with German-based businesses in the fourth quarter.

Here's a look at the Zalaris-led client news in the first and second halves of the 2018 fiscal year:

#### 1st Half of 2018

Leading Oil & Energy Company [Aker BP](#) Selects Zalaris

Zalaris Leads Successful Workday Integration for [Finnair](#)

[Circle K Ireland](#) Goes Live with Zalaris Payroll

Zalaris UK&I Provides Services on G-Cloud 10 ([UK Government](#))

Leading [German High-Tech Engineering Firm](#) Selects Zalaris for HR Implementation

Zalaris Deploys SAP Analytics Cloud with SAP SuccessFactors for [UK Customer](#)

#### 2nd Half of 2018

Zalaris Selected for Outsourcing for [Norwegian Maritime Technology Provider](#)

Railway [Sales/Ticketing Solutions Provider Entur](#) Extends Outsourcing Agreement

[Telenor](#) Extends Agreement with Zalaris

[Carlsberg](#) Selects Zalaris for HR/Payroll in Denmark, Sweden and Norway

[Aker Energy](#) Selects Zalaris for Cloud-Based HR Solutions

Zalaris Signs [German Clients](#), Including Archdiocese Freiburg and Protestant Foundation

### Growing Our Reputation with Top HR/Payroll Experts

Zalaris earned high marks from HR's leading industry analysts in 2018, including from NelsonHall citing the company as a European leader in multi-process and cloud HR services; and Everest Group, which

designated Zalaris a “major contender” in multi-country payroll outsourcing. Among other accolades: a spot on the Top 10 European HR Tech Solution Providers list published by HR Tech Outlook.



### Driving the Right Values as an Employer & Community Member

“Value People” is more than a slogan at Zalaris. These two words embody what we are all about, from helping large enterprises and their employees achieve their most ambitious objectives to maintaining a strong commitment to the communities where we

operate and do business on an increasingly global scale. We're serious about helping people beyond the workplace and by always adhering to the highest ethical principles and standards.

#### It Starts at the Top

Zalaris CEO Hans-Petter Mellerud leads by example – and not just by cultivating a deep understanding of HR workforce trends, changing enterprise requirements and the value of proven partnerships in the digital era. As Norway's representative for EY's prestigious global Entrepreneur of the Year award (and agile competitor for charity in the country's grueling Ironman 2018 event), Mellerud sets high standards in both community involvement and corporate responsibility. #TeamZalaris raised more than **€20,000 for AKTIV Against Cancer**, among many other charitable endeavors that have always been a bedrock principle for Zalaris since Mellerud founded the company in 2000.



In a world more globalized and technologically developed than ever, businesses and people are experiencing a widespread digital transformation. This transformation requires companies and their people to rapidly adapt and innovate to ensure they will be left standing among the winners.

The human resources (HR) function and its processes are becoming increasingly important in helping companies accelerate this change while remaining agile. An increased focus on the temporary workforce and the advent of many HR tools requires new insight and focus from HR. Businesses are about people, and the digital transformation emboldens people — if the right solutions are implemented. New HR solutions foster effectiveness, mobility and quality, empowering leaders and HR directors to become more strategic-minded and employees to become more task-focused. Some HR departments are still bottlenecks, maintaining old systems. They need new tools to become strategic and innovative while still 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 our historic growth in the last year, Zalaris is positioned to meet higher demand throughout Europe and increase the number of consultants available for our European and global customers. Our scalable platform will help us continue to expand our European scope.

## Main Strategic Efforts

Our strategic efforts are focused on four areas: local support, technological advantages, 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 companies we support — anywhere and everywhere they do business. This includes the application of technologies such as robotic process automation (RPA) and artificial intelligence (AI) for insights and improvement.
- Zalaris offers proven best practices and change transformation insights and experience 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 SAP SuccessFactors consulting partner.

## The Zalaris Way

Zalaris maximizes the value of human capital through excellence in HR processes. Our job is to handle transactional tasks for HR leaders, allowing them to focus on their core business and strategic development. 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 some of the largest and most diverse companies in the region, 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 positioning it for a stronger overall contribution to core business objectives and successful strategic direction.

## Our Services

As of January 1, 2019, Zalaris is changing its reporting of business segments. HR Outsourcing and Cloud Services have merged into one segment, Managed Services, while Consulting has been renamed to Professional Services. These changes were made to improve visibility and reflect market trends, especially the increasingly overlapping sales of HR Outsourcing and Cloud Services to the same customers, as enterprises take a more holistic approach to HR tasks. Managed Services will be organized as a group-wide business to speed up growth and adaptation in key markets.

Professional Services is a segment that has grown significantly larger through our recent acquisitions. With the new reporting structure, we aim to provide a better understanding of this segment, especially the recurring nature of revenues and long-term customer relationships.

## Our Regions

### Northern Europe

"Looking back at 2018, we see strong renewals and signings of new contracts in the private sector. The demand for Cloud Services is increasing and we are actively demonstrating how our services contribute to goal achievement for businesses, municipalities and public institutions."



**Sami Seikula**  
Executive Vice President  
Northern Europe

### Continental Europe

"With the new contracts in Continental Europe in 2018, we have doubled the number of payroll transactions to approximately two million per month. We have a particularly strong presence in the German public sector, which represents long-term, stable business for Zalaris. Recent renewals of such contracts will support the same stability going forward."



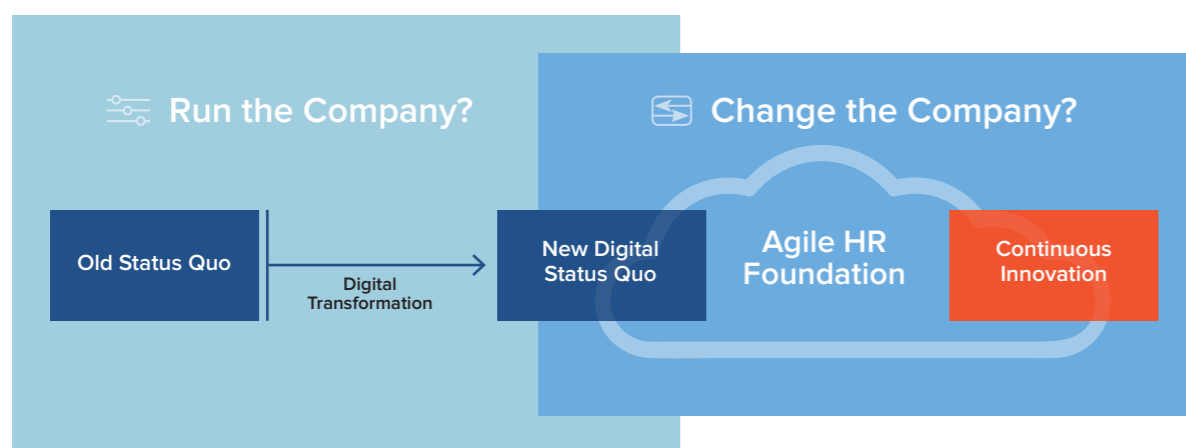
**Harald Goetsch**  
Executive Vice President  
Continental Europe

### UK & Ireland

"The market shift from an 'insource' to an 'outsource' culture plays into our hands in the UK & Ireland region, and we expect to maximize our opportunities with these market trends in the next year. We have a restructured and highly motivated senior management team, under new leadership and with the conviction to act on our strategy. 2019 will be a very exciting year for Zalaris UK and Ireland."



**Will Jackson**  
Executive Vice President  
UK & Ireland



*Enterprises face a crossroads where they must either choose a digital direction for their HR functions or risk becoming irrelevant. Zalaris advises, guides and helps them navigate as well as deploy the best solutions possible, including the foundation for "Agile HR" aspirations that depend on continuous innovation, increasingly in the cloud.*

## Challenges Plaguing the HR Function

HR has come a long way from being an “administrative taskmaster” to becoming a more integral part of the organization with greater impact on business outcomes. However, as HR continues its journey toward becoming even more strategic, the horizon is being pushed further away due to rapid evolution in talent and work models as well as the digital landscape — all of which pose a new set of challenges for HR to tackle.

These powerful trends and several underlying people-, process-, and technology-related upheavals — including the growing talent deficit; problems with up-skilling and retaining niche talent; the increasing flexibility and better experience demands of Gen Y and Gen Z; and the fragmented technology ecosystem — are creating new obstacles to HR departments achieving their full strategic potential on behalf of the enterprises they serve. Namely, these obstacles have resulted in talent-related challenges, poor employee experience, and a high cost of operations (see Figure 1). While these may seem distinct and disparate, they are closely linked, and the solution lies in addressing them holistically.

### Talent-Related Challenges

The world of talent has undergone tremendous transformation over the past few years. The desires and preferences of the global workforce have evolved,

and it is up to enterprises to understand this shift and take necessary actions to seamlessly transition to a new system. Some important trends include:

- **Changes in workforce demographics:** The composition of the labor force is changing rapidly, and it is expected that Millennials and Gen Z will form a significant portion of the workforce by 2020 (see Figure 2). Millennials and subsequent generations exhibit different behavioral patterns, are digital “natives”, and expect a seamless employee experience. Due to these characteristics, they have different preferences and expectations from the enterprise. These have a far-reaching impact on the enterprise and the HR function in terms of developing the necessary solutions to address the evolving needs of the multi-generational workforce.
- **Emergence of the “gig economy”:** There is already an irreversible trend of workers moving away from permanent jobs. This includes and is bolstered by an increasing number of people preferring to work as freelancers and gig workers — and that includes a lot of high-skilled people with niche capabilities. Due to this, enterprises are grappling with challenges related to acquisition, onboarding, and lack of commitment, among others. Enterprises need to look at this holistically and create a system of Total Talent Management, where they can address issues of both permanent and temporary workers through a single lens.



Figure 1: Challenges in Achieving a Gold Standard HR Function

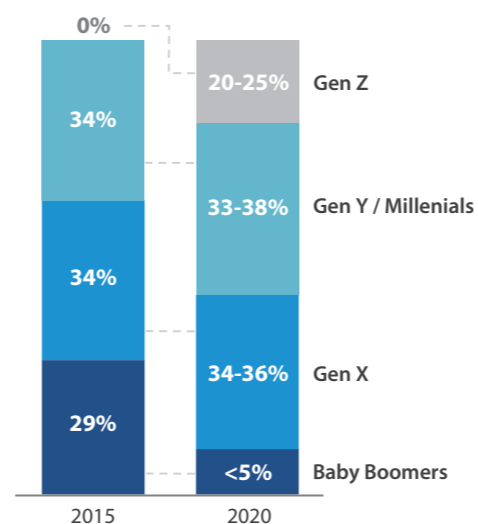


Figure 2: Global Labor Force Composition by Generation (Percentage of Labor Force)

### Poor Employee Experience

HR processes are increasingly being perceived from the end user/employee perspective. The rapidly changing technology landscape, disconnected point solutions, and overall fragmented technology ecosystem leads to inconsistent experiences across various employee touchpoints (see Figure 1). Additionally, due to the changing composition of the workforce, enterprises need to support the evolving preferences of employees and provide them with a digital experience, preferably a personalized one — something they live through in their everyday lives. Enterprises must try in various ways to improve employee experience. Most of those methods will revolve around the key “moments that matter” for their employees and redesigning those processes alongside appropriate technology adoption (e.g. SaaS, automation, AI, and analytics) to enable a digital and personalized experience.

### High Cost of Operations

Reducing the cost of operations and generating greater return on investment from HR and talent investments is still one of the key focus areas for the HR function. Here are some of the major reasons why this is the case:

- **High degree of manual intervention:** Many transactional processes are still done manually, leading to high error rates and reduced HR productivity. The advent of a multitude of automated

solutions such as Robotic Process Automation (RPA) and NLP-based chatbots that handle transactional and mundane queries provides the opportunity to further streamline HR operations while the HR staff focuses on more judgment-intensive activities.

- **Siloed HR processes and a fragmented technology ecosystem:** Various HR processes operating in siloes with different technologies and policies and a low level of standardization across processes lead to multiple inefficiencies. Enterprises are increasingly looking to re-engineer their processes and bring in an integrated and holistic platform on cloud, such as SAP SuccessFactors and Workday, that can not only shatter the siloes but also reduce the total cost of ownership of the technology, while providing a more seamless employee experience.
- **Increasing data volumes:** The volume of data in organizations has grown significantly due to increased use of software tools. Enterprises that still operate with an on-premise model face significantly higher operational costs compared to enterprises who have moved to cloud-based service delivery, e.g., SAP SuccessFactors and Workday. This provides a platform for enterprises to leverage artificial intelligence, machine learning and advanced analytics to facilitate better decision-making for HR.

There are huge overlaps between these challenges, and although no single solution can solve all the challenges at once, there needs to a calibrated use of multiple solutions to mitigate these challenges.

## Impact of Key Solutions on Mitigating the Challenges

A combination of solutions — including digital technologies — can be leveraged to mitigate challenges prevalent within HR operations (see Figure 3). Some of the key solutions are cloud/SaaS, automation and other digital levers, analytics, third-party advisory, and Total Talent Management. As enterprises and their HR organizations try to develop a roadmap and implement these solutions, they will increasingly be challenged in terms of the expertise, time, and investment required for this ongoing exercise. HR service providers with sharp focus in this domain are expected to emerge as natural partners to enterprises in this journey.

Quantum of Impact ● High ○ Low

Solution	Talent Related Aspects	Cost of Operations	Employee Experience
Cloud / SaaS	High	High	High
Automation and Other Digital Levers	High	High	High
Analytics	High	High	High
Third-Party Advisory	High	High	High
Total Talent Management	High	High	High

Figure 3: Impact of Solutions in Mitigating Key HR Challenges

## Cloud/SaaS

Cloud-based platforms such as Workday and SAP SuccessFactors have pervaded the HR space and are becoming the new normal. Everest Group's research found that more than 40 percent of multi-process HR outsourcing deals are delivered on such cloud-based platforms. Cloud-based systems are more cost-effective and faster to deploy than legacy/on-premise applications. They also provide easier and faster access to updates. Cloud-based systems provide better self-service functionalities for employees and managers, enhancing their experience and reducing the number of requests coming to the HR function. Since most of the new-age cloud/SaaS products act as an underlying System of Record (SoR), they can provide an integrated view of data, allowing more seamless integration with third-party analytics solutions to enable strategic decision-making.

## Automation and Other Digital Levers

Due to the already decent leverage of technology within the HR function, automation has witnessed relatively limited traction; however, the scenario is slowly changing. Automation is able to bring about enhanced efficiency and reduced error rates, thus decreasing the cost of operations. Some indicative areas of impact are given below:

- Automation of transactional processes through RPA has allowed HR and providers (if outsourced) to focus on higher-order, judgment-intensive processes
- Concepts of Machine Learning, when integrated with analytics, will result in powerful solutions that address talent-related challenges, particularly in processes such as learning and talent acquisition
- Simple, rule-based chatbots can be used to answer basic questions, while advanced AI-based and sophisticated chatbots can work towards providing dynamic responses

The key idea is to be able to provide consistent and round-the-clock support to employees, driving enhanced employee experience.

## Analytics

Enterprises have been reaping the benefits of basic analytics solutions for a while now; however, more advanced solutions are needed to unlock the full potential. Basic analytics have been leveraged extensively by enterprises for dashboarding and reporting. Adoption of advanced analytics, meanwhile, steadily increases as technology matures, awareness increases, and more use-cases are identified. Providers need to take an advisory-led approach to help enterprises navigate a path toward

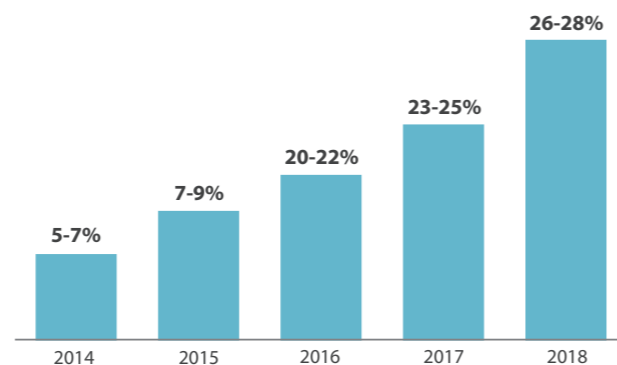
adoption of higher-order analytics solutions — to not only help them solve challenges related to data management arising out of fragmented technology architecture but also to support them in interpreting the outcomes of analytics solutions.

## Third-Party Advisory

Inclusion of advisory services in HR outsourcing deals has increased at a rapid pace due to the evolving demands of enterprises and investments by service providers in developing consult-to-operate capability. Advisory services can be applied across HR in various ways and play a significant role in solving the challenges plaguing the HR function. Two key advisory areas are:

- Digital transformation consulting: This includes the full range of services offered to help enterprises solve HR issues and drive the digital revolution. It involves services that enable the smooth and successful implementation of digital technologies such as SaaS solutions, analytics, and automation. It also includes post-implementation support for enterprises to derive the maximum benefit out of the solutions implemented, such as providing HR support for analytics solutions or orchestration of various implemented technologies.
- Traditional HR consulting: This is oriented around traditional HR process consulting services by taking inputs from the overall HR function. This may include the following aspects:
  - Define and improve performance in employee engagement and retention
  - Root cause analysis of attrition, attrition prediction, and prevention
  - Employee Value Proposition (EVP) creation, content creation, and communication

Everest Group's research has found that 26 to 28 percent of Multi-Process HR outsourcing deals signed in 2018 have some advisory services component (see *Figure 4*), which reemphasizes the importance of developing consulting capabilities for the HR service provider.



**Figure 4:** Adoption of Advisory Services in MPHRO Deals (Percentage of New Deals)

## Total Talent Management

Total Talent Management enables enterprises to break down barriers between their permanent and non-permanent workforce, enabling employers to focus on the value a worker can provide to the business, rather than their employment status. Taking an integrated approach to talent enables enterprises to tackle this trend of movement away from “permanent jobs” by being more agile and

efficient, equipping leaders to make more strategic decisions about acquiring talent from a range of sources and bringing the best out of them. This can be a convoluted journey and involves having both the right technologies in place — Vendor Management Systems such as SAP Fieldglass or Beeline for managing the contingent workforce; cloud-based HR systems such as SAP SuccessFactors/Workday; and Applicant Tracking Systems for permanent talent acquisition — as well as the right processes.

## The Role of HR Service Providers and Next-Generation HR Services

### Role of HR Service Providers

The digital era is upon us and employee experience has assumed high importance. But many enterprises do not have the money or bandwidth to invest internally in these initiatives. In addition, compliance with new and tougher regulations requires greater integration of technology and digital. In this context, the role of HR service providers becomes even more critical. The service provider moves beyond being just a “vendor” to being a “partner.”

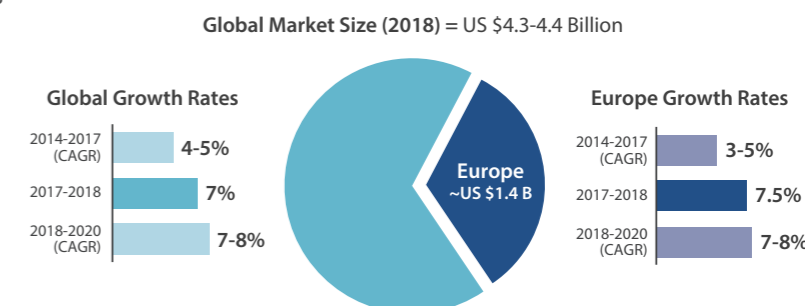
To look at this holistically, enterprises outsource multiple HR processes to a single service provider, also known as Multi-Process HR Outsourcing (MPHRO). This is one of the more mature and proven outsourcing models and has witnessed an uptick in recent years, with significant contribution from the European region. This is expected to continue as enterprises grapple with the evolving talent and technology landscape (see *Figure 5*).

In addition to the various obstacles on HR's journey to become strategic, as discussed above, some of the more basic elements, such as smooth payroll operations across countries, remain a challenge as enterprises expand globally. Multi-Country Payroll Outsourcing is an emerging high-growth outsourcing model where enterprises outsource their global payroll operations to a service provider. This global market grew at a rate of 19 percent in 2018, and going forward, Europe is expected to witness a growth rate of 21 to 23 percent (see *Figure 6*). Service providers are investing in expanding their country coverage and developing capabilities in various add-on technologies to capitalize on this significant growth opportunity.

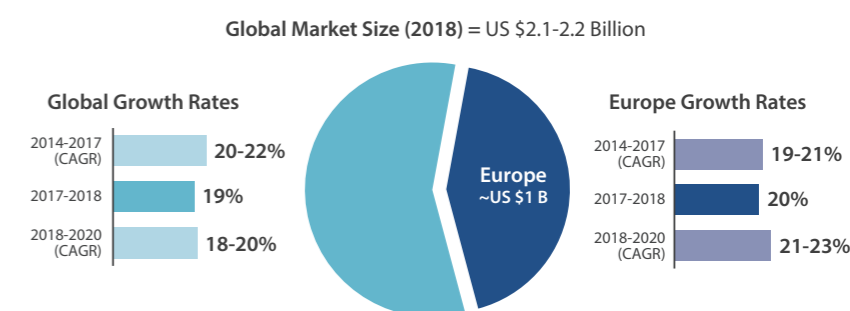
### Next-Generation HR Services

Solutions discussed earlier, such as cloud/SaaS, analytics, automation and AI, have affected HR and the way traditional HR services are delivered in an outsourcing construct. The traditional bottom-heavy service delivery pyramid has evolved into a more diamond-shaped pyramid, with RPA and AI taking care of the transactional work, allowing HR to focus more on judgment-intensive activities (see *Figure 7 on next page*).

Key to this transformation is the cloud-based center (e.g. Workday, SAP SuccessFactors, and Oracle HCM cloud), with the other technologies revolving around it. HR Business Process as a Service (HR BPaaS), which is providing HR services on top of such



**Figure 5:** Multi-Process HR Outsourcing (MPHRO) market size and growth



**Figure 6:** Multi-Country Payroll Outsourcing (MCPO) market size and growth

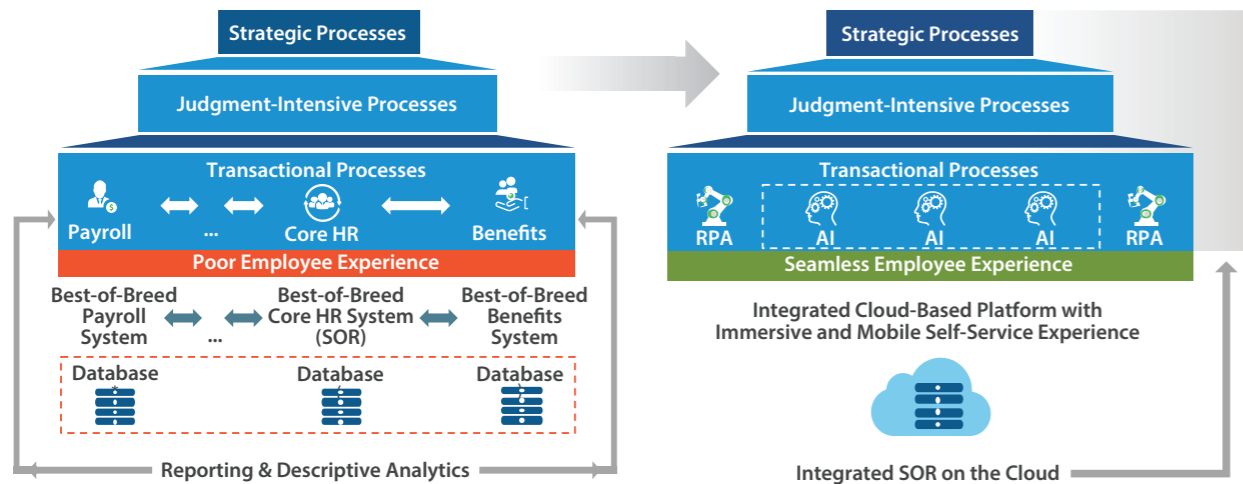


Figure 7: Next-Generation HR Services

cloud-based/SaaS solutions, is one of the fastest-growing segments within the global HR outsourcing space, and more so in Europe (see Figure 8). SaaS implementation & management services are also witnessing huge demand, which is reflected in the rapid market growth rates of over 20 percent. With the continued adoption of SaaS systems, both the HR BPaaS market as well as the SaaS implementation & management services market will continue to grow at a rapid pace.

solutions and bring in next-generation benefits for the enterprises. Continued investments in digital and consulting capabilities to provide end-to-end services in a consult-to-operate model will be critical to continued growth for HR service providers.

As the HR and talent world is in flux, so is the value proposition and offerings of service providers. While HR service providers are ahead of enterprises in terms of their HR expertise and investments, they, too, are iterating, building, and planning for the evolving future that lies ahead. With the proper expertise, necessary investment, and right long-term vision — along with a planned roadmap to achieve that vision — HR service providers can outsmart the competition and serve as strategic partners to the enterprise.

Going forward, it will be key for HR service providers to “orchestrate” the various technologies and

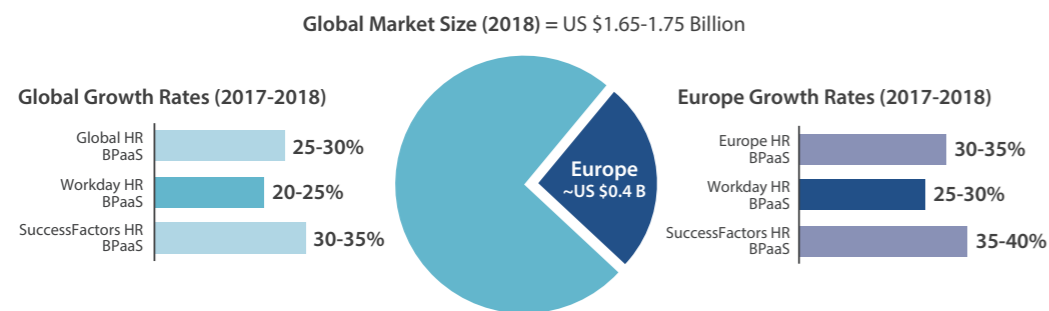


Figure 8: HR Business Process as a Service (HR BPaaS) market size and growth rate

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.

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Chief Executive Officer



**Nina Stemshaug**  
Chief Financial Officer



**Halvor Leirvåg**  
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Committee



**Jan Mikael Koivurinta**  
Board Member



**Adele Norman Pran**  
Board Member,  
Chairman Audit Committee



**Jon Erik Haug**  
Board Member,  
Member Audit Committee

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 organized as three Business Units: HR Outsourcing, Cloud Services and Consulting.

The company meets the increasing demand for services which enable human resource departments to focus on strategic processes. The company has established a stronger platform for continued growth as a result of significant expansion through acquisitions and new deals. In 2018 the acquired businesses ROC Group and sumarum AG were fully integrated, broadening our range of services and enabling access to new geographies. As a result, the company is securing contracts with several new clients across Europe.

With nearly 20 years of experience and 877 employees, Zalaris provides people (HR) services to large-scale customers for more than 270,000 people each month.

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

## Key Highlights in the Reporting Period

Through the acquisitions of ROC Group and sumarum AG, Zalaris now has a scalable platform in regions characterized by significant growth. Our increased capabilities and geographical reach mean that we are able to offer existing and new customers services and expertise all over Europe.

In 2018, the company signed new contracts with high-profile clients such as Aker BP, Carlsberg, Knight Frank, Aker Energy, and multiple German customers, and entered renewals and expansion of agreements with existing customers like Telenor, Norsk Hydro, Nordea and Circle K.

## Consolidated Results

Zalaris' Group turnover in 2018 was NOK 745.4 million, an increase of 29.1% compared to 2017 (NOK 577.3 million).

Zalaris' Group 2018 operating profit was NOK 17.3 million, or 2.3% of turnover, when excluding extraordinary costs (NOK 34.0 million or 5.9% of turnover in 2017). Zalaris' Group 2018 ordinary profit before tax was negative by NOK 4.2 million (negative NOK 9.5 million in 2017). Profit for the period in 2018 was negative by NOK 1.3 million (negative NOK 12.2 million in 2017).

Cash flow in 2018 shows net cash from operating activities of NOK 5.2 million (NOK 53.6 million in 2017). Net cash flow from investing activities was negative by NOK 21.3 million (negative NOK 301.5 million in 2017).

Net cash flow from financing activities was NOK 57.3 million in 2018 (NOK 267.7 million). Zalaris has solid liquidity with cash and cash equivalent amounting to NOK 107.8 million at the end of 2018 (NOK 62.8 million at the end of 2017).

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 108.9 million, as of 31.12.2018. The Board and Management expect the equity ratio to remain strong based on further improvements in Group results.

As of 31.12.2018, the Group's current assets exceeded short-term debt by NOK 153.7 million (NOK 35.3 million as of 31.12.2017).

Total assets at the end of FY 2018 were NOK 725.6 million (NOK 666.0 million in 2017). Customer projects assets increased from 95.3 million to 97.3 million.

Total liabilities were NOK 616.7 million at the end of fiscal year 2018 (NOK 546.3 million in 2017). The main changes in liabilities through the year are increased interest-bearing debt related to issuance of bonds, decreased bank overdraft and decreased short-term interest-bearing loans.

## 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 2018 turnover was NOK 116.4 million, which is an increase of 14.8% compared to 2017. Result from operations in 2018 was a loss of NOK 55.8 million (loss of NOK 36.3 million in 2017). Zalaris ASA reported a net loss of NOK 18.3 million for 2018, compared to a net loss of NOK 24.0 million in 2017.

Total shareholders' equity in Zalaris ASA as of 31 December 2018 was NOK 92.6 million, corresponding to 16.8% of total assets. Share premium and other equity as of 31 December 2018, amounted to NOK 45.1 million and NOK 43.7 million, respectively.

The Board proposes to allocate the net loss of NOK 18.3 million to other equity.

## Dividend Payment

The Board of Directors proposes that no dividend is paid for FY 2018.

## Continuing Operation

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

## Segment Information

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

From Q1 19, we will organize and report Cloud Services and HR Outsourcing together with all our other outsourcing services as part of a new segment: Managed Services. Managed Services will be organized and managed as a group-wide business unit with the goal to speed growth and adoption in our new markets.

In parallel we will operate our consulting business in a new segment: Professional Services – where we are in the process of defining the most effective operating model – with the goal to secure local presence and entrepreneurship combining our group capability and scale. Our aim is also to improve reporting and visibility to investors of this segment – which has grown larger through our acquisitions – to better visualize the significant aspect of recurring and long-term customer relationships also found in this segment.

Our business units will be supported by strong entrepreneurial country market organizations securing close contact with customers and the market.

## HR Outsourcing

The HR outsourcing segment revenues grew by 12.5% when comparing FY 18 with FY 17, reaching NOK 431.9 million (NOK 383.9 million). 2018 operating profit was NOK 46.9 million, an a decrease from NOK 54.1 in 2017.

## Consulting

The revenue for 2018 amounted to NOK 195.9 million, an increase compared to previous year (NOK 101.4 million in 2017). 2018 operating profit was NOK 18.0 million (NOK 3.1 million in 2017).

## Cloud Services

The revenue for 2018 amounted to NOK 117.7 million, an increase from previous year's revenue of NOK 92.1 million. 2018 operating profit was NOK 13.2 million (NOK 7.8 million).

## Financial and Market Risks

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

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

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities as they mature. The company continuously estimates the need of cash to pay its liabilities as they mature and ensures that cash is available at all times, both for operational and capitalized expenditures.

At the end of the 2018, the Group had interest-bearing debt amounting to NOK 378.4 million with fixed interest rates. The increase of NOK 108.6 million from the end of 2017 is related to refinancing the bank loan related to the acquisition of ROC and sumarum, by the issuance of obligations denominated in Euro. The company is exposed to EURNOK fluctuations related to this deb. Cash and cash equivalents amounted to NOK 107.8 million at the end of 2018 (NOK 62.8 million), and the company had an unused credit facility of NOK 7 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.

The company continuously monitors its risk exposure and strives to reduce risk 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 Organization

Zalaris Group had 877 employees at the end of 2018. The aggregated offshore and nearshore presence was 30% of Zalaris workforce. Absence due to sick leave averaged 3.3% in 2018. Zalaris ASA averaged 2.3% absence rate due to sick leave in 2018.

No incidents of injury or accidents in the workplace were reported during 2018.

Zalaris aims to have a balanced representation of gender, race and religion. Women are well represented in all the Group's companies and units, comprising 56% of the workforce. The Group's leadership, including managers for all the separate business units, consists of 29 persons, of which 7, or 24.4%, are female.

## Corporate Social Responsibility

### Equal Rights

Zalaris shall be a professional workplace with an inclusive working environment and respect the International Labor Organization's fundamental conventions.

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

Zalaris' personnel policy is based on equal pay for the same work. This means that women and men receive the same pay for the same position, given all other applicable circumstances are the same. Zalaris ASA will continue to strive for gender balance in the Group's management and board of directors.

Zalaris aims to provide the physical environment necessary to not exclude the participation of persons with physical disability from performing the company's various functions.

### Life-Work Balance and Healthy Lifestyle

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

The company organizes programs to motivate its employees to stay physically active while ensuring the availability of healthy food, 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 the active commitment to and accountability for Health and Safety from all employees and contractors. Line management has a leadership role in the communication and implementation of, and ensuring compliance with, these policies and standards.

We are committed to:

- Protect and strive for improvement of health, safety and security of our people at all times with the goal to eliminate HS-related accidents;
- Set HS performance objectives, measure results, assess and continually improve processes, services and product quality through the use of an effective management system;
- Work with management, employees and employee representatives to create a positive physical and psychological work environment that maximizes the motivation and teamwork for all impacted people;
- Plan for, respond to and recover from any emergency, crisis and business disruption;
- Develop services that can help our customers monitor and act upon HS issues;
- Communicate openly with stakeholders and ensure an understanding of our HS policies, standards, programs and performance.

### Environment

Pollution of the external environment because of Zalaris' operations is limited. Zalaris' environmental impact is primarily linked to energy consumption, travel and waste from office activities. One of Zalaris' environmental measures is to provide all customer-facing IT Operations in a centralized infrastructure

concept hosted in several energy-efficient data centers powered by green renewable hydro-powered energy.

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

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

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

### Business Ethics

Zalaris' Code of Conduct is an integral part of Zalaris' formal governance. The Code defines the core principles and ethical standards that form the basis of how the company creates value. The Code applies to Zalaris ASA and any subsidiary in which Zalaris, directly or indirectly, owns more than 50% of the voting shares. It also applies to members of the Board of Directors, managers and other employees, as well as those acting on behalf of the company.

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. Everybody 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 and anyone benefiting from the services we provide.

### Corporate Governance

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

Zalaris ASA is incorporated and registered in Norway and is subject to Norwegian law. According to the Accounting Act § 3-3b, the company is obliged to report on the principles and practices of corporate governance. In addition, the Oslo Stock Exchange requires an annual statement on compliance with

the company's corporate governance policy in accordance with NUES the Norwegian Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board, most recently revised on 17 October 2018.

The statement for the fiscal year 2018 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 26 April 2018, and is available on page 80 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

After a challenging 2018 with focus on integration and centralizing key functions, Zalaris is now well-positioned for future growth.

The company continues to work on actions to get better aligned with the long-term operational and financial targets.

The integration of the businesses in Continental Europe and the UK continues, and as the group's common systems and procedures are taking hold, sales and margins are expected to improve.

During 2018, Zalaris built an easily scalable delivery model, which will support sales and provide efficiency gains across the group. During 2018 Zalaris also made significant advances in relation to contract renewals. While market dynamics entail that some of these renewals cause reduced margins in the short run, the potential for additional sales through the contract period means that the long-term potential is promising.

The market fundamentals remain strong, and so does the company's position to capture further growth. The pipeline of new business is steadily firming up, partly driven by the increased cross-selling of our complementary solutions and strengths into new regions.

We hereby confirm that the consolidated financial statements and the financial statements for the parent company for the period 1 January 2018 to 31 December 2018, to the best of our knowledge, have been prepared in accordance with applicable accounting standards and that the information in the financial statements provides a true and fair view of the Group's and the parent company's assets, liabilities, financial position, and results as a whole.

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

Oslo, 26 April 2019



**Lars Laier Henriksen**  
Chairman of the Board



**Liselotte Hægert Engstam**  
Board Member



**Adele Norman Pran**  
Board Member



**Jan Mikael Koivurinta**  
Board Member



**Jon Erik Haug**  
Board Member



**Hans-Petter Mellerud**  
Chief Executive Officer



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Board Member



**Hans-Petter Mellerud**  
Chief Executive Officer

Oslo, 26 April 2019

## Consolidated Group Annual Accounts Report 2018 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	YTD 2018	YTD 2017
<b>Revenue</b>	<b>2, 3</b>	<b>745,434</b>	<b>577,338</b>
<b>Operating expenses</b>			
License costs		60,492	48,002
Personnel expenses	4, 16	426,623	308,935
Other operating expenses	5	177,823	131,311
Depreciations and impairments	10	3,635	2,217
Amortization intangible assets	9	23,575	14,963
Amortization implementation costs customer projects	11	35,947	37,918
Other costs	20	-	23,398
<b>Total operating expenses</b>		<b>728,094</b>	<b>566,744</b>
<b>Operating profit</b>		<b>17,339</b>	<b>10,594</b>
<b>Financial items</b>			
Financial income	6	9,675	1,498
Financial expense	6, 15, 18	(18,442)	(9,560)
Unrealized foreign currency profit/loss	6	(12,734)	(12,057)
<b>Net financial items</b>		<b>(21,501)</b>	<b>(20,120)</b>
<b>Profit before tax</b>		<b>(4,161)</b>	<b>(9,526)</b>
<b>Income tax expense</b>			
Tax expense on ordinary profit	7	2,888	(2,661)
<b>Total tax expense</b>		<b>2,888</b>	<b>(2,661)</b>
<b>Profit for the period</b>		<b>(1,273)</b>	<b>(12,187)</b>
<b>Profit attributable to:</b>			
- Owners of the parent		(1,273)	(12,187)
- Non-controlling interests		-	-
<b>Earnings per share:</b>			
Basic earnings per share (NOK)	8	(0.06)	(0.61)
Diluted earnings per share (NOK)	8	(0.06)	(0.62)

### Consolidated statement of comprehensive income for the period ended 31 December

(NOK 1000)	Note	2018	2017
Profit for the period		(1,273)	(12,187)
<b>Other comprehensive income</b>			
Items that will be reclassified to profit and loss in subsequent periods			
Currency translation differences		2,088	14,003
<b>Total other comprehensive income</b>		<b>2,088</b>	<b>14,003</b>
<b>Total comprehensive income</b>		<b>815</b>	<b>1,815</b>
<b>Total comprehensive income attributable to:</b>			
- Owners of the parent		815	1,815
- Non-controlling interests		-	-

## Consolidated statement of financial position as of 31 December

(NOK 1000)	Note	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	143,064	145,747
Goodwill	9	151,996	151,075
<b>Total intangible assets</b>		<b>295,059</b>	<b>296,822</b>
Deferred tax asset	7	6,468	848
<b>Fixed assets</b>			
Office equipment	10	1,737	1,546
Property, plant and equipment	10	33,455	34,926
<b>Total fixed assets</b>		<b>35,192</b>	<b>36,472</b>
<b>Total non-current assets</b>		<b>336,720</b>	<b>334,143</b>
<b>Current assets</b>			
Trade accounts receivable	11	158,118	157,493
Customer projects assets	3	97,272	95,284
Other short-term receivables	12	25,653	16,290
Cash and cash equivalents	13	107,844	62,792
<b>Total current assets</b>		<b>388,887</b>	<b>331,859</b>
<b>TOTAL ASSETS</b>		<b>725,607</b>	<b>666,002</b>

## Consolidated statement of financial position as of 31 December

(NOK 1000)	Note	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid-in capital</b>			
Share capital	14, 19	2,012	2,012
Own shares - nominal value		(6)	(6)
Other paid in equity		2,061	1,116
Share premium		45,138	58,217
<b>Total paid-in capital</b>		<b>49,205</b>	<b>61,339</b>
Other equity		(33)	(2,114)
Retained earnings		59,733	60,461
<b>Equity attributable to equity holders of the parent</b>		<b>108,905</b>	<b>119,686</b>
<b>Total equity</b>		<b>108,905</b>	<b>119,686</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax	7	25,776	29,482
Interest-bearing loans and borrowings	15, 20	355,746	220,225
<b>Total long-term debt</b>		<b>381,522</b>	<b>249,707</b>
<b>Current liabilities</b>			
Trade accounts payable		24,358	24,211
Customer projects liabilities	3	64,284	73,487
Bank overdraft	15	-	25,135
Interest-bearing loan from shareholders	15	7,849	7,775
Interest-bearing loans	15, 20	14,795	41,782
Income tax payable		4,801	4,773
Public duties payable		36,517	36,418
Other short-term debt	17	81,695	82,773
Derivatives		882	255
<b>Total short-term debt</b>		<b>235,180</b>	<b>296,609</b>
<b>Total liabilities</b>		<b>616,702</b>	<b>546,316</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>725,607</b>	<b>666,002</b>



Lars Laier Henriksen  
Chairman of the Board



Liselotte Hægertz Engstam  
Board Member



Adele Norman Pran  
Board Member



Jan Mikael Koivurinta  
Board Member



Jon Erik Haug  
Board Member



Hans-Petter Møllerud  
Chief Executive Officer

Oslo, 26 April 2019

## Consolidated statement of cash flows for the period ended 31 December

(NOK 1000)	Note	2018	2017
<b>Cash flow from operating activities</b>			
Profit (Loss) before tax		(4,161)	(9,526)
Financial income	6	3,059	(1,169)
Financial costs	5	18,442	18,546
Stock purchase program	14	945	992
Depreciation and impairments	10	3,635	2,217
Amortization intangible assets	9	23,575	14,963
Amortization implementation costs customer projects	3	35,947	37,918
Revenue recognized customer projects	3	(33,499)	(28,303)
Project payments from customers	3	24,296	42,042
Salaries and vendor payments customer projects	3	(36,872)	(49,762)
Taxes paid	6	(4,996)	(1,711)
Changes in accounts receivable	11	(624)	(86,607)
Changes in accounts payable	17	148	13,419
Changes in other items	17	(12,260)	105,642
Interest received	6	212	129
Interest paid	6	(12,645)	(5,155)
<b>Net cash flow from operating activities</b>		<b>5,200</b>	<b>53,637</b>
<b>Cash flows from investing activities</b>			
Fixed and intangible assets	9, 10	(21,330)	(24,755)
Acquisition of fixed and intangible assets, including goodwill in connection with business combinations		-	(276,748)
<b>Net cash flow from investing activities</b>		<b>(21,330)</b>	<b>(301,503)</b>
<b>Cash flows from financing activities</b>			
Issuance of new shares		-	35,713
Transaction costs related to issuance of new shares		-	(3,411)
Bank overdraft		(25,135)	25,135
Proceeds from issue of new borrowings	15	340,282	258,327
Repayment of long-term loan	18	(244,736)	(31,507)
Dividend payments to owners of the parent	14	(13,080)	(16,557)
<b>Net cash flow from financing activities</b>		<b>57,331</b>	<b>267,699</b>
<b>Net changes in cash and cash equivalents</b>		<b>41,201</b>	<b>19,833</b>
<b>Net foreign exchange difference</b>		<b>3,851</b>	<b>(550)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>62,792</b>	<b>43,509</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>107,844</b>	<b>62,792</b>
Unused credit facilities		7,479	24,439

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

(NOK 1000)	Share Capital	Own Shares	Share Premium	Other Paid-In Equity	Total Paid-In Equity	Other Equity	Retained Earnings	Total Equity
<b>Equity at 01.01.2018</b>	<b>2,012</b>	<b>(6)</b>	<b>58,217</b>	<b>1,116</b>	<b>61,339</b>	<b>(2,114)</b>	<b>60,461</b>	<b>119,686</b>
Profit of the year	-	-	-	-	-	-	(1,273)	(1,273)
Other comprehensive income	-	-	-	-	-	2,088	-	2,088
Share-based payments	-	-	-	945	945	-	-	945
Other changes	-	-	-	-	-	(7)	545	537
Dividend	-	-	(13,080)	-	(13,080)	-	-	(13,080)
<b>Equity at 31.12.2018</b>	<b>2,012</b>	<b>(6)</b>	<b>45,138</b>	<b>2,061</b>	<b>49,205</b>	<b>(33)</b>	<b>59,733</b>	<b>108,905</b>
<b>Unaudited</b>								
<b>Equity at 01.01.2017</b>	<b>1,912</b>	<b>(6)</b>	<b>37,048</b>	<b>122</b>	<b>39,076</b>	<b>(15,545)</b>	<b>77,094</b>	<b>100,624</b>
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)
<b>Equity at 31.12.2017</b>	<b>2,012</b>	<b>(6)</b>	<b>58,217</b>	<b>1,116</b>	<b>61,339</b>	<b>(2,114)</b>	<b>60,461</b>	<b>119,686</b>

## 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 2018 were approved in a board meeting on 26 April 2019.

## 1.1 The Basis for the Preparation of the Financial Statements

The Group's financial statements of Zalaris ASA for the accounting year 2018 have been prepared in accordance with international accounting standards ("IFRS") as adopted by the European Union (EU), in effect as of 31 December 2018.

The company is assessed to be a going concern. The financial statements are based on the principles of historic cost. The group currently holds no assets or liabilities required to be measured at fair value.

## 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 inter-company balances and transactions have been eliminated upon consolidation.

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

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

## Foreign Currency

### **Functional Currency, Presentation Currency and Consolidation:**

The Group's presentation currency is NOK. The functional currency of the Parent Company is NOK. For consolidation purposes, the balance sheet figures for subsidiaries with a different functional currency than NOK are translated into the presentation currency (NOK) at the rate applicable at the balance sheet date. Income statements are translated at the exchange rate that approximates the prevailing rate at the date of transaction. Exchange differences from translating subsidiaries are recognized in other comprehensive income.

### **Transactions in Foreign Currency:**

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

### **Revenue from Contracts with Customers**

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

The Group's revenue consists of revenue from providing HR services consulting services related to customer-specific adaptations for new HR Outsourcing projects or cloud solutions and basic consulting services.

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

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

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

Costs are expensed as incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts (transition and/or transformation costs) may be deferred when they are costs specific to a given contract,

generate or enhance the Group's resources that will be used in satisfying performance obligations in the future, and are recoverable. These costs are considered to be "costs to fulfill a contract" and are recognized as an asset in the Statement of financial position. The deferred costs are expensed evenly over the period the outsourcing services are provided. The amortization of deferred cost is presented in the Statement of profit and loss in the line item "amortization implementation costs customer projects". These costs are accrued before startup of the delivery. The customer's acceptance of startup signifies the recognition of the delivery and revenue is hence rendered from this date forward.

## Contract Balances

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

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

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

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

## Principal Versus Agent Considerations (Cloud Services)

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

## Consideration

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

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

## Consideration of Significant Financing Component in a Contract

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

## Income Tax

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

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

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

**Intangible Assets: Internally Developed Software**

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

**Fixed Assets**

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

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

The depreciation periods and methods are assessed each year. The residual value is estimated every year-end and changes in the estimate for residual value 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 recognized on the balance sheet and depreciated on a linear basis over the expected useful life of the assets. The leasing debt is classified as a long-term debt and the leasing debt is reduced by the payments according to the leasing contract deducted by an interest element which is expensed.

*Operating Leases*

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

**Trade and Other Receivables**

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

Trade receivables that do not contain a significant financing component, as defined by IFRS 15 – Revenue from Contracts with Customers, are measured at the transaction price (e.g., invoice amount excluding costs collected on behalf of third parties, such as sales taxes). Determining whether a significant financing component exists involves considering things like the difference between the cash price for an asset and the transaction price in the contract, the term of the receivable and prevailing interest rates. As a practical expedient, Zalaris

presumes that a trade receivable does not have a significant financing component if the expected term is less than one year. According to IFRS 9, Zalaris can recognize a loss allowance based on lifetime ECLs (Expected Credit Loss) after the simplified approach if the asset does not consist of a significant financing component in accordance with IFRS 15. This pertains to contracts where the agreed payment date gives a significant benefit to the customer, where the transaction price shall be adjusted for the effect of the time value of money. Zalaris uses a provision matrix as a practical approach for measuring expected credit losses for trade receivables. The provision matrix is based on historical default rates within different ranges of overdue receivables for groupings of trade receivables that share similar default patterns. Groupings are made based on segment and product type. The provision matrix is also calibrated based on assessment of current and future financial conditions. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

31 December 2018		Trade Receivables - Days Past Due				
(NOK 1000)	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	-	-	-	4.4 %	-
Estimated total gross carrying amount at default	111,126	24,351	4,749	5,644	12,249	158,118
Expected credit loss	-	-	-	-	540	540

**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 recognized over the contract period. Such deferred expense is included in the line item amortization 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.

**Financial Liabilities**

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. The measurement of financial liabilities depends on their classification. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Borrowing and loans are after initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized. For further information see note 18.

**Pension Plans**

*Defined Contribution Plan*

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



**Earnings Per Share**

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

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

- The profit/loss for the period attributable to ordinary shares is adjusted for changes in profit/loss that would result from the conversion of the dilutive potential ordinary shares.
- The weighted average number of ordinary shares is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary.

**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 recognized directly in other comprehensive income.

**Cost of Equity Transactions**

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

**Contingent Assets**

Contingent assets are not recognized in the annual accounts, but are disclosed if it is 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**

The following new standards and amendments became effective as of 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

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

**Standards Issued and Effective****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 standard has been implemented in 2018 and the overall impact on its balance sheet and equity is non-significant.

**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 recognized 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 has superseded 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 implemented the new standard on January 1, 2018, and applied the full retrospective method, which requires restatement of prior years. However, since the result of the Group's impact assessment indicated that the adoption of IFRS 15 will not change the amount or timing of revenue recognition in 2017 or previous periods, no comparative information is restated. This adoption only affected the presentation of customer projects in the statement of financial position. See also Note 1.4 (a) below and Note 3 (Revenue from Contracts with Customers).

**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 16 Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. As a consequence of this change, the lease payments will no longer be included in the operating expenses and thus has a positive impact on EBITDA in the Group's consolidated income statement. Depreciation expense will increase due to the capitalization of the leased assets. The Group will implement the new standard on 1 January 2019 using the modified retrospective approach.

As of 31 December 2018 the Group has identified certain property leases eligible for capitalization. A preliminary estimate, based on existing lease contracts, indicates around NOK 53 million in additional lease liabilities as of January 1 2019. The full year effect on EBIT for 2018 would have been approximately NOK 21 million.

**1.4 Key sources of estimation uncertainty and critical accounting judgments**

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

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

**Critical Accounting Judgments****a) Customer Projects**

Revenues from outsourcing agreements are recognized over the term of the contract as the services are rendered. The related costs are recognized as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts may be deferred when they are specific to a given contract, relate to future activity on the contract, will generate future economic benefits and are recoverable. These costs are capitalized as "customer projects" 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 "Amortization implementation cost customer projects". Deferred revenue is recognized over the corresponding period.

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

**b) Capitalization of Intangible Assets**

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

At the end of a reporting period the Group is required to assess whether there is any indication that the capitalized 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 recognized 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.

**Note 2 - Segment Information**

The Company has three operating segments, which are Outsourcing, Cloud Services and Consulting, offering a full range of payroll and HR outsourcing services, including payroll processing, time and attendance and travel expenses. Consulting delivers change projects based on Zalaris templates or implementation of customer-specific functionality. They also assist customers with cost-effective maintenance and support of customers' own on-premise solutions. 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.

Information is organized by business area and geography. The reporting format is based on the Group's management and internal reporting structure. Items that are not allocated are mainly inter-company sales, interest-bearing loans and other associated expenses and assets related to administration of the Group. The Group's 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.

**2018**

(NOK 1000)	HR Outsourcing	Cloud Services	Consulting	Gr.Ovhd & Unallocated	Total
Revenue, external	431,864	117,695	195,862	13	745,434
Operating expenses	(352,411)	(98,595)	(175,605)	(38,327)	(664,938)
Depreciation and amortization	(32,594)	(5,919)	(2,211)	(22,433)	(63,156)
<b>EBIT</b>	<b>46,859</b>	<b>13,181</b>	<b>18,046</b>	<b>(60,747)</b>	<b>17,340</b>
Net financial income/(expenses)	-	-	-	(21,501)	(21,501)
Income tax	-	-	-	2,888	2,888
<b>Profit for the period</b>	<b>46,859</b>	<b>13,181</b>	<b>18,046</b>	<b>(79,359)</b>	<b>(1,273)</b>
Cash flow from investing activities	-	-	-	(21,330)	(21,330)

**2017**

(NOK 1000)	HR Outsourcing	Cloud Services	Consulting	Unallocated	Total
Revenue, external	383,924	92,062	101,352	-	577,338
Operating expenses	(290,321)	(76,189)	(97,499)	(24,238)	(488,247)
Other Costs (transaction related)	-	-	-	(23,398)	(23,398)
<b>EBITDA</b>	<b>93,603</b>	<b>15,873</b>	<b>3,853</b>	<b>(47,636)</b>	<b>65,693</b>
Depreciation and amortization	(39,510)	(8,111)	(769)	(6,708)	(55,098)
<b>EBIT</b>	<b>54,093</b>	<b>7,762</b>	<b>3,084</b>	<b>(54,344)</b>	<b>10,594</b>
Net financial income/(expenses)	-	-	-	(20,120)	(20,120)
Income tax	-	-	-	(2,661)	(2,661)
<b>Profit for the period</b>	<b>54,093</b>	<b>7,762</b>	<b>3,084</b>	<b>(77,125)</b>	<b>(12,187)</b>
Cash flow from investing activities	-	-	-	(301,503)	(301,503)

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.

Revenue from customers attributable to:

**2018**

(NOK 1000)	HR Outsourcing	Cloud Services	Consulting	Unallocated	Total
Northern Europe	359,762	62,575	7,952	-	430,289
CEE	67,654	46,826	173,734	13	288,226
UK & Ireland	3,852	8,295	14,177	-	26,323
APAC	595	-	-	-	595
<b>Total</b>	<b>431,864</b>	<b>117,695</b>	<b>195,862</b>	<b>13</b>	<b>745,434</b>

Revenue from customers attributable to:

**2017**

(NOK 1000)	HR Outsourcing	Cloud Services	Consulting	Unallocated	Total
Northern Europe	351,367	60,105	5,250	-	416,722
CEE	32,557	27,185	94,438	-	154,179
UK & Ireland	-	4,772	1,664	-	6,436
APAC	-	-	-	-	-
<b>Total</b>	<b>383,924</b>	<b>92,062</b>	<b>101,352</b>	<b>-</b>	<b>577,338</b>

### Note 3 - Revenue From Contracts with Customers

The Group adopted IFRS 15 on January 1, 2018 using the full retrospective method. IFRS 15 did not significantly affect the Group's revenue recognition principles, other than the gross presentation of customer project assets and liabilities.

#### Disaggregated Revenue Information

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

Contract balances

(NOK 1000)	Note	31.12.2018	31.12.2017
Trade receivables	11	158,118	157,493
Customer project assets		97,272	95,284
Customer project liabilities		(64,284)	(73,487)
Prepayments from customers	17	18,021	17,977

Trade receivables are non-interest bearing and are on general terms of from 14 to 90 days credit. In 2018 TNOK 540 (2017 TNOK 419) was recognized as provision for expected credit losses on trade receivables.

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

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

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

Movements in customer project assets through the period:

(NOK 1000)	2018	2017
Opening balance 1 January	95,284	83,44
Cost capitalized	36,872	49,762
Amortization	(35,947)	(37,918)
Disposals & currency	1,062	-
<b>Customer projects assets</b>	<b>97,272</b>	<b>95,284</b>

Movements in customer project liabilities through the period:

(NOK 1000)	2018	2017
Opening balance 1 January	(73,487)	(60,328)
Revenue deferred	(24,296)	(42,042)
Revenue recognized	33,499	28,303
Disposals & currency	-	581
<b>Customer project liabilities</b>	<b>(64,284)</b>	<b>(73,487)</b>

#### Performance Obligations

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

##### Consulting

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

##### Outsourcing

HR Outsourcing normally consists of services delivered on a running basis where services are delivered on a regular basis. Typically, the deliverables for these contracts are payroll services where different variable elements are delivered. These may be salary calculation, payslip delivery, accounting reports, official statistics reporting, travel expense claims reimbursed, sick leave registration and reporting etc. All the deliverables are considered to be highly interrelated and therefore not capable to be distinct, i.e. one performance obligation. The performance obligation is satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Group. The Group recognizes revenue on the basis of the labor hours incurred.

##### Cloud

Cloud services delivered by the Group comprises of several deliverables (hosting, licenses etc.), all the deliverables are considered to be highly interdependent and are therefore deemed to be one performance obligation. The revenue from the cloud services are recognized over time, since the customer simultaneously receives and consumes the benefits provided by the Group.

##### Transaction price

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

## Note 4 - Personnel Expenses

(NOK 1000)	2018	2017
Salary	367,842	276,540
Bonus	19,198	8,692
Social security tax	54,679	41,286
Pension costs (see note 16)	19,905	19,619
Other expenses	19,796	13,426
Capitalized development expenses	(17,924)	(10,360)
Capitalized implementation costs customer projects	(36,872)	(40,269)
<b>Total personnel expenses</b>	<b>426,623</b>	<b>308,935</b>

Average number of employees	2018	2017
Administration, sales and management	118	87
Other employees	759	564
<b>Total</b>	<b>877</b>	<b>651</b>

Average number of FTEs	2018	2017
Administration, sales and management	113	83
Other employees	686	524
<b>Total</b>	<b>799</b>	<b>607</b>

See note 19 for transactions with related parties.

## Note 5 - Other Operating Expenses

(NOK 1000)	2018	2017
External services	55,105	44,039
IT services and telecom	41,759	32,317
Office premises	23,995	19,867
Travel and transport	31,500	17,913
Postage and freight	5,197	3,152
Marketing	8,036	6,376
Audit & Accounting	7,183	3,398
Other expenses	5,048	4,248
<b>Total other operating expenses</b>	<b>177,823</b>	<b>131,311</b>

(NOK 1000)	2018	2017
Auditor's fee		
Audit fee	2,652	2,721
Other attestation services	482	2,801
Fee for tax services	128	274
Other fees	-	10,058
<b>Total, excl VAT</b>	<b>3,262</b>	<b>15,854</b>

## Note 6 - Finance income and finance expenses

(NOK 1000)	2018	2017
Interest income on bank accounts and receivables	104	129
Currency gain	9,180	1,040
Other financial income	391	329
<b>Finance income</b>	<b>9,675</b>	<b>1,498</b>
Interest expense on financial liabilities measured at amortized cost	13,225	5,155
Currency loss	1,524	1,589
Unrealized foreign currency loss 1)	12,734	12,057
Other financial expenses	3,692	2,816
<b>Finance expenses</b>	<b>31,176</b>	<b>21,618</b>
<b>Net financial items</b>	<b>(21,501)</b>	<b>(20,120)</b>

1) 2017 figure 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. 2018 relates to the bond loan.

## Note 7 - Income Taxes

Income tax expense:

(NOK 1000)	2018	2017
Tax paid / payable	5,743	1,387
Changes in deferred taxes	(8,631)	1,275
<b>Tax expense</b>	<b>(2,888)</b>	<b>2,661</b>

Tax payable in balance sheet:

(NOK 1000)	2018	2017
Calculated tax payable	4,801	4,773
<b>Total income tax payable</b>	<b>4,801</b>	<b>4,773</b>

Income tax payable:

(NOK 1000)	2018	2017
Reconciliation of effective tax rate		
Ordinary profit before tax	(4,161)	(9,526)
Tax at Zalaris ASA's statutory tax rate of 23% (24% 2017)	(957)	(2,286)
Non tax deductible costs and other permanent differences	(704)	4,973
Effect of different tax rates and impact of changes in rates and legislation	(58)	(25)
Losses not recognized as deferred tax assets	80	0
Adjustments in respect of prior years and other adjustments	(1,249)	0
<b>Tax expense</b>	<b>(2,888)</b>	<b>2,661</b>
<b>Effective tax rate</b>	<b>69.4 %</b>	<b>(27.9 %)</b>

Specification of tax effects of temporary differences:

(NOK 1000)	2018	2017
Property, plant and equipment	78,454	99,440
Other differences	14,501	15,509
Tax losses carry forward	(32,576)	(7,146)
<b>Total temporary differences</b>	<b>60,379</b>	<b>107,803</b>
Total deferred tax assets	6,468	848
Total deferred tax	25,776	29,482
<b>Net recognized deferred tax/ deferred tax asset (-) 22 %</b>	<b>(19,308)</b>	<b>(28,633)</b>

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 Group has tax losses which have arisen in Norway, MNOK 28.8, Germany, MNOK 1.7 and Poland, MNOK 2.0 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 recognized.

As of 31 December 2018 the Group has deferred tax liabilities of MNOK 23.5 on excess values in connection with the acquisition of sumarum Group and ROC Group. For more information see note 22.

## Note 8 - 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 2018 and 2017 respectively. Shares issued during the periods are included in the calculations of weighted average number of shares from the date the shares issue was approved by the general meeting. Diluted equity instruments outstanding are related to employee share purchase program entered into in FY 2017.

(NOK 1000)	2018	2017
Net profit/(loss) attributable to ordinary equity holders of the parent	(1,273)	(12,187)
Weighted average number of shares	21,268,614	19,840,940
Weighted average diluted number of shares	21,175,664	19,747,990
<b>Basic earnings per share (NOK)</b>	<b>(0.06)</b>	<b>(0.61)</b>
<b>Diluted earnings per share (NOK)</b>	<b>(0.06)</b>	<b>(0.62)</b>

## Note 9 - Intangible Assets

(NOK 1000)	Licenses and software	Internally developed software	Internally developed software under construction	Customer relationships and contracts	Goodwill	Total
<b>Acquisition cost</b>						
<b>Accumulated 31 December 2016</b>	<b>36,877</b>	<b>59,547</b>	<b>9,589</b>	<b>-</b>	<b>-</b>	<b>106,012</b>
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
<b>Accumulated 31 December 2017</b>	<b>47,351</b>	<b>83,455</b>	<b>10,555</b>	<b>99,994</b>	<b>151,075</b>	<b>392,430</b>
<b>Amortization</b>						
<b>Accumulated 31 December 2016</b>	<b>30,265</b>	<b>36,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,958</b>
Accumulated depreciation at closing on additions through acquisitions	5,935	6,601	-	-	-	12,536
Disposals of amortization and currency effects	218	694	-	238	-	1,150
This year's ordinary amortization	1,993	8,008	-	4,962	-	14,963
<b>Accumulated 31 December 2017</b>	<b>38,411</b>	<b>51,997</b>	<b>-</b>	<b>5,200</b>	<b>-</b>	<b>95,608</b>
<b>Amortization</b>						
Accumulated depreciation at closing on additions through acquisitions	-	-	-	-	-	-
Disposals of amortization and currency effects	104	95	-	314	-	513
This year's ordinary amortization	3,073	10,715	-	9,787	-	23,575
<b>Accumulated 31 December 2018</b>	<b>41,588</b>	<b>62,806</b>	<b>-</b>	<b>15,302</b>	<b>-</b>	<b>119,696</b>
<b>Book value</b>						
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
<b>Book value at 31 December 2018</b>	<b>9,057</b>	<b>28,768</b>	<b>19,937</b>	<b>85,302</b>	<b>151,996</b>	<b>295,059</b>

1) For description of the acquisitions, see note 23.

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

Refer to notes 23 for further information regarding the acquisition of sumarum and ROC.

As of 31 December 2018, the market capitalization of the group was 5 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 2018 confirmed this.

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

The recoverable amount is based on a value-in-use calculation, using cash flow projections for the next 5 years. The projections are based on an existing business model without non-organic growth. The expected cash flow is based on company estimates for the period 2019 to 2023. 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				
		5.3%	6.3%	7.3%	8.3%	9.3%
Percentage change in EBIT	(20.0%)	1,312	920	663	481	346
	(10.0%)	1,551	1,107	816	610	457
	-	1,790	1,294	968	738	567
	10.0%	2,029	1,481	1,121	867	678
	20.0%	2,269	1,668	1,274	996	789

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

Note 10 - Property, Plant and Equipment

(NOK 1000)	Land	Buildings	Vehicles	Furniture and fixtures	IT equipment	Total
Accumulated 31 December 2016	-	-	-	11,975	4,999	16,973
Additions through acquisition 1)	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
<b>Accumulated 31 December 2017</b>	<b>3,694</b>	<b>23,726</b>	<b>475</b>	<b>20,088</b>	<b>8,400</b>	<b>56,383</b>
Accumulated 31 December 2017	3,694	23,726	475	20,088	8,400	56,383
Additions through acquisition 1)	-	-	-	357	(653)	(296)
Additions of the year	-	-	-	-	1,240	1,240
Disposals of the year	-	-	-	(319)	-	(319)
Currency effects	41	225	4	(565)	1,503	1,208
<b>Accumulated 31 December 2018</b>	<b>3,735</b>	<b>23,951</b>	<b>479</b>	<b>19,561</b>	<b>10,490</b>	<b>58,217</b>
<b>Depreciation</b>						
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
<b>Accumulated 31 December 2017</b>	<b>-</b>	<b>40</b>	<b>224</b>	<b>12,793</b>	<b>11,708</b>	<b>24,765</b>
Accumulated depreciation at closing on additions through acquisitions	-	-	-	-	-	-
Disposals of ordinary depreciation	-	-	-	-	-	-
Currency effects	-	15	6	(567)	23	(524)
This year's ordinary depreciation	-	464	121	1,835	1,214	3,635
<b>Accumulated 31 December 2018</b>	<b>-</b>	<b>519</b>	<b>351</b>	<b>14,062</b>	<b>12,945</b>	<b>27,876</b>
<b>Book value</b>						
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
<b>Accumulated 31 December 2018</b>	<b>3,735</b>	<b>23,432</b>	<b>129</b>	<b>6,159</b>	<b>1,737</b>	<b>35,192</b>

1) For description of the acquisitions, see note 23.

## Note 11 - Trade Accounts Receivable

(NOK 1000)	2018	2017
Gross trade accounts receivable	158,658	157,912
Provisions for losses	(540)	(419)
<b>Trade accounts receivable</b>	<b>158,118</b>	<b>157,493</b>

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:	2018	2017
Opening balance	(419)	(419)
Provision of the year	(387)	(190)
Realized loss this year	266	190
Reversal of previous provision	-	-
<b>Closing balance</b>	<b>(540)</b>	<b>(419)</b>

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 2018	158,118	111,126	24,351	4,749	5,644	12,249
31 December 2017	157,493	115,314	32,330	6,913	985	1,950

## Note 12 - Other Short-Term Receivables

(NOK 1000)	2018	2017
Advances to employees	201	445
Prepaid rent	814	688
Prepaid software	3,830	3,817
Prepaid insurance	1,495	620
Prepaid other expenses	188	1,949
Prepaid maintenance and service	258	2,293
Prepaid travel/entertainment cost	407	29
Accrued income	6,081	-
Public duties and taxes	10,188	-
Other receivables	2,190	6,450
<b>Total other short-term receivables</b>	<b>25,653</b>	<b>16,290</b>

## Note 13 - Cash and Cash Equivalents and Short-Term Deposits

## Cash and Cash Equivalents

(NOK 1000)	2018	2017
Cash in hand and at bank - unrestricted funds	89,419	13,297
Deposit accounts - guarantee rent obligations - restricted funds	13,289	19,834
Employee withheld taxes - restricted funds	5,136	4,525
<b>Cash and cash equivalents in the balance sheet</b>	<b>107,844</b>	<b>37,656</b>

The group has unused credit facilities of NOK 7 million as at 31.12.2018 (NOK 24 million 31.12.2017). 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 recognized in the Group's balance sheets. The table below provides information about amounts on these deposit accounts.

(NOK 1000)	2018	2017
Customer deposits	6,924	6,248
Short-term deposits	-	-

## Note 14 - Share Capital, Shareholder Information and Dividend

(NOK 1000)	2018	2017
Shares - nominal value NOK 0,10	20,122,979	20,122,979
Total number of shares	20,122,979	20,122,979

The nominal value of the share is NOK 0,10.  
All the shares in the company have equal voting rights and are entitled to dividend.  
The computation of earnings per share is shown in note 8.

The major shareholders at 31.12.2018 are:

Shareholder	Number of shares:	% of total	Equal Voting
NORWEGIAN RETAIL AS	3,091,482	15.36%	15.36%
DIDNER AND GERGE SMALL AND MICROCA	1,800,000	8.94%	8.94%
Morgan Stanley & Co. International	1,236,557	6.14%	6.14%
HANDELSBANK NORDISKA SMABOLAGSFOND	1,189,499	5.91%	5.91%
STRAWBERRY CAPITAL AS	1,039,887	5.17%	5.17%
ATHANASE	957,758	4.76%	4.76%
Commerzbank Aktiengesellschaft	768,027	3.82%	3.82%
VPF NORDEA KAPITAL	749,508	3.72%	3.72%
Tredje AP-Fonden	745,361	3.70%	3.70%
ATHANASE INDUSTRIAL PARTNERS II AB	685,051	3.40%	3.40%
Danske Bank A/S	572,230	2.84%	2.84%
VPF NORDEA AVKASTNING	505,705	2.51%	2.51%
State Street Bank and Trust Comp	405,355	2.01%	2.01%
NORDEA 1 SICAV	368,603	1.83%	1.83%
VERDIPAPIRFONDET NORDEA NORGE PLUS	342,496	1.70%	1.70%
NHO - P667AK	309,259	1.54%	1.54%
UBS Switzerland AG	295,139	1.47%	1.47%
Taconic AS	285,212	1.42%	1.42%
Avanza Bank AB	271,198	1.35%	1.35%
State Street Bank and Trust Comp	252,598	1.26%	1.26%
<b>Total number owned by top 20</b>	<b>15,870,925</b>	<b>78.87%</b>	<b>78.87%</b>
<b>Shares owned by the company</b>	<b>92,950</b>	<b>0.46%</b>	<b>0.46%</b>
<b>Others</b>	<b>4,159,104</b>	<b>20.67%</b>	<b>20.67%</b>
<b>Total</b>	<b>20,122,979</b>	<b>100.00%</b>	<b>100.00%</b>

Shares held by related parties are disclosed in note 19.

## Dividend

Dividend paid to the shareholders of the parent company in 2018 amounted to 13.1 MNOK or NOK 0.65 dividend per share. In 2017 a dividend amounting to NOK 16.6 million or 0.87 dividend per share, was paid to the shareholders of the parent company.

The board proposes that no dividend is paid for FY 2018.

## Note 15 - Interest-Bearing Loans and Borrowings

## Bank Overdraft

(NOK 1000)	2018	2017
Bank overdraft	-	25,135
<b>Cash and cash equivalents in the balance sheet</b>	<b>-</b>	<b>25,135</b>

## (NOK 1000)

Financial institution	Agreement	Maturity	Duration	Interest rate	2018			2017		
					Non-current	Current	Total	Non-current	Current	Total
SG Finans	Financial leasing	Mar 2019	5 years	9.0%	-	39	39	43	145	188
SG Finans	Financial leasing	Dec 2019	5 years	6.0%	-	500	500	506	466	972
SG Finans	Financial leasing	Dec 2022	5 years	7.2%	866	252	1,118	-	-	-
SG Finans	Financial leasing	Aug 2023	5 years	4.0%	621	154	775	-	-	-
SG Finans	Financial leasing	Apr 2020	5 years	5.5%	41	120	161	163	112	275
Nordea Bank AB, Branch Norway*	Bank loan	May 2022	5 years	see below	-	-	-	204,424	31,740	236,164
Oslo Stock Exchange**	Bond loan	Sep 2023	5 years	see below	340,282	-	340,282	-	-	-
Deutsche Bank, Germany	Bank loan	Sep 2018	6 years	3.5%	-	-	-	-	216	216
Sparkasse Südholstein, Germany	Bank loan	Mar 2019	5 years	2.3%	-	132	132	134	522	656
KfW Bank, Germany	Bank loan	Dec 2019	5 years	2.3%	-	12,436	12,436	-	7,431	7,431
Commerzbank, Bank***	Bank loan	Dec 2031	14 years	1.3%	13,936	1,161	15,097	14,955	1,150	16,105
<b>Interest-bearing debt and borrowings</b>					<b>355,746</b>	<b>14,795</b>	<b>370,541</b>	<b>220,225</b>	<b>41,782</b>	<b>262,007</b>

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

The 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, was replaced by a bond loan in September 2018.

## \*\*Bond Loan, Oslo Stock Exchange

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

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

Interest rate to be paid is 3 month Euribor +4.5 % interest rate.

The Company has activated cost of 2% of bond loan with NOK 6.6 million and has as of 31.12 a book value of NOK 7.4 million.

The Company has continued the swap arrangement entered in 2017 to hedge its interest exposures arising from this debt obligation.

## \*\*\*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**

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

Shareholder loan (NOK 1000)

Shareholder loan	Agreement	Maturity	Duration	Interest rate	2018	2017
MBG	Shareholder loan	Dec 2023	10 years	6.5%	2,484	2,460
MBG	Shareholder loan	Dec 2023	10 years	7.0%	1,490	1,476
MBG	Shareholder loan	Aug 2026	10 years	5.5%	1,391	1,378
MBG	Shareholder loan	Dec 2020	10 years	5.0%	2,484	2,460
<b>Total</b>					<b>7,849</b>	<b>7,775</b>

**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 28.7 million.

Under section 479A of the UK Companies Act 2006 the two Zalaris UK entities, Zalaris UK Ltd (registration no 08240911) and Zalaris Consulting UK Ltd (registration no 3538201), have availed exemption for audit of their statutory financial statements pursuant to guarantees issued by Zalaris to indemnify the subsidiaries of any losses towards third parties that may arise in the financial year ended 31 December 2018 in these subsidiaries. Zalaris can make an annual election to support such guarantees for each financial year.

**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 160 participants in this defined contribution plan, including the AFP scheme.

The pension expenses equals the calculated contribution for the year and is NOK 5.4 million (2017 NOK 5.2 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 recognized as expenses with no provisions.

The premium paid during 2018 was 3.5 % of salary between 1 G and 7.1 G. 1G equals NOK 0.1 million as of 31.12.2018.

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 in Group companies outside Norway have pension plans in accordance with local practice and local legislation. 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.

Denmark has defined contribution plans 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 35 employees. Sweden has a defined contribution plan or all employees, a total of 57 employees at end of the year. UK has a defined contribution plan for all employees, a total of 30 employees at the end of the year. Germany has defined contribution plans for executive employees.

Total expenses recognized related to pension in 2018 amounts to NOK 19,9 million (2017 NOK 19,6 million).

**Note 17 - Other Short-Term Debt**

(NOK 1000)	2018	2017
Prepayments from customers*	18,021	17,977
Wages, holiday pay and bonus	25,667	25,228
Accrued expenses and other current liabilities	38,006	39,568
<b>Total</b>	<b>81,695</b>	<b>82,773</b>

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

## Note 18 - Financial Instruments

### Financial Instruments by Category

2018 (NOK 1000)	Loans and receivables	Fair value through profit or loss	Liabilities at amortized cost	Total book value
<b>Financial assets</b>				
Trade accounts receivable	158,118	-	-	158,118
Other short-term receivables	25,653	-	-	25,653
Cash and cash equivalents	107,844	-	-	107,844
<b>Total</b>	<b>291,615</b>	<b>-</b>	<b>-</b>	<b>291,615</b>
<b>Financial liabilities</b>				
Derivatives, Interest rate swaps	-	882	-	882
Borrowings, long-term	-	-	355,746	355,746
Trade accounts payables	-	-	24,358	24,358
Other short-term debt	-	-	81,695	81,695
<b>Total</b>	<b>-</b>	<b>882</b>	<b>461,799</b>	<b>462,680</b>

2017 (NOK 1000)	Loans and receivables	Fair value through profit or loss	Liabilities at amortized cost	Total book value
<b>Financial assets</b>				
Trade accounts receivable	157,493	-	-	157,493
Other short-term receivables	16,290	-	-	16,290
Cash and cash equivalents	37,657	-	-	37,657
<b>Total</b>	<b>211,440</b>	<b>-</b>	<b>-</b>	<b>211,440</b>
<b>Financial liabilities</b>				
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
<b>Total</b>	<b>-</b>	<b>255</b>	<b>327,209</b>	<b>327,464</b>

### IFRS 9 Implementation

The implementation of IFRS 9 has not had any effect on the presentation or measurement of the Group's financial instruments. The Group's only derivative contract was as of 31.12.2017 and will as of 31.12.2018 be classified and measured at fair value through profit and loss. Respectively all other financial instruments will continue to be measured at amortized cost.

### Fair Value of Financial Instruments

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

The fair value of the interest rate swap is determined by discounting expected future cash flows to present value through the use of observed market interest rates from Nordea. The fair value measurement for interest swap at period-end 2018 using Level 2 is NOK 882 thousand.

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

## Financial Risk Management

### Overview

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

### Market Risk from Financial Instruments

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

### Interest Rate Risk

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

### 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 2018 the Company has a Euro-based bond loan related EUR 35 million. Per 31 December the Company had an unrealized currency loss amounting to NOK 12.7 million related to this loan. Otherwise the Group has limited exposure to currency risk from assets and liabilities recognized as of 31 December 2018 that are denominated in currencies other than the functional currency of the Group entities.

As of 31 December 2018 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 2.3 million.

### Credit Risk

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

### Trade Receivables and Contract Assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored. The Group has a customer portfolio of well-known companies and has had low credit losses (Note 12).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters

of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

**Liquidity Risk**

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have 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 2018**

(NOK 1000)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Borrowings, long-term	-	-	355,746	355,746
Borrowings, short-term	3,721	11,096	-	14,817
Trade creditors and other short-term liabilities	24,358	73,247	8,447	106,053
<b>Total liabilities</b>	<b>28,079</b>	<b>84,344</b>	<b>364,193</b>	<b>476,616</b>

**Per 31 December 2017**

( NOK 1000)	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	-	41,783
Trade creditors and other short-term liabilities	24,211	71,192	11,581	106,984
<b>Total liabilities</b>	<b>24,390</b>	<b>112,795</b>	<b>231,806</b>	<b>368,991</b>

**Note 19 - Transactions with Related Parties**

**a) Purchase from Related Parties**

Related party	Transaction	2018	2017
Rayon Design AS 1)	Management Services	1,677	902
<b>Total</b>		<b>1,677</b>	<b>902</b>

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

**b) Remuneration to Management and Board of Directors:**

**2018 (NOK 1000)**

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

Board of Directors	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the Board	400	400
Liselotte Hægertz Engstam	Board Member	200	200
Jan Koivurinta	Board Member	200	200
Tina Steinsvik Sund	Board Member Jan-May	83	83
Karl Christian Agerup	Board Member Jan-May	83	83
Jon Erik Haug	Board Member Jun-Dec	117	117
Adele Norman Pran	Board Member Jun-Dec	117	117
<b>Total</b>		<b>1,200</b>	<b>1,200</b>

**2017 (NOK 1000)**

Management	Title	Salary	Pensions	Other benefits	Total
Hans-Petter Mellerud	CEO	2,282	70	36	2,388
Nina Stemshaug	CFO	1,606	70	9	1,685
Halvor Leirvåg	CTO	1,460	70	8	1,538
Richard Schiørn	VP Strategic	1,522	70	6	1,598
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 Goetsch	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	-	1,700
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
<b>Total</b>		<b>17,802</b>	<b>935</b>	<b>235</b>	<b>18,972</b>

Board of Directors	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the Board	340	340
Liselotte Hægertz 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
<b>Total</b>		<b>1,020</b>	<b>1,020</b>

c) Shares Held by Related Parties as at 31 December 2018

Name	Role	No. of shares
Norwegian Retail AS	CEO (Hans-Petter Møllerud)	3,091,482
Harald Goetsch	Executive VP Central Europe	506,292
Jan M Koivurinta	Board member	295,139
William Jackson	Executive VP UK and Ireland	4,000
Lars Laier Henriksen	Chairman of the board	71,112
Hilde Karlsmyr	CHRO	4,000
Halvor Leirvåg	CTO	6,410
Øyvind Reiten	Executive VP Northern Europe	8,464
Nina Stemshaug	CFO	2,375
Nemos AS	VP PMO and Transformation (Jan Erik Nessmo)	1,600
Richard Schiørn	VP Strategic Projects	6,047
<b>Total</b>		<b>3,996,921</b>

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)	2018	2017
Ordinary lease payments	4,841	8,728
Future payments related to non-cancellable leases fall due for payment as follows:		
Within 1 year	7,455	6,769
1 to 5 years	14,284	8,157
<b>Future lease commitment</b>	<b>21,739</b>	<b>14,927</b>

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.

Financial Leases

The company has utilized financial leases for software purchase. See note 15 for further description.

City	End of period	Annual lease	2018	2017
Denmark - Copenhagen	6 months' Notice	911	455	885
England - Hersham	Aug. 2018	377	252	126
England - London	6 months' Notice	133	66	44
Estonia - Tallinn	2021	236	236	147
Germany - Dresden	Apr. 2018	106	71	35
Germany - Heidelberg	Jun. 2018	626	365	209
Germany - Taufkirchen	Jul. 2018	500	250	167
Germany - Amtzell	2019	402	402	251
Germany - Bad Vilbel PW	1 month's Notice	171	171	107
Germany - Coburg	2019	234	234	146
Germany - Düsseldorf PW	2018	104	104	65
Germany - Düsseldorf PW	1 month's Notice	89	89	55
Germany - Düsseldorf PW	1 month's Notice	92	92	57
Germany - Frankfurt	2021	1,372	1,372	858
Germany - Henstedt-Ulzburg	2021	994	994	621
Germany - Köln	2019	207	207	129
Germany - Leipzig	Oct. 2017	604	-	252
Germany - Wehretal PW	1 month's Notice	30	30	10
Finland - Helsinki	2021	1,273	1,273	1,101
India - Chennai	2018	1,018	1,018	1,018
Ireland - Dublin	2019	96	96	-
Latvia - Riga	Oct. 2018	1,104	920	1,064
Lithuania - Vilnius	Nov 2021	295	295	246
Norway - Ålesund	Jan. 2018	204	204	201
Norway - Karmøy	6 months' Notice	42	42	42
Norway - Lødingen	3 months' Notice	1,317	1,317	1,302
Norway - Notodden	2018	319	319	315
Norway - Oslo	2021	1,715	1,715	1,666
Norway - Sandnes	2018	917	917	917
Poland - Gdynia	2018	47	47	16
Poland - Kraków	2018	59	59	20
Poland - Warszawa	2021	415	415	401
Poland - Warszawa 2	3 months' Notice	74	74	25
Poland - Wrocław	2018	31	31	10
Sweden - Avesta	Dec. 2018	108	108	-
Sweden - Karlskrona	Dec. 2019	229	229	212
Sweden - Sundbyberg	Dec. 2022	1,710	1,710	1,695
Sweden - Västerås	Dec. 2018	107	107	93
		<b>18,266</b>	<b>16,285</b>	<b>14,509</b>

## 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 SpZ.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%
Zalaris Deutschland AG	14	Germany		100%	100%
Zalaris Academy GmbH	15	Germany		100%	100%
LBU Personal Complete GmbH	16	Germany		100%	100%
Zalaris Switzerland AG	17	Switzerland		100%	100%
Zalaris UK Ltd	18	UK		100%	100%
Zalaris Consulting Ltd	19	UK		100%	100%
Zalaris Consulting GmbH	20	Germany		100%	100%
Zalaris Consulting Poland 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 Zalaris Deutschland AG			
Consolidated from 18.05.2017	16	Held by Zalaris Deutschland AG			
Consolidated from 18.05.2017	17	Held by Zalaris Deutschland AG			
Consolidated from 26.09.2017	18				
Consolidated from 26.09.2017	19	Held by Zalaris Consulting Ltd			
Consolidated from 26.09.2017	20	Held by Zalaris Consulting Ltd			
Consolidated from 26.09.2017	21	Held by Zalaris Consulting Ltd			
Consolidated from 01.02.2018	22				

## Note 22 - 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 146,919 shares were granted end of December 2018.

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 recognized for the ESPP are shown in the following table:

(NOK 1000)	2018	2017
Restricted Share Units Costs	947	990
Accrued social security costs	302	307
Total recognized costs for the ESPP	1,249	1,296

Unamortized fair value per end of:

(NOK 1000)	2018	2017
RSU plan granted	2,465	4,314

See Executive Remuneration Policy for detailed information.

## Note 23 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 SAP SuccessFactors consulting services for entities in Germany, Austria and Switzerland. At date of acquisition, the company had 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 2017 sumarum Group had 183 employees.

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

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

\* The acquired goodwill is not tax deductible and mainly relates to human relations.

#### 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 specializes in SAP and SAP SuccessFactors HCM-related services. SAP SuccessFactors is SAP's strategic HR solution in the cloud, covering the entire value chain of HR tasks from recruiting to exit. ROC Group had at acquisition 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 2017, ROC Group had 120 employees.

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
<b>Excess value to be allocated</b>		<b>57,092</b>
<b>Intangible assets:</b>		
Customer relationships		26,626
Deferred tax		(6,657)
<b>Total allocated to identifiable intangible assets:</b>		<b>19,970</b>
<b>Goodwill</b>		<b>37,122</b>

\* The acquired goodwill is not tax deductible and mainly relates to human relations.

#### Transaction Cost

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 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 2018 Zalaris ASA

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

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

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

### Income Statement: 1 January - 31 December

(NOK 1000)	Notes	2018	2017
Revenue		25	572
Other revenue		116,354	100,831
<b>Total Revenue</b>		<b>116,379</b>	<b>101,403</b>
<b>Operating expenses</b>			
License costs		38,235	30,064
Personnel expenses	3	20,613	22,888
Other operating expenses	4	101,290	75,560
Amortization intangible assets	5	11,707	8,799
Depreciations and impairments	6	376	371
Other costs		-	0
<b>Total operating costs</b>		<b>172,221</b>	<b>137,682</b>
<b>Operating profit</b>		<b>(55,842)</b>	<b>(36,279)</b>
<b>Financial items</b>			
Financial income	15	59,572	30,169
Financial expenses	15	(14,556)	(5,365)
Unrealized foreign currency loss	14, 15, 16	(12,734)	(12,057)
<b>Net financial items</b>		<b>32,282</b>	<b>12,746</b>
<b>Ordinary profit before tax</b>		<b>(23,560)</b>	<b>(23,533)</b>
<b>Income tax expense</b>			
Tax expense on ordinary profit	7	(5,223)	511
<b>Total tax expense</b>		<b>(5,223)</b>	<b>511</b>
<b>Profit for the year</b>		<b>(18,337)</b>	<b>(24,043)</b>
<b>Attributable to:</b>			
Proposed dividend		0	(12,965)
Share premium		0	12,965
Other Equity		(18,337)	(24,043)
			(48,087)

Balance Sheet as of 31 December

(NOK 1000)	Notes	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Deferred tax asset	7	4,203	-
Other intangible assets	5	49,815	42,861
<b>Total intangible assets</b>		<b>54,018</b>	<b>42,861</b>
<b>Fixed assets</b>			
Property, plant and equipment	6	529	627
<b>Total fixed assets</b>		<b>529</b>	<b>627</b>
<b>Financial non-current assets</b>			
Shares in subsidiaries	8	341,125	338,283
<b>Total financial non-current assets</b>		<b>341,125</b>	<b>338,283</b>
<b>Total non-current assets</b>		<b>395,672</b>	<b>381,771</b>
<b>Current assets</b>			
Trade accounts receivable		-	45
Prepayments		3,772	4,510
Other short-term receivables	9	924	869
Other short-term receivables to group company	9	73,102	14,400
Cash and cash equivalents	10	78,382	26,904
<b>Total current assets</b>		<b>156,181</b>	<b>46,728</b>
<b>TOTAL ASSETS</b>		<b>551,853</b>	<b>428,498</b>

Balance Sheet as of 31 December

(NOK 1000)	Notes	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid-in capital</b>			
Share capital		2,012	2,012
Own shares - nominal value		(6)	(6)
Other paid in equity		1,737	905
Share premium		45,138	45,253
<b>Total paid-in capital</b>		<b>48,881</b>	<b>48,164</b>
Other equity		43,685	6,532
<b>Total earned equity</b>		<b>43,685</b>	<b>6,532</b>
<b>Total equity</b>		<b>92,566</b>	<b>54,696</b>
		<b>16.8 %</b>	<b>12.8 %</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	16	341,810	205,136
Deferred tax	7	-	1,019
Employee defined benefit liabilities		-	-
<b>Total long-term debt</b>		<b>341,810</b>	<b>206,155</b>
<b>Current liabilities</b>			
Trade accounts payable		10,613	8,040
Interest-bearing loans	16	69,313	118,510
Short-term debt to group company		13,649	3,056
Derivatives	14	882	255
Income tax payable	7	-	-
Public duties payable		1,163	415
Other short-term debt	17	21,856	37,371
<b>Total short-term debt</b>		<b>117,476</b>	<b>167,647</b>
<b>Total liabilities</b>		<b>459,286</b>	<b>373,803</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>551,853</b>	<b>428,498</b>

Lars Laier Henriksen  
Chairman of the Board

Liselotte Hægert Engstam  
Board Member

Adele Norman Pran  
Board Member

Jan Mikael Koivurinta  
Board Member

Jon Erik Haug  
Board Member

Hans-Petter Mellerud  
Chief Executive Officer

Oslo, 26 April 2019



## Statement of Cash Flows: 1 January - 31 December

(NOK 1000)	Notes	2018	2017
<b>Cash flows from operating activities</b>			
Ordinary profit before tax		(23,560)	(23,533)
Income taxes paid		-	(2,025)
Finance income		(59,572)	(30,169)
Financial costs		25,782	16,409
Amortization and depreciation		12,083	9,170
Changes in trade accounts receivable and payables		2,617	1,337
Changes in other accruals		(61,506)	50,754
Interest received		21	-
Interest paid		(10,669)	(3,545)
<b>Net cash flows from operating activities</b>		<b>(114,805)</b>	<b>18,398</b>
<b>Cash flows from investing activities</b>			
Purchases of Intangible assets and property, plant and equipment		(18,938)	(17,100)
Purchase and investment in subsidiary	8	(2,843)	(296,279)
<b>Net cash flows from investing activities</b>		<b>(21,781)</b>	<b>(313,379)</b>
<b>Cash flows from financing activities</b>			
Group contribution and dividends from daughters		50,296	29,860
Issuance of new shares		(115)	37,827
Stock purchase program		832	811
Net new debt		136,675	203,700
Revolving credit		(49,197)	68,732
Proposed dividend payment		-	(12,965)
<b>Net cash flows from financing activities</b>		<b>138,491</b>	<b>327,965</b>
<b>Net changes in cash and cash equivalents</b>		<b>1,906</b>	<b>32,984</b>
<b>Net foreign exchange difference</b>		<b>(5,858)</b>	<b>(12,555)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>26,904</b>	<b>6,475</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>22,952</b>	<b>26,904</b>

(NOK 1000)	Share capital	Own shares	Share premium	Other paid in equity	Total paid in capital	Other equity	Total equity
<b>Equity at 01.01.2017</b>	<b>1,912</b>	<b>(6)</b>	<b>20,491</b>	<b>94</b>	<b>22,491</b>	<b>33,986</b>	<b>56,477</b>
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 program	-	-	-	811	811	-	811
Other changes in equity	-	-	-	-	-	(3,411)	(3,411)
<b>Equity at 31.12.2017</b>	<b>2,012</b>	<b>(6)</b>	<b>45,253</b>	<b>905</b>	<b>48,164</b>	<b>6,532</b>	<b>54,696</b>
<b>Equity at 01.01.2018</b>	<b>2,012</b>	<b>(6)</b>	<b>45,253</b>	<b>905</b>	<b>48,164</b>	<b>61,962*</b>	<b>110,126</b>
Income for the year	-	-	-	-	-	(18,337)	(18,337)
Proposed Dividend	-	-	-	-	-	-	-
Stock purchase program	-	-	-	832	832	-	832
Other changes in equity	-	-	(115)	-	(115)	61	(54)
<b>Equity at 31.12.2018</b>	<b>2,012</b>	<b>(6)</b>	<b>45,138</b>	<b>1,737</b>	<b>48,881</b>	<b>43,685</b>	<b>92,566</b>

\* Group contribution of NOK 55,4 million

## 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 2018 were approved in a board meeting on 26 April 2019.

## 1.1 The Basis for the Preparation of the Financial Statements

The financial statements of Zalaris ASA for the accounting year 2018 have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway ("NGAAP").

## 1.2 Accounting Principles

## Foreign Currency

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

## Revenue Recognition

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

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

## Income Tax

Income tax expense for the period comprises current tax expense and deferred tax expense.

Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity.

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

## Intangible Assets: Internally Developed Software

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

## Fixed Assets

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

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

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

**Leases (as Lessee)**

**Financial Leases**

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

**Operating Leases**

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

**Shares in Subsidiaries**

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

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

**Trade and Other Financial Receivables**

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

**Cash and Cash Equivalents**

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

**Borrowings**

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

**Pension Plans**

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

**Cost of Equity Transactions**

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

**Events After the Balance Sheet Date**

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

**Use of Estimates**

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with Generally Accepted Accounting Principles in Norway.

**Cash Flow Statement**

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

**Note 2 - Segment Information**

The company has two operating segments, which are 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.

<b>2018</b>				
<b>(NOK 1000)</b>	<b>Cloud</b>	<b>Group Services</b>	<b>Non-allocated</b>	<b>Total</b>
Other operating income, external	25	116,354	-	116,379
Other operating expenses	(25)	(104,271)	(55,842)	(160,138)
Depreciation and amortization	-	(12,083)	-	(12,083)
<b>Operating profit/(loss)</b>	<b>-</b>	<b>-</b>	<b>(55,842)</b>	<b>(55,842)</b>
Net financial income/(expenses)	-	-	32,282	32,282
Income tax	-	-	5,223	5,223
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>(18,337)</b>	<b>(18,337)</b>
Cash flow from investing activities	-	-	(21,781)	(21,781)
<b>2017</b>				
<b>(NOK 1000)</b>	<b>Cloud</b>	<b>Group Services</b>	<b>Non-allocated</b>	<b>Total</b>
Other operating income, external	572	100,831	-	101,403
Other operating expenses	(153)	(91,661)	(36,698)	(128,512)
Depreciation and amortization	-	(9,170)	-	(9,170)
<b>Operating profit/(loss)</b>	<b>419</b>	<b>-</b>	<b>(36,698)</b>	<b>(36,279)</b>
Net financial income/(expenses)	-	-	12,746	12,746
Income tax	-	-	(511)	(511)
<b>Profit for the period</b>	<b>419</b>	<b>-</b>	<b>(24,462)</b>	<b>(24,043)</b>
Cash flow from investing activities	-	-	(313,379)	(313,379)

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

(NOK 1000)	as % of total	2018	as % of total	2017
Norway	44%	51,313	44%	44,643
Sweden	20%	22,700	22%	22,657
Denmark	13%	14,957	13%	12,687
Finland	10%	11,986	12%	12,583
Other	13%	15,423	9%	8,834
<b>Total</b>	<b>100%</b>	<b>116,379</b>	<b>100%</b>	<b>101,403</b>

### Note 3 - Personnel expenses

(NOK 1000)	2018	2017
Salary	23,323	22,896
Social security tax	3,948	3,880
Pension costs (see note 12)	1,400	1,431
Capitalized development expenses	(14,686)	(10,071)
Other expenses	6,629	4,752
<b>Total personnel costs</b>	<b>20,613</b>	<b>22,888</b>

	2018	2017
Average number of employees	22	21
Average number of FTE	21	20

See note 13 for transactions with related parties.

### Note 4 - Other Operating Expenses

(NOK 1000)	2018	2017
External services	63,683	42,597
IT services and telecom	28,792	24,038
Office premises	2,081	2,007
Travel and transport	1,644	1,267
Postage and freight	92	29
Other expenses	4,998	5,623
<b>Total other operating expenses</b>	<b>101,290</b>	<b>75,560</b>

#### Auditors fee

(NOK 1000)	2018	2017
Auditor fee	2,038	1,980
Other attestation services	126	1,361
Fee for tax services	74	74
Other fees	-	9,760
<b>Total, excl VAT</b>	<b>2,238</b>	<b>13,175</b>

### Note 5 - Other Intangible Assets

(NOK 1000)	Licenses and software	Internally developed software	Internally developed software under construction	Total
<b>Acquisition cost</b>				
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)	-
<b>Accumulated 31 December 2017</b>	<b>31,824</b>	<b>69,439</b>	<b>10,022</b>	<b>111,284</b>
Accumulated 1 January 2018	31,824	69,439	10,022	111,284
Additions of the year	3,094	-	15,567	18,661
Disposals and currency effects	-	-	-	-
Internal AUC reclassified	-	7,905	(7,905)	-
<b>Accumulated 31 December 2018</b>	<b>34,918</b>	<b>77,343</b>	<b>17,684</b>	<b>129,945</b>
<b>Depreciation</b>				
Accumulated 1 January 2017	25,693	33,931	-	59,624
This year's ordinary amortization	1,530	7,268	-	8,798
Disposals of amortization and currency effects	-	-	-	-
<b>Accumulated 31 December 2017</b>	<b>27,223</b>	<b>41,200</b>	<b>-</b>	<b>68,423</b>
Accumulated 1 January 2018	27,223	41,200	-	68,423
This year's ordinary amortization	2,000	9,707	-	11,707
Disposals of amortization and currency effects	-	-	-	-
<b>Accumulated 31 December 2018</b>	<b>29,223</b>	<b>50,907</b>	<b>-</b>	<b>80,130</b>
<b>Book value at 31 December 2017</b>	<b>4,601</b>	<b>28,239</b>	<b>10,022</b>	<b>42,861</b>
<b>Book value at 31 December 2018</b>	<b>5,695</b>	<b>26,436</b>	<b>17,684</b>	<b>49,815</b>
Useful life	5-10 years	5 years	N/A	
Depreciation method	linear	linear		

## Note 6 - Property, Plant and Equipment

(NOK 1000)	Furniture and fixtures	IT equipment	Total
<b>Acquisition cost</b>			
Accumulated 1 January 2017	2,872	973	3,845
Additions of the year	41	216	257
Disposals of the year	-	-	-
<b>Accumulated 31 December 2017</b>	<b>2,913</b>	<b>1,189</b>	<b>4,102</b>
Accumulated 1 January 2018	2,913	1,189	4,102
Additions of the year	88	189	277
Disposals of the year	-	-	-
<b>Accumulated 31 December 2018</b>	<b>3,001</b>	<b>1,378</b>	<b>4,379</b>
<b>Depreciations</b>			
Accumulated 1 January 2017	2,574	531	3,105
This year's ordinary depreciation	125	246	371
Disposals of the year	-	-	-
<b>Accumulated 31 December 2017</b>	<b>2,699</b>	<b>777</b>	<b>3,476</b>
Accumulated 1 January 2018	2,699	777	3,476
This year's ordinary depreciation	92	283	376
Disposals of the year	-	-	-
<b>Accumulated 31 December 2018</b>	<b>2,791</b>	<b>1,060</b>	<b>3,852</b>
<b>Book value at 31 December 2017</b>	<b>213</b>	<b>413</b>	<b>627</b>
<b>Book value at 31 December 2018</b>	<b>209</b>	<b>320</b>	<b>529</b>
Useful life	5 years	3-6 years	
Depreciation method	linear	linear	

## Note 7 - Income Taxes

## Income tax expense:

(NOK 1000)	2018	2017
Tax paid & payable	-	-
Changes in deferred taxes	(5,223)	511
<b>Tax expense/income</b>	<b>(5,223)</b>	<b>511</b>

## Tax payable in balance sheet:

(NOK 1000)	2018	2017
Ordinary profit before tax	(73,857)	(23,533)
Permanent differences	667	(29,586)
Change in temporary differences	(5,186)	(3,056)
Group contribution	50,296	55,430
Tax losses carry forward		
<b>Basis for tax payable</b>	<b>(28,079)</b>	<b>(744)</b>
<b>Tax payable</b>	<b>(6,458)</b>	<b>(179)</b>

## Reconciliation of effective tax rate:

(NOK 1000)	2018	2017
Ordinary profit before tax*	(73,857)	(23,533)
Calculated tax	(16,987)	(5,648)
Other permanent differences	5	(7,101)
Group contribution	11,568	13,303
Effect change in tax rate	191	(44)
<b>Tax expense</b>	<b>(5,223)</b>	<b>511</b>
<b>Effective tax rate</b>	<b>7%</b>	<b>(2%)</b>

## Specification of tax effects of temporary differences:

(NOK 1000)	2018	2017
Property, plant and equipment	2,281	3,402
IFRS amortization loan	7,436	1,774
Other differences		
Tax losses carry forward	(28,823)	(744)
<b>Total temporary differences</b>	<b>(19,106)</b>	<b>4,432</b>
Total deferred tax assets	(6,341)	(171)
Total deferred tax	2,138	1,191
<b>Net deferred tax</b>	<b>(4,203)</b>	<b>1,019</b>

Deferred tax 2017 - 22% in 2018  
 Deferred tax 2018 - 22% in 2019

\* Exclusive group contribution from subsidiaries

## Note 8 - Overview of Subsidiaries

Company	Consolidated	Location	Ownership
Zalaris HR Services Danmark A/S	15/07/00	Copenhagen	100%
Zalaris HR Services Sverige AB	19/04/01	Stockholm	100%
Zalaris HR Services Finland OY	26/09/03	Helsinki	100%
Zalaris 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%
Zalaris HR Services Ireland Ltd	01/02/18	Dublin	100%
Zalaris Deutschland AG	18/05/17	Henstedt-Ulzburg	100%
Zalaris UK Ltd	26/09/17	London	100%
<b>Indirect owned subsidiaries</b>			
Zalaris Consulting AB	19/04/01	Stockholm	100%
Zalaris Consulting AS	01/08/02	Oslo	100%
Zalaris Consulting Danmark A/S	20/12/07	København	100%
Zalaris Academy GmbH	18/05/17	Frankfurt	100%
LBU Personal Complete GmbH	18/05/17	Amtzell	100%
Zalaris Switzerland AG	18/05/17	Zürich	100%
Zalaris Consulting UK Ltd	26/09/17	London	100%
Zalaris Deutschland GmbH	26/09/17	Taufkirchen	100%
Zalaris Consulting Poland Sp Z.o.o	26/09/17	Gdynia	100%

Company (NOK 1000)	Other	Equity*	Share capital in local currency	Local currency	Number of shares	Nominal value per share	Carrying value
Zalaris HR Services Danmark A/S			500.0	DKK	5,000	100.0	5,484
Zalaris HR Services Sverige AB			100.0	SEK	1,000	100.0	9,716
Zalaris HR Services Finland OY			8.0	EUR	1,000	8.0	67
Zalaris HR Services Finland OY	2,450			EUR			21,393
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	3,617
Zalaris HR Services India			40,000.0	INR	4,000,000	10.0	5,058
Zalaris HR Services Ireland Ltd			0.1	EUR	100	1.0	1
Zalaris Deutschland AG			54.6	EUR	54,552	1.0	197,893
Zalaris UK Ltd			376.5	GBP	372,193	1.0	97,629
<b>Total</b>							<b>341,125</b>

\* 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 SAP 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.

### 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 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 specializes in SAP and SAP SuccessFactors HCM-related services. SAP 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 1000)	2018	2017
Receivables group companies	73,102	14,400
Other receivables	924	869
<b>Total other short-term receivables</b>	<b>74,027</b>	<b>15,269</b>

## Note 10 - Cash and Cash Equivalents

(NOK 1000)	2018	2017
Cash in hand and at bank - unrestricted funds	65,577	7,687
Deposit accounts - guarantee rent obligations	11,336	17,955
Employee withheld taxes - restricted funds	1,469	1,263
<b>Cash and cash equivalents in the balance sheet</b>	<b>78,382</b>	<b>26,904</b>

## Note 11 - Share Capital, Shareholder Information and Dividend

Shares	2018	2017
Shares - nominal value NOK 0,10	20,122,979	20,122,979
<b>Total number of shares</b>	<b>20,122,979</b>	<b>20,122,979</b>

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 31.12.2018 are:

Shareholder	Number of shares	% of total	Equal voting
NORWEGIAN RETAIL AS	3,091,482	15.36%	15.36%
DIDNER AND GERGE SMALL AND MICROCA	1,800,000	8.94%	8.94%
Morgan Stanley & Co. International	1,236,557	6.14%	6.14%
HANDELSBANK NORDISKA SMABOLAGSFOND	1,189,499	5.91%	5.91%
STRAWBERRY CAPITAL AS	1,039,887	5.17%	5.17%
ATHANASE	957,758	4.76%	4.76%
Commerzbank Aktiengesellschaft	768,027	3.82%	3.82%
VPF NORDEA KAPITAL	749,508	3.72%	3.72%
Tredje AP-Fonden	745,361	3.70%	3.70%
ATHANASE INDUSTRIAL PARTNERS II AB	685,051	3.40%	3.40%
Danske Bank A/S	572,230	2.84%	2.84%
VPF NORDEA AVKASTNING	505,705	2.51%	2.51%
State Street Bank and Trust Comp	405,355	2.01%	2.01%
NORDEA 1 SICAV	368,603	1.83%	1.83%
VERDIPAPIRFONDET NORDEA NORGE PLUS	342,496	1.70%	1.70%
NHO - P667AK	309,259	1.54%	1.54%
UBS Switzerland AG	295,139	1.47%	1.47%
Taconic AS	285,212	1.42%	1.42%
Avanza Bank AB	271,198	1.35%	1.35%
State Street Bank and Trust Comp	252,598	1.26%	1.26%
<b>Total number owned by top 20</b>	<b>15,870,925</b>	<b>78.87%</b>	<b>78.87%</b>
<b>Shares owned by the company</b>	<b>92,950</b>	<b>0.46%</b>	<b>0.46%</b>
<b>Others</b>	<b>4,159,104</b>	<b>20.67%</b>	<b>20.67%</b>
<b>Total</b>	<b>20,122,979</b>	<b>100.00%</b>	<b>100.00%</b>

### Dividend

Dividend paid to the shareholders of the parent company in 2018 amounted to 13.1 MNOK or NOK 0.65 dividend per share. In 2017 a dividend amounting to NOK 16.6 million or 0.87 dividend per share, was paid to the shareholders of the parent company.

Proposed dividend to be approved at the annual general meeting amounts to NOK 0.0 per share.

## 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 22 participants (2017 19 participants) in this defined contribution plan.

Expenses equals this year's calculated contribution and amounts to NOK 1,400 thousand (2017 NOK 1,431 thousand). The scheme is administered by Storebrand.

## Note 13 - Transactions with Related Parties

### a) Purchase from related parties

Related party	Transaction	2018	2017
Rayon Design AS 1)	Management Services	1,677	902
<b>Total</b>		<b>1,677</b>	<b>902</b>

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 neither 2018 nor in 2017.

### c) Receivables with related parties

There were no receivables with related parties in neither 2018 nor 2017.

d) Remuneration to Board of Directors and executive management

2018

Management (NOK 1000)	Title	Salary 1)	Pensions	Other benefits	Total
Hans-Petter Mellerud	CEO	3,778	71	39	3,888
Nina Stemshaug	CFO	1,860	71	8	1,939
Halvor Leirvåg	CTO	1,600	71	9	1,680
Richard Schiørn	VP Strategic	1,620	71	8	1,700
Hilde Karlsmyr	CHRO	583	25	5	612
Jan Erik Nessmo	VP PMO and Transformation	1,620	71	8	1,700
<b>Total</b>		<b>11,061</b>	<b>381</b>	<b>77</b>	<b>11,061</b>

1) Including bonuses.

Board of Directors (NOK 1000)	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the Board	400	400
Liselotte Hægertz Engstam	Board Member	200	200
Jan Mikael Koivurinta	Board Member	200	200
Tina Steinsvik Sund	Board Member	83	83
Karl Christian Agerup	Board Member	83	83
Jon Erik Haug	Board Member	117	117
Adele Norman Pran	Board Member	117	117
<b>Total</b>		<b>1,200</b>	<b>1,200</b>

2017

Management (NOK 1000)	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
<b>Total</b>		<b>13,282</b>	<b>488</b>	<b>122</b>	<b>13,891</b>

1) Including bonuses.

Board of Directors (NOK 1000)	Title	Remuneration	Total
Lars Laier Henriksen	Chairman of the Board	340	340
Liselotte Hægertz 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
<b>Total</b>		<b>1,020</b>	<b>1,020</b>

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 2018

Name	Role	
Norwegian Retail AS	CEO (Hans-Petter Mellerud)	3,091,482
Jan M Koivurinta	Board member	295,139
Lars Laier Henriksen	Chairman of the board	71,112
Hilde Karlsmyr	CHRO	4,000
Halvor Leirvåg	CTO	6,410
Nina Stemshaug	CFO	2,375
Nemos AS	VP PMO and Transformation (Jan Erik Nessmo)	1,600
Richard Schiørn	VP Strategic Projects	6,047
<b>Total</b>		<b>3,478,165</b>

Note 14 - Financial Instruments

2018

Financial instruments by category (NOK 1000)	Loans and receivables	Fair value through profit or loss	Liabilities at amortized cost	Total book value
<b>Financial assets</b>				
Trade accounts receivable	-	-	-	-
Other short-term receivables to group company	73,102	-	-	73,102
Other short-term receivables	924	-	-	924
Cash and cash equivalents	78,382	-	-	78,382
<b>Total</b>	<b>152,409</b>	<b>-</b>	<b>-</b>	<b>152,409</b>
<b>Financial liabilities</b>				
Derivatives, Interest rate swaps	-	882	-	882
Borrowings, long-term	-	-	341,810	341,810
Borrowings, short-term, revolving credit	-	-	69,313	69,313
Other short-term debt to group company	-	-	13,649	13,649
Trade accounts payables	-	-	10,613	10,613
Other short-term debt	-	-	23,019	23,019
<b>Total</b>	<b>-</b>	<b>882</b>	<b>458,405</b>	<b>459,286</b>

2017

Financial instruments by category (NOK 1000)	Loans and receivables	Fair value through profit or loss	Liabilities at amortized cost	Total book value
<b>Financial assets</b>				
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
<b>Total</b>	<b>42,217</b>	<b>-</b>	<b>-</b>	<b>42,217</b>
<b>Financial liabilities</b>				
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	-	-	37,786*	37,786
<b>Total</b>	<b>-</b>	<b>255</b>	<b>372,528</b>	<b>372,783</b>

### 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 2018 using Level 2 is NOK 882 thousand.

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

### Financial Risk Management

#### Overview

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

#### Market Risk From Financial Instruments

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

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#### Interest Rate Risk

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

#### Foreign Currency Risk

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

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

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

As of 31 December 2018 the Company has a bond loan listed on the Oslo Stock Exchange. Per 31 December the Company had an unrealized currency loss amounting to NOK 16 million related to this loan. Otherwise the Group has limited exposure to currency risk from assets and liabilities recognized as at 31 December 2018 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 2018

(Amounts in NOK 1000)	Less than 3 months	3 to 12 months	1 to 5 years	Total
Borrowings, long-term	-	-	341,810	341,810
Borrowings, short-term	266	69,047	-	69,313
Trade creditors and other short-term liabilities	10,613	36,668	-	47,281
<b>Total liabilities</b>	<b>10,879</b>	<b>105,715</b>	<b>341,810</b>	<b>458,405</b>

#### Per 31 December 2017

(Amounts in NOK 1000)	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	40,842*	-	48,882
<b>Total liabilities</b>	<b>8,220</b>	<b>159,173</b>	<b>205,136</b>	<b>372,528</b>

\* Proposed dividend of NOK 13.0 million was not correctly included as other short-term debt in FY 2017.

#### 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 1000)	2018	2017
Interest income on bank accounts and receivables	21	-
Group contribution	50,296	-
Dividend	-	29,860
Foreign exchange gains	9,255	309
Other financial income	-	-
<b>Finance income</b>	<b>59,572</b>	<b>30,169</b>
Interest expenses	10,669	3,545
Foreign exchange loss	2,378	807
Unrealized foreign currency loss	12,734	12,057
Other financial expenses	1,509	1,014
<b>Finance expenses</b>	<b>27,290</b>	<b>17,423</b>
<b>Net financial items</b>	<b>32,282</b>	<b>12,746</b>

**Note 16 - Interest-Bearing Loans and Borrowings**

2018

(NOK 1000) Financial institution	Agreement	Maturity	Duration	Interest Rate	Balance Sheet		
					Non-current	Current	Total
SG Finans	Financial leasing	Mar 2019	5 years	9.0%	-	39	39
SG Finans	Financial leasing	Dec 2019	5 years	6.0%	-	500	500
SG Finans	Financial leasing	Apr 2020	5 years	5.5%	41	120	161
SG Finans	Financial leasing	Dec 2022	5 years	7.2%	866	252	1,118
SG Finans	Financial leasing	Aug 2023	5 years	4.0%	621	154	775
Nordea Bank AB, Branch Norway**	Bank loan	May 2022	5 years	See below	-	-	-
Oslo Stock Exchange*	Bond loan	Sept 2023	5 years	See below	340,282	-	340,282
Nordea Bank Norge ASA	Revolving credit				-	68,248	68,248
<b>Interest-bearing debt and borrowings</b>					<b>341,810</b>	<b>69,313</b>	<b>411,124</b>

2017

(NOK 1000) 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
<b>Interest-bearing debt and borrowings</b>					<b>205,136</b>	<b>118,510</b>	<b>323,646</b>

**\*Bond Loan, Oslo Stock Exchange**

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

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

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

The Company has activated cost of 2% of bond loan with NOK 6.6 million and has as of 31.12 a book value of NOK 7.4 million.

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

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

The Nordea loan was repaid upon the issuing of the bond loan at the Oslo Stock Exchange.

**Assets Pledged as Security**

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

**Guarantees and Commitments**

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

The company is a certified SAP BPO partner. SAP BPO Partners offer the full stack of business process outsourcing services based on SAP HCM business applications. Certified providers undergo a rigorous assessment of their delivery and support capabilities every two years by SAP's outsourcing partner certification group. The agreement involves commitments for future purchases of licenses and maintenance fees amounting to NOK 28.7 million.

**Note 17 - Other Short-Term Debt**

(NOK 1000)	2018	2017
Wages, holiday pay and bonus	3,352	2,821
Accrued expenses and other current liabilities	18,504	21,586
Proposed dividend	-	12,965
<b>Total</b>	<b>21,856</b>	<b>37,371</b>

### 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 146,919 shares were allocated end of December 2018.

The granted RSUs per end of FY 2018 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 payment 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 recognized for the ESPP are shown in the following table:

(NOK 1000)	2018	2017
Restructured Share Units Costs	832	811
Accrued social security costs	(31)	214
<b>Total recognized costs for the ESPP</b>	<b>801</b>	<b>1,025</b>

Unamortized fair value per end of:

(NOK 1000)	2018	2017
RSU plan granted	2,006	2,838

### 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.



Statsautoriserte revisorer  
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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 2018, the income statement, statements 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 2018, the Consolidated statement of profit and loss, the Consolidated statement of comprehensive income, Consolidated statement of cash flows and Consolidated statement of 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 2018, 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 2018 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 2018. 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.

#### Revenue Recognition under IFRS 15

The Group adopted IFRS 15 – Revenue from Contracts with Customers from 1 January 2018 using the full retrospective approach. Management assessed the various customer contracts and determined the performance obligations and the transaction price relating to the service provided. Revenue recognition did not change due to the adoption of IFRS 15, but the presentation of customer project assets and customer project liabilities was changed to gross presentation.

Accounting for customer projects under IFRS 15 was a key audit matter due to the number of and various terms in the customer contracts related to the adoption of IFRS 15.

We obtained an understanding of the IFRS 15 adoption process and evaluated the accounting principles applied by management. We reviewed a sample of customer contracts and evaluated the accounting with respect to IFRS 15.

We refer to note 1 and 3 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) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

## Report on other legal and regulatory requirements

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

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

### Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 26. April 2019  
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 to ensure the greatest possible value creation over time in the best interests of shareholders, employees and other stakeholders. The objective of the Code of Practice is that companies listed on Norwegian regulated markets shall practice corporate governance mandating the division of roles between shareholders, the Board of Directors (or the "Board") and Executive Management more comprehensively than is required by legislation.

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

The statement for fiscal year 2018 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 26 April 2019:

- Zalaris ASA corporate governance is in compliance with the Code of Practice.
- The Code of Practice is available on [www.nues.no](http://www.nues.no)
- The Board of Directors has below made a statement of corporate governance, and comments on any deviations are made under each chapter.
- In chapter 10, the main elements of Zalaris' risk and internal control in the financial reporting process are described.
- Zalaris has no shareholder decisions that expand or differ from the Norwegian Public Limited Liability Companies Act, chapter 5.
- 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.
- Shareholder decisions that regulate the election period for the Board of Directors are described in chapter 8.
- Shareholder decisions and Board of Directors authorizations 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 26 April 2019.

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 Zalaris' website, [www.zalaris.com](http://www.zalaris.com).

## 2. Business

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

Zalaris is focusing on high efficiency and high customer satisfaction and a close relationship to its customers, which includes local service centers in all countries in which we operate, complemented with offshoring, automation of processes, 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](http://www.zalaris.com).

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

that the Company reaches its defined targets and that the Company has satisfactory risk management.

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

## 3. Equity and Dividends

### Equity

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

Zalaris' equity per 31 December 2018 was NOK 108.9 million equal to 15.0% equity ratio.

The cash and cash equivalent per 31 December 2018 was NOK 107.8 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.

The Board of Directors proposes that no dividend will be paid for FY 2018.

### Authorizations to Increase Share Capital

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

In Zalaris' annual general meeting on 15 May 2018 pursuant to Section 10-14 of the Norwegian Public Limited Companies Act, the Board of Directors was granted an authorization to increase the Company's share capital to NOK 201,230. The shareholders' preferential rights pursuant to Section 10-4 of the Norwegian Public Limited Companies Act can be deviated from.

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

The authorization was limited until the earliest occurring date of either the ordinary general meeting in 2019 or 30 June 2019.

### Authorization to Purchase Own Shares

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

In Zalaris' annual general meeting on 15 May 2018, the Board of Directors was granted an authorization to increase the Company's share capital by up to NOK 201,230. The highest amount which can be paid per share is NOK 160 and the lowest is NOK 0,10. The Board of Directors is authorized to acquire and sell shares as the Board finds it appropriate. Acquisition can nevertheless not be done by subscription for shares.

The authorization was limited until the earliest occurring date of either the ordinary general meeting in 2019 or 30 June 2019.

## 4. Equal Treatment of Shareholders and Transactions with Close Associates

### General Information

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

### Share Issues Without 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 authorization granted to the Board, the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

### Transactions in Own Shares

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

### Approval of Agreements with Shareholders and Other Close Associates

In the event of not immaterial transactions between the Company and its shareholders, a shareholder's parent company, members of the Board, executive personnel or close associates of any such parties, the Board shall arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the

general meeting pursuant to the requirements of the Norwegian Public Limited Liability Companies Act. Independent valuations shall also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

## 5. Freely Negotiable Shares

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

## 6. General Meetings

### Exercising Rights

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

The notice and the supporting documents and information on the resolutions to be considered at the general meeting shall be available on the Company's website no later than 21 days prior to the date of the general meeting. The notice and agenda for the meeting will be sent per post to all shareholders with a known address in Verdepapirsentralen (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 can have the opportunity to vote separately on each candidate nominated for election to the Company's Board and committees.

Shareholders who cannot be present at the general meeting must be given the opportunity to vote by proxy or to participate by using electronic means. The Company will provide information on the procedure

for attending by proxy and nominate a person who will be available to vote on behalf of shareholders as their proxy. In addition, a proxy form will be prepared which shall, insofar as this is possible, be formulated in such a manner that the shareholder can vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

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

The Board of Directors decides the agenda of the general meeting. The main issues of the agenda follow the requirements in the law. Each general meeting appoints a chairman to ensure an independent chairman in accordance with the recommendation.

The minutes from the annual general meeting will be published on the Company's website 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 15 May 2018 elected Bård Brath Ingerø (Leader), Ragnar Horn and Marius Therkelsen to the nominating committee for a period until the annual general meeting in 2019.

## 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 2018, 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 as well as competencies within organization, management, finance, HR and marketing.

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

### Board Independency

The composition of the Board is such that it can attend to the common interests of all shareholders and meet Zalaris' need for expertise, capacity and diversity and that it can act independently of the Company's executive management and material business connections. All members of the Board 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 2018 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. The Board members shall perform their duties in a loyal manner, attending to the interests of the Company, and ensure that its activities are organized in a prudent manner. The Board of Directors shall adopt plans and budgets and guidelines applicable to the activities of the Company. The Board of Directors shall keep itself informed of the financial position of the Company and has a duty to ensure that its corporate accounts and asset management are subject to satisfactory controls. Members of the Board and executive personnel must notify the Board if they have any significant, direct or indirect, interest in a transaction carried out by the Company.

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

The Board of Directors discusses all relevant matters related to Zalaris activities of significance or of special nature. In 2018, the Board of Directors held 11 board meetings.

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

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

### Rules of Procedure for CEO

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

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

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

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

The Committee may, at its discretion, request management, the independent auditor, or other persons with specific competence, including outside counsel and other outside advisors, to undertake special projects or investigations which it deems

necessary to fulfill its responsibilities, especially when potential conflicts of interest with management may be apparent.

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

Members of the Audit Committee for 2018/19 are Adele Norman Pran and Jon Erik Haug.

#### Remuneration Committee

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

The Remuneration Committee's primary responsibilities include:

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

Members of the Remuneration Committee for 2018/19 are Liselotte Hægertz Engstam (leader) and Lars Laier Henriksen.

#### Annual Evaluations

In April 2019, the Board conducted an evaluation of its performance and expertise in 2018.

### 10. Risk Management and Internal Control

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

The Board carries out an annual review of the Company's most important areas of exposure to

risk and its internal control arrangements. The most important areas are:

#### Motivation and Training of Employees

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

#### Internal Work Procedures, Instructions and Authorities

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

#### Financial Reporting

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

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

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

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

#### Customer Satisfaction

Zalaris' mission is to enable our clients to maximize the value of human capital through excellence in HR processes and thus customer satisfaction is a focus area for Zalaris. The Company undertakes customer satisfaction surveys on a regular basis to have knowledge about customer satisfaction and to collect information about improvement areas to achieve a high level of customer satisfaction and thus 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 2018 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 to the annual general meeting.

The main principles for determining salaries and other remuneration to the CEO and other executive personnel in Zalaris, is that these should be competitive. Further,

Zalaris should offer terms that encourage value creation for Zalaris and its shareholders and that promote loyalty to the Company.

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

The CEO has 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 dialogue with analysts and investors.

All periodic financial reporting is published according to the adopted guidelines for companies listed on the Oslo Stock Exchange. Zalaris strives at all 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 already published information. The Company has established a communication channel for the shareholders on its website. All published information is available on Zalaris' website. It is also possible for shareholders to send inquiries through the website.

Zalaris holds quarterly web-based presentations in which the financial results of the closed quarter and focus areas of the Company are commented in addition to market outlooks and special events which the Company considers as relevant information for

its shareholders. The presentation is held by the CEO and the CFO of the Company. Both the quarterly reporting and the presentations will be published on Zalaris' website.

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

## 14. Take-overs

In the event of a take-over 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 take-over 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 take-over 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 on an annual basis the main features of the plan for the audit of the Company to the Board.

The auditor participates in board meetings dealing with the annual accounts, accounting principles, assessing any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the executive management of the Company.

The auditor shall at least once a year present to the Board a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. In addition, the Board shall hold a meeting with the auditor at least once a year at which no representative of the executive management is present.

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

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 26 April 2019 and will be presented to the Annual General Meeting of Zalaris ASA on 21 May 2019 for an advisory vote.

## 1. Main Principles for Zalaris' Remuneration Policy

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

In addition to salary, the Group uses performance-related and personal bonuses that typically vary from 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 and the instructions of the Board of Directors of Zalaris adopted on 5th of May 2014.

## 2. Principles of Remuneration to Executive Management

### 2.1. Base Salary

Management salaries shall be competitive and fair 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 Program

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

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

- 1) Reaching overall company EBIT % target and;
- 2) Reaching 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' SAP SuccessFactors solution.

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

### 3.1. Share Purchase Program for All Employees

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

### 3.2. Share Purchase Program for Executive Management

#### 3.2.1. 2016 Program

As of 31.12.2018 Zalaris has a share purchase program for executive management in accordance with the share program 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 program for executives, including a matching with restricted stock units are as follows (see chart on next page).



Eligibility	Executive management
Frequency	Two allocations of shares subject to be matched by executive's own purchase of shares: <ul style="list-style-type: none"> <li>• Allocation 1: November 2016</li> <li>• Allocation 2: October 2018</li> </ul>
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 hold 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 Program

Zalaris has the following three equity-based programs that will affect executives and key personnel, approved by The Board of Directors on 23 April 2018 and by the General Assembly on 15 May 2018.

#### 3.2.2.1. Share Purchase with 20% Discount to All Employees

Eligibility	All employees
Rationale	Incentivize employees to own Zalaris shares to create additional engagement, long-term motivation and added focus on company goals.
Frequency	Once per year in Q4
Principle for allocation	All permanent employees that have been employed at least 6 months with the company are eligible to purchase up to NOK 15,000 of shares with 20% discount based on average market price 2 weeks before offering date. The program is in accordance with the Norwegian Tax regulation for tax-free discounts.
Restrictions	The employee shall not be allowed to sell the shares within 12 months from the purchase date.
Impact	<p>If all (approx. 850) employees decided to participate 100% in the program the total number of shares that would be issued would be valued at approximately NOK 12.15 million and at a share price of NOK 30 would equal to 425,000 shares or 2.11 % of the current outstanding total number of shares.</p> <p>The total value of the discount would be approx. NOK 2.55 million which is approximately 0.6% of the Zalaris Group's total personnel expenses.</p> <p>The discount is tax-free for Norwegian employees and does not trigger employer/social security tax.</p>

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

Eligibility	Executive Management and Key Employees
Rationale	Incentivize 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 program 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	<p>If all eligible managers decide to participate in the program in full the maximum value of shares to be issued is estimated at NOK 8.5 million and at a share price of NOK 30 would equal to 284,705 shares or 1.41% of the current outstanding total number of shares.</p> <p>The total value of the discount would be approx. NOK 1.7 million which is estimated at 0.4% of the eligible groups' total fixed salary.</p> <p>The discount is taxable as income tax and will trigger employer/social security tax of 14.1% in Norway.</p> <p>Note: Eligibility is performance-based as performance-based bonus (company and individual targets) will be the basis for maximum amount that can be purchased.</p>

### 3.2.2.3. Option Scheme to Executive Management and Key Employees

Eligibility	Executive Management and Key Employees
Rationale	Incentivize management and key employees to stay with company and focus on long-term shareholder value creation
Frequency	Three-year program to be completed in Q4 each year.
Principle for allocation	<p>Executive Management and Key Employees granted options on the basis of own performance-based gross bonus as % of total group gross bonus for eligible managers and key employees for the year (allocation %). Number of options to be granted equal to allocation % * total number of options to be granted for the Zalaris Group that year.</p> <p>Strike price for options to be set at 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 30 at the offering date would be NOK 42.92 after 36 months and NOK 54.50 after 60 months).</p> <p>Max number of options of the program 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 program.</p>
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	<p>Examples below are based on a share price of NOK 30 at offering date.</p> <p>The IFRS 2 cost for the company has been estimated at NOK 4.6 per option per year (i.e. a total of NOK 1.8 million per tranche of NOK 400,000 options per year).</p> <p>The options will trigger income tax for the receiver and social security tax for the company.</p> <p>Scenarios:</p> <p>Worst case: Share price development &lt; 1% per month – i.e. share price less than NOK 42.92 after 60 months – no payout. No cost and no gain.</p> <p>Medium: Share price doubles in 60 months. NOK 17.08 value per Option equals NOK 6.8 million value for the receiver with approximately NOK 0.98 mill social security tax for the company. The total value for the receiver equals approximately 18% of annual gross fixed salary.</p> <p>High: Share price quadruples in 60 months. NOK 77.08 value per Option equals NOK 30.8 million value for the receiver with approximately NOK 4.4 million social security tax for the company.</p> <p>Note: Eligibility is performance-based as performance-based bonus (company and individual targets) will be the basis for the % share of the total allocation.</p>

### 4. Severance Schemes

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

### 5. Benefits

Managers will receive benefits that are common for similar positions. Normal benefits include mobile phone and broadband. Zalaris actively works to avoid benefits that have a residual cost in the event an employee leaves – such as company cars. There are no particular limitations on the type of benefits that can be agreed. However, Zalaris seeks to limit the number of benefits to simplify our internal processes and visualize total compensation through the fixed salary.

### 6. Pensions

#### *Pension for executive management employed in the Norwegian entities*

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

#### *Pension for executive management employed in entities outside Norway*

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

### 7. Procedures for Determination of Remuneration to Executive Management

#### 7.1. Remuneration to the CEO

Remuneration to the CEO is determined annually by the Remuneration Committee authorized by the board, including allocation of options linked to the Group’s options programs approved by the General Assembly.

#### 7.2. Remuneration to the Group Executive Management

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

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

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

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

#### 7.3. Remuneration to the Board of Directors

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

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

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

#### 7.4. Remuneration to Executive Management in Subsidiaries of Zalaris ASA

All subsidiaries of Zalaris ASA shall follow the main principles of the Group’s executive remuneration policy for executive management in each company as described in the preceding sections of this Executive Remuneration policy.

The increase in base salaries to executive management in subsidiaries is expected to be moderate.

#### 7.5. Principles of Disclosing Remuneration Information

The Board’s statement regarding remuneration, including information about remuneration paid to members of the executive management, shall be presented in Zalaris’ group financial statements, note 19.

### 8. Execution of Remuneration Policy

#### 8.1. Execution of Remuneration Policy in 2018

The company’s remuneration of the CEO and senior management is conducted in accordance with the guidelines presented above. The remuneration of the CEO was in 2018 market-adjusted according to the expanded responsibility. The remuneration of the CFO was adjusted accordingly along with some other senior managers, according to increased responsibilities.

#### 8.2. Binding Guidelines for Remuneration in 2019

For 2019, the Board of Director’s proposes to continue the existing remuneration policy.

## General Information

Zalaris ASA is listed on Oslo Børs with ticker ZAL. The share price decreased by 55 percent during 2018 (53.8 percent dividend adjusted) and ended on NOK 25.2 on 28 December, the last trading day of 2018. The market capitalization end 2018 was NOK 507,097.3 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.

## Key Figures 2018 (All amounts in NOK)

**Market capitalization 31 December 2018**  
507,097,282

**Share price per 31 December 2018**  
25.2

**Total number of shares**  
20,122,979

**Proposed dividend per share**  
-

**Earnings per share**  
-0.06

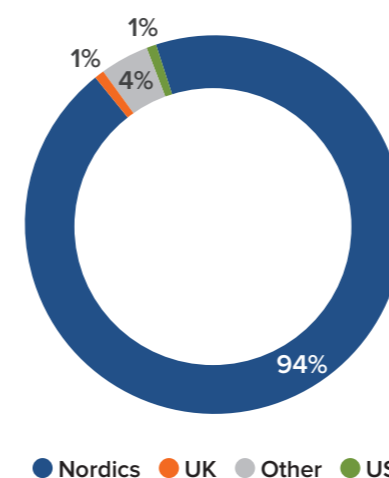
## Financial Calendar 2019

<b>Results Q1</b>	08 May 2019
<b>Annual General Meeting</b>	21 May 2019
<b>Results Q2</b>	16 August 2019
<b>Results Q3</b>	30 October 2019

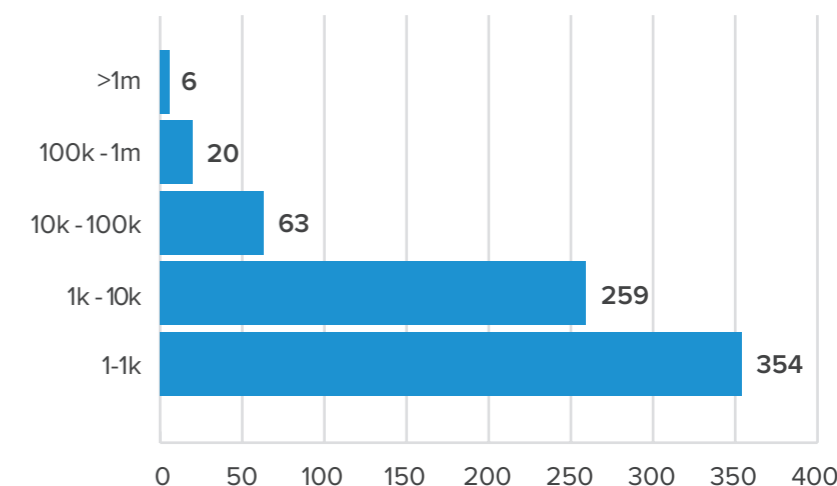
## Shareholder Information

Per 31 March 2019 the number of shareholders in Zalaris was 702 whereof 94 percent were registered in the Nordics.

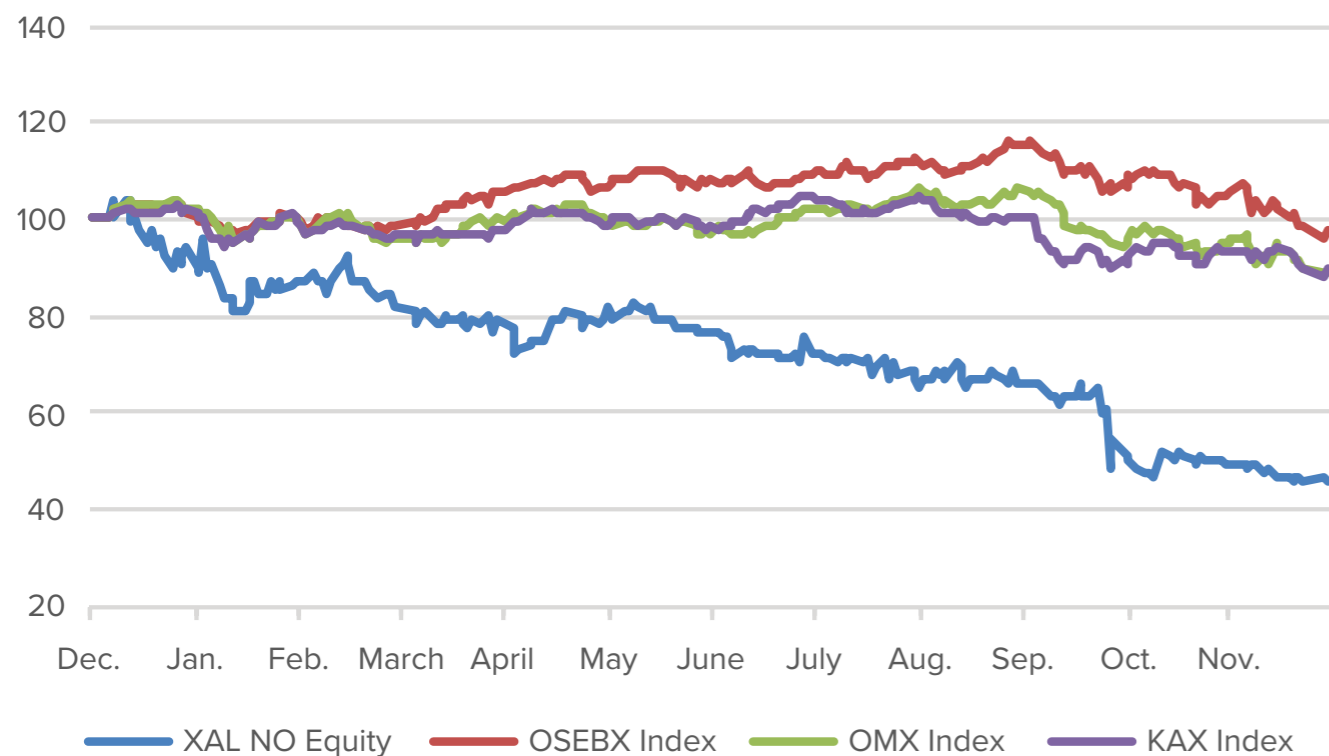
### Regional Distribution of Shareholders



### Ownership structure by # of shares held



Share price development 31 December 2017 – 31 December 2018. Zalaris vs Scandinavian indices (indexed as of close 28 December 2018, ex dividend).



The 20 largest shareholders hold 80 percent of the total shares outstanding. The list below is updated as of 31 March 2019.

Investor	Country	# of shares	Ownership
1 Norwegian Retail AS	Norway	3,091,482	15.4 %
2 Didner and Gerge Small and Microcap	Sweden	1,799,000	8.9 %
3 Athanase	Cayman Islands	1,220,223	6.1 %
4 Handelsbanken Nordiska Småbolagsfond	Sweden	1,189,499	5.9 %
5 Strawberry Capital AS	Norway	1,039,887	5.2 %
6 Protector Forsikring AS	Norway	1,000,000	5.0 %
7 Athanase Industrial Partners II AB	Sweden	873,854	4.3 %
8 Commerzbank Aktiengesellschaft	Germany	768,027	3.8 %
9 VPF Nordea Kapital	Norway	749,508	3.7 %
10 Tredje AP-Fonden	Sweden	745,361	3.7 %
11 Danske Bank A/S	Denmark	572,230	2.8 %
12 VPF Nordea Avkastning	Norway	505,705	2.5 %
13 Avanza Bank AB	Sweden	452,810	2.3 %
14 Nordea 1 Sicav	Luxembourg	368,603	1.8 %
15 VPF Nordea Norge Plus	Norway	366,916	1.8 %
16 NHO	Norway	309,259	1.5 %
17 Taconic AS	Norway	300,212	1.5 %
18 UBS Switzerland AG	Switzerland	295,139	1.5 %
19 A/S Skarv	Norway	225,000	1.1 %
20 Lundhs Labradoreksport A/S	Norway	211,500	1.1 %
<b>Total</b>		<b>16,084 215</b>	<b>80.0 %</b>

## Bond Financing

On 10 September 2018 Zalaris ASA successfully completed the issuance of EUR 35 million senior secured bonds with a EUR 70 million borrowing limit, maturing on 28 September 2023. The bond has a floating coupon of 3M EURIBOR + 4.75% p.a. The bonds were listed on Oslo Børs 22 March 2019 with the ticker ZAL01.

## Shareholder Policy

The investor relation 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 a continuous dialogue with analysts and investors.

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

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

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 Zalaris website and on the website of the Oslo Stock Exchange. Shareholders can register to Zalaris' Investor Relations distribution list if they would like to receive investor information directly per email.

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

## Dividend

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

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

Due to negative earnings, the Board of Directors proposes that no dividend is paid for the fiscal year 2018. Please note that historical dividends are no assurance for 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 matter such as new customer contracts or other share price sensitive information, the CEO of Zalaris ASA is the contact person.

**CEO and Founder**  
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## VPS Registrar

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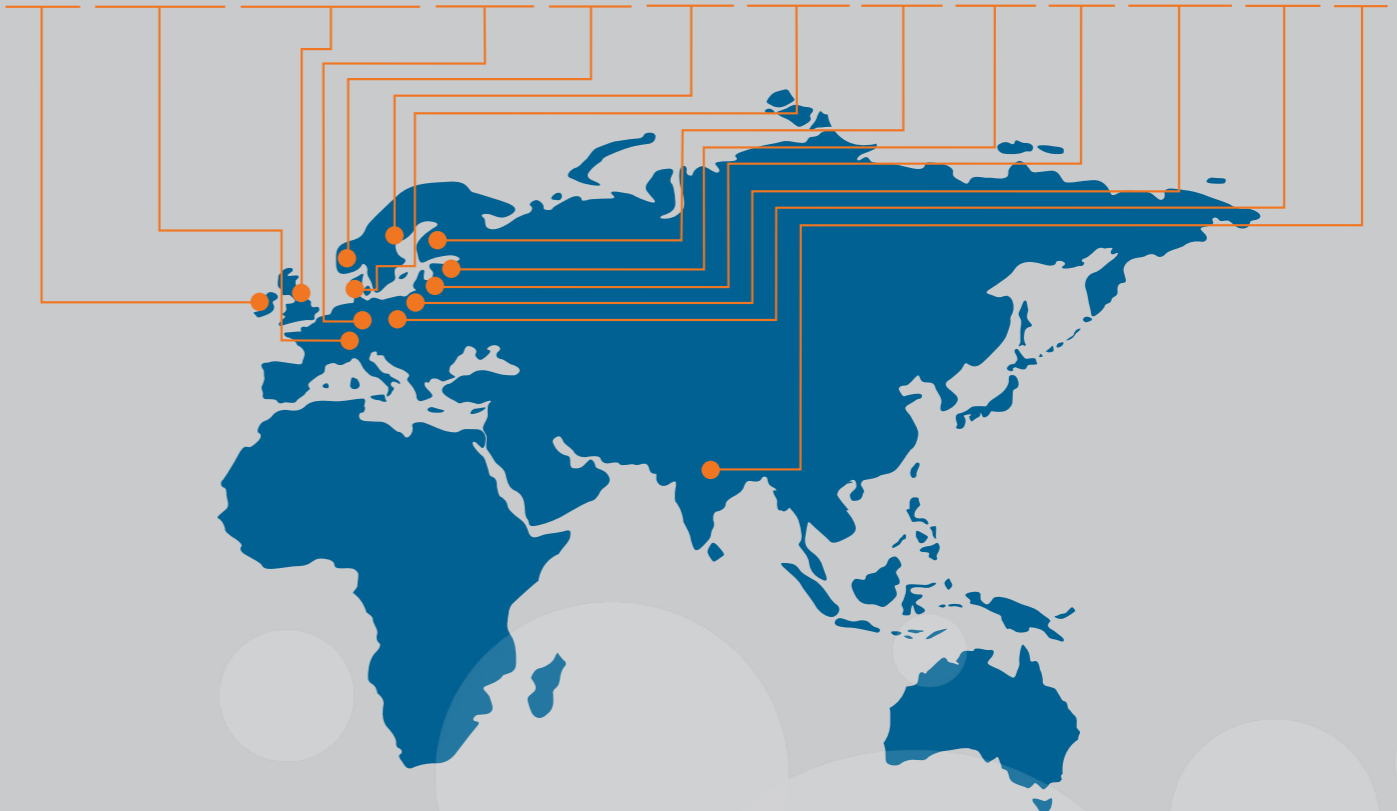
Zalaris is a leading business process outsourcing (BPO) specialist for human resources and provider of technology and services for human capital management (HCM) and payroll services. The company enables human resource departments at mid-size and large companies to focus on strategic processes, through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

From its early days as a Norwegian company in 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. Through local-language centers covering these geographical areas, Zalaris' more than 800 employees deliver services each month to businesses with more than one million employees in nine countries.

The company's headquarters are in Oslo and the company was listed on the Oslo Stock Exchange in 2014 (ZAL). Three years later, in the second half of 2017, Zalaris acquired ROC Group and sumarum AG. With the acquired companies, Zalaris earned a position as a leading provider of consulting and outsourced human capital management and payroll services in Europe. Zalaris is now recognized for having a scalable platform in regions characterized by significant growth.

Zalaris is one of a few 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.

Ireland Switzerland United Kingdom Germany Norway Sweden Denmark Finland Estonia Latvia Lithuania Poland India





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