2021
Annual Report

zalaris

Simplify work life. Achieve more.

Table of Contents

Simplify Work Life. Achieve More.

We simplify HR and payroll administration and empower you with useful information so that you can invest more in people.

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

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

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

> 1 500 000 employees served monthly across all HR solutions

880 Zalaris employees

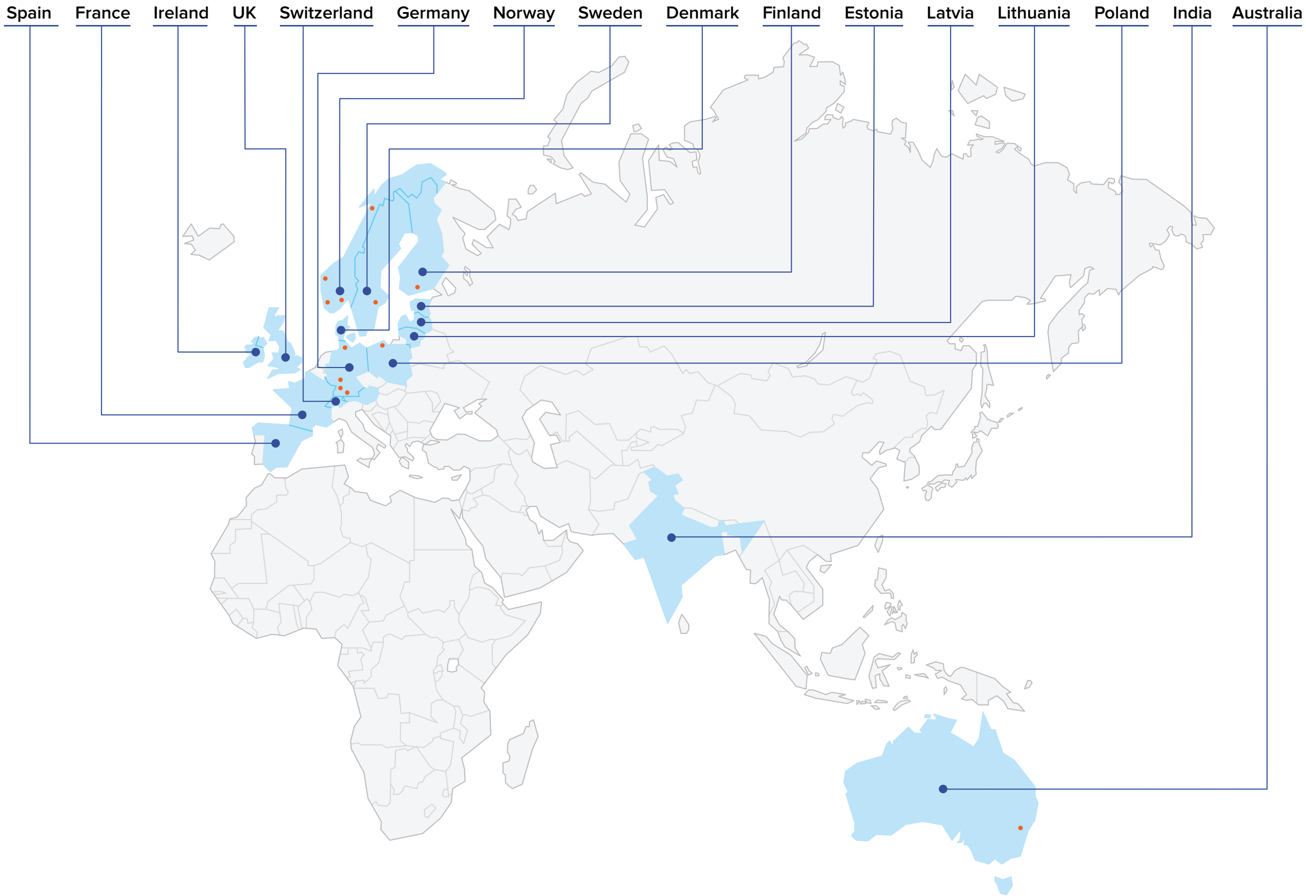
> 300 000 employees served monthly through payroll services

20 Years years of experience and continuous growth

NOK 775 mill 2021 Revenue

13 Countries with service centers and local expertise

150+ Countries partnered with Zalaris giving local expertice

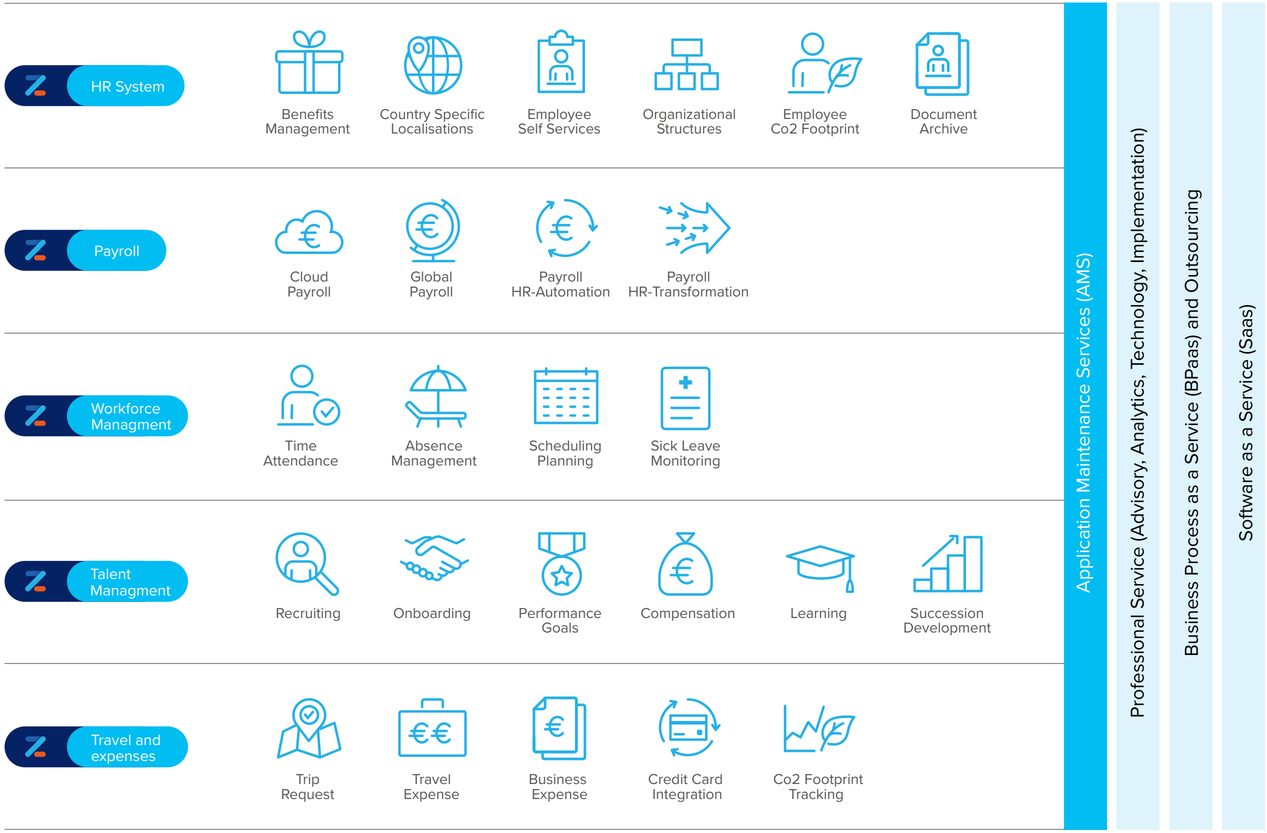


Payroll & HR Solutions that Enable Fully Digital Organizations

Zalaris - Local presence with one global IT platforms

- **Zalaris is a leading European provider of Payroll and Human Capital Management Solutions** delivered through Software as a service, Outsourcing, or Consulting delivery models.
- Supporting **fully digital processes** for Payroll and Human Capital Management targeting 20-30% cost savings.
- **One common multi-country solution** satisfying GDPR requirements combined with competent resources serving complex customers from **with local competence and language.**

PeopleHub



Dear fellow shareholders,

#teamZalaris closed 2021 with record high sales. We secured agreements with predominantly new customers over the year totalling more than NOK 115 million of Annual Recurring Revenue (ARR). This will be added to our topline as the new customers go live during 2022 and early 2023, securing an overall revenue growth of 11.5% compared FY 2021.

Revenue for 2021 amounted to NOK 775.3 million – slightly down from last year in absolute terms. However, the revenue increase was +1.1%, when measured in constant currency. In addition, revenue deferred during the year increased to NOK 41 million – up from NOK 15 million last year – an increase of +176%. This reflected the large volume of ongoing transformation projects from implementing new customer accounts that have been invoiced, but will be recognised as revenue in our financial statements in future periods.

Throughout the year #teamZalaris made a tremendous effort to continue delivering on customer commitments in a flexible mode working both from our offices and homes. As Sustainability/ESG is a key focus area for us at Zalaris, and our stakeholders, we are delighted to see that our employee engagement continues to be at an all-time high. What a Team!

All-time high contract signings with landmark customers in all markets

Coming out of our first year with Covid in 2020, we experienced an increase in demand in the market for both our Managed and Professional Services as customers increasingly look to digitize and improve the resilience of their people processes. This, in combination with increased brand awareness, and a strengthened sales organization resulted in a significant increase in new opportunities across all our regions. In particular, we saw a trend shift in Germany and the UK, and for multi-country deals.

In Germany, our largest country accounting for more than 35% of our revenue, we saw positive development in our Managed Services business. Early in the year, we were awarded a groundbreaking agreement with the German mobile phone operator Telefónica Deutschland / O2, to provide fully outsourced payroll for their 8,200 employees in Germany. This was our first PeopleHub based sale in Germany. In Q4, we contracted a new global payroll and HR solution with Siemens spin-off, Yunex Traffic, to serve 3,100 people in 21 countries. Our Professional Services business continued its positive development including securing a new agreement with ThyssenKrupp Elevator for the implementation of a new payroll solution in Germany and a frame agreement to deliver between 3-4,000 man-days of consulting support over the next three years to one of our large German customers in the public sector.

Hans-Petter Mellerud, Chief Executive Officer, Zalaris

Médecins Sans Frontières chose us to deliver a new SuccessFactors based HR solution. We also completed projects for Stadtwerke Krefeld and Bitzer.

In the UK, one of our fastest growing markets, we signed agreements with Claas for out-sourced payroll, an agreement with Veolia to host their SAP based solution on the Zalaris platform, and a five-year agreement to deliver a comprehensive SaaS payroll and workforce management solution to Sony Interactive Entertainment Europe Ltd. Later in the year we signed Marston's, with around 14,000 employees in more than 1,000 pubs, to deliver a complete solution for time & attendance and payroll. We have supported Marston's for years with Professional Services. It is a real proof of customer satisfaction, when our relationship is expanded to include a long-term agreement to deliver a mission critical payroll solution.

We continued with strong development in Professional Services and Application Maintenance Services during the year in Poland - our fastest growing market. This included new projects with Amica, to implement a full suite of SuccessFactors services, and an expansion of existing relationships with ABB and Hitachi Energy for recurring application maintenance services.

The Nordics, our base, started the year with an agreement to deliver global payroll for Finnish forest company, Metsä, serving 10,000 employees in 28 countries. Following that, we continued to build on our leading position in the financial services sector by adding insurer Gjensidige, with 3,700 people, and Tryg, with 6,000+ people, to our customer list. We also successfully implemented PeopleHub payroll for Danske Bank's 2,000 people in Sweden and a Nordic solution for Entercard.

Acquired ba.se GmbH to strengthen payroll and HR BPO for the retail industry

In May, we communicated the acquisition of ba.se service & consulting GmbH - a leading provider of payroll and related HR services to the retail industry in Germany. The deal significantly enhances Zalaris' presence and capability to serve this people intensive sector with effective solutions based on our PeopleHub platform.

As ba.se also has customers with French and Swiss presence, the acquisition supports us in serving our customers in these new business territories. With our German operations scaled to almost 280 people, and delivering an annualized revenue of more than EUR 30 million, we are now one of the leading players in the DACH market for payroll and HR outsourcing. To continue building our market presence and realize operational synergies, we recruited one of the leading industry professionals to take over the helm as Executive Vice President DACH from December.

Building Sustainability into all Products and Services

Zalaris has from its inception aimed at creating a business based on Nordic values. We have always believed in long term thinking, and treating people as Human Capital. We have communicated our commitments in various policies, as Code of Conduct, Corporate Social Responsibility, Whistleblowing etc.

In 2021, we launched a strategic initiative to build ESG into all our products and services. As we are a predominantly office based business, our environmental footprint is mainly limited to travel, energy consumption related to powering of our IT solutions, and securing a good working environment for our people. To support creating awareness in how we can influence our personal and organizational footprint, we started developing an app as part of PeopleHub, to help track and visualize our CO_2 footprint from commuting and business travel. This was launched in early 2022.

We have a key position in providing solutions to help our customers manage their workforce with cloud based HR and payroll solutions, and are in a good position to support reporting, visualize and target performance related to diversity, equity and inclusion. We have created our first analytics and reporting solution for internal use that we will start marketing to customers in 2022.

We are now consolidating our efforts in a group function reporting to the CEO, responsible for Sustainability/ESG in Zalaris. Starting with the sustainability report published together with this report, we are committed to target setting and to reporting our results on an ongoing basis.

Strengthening European leadership - further geographic expansion

Based on industry and market research reports, we expect the positive development in the demand for our services to continue. The key drivers are digitising of people processes and the need for efficiency improvements. In 2021, Zalaris was included in the Gartner Market Guide to Multi-Country Payroll. This reflects our credibility in the market, and supports creating increased interest in our solutions.

Zalaris is at the time of writing not directly impacted by the war in Ukraine as we have no operations nor work with any suppliers being located in Russia, Ukraine or Belarus. However, we are all concerned. In particular, our Polish and Baltic colleagues. With a distributed network of service centers operating on one common solution we can move work quickly between various locations if we should need to and still deliver on customer commitments. We are continuously monitoring the situation and are maintaining our business continuity plans. We are actively supporting where we can promote democratic and human values.

Leaving the year with a secured 11.5% growth makes our communicated 10% EBIT target well within reach.

A key driver to reach our profitability target is to better scale fixed costs and investments through growing revenue from existing operations and services. This means that we will prioritize sales efforts to expand relationships with existing customers and to acquire new customers that we can serve with current infrastructure and solutions. In addition, we will continue selective geographic expansion to strengthen our multi-country capabilities supporting the people footprint of large customers or to get access to critical skills.

Further, to improving EBIT through scaling existing operations, we are stepping up our automation and smart shoring efforts with the aim to achieve further margin improvements through the implementation of our Zalaris 4.0 delivery models and packaged solutions.

We will continue pursuing non-organic growth options that can strengthen our position in existing markets and leverage the scale of our existing organization.

This includes opportunities that can support expanding our geographic coverage, or companies with new HR Tech solutions that can be utilized by our existing customer portfolio. We successfully raised NOK 120 million in new equity in 2021 that is intended to be used in a disciplined manner for this purpose.

We in #teamZalaris target maintaining record speed in the year to come!

Hans-Petter Mellerud
Chief Executive Officer, Zalaris

Securing equal pay for equal work in a complex organization require the unified data and analytics tools offered by Zalaris Peoplehub

Corporate Management Team

Hans-Petter Mellerud
Chief Executive Officer

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

Gunnar Manum
Chief Financial Officer

Hilde Karlsmyr
Chief Human
Resources Officer

Halvor Leirvåg
Chief Technology Officer

Øyvind Reiten
Executive Vice President
Group Commercial and
Sales

Regional Management Team

Katarzyna Kwiatkowska
Executive Vice President
Central Europe

Will Jackson
Managing Director &
Executive Vice President
UK & Ireland

Peter Martin
Executive Vice President
DACH

Balakrishnan Narayanan
Director & Executive Vice
President APAC

Sami Seikkula
Executive Vice President
Northern Europe

”Médecins Sans Frontières is an extraordinary group of people who work tirelessly to deliver humanitarian aid. With our consulting approach and the flexibility of SAP SuccessFactors we will simplify their HR processes so that there is more time for the core task of the organization: to provide medical assistance to people in need. We are honored to be part of it and look forward to working with them.”

- Hans-Petter Mellerud

CEO and Founder of Zalaris

zalaris

Adele Norman Pran
Chair of the Board

Liselotte Hägertz Engstam
Board Member

Jan M. Koivurinta
Board Member

Corinna Schäfer
Board Member

Kenth Eriksson
Board Member

Erik Langaker
Board Member

Zalaris'[1] mission is to simplify HR and payroll administration, and empower you with useful information so that you can invest more in people.

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

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

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

Operational Highlights

Zalaris recorded revenue of NOK 775 million in 2021, compared to NOK 792 million last year. Adjusted for the weaker NOK exchange rate compared to last year, the revenue increased by approximately +1%. There have been some negative impacts from the full-year effect of Covid-19, which resulted in lower transaction volumes (e.g. travel controls) and less change orders and project revenue from existing customers within Managed Services, as well as less new business generation within Professional Services. However, this was offset by the consolidation of ba.se service and consulting GmbH ("ba.se") from August 2021.

Within Managed Services, Zalaris signed an all-time high level of new long-term contracts and expansions for Business Process as a Service (BPaaS) and Software as a Service (SaaS) during 2021. These contracts have an expected annual contract value of approximately NOK 115 million. Adjusting for contracts that have not been renewed during 2021, the net amount is NOK 83 million of additional annual revenue, which represents 11% of the total revenue for 2021. Most of these new contracts will start during 2022 and the first quarter of 2023.

Included in the above contracts was a landmark agreement with Finnish industrial company Metsä, for the delivery of a multi-country payroll solution, covering more than 10,000 employees in 28 countries based on Zalaris' PeopleHub concept. Zalaris' position as a provider of global multi-country HR and payroll services was further strengthened by the agreement with the German based company, Yunex Traffic, which is a spin-off from Siemens, for the delivery of a global HR and payroll solution for their 3,100 employees in 21 countries.

Zalaris confirmed its position as the leading provider of HR and payroll services to the Nordic banking and finance sector during 2021, by entering into a long-term agreement with Gjensidige, a Nordic insurance group, covering more than 3,700 employee in three countries, and expanding the agreement with the financial services company Tryg, to cover the whole Nordic region. Other new contracts in the banking and finance sector included Lindorff, a debt collection company, and Entercard, a Swedbank and Barclays Principal Investments Limited Joint Venture, in Scandinavia.

Zalaris also strengthened its position outside the Nordic region. In addition to the agreement with Yunex Traffic, Zalaris Germany was awarded a five-year contract to provide outsourced payroll services to Telefónica's 8,200 employees in Germany. A similar agreement was entered into with Hörman Automotive. In the UK, Zalaris

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

won an agreement with the hospitality chain, Marston's, for a SaaS payroll solution serving more than 14,000 employees, and a similar agreement with CLAAS, one of the world's leading manufacturers of agricultural engineering equipment.

Zalaris continues to see a significant interest in outsourced multi-country payroll solutions, as customers are exploring alternatives to reduce costs and optimise their global HR processes. The Group's pipeline of opportunities fits well with our offerings, and where we believe we have a competitive advantage.

Within Professional Services the work is more project based compared to Managed Services, and we have seen a good inflow of consultancy projects for Cloud payroll, HR transformation projects and change orders, though the market is still negatively affected by Covid-19. Zalaris has also signed several expansions with customers for our Application Maintenance Services (AMS) – helping customers maintaining their in-house payroll and HR solutions mostly based on long term agreements of a recurring nature. During 2021, an increased share of available consulting resources has been utilised on the implementation of new customers contracts for Managed Services, compared to last year, which has resulted in additional deferred revenue on the balance sheet, which will be recognised as revenue in later periods.

The adjusted EBIT* for 2021 was NOK 49.6 million, compared to NOK 55.2 million last year, and the adjusted EBIT margin was 6.4% in 2021, compared to 7.0% last year. The reduction is mainly due to the negative margin impact of lower revenue in NOK. The Company is targeting increased operating profit (EBIT), when the new Managed Services contracts signed in 2021, with an estimated annual recurring revenue of NOK 115 million, have been fully implemented.

*See definition and reconciliation of APM's in a separate section of the annual report.

Consolidated Financial Results for the Group

Zalaris' consolidated revenue for 2021 was NOK 775.3 million (2020: NOK 792.3 million), a decrease of 2.1% compared to last year. When adjusted for differences in currency exchange rates between 2020 and 2021, the revenue increase was 1.0% (refer to the APMs section of the annual report for further details). The operating profit was NOK 22.6 million (37.4 million), which gives an operating margin of 2.9% (4.7%). Zalaris' ordinary profit before tax was NOK 15.0 million (negative NOK 13.4 million). Net result for the year was NOK 12.8 million (negative NOK 9.0 million).

The cash flow in 2021 showed net cash from operating activities of NOK 33.0 million (NOK 92.3 million). Net cash flow from investing activities was negative NOK 63.9 million (negative NOK 14.3 million). This included an initial cash payment of NOK 42.5 million (net of cash acquired), for the acquisition of ba.se. The remaining cash outflow relates mainly to internal product development projects.

Net cash flow from financing activities was positive NOK 84.4 million (negative NOK 39.0 million), which included net proceeds from a private placement of shares of NOK 115.5 million and sale of own shares of NOK 7.2 million, partly offset by a dividend payment for the financial year 2020 of NOK 19.6 million and payments of IFRS 16 lease liabilities. The Board's view is that Zalaris has sufficient cash to internally finance the Group's liabilities, investment needs and operations for the next 12 months.

Zalaris' consolidated equity amounted to NOK 209.0 million (NOK 104.4 million) as of 31 December 2021. This corresponds to an equity ratio of 25.3% (14.4%). The Board and executive management expect the equity ratio to increase going forward in line with expected further improvements in Zalaris' financial results.

Total assets as of 31 December 2021 were NOK 826.6 million (NOK 725.7 million). Total liabilities were NOK 617.6 million (NOK 621.4 million) at the end of 2021.

Business Segments

Zalaris has two business segments: Managed Services and Professional Services.

Managed Services generated revenue of NOK 529.7 million in 2021 (NOK 544.3 million), a reduction of 2.7% compared to 2020. As noted in the operational highlights, revenue for 2021 was higher than last year when adjusted for currency movements (weaker NOK exchange rate against functional currency of subsidiaries). When adjusted for currency movements, the revenue within Managed Services increased by 0.6% (refer to the APMs section of the annual report for further details). Operating profit for the segment in 2021 was NOK 62.0 million (NOK 63.4 million).

Revenue for 2021 for Professional Services amounted to NOK 245.6 million (NOK 248.0 million), a decrease of 1.0% compared to the previous year. When adjusted for currency movements, revenue within Professional Service increased by 1.7%. Operating profit for the segment in 2021 was NOK 17.9 million (NOK 25.4 million). The reduction is primarily due to higher use of external consultants, resulting in lower margin on some customer projects.

Zalaris research and development (R&D) is focusing on developing its own IP and integrating standard software to new and innovative solutions and process designs that support customers simplifying payroll and HR processes and achieving more.

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

Parent Company's Results

The financial statements of the parent company, Zalaris ASA, are prepared and presented in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway ("NGAAP").

For Zalaris ASA, the total revenue for 2021 was NOK 144.1 million (NOK 133.0 million), which is an increase of 8.3% compared to 2020. Result from operations was a loss of NOK 42.0 million (loss of NOK 49.1 million). Zalaris ASA reported a loss for the year of NOK 4.8 million (loss of NOK 67.6 million).

Total shareholders' equity in Zalaris ASA as of 31 December 2021 was NOK 96.0 million (NOK -1.5 million), corresponding to 15.9% (-0.3%) of total assets.

Continuing Operation

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

Operational and Financial Risks

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

Operational Risk

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

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

The Group is increasingly exposed to cyber security-related risks through the nature of the services provided, which heavily involve storage of both identifiable and sensitive personnel data, as well as the handling of large amounts of payments to customers' employees.

This exposes the Group's IT systems and personnel as potential targets for threats ranging from insiders misusing legal accesses to external threats like hackers and others trying to exploit the data the Group is processing, for financial gain or collecting of information for other illegal purposes.

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

Financial Risk

Zalaris' client portfolio consists mainly of large, financially stable companies with high credit ratings; thus, the Company considers the credit risk to be low. 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 for cash to pay its liabilities as they mature, and ensures that cash is available at all times, both for operational and capitalized expenditures. Cash and cash equivalents amounted to NOK 176.2 million as of 31 December 2021 (NOK 124.8 million), an increase of NOK 51.4 million from the end of 2020. During 2021 the Company carried out a private placement of shares, which generated net proceeds of NOK 115.5 million.

At the end of 2021, the Group had interest-bearing debt of NOK 359.2 million (NOK 377.1 million). NOK 346.8 million (NOK 362.0 million) of the interest-bearing debt at 31 December 2021 relates to a EUR 35 million bond loan. The Company is thus exposed to changes in the EUR/NOK exchange rate. This exposure is partly offset by the net assets held in EUR in foreign subsidiaries, and the net income generated by these subsidiaries. The Group also has foreign currency-denominated cash deposits.

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

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

Corporate Social Responsibility, the Environment and Employees

Zalaris aspires to achieve sustainable development by striking a good balance between financial results, value creation, sustainability and corporate social responsibility (CSR). The Company's objective is to minimize Zalaris' impact on the environment and to maximize the positive impact the Company has on working conditions, society and customer satisfaction. At the same time, the Company aims to support its customers visualizing, driving and documenting the same.

The Company has issued a separate ESG report for 2021, which is available on **www.zalaris.com**.

The statement of corporate social responsibility required under Section 3-3c of the Norwegian Accounting Act follows below.

Equal Rights

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

Zalaris aims to have a balanced representation of gender, age, ethnicity and religion. Zalaris had 876 employees across 10 countries at the end of 2021 (2020: 770), and women are well represented in all the Group's companies and units, comprising 60% (56%) of the workforce. The Group's executive management team was at the end of the year represented with 10% female. The Company aims to increase female representation by actively seeking and developing female talent. The board of directors consist of three males (50%) and three females (50%).

A statement of equality covering the Norwegian part of the Group has been issued as a separate report and made available on **www.zalaris.com.**

Life-Work Balance and Healthy Lifestyle

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

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

Our mobile and portal-based solutions delivering wholly digital payroll and HR processes fully support flexible work arrangement and working from home. This has become particularly evident during 2020 and 2021, with the Covid-19 pandemic, where a majority of the workforce have been working from home for a large part of the year. Our efforts in managing the Covid-19 pandemic are being recognised by our employees, resulting in high employee engagement scores across all countries.

Health, Safety and Environment (HSE) Policy

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

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

We are committed to:

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

Absence due to sick leave averaged 2.7% (2.7%) in 2021. No incidents of injury or accidents in the workplace were reported during 2021.

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 centres powered by green renewable hydro-powered energy.

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

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

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

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

Business Ethics

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

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

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

Corporate Governance

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

Zalaris ASA is incorporated and registered in Norway and is subject to Norwegian law. According to the Accounting Act § 3-3b, the Company is obliged to report on the principles and practices of corporate governance. In addition, the Oslo Stock Exchange requires an annual statement on compliance with the Company's corporate governance policy in accordance with NUES the Norwegian Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board, most recently revised on 14 October 2021.

The statement for the fiscal year 2021 is based on the disposal in the Accounting Act § 3-3b, as well as the disposal for Corporate Governance Policy for Zalaris ASA, as adopted by the Board of Directors on 7 April 2018, and has been included in a separate section of this annual report.

Zalaris ASA has purchased and maintain a Directors and Officers Liability Insurance on behalf of the members of the Board of Directors and CEO. The insurance additionally covers any employee acting in a managerial capacity and includes subsidiaries owned with more than 50%.

The insurance policy is issued by a reputable, specialized insurer with appropriate rating. Directors' & Officers' Liability Insurance provides financial protection to Zalaris' directors, officers and any employees that can incur personal liability for claims made against them in respect of acts committed, or alleged to have been committed, in their capacity as such and as a result of an error, omission or breach of duty.

Events After the Reporting Period

On 2 February the Company announced the acquisition of vyble, a payroll and HR solution start-up located in Rostock and Hamburg, Germany. Zalaris has acquired the assets of vyble AG for EUR 1.1 million through a newly formed subsidiary vyble GmbH, which is owned 90% by Zalaris. vyble has a complete suite of Payroll and HR solutions delivered as Software as a Service (SaaS) targeting the SME market in Germany and has annual recurring revenue of approximately EUR 1 million. Vyble has approximately 25 employees.

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

Outlook

Zalaris is well positioned for future revenue growth, having signed an all-time high level of new long-term BPO contracts within Managed Services during 2021. The contracts will generate approximately NOK 115 million in annual recurring revenue. When fully implemented these contracts, combined with the full effect of revenue from ba.se, will imply a revenue increase of around 16% compared to 2021.

The increased scale of our operations from this revenue growth will be a key driver for higher profitability. Further automation of our delivery processes, and a more optimised use of resources from different Zalaris locations, are key targets for 2022.

Based on industry and market research reports, Zalaris' key markets within multi-country payroll and HR outsourcing are expected to grow in the foreseeable future. The Company is well positioned to capture part of this growth through new customers, as demonstrated by the multi-country contracts with Metsä and Yunex Traffic, and by expanding the service offering to existing customers, as we have done with e.g. Siemens and Tryg. Zalaris is also expanding its geographical coverage to strengthen its competitive position in this market.

We are actively pursuing non-organic growth options that can strengthen our position in existing markets, and leverage the scale of our existing organisation, exemplified by the acquisition of ba.se during 2021. The key focus is on opportunities that can support expanding our geographic coverage, or companies that add new HR Tech solutions that can be utilized by our existing customers, or that can expand our customer base. An example of this is the acquisition of vyble announced subsequent to year, which has a payroll and HCM software solution targeting the SME market.

Zalaris is not directly affected by the war in Ukraine, and has no operations or customers in Ukraine or Russia, however Zalaris is following the developments closely. Covid-19 may still have some impact short-term, however, the underlying fundamentals remain strong, and Zalaris enters 2022 with a solid pipeline of potential new sales in all regions.

Oslo, 7 April 2022

Adele Norman Pran Chair of the Board	Liselotte Hägertz Engstam Board Member	Jan M. Koivurinta Board Member	
Corinna Schäfer Board Member	Kenth Eriksson Board Member	Erik Langaker Board Member	Hans-Petter Mellerud Chief Executive Officer

We hereby confirm that the consolidated financial statements and the financial statements for the parent company for the period 1 January 2021 to 31 December 2021, 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, 7 April 2022

Adele Norman Pran Chair of the Board	**Liselotte Hägertz Engstam** Board Member	**Jan M. Koivurinta** Board Member

Corinna Schäfer Board Member	**Kenth Eriksson** Board Member	**Erik Langaker** Board Member	**Hans-Petter Mellerud** Chief Executive Officer

"At Yunex Traffic, we are uniting what's next in traffic. For our customers, we are looking for opportunities to digitalise our industry. Preparing for being a fully stand-alone company, we decided for a collaboration with Zalaris as we wanted to have an integrated solution for both our payroll services and a comprehensive HR IT solution, covering the majority of HR processes. Using Zalaris PeopleHub and SuccessFactors Employee Central provide us the opportunity to stream-line and digitalize processes while enhancing employee experience."

- Armin Seiler
VP Human Resources, Yunex Traffic

zalaris

Consolidated Group Annual Accounts Report 2021 for Zalaris ASA

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

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

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

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

(NOK 1000)	Notes	2021	2020
Revenue	2, 3	**775 265**	**792 326**
Operating expenses			
License costs		67 481	72 517
Personell expenses	4	405 949	430 733
Other operating expenses	5	199 886	167 138
Depreciation and impairments	10	4 078	3 311
Depreciation right-of-use assets	11	16 114	19 101
Amortisation intangible assets	9	29 296	27 436
Amortisation implementation costs customer projects	3	29 874	34 666
Total operating expenses		**752 679**	**754 903**
Operating profit		**22 585**	**37 423**
Financial items			
Financial income	6	5 491	5 763
Financial expense	6, 16, 19	(29 031)	(29 507)
Unrealized foreign exchange profit/(loss)	6	15 968	(27 069)
Net financial items		**(7 571)**	**(50 813)**
Profit before tax		**15 014**	**(13 390)**
Tax expense	7	(2 203)	4 405
Profit for the period		**12 812**	**(8 985)**
Earnings per share:			
Basic earnings per share (NOK)	8	0.60	(0.46)
Diluted earnings per share (NOK)	8	0.56	(0.46)

Consolidated statement of comprehensive income as at 31 December

(NOK 1000)	Note	2021	2020
Profit for the period		12 812	(8 985)
Other comprehensive income			
Items that will be reclassified to profit and loss in subsequent periods			
Currency translation differences		(11 664)	16 544
Total other comprehensive income		**(11 664)**	**16 544**
Total comprehensive income		**1 148**	**7 559**

Consolidated statement of financial position as at 31 December

(NOK 1000)	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets	9	120 140	119 896
Goodwill	9	187 843	160 418
Total intangible assets		**307 983**	**280 313**
Deferred tax asset	7	26 999	23 400
Fixed assets			
Right-of-use assets	11	29 765	21 777
Property, plant and equipment	10	29 855	32 518
Total fixed assets		**59 620**	**54 295**
Total non-current assets		**394 601**	**358 008**
Current assets			
Trade accounts receivable	12	141 397	148 651
Customer projects assets	3	94 799	78 246
Other short-term receivables	13	19 614	15 989
Cash and cash equivalents	14	176 224	124 843
Total current assets		**432 034**	**367 729**
TOTAL ASSETS		**826 635**	**725 738**

Oslo, 7 April 2022

Adele Norman Pran
Chair of the Board

Liselotte Hägertz Engstam
Board Member

Jan M. Koivurinta
Board Member

Corinna Schäfer
Board Member

Kenth Eriksson
Board Member

Erik Langaker
Board Member

Hans-Petter Mellerud
Chief Executive Officer

Consolidated statement of financial position for the period ended 31 December

(NOK 1000)	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	15	2 185	1 962
Other paid in equity		3 657	6 655
Share premium		158 345	34 251
Total paid-in capital		**164 186**	**42 868**
Other equity		2 855	14 267
Retained earnings		41 968	47 224
Total equity		**209 009**	**104 359**
Liabilities			
Non-current liabilities			
Deferred tax liability	7	26 836	25 417
Interest-bearing loans and borrowings	16	357 887	375 832
Other long-term liabilities		3 134	-
Lease liabilities	11	16 445	11 104
Total long-term liabilities		**404 303**	**412 353**
Current liabilities			
Trade accounts payable		18 257	21 190
Customer projects liabilities	3	66 452	50 256
Interest-bearing loans	16	1 356	1 244
Lease liabilities	11	14 423	11 792
Income tax payable	7	2 550	2 698
Public duties payable		36 113	49 486
Other short-term liabilities	18	73 921	71 480
Derivatives		249	880
Total short-term liabilities		**213 322**	**209 025**
Total liabilities		**617 625**	**621 378**
TOTAL EQUITY AND LIABILITIES		**826 635**	**725 738**

Consolidated statement of cash flow for the period ended 31 December

(NOK 1000)	Note	2021	2020
Cash flow from operating activities			
Profit (Loss) before tax		15 014	(13 390)
Net financial items	6	7 571	50 813
Share based payments	22	5 679	2 851
Depreciation and impairments	10	4 077	3 311
Depreciation rights of use assets	11	16 114	19 101
Amortisation intangible assets	9	29 296	27 436
Amortisation implementation costs customer projects	3	29 874	34 666
Capitalisation implementation cost customer projects	3, 4	(51 350)	(18 026)
Customer project revenue deferred	3	41 356	14 961
Customer project revenue recognised	3	(21 701)	(21 684)
Taxes paid	7	(4 815)	(2 427)
Changes in accounts receivable	12, 19	12 464	(37)
Changes in accounts payable	19	(3 525)	(8 655)
Changes in other items	18	(27 581)	28 002
Interest received	6	99	195
Interest paid	6	(19 536)	(24 864)
Net cash flow from operating activities		**33 037**	**92 254**
Cash flows to investing activities			
Investment in fixed and intangible assets	9, 10	(20 630)	(14 345)
Acquisition of subsidiaries, net cash	23	(43 322)	-
Net cash flow from investing activities		**(63 952)**	**(14 345)**
Cash flows from financing activities			
Sale of own shares		7 235	3
Buyback of own shares		(975)	-
Capital increase		115 508	-
Payment of lease liabilities	11, 16, 19	(15 767)	(21 491)
Repayment of loan	19	(1 919)	(17 510)
Dividend payments to owners of the parent	15	(19 639)	-
Net cash flow from financing activities		**84 444**	**(38 998)**
Net changes in cash and cash equivalents		**53 529**	**38 912**
Net foreign exchange difference		**(2 151)**	**3 483**
Cash and cash equivalents at the beginning of the period		**124 843**	**82 448**
Cash and cash equivalents at the end of the period		**176 224**	**124 843**

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

(NOK 1000)	Note	Share capital	Share premium	Other paid in equity	Total paid-in equity	Other equity	Retained earnings	Total equity
Equity at 01.01.2020		**1 957**	**34 252**	**3 804**	**40 014**	**(374)**	**52 526**	**92 166**
Profit of the year							(8 985)	(8 985)
Other comprehensive income						16 544		16 544
Purchase of own shares		5	(2)		3		1 063	1 066
Share based payments				2 495	2 495			2 495
Other changes				356	356	(1 903)	2 620	1 073
Equity at 31.12.2020		**1 962**	**34 250**	**6 655**	**42 868**	**14 267**	**47 224**	**104 359**
Profit of the year							12 812	12 812
Other comprehensive income						(11 664)		(11 664)
Sale of own shares		15	6 731		6 746		489	7 235
Purchase of own shares		(2)			(2)		(975)	(977)
Share based payments				5 679	5 679			5 679
Settlement of share based payments		8	1 858	(8 384)	(6 518)			(6 518)
Issue of Share Capital	8, 15	201	120 537		120 738			120 738
Transaction cost related to issue of new shares			(5 032)		(5 032)			(5 032)
Other changes				(294)	(294)	252	2 056	2 014
Dividend	8				-		(19 639)	(19 637)
Equity at 31.12.2021		**2 185**	**158 345**	**3 657**	**164 186**	**2 855**	**41 968**	**209 009**

Note 1 – Accounting principles and basis for preparation

The Zalaris Group consists of Zalaris ASA and its subsidiaries, all fully owned. Zalaris ASA is a limited company incorporated in Norway. The Group's main office is in Hovfaret 4, Oslo, Norway. The Group is a provider of payroll and human capital management solutions.

The consolidated financial statements of Zalaris for the period ending on 31 December 2021 were approved in a board meeting on 7 April 2022.

1.1 The basis for the preparation of the financial statements

The Group's consolidated financial statements of Zalaris ASA for the accounting year 2021 have been prepared in accordance with international accounting standards ("IFRS") as adopted by the European Union (EU).

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

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 to obtain benefits from its activities. The results of subsidiaries acquired or disposed during the year are included in the consolidated financial statement from the date when control is obtained, to the date the Group no longer has control. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intercompany balances and transactions have been eliminated upon consolidation.

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

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

Foreign currency

Functional currency, presentation currency and consolidation:

The Group's presentation currency is Norwegian Kroner (NOK). The functional currency of the Parent Company is NOK.

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

Transactions in foreign currency

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

Revenue from contracts with customers

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

The Group's revenue consists of revenue from providing payroll and HR services, so called Managed Services. Managed Services does also include cloud services. The other segment is Professional Services which, basically is consulting services.

Managed Services; 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, since the customer simultaneously receives and consumes the benefits provided by the Group.

Cloud services, a part of Managed Services, delivered by the Group may 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 highly interdependent and are therefore deemed to be one performance obligation. The revenue from cloud services are recognized over time, since the customer simultaneously receives and consumes the benefits provided by the Group.

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

Costs related to customer contracts are expensed as incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts (transition and/or transformation costs) may be deferred when they are costs specific to a given contract, generate or enhance the Group's resources that will be used in satisfying performance obligations in the future, and are recoverable. These costs are considered to be "costs to fulfill a contract" and are recognized as customer project asset.

The deferred costs are expensed evenly over the period the outsourcing services are provided. The amortization of deferred cost is presented in the Statement of Profit and Loss in the line item "amortization implementation costs customer projects". These costs are accrued before startup of the delivery. The customer's acceptance of startup signifies the recognition of the delivery and revenue is hence rendered from this date forward.

Contract balances

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

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

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

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

Principal versus agent considerations (Cloud services)

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

Consideration

The Group's revenue is determined on contractual pricing connected to delivered services within a certain period. Outsourcing and Cloud services revenue is based on rendered service in the period while consulting services are invoiced based on hourly performance.

The is no right of return of the services sold by the Group.

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

Consideration of significant financing component in a contract

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

Income tax

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

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

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

Intangible assets: Internally developed software

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

Fixed assets

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

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

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

Leases

Zalaris has applied IFRS 16 according to the following principles:

a) *Identifying a lease*

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

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

b) *Zalaris as a lessee*

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

c) *Recognition of leases and exemptions*

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

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

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

d) *Measuring the lease liability*

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

The lease payments included in the measurement comprise of:

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

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

e) Measuring the right-of-use asset
The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprise:

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

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

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

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

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

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

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

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

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and amortized over borrowing period. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds as defined in IAS 23.

Gains and losses are recognized in profit or loss when the liabilities are derecognized. For further information see note 19.

Pension plans

Defined contribution plan

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

Earnings per share

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

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

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

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

Share-based compensation

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

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

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

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

1.3 New and amended standards and interpretations

Below are comments on the standards relevant for the Zalaris Group.

Standards issued and effective

Amendments to IFRS 16 Lease

The Covid-19 related amendment to IFRS 16 Lease has not had any implication for the Group, and hence had no effect on the figures presented as at 31 December 2021

Standards issued and not yet effective

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

- IFRS 17 - Insurance Contracts (1st January 2023)
- IFRS 10 and IAS 28 (amendments) –Sale or contribution of assets btween and investor and its associate or joint venture (1st January 2023)
- Amendments to IFRS 3 – Reference to the conceptual framework (1st January 2022)
- Amendments to IAS 16 – Property, plant and Equipment – Proceeds before intended use (1st January 2022)
- Amendments to IAS 37 – Onerous contracts – Cost of fulfilling a contract (1st January 2022)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (1st January 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (1st January 2023)

- Amendments to IAS 8 – Definition of Accounting Estimates (1st January 2023)
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1st January 2023)

These amendments are expected to not have significant effect on the financial statements when implemented/effective.

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 judgements

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

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

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

Capitalization of intangible assets

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

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

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill or customer contracts recognised by the Group on acquisition. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 9.

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

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option and RSUs or appreciation right, volatility and dividend yield and making assumptions about them. The fair value of the share options and RSUs is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 22.

Note 2 – Segment information

For management purposes, the Group is organized into business units based on its main products and services and has two reportable segments, as follows:

The Managed Services segment, which includes a full range of payroll and HR outsourcing services, such as payroll processing, time and attendance, travel expenses as well as related cloud system solutions and services. This includes additional cloud-based HR functionality to existing outsourcing customers as talent management, digital personnel archive, HR analytics, mobile solutions, etc. These services are predominantly of a recurring nature and are generally based on long-term contracts (3 - 7 years).

The Professional Services segment, which includes the implementation of SAP HCM & Payroll and SuccessFactors, based on Zalaris templates, or implementation of customer-specific functionalities. This segment unit also assists customers with cost-effective maintenance and support of customers' own on-premise SAP solutions ("AMO"). The AMO services are generally of a recurring nature, and much of the services are based on long-term customer relationships.

For internal reporting and management purposes the financial information is organized by the two business segments by geography.

Items that are not allocated to business segments are mainly intercompany sales, interest-bearing loans and other associated expenses and assets related to administration of the Group. The Group's executive management is the chief decision maker in the Group. The investing activities comprise total cost in the period for the acquisition of assets that have an expected useful life of more than one year.

Geographic information

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

2021

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	529 685	245 580	-	775 265
Operating expenses	(428 087)	(218 921)	(26 314)	(673 322)
EBITDA	**101 598**	**26 658**	**(26 314)**	**101 942**
Depreciation and amortisation	(39 598)	(8 717)	(31 042)	(79 357)
EBIT	**62 000**	**17 941**	**(57 356)**	**22 585**
Net financial income/(expenses)			(7 571)	(7 571)
Income tax			(2 203)	(2 203)
Profit for the period	**62 000**	**17 941**	**(67 130)**	**12 812**
Cash flow from investing activities				**(63 122)**

2020

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	544 321	248 004	-	792 326
Operating expenses	(435 659)	(212 633)	(21 952)	(670 244)
EBITDA	**108 662**	**35 372**	**(21 952)**	**122 082**
Depreciation and amortisation	(45 287)	(9 958)	(29 416)	(84 660)
EBIT	**63 376**	**25 414**	**(51 367)**	**37 423**
Net financial income/(expenses)			(50 813)	(50 813
Income tax			4 405	4 405
Profit for the period	**63 376**	**25 414**	**(97 775)**	**(8 985)**
Cash flow from investing activities				**(14 345)**

Revenue from external Customers Attributable to

(NOK 1000)	as % of Total	2021 NOK 1000	as % of Total	2020 NOK 1000
Norway	26%	200 875	27%	215 979
Northern Europe, excluding Norway	29%	221 047	29%	228 486
Central Europe	41%	314 540	39%	308 776
UK & Ireland	5%	38 803	5%	39 085
Total	**100%**	**775 265**	**100%**	**792 326**

Information About Major Customers

(NOK 1000)	as % of total	2021 NOK 1000	as % of total	2020 NOK 1000
Largest customer	11%	88 720	11%	89 591
5 largest customers	24%	182 348	25%	197 362
10 largest customers	36%	281 054	38%	302 994
20 largest customers	54%	416 086	56%	441 600

The Group has only one customer, which accounts for more than 10% of the total revenue (ref. largest customer in the table above).

Note 3 – Revenue from contracts with customers

Disaggregated revenue information

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

Trade receivables are non-interest bearing and are on general terms from 14 to 90 days credit. In 2021 NOK 2.081k (2020 NOK 350k) was recognized as provision for expected credit losses on trade receivables.

(NOK 1000)	Note	31.12.2021	31.12.2020
Trade receivables	12	141 397	148 651
Customer project assets		94 799	78 246
Customer project liabilities		(66 452)	(50 256)
Prepayments from customers	18	(9 474)	(11 633)

Customer project assets are costs incurred on specific customers contracts, which will be used in satisfying performance obligations in the future, and that are recoverable. These are generally cost incurred in the implementation phase of customer contract for the delivery of BPO HCM services, and is a prerequisite for being able to deliver these services. These costs are deferred and amortized evenly over the period the outsourcing services are provided.

Customer project liabilities are generally payments from customers specific to a given contract, to cover part of the costs for the implementation of the outsourcing contract. The customer payments are recognized as revenue evenly as the Group fulfils the related performance obligations over the contract period.

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

Movements in Customer Project Assets Through the Period:

(NOK 1000)	2021	2020
Opening balance 1 January	78 246	88 808
Cost capitalized	51 350	18 026
Amortization	(29 874)	(34 666)
Disposals & currency	(4 923)	6 078
Customer projects assets	**94 799**	**78 246**

Movements in Customer Project Liabilities Through the Period:

(NOK 1000)	2021	2020
Opening balance 1 January	(50 256)	(55 740)
Revenue deferred	(41 356)	(14 961)
Revenue recognized	21 701	21 684
Disposals & currency	3 458	(1 239)
Customer project liabilities	**(66 452)**	**(50 256)**

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

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

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

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

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

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

Note 4 – Personnel expenses

(NOK 1000)	2021	2020
Salary	357 333	356 098
Bonus	19 452	19 204
Social security tax	55 823	54 548
Pension costs (see note 17)	18 480	17 450
Share based payments (see note 22)	5 749	2 495
Other personnel expenses	11 906	12 561
Capitalised to internal development projects	(11 444)	(13 598)
Capitalised to customer project assets (see note 3)	(51 350)	(18 026)
Total personnel expenses	**405 949**	**430 733**

	2021	2020
Average number of employees	811	833
Average number of FTEs	733	723

See note 20 for transactions with related parties.

Note 5 – Other operating expenses

(NOK 1000)	2021	2020
External consultants for customer projects	103 859	80 585
External services	21 054	10 040
IT and telecom	37 516	35 560
Office premises	8 930	8 326
Travel and accomodation	7 910	10 663
Freight, postage etc.	6 506	4 732
Marketing	5 121	5 051
Audit & Accounting	5 154	5 589
Other expenses	3 836	6 591
Total other operating expenses	**199 886**	**167 138**

Auditors Fee

(NOK 1000)	2021	2020
Auditor fee	2 559	4 024
Other attestation services	142	-
Fee for tax services	458	272
Other fees	-	985
Total	**3 159**	**5 281**

Note 6 – Finance income and finance expenses

(NOK 1000)	2021	2020
Interest income on bank accounts and receivables	99	191
Currency gain	4 020	4 679
Unrealised foreign currency gain	15 968	-
Other financial income	1 372	893
Finance income	**21 459**	**5 763**
Interest expense on financial liabilities measured at amortised cost	17 625	23 145
Currency loss/(gain)	5 685	987
Unrealised foreign currency loss	-	27 069
Interest expense on leasing	1 281	1 503
Other financial expenses	4 440	3 871
Finance expenses	**29 031**	**56 576**
Net financial items	**(7 571)**	**(50 813)**

Note 7 – Income Taxes

(NOK 1000)	2021	2020
Tax paid / payable	(8 917)	(19 050)
Changes in deferred taxes	6 714	23 445
Tax expense	**(2 203)**	**4 405**

Tax payable in balance sheet:

(NOK 1000)	2021	2020
Calculated tax payable	2 550	2 698
Total income tax payable	**2 550**	**2 698**

(NOK 1000)	2021	2020
Ordinary profit before tax	15 014	(13 390)
Tax at Zalaris ASA's statutory tax rate of 22%	(3 303)	(2 946)
Non tax deductible costs and other permanent differences	(2 386)	5 823
Effect of different tax rates and impact of changes in rates and legislation	3 607	(1 035)
Tax expense	**(2 203)**	**4 405**
Effective tax rate	**14.7%**	**32.9%**

Specification of tax effects of temporary differences:

(NOK 1000)	2021	2020
Property, plant, equipment and intagible assets	82 557	65 205
Other differences	(3 155)	4 957
Tax losses carry forward	(99 028)	(95 723)
Total temporary differences	**(19 625)**	**(25 561)**
Total deferred tax assets	26 999	23 400
Total deferred tax liability	26 836	25 417
Net recognised deferred tax/(liability) 22%	**162**	**(2 017)**

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.

The Group has tax losses, which have arisen in Norway, of NOK 114.1 mill as of 31 December 2021 that has no expiration date (NOK 101.0 mill).

As of 31 December 2021 the Group has deferred tax liabilities of NOK 5.1 mill on excess values in connection with the acquisition of ba.se Consulting and Services GmbH.

Note 8 – Earnings per share

The calculation of basic earnings per share is based on the net income attributable to the shareholders of the parent company and a weighted average number of shares outstanding during the years ending 31 December 2021 and 2020 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 based purchase programs.

(NOK 1000)	2021	2020
Net profit/(loss) attributable to ordinary equity holders of the parent	12 812	(8 985)
Weighted average number of shares	21 293 532	19 607 117
Weighted average diluted number of shares	22 736 146	20 301 155
Basic earnings per share (NOK)	**0.60**	**(0.46)**
Diluted earnings per share	**0.56**	**(0.46)**

Note 9 – Intangible assets

The goodwill and customer relationships & contracts in the table above relate to the acquisitions of sumarum AG (sumarum) and Roc Global Solution Ltd. (ROC) in 2017 and ba.se services and consulting GmbG (ba.se) in 2021. The goodwill relates to NOK 110.6 mil in Managed Services and NOK 77.3 mill in Professional Services.

The calculated recoverable amount of Goodwill has been calculated based on the corresponding CGU in each of its segments Managed Services and Professional Services.

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 segment estimates for the period 2022 to 2026. A terminal value is included in the calculations. Estimates and pertaining assumptions are made to the best of the management's

(NOK 1000)	Licenses and Software	Internally Developed Software	Internally Developed Software under Construction	Customer Relationships & Contracts	Goodwill	Total
Acquisition cost						
At 1st January 2020	37 682	82 658	17 890	101 434	153 248	392 911
Additions of the year	-	1 858	11 740	-	-	13 598
Disposals of the year	-	(567)	(6 708)	-	-	(7 275)
Miscellaneous	-	-	(0)	-	-	(0)
Reclassifications	-	15 371	(15 371)	-	-	-
Currency effects	791	611	3 518	4 745	7 170	16 835
At 31 December 2020	**38 473**	**99 931**	**11 068**	**106 178**	**160 418**	**416 068**
Additions of the year	936	2 006	14 509	-	-	17 451
Acqusitions	17 153	-	-	17 632	33 368	68 153
Disposals of the year	(19 889)	(25 974)	(4 627)	-	-	(50 490)
Reclassifications		13 615	(13 615)	-	-	-
Currency effects	(1 978)	(1 124)	1 258	(2 948)	(5 943)	(10 735)
At 31 December 2021	**34 695**	**88 454**	**8 594**	**120 862**	**187 843**	**440 448**
Amortization						
At 1 January 2020	33 177	48 006	-	25 528	-	106 712
Disposals of amortization and currency	-	(567)	-	-	-	(567)
This year's ordinary amortisation	1 746	14 709	-	10 981	-	27 436
Currency effects	638	340	-	1 195	-	2 173
At 31 December 2020	**35 561**	**62 488**	**-**	**37 705**	**-**	**135 754**
Disposals of amortisation	(19 880)	(25 562)	-	-	-	(45 442)
Acquistion	17 632		-	-	-	17 632
This year's ordinary amortisation	479	16 981	-	11 836	-	29 296
Miscellaneous	-	(1 602)	-	(1 146)	-	(2 747)
Currency effects	(950)	(339)	-	(739)	-	**(2 028)**
At 31 December 2021	**32 842**	**51 966**	**-**	**47 656**	**-**	**132 474**
Net Book value						
At 31 December 2020	2 912	37 442	11 068	68 473	160 418	**280 313**
At 31 December 2021	**1 853**	**36 488**	**8 594**	**73 206**	**187 843**	**307 983**
Useful life	3-10 years	5 years	N/A	10 years	Indefinite	
Depreciation method	linear	linear		linear		

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 (5 % organic growth)
- EBITDA / EBITDA margin
- Discount rate

Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The beta factor is evaluated annually based on publicly available market data and is the same for all segments.

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

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

Managed Services - Headroom Sensitivity Analysis in

		Weighted Average Cost of Capital				
		6.0%	**7.0%**	**8.0%**	**9.0%**	**10.0%**
	-20.0%	477	312	198	114	50
	-10.0%	719	510	365	259	178
Percentage change in EBITDA	0,0%	961	708	533	404	306
	10.0%	1 202	905	700	549	434
	20.0%	1 444	1 103	867	694	561

Professional Services - Headroom Sensitivity Analysis in NOK million

		Weighted Average Cost of Capital				
		5.3%	**6.3%**	**7.3%**	**8.3%**	**9.3%**
	-20.0%	537	391	295	227	177
	-10.0%	663	491	378	298	239
Percentage change in EBITDA	0,0%	790	591	461	369	300
	10.0%	916	691	544	440	362
	20.0%	1 042	792	627	510	424

Note 10 – Property, Plant and Equipment

(NOK 1000)	Land	Buildings	Vehicles	Furniture and Fixtures	IT-Equipment	Total
Acquisition cost						
At 1st January 2020	3 708	23 775	536	18 939	7 909	54 866
Additions of the year	-	-	-	142	616	758
Disposals of the year	-	-	-	(773)	(413)	(1 187)
Miscelaneous	-	-	(9)	-	(2)	(11)
Currency effects	234	1 501	28	580	313	2 656
At 31 December 2020	**3 942**	**25 276**	**554**	**18 888**	**8 422**	**57 082**
Additions through acquisition[1]		28	0	3 500	-	3 528
Additions of the year	-	-	-	381	1 251	1 632
Disposals of the year	-	-	(473)	(3 093)	(2 042)	(5 608)
Currency effects	(183)	(1 173)	(26)	(228)	(82)	(1 692)
At 31 December 2021	**3 759**	**24 131**	**55**	**19 448**	**7 549**	**54 942**
Depreciation						
At 1st January 2020	-	990	487	14 105	6 148	21 729
Disposals of ordinary depreciation	-	-	-	(708)	(386)	(1 094)
This year's ordinary depreciation	-	506	25	1 550	1 232	3 313
Currency effects	-	63	28	412	115	618
At 31 December 2020	**-**	**1 559**	**539**	**15 358**	**7 109**	**24 564**
Accumulated depreciation at closing on-additions through acquisitions		(19)	(0)	(3 402)	-	(3 421)
Disposals of ordinary depreciation	-	-	(473)	(3 093)	(2 042)	(5 608)
This years ordinary depreciation	-	521	15	8 026	1 124	9 686
Currency effects	-	(72)	(25)	165	(201)	(133)
At 31 December 2021	**-**	**1 988**	**56**	**17 054**	**5 990**	**25 087**
Net book value						
At 31 December 2020	**3 942**	**23 718**	**15**	**3 529**	**1 314**	**32 518**
At 31 December 2021	**3 759**	**22 144**	**-1**	**2 394**	**1 559**	**29 855**

[1] For description of the acquisitions, see note 23.

Economic life	indefinite	50 years	3 years	5 years	3 years	
Depreciation method	none	linear	linear	linear	linear	

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

Zalaris as a lessee

Right-of-use assets

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

(NOK 1000)	Buildings	Equipment	Vehicles	Total
Acquisition cost				
At 1 January 2020	45 620	4 175	6 985	56 781
Additions	5 870	154	5	6 029
At 1 January 2021	**51 490**	**4 329**	**6 991**	**62 810**
Additions and adjustments	18 929	308	5 617	24 854
Disposals	-220	-	-160	-380
Currency changes	-630	22	238	-370
At 31 December 2021	**69 568**	**4 659**	**12 686**	**86 913**
Depreciation				
At 1 January 2020	16 653	1 629	3 650	21 932
Depreciation	15 708	1 426	1 967	19 101
At 31 December 2020	**32 361**	**3 055**	**5 617**	**41 033**
Depreciation	13 618	343	2 153	16 114
At 31 December 2021	**45 979**	**3 398**	**7 770**	**57 147**
Carrying amount at 31 December 2020	**19 128**	**1 274**	**1 374**	**21 776**
Carrying amount at 31 December 2021	**23 588**	**1 261**	**4 916**	**29 765**

Lease liabilities (NOK 1000)	**2021**	**2020**
Current	14 423	11 792
Non-current	16 445	11 104
Lease liabilities at 31 December	**30 869**	**22 896**
Interest expense included (in finance cost)	1 281	1 503
Variable lease payments expensed in the period	-	-
Operating expenses related to short-term leases	160	275
Operating expenses period related to low value assets	122	288
Total cash outflows for leases	17 048	22 994

Extension options

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

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

Note 12 – Trade Accounts Receivables

(NOK 1000)	2021	2020
Gross trade accounts receivable	141 634	149 001
Provisions for losses	(237)	(350)
Trade accounts receivable	**141 397**	**148 651**

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

Movements in the Provision for Loss are as Follows:	2021	2020
Opening balance	(350)	(350)
Provision of the year	(46)	(21)
Realised loss this year	159	21
Closing balance	**(237)**	**(350)**

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

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

(NOK 1000)	Total	Not due	<30 d	30-60d	60-90d	>90d
31 December 2021	141 397	116 216	18 430	2 222	487	4 043
31 December 2020	148 651	128 124	15 337	2 119	1 017	2 054

Note 13 – Other Short-Term Receivables

(NOK 1000)	2021	2020
Advances to employees	341	250
Prepaid rent	550	1 293
Prepaid software	558	1 270
Prepaid insurance	830	241
Prepaid other expenses	2 041	1 269
Prepaid maintenance and service	1 539	1 779
Accrued income	8 070	7 234
Public duties and taxes	2 653	474
Other receivables	3 031	2 178
Total other short-term receivables	**19 614**	**15 989**

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

(NOK 1000)	2021	2020
Cash in hand and at bank - unrestricted funds	170 034	118 145
Deposit accounts - guarantee rent obligations - restricted funds	2 078	2 247
Employee withheld taxes - restricted funds	4 112	4 451
Cash and cash equivalents in the balance sheet	**176 224**	**124 843**

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 on the total balance of these deposit accounts.

(NOK 1000)	2021	2020
Customer deposits	1 318	1 825

Note 15 – Share Capital and Shareholder information

Shares	2021	2020
Shares - nominal value NOK 0.10	22 135 279	20 122 979
Total number of shares	**22 135 279**	**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 31.12.2021 are:

Shareholder	Number of Shares	% of Total
Norwegian Retail AS	2 891 482	13,06%
Skandinaviska Enskilda Banken AB	2 158 278	9,75%
Verdipapirfondet Alfred Berg Gamba	2 020 848	9,13%
J.P. Morgan Bank Luxenbourgh S.A.	1 374 925	6,21%
State Street Bank and Trust Comp	1 150 456	5,20%
Vestland Invest A/S	910 659	4,11%
Vpf Norge Selektiv	719 955	3,25%
Verdipapirfondet Nordea Kapital	689 340	3.11%
Verdipapirfondet Dnb Smb	642 759	2.90%
J.P. Morgan Bank Luxenbourgh S.A	613 406	2.77%
Verdipapirfondet Nordea Avkastning	505 705	2.28%
Verdipapirfondet Nordea Norge Plus	466 816	2.11%
Verdipapirfondet Delphi Norge Plus	321 965	1.45%
Skandinaviska Enskilda Banken Ab	300 000	1.36%
Ølja As	299 650	1.35%
Næringslivets Hovedorganisasjon	283 217	1.28%
Deutsche Bank Aktiengesellschaft	270 055	1.22%
Taconic	262 040	1.18%
Sober As	238 718	1,08%
Shares owned by the Company	282 493	1,28%
Others	**5 732 512**	**25,90%**
Total	**22 135 279**	**100.00%**

Equity and dividend

In Q2 2021, the Company completed a private placement of 2,012,300 new share at an issue price of NOK 60.00 per share, generating gross proceeds of NOK 120.7 million (net proceeds NOK 115.5 million). Consequently, the authorized share capital was increased by NOK 201,230 through the issue of 2,012,300 new shares at a par value of NOK 0.10 per share.

As approved at the General Meeting held on 20 May 2021, the Company paid dividend of NOK 1.00 per share in Q2, totaling NOK 19.6 million.

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. Nordea has pledged guarantee of NOK 7 mill against assets in Zalaris ASA as security for bank deposits.

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 SF and 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 25.9 mill (NOK 28.8 mill).

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

Note 16 – Interest-Bearing Loans and Borrowings

(NOK 1000)	Financial lease	Finance institutions	Total
At 1 January 2021	22 896	377 077	399 973
Additions	24 103	-	24 103
Payments 2021	(17 048)	(1 919)	(18 967)
Currency changes	918	(15 914)	(14 996)
At 31 December 2021	**30 869**	**359 244**	**390 113**

(NOK 1000)					2021			2020		
Financial Institution	Agreement	Maturity	Duration	Interest Rate	Non-Current	Current	Total	Non-Current	Current	Total
Oslo Stock Exchange*	Bond loan	Sep 2023	5 years	see below	346 806	-	346 806	362 023	-	362 023
Commerzbank, Bank**	Bank loan	Dec 2031	14 years	1.3%	10 519	1 169	11 687	12 256	1 226	13 481
KfW Bank, Germany	Bank loan	Dec 2022	10 years	2,45-4%	562	187	750	1 554	19	1 573
Interest-bearing debt and borrowings					357 887	1 356	359 244	375 832	1 244	377 077

*The bond loan has maturity on 29 September 2023 with no down payments before maturity. Interest rate to be paid is 3 months Euribor 4.75%. The Company has deferred NOK 7.5 million in issuing costs (2% of the bond loan), which are being amortized over the term of the loan. The balance at 31 December 2021 is NOK 3.1 million (NOK 4.9 million). The Company has a swap arrangement to hedge the interest rate exposures arising from this debt obligation.

**Zalaris Deutschland AG entered a loan agreement with Commerzbank in March 2017 related to the financing of the office building in Leipzig.

Note 17 – Pensions

Pension for employees in the Norwegian entities

The Group is required to have an occupational pension scheme in accordance with the Norwegian law on mandatory occupational pension (“Lov om obligatorisk tjenestepensjon”). The Group’s pension schemes satisfy the requirements of this law, and represent a defined contribution plan, with disability coverage. At the end of the year there were 140 (141) participants in this defined contribution plan, including the AFP-scheme.

The pension expenses equal the calculated contribution for the year and is NOK 5.3 million (NOK 5.3 million). The scheme is administered by Storebrand.

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

The premium paid during 2021 was 2.5% of salary between 1 G and 7.1 G. 1G equals NOK 106.4 k as of 31.12.2021.

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

Pensions for other employees

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

Denmark has defined contribution plans for all employees, a total of 28 people end of the year. Finland has a defined contribution plan for all its employees, a total of 45 employees. Sweden has a defined contribution plan for all employees, a total of 54 employees. UK has a defined contribution plan for all employees, a total of 40 employees. Germany has defined contribution plan for executive employees.

Total expenses recognized related to pension in 2021 amounts to NOK 18.5 million (NOK 17.4 million).

Note 18 – Other Short-Term Liabilities

(NOK 1000)	2021	2020
Prepayments from customers*	9 474	11 633
Wages, holiday pay and bonus	21 632	18 705
Accrued expenses and other current liabilities	42 815	41 142
Total	**73 921**	**71 480**

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

Note 19 – Financial Instruments

Financial Instruments by Category

2021 (NOK 1000)	Financial Assets at Amortized Cost	Financial liabilities at fair value	Financial Liabilities at Amortized Cost	Total Book Value
Financial Assets				
Trade accounts receivable	141 397			141 397
Other short-term receivables	19 614			19 614
Cash and cash equivalents	176 224			176 224
Total	**337 235**			**337 235**
Financial liabilities at amortized cost and fair value				
Derivatives, Interest rate swaps		249		249
Contigent considerations		4 065		4 065
Borrowings, long term			357 887	357 887
Trade accounts payables			18 257	18 257
Other short-term debt			73 921	73 921
Total		**4 314**	**450 065**	**454 379**

2020 (NOK 1000)	Financial Assets at Amortized Cost	Financial liabilities at fair value	Financial Liabilities at Amortized Cost	Total Book Value
Financial Assets				
Trade accounts receivable	148 651			148 651
Other short-term receivables	15 989			15 989
Cash and cash equivalents	124 843			124 843
Total	**289 484**			**189 484**
Financial liabilities at amortized cost				
Derivatives, Interest rate swaps		880		880
Borrowings, long term			375 832	375 832
Trade accounts payables			21 190	21 190
Other short-term debt			71 480	71 480
Total		**880**	**468 503**	**469 382**

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 2021 using Level 2 is NOK 0.2 mill (NOK 0.9 mill).

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 measured at amortized cost.

Financial risk management

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 swap arrangements to hedge its interest exposures arising from its debt obligations on the bond loan (ref. Note 16). The interest risk is thus considered to be low.

Foreign Currency Risk

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

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

As of 31 December 2021 the Company has a Euro-based bond loan of EUR 35 million. Per 31 December 2021 the Company had an unrealized currency loss amounting to NOK 25.1 million (2020 NOK 42.1 million) related to this loan. Otherwise, the Group has limited exposure to currency risk from assets and liabilities recognized as of 31 December 2021 that are denominated in currencies other than the functional currency of the Group entities. As of 31 December 2021 the Group has currency exposure from EUR, DKK, INR, SEK, GBP, CHF and PLN. It is mainly the EUR exchange rate that constitutes a currency risk for the Company. A +/- 5% negative change in the exchange rate of EUR would have resulted in a finance loss pre-tax of approximately NOK 17.5 million.

Credit Risk

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

Trade Receivables and Contract Assets

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Liquidity risk

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

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

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.

(NOK 1000)	Less than 3 months	3 to 12 months	1 to 5 years	6 to 10 years	Total
Per 31 December 2021					
Borrowings, long term	-	-	352 628	5 259	357 887
Borrowings, short term	330	1 027	-	-	1 356
Trade creditors and other short term liabilities	18 257	64 447	9 474	-	92 178
Leasing IFRS 16	3 588	10 764	16 517	-	30 869
Total liabilities	**22 174**	**76 237**	**378 619**	**5 259**	**482 290**
Per 31 December 2020					
Borrowings, long term	-	-	370 262	5 571	375 832
Borrowings, short term	346	899	-	´-	1 244
Trade creditors and other				-	
short term liabilities	21 190	59 847	11 633	-	92 670
Leasing IFRS 16	4 031	12 092	6 773	-	22 896
Total liabilities	**25 567**	**72 838**	**388 667**	**5 571**	**492 643**

Note 20 – Transactions with Related Parties

a) Purchase from Related Parties

Related Party	Transaction	2021	2020
Rayon Design AS[1]	Web site and design services	2 274	2 371
Total		**2 274**	**2 371**
Accounts payables		**110**	**66**

1) Norwegian Retail AS, a company owned 100% by Hans-Petter Mellerud, CEO of Zalaris ASA, owns 40% of the shares in Rayon Design AS.

b) Remuneration to Management and Board of Directors:

NOK (1000)	2021	2020
Short-term payment	13 270	14 443
Pension based payment	758	739
Share-based payment	9 614	1 354
Total	**23 642**	**16 536**

Further details can be found in the annual remuneration report for 2021 published on www.zalaris.com

Note 21 – Overview of Subsidiaries

The Following subsidiaries are included in the consolidated accounts:

Company	Country	Ownership/Voting Share
Zalaris Consulting Ltd	UK	100%
Zalaris Deutschland AG	Germany	100%
Zalaris France SAS	France	100%
Zalaris HR Services Denmark A/S	Denmark	100%
Zalaris HR Services Estonia	Estonia	100%
Zalaris HR Services Finland OY	Finland	100%
Zalaris HR Services India Pvt Ltd	India	100%
Zalaris HR Services Ireland Ltd.	Ireland	100%
Zalaris HR Services Latvia SIA	Latvia	100%
Zalaris HR Services Lithuania UAB	Lithuania	100%
Zalaris HR Services Norway AS	Norway	100%
Zalaris HR Services Sverige AB	Sweden	100%
Zalaris Polska SP Z.o.o	Poland	100%
Zalaris Switzerland AG	Switzerland	100%
ba.se consulting & services GmbH	Germany	100%

The following companies were merged with their sister company or closed down during the year.

Company	Country
LBU Personal Complete GmbH	Germany
Zalaris UK Ltd	UK

Note 22 – Share-Based Payment Plan

Zalaris ASA (the "Company") operates a share-based payment plan for members of the executive management and key employees. The share-based payment plan consists of a share option program and restricted stock units ("RSUs").

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

(NOK 1000)	2021	2020
Restricted Share Units	5 749	2 495
Employee share options	318	696
Accrued social security costs	1 444	1 145
Total recognized costs	**7 511**	**4 335**
Accrued payroll tax at the end of the period	**643**	**1 636**

Restricted Stock Units

The general meeting of Zalaris ASA held on 18 May 2020, gave the Board the authority to grant up to 135,000 RSUs annually to executive management, with matching requirements. Under this plan the executive management may convert up to 50% of approved bonuses to RSU's at a 100% higher value (e.g. NOK 50k of annual bonus is converted to NOK 100k worth of RSUs). The purpose of the RSUs is to further align the interests of the Company, its subsidiaries and its shareholders by providing long term incentives in the form of an own investment in the Company done by the participant and matching awards (the RSUs).

The granted RSUs have a three year vesting period. The RSUs require the employee to purchase the required number of matching shares at the grant date and hold these until the RSUs are fully vested. Non-vested RSUs are cancelled when the employee has given notice of termination and are treated as forfeited. If for some reason the Company is not holding a sufficient number of shares at the relevant settlement date, any RSUs awarded and settled under the plan shall be settled by a cash bonus payment equal to the fair market value per share on the date of settlement multiplied by the number of RSUs. A total of 18,401 RSUs were granted in 2021.

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

Share Option Program

The general meeting of Zalaris ASA held on 18 May 2020, gave the Board the authority to grant up to 1 mill employee share options annually for a three-year period. The strike price is based on the weighted average share price for seven days preceding the grant. The options granted vest after 36 months. Each share option corresponds to one share.

Employee share options are not subject to any performance-based vesting conditions. The Company has the option to settle the share options in cash, however they have no legal or constructive obligation to repurchase or offer cash-settlements for options granted. Non-vested share options are cancelled when the employee has given notice of termination and are treated as forfeited. A total of 971,500 options were granted in 2021. The options were granted at an average exercise price of NOK 59.59.

The following table illustrates the number of RSUs outstanding:

Number of RSUs	2021	2020
Outstanding at the beginning of the period	307 152	294 925
Granted	18 041	12 227
Released	(199 925)	-
Outstanding at the end of the period	**125 268**	**307 152**

The fair value of the RSUs is the weighted average share price at grant date:

The Weighted Average Assumptions Used	2021	2020
Expected life of RSUs (year)	3.00	2.76
Weighted average share price	66.00	36.70

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

	2021		2020	
	Number of Options	WAEP (NOK)	Number of Options	WAEP (NOK)
Outstanding at the beginning of the period	618 000	38.55	333 000	34.31
Granted	971 500	59.59	280 000	41.97
Terminated	(70 000)	41.41	-	-
Outstanding at the end of the period	**1 519 500**	**51.87**	**613 000**	**37.81**
Exercisable at the end of the period	-	-	-	-

The range of exercise prices for options outstanding at the end of the year was NOK 29.10 to 59.69.

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair value of share options granted to employees during the period was NOK 17.35 per option (NOK 9.05). The following table lists the key inputs to the model used for the year ended 31 December.

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

The Weighted Average Assumptions Used	2021	2020
Expected volatility (%)	43.17	40.43
Risk-free interest rate (%)	0.92	0.42
Expected life of options (year)	3.0	3.8
Weighted average share price	58.70	39.05
Expected dividend	0%	0%

Annual share purchase program

The Company completed an annual share purchase program for employees in Q4 2021. As part of the program, Zalaris has sold 20,777 own shares to employees at a subscription price of NOK 43.24 per share. The shares were transferred to the employees in December 2021. The subscription price was based on the volume-weighted average share price in the period between 18 November to 30 November 2021, less a 20% discount. To receive the discount the shares have a 12 months lock-up period.

See Executive Remuneration Policy available at **www.zalaris.com** for detailed information on the Group's share based payment plan.

Note 23 – Acquisition

Zalaris Deutschland AG, a fully owned subsidiary of Zalaris ASA, acquired 100% of the total share capital in ba.se services & consulting GmbH ("ba.se"). The closing date for the acquisition was 3 August 2021. The total purchase consideration transferred to the seller was NOK 51.9 million, consisting of an initial cash payment of NOK 47.8 million, and an estimated contingent consideration of NOK 4.1 million. The contingent consideration has a minimum amount of nil and a maximum amount of NOK 16.7 million, subject to certain revenue and EBITDA targets for bas.se, for the period 2021 to 2023. The acquisition was financed by available cash.

ba.se is a leading provider of payroll and HR services within the German retail sector. With this acquisition, Zalaris increases its recurring revenue base in Germany, and gains significant expertise within the retail sector. The acquisition will also provide Zalaris with an additional platform for further BPO growth in Germany and Central Europe.

ba.se serves approximately 30,000 employees of numerous large German, Austrian, Swiss and French customers with a team of around 80 people located in Hagen near Düsseldorf, Germany. The customer base includes well-known companies, such as Douglas, Christ and Thalia. The company specializes in payroll, accounting, document management and real estate management services.

Following is a preliminary purchase prices analysis ("PPA") for the acquisition of ba.se. At the acquisition date, the fair values of the acquired assets and liabilities of the ba.se accounts are broken down in the table on the right.

The goodwill is calculated on the basis of expected synergies between Zalaris' experience and technical solutions and ba.se market presence, and established customer relations, in addition to the assembled workforce. The intangible assets in ba.se are license costs posted at face value, and a 40% minority holding valued at purchase price. There are no contingent agreements with indemnification clauses.

The Weighted Average Assumptions Used	Shares acquired	Amount
Estimated purchase consideration	100%	51 876
Book of value of equity		5 595
Excess value to be allocated		**46 281**
Customer relations		18 454
Deferred tax		(5 541)
Total allocated to identifiable intangible assets:		**12 913**
Goodwill		**33 368**

*) The aquired goodwill is not tax deductable and mainly relates to human relations

NOK 1000	Amount
Non-current assts	864
Trade receivables	5 453
Other current receivables	897
Cash & Cash equivalents	4 548
Total assets	**11 762**
Trade payables	619
Tax and public duties payable	1 660
Other current liabilities	3 887
Total assets	**6 166**
Net identifiable assets	**5 595**

The receivables and payables are all recognised at fair value. There are no transactions recognised separately from the acquisition of the assets and liabilities.

ba.se is included in Zalaris' consolidated financial figures from 3 August 2021. The revenue and net profit included in these figures for the 5 months period ended 31 December 2021 was NOK 21.8 million and NOK 2.0 million respectively. If the acquisition date had been on 1 January 2021, the consolidated revenue and net profit of Zalaris for the 12 months period ended 31 December 2021 would have been NOK 810.1 million and NOK 15.1 million respectively, of which ba.se would have contributed with revenue of NOK 56.5 million and net profit of NOK 5.1 million.

Note 24 – Events After the Balance Sheet Date

On 2 February 2022, the Company announced the acquisition of vyble, a payroll and HR solution start-up located in Rostock and Hamburg, Germany. Zalaris has acquired the assets of vyble AG for EUR 1.1 million through a newly formed subsidiary vyble GmbH, which is owned 90% by Zalaris. vyble has a complete suite of Payroll and HR solutions delivered as Software as a Service (SaaS) targeting the SME market in Germany and has annual recurring revenue of approximately EUR 1 million. Vyble has approximately 25 employees.

There have been no other events after the balance sheet date which have had a material effect on the issued accounts.

“Gjensidige is pleased to have entered into a partnership with SAP and Zalaris to meet Gjensidige’s offensive HR strategy. Our focus on relevant efficient user-friendly HR processes and tools is important for Gjensidige’s commitment to attract, develop and retain future employees.”

zalaris

- Marit Agner Matheson
HR-director at Gjensidige Forsikring ASA

Parent Company
Annual Accounts Report 2021
Zalaris ASA

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

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

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**	**2021**	**2020***
Other revenue	2	144 062	132 974
Total Revenue		**144 062**	**132 974**
Operating expenses			
License costs		45 719	44 706
Personell expenses	3	36 447	32 641
Other operating expenses	4	89 004	90 585
Amortisation intangible assets	5	14 639	13 812
Depreciation and impairments	6	233	310
Total operating costs		**186 043**	**182 054**
Operating profit		**(41 981)**	**(49 080)**
Financial items			
Financial income	15	41 277	96 536*
Financial expenses	15	(22 011)	(98 283)
Unrealised foreign currency gain/(loss)	14, 15, 16	15 867	(27 108)
Net financial items		**35 133**	**(28 855)**
Ordinary profit before tax		**(6 847)**	**(77 935)**
Income tax expense			
Tax expense on ordinary profit	7	(2 011)	(10 322)
Total tax expense		**(2 011)**	**(10 322)**
Profit for the year		**4 836**	**(67 613)**
Attributable to:			
Other Equity		(4 836)	(67 613)

*2020 restated

Balance Sheet at 31 December

(NOK 1000)	Notes	2021	2020
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax asset	7	22 934	20 864
Other intangible assets	5	39 399	44 506
Total intangible assets		**62 332**	**65 369**
Fixed assets			
Property, plant and equipment	6	95	305
Total fixed assets		**95**	**305**
Financial non-current assets			
Shares in subsidiaries	8	273 621	280 700*
Total financial non-current assets		**273 621**	**280 700**
Total non-current assets		**336 049**	**346 374**
Current assets			
Prepayments		2 508	3 123
Other short-term receivables	9	1 213	8
Other short-term receivables to group companies	9	113 830	97 731
Cash and cash equivalents	10	148 466	10 373
Total current assets		**266 017**	**111 235**
TOTAL ASSETS		**602 066**	**457 610**

Oslo, 7 April 2022

Adele Norman Pran Chair of the Board	**Liselotte Hägertz Engstam** Board Member	**Jan M. Koivurinta** Board Member	
Corinna Schäfer Board Member	**Kenth Eriksson** Board Member	**Erik Langaker** Board Member	**Hans-Petter Mellerud** Chief Executive Officer

Balance Sheet at 31 December

(NOK 1000)	Notes	2021	2020*
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital		2 185	1 962
Other paid in equity		3 657	6 359
Share premium		158 345	34 251
Total paid-in capital		**164 186**	**42 572**
Other equity		(68 195)	(44 060)*
Total earned equity		**(68 195)**	**(44 060)**
Total equity		**95 991**	**(1 488)**
Non-current liabilities			
Interest-bearing loans and borrowings	16	346 806	362 023
Total long-term debt		**346 806**	**362 023**
Current liabilities			
Trade accounts payable		4 479	9 349
Interest-bearing loans to group companies	16	133 784	67 384
Short-term debt to group companies		4 845	9 226
Derivatives	14	249	880
Public duties payable		1 951	395
Other short-term debt	17	13 960	9 841
Total short-term debt		**159 269**	**97 075**
Total liabilities		**506 075**	**459 098**
Total Equity and liabilities		**602 066**	**457 610**

*2020 restated

Statement of Cash Flows: 1 January - 31 December

(NOK 1000)	Note	2021	2020*
Cash flows from operating activities			
Ordinary profit before tax		(6 847)	(77 935)
Income taxes paid		-	(491)
Net financial items		(21 063)	(47 733)
Amortisation and depreciation		14 873	14 122
Write offs investments in subsidaries		-	72 437
Changes in trade accounts receivable and payables		(4 870)	(1 330)
Changes in other accruals		(30 033)	66 339
Interest received		2 128	8 530
Interest paid		(17 669)	(19 541)
Net cash flows from operating activities		**(63 481)**	**14 399**
Cash flows from investing activities			
Purchases of Intangible assets and property, plant and equipment		(9 998)	(8 923)
Purchase and investment in subsidiary	8	7 079	(11 471)
Net cash flows from investing activities		**(2 919)**	**(20 394)**
Cash flows from financing activities			
Group contribution and dividiends from subsidiaries		37 275	86 066
Own shares		6 258	1 117
Issuance of new shares		115 706	-
Stock purchase program		(836)	2 555
Revolving credit		66 400	(56 608)
Paid dividend payment		(19 639)	-
Net cash flows from financing activities		**205 164**	**33 129**
Net changes in cash and cash equivalents		**138 764**	**27 134**
Net foreign exchange difference		**(671)**	**(27 323)**
Cash and cash equivalents at the beginning of the year		**10 373**	**10 562**
Cash and cash equivalents at the end of the year		**148 466**	**10 373**

*2020 restated

Statement of Changes in Equity

(NOK 1000)	Shares Capital	Share Premium	Other Paid-in Equity	Total Paid-in Capital	Other Equity	Total Equity
Equity at 01.01.2020	**1 957**	**34 253**	**3 804**	**40 014**	**22 440**	**62 453**
Income for the year				-	(67 613)	(67 613)
Share based payments			2 555	2 555		2 555
Sale of own shares	5	(2)		3	1 114	1 117
Equity at 31.12.2020	**1 962**	**34 251**	**6 359**	**42 572**	**(44 060)**	**(1 488)**
Income for the year				-	(4 836)	(4 836)
Paid dividend				-	(19 639)	(19 639)
Issue of share capital	201	115 505		115 706		115 706
Share based payments			5 679	5 679		5 679
Sale of own shares	15	6 731		6 746	489	7 235
Settlement of share based payments	8	1 858	(8 382)	(6 516)		(6 516)
Purchase of own shares	(2)			(2)	(975)	(977)
Other changes in equity				-	826	826
Equity at 31.12.2021	**2 185**	**158 345**	**3 657**	**164 186**	**(68 195)**	**95 991**
***2020 restated**						

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 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 2021 were approved in a board meeting on 7 April 2022.

1.1 The basis for the preparation of the financial statements

The financial statements of Zalaris ASA for the accounting year 2021 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 based on existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to apply when the assets are realized or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets and liabilities are not discounted.

Intangible Assets: Internally Developed Software

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

Fixed Assets

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

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

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

Leases (as Lessee)

Financial Leases

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

Operating Leases

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

Shares in Subsidiaries

Shares in subsidiaries are measured using the cost method of accounting in the parent company accounts. Investments are valued at the acquisition cost of the shares unless impairment losses have been made. Shares in subsidiaries are impaired to fair value when the decrease in value is not considered as temporary. Impairment losses are reversed when the reason for the impairment no longer applies.

Trade and Other Financial Receivables

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

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

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

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

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

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

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

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

Covid-19
All significant estimates and underlying assumptions to the accounting areas above have been reviewed in light of Covid-19. Zalaris has not experienced any major disruption to its operations or experienced significant financial effects due to Covid-19 in 2021. As a result, Zalaris has not identified significant Covid-19 impact to the consolidated financial statements as of 31 December 2021.

Note 2 – Segment information

The only segment in the Company is service deliveries to the Group (Group services). This segment also includes the exercising of ownership.

The company is providing shared services to its subsidiaries within accounting, IT solutions both for internal use and further customer deliveries and consulting services through the subsidiaries. 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.

(NOK 1000)	as % of total	2021	as % of total	2020
Norway	44%	63 906	44%	58 766
Sweden	18%	25 946	18%	24 111
Denmark	11%	16 060	13%	17 313
Finland	9%	13 424	11%	14 828
Germany	8%	11 712	5%	6 237
Latvia	3%	4 263	3%	4 322
UK	2%	2 237	1%	1 565
Poland	3%	3 628	2%	3 224
Other	2%	2 886	2%	2 608
Total	**100%**	**144 062**	**100%**	**132 974**

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

Note 3 – Personnel expenses

(NOK 1000)	2021	2020
Salary	40 242	27 652
Social security tax	6 885	5 134
Pension costs (see note 12)	1 573	1 272
Capitalized development expenses	(9 769)	(8 364)
Other expenses	(2 485)	6 948
Total personnel costs	**36 447**	**32 641**

	2021	2020
Average number of employees	**25**	**24**
Average number of FTE	**24**	**22**

See note 13 for transactions with related parties.

Note 4 – Other operating expenses

(NOK 1000)	2021	2020
External services	53 372	56 465
IT services and telecom	28 162	26 400
Office premises	2 356	2 333
Travel and transport	289	375
Postage and freight	37	38
Other expenses	4 788	4 974
Total other operating expenses	**89 004**	**90 585**

Auditors fee

(NOK 1000)	2021	2020
Auditor fee	1 850	3 156
Other attestation services	19	-
Fee for tax services	-	-
Other fees	295	100
Total, excl VAT	**2 163**	**3 256**

Note 5 – Other Intangible Assets

(NOK 1000)	Licenses and Software	Internally Developed Software	Internally Developed Software Under Construction	Total
Acquisition cost				
Accumulated 1 January 2020	25 297	72 264	16 795	114 356
Additions of the year	-	1 057	7 866	8 923
Internal AUC reclassified	-	13 811	(13 811)	-
Accumulated 31 December 2020	**25 297**	**87 132**	**10 850**	**123 279**
Accumulated 1 January 2021	25 297	87 132	10 850	123 279
Additions of the year	-	1 985	7 989	9 974
Disposals and currency effects	-20	-25 509	0	-25 530
Internal AUC reclassified	0	-10 238	10 238	0
Accumulated 31 December 2021	**25 277**	**53 369**	**29 077**	**107 723**
Depreciation				
Accumulated 1 January 2020	23 219	41 743	-	64 961
This year's ordinary amortisation	909	12 903	-	13 812
Disposals of amortisation and currency effects	-	-		-
Accumulated 31 December 2020	**24 128**	**54 645**	**-**	**78 773**
Accumulated 1 January 2021	24 128	54 645	-	78 773
This year's ordinary amortisation	671	13 968	0	14 639
Disposals of amortisation and currency effects	0	-25 088	-	-25 088
Accumulated 31 December 2021	**24 799**	**43 525**	**-**	**68 324**
Book value at 31 December 2020	**1 169**	**32 486**	**10 850**	**44 506**
Book value at 31 December 2021	**478**	**9 844**	**29 077**	**39 399**
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
Acquisition cost			
Accumulated 1 January 2020	3 001	891	3 892
Accumulated 31 December 2020	**3 001**	**891**	**3 892**
Accumulated 1 January 2020	3 001	891	3,892
Additions of the year	24	-	24
Disposals of the year	(22)	(395)	(416)
Accumulated 31 December 2020	**3 003**	**496**	**3 449**
Depreciations			
Accumulated 1 January 2020	2 865	412	3 278
This year's ordinary depreciation	58	252	310
Accumulated 31 December 2020	2 923	665	3 588
Accumulated 1 January 2021	2 923	665	3 588
This year's ordinary depreciation	46	188	233
Disposals of the year	(22)	(395)	(416)
Accumulated 31 December 2021	2 947	458	3 405
Book value at 31 December 2020	**77**	**228**	**305**
Book value at 31 December 2021	**55**	**40**	**95**
Useful life	5 years	3-6 years	
Depreciation method	linear	linear	

Note 7 – Income taxes

Income Tax Expense: (NOK 1000)	2021	2020
Tax paid & payable	-	491
Changes in deferred taxes	(1 514)	(10 813)
Changes in previous years	(498)	-
Tax expense/income	**(2 011)**	**(10 322)**

Tax Payable in Balance Sheet: (NOK 1000)	2021	2020
Ordinary profit before tax	(6 847)	(5 498)
Permanent differences	(32)	1 086
Dividend from subsidiaries	-	(42 506)
Change in temporary differences	2 889	3 132
Basis for tax payable	**(3 991)**	**(43 786)**
Tax payable	**(878)**	**(9 633)**

Reconciliation of Effective Tax Rate: (NOK 1000)	2021	2020
Ordinary profit before tax*	(6 847)	(5 498)
Calculated tax	(1 506)	(10 793)
Group contribution	(37 275)	(43 560)
Other permanent differences	(505)	239
Group contribution	8 200	(9 351)
Dividend subsidiaries	-	9 583
Tax expense	**(2 011)**	**(10 322)**
Effective tax rate	**29%**	**21%**

Specification of Tax Effects of Temporary Differences: (NOK 1000)	2021	2020
Property, plant, equipment and immaterial assets	(5 422)	(4 335)
IFRS amortization loan	3 155	4 957
Tax losses carry forward	(101 976)	(95 458)
Total temporary differences	**(104 243)**	**(94 836)**
Total deferred tax assets	(22 934)	(21 001)
Total deferred tax liability	-	137
Net deferred tax	**(22 934)**	**(20 864)**

***Exclusive group contribution from subsidiaries**

Note 8 – Overview of subsidiaries

Company	Consolidated	Location	Ownership
Zalaris HR Services Danmark A/S	15.07.00	Copenhagen	100%
Zalaris HR Services Sverige AB	19.04.01	Stockholm	100%
Zalaris HR Services Finland OY	26.09.03	Helsinki	100%
Zalaris HR Services Norway AS	30.11.06	Lødingen	100%
Zalaris HR Services Latvia AS	27.12.06	Riga	100%
Zalaris HR Services Lithuania UAB	08.05.13	Vilnius	100%
Zalaris HR Services Poland Sp Z.o.o	26.04.13	Warsawa	100%
Zalaris HR Services Estonia	04.06.13	Tallinn	100%
Zalaris HR Services India	01.10.15	Chennai	100%
Zalaris HR Services Ireland Ltd	01.02.18	Dublin	100%
Zalaris Deutschland AG	18.05.17	Henstedt-Ulzberg	100%
Zalaris Consulting UK Ltd	26.09.17	London	100%
Indirect owned subsidiaries			
ba.se service & consulting GmbH	03.08.21	Hagen	100%
Zalaris Switzerland AG	18.05.17	Zürich	100%

Company (NOK 1000)	OtherEquity*	Share Capital in Local Currency	Local Currency	Number of Shares	Normal Value Per Share	Carrying Value
Zalaris HR Services Danmark A/S		500,0	DKK	5 000	100,0	5 390
Zalaris HR Services Sverige AB		300,0	SEK	3 000	100,0	9 650
Zalaris HR Services Finland OY		8,0	EUR	1 000	8,0	67
Zalaris HR Services Finland OY	2 450		EUR			21 783
Zalaris HR Services Norway AS		100,0	NOK	1 000 000	0,1	252
Zalaris HR Services Latvia AS		2,8	EUR	2 000	1,4	-7
Zalaris HR Services Lithuania UAB		10,0	EUR	1 000	10,0	0
Zalaris HR Services Poland Sp Z.o.o		5,0	PLN	100	50,0	12 016
Zalaris HR Services Estonia		2,5	EUR	2 500	1,0	2 418
Zalaris HR Services India		40 000,0	INR	4 000 000	10,0	5 722
Zalaris France SAS		1,0	EUR	1 000	1,0	10
Zalaris HR Services Ireland Ltd		0,1	EUR	100	1,0	0
Zalaris Deutschland AG		54,6	EUR	54 552	1,0	191 198
Zalaris Consulting UK Ltd		10,1	GBP	10 100	1,0	23 049
Total						**271 548**

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

Restatement of 2020 figures

In the 2020 financial statements the carrying value of the investment in the subsidiary Zalaris UK Ltd was NOK 81.6 million as of 31 December 2020. It has subsequently been identified that the dividend received by Zalaris ASA from Zalaris UK Ltd, following the sale of certain assets from Zalaris UK Ltd to Zalaris Consulting UK Ltd in 2020, and other internal adjustments as part as merger process, should have been booked against the investment in Zalaris UK Ltd. The correct carrying value of the investment in Zalaris UK Ltd should have been NOK 9.2 million as of 31 December 2020. Total carrying value of our investment in subsidiaries before this impairment was NOK 353.1 million as of 31 December 2020, which have been corrected to NOK 280.7 million in the 2021 financial statements.

Note 9 – Other Short-Term Receivables

(NOK 1000)	2021	2020
Receivables group companies	113 830	97 731
Other receivables	1 213	8
Total other short-term receivables	**115 044**	**97 739**

Note 10 – Cash and Cash Equivalents

(NOK 1000)	2021	2020
Cash in hand and at bank - unrestricted funds	146 916	8 590
Deposit accounts - guarantee rent obligations	-	145
Employee withheld taxes - restricted funds	1 549	1 639
Cash and cash equivalents in the balance sheet	**148 466**	**10 373**

Note 11 – Share Capital, Shareholder Information and Dividend

Shares	2021	2020
Shares - nominal value NOK 0.10	22 135 279	20 122 979
Total number of shares	**22 135 279**	**20 122 979**

The nominal value of the share is NOK 0.10.
All the shares in the Company have equal voting rights and are entitled to dividend.
The computation of earnings per share is shown in note 8 in the consolidated financial statement.

The Major Shareholders at 31.12.2021 are:

Shareholder	Number of Shares	% of Total	Type of Account
Norwegian Retail AS	2 891 482	13,06%	Ordinary
Skandinaviska Enskilda Banken AB	2 158 278	9,75%	Nominee
Verdipapirfondet Alfred Berg Gamba	2 020 848	9,13%	Ordinary
J.P. Morgan Bank Luxembourg S.A.	1 374 925	6,21%	Nominee
State Street Bank And Trust Comp	1 150 456	5,20%	Nominee
Vestland invest As	910 659	4,11%	Ordinary
Vpf Norge Selektiv	719 955	3,25%	Ordinary
Verdipapirfondet Nordea Kapital	689 340	3,11%	Ordinary
Verdipapirfondet DNB SMB	642 759	2,90%	Ordinary
J. P. Morgan Bank Luxenbourg S.A.	613 406	2,77%	Nominee
Verdipapirfondet Nordea Avkastning	505 705	2,28%	Ordinary
Verdipapirfondet Nordea Norge Plus	466 816	2,11%	Ordinary
Verdipapirfondet Delphi Norge	321 965	1,45%	Ordinary
Skandinaviska Enskilda Banken Ab	300 000	1,36%	Nominee
Ølja As	299 650	1,35%	Ordinary
Næringslivets Hovedorganisasjon	283 217	1,28%	Ordinary
Deutsche Bank Aktiengesellschaft	270 055	1,22%	Nominee
Taconic As	262 040	1,18%	Ordinary
Sober As	238 718	1,08%	Ordinary
Shares owned by the company	**282 493**	**1,28%**	
Others	**5 732 512**	**25.90%**	
Total	**22 135 279**	**100.00%**	

Dividend

A dividend of NOK 1,- per share was paid to the shareholders of the Company during 2021.

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 year there were 24 participants (25) in this defined contribution plan.

Expenses equals this year's calculated contribution and amounts to NOK 1.6 mill (NOK 1.3 mill). The scheme is administered by Storebrand.

Note 13 – Transactions with Related Parties

a) Purchase from Related Parties

Related Party	Transaction	2021	2020
Rayon Design AS[1]	Management Services	2 274	2 371
Total		**2 274**	**2 371**
Accounts payables		**110**	**66**

1) Norwegian Retail AS, a company owned 100% by Hans-Petter Mellerud, CEO of Zalaris ASA, owns 40% of the shares in Rayon Design AS.

For further information see the annual remuneration report published on **www.zalaris.com.**

Note 14 – Financial Instruments

2021

Financial Instruments by Category (NOK 1000)		Loans and Receivables	Liabilities at Amortized Cost	Total Book Value
Financial assets				
Trade accounts receivable		-		-
Other short-term receivables to group company		113 830		113 830
Other short-term receivables		1 213		1 213
Cash and cash equivalents		148 466		148 466
Total		**263 509**	-	**263 509**
Financial liabilities				
Derivatives, Interest rate swaps		249		249
Borrowings, long term			346 806	346 806
Borrowings, short term, revolving credit			133 784	133 784
Other short-term debt to group company			4 845	4 845
Trade accounts payables			4 479	4 479
Other short-term debt			15 911	15 911
Total	-	**249**	**505 826**	**506 075**

2020

Financial Instruments by Category (NOK 1000)		Loans and Receivables	Liabilities at Amortized Cost	Total Book Value
Financial Assets				
Trade accounts receivable		-		-
Other short-term receivables to group company		97 731		97 731
Other short-term receivables		8		8
Cash and cash equivalents		10 373		10 373
Total		**108 112**	-	**108 112**
Financial liabilities				
Derivatives, Interest rate swaps		880		880
Borrowings, long term			362 023	362 023
Borrowings, short term, revolving credit			67 384	67 384
Other short-term debt to group company			9 226	9 226
Trade accounts payables			9 349	9 349
Other short-term debt			10 236	10 236
Total	-	**880**	**458 218**	**459 098**

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 2020 using Level 2 is NOK 0.2 million.

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

Financial risk management

Overview

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

Market Risk from Financial Instruments

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

Interest Rate Risk

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

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 swap arrangements to hedge its currency exposures arising from its debt obligations (ref. Note 16).

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

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 2021, 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 25.1 million related to this loan. Otherwise, the Group has limited exposure to currency risk from assets and liabilities recognized as of 31 December 2021 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.

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.

Per 31 December 2021

(NOK 1000)	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Borrowings, long term			346 806	346 806
Borrowings, short term		133 784		133 784
Trade creditors and other short term liabilities	4 479	20 756		25 235
Total liabilities	**4 479**	**154 540**	**346 806**	**505 826**

Per 31 December 2020

(NOK 1000)	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Borrowings, long term			362 023	362 023
Borrowings, short term		67 384		67 384
Trade creditors and other short term liabilities	9 349	19 462		28 811
Total liabilities	**9 349**	**86 846**	**362 023**	**458 218**

Note 15 – Financial Items

(NOK 1000)	2021	2020
Interest income on bank accounts and receivables	2 128	2 310
Group contribution	37 275	43 560
Dividend	-	48 726*
Foreign exchange gains	1 874	1 939
Finance income	**41 277**	**96 536**
Interest expenses	17 669	19 541
Foreign exchange loss	2 545	2 155
Impairment subsidiaries	-	72 437
Other financiel expenses	1 797	4 151
Finance expenses	**22 011**	**98 283**
Unrealised foreign currency gain/(loss)	**15 867**	**(27 108)**
Net financial items	**35 133**	**(28 855)**

***2020 restated**

Note 16 – Interest-Bearing Loans and Borrowings

2021

(NOK 1000) Financial Institution	Agreement	Maturity	Duration	Interest Rate	Balance Sheet Non-Current	Current	Total
Oslo Stock Exchange*	Bond loan	Sept 2023	5 years	see below	346 806		346 806
Nordea Bank Norge ASA	Group cash pool				-	133 784	133 784
Interest-bearing debt and borrowings					**346 806**	**133 784**	**480 590**

2020

(NOK 1000) Financial Institution	Agreement	Maturity	Duration	Interest Rate	Balance Sheet Non-Current	Current	Total
Oslo Stock Exchange*	Bond loan	Sept 2023	5 years	see below	362 023		362 023
Nordea Bank Norge ASA	Group cash pool				-	67 384	67 384
Interest-bearing debt and borrowings					**362 023**	**67 384**	**429 407**

* Bond loan, Oslo Stock Exchange

The Company secured a EUR 35 million bond loan registered on the Oslo Stock Exchange in September 2018. The bond has maturity on 29 September 2023 with no principal payments before maturity. Interest rate to be paid is 3 months Euribor +4.75%.

The Company has deferred NOK 7.5 million in issuing costs (2 % of the bond loan), which are being amortized over the term of the loan. The balance at 31 December 2021 is NOK 3.1 million.

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

Assets Pledged as Security

Shares in all subsidiaries of Zalaris ASA have been pledged as guarantee for the bond loan. In addition, assets in the subsidiaries Zalaris HR Services Norway AS, Zalaris HR Services Sweden AB, Zalaris HR Services Denmark AS, Zalaris HR Services Finland OY and Zalaris 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. Nordea has pledged guarantee of NOK 7 mill against assets in Zalaris ASA as security for bank deposits.

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 25.9 million.

Note 17 – Other Short-Term Debt

(NOK 1000)	2021	2020
Wages, holiday pay and bonus	6 262	5 076
Accrued expenses and other current liabilities	7 698	4 765
Total	**13 960**	**9 841**

Note 18 – Share-based payment plan

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

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

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

(NOK 1000)	2021	2020
Restricted Stock Units	16 416	2 495
Employee share options	318	696
Accrued social security costs	1 444	1 145
Total recognized costs	**18 177**	**4 335**
Accrued payroll tax at the end of the period	**643**	**1 636**

Restricted Stock Units

The general meeting of Zalaris ASA held on 18 May 2020, gave the Board the authority to grant up to 135,000 RSUs annually to executive management, with matching requirements. Under this plan the executive management may convert up to 50% of approved bonuses to RSU's at a 100% higher value (e.g. NOK 50k of annual bonus is converted to NOK 100k worth of RSUs). The purpose of the RSUs is to further align the interests of the Company, its subsidiaries and its shareholders by providing long term incentives in the form of an own investment in the Company done by the participant and matching awards (the RSUs).

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

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

A total of 18 401 RSUs were granted in 2021, and the following table illustrates the number of RSUs outstanding:

Number of RSUs	2021	2020
Outstanding at the beginning of the period	307 152	294 925
Granted	18 041	12 227
Forfeited	(199 925)	-
Outstanding at the end of the period	**125 268**	**307 152**

The fair value of the RSUs is the weighted average share price at grant date:

The Weighted Average Assumptions Used	2021	2020
Expected life of RSUs (year)	3.00	2.76
Weighted average share price	66.00	36.70

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

	2021		2020	
	Number of Options	WAEP (NOK)	Number of Options	WAEP (NOK)
Outstanding at the beginning of the period	618 000	38.55	333 000	34.31
Granted	971 500	59.59	280 000	41.97
Terminated	(70 000)	41.41	-	-
Outstanding at the end of the period	**1 519 500**	**51.87**	**613 000**	**37.81**
Exercisable at the end of the period	-	-	-	-

Share Option Program

The general meeting of Zalaris ASA held on 18 May 2020, gave the Board the authority to grant up to 250,000 employee share options annually for a three-year period. The strike price is based on the weighted average share price for seven days preceding the grant. 60% of the options granted vest after 36 months, while the remaining 40% vest after 60 months. Each share option corresponds to one share.

Employee share options are not subject to any performance-based vesting conditions. The Company has the option to settle the share options in cash, however they have no legal or constructive obligation to repurchase or offer cash-settlements for options granted. Non-vested share options are cancelled when the employee has given notice of termination and are treated as forfeited. A total of 971,500 options were granted in 2021. The options were granted at an average exercise price of NOK 59.59.

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair value of share options granted to employees during the period was NOK 17.35 per option (NOK 9.05). The following table lists the key inputs to the model used for the year ended 31 December:

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

The Weighted Average Assumptions Used	2021	2020
Expected volatility (%)	43.17	40.43
Risk-free interest rate (%)	0.92	0.42
Expected life of options (year)	3.0	3.8
Weighted average share price	58.70	39.05

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

Annual Share Purchase Program

The Company completed an annual share purchase program for employees in Q4 2021. As part of the program, Zalaris has sold 20,777 own shares to employees at a subscription price of NOK 43.24 per share. The shares were transferred to the employees in December 2021. The subscription price was based on the volume-weighted average share price in the period between 18 November to 30 November 2021, less a 20% discount. To receive the discount the shares have a 12 months lock-up period.

See Executive Remuneration Policy for detailed information.

Note 19 – Events after the balance sheet date

There have been no events after the balance sheet date which have had a material effect on the issued accounts.

"Helping visualizing our individual CO_2 footprint related to commuting and business-related travel with our Peoplehub apps is one way that we at Zalaris can support solving our climate challenge."

- Hilde Karlsmyr
CHRO at Zalaris

zalaris

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

Zalaris ASA is incorporated and registered in Norway and is subject to Norwegian law. According to the Accounting Act § 3-3b, the Company is obliged to report on its principles and practices of corporate governance. In addition, the Oslo Stock Exchange requires an annual statement on compliance with the Company's corporate governance policy, in accordance with NUES the Norwegian Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board, most recently revised on 14 October 2021.

The statement for fiscal year 2021 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:

1. Zalaris' corporate governance is in compliance with the Code of Practice.
2. The Code of Practice is available on www.nues.no
3. The Board of Directors has below made a statement of corporate governance and comments on any deviations are made under each chapter.
4. In chapter 10, the main elements of Zalaris' risk and internal control in the financial reporting process are described.
5. Zalaris has no shareholder decisions that expand or differ from the Norwegian Public Limited Liability Companies Act, chapter 5.
6. The composition of the Board, the remuneration committee, the nomination committee and the audit committee are described in chapter 7, 8 and 9. The main elements of their instructions and guidelines are described in chapter 8 and 9.
7. Shareholder decisions that regulate the election period for the Board of Directors are described in chapter 8.
8. Shareholder decisions and Board of Directors authorizations for 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 abided by at Zalaris. The Board shall ensure that the Company always has sound corporate governance. Zalaris provides an overall review of the Company's corporate governance in the Company's annual report (herein). In addition, a description of the most important corporate governance principles of the Company shall be made available for external interest groups on the Company's website.

The annual review of the Company's compliance with the Code of Practice was adopted on 7 April 2022.

2. Business

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

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

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

The Board of Directors has adopted a yearly plan focusing on its work to develop objectives, strategy and risk profiles for the Company so that Zalaris creates value for shareholders in a sustainable manner, 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.

Considerations of sustainability are closely linked with the Company's activities and value creation. Please see Zalaris' ESG report, which is also available on **www.zalaris.com**.

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

Zalaris has issued a separate Remuneration Report which is available on **www.zalaris.com**.

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 **www.zalaris.com.**

3. Equity and Dividends

Equity

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

Zalaris' equity per 31 December 2021 was NOK 207.3 million equal to 25.0% equity ratio.

The cash and cash equivalent per 31 December 2021 was NOK 176.2 million.

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

Dividend Policy

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

Authorizations to Increase Share Capital

Authorizations granted to the Board to increase the Company's share capital shall be restricted to defined purposes. If the general meeting is to consider authorizations to the Board for the issuance of shares for different purposes, each authorization shall be considered separately by the general meeting. Authorizations granted to the Board shall be limited in time to no longer than until the next annual general meeting.
At Zalaris' annual general meeting on 20 May 2021, 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 2022 or 30 June 2022.

Authorization to Purchase Own Shares

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

At Zalaris' annual general meeting on 20 May 2021, the Board of Directors was granted an authorization to acquire shares with a total nominal value up to NOK 201,230. The highest amount which can be paid per share is NOK 160 and the lowest is NOK 0.10. The Board of Directors is authorized to acquire and sell shares as the Board finds it appropriate. Acquisition can nevertheless not be done by subscription for shares.

The authorization was limited until the earliest occurring date of either the ordinary general meeting in 2022 or 30 June 2022.

4. Equal Treatment of Shareholders

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.

5. Freely Negotiable Shares

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

6. General Meetings

Exercising Rights

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

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

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

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

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

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

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

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

7. Nomination Committee

The Company shall have a nomination committee comprising such number of persons as determined by the general meeting of the Company from time to time — and whose members shall be appointed by a resolution of the general meeting, including the Chairman of the committee. The general meeting shall determine the remuneration of the nomination committee and shall stipulate guidelines for the duties of the nomination committee. The nomination committee should not include the Company's CEO or any other any executive personnel or any member of the Company's Board of Directors.

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 20 May 2021 elected Bård Brath Ingerø (Leader), Ragnar Horn and Sven Thoren to the nominating committee for a period until the annual general meeting in 2022.

8. Board; Composition and Independence

Board Composition

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

At the end of 2021, the Zalaris' Board of Directors consisted of six members — three women and three men. The CEO of Zalaris is not part of the Board.

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

A presentation of the Board of Directors is available on Zalaris' website, **www.zalaris.com.**

Board Independency

The composition of the Board is such that it can attend to the common interests of all shareholders and meet Zalaris' need for expertise, capacity and diversity and that it can act independently of the Company's executive management and material business connections. All members of the Board are independent of the Company's major shareholders, defined as a shareholder that controls 10% or more of Zalaris' shares or votes, with the exception of Kenth Eriksson, who is connected to entities which control 10.26% of the issued shares in Zalaris.

An overview of the shares owned by related parties as of 31 December 2021, including board members, is available in the Remuneration report for 2021.

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.

Conflicts of interest and disqualifications

The Board's rules of procedure states that a member of the Board, or the CEO, may not participate in the discussion or decision of issues of such special importance to the person in question, or to any closely related party of said person, that the Board member must be regarded as having a distinct personal or financial interest in the matter. Zalaris' Code of Conduct also covers conflict of interest and how this should be dealt with, and the code applies to all the board members and employees of Zalaris. There were no transactions that were material between the Group and its shareholders, board members, executive management, or related parties in 2021.

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

The Board of Directors discusses all relevant matters related to Zalaris' activities of significance or of special nature. In 2021, the Board of Directors held 13 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 CEO of Zalaris ASA.

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

Rules of Procedure for CEO

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

Audit Committee

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

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

The committee shall meet as often as it shall determine, but not less frequently than in connection with the interim financial report (four times per year), preparation of the annual report and the annual budget. 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 fulfil its responsibilities, especially when potential conflicts of interest with management may be apparent.

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

Members of the current audit committee are Adele Norman Pran (leader), Erik Langaker and Corinna Schäfer.

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

The remuneration committee's primary responsibilities include:

- Assessing the Group's compensation and benefits strategy by an annual review of the organization's overall compensation plan (or practices). This includes monitoring the effectiveness of the design, performance measures and award opportunities offered by the Group's executive compensation plans.

- Overseeing the CEO's efforts to identifyand develop potential successors for key executive positions.

- Reviewing annually the Board including performance, working methods and practices and the adequacy of its composition.

The current members of the remuneration committee are Liselotte Hägertz Engstam (leader) and Adele Norman Pran.

Annual Evaluations
The Board has conducted an evaluation of its performance and expertise in 2021.

10. Risk Management and Internal Control

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

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

Motivation and Training of Employees
One of Zalaris' focus areas is 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. Specific surveys to measure and follow-up the impact of Coivd-19 was added in 2020, and continued to be carried out on 2021. High employee engagement is important to achieving the Company's overall targets.

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

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

The Board receives a monthly report of the consolidated financial results with comments on deviation to adopted budget numbers for the year per business unit. The Company also prepares financial forecasts for the current financial year. Any discrepancies are explained and planned actions to reach financial targets and/or budgets are presented to the board.

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 adopt targets as early as possible to be able to initiate actions to reduce potential risks at the earliest. The unit managers, CEO and CFO participate in these reviews.

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

11. Remuneration of the Board

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

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

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

An overview of the remuneration for the Board for 2021 will be available in a new remuneration report to be presented to the annual general meeting in 2022 for an advisory vote, and the report will also be published on **www.zalaris.com** when available.

12. Salary and other remuneration of executive personnel

The Board has established an Executive Remuneration Policy setting out the main principles applied in determining the salary and other remuneration of the executive personnel. This policy is considered and approved at the annual general meeting. The latest updated Executive Remuneration Policy will be presented for a vote at the next annual general meeting in 2022, and the policy will also be published on **www.zalaris.com.**

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, that promote loyalty to the Company and ensure the executive personnel and shareholders have convergent interests.

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

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

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

An overview of the remuneration for executive personnel for 2021 will be available in a new remuneration report to be presented to the annual general meeting in 2022 for an advisory vote, and the report will also be published on **www.zalaris.com.**

13. Information and Communication

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

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

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

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

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

14. Take-overs

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

The Board shall not attempt to prevent or impede the takeover bid unless this has been decided by the general meeting in accordance with applicable laws. The main underlying principles shall be that the Company's shares shall be kept freely transferable and that the Company shall not establish any mechanisms which can prevent or deter takeover offers unless this has been decided by the general meeting in accordance with applicable law.

If an offer is made for the Company's shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer.

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

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

15. Auditor

Zalaris is audited by EY.

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

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

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

The Board reports the remuneration paid to the auditor to the shareholders at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments. An overview of the remuneration paid to the auditor is available in the financial statement note 5.

Operating the global Zalaris organization based on our Nordic democratic values and promoting equal pay for equal work are key elements of our sustainable business model

zalaris

Statsautoriserte revisorer
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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Zalaris ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zalaris ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the statement of financial position as at 31 December 2021, the statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and 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 give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 20 years from the election by the general meeting of the shareholders in 2002 for the accounting year 2002.

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 2021. 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 from outsourcing contracts

Basis for the key audit matter	*Our audit response*
For the year ended 31 December 2021 the Group recognized NOK 529.7 million of revenue related to outsourcing contracts. Revenue recognition from outsourcing contracts of the various customer projects involve management judgement in identification and satisfaction of the performance obligation as well as assessment of the allocation of transaction price relating to the service provided. Accounting for revenue from outsourcing contracts was a key audit matter due to the complexity of the various terms of the agreements and the significant management judgement involved.	We obtained an understanding of the revenue recognition process for outsourcing contracts and how management identifies the performance obligations as well as the determination and allocation of transaction price to separate performance obligations. For a sample of significant customer projects, we evaluated the assessments made by management. We read contracts and compared contract information to transaction prices and invoicing. We further reviewed subsequent amendments to the contracts and assessed their impact on revenue recognition. Further, we assessed the adequacy of the disclosures in notes 1 and 3 of the consolidated financial statements.

Customer project assets

Basis for the key audit matter	*Our audit response*
The Group capitalizes costs incurred during the implementation phase related to outsourcing contracts as customer project assets. Customer project assets amounted to NOK 94.8 million as of 31 December 2021. Costs capitalized as customer project assets are internal hours multiplied with hourly rates. The estimated hourly rates applied are calculated based on an assessment of cost base. Costs incurred prior to the signing of the contract are only capitalized when they are reimbursable from the customer. Costs incurred from the signing of the contract and until the performance obligation is fulfilled is amortized over the period the outsourcing services are provided. Accounting for customer project assets was a key audit matter due to the significant management judgement of the variable cost element in the cost base applied in the calculation of hourly rates and related to the criteria for capitalization.	For capitalization of customer project assets, we obtained an understanding of management's process for determining the cost base and estimation of the hourly rates. We verified fixed employee cost to contracts, assessed the various elements of the cost base and recalculated the hourly rates. Further we tested hours booked for a sample of projects, and performed analytical procedures related to hours utilized. We also assessed management's detailed analysis of estimated variable cost vs actual variable cost for 2021. We assessed the expenses capitalized to the criteria for capitalizing cost to obtain a contract. We refer to notes 1 and 3 of the consolidated financial statements.

Penneo dokumentnøgle: KCWP0-5VADJ-CB4CK-DL5D7-BW4G0-4XXQI

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Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the CEO) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and 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 or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, 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 ISAs, we exercise professional judgment and maintain professional skepticism 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.

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- 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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 the board of directors 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 the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the board of directors, 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 requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Zalaris ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name zalarisasa-2021-12-31-en.zip, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

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Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor’s responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – “Assurance engagements other than audits or reviews of historical financial information”. The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company’s processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management’s use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 8 April 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Alexandra Bristol
State Authorised Public Accountant (Norway)

zalaris

"Enabling complex organizations to efficiently manage their people across borders was the key business idea behind Zalaris, when founded more than 20 years ago. With increased focus on compliance, enabling of employees to work from anywhere and the wish to reduce variable cost – our solutions are more relevant than ever."

\- Hans-Petter Mellerud

CEO and Founder of Zalaris

Introduction

There were 22,135,279 issued shares at the end of 2021, of which 288,493 were owned by the Company. A total of 11.2 million (11.9 million) Zalaris shares were traded on the Oslo Stock Exchange (“OSE”) during 2021 at a value of NOK 650 million. The average daily trading volume for Zalaris shares on the OSE during 2021 was 45k shares (47k) Zalaris’ share price closed at NOK 54.00 at the end of 2021.

Zalaris’ shares are listed on the Oslo Stock Exchange.

Dividend Policy

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

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

Key Figures for Zalaris Share

(All figures in NOK unless stated)	2021	2020	2019	2018	2017
Share price high (close)	**72.80**	53.20	27.60	58.20	58.50
Share price low (close)	**49.60**	22.00	19.90	25.20	33.00
Share price average (close)	**58.06**	36.35	23.63	40.55	44.62
Share price year-end	**54.00**	51.80	27.60	25.20	56.00
Earnings per share		-0.53	-0.36	-0.06	-0.61
Dividend per share	*	1.00	0.00	0.00	0.65
Outstanding shares, average	**21 294**	19 647	19 729	20 030	19 637
Diluted** shares, average	**22 736**	20 301	20 123	20 177	20 265
Outstanding shares, year-end	**21 847**	19 620	19 568	20 030	20 030
Diluted** shares, year-end	**23 492**	20 505	20 196	20 177	20 230

* To be poposed by the Board of Directors for 2021 ** Including employee share options and restricted stock units (RSUs)

Buyback of Shares

Zalaris may consider buying back shares.

This consideration will be made in the light of alternative investment opportunities and the Company’s financial situation. In circumstances when share buybacks are relevant, the Board of Directors proposes buyback authorizations to be considered and approved by the Annual General Meeting. Authorizations are granted for a specific time period and for a specific share price interval during which share buybacks can be made. Zalaris has bought back 17,800 shares during 2021.

Shareholders and voting rights

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

As of 31 December 2021, the number of shareholders in Zalaris was 1,308, of which 87.9 percent were in the Nordics.

Investor Relations Policy

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

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

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

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

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

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

Investor Relations Contacts

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

For all other matters, such as new customer contracts or other share price sensitive information, the CEO of Zalaris ASA is the contact person CEO and founder: Hans-Petter Mellerud **hans-petter.mellerud@zalaris.com** and CFO: Gunnar **Manum: gunnar.manum@zalaris.com**.

Analyst Coverage

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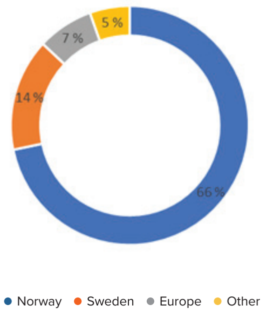
Nordea Bank Norway ASA
Wholesale Banking | Securities Services P O Box 1166 Sentrum,

N-0107 Oslo, Norway

Financial Calendar 2022
- Results Q1: 29 April 2022
- Annual General Meeting: 19 May 2022
- Results Q2: 25 August 2022
- Results Q3: 26 October 2022

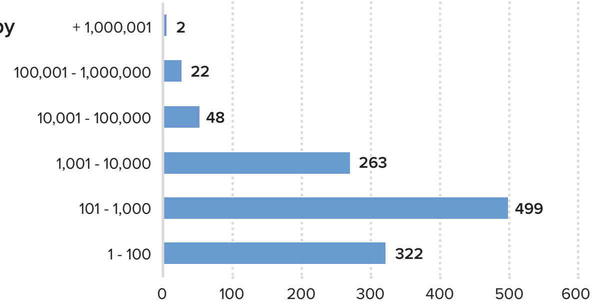
Regional Distribution, # of Shareholders



The 20 Largest Shareholders Hold 74,44 Percent of the Total Issued Shares as of 25 Feb 2022

	Investor	Shares	Stake	Type of Account
1.	Norwegian Retail AS	2 891 482	13.06 %	Ordinary
2.	Skandinaviska Enskilda Banken AB	2 158 278	9.75 %	Nominee
3.	Verdipapirfondet Alfred Berg Gamba	2 020 848	9.13 %	Ordinary
4.	Handelsbanken Nordiske Sambolag	1 213 036	5.48 %	Nominee
5.	Catella Småbolagsfond	1 150 323	5.20 %	Nominee
6.	Vestland Invest AS	910 659	4.11 %	Ordinary
7.	J.P. Morgan Bank Luxenburg AS	878 448	3.97 %	Nominee
8.	Verdipapirfondet Norge Selektiv	717 368	3.24 %	Ordinary
9.	Verdipapirfondet DNB SMB	631 589	2.85 %	Ordinary
10.	Verdipapirfondet Nordea Kapital	533 260	2.41 %	Ordinary
11.	Verdipapirfondet Nordea Avkastning	505 705	2.28 %	Ordinary
12.	Zalaris ASA	467 827	2.11 %	Nominee
13.	Verdipapirfondet Nordea Norge Plus	466 816	2.11 %	Ordinary
14.	Verdipapirfondet Delphi Norge	322 110	1.46 %	Nominee
15.	Skandinaviska Enskilda Banken AB	300 000	1.36 %	Ordinary
16.	Ølja AS	299 650	1.35 %	Ordinary
17.	Næringslivets Hovedorganisasjon	283 217	1.28 %	Ordinary
18.	Taconic AS	262 040	1.18 %	Ordinary
19.	BSN AS	240 000	1.108 %	Ordinary
20.	A/S Skarv	225 000	1.02 %	Ordinary
	Other shareholders	5 657 583	25.56 %	
	Total number of shares	**22 135 179**	**100.00%**	
	The largest 20 shareholders (incl. Zalaris)		**74.44%**	

Ownership Structure by # of Shares Held



Zalaris' financial information is prepared in accordance with IFRS. In addition, financial performance measures (APMs) are used by Zalaris to provide supplemental information to enhance the understanding of the Group's underlying financial performance. These APMs take into consideration income and expenses defined as items regarded as special due to their nature and include among others restructuring provisions and write-offs. Financial APMs should not be considered as a substitute for measures of performance in accordance with IFRS. Disclosures of APMs are subject to established internal control procedures.

Adjusted EBITDA and EBIT

EBIT, earnings before interest and tax is defined as the earnings excluding the effects of how the operations where financed, taxed and excluding foreign exchange gains & losses. EBIT is used as a measure of operational profitability. EBITDA is before depreciation, amortization and impairment of tangible assets and in-house development projects. To abstract non-recurring or income not reflective of the underlying operational performance, the Group also lists the adjusted EBIT and EBITDA. Adjusted EBIT is defined as EBIT excluding non-recurring costs, costs relating to share based payments to employees, and amortization of excess values on acquisition. Adjusted EBITDA is EBITDA excluding non-recurring costs and costs relating to share based payments to employees, but after depreciation of right-of-use assets.

Free cash flow

Free cash flow represents the cash flow that Zalaris generates after capital investments in the Group's business operations have been made. Free cash flow is defined as operational cash flow.

Net interest-bearing debt (NIBD)

Net interest-bearing debt (NIBD), consists of interest-bearing liabilities, less cash and cash equivalents. The Group risk of default and financial strength is measured by the net interest-bearing debt.

Annual recurring revenue (ARR)

ARR is defined as the annualised value of revenue the Company expects to receive from SaaS (software as a service) and BPaaS (business process as a service) contracts with customers, but excludes change orders that do not result in regular future revenue.

(NOK 1000)	2021	2020
EBITDA	101 948	121 938
Restructuring costs*	275	4 346
Mergers & Acquisitions	7 677	-
Settlement of VAT dispute from 2018-2019	1 844	-
Share-based payments	5 723	2 495
Deprecation right-of-use assets (IFRS 16 effect)	(16 114)	(19 101)
Adjusted EBITDA	**101 353**	**109 678**

(NOK 1000)	2021	2020
EBIT	22 585	37 423
Restructuring costs*	275	4 346
Mergers and Acuisitions	7 677	-
Settlement of VAT dispute fom 2018-2019	1 844	-
Share-based payments	5 723	2 495
Amortization of excess values on acquisition	11 469	10 926
Adjusted EBIT	**49 574**	**55 190**

***Relates mainly to redundancy cost/severance pay for employees**

(NOK 1000)	2021	2020
Net cash flow from operating activities	29 780	92 253
Investment in fixed and intangible assets	(20 630)	(14 345)
Free cash flow	**9 150**	**77 909**

(NOK 1000)	2021	2020
Cash and cash equivalents	176 224	124 843
Interest-bearing loans and borrowings - long-term	357 887	375 832
Interest-bearing loans and borrowings - short-term	**1 356**	**1 244**
Net interest-bearing debt (NIBD)	**183 019**	**252 234**

Revenue growth in constant currency

The following table reconciles the reported growth rates to a revenue growth rate adjusted for the impact of foreign currency. The impact of foreign currency is determined by calculating the current year revenue using foreign exchange rates consistent with the prior year.

Full time equivalents (FTEs)

The ratio of the total number of normal agreed working hours for all employees (part-time or full-time) by the number of normal full-time working hours in that period (i.e. one FTE is equivalent to one employee working full-time).

	2021	2020
Revenue growth, as reported	-2,2%	2,0%
Impact of foreign currency	3,2%	-5,8%
Revenue growth, constant currency	**1,0%**	**-3,8%**
MS revenue growth, as reported	-2,7%	-1,7%
Adj. for costumers moved from MS to PS in Q2 2020	1,2%	2,4%
Impact of foreign currency	2,1%	-4,8%
MS revenue growth, constant currency	**0,6%**	**-4,1%**
PS revenue growth, as reported	-1,0%	11,2%
Adj. for customers moved from MS to PS in Q2 2020	-2,6%	-5,2%
Impact of foreign currency	5,3%	-8,2%
PS revenue growth, constant currency	**1,7%**	**-2,2%**

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