



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	981 953 134
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	ZALARIS ASA
Forretningsadresse:	Hoffsveien 4 0275 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020
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Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Bjørnar Erik Jaabæk
Dato for fastsettelse av årsregnskapet:	20.05.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 26.06.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	132 974 000	117 964 000
Sum inntekter		132 974 000	117 964 000
Kostnader			
Lisenser		44 706 000	43 485 000
Lønnskostnad	3	32 641 000	25 440 000
Avsk immaterielle eiendeler	5	13 812 000	13 752 000
Avskr andre	6	310 000	377 000
Annen driftskostnad	4	90 585 000	95 657 000
Sum kostnader		182 054 000	178 711 000
Driftsresultat		-49 080 000	-60 747 000
Finansinntekter og finanskostnader			
Annen finansinntekt	15	96 536 000	54 424 000
Urealisert agio	14,15, 16		2 312 000
Sum finansinntekter		96 536 000	56 736 000
Annen finanskostnad	15	25 846 000	22 771 000
Urealisert agio	14,15, 16	27 108 000	
Sum finanskostnader		52 954 000	22 771 000
Netto finans		43 582 000	33 965 000
Ordinært resultat før skattekostnad		-5 498 000	-26 782 000
Skattekostnad på ordinært resultat	7	-10 322 000	-5 839 000
Ordinært resultat etter skattekostnad		4 824 000	-20 943 000
Årsresultat		4 824 000	-20 943 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		4 824 000	-20 943 000



Resultatregnskap

Beløp i: NOK	Note	2020	2019
Sum overføringer og disponeringer		4 824 000	-20 943 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	7	20 864 000	10 051 000
Andre immaterielle eiendeleler	5	44 505 000	49 395 000
Sum immaterielle eiendeler		65 369 000	59 446 000
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	6	305 000	615 000
Sum varige driftsmidler		305 000	615 000
Finansielle anleggsmidler			
Investering i datterselskap	8	353 137 000	341 665 000
Sum finansielle anleggsmidler		353 137 000	341 665 000
Sum anleggsmidler		418 811 000	401 726 000
Omløpsmidler			
Varer			
Fordringer			
Forskuddsbetalinger		3 123 000	7 010 000
Andre fordringer	9	8 000	990 000
Konsernfordringer	9	97 732 000	137 396 000
Sum fordringer		100 863 000	145 396 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	10	10 373 000	10 562 000
Sum bankinnskudd, kontanter og lignende		10 373 000	10 562 000
Sum omløpsmidler		111 236 000	155 958 000
SUM EIENDELER		530 047 000	557 684 000

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: NOK	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Selskapskapital		1 962 000	1 957 000
Beholdning av egne aksjer		50 000	46 000
Overkurs		34 201 000	34 207 000
Annen innskutt egenkapital		6 359 000	3 804 000
Sum innskutt egenkapital		42 572 000	40 014 000
Opptjent egenkapital			
Annen egenkapital		28 377 000	22 439 000
Sum opptjent egenkapital		28 377 000	22 439 000
Sum egenkapital		70 949 000	62 453 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Obligasjonslån	16	362 023 000	338 428 000
Sum annen langsiktig gjeld		362 023 000	338 428 000
Sum langsiktig gjeld		362 023 000	338 428 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	16	67 384 000	123 992 000
Leverandørgjeld		9 349 000	10 679 000
Skyldige offentlige avgifter		395 000	587 000
Kortsiktig konserngjeld	40 014	9 226 000	2 014 000
Derivater	14	880 000	1 095 000
Annen kortsiktig gjeld	17	9 841 000	18 436 000
Sum kortsiktig gjeld		97 075 000	156 803 000
Sum gjeld		459 098 000	495 231 000
SUM EGENKAPITAL OG GJELD		530 047 000	557 684 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2,3	792 326 000	776 792 000
Sum inntekter		792 326 000	776 792 000
Kostnader			
Lisenser		72 517 000	67 981 000
Lønnskostnad	4	430 733 000	438 543 000
Avskr varige eiendeler	10	3 311 000	4 048 000
Avsk Right of use assets	11	19 101 000	21 932 000
Avskr immaterielle eiendeler	9	27 436 000	26 704 000
Avskr kundeprosjekter	3	34 666 000	36 606 000
Annen driftskostnad	5	167 139 000	166 887 000
Sum kostnader		754 903 000	762 701 000
Driftsresultat		37 423 000	14 091 000
Finansinntekter og finanskostnader			
Annen finansinntekt	6	5 763 000	2 632 000
Urealisert agio	6		2 374 000
Sum finansinntekter		5 763 000	5 006 000
Annen finanskostnad	6,16,1 9	29 507 000	29 057 000
Urealisert agio	6	27 069 000	
Sum finanskostnader		56 576 000	29 057 000
Netto finans		-50 813 000	-24 051 000
Ordinært resultat før skattekostnad		-13 390 000	-9 960 000
Skattekostnad på ordinært resultat	7	-4 405 000	-2 949 000
Ordinært resultat etter skattekostnad		-8 985 000	-7 011 000
Årsresultat		-8 985 000	-7 011 000
Overføringer og disponeringer			



Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
Overføringer til/fra annen egenkapital		-8 985 000	-7 011 000
Sum overføringer og disponeringer		-8 985 000	-7 011 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Programvare mm	9	119 896 000	132 950 000
Utsatt skattefordel	7	23 400 000	11 710 000
Goodwill	9	160 417 000	153 248 000
Sum immaterielle eiendeler		303 713 000	297 908 000
Varige driftsmidler			
Inventar mm	10	32 518 000	33 137 000
Right of Use assets	11	21 777 000	34 849 000
Sum varige driftsmidler		54 295 000	67 986 000
Sum anleggsmidler		358 008 000	365 894 000
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	12	148 651 000	148 614 000
Kundeprosjekter	3	78 246 000	88 808 000
Andre fordringer	13	15 989 000	27 275 000
Sum fordringer		242 886 000	264 697 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	14	124 844 000	82 448 000
Sum bankinnskudd, kontanter og lignende		124 844 000	82 448 000
Sum omløpsmidler		367 730 000	347 145 000
SUM EIENDELER		725 738 000	713 039 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Konsernets balanse

Beløp i: NOK	Note	2020	2019
Innskutt egenkapital			
Selskapskapital	15	1 962 000	1 957 000
Beholdning av egne aksjer		50 000	46 000
Overkurs		34 201 000	34 206 000
Annen innskutt egenkapital		6 655 000	3 805 000
Sum innskutt egenkapital		42 868 000	40 014 000
Opptjent egenkapital			
Annen EK		14 267 000	-374 000
Opptjent EK		47 224 000	52 526 000
Sum opptjent egenkapital		61 491 000	52 152 000
Sum egenkapital		104 359 000	92 166 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7	25 417 000	25 313 000
Sum avsetninger for forpliktelser		25 417 000	25 313 000
Annen langsiktig gjeld			
Obligasjonslån	16	362 023 000	338 428 000
Gjeld til kredittinstitusjoner	16	13 810 000	24 060 000
Leasing	11	11 103 000	16 536 000
Sum annen langsiktig gjeld		386 936 000	379 024 000
Sum langsiktig gjeld		412 353 000	404 337 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	16	1 244 000	6 571 000
Leverandørgjeld		21 190 000	29 845 000
Betalbar skatt	7	2 698 000	5 408 000
Skyldige offentlige avgifter		49 486 000	37 314 000
Annen kortsiktig gjeld	18	71 480 000	61 464 000
Derivater		880 000	1 095 000
Kundeprosjekter	3	50 256 000	55 740 000
Leasing	11	11 792 000	19 099 000
Sum kortsiktig gjeld		209 026 000	216 536 000
Sum gjeld		621 379 000	620 873 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
SUM EGENKAPITAL OG GJELD		725 738 000	713 039 000



Skattedirektoratet

Saksbehandler
Rune Tystad

Deres dato
25.02.2014

Vår dato
11.03.2014

Telefon
977 59 464

Deres referanse
Mette Rokne Hanestad

Vår referanse
2014/146591

ERNST & YOUNG AS
Postboks 20 Oslo Atrium
0051 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Zalaris HR Services AS, org.nr. 981 953 134

- Vi viser til deres brev av 25. februar 2014 hvor dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Zalaris HR Services AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Zalaris HR Services AS tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Zalaris HR Services AS er et norsk holdingselskap som eier selskaper som er leverandører av lønn og HR tjenester. Konsernet har investeringer i Norden, Baltikum og Polen. Selskapet er lokalisert i Oslo, og har 18 ansatte. Konsernet har 358 ansatte. Konsernet har hovedsakelig kunder og leverandører i Norden, men også i Polen, Baltikum og Tyskland. Selskapet er eid av norske private equity investorer. All intern rapportering til eierne foregår på engelsk. For å kunne benytte regnskapet mer som styringsverktøy i hele virksomheten på tvers av landegrenser, søker selskapet derfor om å få utarbeide konsernregnskapet, årsregnskapet og årsberetningen på engelsk fra og med regnskapsåret 2013. Selskapsregnskapene til de enkelte datterselskapene i konsernet skal fortsatt avlegges i det enkelte lands lokale språk.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal årsregnskapet og årsberetningen være på norsk. Departementet kan ved enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan

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Sentralbord
800 80 000
Telefaks
22 17 08 60



foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

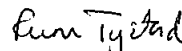
Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er et holdingsselskap som er eiet av norske private equity investorer og at all intern rapportering til eierne foregår på engelsk. Videre er det vektlagt at konsernet har aktivitet i flere land og at selskapsregnskapene til de enkelte datterselskapene i konsernet skal avlegges i det enkelte lands lokale språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen


Geir Johannessen
seniorrådgiver

Rettsavdelingen, foretaksskatt
Skattedirektoratet


Rune Tystad



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Zalaris ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zalaris ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the Consolidated statement of financial position as at 31 December 2020, the Consolidated statement of profit or loss, Consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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



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Contracts with customers

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

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

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

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

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report - Zalaris ASA

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

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

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

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

Report on other legal and regulatory requirements

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

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

Independent auditor's report - Zalaris ASA

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Opinion on registration and documentation

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

Oslo, 8 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Alexandra Bristol
State Authorised Public Accountant (Norway)

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Independent auditor's report - Zalaris ASA

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

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

Alexandra Van Der Zalm Bristol

Partner

Serial number: 9578-5998-4-1075564

IP: 51.175.xxx.xxx

2021-04-08 18:39:52Z



Alexandra Van Der Zalm Bristol

Statsautorisert revisor

Serial number: 9578-5998-4-1075564

IP: 51.175.xxx.xxx

2021-04-08 18:39:52Z



Penneo document key: P03AA-OEGFY-BMMPE-QM0DI-0XDW7-1WY31

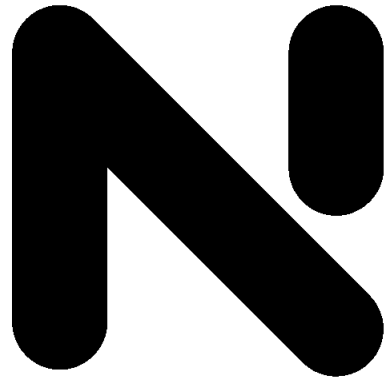
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20 years of growth

Simplify work life. Achieve more.

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Simplify Work Life. Achieve More.

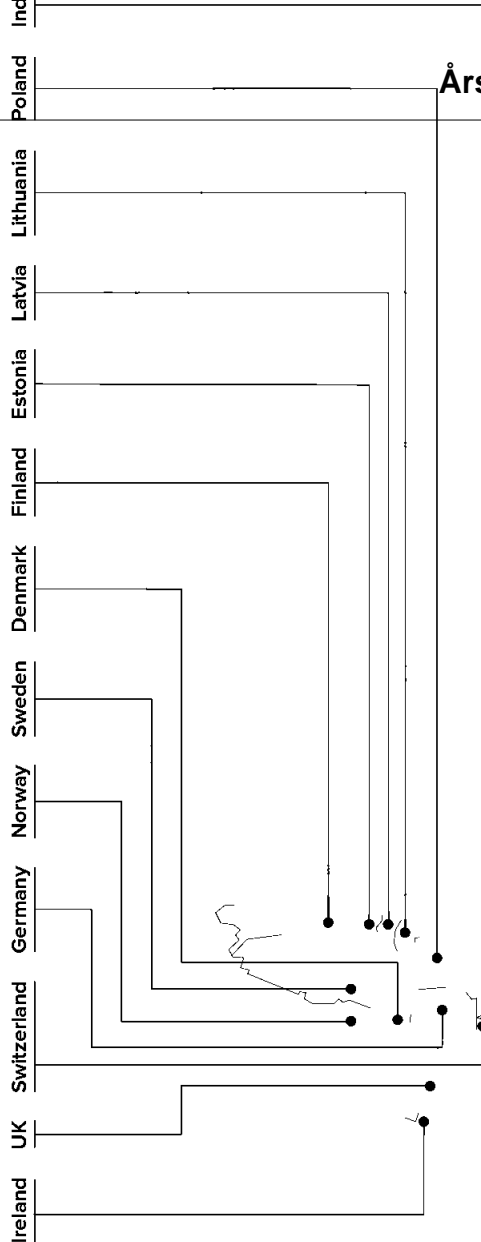
We simplify HR and payroll administration and empower you with useful information so that you can invest more in people. Zalaris celebrated its 20th anniversary by completing the 20th year of consecutive growth since our founding in 2000.

About Zalaris

Zalaris ranks among Europe's top providers of human capital management (HCM) and payroll solutions – addressing the entire employee lifecycle, from recruiting and onboarding to compensation, time and attendance, travel 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 achieved uninterrupted growth since our founding in 2000 and today operate in the Nordics, Baltics, Poland, Germany, Switzerland, India, Ireland and the UK.

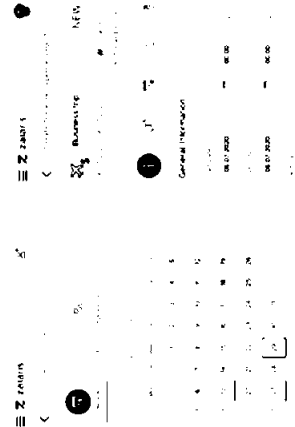


The Zalaris portfolio of solutions and services aims to simplify HR and payroll administration through full automation and digitalisation of HR.

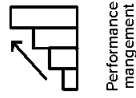
Our scalable and cloud-based payroll solution ensures that payroll is accurate, secure and compliant. We empower workforce acquisition, workforce management and workforce optimisation with our Core and Strategic HR solutions, enabling HR to streamline processes, empower workers, collaborate across the organisation, and align teams with strategic business initiatives.

We are able to gather everything into one fully digitalised and integrated system with role-based access via one user interface. With unified data supported by powerful analytics, we enable HR to make sound business decisions.

With a constantly changing business environment and workforce, our consultants from local service centres support HR leaders, and HRIS systems to stay compliant and up to date.



Strategic HR



Performance management



Competence



Learning



Recruitment



Analytics

Core HR



Digital personnel archive



Employee digital management



Time and attendance



Absence management



Sick leave monitoring and follow up



Travel and expenses



Employee scheduling and planning



Analytics

Payroll



Cloud



Multi country



Analytics

Letter from the CEO

Dear shareholders

Despite the impacts from the Covid-19 pandemic, #teamZalaris delivered its 20th year of consecutive growth with a revenue of NOK 792.3 million (+2%) for the year. Our adj. EBIT rose to NOK 55.3 million (7%) for the full year, up 83% from NOK 30.1 million in 2019.

With the outbreak of the Covid-19 pandemic during Q1 2020, the world entered unprecedented times. Governments in countries where we operate introduced restrictions as a result of the pandemic. Home offices and updated labour compliances became the new normal. Our modern and scalable IT infrastructure allowed us to introduce remote-work for our employees within days. No additional investments were needed to secure access equal to that of sitting in our offices. Our standardised and well-documented processes, combined with our geographically distributed service centres and talented employees, allowed us to shift work between locations in real-time. Despite Covid-19, we were in a position to support our customers in simplifying HR and payroll, facilitating re-skilling and empowering our customers with useful and timely information.

We proved that another critical benefit from handing over processes to Zalaris was securing business continuity, thereby ensuring the smooth running of our customers' payroll and HR functions.

This was a real-life test of the resilience of our business model. Because, even if governments and authorities impose travel or other restrictions on an employee or a group of employees, Zalaris can continue working and delivering on customer commitments and fortifying recurring revenue streams.

Our efforts in managing the pandemic are also being recognised by our employees, resulting in high employee engagement scores across all countries.

Strong pipeline materialised in signed agreements

Our business model with long term agreements and recurring revenue is increasingly in favour among investors. Since we were founded twenty years ago, we have offered Software-as-a-Service and Business-Process-as-a-Service delivery models. In an age of surging IPOs, it is interesting to reflect that we are delivering profitably today, which others still must realise, to justify their valuations.

Working from anywhere has become the new normal, driving the need for fully digitised people processes.

Our goal has always been to help customers reduce their direct process costs by 20-30% by outsourcing their payroll and HR processes to us, whilst at the same time enabling them to operate seamlessly across borders.



With Covid-19, everyone has been learning what working from home – or anywhere – means. Reducing costs and focusing capital expenditures on projects with defined payback is a natural consequence of every company coming out of the pandemic: not to forget the overall mega trend of increased focus on Human Capital Management and the corresponding growth in Cloud-based HR solutions.

#teamZalaris is exceptionally well-positioned to support existing and new customers to navigate and position themselves in this situation. Our innovative product and services portfolio cover the whole payroll and HR value chain.

Throughout the year, the long-term and recurring nature of our business continued to materialise with several renewals:

- Convenience store operator CircleK is extending their agreement by another five years for multi-country payroll and transactional HR services, including time and travel expenses, serving their almost 13,000 employees in Scandinavia, Baltics, Poland and Ireland.
- Global fertiliser company Yara – a customer since 2003 – extending their agreement for the provision of services to their Scandinavian employees.
- Natural gas pipeline distributor Gassco is another loyal customer that extended for another five years.

- Expansion of our services with GlaxoSmithKline to also cover Austria.
- Extending our Nordic agreement with leading electronics retailer Elkjøp for another five-year term.
- Extending our agreement for Application Maintenance Services with the German State of North Rhine Westphalia for another four years. This allows us to continue supporting the state by delivering perfect payroll to approximately 700,000 employees and pensioners.

Despite a slow down in deal-making due to Covid-19, we managed several new advances and landmark agreements that will have a positive impact on our future, such as:

- Adding Mahle to our UK customer list for outsourced payroll services.
- Our entry into the municipality of Trøndelag's county council with approximately 5,500 employees as a customer. This win is in partnership with Cap Gemini and Oracle, which opens up a whole new market for our services.
- Landmark win in the German municipality energy sector, signing a five-year agreement with Stadtwerke Krefeld GmbH to implement and deliver a SuccessFactors-based HR solution for their approximately 3,000 employees.

- A ten-year master services agreement for payroll and HR services with the Danske Bank with 15,000+ employees, starting with BPO of their Swedish payroll operations.
- Signing a break-through agreement for outsourced multi-country payroll services for the UK based FTSE250 gaming company Gamesys.

- Signed a fast-growing Scandinavian IT company, headquartered in Denmark, with 1,200 employees, as a new multi-country customer.

- Agreement with Total E&P for the provision of outsourced transactional payroll and HR in Norway.

- Agreements with Lindorff, Allente and Entra for outsourced HR cloud and payroll services.

- Agreement with Finnish forest company Metsä to provide multi-country payroll services to their 10,000 employees in 28 countries. Our winning solution was based on our PeopleHub platform, supporting one common user interface and platform across all countries fully integrated with Metsä's global Workday based HR solution.

Aiming at delivering our 21st year of consecutive growth

We leave 2020 with a healthy pipeline and high ambitions. We fully intend to continue our growth story and deliver our 21st year of continuous growth. Our markets are growing as

customers are looking for new solutions out of Covid-19. They prioritise unified people data, cost reduction of processes and securing business for their global operations.

We are experiencing an all-time-high in our outsourced multi-country payroll customers as they explore alternatives and optimise their global HR pipeline. Our pipeline is filled with opportunities well with our offerings. While sales in the past have often been 6-18 months, of urgency, combined with the benefits of sales meetings and virtual site visits, down to a more effective 6-9 month cycle. Our historic win-rate, we expect to close these opportunities by year-end.

With our PeopleHub solution, we are on our key differentiators for providers based on one common IT solution, by local competence in the countries our customers' employees are located. In the past, our services have been limited by being present in one country ourselves. In the PeopleHub solution, we integrate local payroll partners into our concept and are thus able to deliver services in small employee countries. We are being physically present in our markets, we can scale our platform and invest profitably without making it difficult to establish our operations in countries with small customer employee populations.

In Managed Services, we target growth by increasing the share of wallet with existing customers, supporting them with additional services and increasing geographic coverage. In parallel, we target new customers in the fast-growing market for multi-country payroll with our PeopleHub concept.

In Professional Services, we support our customers on their journey to the Cloud through implementing innovative SAP SuccessFactors, SAP S4/Hana, SAP Analytics and our own HR Tech portfolio of solutions. Our AMS offering continues to be important in securing customers' business-critical payroll and HR functions, keeping up with fast-changing needs.

Our cost structure has improved significantly during 2020. The current organisation and infrastructure has significant capacity to scale with limited additional cost.

Exploring non-organic growth options

The Payroll and HR Tech and Services market experienced an increased level of M&A driven by both industrial and financial ambitions.

With our communicated growth and increased aspiration for expanding geographical and functional coverage, Zalaris is an active player in this market. We see this as an essential means of upscaling our business, such that we can serve our customers with end-to-end processes in the geographic areas where they operate.

Building on our HR Tech solutions portfolio

Throughout our twenty years in business, we have developed HR Technology solutions as part of our Managed Services outsourcing and SaaS offerings. These solutions have primarily been bundled with our services. Our eFile personnel archive solution is experiencing strong market interest, resulting in our first USA customer, Leprino Foods, last year.

With a rapidly developing market for HR Tech, supported by customer demand for Cloud-based solutions, we are continuously looking at how we can scale our business and leverage the investments we have made to our advantage.

We will continue to productise our HR Tech offering to scale our revenue stream with a structured product-based approach. Our focus is on our solutions for:


- Digital forms and workflows
- Our integrated Workforce Management solution, including Time and Attendance and workforce planning
- Our well-proven Travel & Expense solution, driving efficiency for both users and the travel expense processing shared service centre
- Our innovative visualisation of payslips
- Our eFile, as mentioned above, helps customers safely store and access employee

documents in compliance with GDPR requirements via their cloud HR solutions

Thank you, #teamZalaris, for a job well done! The Covid-19 pandemic has allowed #teamZalaris to showcase its real capabilities and true strength.

The year has made us stronger and better at working together and utilising our combined capabilities in servicing our customers. 800 employees in 10+ countries across the globe are increasingly working together as one team.

We enter 2021 with the goal to continue building on these capabilities and delivering on our ambition to become the European leader in Payroll and HR solutions.



Hans-Petter Møllerud
Chief Executive Officer, Zalaris

Z zalaris

EMPLOYEE PHOTO:
Hans-Petter Myrli Bjørn, VP IT Strategy



Management Team



Hans-Petter Møllerud
Chief Executive Officer



Gunnar Manum
Chief Financial Officer



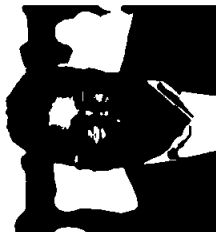
Halvor Leirvåg
Chief Technology Officer



Øyvind Reiten
Executive Vice President –
Business Development –
Global Managed Services



Sami Seikkula
Executive Vice President
Northern Europe



Harald Goetsch
Executive Vice President
Central Europe



Will Jackson
Executive Vice President
Zalaris UK & Ireland



Balakrishnan Narayanan
Executive Vice President
APAC



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



Hilde Karismyr
Chief Human
Resources Officer

Z zalaris



EMPLOYEE PHOTO:
Jonathan Møller Knudsen,
Operations Improvement Manager

Report from the Board of Directors



Adele Bugge
Norman Pran
Chair of the Board



Liselotte Hægertz
Engstam
Board Member



Jan M. Koivurinta
Board Member



Jon Erik Haug
Board Member



Corinna Schäfer
Board Member



Stefan Charette
Board Member



Erik Langaker
Board Member

Zalari's¹ mission is to help clients maximise the value of their human capital through excellence in people processes.

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

Zalari 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 Zalari's¹ other outsourcing services. Professional Services consists of Zalari's consulting business, assisting clients with transformation projects within HR and finance.

With more than 20 years of experience and 800+ employees, Zalari provides payroll services to large-scale customers for more than 300,000 employees each month, and more than 1 million employees are served monthly across all human resource (HR) solutions.

Zalari is headquartered in Oslo and delivers services out of local-language centres covering northern and central Europe, the UK and

Ireland and India. Zalari ASA is listed on the Oslo Stock Exchange (ZAL).

Operational Highlights

Zalari recorded an all-time high revenue of NOK 792 million in 2020, making it the 20th year of consecutive revenue growth by the Company. This is despite some negative impacts from 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, in some regions.

Within Managed Services, Zalari signed several new long-term BPO agreements and renewals during the year, including a 10-year Master Services Agreement with the Danske Bank, for the provision of outsourced transactional HR services for their 2,200 Swedish employees. The Company also signed a five-year agreement for multi-country payroll, time and travel with EG, one of the fastest growing IT companies in Scandinavia. As a first step into the public sector in Norway, the Company signed a five-year agreement for SaaS based payroll with the Norwegian County Municipality of Trøndelag, with 5,000+ employees. In the UK, the leading international online gaming operator Gamsys Group selected Zalari for payroll technology and services.

Subsequent to year-end, the Company signed a landmark agreement with Finnish company, Metsä, for the delivery of payroll, covering 28 countries based on the PeopleHub concept. Subsequent to year-end, Zalari has also signed five-year contracts to deliver payroll and HR services to a market leading debt collection company (a market leader in Norway's leading real estate companies) and Allente. The full financial details of these new contracts will be disclosed in the next financial report.

The Group's strong market position is confirmed with the renewal of long-term contracts with key clients such as Elkjøp and Gassco. We also expanded our services with GlaxoSmithKline to Germany in addition to Germany.

There were no significant existing losses during the year, and all our losses have been delivered without disruption. Zalari's modern IT solutions and distributed service centre infrastructure enabled us to move to home offices within a few weeks following the Covid-19 outbreak.

Zalari is experiencing a significant increase in multi-country payroll services. Customers are exploring alternative HR solutions and optimizing their global HR pipeline in a growing pipeline. The pipeline is filled with opportunities with our offerings.

As Regards to the Group's EPS of 88.15 pkr for 2020 or 981953134

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

Within Professional Services, Zalaris in Germany signed a five-year landmark agreement - together with SAP - in the municipality sector for the implementation and delivery of a new SuccessFactors cloud HR solution, to the City of Krefeld's services organization. Though the Company has experienced some slow down within Professional Services as a result of Covid-19, we continue to see a good inflow of work for our consultants and have signed numerous agreements for Cloud payroll, HR transformation projects and change orders. We have signed multiple 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. The revenue growth was particularly high within Professional Services in Poland.

The EBIT improvement program initiated in 2019, targeting monthly cost reductions of 4.7 million by the first quarter 2020, was completed resulting in a significant reductions in the cost base, which is evident by the NOK 23.3 million increase (162%) in operating profit compared to last year. The Company is targeting a further increase in the operating profit, which is expected to be achieved through some further cost reductions, making our customer delivery models even more efficient, and through increased revenue.

Consolidated Financial Results for the Group

Zalaris' consolidated revenue for 2020 was NOK 792.3 million (NOK 776.8 million), an increase of 2.0% compared to last year. The operating profit was NOK 37.4 million (14.1 million), which gives an operating margin of 4.7% (1.8%). Zalaris' ordinary profit before tax was negative NOK 13.4 million (negative NOK 10.0 million). Net result for the year was negative NOK 9.0 million (negative NOK 7.0 million).

The cash flow in 2020 showed net cash from operating activities of NOK 92.3 million (NOK 42.5 million). Net cash flow from investing activities was negative NOK 14.3 million (negative NOK 25.5 million). The investing activities mainly relate to internal product development projects.

Net cash flow from financing activities was negative NOK 39.0 million (NOK 40.1 million), which is mainly represented by payment of IFRS 16 lease liabilities and repayment of interest-bearing loans. 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 104.4 million (NOK 92.2 million) as of 31 December 2020. This corresponds to an equity ratio of 14.4% (12.9%). 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 2020 were NOK 725.7 million (NOK 713.0 million). Total liabilities were NOK 621.4 million (NOK 620.9 million) at the end of 2020.

Business Segments

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

Managed Services generated revenue of NOK 544.3 million in 2020 (NOK 553.7 million), an reduction of 1.7% compared to 2019. Operating profit for the segment in 2020 was NOK 63.4 million (NOK 55.0 million). As noted in the operational highlights, revenue for 2020 was marginal lower than last year mainly as a result of some negative impacts from Covid-19. However, lower costs and operational improvements resulted in a higher operating profit for Managed Services.

Revenue for 2020 for Professional Services amounted to NOK 248.0 million (NOK 223.1 million), an increase of 11.2% compared to the previous year, partly driven by a strong revenue growth in Poland, as well as a stronger EUR/NOK exchange rate. Operating profit for

the segment in 2020 was NOK 25 (NOK 21.0 million).

Zalaris research and development is focusing on developing its own integrating standard software to new innovative solutions and process driven support customers simplifying payroll processes and achieving more. Key in 2020 included introduction of Zalaris robot, Sally, amongst other Robotic Automation technologies to improve efficiency, and customer support, utilization of machine learning technology for early detection of anomalies.

The Company does not have dedicated resources, but development projects carried out by Zalaris' consultants, support of suppliers and partners.

Parent Company's Results

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

For Zalaris ASA, the total revenue for 2020 was NOK 133.0 million (NOK 118.0 million), which is an increase of 12.7% compared to 2019. Result from operations was a loss of NOK 49.1 million (loss of NOK 60.7 million). Zalaris ASA reported a net profit for the year of NOK 4.8 million (loss of NOK 20.9 million).

Total shareholders' equity in Zalaris ASA as of 31 December 2020 was NOK 70.9 million (NOK 62.5 million), corresponding to 13.4% (11.2%) of total assets.

Dividend Payment

The Board of Directors proposes that a dividend of NOK 1.00 per share is paid for the financial year 2020.

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 financially stable companies with high ratings; thus, the Company considers the risk to be low. The Group invoices monthly and continuously monitors payments.

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities as they mature. The Company continuously monitors the need for cash to pay its liabilities as they mature, and ensures that cash is available at all times, both for operational and capital expenditures. Cash and cash equivalents amounted to NOK 124.8 million as of 31 December 2020 (NOK 82.4 million), and the Group has no debt as of the end of the period.

At the end of 2020, the Group had an estimated debt of NOK 27.1 million (36.91 million). NOK 362.0 million of the debt is estimated to be due by 31 December 2021 to a EUR 35 million bond loan. The Group is thus exposed to changes in the NOK exchange rate. This exposure is offset by the net assets held in EU subsidiaries, and the net income generated by these subsidiaries. The Group also has 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 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 770 employees across 10 countries at the end of 2020 (2019: 810), and women are well represented in all the Group's companies and units, comprising 56% (53%) 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 four males (57%) and three females (43%).

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

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

Many of Zalaris' core solutions and support customers in target setting and documenting compliance with our recruiting solution allows for effective, anonymized gender and recruiting and evaluation processes. HR master data solutions ensure that personnel master data is documented to customer's requirements. Zalaris' solutions ensure compliance with a and other reporting requirements. country payroll in one common IT

The key figures the Group's gender composition as of 31 December 2020 are found in the table below:

Gender split (number of employees)	Temporary employees (number)		Parental leave (avg. number of weeks)		Part-time employees	
	Female	Male	Female	Male	Female	Male
447 (56.2%)	323 (43.8%)	10	13	37.2	1.2	58 (7.5%)
						16 (2.1%)

The key figures the Group's gender composition by main category as of 31 December 2020 are found in the table below:

Level	Gender split	
	Female	Male
Group 1 (main management)	8	
Group 2 (seniors and specialists)	63	
Group 3 (juniors, trainees and assistants)	236	
Group 4 (other)	140	
Total	447	

Environment

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

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

The Group's environmental initiative is based on using organized recycling schemes to replace IT equipment, reducing travel through the increased use of teleconferencing and web meetings such as Teams, and web waste management.

All employees have a mandatory obligation to consciously observe the environmental impact of work-related activities, at the same time, Zalaris has implemented solutions, products and methods that reduce any environmental impact. This is done in accordance with the Company's Code of Conduct.

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% (3.0%) in 2020. No incidents of injury or accidents in the workplace were reported during 2020.

for early detection of potential issues and documentation of management's responsibility in getting colleagues with health issues back to work.

Our mobile and portal-based solutions delivering fully digital payroll and HR processes wholly support flexible work arrangement and working from home. This has become particularly evident during 2020, 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

master data being maintained in one global HR solution – data can be compared and benchmarked independent of location.

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

Life-Work Balance and Healthy Lifestyle

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

Zalaris' solution helps customers and their employees easily track work hours, overtime and leave through effective mobile based solutions. Our workforce planning solutions are being used to secure optimal staffing over the year – building the foundation for a sound life-work balance. Our analytics solutions for reporting and analysing absence and sick leave allows

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

Business Ethics

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

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

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

Corporate Governance

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

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

The statement for the fiscal year 2020 is based on the disposal in the Accounting Act § 3-3b, as well as the disposal for Corporate Governance Policy for Zalaris ASA, as adopted by the Board of Directors on 26 April 2018, and has been included in a separate section of this annual report.

Events After the Reporting Period

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

Outlook

The market fundamentals remain strong and Zalaris' key markets 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 and by expanding the service offered to existing customers.

The Covid-19 pandemic has had a short-term negative impact on revenue, as larger implementation projects within Professional Services are being postponed and the factors of less travel and lower employee numbers are impacting Managed Services. This situation is also expected going forward, depending on the duration of Covid-19, before returning to normal levels.

In the longer term, we expect to see an increase in HCM outsourcing post Covid-19, which should benefit Zalaris. The Company's pipeline of potential multi-country payroll outsourcing projects is strong.

Oslo, 7 April 2021

Adele Bugge Norman Prian
Chair of the Board

Liselotte Hågertz Engstam
Board Member

Jan M. Kolvurinta
Board Member

Corinna Schäfer
Board Member

Stefan Charette
Board Member

Erik Langaker
Board Member

With a rapidly developing market supported by customer demand for data-based solutions, we are also looking to scale our business and leverage investments we have done to our advantage. We will continue to invest in our offering to increase revenue.

The Company's financial results have improved significantly compared to 2019, as the cost reduction initiatives implemented in 2019 through the EBIT improvement program in combination with increased revenue from further optimization initiatives in 2020. Initiatives include streamlining of the organization, ramp-up of digitizing efforts, automation of services and increasing Robotic Process Automation (RPA) projects: all aimed at improving quality in deliveries and reducing operational costs. We expect further improvements in the financial results to be expected going forward.

Z zalaris




EMPLOYEE PHOTO:
Stephen Millard,
Technical Consulting Manager UK & Ireland

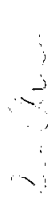
Statement by the Board of Directors and the CEO


We hereby confirm that the consolidated financial statements and the financial statements for the parent company for the period 1 January 2020 to 31 December 2020, 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.


Oslø, 7 April 2021



Adele Bugge Norman Pran
Chair of the Board

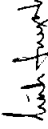

Liselotte Högertz Engstam
Board Member



Jan M. Koivurinta
Board Member


Jon Erik Haug
Board Member


Corinna Schäfer
Board Member


Stefan Charette
Board Member


Erik Langaker
Board Member


Hans-Petter Møllerud
Chief Executive Officer



Z zalaris

EMPLOYEE PHOTO:
Kristin Neess, Senior HCM Consultant

Financial Statement – Consolidated Group

Consolidated Group Annual Accounts Report 2020 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.

Årsregnskap regnskapsåret 2020 for 981953134

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

(NOK 1000)	Notes	2020
Revenue	2, 3	792,326
Operating expenses		
License costs		72,517
Personell expenses	4	430,733
Other operating expenses	5	167,138
Depreciation and impairments	10	3,311
Depreciation rights of use assets	11	19,101
Amortisation intangible assets	9	27,436
Depreciation implementation costs customer projects	3	34,666
Total operating expenses		754,903
Operating profit		37,423
Financial items		
Financial income	6	5,763
Financial expense	6, 16, 19	(29,507)
Unrealized foreign exchange profit/(loss)	6	(27,069)
Net financial items		(50,813)
Profit before tax		(13,390)
Tax expense	7	4,405
Profit for the period		(8,985)
Earnings per share:		
Basic earnings per share (NOK)	8	(0,46)
Diluted earnings per share (NOK)	8	(0,46)

Consolidated statement of comprehensive income as at 31 December

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

Consolidated statement of financial position as at 31 December

(NOK 1000)	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	9	119,896	132,950
Goodwill	9	160,418	153,248
Total intangible assets		280,313	286,198
Deferred tax asset	7	23,400	11,710
Fixed assets			
Right-of-use assets	11	21,777	34,849
Property, plant and equipment	10	32,518	33,137
Total fixed assets		54,295	67,986
Total non-current assets		358,008	365,894
Current assets			
Trade accounts receivable	12	148,651	148,614
Customer projects assets	3	78,246	88,808
Other short-term receivables	13	15,989	27,275
Cash and cash equivalents	14	124,843	82,448
Total current assets		367,729	347,145
TOTAL ASSETS		725,738	713,039

Consolidated statement of financial position for the period ended 31 December

(NOK 1000)	Note	2020
EQUITY AND LIABILITIES		
Equity		
Paid-in capital	15	1,962
Share capital		6,655
Other paid in equity		34,251
Share premium		42,868
Total paid-in capital		44,736
Other equity		14,267
Retained earnings		47,224
Total equity		104,359
Liabilities		
Non-current liabilities		
Deferred tax	7	25,417
Interest-bearing loans and borrowings	16	30,832
Lease liabilities	11	11,104
Total long-term liabilities		47,353
Current liabilities		
Trade accounts payable	3	31,190
Customer projects liabilities	16	10,256
Interest-bearing loans	11	1,244
Lease liabilities, short term	7	1,792
Income tax payable	7	3,698
Public duties payable		2,486
Other short-term liabilities	18	17,480
Derivatives		880
Total short-term liabilities		69,486
Total liabilities		116,839
TOTAL EQUITY AND LIABILITIES		725,738

Oslo, 7 April 2021

Adele Bugge Norman Pran
Chair of the Board

Liselotte Hågertz Engstam
Board Member

Jan M. Kolvurinta
Board Member

Corinna Schäfer
Board Member

Stefan Charette
Board Member

Erik Langaker
Board Member

Jan Erik Haugen
Board Member

Consolidated statement of cash flow for the period ended 31 December

(NOK 1000)	Note	2020	2019
Cash flow from operating activities			
Profit (Loss) before tax		(13,390)	(9,960)
Net financial items	6	50,813	24,051
Share based program	22	2,851	1,743
Depreciation and impairments	10	3,311	4,049
Depreciation rights of use assets	11	19,101	21,932
Amortisation intangible assets	9	27,436	26,705
Depreciation implementation costs customer projects	3	34,666	36,606
Recognized customer projects assets	3	(18,026)	(29,505)
Recognized customer projects liabilities	3	(6,723)	(8,545)
Taxes paid	7	(2,427)	(6,356)
Changes in accounts receivable	12, 19	(37)	9,504
Changes in accounts payable	19	(8,655)	5,487
Changes in other items	18	28,002	(8,313)
Interest received	6	195	162
Interest paid	6	(24,864)	(25,052)
Net cash flow from operating activities		92,254	42,508
Cash flows to investing activities			
Investment in fixed and intangible assets	9, 10	(14,345)	(25,462)
Net cash flow from investing activities		(14,345)	(25,462)
Cash flows from financing activities			
Sale/(Buyback) of own shares		3	(10,934)
Payment of lease liabilities	11	(21,491)	(22,807)
Repayment of loan	19	(17,510)	(6,320)
Net cash flow from financing activities		(38,998)	(40,062)
Net changes in cash and cash equivalents		38,912	(23,016)
Net foreign exchange difference		3,483	(2,380)
Cash and cash equivalents at the beginning of the period		82,448	107,844
Cash and cash equivalents at the end of the period		124,843	82,448

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

(NOK 1000)	Share capital	Share premium	Other paid in equity	Total paid-in equity	Other equity	Retain earnings
Equity at 01.01.2019	2,003	45,140	2,061	49,204	(33)	59,7
Profit of the year	-	-	-	-	-	(7)
Other comprehensive income	-	-	-	-	-	1688
Buyback of own shares	(46)	(10,888)	-	(10,934)	-	-
Share based payments	-	-	1,743	1,743	-	-
Other changes	-	-	-	-	(2,030)	(1)
Equity at 31.12.2019	1,957	34,252	3,804	40,014	(374)	52,5
Profit of the year	-	-	-	-	-	(8,9)
Other comprehensive income	-	-	-	-	-	16544
Sale of own shares	5	(2)	-	3	-	1,0
Share based payments	-	-	2,495	2,495	-	-
Other changes	-	-	356	356	(1,903)	2,6
Equity at 31.012.2020	1,962	34,251	6,656	42,868	14,262	47,2

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 delivers full-service outsourced personnel and payroll services.

The consolidated financial statements of Zalaris for the period ending on 31 December 2020 were approved in a board meeting on 7 April 2021.

1.1 The basis for the preparation of the financial statements

The Group's consolidated financial statements of Zalaris ASA for the accounting year 2020 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 rates on the date of the balance sheet. Exchange gains and losses resulting from settlement of such transactions and 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 is transferred to the customer at a point that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

Managed Services, the revenue from which is related to outsourcing consists of a fixed fee and variable revenue based on several factors as number of employees, project expense claims produced. All the above mentioned deliverables are considered interrelated and are therefore not to be separate identifiable, i.e. on a contract-by-contract basis. Revenue from contracts are also recognized over the customer simultaneously by receiving the benefits provided by the

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 present-

ed 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 in variable amount, the Group estimates the likely amount of consideration to which it will be entitled in exchange for transferring goods or service to the customer. The consideration is estimated at contract inception and constrained until it is highly probable that cumulative revenue reversal in the when the associated uncertainty will be resolved. Consideration is subsequently

Consideration of significant financial component in a contract

The Group invoices for delivered services throughout the contractual period. These services are short-term financing contracts while outsourcing contracts are element of financing over the contract period. However, the financing of customer contracts is not considered to be significant. The Group has chosen to apply the expedient not to adjust any prepayment customers.

Income tax

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

<p>income presented net of related tax effects in the Statement of Other Comprehensive Income.</p> <p>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.</p> <p>The companies included in the consolidated financial statement are subject to income tax in the countries where they are domiciled.</p>	<p>Intangible assets:</p> <p>Internally developed software</p> <p>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.</p> <p>Fixed assets</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Leases</p> <p>Zalaris has applied IFRS 16 according to the following principles:</p> <p>a) <i>Identifying a lease</i></p> <p>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:</p> <ul style="list-style-type: none"> • 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 <p>b) <i>Zalaris as a lessee</i></p> <p>Separating components in the lease contract</p> <p>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.</p>	<p>c) <i>Recognition of leases and exercise of options</i></p> <p>At the lease commencement date, Zalaris recognises a lease liability and corresponding right-of-use asset for all lease agreements, which it is the lessee, except for those exemptions applied:</p> <ul style="list-style-type: none"> • Short-term leases (defined as 12 months or less) • Low value assets (NOK 50,000 or less) <p>For these leases, Zalaris recognises payments as other operating expenses in the statement of profit or loss when the lease term expires.</p> <p>d) <i>Measuring the lease liability</i></p> <p>The lease liability is initially measured at present value of the lease payments due over 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 expected to exercise that option, and periods covered by an option to terminate the lease when Zalaris is reasonably expected not to exercise it. Based on relevant circumstances, Zalaris considers whether to exercise extension or termination options or not when the lease term. Zalaris is not expected to exercise any options to extend or terminate the lease for the extension period to the lower of the current market price at the time of exercise and the price at the time of an extension period compared to the</p>
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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, forecasted economic conditions and ECLs is a continuous process. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical 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 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 derivatives. The measurement of financial liabilities depends on their classification. Financial liabilities at fair value through profit or loss includes derivative financial instruments entered into by the Group that are designated as hedging instruments in relationships as defined by IFRS 9.

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

Pension plans

Defined contribution plan

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

Earnings per share

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

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

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

would have been outstanding assuming the conversion of all dilutive potential ordinary.

Share-based compensation

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

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

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

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

1.3 New and amended standards and interpretations

The following new standards and amendments became effective as of 1 January 2020:

- Amendment to IAS 1 and IAS 8 – Definition of Material
- Amendment to IFRS 3 – Definition of a Business
- Amendment to IFRS 16 – Leasing (May 2020)

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

Standards issued and effective

Amendments to IAS 1 and IAS 8 – Definition of material and IFRS 3 – Definition of a Business
The application of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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 2020.

Standards issued but not yet effective
Standards, amendments and interpretations to existing standards that are not yet 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 (issued 2021/or likely 1st January 2023)
- IFRS 10 and IAS 28 (amendments) – Contribution of assets between a company and its associate or joint venture (implementation not set)
- Amendments to IFRS 3 – Reference to conceptual framework (1st January 2022)
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intangible assets (1st January 2022)
- Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Cost of fulfilling a contract (1st January 2022)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (1st January 2023)

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

tions 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 entity.

Share-based payments

Estimating fair value for share-based transactions requires determination of appropriate valuation model, which on the terms and conditions of the estimate also requires determination of most appropriate inputs to the value including the expected life of the shares and RSUs or appreciation right, volatility and dividend yield and making assumptions on them. The fair value of the share options RSUs is estimated at the grant date. Black-Scholes option pricing model account the terms and conditions of the share options were granted. The terms and models used for estimation 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 products and services and has two segments, as follows:

The Managed Services segment, which includes a full range of payroll and HR services, such as payroll processing and attendance, travel expenses and related cloud system solutions, and includes additional cloud-based HR services to existing outsourcing customer management, digital personnel analytics, mobile solutions etc. The

2020

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

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 systems, such as 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.

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. The total revenue for 2020 was higher than 2019 through organic growth despite marginal negative effect from Covid-19.

(NOK 1,000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated
Revenue, external	544,321	248,004	-
Operating expenses	(435,659)	(212,633)	(21,952)
EBITDA	108,663	35,371	(21,952)
Depreciation and amortisation	(45,286)	(9,958)	(29,416)
EBIT	63,376	25,414	(51,367)
Net financial income/(expenses)			(50,813)
Income tax			4,405
Profit for the period	63,376	25,414	(9,775)
Cash flow from investing activities			
2019*			

(NOK 1,000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated
Revenue, external	553,691	223,101	-
Operating expenses	(446,454)	(192,606)	(34,361)
EBITDA	107,237	30,495	(34,361)
Depreciation and amortisation	(52,279)	(9,534)	(27,427)
EBIT	54,958	20,961	(61,824)
Net financial income/(expenses)			(24,661)
Income tax			2,900
Profit for the period	54,958	20,961	(82,924)
Cash flow from investing activities			

* Revenue from certain consulting services previously report as part of Managed Services have been moved to Profit from 1 January 2020. Business development costs previously included within Group Overhead has been allocated to segments from 1 January 2020. Comparable historical information has been updated accordingly.

Geographic information

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

Revenue from External Customers Attributable to

(NOK 1000)	as % of Total	2020 Total	as % of Total	2019 Total
Norway	27%	215,979	29%	228,438
Northern Europe, excluding Norway	29%	228,486	29%	221,455
Central Europe	39%	308,776	38%	294,135
UK & Ireland	5%	39,085	4%	32,764
Total	100%	792,326	100%	776,792

Information About Major Customers

(NOK 1000)	as % of total	2020 NOK 1000	as % of total	2019 NOK 1000
Largest customer	11%	89,591	12%	90,279
5 largest customers	25%	197,362	26%	198,539
10 largest customers	38%	302,994	36%	281,120
20 largest customers	56%	441,600	52%	400,907

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.

(NOK 1000)	Note	31.12.2020
Trade receivables	12	148,651
Customer project assets		78,246
Customer project liabilities		(50,256)
Prepayments from customers	18	(11,633)

Trade receivables are non-interest bearing and are on general terms from 14 to 90 days credit. In 2020 TNOK 350 (2019 TNOK 505) was recognized as provision for expected credit losses on trade receivables.

implementation of the outsourcing. The customer payments are recognized evenly as the Group fulfills performance obligations over the period.

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.

Prepayments from customers consist of a combination of short- and long-term advance payments. The short-term advance payments are typically deferred revenue related to projects or change orders related to the long-term solution. The long-term advance payments are typically related to initial advances paid upon signing contracts. These advances are contracted to the customer to either transform or other projects. These advances are open for application until specified in the contract. Where the contract is terminated, the remainder of the amount transferred to the customer of Zalaris and is hence recognized as a liability for the Group.

Customer project liabilities are generally payments from customers specific to a given contract, to cover part of the costs for the

Movements in Customer Project Assets Through the Period:

(NOK 1000)	2020	2019
Opening balance 1 January	88,808	97,272
Cost capitalized	18,026	29,505
Amortization	(34,666)	(36,606)
Disposals & currency	6,078	(1,363)
Customer projects assets	78,246	88,808

Movements in Customer Project Liabilities Through the Period:

(NOK 1000)	2020	2019
Opening balance 1 January	(55,740)	(64,284)
Revenue deferred	(14,961)	(17,188)
Revenue recognized	21,684	28,505
Disposals & currency	(1,239)	(2,773)
Customer project liabilities	(50,256)	(55,740)

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

Performance obligations

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 continuously receives and consumes the services provided by the Group.

Transaction price

The transaction price is determined by fixed agreed price per period for and hosting services while for outsourced and consulting the actual consumption manhours spent or customer employment actions initiated, on agreed price per variable element of the contracts that is not limited on customer-initiated transactions while transition and change project limited. The transaction price is determined over the time the services has been

Note 4 – Personnel expenses

(NOK 1000)	2020	2019
Salary	356,094	356,094
Bonus	19,200	19,200
Social security tax	54,540	54,540
Pension costs (see note 17)	17,450	17,450
Share based payments (see note 22)	2,490	2,490
Other personnel expenses	12,500	12,500
Capitalised to internal development projects	(13,590)	(13,590)
Capitalised to customer project assets (see note 3)	(18,026)	(18,026)
Total personnel expenses	430,757	430,757
*Share based payment is further specified in note 22		
	2020	2019
Average number of employees	835	835
Average number of FTEs	724	724

See note 20 for transactions with related parties.

Note 5 – Other operating expenses

(NOK 1000)	2020	2019
External consultants for customer projects	80,585	64,606
External services	10,040	10,100
IT and telecom	35,560	38,684
Office premises	8,326	7,819
Travel and accommodation	10,663	23,379
Freight, postage etc.	4,732	5,105
Marketing	5,051	5,718
Audit & Accounting	5,589	5,637
Other expenses	6,591	5,839
Total other operating expenses	167,138	166,887

Auditors Fee

(NOK 1000)	2020	2019*
Auditor fee *2019 figures restated	4,024	5,064
Fee for tax services	272	-
Other fees	985	338
Total	5,281	5,402

*2019 restated

Note 6 – Finance income and finance expenses

(NOK 1000)	2020	2019
Interest income on bank accounts and receivables	191	160
Currency gain	4,679	1,916
Other financial income	893	556
Finance income	5,763	2,632
Interest expense on financial liabilities measured at amortised cost	23,145	19,253
Currency loss	987	3,377
Unrealised foreign currency loss	27,069	(2,375)
Interest expense on leasing	1,503	2,126
Other financial expenses	3,871	4,302
Finance expenses	56,576	26,683
Net financial items	(50,813)	(24,051)

Note 7 – Income Taxes

(NOK 1000)	2020
Tax paid / payable	(19,050)
Changes in deferred taxes	23,455
Tax expense	4,405
Tax payable in balance sheet:	
(NOK 1000)	2020
Calculated tax payable	2,698
Total income tax payable	2,698

(NOK 1000)

2020	
Ordinary profit before tax	(13,390)
Tax at Zalaris ASA's statutory tax rate of 22%	(2,946)
Non tax deductible costs and other permanent differences	5,823
Effect of different tax rates and impact of changes in rates and legislation	(1,035)
Losses not recognized as deferred tax assets	4,405
Adjustments in respect of prior years and other adjustments	32,9%
Tax expense	4,405
Effective tax rate	32.9%

Specification of tax effects of temporary differences:

(NOK 1000)	2020
Property, plant and equipment	65,201
Other differences	4,951
Tax losses carry forward	(95,723)
Total temporary differences	(25,566)
Total deferred tax assets	23,404
Total deferred tax liability	25,419
Net recognised deferred tax/(liability) 22%	(2,017)

Note 9 – Intangible assets

(NOK 1000)	Licenses and Software	Internally Developed Software	Internally Developed Software under Construction	Customer Relationships & Contracts	Goodwill
Acquisition cost					
At 1st January 2019	50,645	91,575	19,937	100,604	151,111
Additions of the year	135	1,579	21,389	-	-
Disposals of the year	(12,980)	(26,755)	(3,709)	-	-
Reclassifications	-	18,055	(18,055)	-	-
Currency effects	(118)	(1,796)	(1,672)	830	1,111
At 31 December 2019	37,682	82,658	17,890	101,434	153,153
Additions of the year	-	1,858	11,740	-	-
Disposals of the year	-	(567)	(6,708)	-	-
Reclassifications	-	15,371	(15,371)	-	-
Currency effects	791	611	3,518	4,745	7,111
At 31 December 2020	38,473	99,931	11,068	106,179	160,264
Amortization					
At 1 January 2018	41,588	62,806	-	15,500	70,094
Disposals of amortization and currency	(11,261)	(28,709)	-	-	-
This year's ordinary amortisation	2,944	13,711	-	10,000	26,655
Currency effects	(93)	197	-	25,538	25,642
At 31 December 2019	33,177	48,006	-	10,992	92,175
Disposals of amortisation	-	(567)	-	-	-
This year's ordinary amortisation	1,746	14,709	-	1,405	17,860
Currency effects	638	340	-	37,705	38,683
At 31 December 2020	35,561	62,488	-	49,102	145,151
Net Book value					
At 31 December 2019	4,505	34,652	17,889	75,968	153,153
At 31 December 2020	2,912	37,442	11,068	68,473	160,264
Useful life	3-10 years linear	5 years linear	N/A	10 years linear	Indefinite
Depreciation method					

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

The Group has tax losses, which have arisen in Norway, of MNOK 47.0 as of 31 December 2020 that has no expiration date (MNOK 49.4).

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 2020 and 2019 respectively. Shares issued during

the periods are included in the calculations of weighted average number of shares from the date the shares issue was approved by the general meeting. Diluted equity instruments outstanding are related to employee share purchase programs.

(NOK 1000)	2020	2019
Net profit/(loss) attributable to ordinary equity holders of the parent	(6,796)	(7,011)
Weighted average number of shares	19,607,117	19,730,098
Weighted average diluted number of shares	20,301,155	20,123,670
Basic earnings per share (NOK)	(0,46)	(0,36)
Diluted earnings per share	(0,46)	(0,36)

Headroom Sensitivity Analysis in NOK Million

	Weighted Average Cost of Capital			
	5.5%	6.5%	7.5%	8.5%
(20.0%)	1,107	776	561	398
(10.0%)	1,524	1,109	839	63
0.0%	1,941	1,441	1,117	87
10.0%	2,359	1,774	1,396	110
20.0%	2,776	2,107	1,674	1,344

Percentage change in EBITDA

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

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

- Revenue
- EBITDA / EBITDA margin
- Discount rate

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

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

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

As of 31 December 2020, the market capitalization of the Group was almost 10 times the book value of its equity, indicating no impairment of the Group's assets.

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

The recoverable amount is based on a value-in-use calculation, using cash flow projections for the next 5 years. The projections are based on an existing business model without non-organic growth. The expected cash flow is based on company estimates for the period 2021 to 2025. A terminal value is included in the calculations. Estimates and pertaining assumptions are made to the best of the management's knowledge of historical and current events, experience and other factors that are deemed reasonable in the circumstances.

Note 10 – Property, Plant and Equipment

(NOK 1000)	Land	Buildings	Vehicles	Furniture and Fixtures	IT-Equipment	Total
Acquisition cost						
At 1st January 2019	3,735	23,951	479	19,561	10,490	58,217
Additions of the year	-	-	59	943	1,357	2,359
Disposals of the year	-	-	-	(1,384)	(3,899)	(5,284)
Currency effects	(27)	(176)	(3)	(181)	(39)	(425)
At 31 December 2019	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)
Miscellaneous	-	-	(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
Depreciation						
At 1st January 2019	-	519	351	14,062	12,945	27,876
Disposals of ordinary depreciation	-	-	-	(1,303)	(3,855)	(5,158)
This year's ordinary depreciation	-	476	138	2,123	1,312	4,048
Currency effects	-	(4)	(1)	(778)	600	(184)
At 31 December 2019	-	990	487	14,105	11,002	26,583
Disposals of ordinary depreciation	-	-	-	(708)	(386)	(1,094)
This year's ordinary depreciation	-	506	25	1,550	1,232	3,311
Currency effects	-	63	28	412	115	618
At 31 December 2020	-	1,559	539	15,358	11,963	29,418
Net book value						
At 31 December 2019	3,708	22,785	49	4,834	1,761	33,137
At 31 December 2020	3,942	23,718	15	3,529	1,313	32,518

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

Economic life
Depreciation method

indefinite
none

50 years
linear

3 years
linear

5 years
linear

3 years
linear

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

Zalaris as a lessee

Right-of-use assets

Zalaris leases several assets such as equipment and vehicles. The Group of-use assets are categorized and in the table below:

(NOK 1000)	Buildings	Equipment	Vehicles
Right-of-use assets			
Acquisition cost			
At 1 January 2019	42,218	3,428	6,
Additions	3,402	747	6,
At 1 January 2020	45,620	4,175	6,
Additions	5,870	154	6
At 31 December 2020	51,490	4,329	6
Depreciation			
At 1 January 2019	-	-	-
Depreciation	16,653	1,629	3,
At 31 December 2019	16,653	1,629	3,
Depreciation	15,708	1,426	1,
At 31 December 2020	32,361	3,055	5
Carrying amount at 31 December 2020	19,128	1,274	1,
Lease liabilities			
(NOK 1000)			
Current			22,
Non-current			1,
Lease liabilities at 31 December 2020			22,

Interest expense included (in finance cost)

Variable lease payments expensed in the period
Operating expenses related to short-term leases
Operating expenses period related to low value assets
Total cash outflows for leases

Extension options

Zalaris' lease of buildings has lease terms that vary from one year to 10 years, and several agreements involve a right of renewal which may be exercised during the last period of the lease 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)	2020
Gross trade accounts receivable	149,001
Provisions for losses	(350)
Trade accounts receivable	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:

	2020
Opening balance	(350)
Provision of the year	(21)
Realised loss this year	21
Closing balance	(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
31 December 2020	148,651	128,124	15,337	2,119	3,071
31 December 2019	148,614	110,215	28,213	3,505	6,681

Note 13 – Other Short-Term Receivables

(NOK 1000)	2020	2019
Advances to employees	250	1,494
Prepaid rent	1,293	1,740
Prepaid software	1,270	7,052
Prepaid insurance	241	181
Prepaid other expenses	1,269	429
Prepaid maintenance and service	1,779	-
Accrued income	7,234	3,942
Public duties and taxes	474	6,739
Other receivables	2,178	5,697
Total other short-term receivables	15,989	27,275

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

(NOK 1000)	2020	2019
Cash in hand and at bank - unrestricted funds	118,145	56,132
Deposit accounts - guarantee rent obligations - restricted funds	2,247	21,529
Employee withheld taxes - restricted funds	4,451	4,787
Cash and cash equivalents in the balance sheet	124,843	82,448

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)	2020	2019
Customer deposits	1,825	4,051

Note 15 – Share Capital, Shareholder information and dividends

Shares	2020
Shares - nominal value NOK 0.10	20,122,979
Total number of shares	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 31.12.2020 are:

Shareholder	Number of Shares	% of Total	Type
Norwegian Retail AS	2,891,482	14.37%	
Skandinaviska Enskilda Banken AB	2,808,403	13.96%	
Handelsbanken Nordiske Smabolag	1,180,585	5.87%	
Verdipapirfondet Dnb Simb	847,535	4.21%	
Verdipapirfondet Norge Selektiv	829,078	4.12%	
Verdipapirfondet Nordea Kapital	775,508	3.85%	
Vestland Invest A/S	770,659	3.83%	
Athanase	631,597	3.14%	
Vevlen Gård AS	609,836	3.03%	
Deutsche Bank Aktiengesellschaft	506,881	2.52%	
Verdipapirfondet Nordea Avkastning	505,705	2.51%	
Tigerstaden AS	469,803	2.33%	
Verdipapirfondet Nordea Norge Plus	466,816	2.32%	
UBS Switzerland AG	295,139	1.47%	
Verdipapirfondet Alfred Berg Gamba	261,512	1.30%	
Næringslivets Hovedorganisasjon	253,217	1.26%	
Nordea Norwegian Stars Fund	248,661	1.24%	
Taconic AS	245,212	1.22%	
JP Morgan Chase Bank	226,395	1.13%	
Shares owned by the Company	503,521	2.50%	
Others	4,795,434	23.83%	
Total	20,122,979	100.00%	

Shares held by related parties are disclosed in note 20.

Dividend

The board proposes to pay a dividend for 2020 amounting to NOK 19.6 million, or NOK 1.00 per outstanding share, to be paid to the shareholders of the parent company. No dividend was paid to the shareholders of the parent company during 2020. The Company has not accrued for the proposed dividend in 2020.

Note 16 – Interest-Bearing Loans and Borrowings

(NOK 1000)	2020		2019	
	Current	Non-Current	Current	Non-Current
Financial Institution				
Oslo Stock Exchange*	362,023	338,428	-	338,428
MBG, Germany	-	-	5,326	5,326
KfW Bank, Germany	1,554	11,379	92	11,471
Commerzbank, Bank**	12,256	12,681	1,573	13,834
Interest-bearing debt and borrowings	375,832	362,487	1,244	6,571
	1,244	377,077	13,481	369,058

*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 2020 is NOK 4.9 million (NOK 6.7 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 new office building in Leipzig.

Assets pledged as security

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

	Finance institutions
At 1 January 2020	363,732
Payments 2020	(12,184)
Agio	25,530
At 31 December 2020	377,077

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 28.8 million.

Under section 479A of the UK Companies Act 2006 the two Zalaris UK entities UK Ltd (registration no 08240911) and Consulting UK Ltd (registration no 08240911) have availed exemption for audit on statutory financial statements pursuant to guarantees issued by Zalaris to its subsidiaries of any losses towards that may arise in the financial year December 2020 in these subsidiaries.

For leasing liabilities for right-of-use see note 11.

Note 17 – Pensions

Pension for employees in the Norwegian entities

The Group is required to have an occupational pension scheme in accordance with the Norwegian law on mandatory occupational pension ("Lov om obligatorisk tjenestepensjon"). The Group's pension schemes satisfy the requirements of this law, and represent a defined contribution plan, with disability coverage. At the end of the year there were 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 5.5 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 2020 was 3.5% of salary between 1 G and 71 G. 1G equals NOK 0.1 million as of 31.12.2020.

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 36 people end of the year. Finland has a defined contribution plan for all its employees, a total of 33 employees. Sweden has a defined contribution plan for all employees, a total of 49 employees. UK has a defined contribution plan for all employees, a total of 35 employees. Germany has defined contribution plan for executive employees.

Total expenses recognized related to pension in 2020 amounts to NOK 17.4 million (NOK 19.3 million).

Note 19 – Financial Instruments

Financial Instruments by Category

2020 (NOK 1000)	Financial Assets at Amortized Cost	Fair Value Through Profit or Loss	Financial Liabilities at Amortized Cost
Financial Assets			
Trade accounts receivable	148,651		
Other short-term receivables	15,989		
Cash and cash equivalents	124,843		
Total	289,484		
Financial liabilities at amortized cost			
Derivatives, interest rate swaps		880	
Borrowings, long term			375,832
Trade accounts payables			21,190
Other short-term debt			71,480
Total		880	468,503
2019			
(NOK 1000)			
Financial Assets			
Trade accounts receivable	148,614		
Other short-term receivables	27,275		
Cash and cash equivalents	82,448		
Total	258,337		
Financial liabilities at amortized cost			
Derivatives, interest rate swaps		1,095	
Borrowings, long term			362,487
Trade accounts payables			29,845
Other short-term debt			61,464
Total		1,095	453,796

Note 18 – Other Short-Term Liabilities

(NOK 1000)	2020	2019
Prepayments from customers*	11,633	9,608
Wages, holiday pay and bonus	18,705	21,937
Accrued expenses and other current liabilities	41,142	29,919
Total	71,480	61,464

* 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.

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 2020 using Level 2 is MNOK 0.9 (MNOK 1.1).

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

Value assessment is Level 3 in the fair value hierarchy.

Financial risk management

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 Group entity, 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 2020 the Company has a Euro-based bond loan of EUR 35 million. Per 31 December 2020 the Company had an unrealized currency loss amounting to NOK 42.1 million (2019 NOK 13.7 million) related to this loan. Otherwise, the Group has limited exposure to currency risk from assets and liabilities recognized as of 31 December 2020 that are denominated in currencies other than the functional currency of the Group entities. As of 31 December 2020 the Group has currency exposure from EUR, DKK, INR, SEK, GBP, CHF and PLN. It is mainly Euro exchange rates constituting a currency risk for the Company. A 10% negative change in the exchange rate of Euro would have resulted in a finance loss pre-tax of approximately NOK 0.7 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 cash and cash equivalents and deposits which are assessed to be solid.

Trade Receivables and Contract Assets

Customer credit risk is managed by business unit subject to the Group's credit policy, procedures and control relating to customer credit risk management. Credit risk of a customer is assessed based on rating scorecard and individual credit defined in accordance with this assessment. Outstanding customer receivables assets are regularly monitored. The customer portfolio of well-known companies and has had low credit losses (Note 17).

An impairment analysis is performed reporting date using a provision matrix measure expected credit losses. The rates are based on days past due and ratings of various customer segments. Loss patterns (i.e., by geographical product type, customer type and rating coverage by letters of credit or other credit insurance). The calculation is probability-weighted outcome, the of money and reasonable and support information that is available at the date about past events, current forecasts of future economic conditions, trade receivables are written off for more than one year and are

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

Liquidity risk

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

normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Group's reputation. Prudent liquidity risk management implies maintaining enough cash and the availability of appropriate funding.

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

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	Total
Per 31 December 2020				
Borrowings, long term			375,832	375,832
Borrowings, short term	346	899		1,244
Trade creditors and other short term liabilities	21,190	59,847	11,633	92,670
Total liabilities	21,536	60,746	387,465	469,747
Per 31 December 2019				
Borrowings, long term	-		362,487	362,487
Borrowings, short term	311	6,260	-	6,571
Trade creditors and other short term liabilities	29,845	51,856	9,608	91,309
Total liabilities	30,156	58,116	372,095	460,367

Note 20 – Transactions with Related Parties

a) Purchase from Related Parties

Related Party	Transaction	2020	2019
Rayon Design AS ¹	Management Services	2,371	1,556
Haug Advisory AS ²	Management Services	-	200
Total		2,371	1,756

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

b) Remuneration to Management and Board of Directors:

2020

Management	Title	Salary Incl./Bonuses	Pensions	Other Benefits	Total
Hans-Petter Møllerud	CEO	3,410	205	25	3,640
Gunnar Manum	CFO	1,858	111	4	1,974
Halvor Leivvåg	CTO	1,693	100	4	1,797
Richard Schjørn	VP Strategic	1,897	108	4	2,009
Hilde Karlsmyr	CHRO	1,755	103	4	1,862
Øyvind Reiten	EVP Bus.dev. - GMS	1,937	112	25	2,074
Sami Seikkula	Executive VP Northern Europe	1,579	295	3	1,877
William Peter Jackson	Executive VP UK and Ireland	1,407	69	59	1,534
Harald Götsch	Executive VP Central Europe	2,238	54	-	2,292
Balakrishnan Narayanan	Executive VP Asia Pacific	610	2	-	612
Total		18,383	1,160	129	19,672

Board of Directors	Title	Remuneration
Adele Norman Pran	Chair of the Board	317
Lars Laier Henriksen (01.01–18.05)	Chairman of the Board	167
Liselotte Hægertz Engstam	Board Member	200
Jan Koivurinta	Board Member	200
Corinna Schäfer	Board Member	200
Kentth Eriksson (01.01–18.05)	Board Member	83
Jon Erik Haug	Board Member	200
Erik Langaker (18.05–31.12)	Board Member	117
Stefan Charette (18.05–31.12)	Board Member	117
Total		1,600

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 Zalatis Group.

2019

Management	Title	Salary	Pensions	Other Benefits
Hans-Petter Møllerud	CEO	3,396	204	
Nina Stemshaug (01.01-31.08)	CFO	1,705	102	
Anders Ståstad (01.09-31.12)	CFO	1,229	N/A	
Halvor Leivvåg	CTO	1,546	99	
Richard Schjørn	VP Strategic	1,737	104	
Hilde Karlsmyr	CHRO	1,686	101	
Øyvind Reiten	Executive VP Northern Europe	1,831	111	
Sami Seikkula	Executive VP Northern Europe	1,306	239	
William Peter Jackson	Executive VP UK and Ireland	1,364	66	
Harald Götsch	Executive VP Central Europe	1,825	50	
Balakrishnan Narayanan	Executive VP Asia Pacific	484	3	
Total		18,209	1,080	

Board of Directors

Management	Title
Lars Laier Henriksen	Chairman of the Board
Liselotte Hægertz Engstam	Board Member
Jan Koivurinta	Board Member
Corinna Schäfer (01.06 - 31.12)	Board Member
Kentth Eriksson (01.06 - 31.12)	Board Member
Jon Erik Haug	Board Member
Adele Norman Pran	Board Member
Total	

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 Zalatis Group.

Note 21 – Overview of Subsidiaries

c) Shares held by related parties as of 31 December 2020

Name	Role	Number of Shares	Number of Share Options	Number of RSUs
Norwegian Retail AS	CEO (Hans-Petter Møllerud)	2,891,482	25,000	
Gunnar Manum	CFO	2,000	30,000	5,000
Harald Gøtsch	Executive VP Central Europe	459,100		
Jan M Koivurinta	Board member	295,139		
Vestland Invest AS	Board member (Erik Langaker)	870,659		
Hilde Karlsmyr	CHRO	5,581	30,000	21,522
Haug Invest AS	Board member (Jon Erik Haug)	23,761		
William Peter Jakson	Executive VP UK and Ireland	5,581	30,000	20,402
Sami Seikkula	Executive VP Northern Europe	5,000	30,000	28,588
Halvor Leirvåg	CTO	7,825	30,000	35,556
Øyvind Reiten	Executive VP Northern Europe	9,045	30,000	63,357
Adele Norman Pran	Chair of Bard	20,000		
Liselotte Hågertz Engstam	Board member	3,500	15,000	3,774
Bal Krishnan Narayanan	EVP APAC			
Athanase/SEB	Board member (Stefan Charette)	3,420,125	30,000	46,662
Richard Schiørn	VP Strategic Projects	7,628	250,000	224,861
Total		8,026,426		

The following subsidiaries are included in the consolidated accounts:

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

The following companies were merged with their sister company in their respective country during

Company

Country

Zalaris Consulting Poland Sp. z. o. o.	Poland
Zalaris Consulting GmbH	Germany
Zalaris Consulting Denmark A/S	Denmark
Zalaris Consulting GmbH	Germany
Zalaris Consulting Poland Sp. z. o. o.	Poland

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)	2020	2019
Restricted Share Units	2,495	1,780
Employee share options	696	51
Accrued social security costs	1,145	210
Total recognized costs	4,335	2,041
Accrued payroll tax at the end of the period	1,636	512

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 7,227 RSUs were granted in 2020, and the following table illustrates the number of RSUs

Number of RSUs	2020
Outstanding at the beginning of the period	294,925
Granted	12,227
Exercised	-
Forfeited	-
Outstanding at the end of the period	307,152

The fair value of the RSUs is estimated at the grant date using Black&Scholes Merton pricing model, taking into account the terms and con-

ditions on which the RSUs were granted. The following table lists the key inputs used for the year ended 31 Decem

The Weighted Average Assumptions Used

	2020
Expected volatility (%)	43.01
Risk-free interest rate (%)	0.72
Expected life of RSUs (year)	2.76
Weighted average share price	36.70

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

Share Option Program

The general meeting of Zalaris ASA held on 18 May 2020, gave the Board the authority to grant up to 250,000 employee share options

annually for a three-year period. The price is based on the weighted average price for seven days preceding the date of the options granted, less a discount of 30% while the remaining 40% vest after 30 days. Each share option corresponds to one Employee share option. The price of the performance-based vesting condition is not subject to change. The Company has the option to settle the options in cash, however they have the obligation to repurchase the options or constructive obligation to repurchase the options. Non-vested share options are cancelled

the employee has given notice of termination and are treated as forfeited. A total of 280,000 options were granted in 2020, of which 30,000

related to the 2019 share option program. The options were granted at an average exercise price of NOK 41.97.

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

	2020		2019	
	Number of Options	WAEP (NOK)	Number of Options	WAEP (NOK)
Outstanding at the beginning of the period	333,000	34.31	-	-
Granted	280,000	41.97	333,000	34.31
Outstanding at the end of the period	613,000	37.81	333,000	34.31
Exercisable at the end of the period	-	-	-	-

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair

value of share options granted to employees during the period was NOK 9.05 per option (NOK 3.45). The following table lists the key inputs to the model used for the year ended 31 December:

The Weighted Average Assumptions Used	2020	2019
Expected volatility (%)	40.43	34.10
Risk-free interest rate (%)	0.42	1.20
Expected life of options (year)	3.8	3.8
Weighted average share price	39.05	23.33

Historic volatility is assumed to be a reasonable indicator of expected volatility. Expected volatility is therefore defined as historic volatility. The risk-free interest rate used for share option calculations is collected as of grant date

from Norges Bank. Where there is no exact match between the term of the interest rates and the term of the share options, interpolation is used to estimate a comparable term.

Annual share purchase program

The Company completed an annual share purchase program for employees in Q4 2019. As part of the program, Zalaris has sold 51,687 own shares to employees at a subscription price of NOK 20.62 per share. The shares were transferred to the employees 31 March 2020. The subscription price was based on the volume-weighted average share price in the period between 18 December to 30 December 2019, less a 20% discount. To receive the discount the shares have a 12 months lock-up period.

Similarly, the Company completed an annual share purchase program for employees in the fourth quarter 2020 under same conditions as above. Then Zalaris sold 19,072 own shares to employees at a subscription price of NOK 40.18 per share. Following the sale Zalaris will hold 484,449 own shares. The shares were transferred to the employees by 31 March 2021. The subscription price was based on the volume-weighted average share price in the period between 9 December to 30 December 2020, less a 20% discount.

Note 23 – 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.

Z zalaris

EMPLOYEE PHOTO:
Marianne Gause,
Vice President Managed Services Germany



Financial Statement – Parent Company

Parent Company Annual Accounts Report 2020 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	2020
Other revenue	2	132,974
Total Revenue		132,974
Operating expenses		
License costs	3	44,706
Personell expenses	4	32,641
Other operating expenses	5	90,585
Amortisation intangible assets	6	13,812
Depreciation and impairments		310
Total operating costs		182,054
Operating profit		(49,080)
Financial items	15	96,536
Financial income		(25,846)
Financial expenses	15	(27,108)
Unrealised foreign currency loss	14, 15, 16	43,582
Net financial items		(5,498)
Ordinary profit before tax		(10,322)
Income tax expense	7	(10,322)
Tax expense on ordinary profit		(10,322)
Total tax expense		4,824
Profit for the year		4,824
Attributable to:		
Other Equity		4,824

Balance Sheet at 31 December

		2020	2019		2020	2019
	(NOK 1000)			Notes		
ASSETS						
Non-current assets						
Intangible assets						
Deferred tax asset		20,864	10,051	7		
Other intangible assets		44,506	49,394	5		
Total intangible assets		65,369	59,446			
Fixed assets						
Property, plant and equipment		305	615	6		
Total fixed assets		305	615			
Financial non-current assets						
Shares in subsidiaries		353,137	341,666	8		
Total financial non-current assets		353,137	341,666			
Total non-current assets		418,811	401,726			
Current assets						
Prepayments		3,123	7,010			
Other short-term receivables		8	990	9		
Other short-term receivables to group companies		97,731	137,396	9		
Cash and cash equivalents		10,373	10,562	10		
Total current assets		111,235	155,957			
TOTAL ASSETS		530,047	557,684			
LIABILITIES AND EQUITY						
Equity						
Paid-in capital						
Share capital						
Other paid in equity						
Share premium						
Total paid-in capital						
Other equity						
Total earned equity						
Total equity						
Non-current liabilities						
Interest-bearing loans and borrowings				16		
Total long-term debt						
Current liabilities						
Trade accounts payable						
Interest-bearing loans				16		
Short-term debt to group companies						
Derivatives				14		
Public duties payable						
Other short-term debt				17		
Total short-term debt						
Total liabilities						
TOTAL EQUITY AND LIABILITIES						

Oslo, 7 April 2021

Adele Bugge Norman Pran
Chair of the BoardLislotte Hægertz Engstam
Board MemberJan M. Koivurinta
Board MemberCorinna Schäfer
Board MemberStefan Charette
Board MemberErik Langaker
Board MemberErik Ha
Board Mem

Statement of Cash Flows: 1 January - 31 December

(NOK 1000)	Note	2020	2019
Cash flows from operating activities			
Ordinary profit before tax		(5,498)	(26,783)
Income taxes paid		(491)	-
Net financial items		(47,733)	(37,244)
Amortisation and depreciation		14,122	14,129
Changes in trade accounts receivable and payables		(1,330)	66
Changes in other accruals		66,339	(76,237)
Interest received		8,530	910
Interest paid		(19,541)	(17,665)
Net cash flows from operating activities		14,399	(142,823)
Cash flows from investing activities			
Purchases of intangible assets and property, plant and equipment		(8,923)	(20,582)
Purchase and investment in subsidiary	8	(11,471)	(541)
Net cash flows from investing activities		(20,394)	(21,123)
Cash flows from financing activities			
Group contribution and dividends from daughters		86,066	52,462
Sale of own shares		1,117	(11,238)
Stock purchase program		2,555	2,067
Net new debt		-	(3,383)
Revolving credit		(56,608)	54,679
Net cash flows from financing activities		33,129	94,588

Net changes in cash and cash equivalents
Net foreign exchange difference
Cash and cash equivalents at the beginning of the year
Cash and cash equivalents at the end of the year

(69,358)
1,537
78,382
10,562

Statement of Changes in Equity for the Period Ended 31 December

(NOK 1000)	Shares Capital	Share Premium	Other Paid-in Equity	Total Paid-in Capital	Other Equity
Equity at 01.01.2019	2,003	45,140	1,737	48,881	43,681
Income for the year	-	-	-	-	(20,943)
Share based payments	-	-	2,067	2,067	-
Other changes in equity	(46)	(10,888)	-	(10,934)	(303)
Equity at 31.12.2019	1,957	34,253	3,804	40,014	22,444
Equity at 01.01.2020	1,957	34,253	3,804	40,014	22,444
Income for the year	-	-	-	-	4,82
Share based payments	-	-	2,555	2,555	-
Sale of own shares	5	(2)	-	3	1,11
Equity at 31.12.2020	1,962	34,251	6,359	42,572	28,37

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 2020 were approved in a board meeting on 7 April 2021.

1.1 The basis for the preparation of financial statements
The financial statements of Zalaris accounting year 2020 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting 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 a the leasing contract deducted by a element which is expensed.

Operating Leases

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

Shares in Subsidiaries

Shares in subsidiaries are measured at the cost method of accounting in the company accounts. Investments are made at the acquisition cost of the share and impairment losses have been made

Shares in subsidiaries are impaired when the decrease in value is not as temporary. Impairment losses are when the reason for the impairment 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. Initial measurement, such as financial subsequently measured at amortized cost using the effective interest rate (EIR) (if the amortization effect of material 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.

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.

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.

Geographic information

The Company is delivering services in subsidiaries in different countries in Baltic and Poland, Germany, UK and and information regarding revenue and geography is provided below.

Borrowings

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

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.

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.

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.

Årsregnskap regnskapsåret 2020 for 981953134

(NOK 1,000)	2020	as % of total	2020	as % of total
Norway	58,766	44%	44%	44%
Sweden	24,111	18%	19%	19%
Denmark	17,313	13%	14%	14%
Finland	14,828	11%	11%	11%
Germany	6,237	5%	4%	4%
Latvia	4,322	3%	4%	4%
UK	1,565	1%	1%	1%
Other	5,832	4%	5%	5%
Total	132,974	100%	100%	100%

Note 5 – Other Intangible Assets

(NOK 1,000)	2020	2019	Licenses and Software	Internally Developed Software	Internally Developed Software Under Construction
Acquisition cost					
Accumulated 1 January 2019	27,033	27,033	34,918	77,343	17,684
Additions of the year	5,134	4,599	3,388	22,720	(5,989)
Disposals and currency effects	1,272	1,186	(13,008)	(22,700)	
Capitalized development expenses	(8,364)	(14,824)	-	(5,100)	5,100
Other expenses	6,948	7,445			
Total personnel costs	32,641	25,440	25,297	72,264	16,795
Accumulated 1 January 2020	24	23	25,297	72,264	16,795
Additions of the year	22	22	-	1,057	7,866
Internal AUC reclassified			-	13,811	(13,811)
Accumulated 31 December 2020			25,297	87,132	10,850
Depreciation					
Accumulated 1 January 2019			29,223	50,907	-
This year's ordinary amortisation			2,958	10,794	-
Disposals of amortisation and currency effects			(8,962)	(19,959)	-
Accumulated 31 December 2019			23,219	41,743	-
Accumulated 1 January 2020			23,219	41,743	-
This year's ordinary amortisation			909	12,903	-
Accumulated 31 December 2020			24,128	54,645	-
Book value at 31 December 2019			2,079	30,521	16,795
Book value at 31 December 2020			1,169	32,486	10,850
Useful life			5-10 years	5 years	N/A
Depreciation method			linear	linear	

Note 3 – Personnel expenses

(NOK 1,000)	2020	2019
Salary	27,652	27,033
Social security tax	5,134	4,599
Pension costs (see note 12)	1,272	1,186
Capitalized development expenses	(8,364)	(14,824)
Other expenses	6,948	7,445
Total personnel costs	32,641	25,440

Average number of employees 24 23

Average number of FTE 22 22

See note 13 for transactions with related parties.

Note 4 – Other operating expenses

(NOK 1,000)	2020	2019
External services	56,465	62,023
IT services and telecom	26,400	25,818
Office premises	2,333	2,450
Travel and transport	375	1,076
Postage and freight	38	32
Other expenses	4,974	4,259
Total other operating expenses	90,585	95,657

Auditors fee

(NOK 1000)	2020	2019
Auditor fee	3,156	2,069
Other attestation services	-	222
Fee for tax services	-	8
Other fees	100	370
Total, excl VAT	3,256	2,669

Note 6 – Property, plant and equipment

(NOK 1,000)	Furniture and Fixtures	IT-equipment	Total
Acquisition cost			
Accumulated 1 January 2019	3,001	1,378	4,379
Additions of the year	-	463	463
Disposals of the year	-	-951	-951
Accumulated 31 December 2019	3,001	891	3,892
Accumulated 1 January 2020	3,001	891	3,892
Accumulated 31 December 2020	3,001	891	3,892
Depreciations			
Accumulated 1 January 2019	2,791	1,060	3,852
This year's ordinary depreciation	-	303	377
Disposals of the year	-	(951)	(951)
Accumulated 31 December 2019	2,865	412	3,278
Accumulated 1 January 2020	2,865	412	3,278
This year's ordinary depreciation	-	252	310
Accumulated 31 December 2020	2,923	665	3,588
Book value at 31 December 2019	135	480	615
Book value at 31 December 2020	77	228	305
Useful life	5 years	3-6 years	
Depreciation method	linear	linear	

Note 7 – Income taxes

Income Tax Expense:	2020
(NOK 1,000)	2020
Tax paid & payable	491
Changes in deferred taxes	(10,813)
Tax expense/Income	(10,022)
Tax Payable in Balance Sheet:	
(NOK 1,000)	2020
Ordinary profit before tax	(49,058)
Permanent differences	1,086
Dividend from subsidiaries	(42,506)
Change in temporary differences	3,132
Group contribution	43,560
Basis for tax payable	(49,786)
Tax payable	(5633)
Reconciliation of Effective Tax Rate:	0.020
(NOK 1,000)	2020
Ordinary profit before tax *	(49,058)
Calculated tax	(4,793)
Other permanent differences	239
Group contribution	(3,351)
Dividend subsidiaries	1,583
Tax expense	(10,322)
Effective tax rate	21%
Specification of Tax Effects of Temporary Differences:	
(NOK 1,000)	2020
Property, plant and equipment	(4,335)
IFRS amortization loan	1,957
Tax losses carry forward	(9,157)
Total temporary differences	(9,535)
Total deferred tax assets	(1,001)
Total deferred tax liability	137
Net deferred tax	(2,864)

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-Ulzburg	100%
Zalaris UK Ltd	26/09/17	London	100%
Zalaris Consulting UK Ltd	26/09/17	London	100%
Indirect owned subsidiaries			
LBU Personal Complete GmbH	18/05/17	Amtzell	100%
Zalaris Switzerland AG	18/05/17	Zürich	100%

Company (NOK 1,000)	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	5,484
Zalaris HR Services Sverige AB		100,0	SEK	1,000	100,0	9,716
Zalaris HR Services Finland OY		8,0	EUR	1,000	8,0	67
Zalaris HR Services Norway AS	2,450		EUR			21,779
Zalaris HR Services Latvia AS		100,0	NOK	1,000,000	0,1	444
Zalaris HR Services Lithuania UAB		2,8	EUR	2,000	1,4	0
Zalaris HR Services Poland Sp Z.o.o		10,0	EUR	1,000	10,0	0
Zalaris HR Services Estonia		5,0	PLN	100	50,0	12,104
Zalaris HR Services India		2,5	EUR	2,500	1,0	2,418
Zalaris HR Services Ireland Ltd		40,000,0	INR	4,000,000	10,0	5,241
Zalaris Deutschland AG		0,1	EUR	100	1,0	0
Zalaris Consulting UK Ltd		54,6	EUR	54,552	1,0	191,229
Zalaris UK Ltd		10,1	GBP	10,100	1,0	23,029
Total		376,5	GBP	372,193	1,0	81,628
						353,137

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

Note 9 – Other Short-Term Receivables

(NOK 1,000)	2020
Receivables group companies	97731
Other receivables	8
Total other short-term receivables	97739

Note 10 – Cash and Cash Equivalents

(NOK 1,000)	2020
Cash in hand and at bank - unrestricted funds	8,590
Deposit accounts - guarantee rent obligations	145
Employee withheld taxes - restricted funds	1,639
Cash and cash equivalents in the balance sheet	10,373

Note 11 – Share Capital, Shareholder Information and Dividends

Shares	2020
Shares - nominal value NOK 0.10	20,121,979
Total number of shares	20,121,979

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 31.12.2020 are:

Shareholder	Number of Shares	% of Total	Type of Account
Norwegian Retail AS	2,891,482	14.37%	Ordinary
Skandinaviske Enskilda Banken AB	2,808,403	13.96%	Nominee
J.P. Morgan Bank Luxembourg S.A.	1,180,585	5.87%	Nominee
Verdipapirfondet DNB SMB	847,535	4.21%	Ordinary
Verdipapirfondet Norge Selektiv	829,078	4.12%	Ordinary
Verdipapirfondet Nordea Kapital	775,508	3.85%	Ordinary
Vestland Invest AS	770,659	3.83%	Ordinary
Skandinaviske Enskilda Banken AB	631,597	3.14%	Nominee
Vevlen Gård AS	609,836	3.03%	Ordinary
Deutsche Bank Aktiengesellschaft	506,881	2.52%	Nominee
Verdipapirfondet Nordea Avkastning	505,705	2.51%	Ordinary
Tigerstaden AS	469,803	2.33%	Ordinary
Verdipapirfondet Nordea Norge Plus	466,816	2.32%	Ordinary
UBS Switzerland AG	295,139	1.47%	Nominee
Verdipapirfondet Alfred Berg Gamba	261,512	1.30%	Ordinary
Næringslivet Hovedorganisasjon	253,217	1.26%	Ordinary
J.P. Morgan Bank Luxembourg S.A.	248,661	1.24%	Nominee
Taonic AS	245,212	1.22%	Ordinary
JPMorgan Chase Bank, N.A., London	226,395	1.13%	Nominee
Shares owned by the company	503,521	2.50%	
Others	4,795,434	23.83%	
Total	20,122,979	100.00%	

Dividend

No dividend was paid to the shareholders of the Company during 2020.

The board proposes to pay a dividend for 2020 amounting to NOK 19.6 million, or NOK 1.00 per share, to the shareholders of the parent company.

The Company does not possess or control the voting majority of the shareholders, and have in accordance to NGAAP not accrued for the proposed dividend in 2020.

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 25 participants (23) in this defined contribution plan.

Expenses equals this year's calculation and amounts to MNOK 1.3 (NOK 1.3). The scheme is administered by Sto

Note 13 – Transactions with Related Parties**a) Purchase from Related Parties**

Related Party	Transaction	2020
Rayon Design AS ¹	Management Services	3,371
Haug Advisory AS ²	Management Services	-
Total		3,371

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

²⁾ Jon Erik Haug, Board Member of Zalaris ASA, owns 100% of Haug Advisory AS

There were no loans nor long term receivables with related parties in neither 2020 nor in 2019.

b) Remuneration to Management and Board of Directors:

2020	Management	Title	Salary Incl./Bonuses	Pensions	Other Benefits	Total
	Hans-Petter Møllerud	CEO	3,410	205	25	3,640
	Gunnar Manum	CFO	1,858	111	4	1,974
	Halvor Leivvåg	CTO	1,693	100	4	1,797
	Richard Schjørn	VP Strategic	1,897	108	4	2,009
	Hilde Karlismyr	CHRO	1,755	103	4	1,862
	Øyvind Reiten	EVP Bus.dev. - GMS	1,937	112	25	2,074
	Sami Seikkula	Executive VP Northern Europe	1,579	295	3	1,877
	William Peter Jackson	Executive VP UK and Ireland	1,407	69	59	1,534
	Harald Götsch	Executive VP Central Europe	2,238	54	-	2,292
	Balakrishnan Narayanan	Executive VP Asia Pacific	610	2	-	612
	Total		18,383	1,160	129	19,672

2019

Management	Title	Salary	Pensions	Other Benefits
Hans-Petter Møllerud	CEO	3,396	204	204
Nina Stemshaug (01.01-31.08)	CFO	1,705	102	102
Anders Ståstad (01.09-31.12)	CFO	1,229	N/A	N/A
Halvor Leivvåg	CTO	1,546	99	99
Richard Schjørn	VP Strategic	1,737	104	104
Hilde Karlismyr	CHRO	1,686	101	101
Øyvind Reiten	Executive VP Northern Europe	1,831	111	111
Sami Seikkula	Executive VP Northern Europe	1,306	239	239
William Peter Jackson	Executive VP UK and Ireland	1,364	66	66
Harald Götsch	Executive VP Central Europe	1,825	50	50
Balakrishnan Narayanan	Executive VP Asia Pacific	484	3	3
Total		18,209	1,080	1,080

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

Board of Directors	Title	Remuneration
Adele Norman Pran	Chair of the Board	317
Lars Laier Henriksen (01.01–18.05)	Chairman of the Board	167
Liselotte Hægertz Engstam	Board Member	200
Jan Koivurinta	Board Member	200
Corinna Schäfer	Board Member	200
Kentth Erland Eriksson (01.01–18.05)	Board Member	83
Jon Erik Haug	Board Member	200
Erik Langaker (18.05–31.12)	Board Member	117
Stefan Charette (18.05–31.12)	Board Member	117
Total		1,600

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.

Note 14 – Financial Instruments

c) Shares held by related parties as of 31 December 2020

Name	Role	Number of Shares	Number of Share Options	Number of RSUs
Norwegian Retail AS	CEO (Hans-Petter Møllerud)	2,891,482	25,000	
Gunnar Manum	CFO	2,000	30,000	5,000
Harald Gøtsch	Executive VP Central Europe	459,100		
Jan M Kolvurinta	Board member	295,139		
Vestland Invest AS	Board member (Erik Langaker)	870,659		
Hilde Karlsmyr	CHRO	5,581	30,000	21,522
Haug Invest AS	Board member (Jon Erik Haug)	23,761		
William Peter Jakson	Executive VP UK and Ireland	5,581	30,000	20,402
Sami Seikkula	Executive VP Northern Europe	5,000	30,000	28,588
Halvor Leivåg	CTO	7,825	30,000	35,556
Øyvind Reiten	Executive VP Northern Europe	9,045	30,000	63,357
Adele Norman Pran	Chair of Bard	20,000		
Liselotte Hægertz Engstam	Board member	3,500	15,000	3,774
Balakrishnan Narayanan	EVP APAC	3,420,125	30,000	46,662
Athanasios/SEB	Board member (Stefan Charette)	7,628		
Richard Schiørn	VP Strategic Projects		250,000	224,861
Total		8,026,426		

2020

Financial Instruments by Category (NOK 1,000)	Loans and Receivables	Fair Value Through Profit or Loss	Liabilities at Amortized Cost
Financial assets			
Other short-term receivables to group company	97,731		
Other short-term receivables	8		
Cash and cash equivalents	10,373		
Total	108,112		
Financial liabilities			
Derivatives, interest rate swaps		880	
Borrowings, long term			362,023
Borrowings, short term, revolving credit			67,384
Other short-term debt to group company			9,226
Trade accounts payables			9,349
Other short-term debt			10,236
Total		880	458,218

2019

Financial Instruments by Category (NOK 1,000)	Loans and Receivables	Fair Value Through Profit or Loss	Liabilities at Amortized Cost
Financial Assets			
Other short-term receivables to group company	137,396		
Other short-term receivables	990		
Cash and cash equivalents	10,562		
Total	148,947		
Financial liabilities			
Derivatives, interest rate swaps		1,095	
Borrowings, long term			338,428
Borrowings, short term, revolving credit			223,992
Other short-term debt to group company			2,014
Trade accounts payables			10,679
Other short-term debt			19,022
Total		1,095	494,135

As of 31 December 2020, the Company has a bond loan listed on the Oslo Stock Exchange. Per 31 December the Company has unrealized currency loss amounting to 42.1 million related to this loan. Other than the Group has limited exposure to currencies from assets and liabilities recognized on 31 December 2020 that are denominated in various currencies.

Credit Risk

The carrying amounts of financial assets and liabilities represents the Company's maximum exposure. The counterparty to the cash equivalents and deposits bank is assessed to be solid.

Foreign Currency Risk

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

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).

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 0.9 million.

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

Per 31 December 2020

(Amounts in NOK 1,000)	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

Per 31 December 2019

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

Capital management

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

Note 15 – Financial Items

(NOK 1,000)	2020
Interest income on bank accounts and receivables	2,310
Group contribution	43,560
Dividend	48,726
Foreign exchange gains	1,939
Finance income	96,536
Interest expenses	19,541
Foreign exchange loss	2,155
Unrealised foreign currency loss	27,108
Other financial expenses	4,151
Finance expenses	52,954
Net financial items	43,582

Note 16 – Interest-Bearing Loans and Borrowings

2020	(NOK 1,000)	Financial Institution	Agreement	Maturity	Duration	Interest Rate	Non-Current	Current	Balan- Curr
		Oslo Stock Exchange*	Bond loan	Sept 2023	5 years	see below	362,023	67,384	67,384
		Nordea Bank Norge ASA	Group cash pool				362,023	67,384	67,384
		Interest-bearing debt and borrowings							
		2019							
(NOK 1,000)	Financial Institution	Agreement	Maturity	Duration	Interest Rate	Non-Current	Current	Balan- Curr	
	Oslo Stock Exchange*	Bond loan	Sept 2023	5 years	see below	338,428	123,992	123,992	
	Nordea Bank Norge ASA	Group cash pool				338,428	123,992	123,992	
	Interest-bearing debt and borrowings								

* Bond loan, Oslo Stock Exchange

Note 17 – Other Short-Term Debt

(NOK 1,000)	2020
Wages, holiday pay and bonus	5,076
Accrued expenses and other current liabilities	4,765
Total	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 awards ("RSUs").

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

(NOK 1,000)	2020
Restricted share units	2,495
Employee share options	696
Accrued social security costs	1,145
Total recognized costs	4,335
Accrued payroll tax at the end of the period	1,636

Restricted Stock Units

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

The matching awards are granted to participants. The maximum number covered by, or subject to matching under this plan is 300,000.

The granted RSUs vests until May 2021. The RSUs require the employee to purchase the required number of matching shares at the grant date and hold

ness 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 14.6 million.

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 principle 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 2020 is NOK 5.0 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.

The Company is a certified SAP BPO partner. SAP BPO Partners offer the full stack of busi-

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 the RSUs as an equity-settled plan.

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

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

Number of RSUs	2020	2019
Outstanding at the beginning of the period	294,925	146,919
Granted	12,227	172,595
Exercised	-	-
Forfeited	-	(24,589)
Outstanding at the end of the period	307,152	294,925

The fair value of the RSUs is estimated at the grant date using Black&Scholes Merton pricing

model, taking into account the terms and conditions on which the RSUs were granted.

The following table lists the key inputs to the model used for the year ended 31 December 2020 and 2019:

The Weighted Average Assumptions Used	2020	2019
Expected volatility (%)	40.43	34.10
Risk-free interest rate (%)	0.42	1.20
Expected life of options (year)	3.8	3.8
Weighted average share price	39.05	23.33

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 over the next 24 months. Each share option corresponds to one share.

Employee share options are not subject to performance-based vesting conditions. The Company has the option to settle the options in cash, however they have the obligation to repurchase the options or offer cash-settlements for options. Non-vested share options are cancelled when the employee has given notice of termination and are treated as forfeited.

A total of 280,000 options were granted in 2020 of which 30,000 related to the share option program. The options were granted at an exercise price of NOK 41.97.

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

	2020		2019
	Number of Options	WAEP (NOK)	Number of Options
Outstanding at the beginning of the period	333,000	34.31	-
Granted	280,000	41.97	333,000
Outstanding at the end of the period	613,000	37.81	333,000
Exercisable at the end of the period	-	-	-

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.

price of NOK 20.62 per share. The shares were transferred to the employees 31 March 2020. The subscription price was based on the volume-weighted average share price in the period between 18 December to 30 December 2019, less a 20% discount. To receive the discount the shares have a 12 months lock-up period.

Similarly, the Company completed an annual share purchase program for employees in the fourth quarter 2020 under same conditions as above. Then Zalaris sold 19,072 own shares to employees at a subscription price of NOK 40.18 per share. Following the sale Zalaris will hold 484,449 own shares. The shares will be transferred to the employees on or about 31 March 2021. The subscription price was based on the volume-weighted average share price in the period between 9 December to 30 December 2020, less a 20% discount.

See Executive Remuneration Policy for detailed information.

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 9.05 per option (NOK 3.45).

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

Annual Share Purchase Program

The Company completed an annual share purchase program for employees in Q4 2019. As part of the program, Zalaris has sold 51,687 own shares to employees at a subscription

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

The Weighted Average Assumptions Used	2020	2019
Expected volatility (%)	40.43	34.10
Risk-free interest rate (%)	0.42	1.20
Expected life of options (year)	3.8	3.8
Weighted average share price	39.05	23.33



Z zalaris

EMPLOYEE PHOTO:
Siri Abrahamsen, Team Manager AMS

Corporate Governance

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

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

The statement for fiscal year 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 2021.

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 customer satisfaction and a close relationship to its customers, which includes local centres in all countries in which we are complemented with offshoring, automated processes, and utilization of local personnel with high competence. Local personnel with high competence function processes ensure successful term relationships with our customers.

A more detailed description of our activities is available on Zalaris' website, www.zalaris.no

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

Corporate ethics are about how we relate towards each other and the world. It relates to human rights, employee and social matters, the external environment, equal treatment, discrimination, and environmental impact. Every employee with Zalaris shall comply with the guidelines that build on Zalaris' basic principles. At Zalaris, we want everyone to contribute to a sound corporate culture.

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

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

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

3. Equity and Dividends

Equity

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

Zalaris' equity per 31 December 2020 was NOK 104.4 million equal to 14.4% equity ratio.

The cash and cash equivalent per 31 December 2020 was NOK 124.8 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 propos-

als on dividend payments that it makes to the general meeting. The dividend policy shall be disclosed on the Company's IR website.

The Board of Directors proposes that a dividend of NOK 1.00 per share is being paid for the financial year 2020.

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 18 May 2020, 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 2021 or 30 June 2021.

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 18 May 2020, 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 2021 or 30 June 2021.

4. Equal Treatment of Shareholders and Transactions with Close Associates

General Information

Zalaris has one class of shares. Each share carries one vote, and all shares carry equal rights, including the right to participate in general

meetings. All shareholders shall be treated on an equal basis, unless there is justifying reason 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 new shares in the event of an increase in share capital shall be justified. Where the Board decides to carry out an increase in share capital, it shall deviate from the pre-emption rights of existing shareholders on the basis of an announcement issued by the Board, the justification of which shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Transactions in Own Shares

Any transactions in the Company's own shares shall be carried out in accordance with the Oslo Stock Exchange Act and the exchange rules if carried out in a stock exchange. If there is limited liquidity in the Company's shares, the Company shall consider measures to ensure equal treatment of all shareholders.

Approval of Agreements with Shareholders and Other Close Associates

In the event of not immaterial transactions between the Company and its shareholders, the Company's parent company, members of the Board, executive personnel or associates of any such parties, the

arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Norwegian Public Limited Liability Companies Act. Independent valuations shall also be arranged with respect to transactions between companies in the same group where any of the companies involved have minority shareholders.

5. Freely Negotiable Shares

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

6. General Meetings

Exercising Rights

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

The notice and the supporting documents and information on the resolutions to be considered at the general meeting shall be available on the Company's website no later than 21

days prior to the date of the general meeting. The notice and agenda for the meeting will be sent per post to all shareholders with a known address in Verdivopirsentralen (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 website and on the website of the Oslo Stock

7. Nomination Committee

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

The nomination committee's duties shall include to propose candidates for election to the members. The nomination committee shall justify its recommendations. The Company shall provide information to the nomination committee and any deadlines for proposals to the committee.

The general meeting on 14 May 2020 appointed Bård Brath Ingerø (Leader), Ragnar Sven Thoren to the nomination committee period until the annual general meeting

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 2020, the Zalaris' Board of Directors consisted of seven members — three women and four men. The Chief Executive Officer of Zalaris is not part of the Board.

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

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

Board Independence

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 Stefan Charette, who is connected to entities which control 17.43% of the issued shares in Zalaris.

An overview of the shares owned by related parties as of 31 December 2020, including board members, is available in the financial statement note 20.

9. The Work of the Board

General

The Board of Directors is responsible for the management of the Company, including the appointment of a Chief Executive Officer to assume the daily management of the Company.

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

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

The Board of Directors discusses all relevant matters related to Zalaris' activities of significance or of special nature. In 2020, the Board of Directors held 12 board meetings.

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

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

Rules of Procedure for CEO

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

Audit Committee

The audit committee shall consist of between two and four members of the Board. The committee shall be composed within the rules set out in the Norwegian Public Limited Com-

panies Act. Any committee member replaced by the Board at any time.

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

The committee shall meet as often as determine, but not less frequently than in connection with the interim financial reports (four times per year), preparation of the annual budget. The committee may request any officer or employee of the Company or the Company's outside independent auditor to attend a meeting of the committee or to meet with any member of the committee or consultant to the company

The committee may, at its discretion, management, the independent auditor or persons with specific competences outside counsel and other outside to undertake special projects or in which it deems necessary to fulfill its duties, especially when potential conflicts of interest with management may be

The auditor shall annually present the auditing work to the audit com-

have at least one annual meeting with the committee to go through the Company's internal control systems and to identify possible weaknesses and potential areas of improvement.

Members of the current audit committee are Adele Bugge Norman Pran (leader), 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 identify and develop potential successors for key executive positions.
- Reviewing annually the Board including performance, working methods and practices and the adequacy of its composition.

The current members of the remuneration committee are Liselotte Hægertz Engstam (leader) Jon Erik Haug, and Adele Bugge Norman Pran.

Annual Evaluations

The Board has conducted an evaluation of its performance and expertise in 2020.

10. Risk Management and Internal Control

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

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

Motivation and Training of Employees

One of Zalaris' focus areas is to ensure high-quality services to our customers. This is only possible through efficient processes and tools and through highly competent

and engaged employees. Thus, Zalaris has implemented a talent management program to ensure a good development of highly qualified personnel in all our departments and functions of the Company. To constantly follow up with employee engagement, Zalaris performs regular employee surveys to uncover improvements needed to achieve a healthy and good social environment for its employees. Specific surveys to measure and follow-up the impact of Covid-19 have been added in 2020. 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 on consolidated financial results with deviation to adopted budget for the year per business unit. The Company prepares financial forecasts for the financial year. Any discrepancies are identified and planned actions to reach financial and/or budgets are presented to the

The Company has monthly business results for each business unit responsible in which indicators in the customer deliveries statistics and risk areas are presented by each manager. The target business reviews is to identify risks in all these areas, which can cause discrepancies to adopt targets as early as possible to initiate actions to reduce risks at the earliest. The internal management reviews.

Customer Satisfaction

Zalaris' mission is to enable our clients the value of human capital through HR processes, and, thus, customer a focus area for Zalaris. The Company takes customer satisfaction surveys as a basis to have knowledge about customer satisfaction and to collect information about areas to achieve a high level of satisfaction, and ensure further professional development for Zalaris. The Company sets 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 fiscal year 2020 is available in the financial statement note 20.

12. Remuneration of Executive Personnel

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

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

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

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

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

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

13. Information and Communication

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

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

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

The Company has established a communication channel for the shareholders on its website. All published information is available on Zalaris' website. It is also possible for shareholders to send inquiries through the website.

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

The financial calendar valid for Zalaris is published by the Board of Directors and date and time for publishing interim and annual financial statements and holding 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, Zalaris shall ensure that the Company's shares 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 make a decision on the offer.

The Board shall not attempt to prevent or impede the takeover bid unless the bid is decided by the general meeting in accordance with applicable laws. The ma-

lying 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.

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.

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

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EMPLOYEE PHOTO:
Robert Chwazik, Consulting Director



Statssautsørenserevisorer
Ernst & Young AS
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Zalaris ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zalaris ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the Consolidated statement of financial position as at 31 December 2020, the Consolidated statement of profit or loss, Consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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Contracts with customers

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

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

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

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

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report - Zalaris ASA

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

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

Report on other legal and regulatory requirements

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

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

Independent auditor's report - Zalis AS
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Opinion on registration and documentation

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

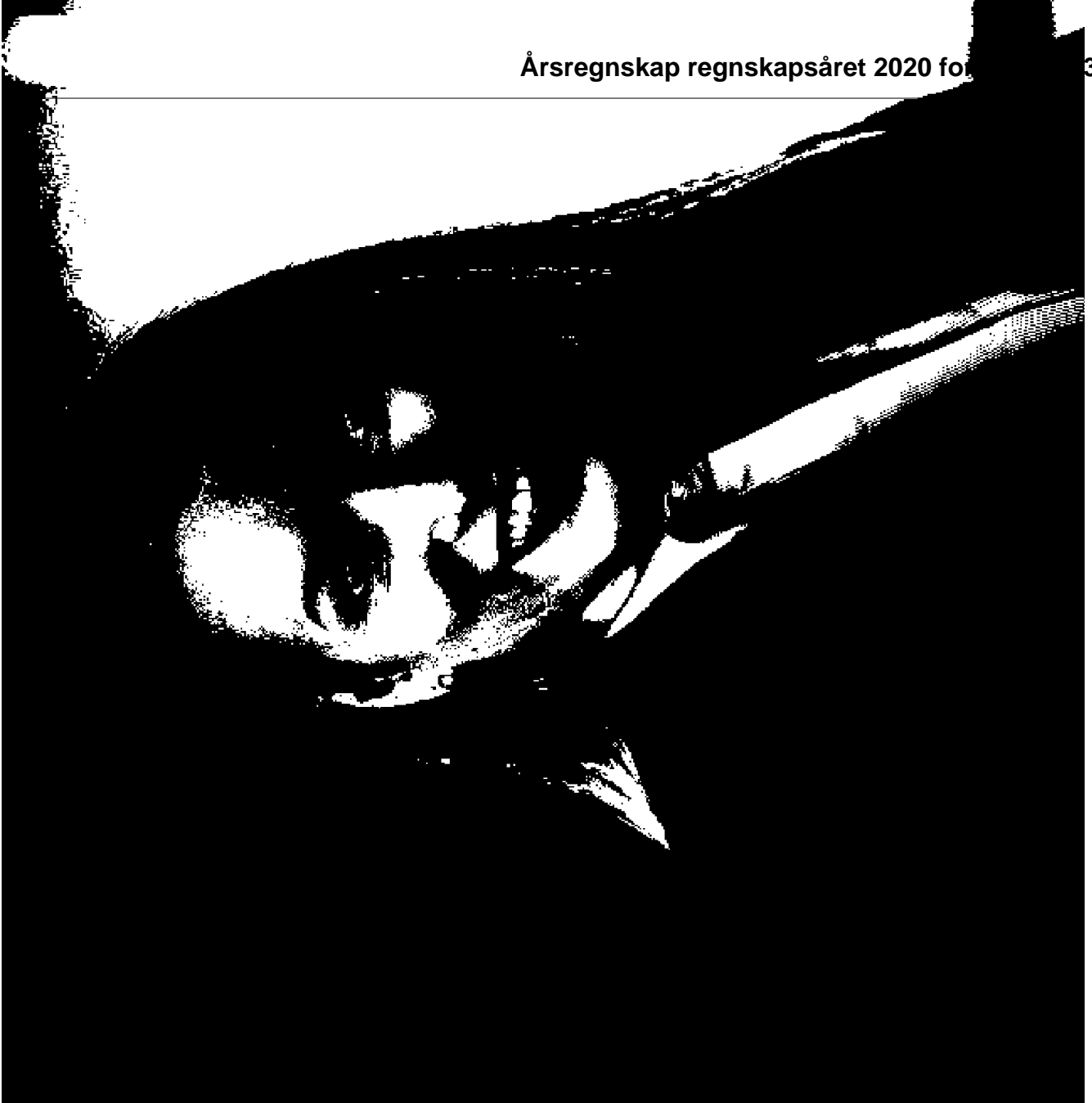
Oslo, 8 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Alexandra Bristol
State Authorised Public Accountant (Norway)

Independent auditor's report - Zalis AS
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Perno documentKey: P03A-CEGRV-BMMPE-QM001-KX0WV7-1W31



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EMPLOYEE PHOTO:
Ingfrida Štālberga, Country Head Baltics

Zalaris Executive Remuneration Policy

In accordance with the Public Limited Companies Act § 6-16a, the Board of Directors has prepared the following declaration on guidelines and main principles for the stipulation of salaries and other remuneration for the CEO and other senior management. The declaration was approved by the Board of Directors on 7 April 2021 and will be presented to the Annual General Meeting of Zalaris ASA on 20 May 2021 for an advisory vote, and for a binding vote for section 3.

1. Main Principles for Zalaris' Remuneration Policy

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

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

The Group has collective pension schemes (defined contribution plans). The Board represented by the Remuneration Committee shall conduct an annual evaluation of the agreement terms with the Group

CEO Remuneration to other members of the

Group executive management is evaluated and settled by the CEO and reviewed by the Remuneration Committee. Remuneration is reviewed annually, but is assessed over several years to maintain continuity.

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

2. Principles of Remuneration to Executive Management

2.1. Base Salary

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

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

A limitation of the total salary level to management has not been defined. However, significant and structural changes shall be approved by the remuneration committee. Management positions are not paid overtime as compensa-

tion for overtime is included in the fixed salary.

2.2. Bonus Program

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

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

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

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

3.1. Share Purchase Program for All Employees

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

3.1.1. Share Purchase with 20% Discount to All Employees

Share Purchase Program	
Eligibility	All employees
Rationale	Incentivize employees to own Zalaris shares to create additional engagement, long-term motivation and added focus on company goals.
Frequency	Once per year in Q4
Principle for allocation	All permanent employees that have been employed at least 6 months with the company are eligible to purchase up to NOK 15,000 of shares with 20% discount based on average market price 2 weeks before offering date. The program is in accordance with the Norwegian Tax regulation for tax-free discounts.
Restrictions	The employee shall not be allowed to sell the shares within 12 months from the purchase date.
Impact	If all (approx. 800) employees decided to participate 100% in the program 250,000 shares would be issued, assuming a share price (before discount) of NOK 60, which represents 1.2% of the current outstanding total number of shares. The total value of the discount would be approx. NOK 3.0 million, which is approximately 0.7% of the Zalaris Group's total personnel expenses. The discount is tax-free for Norwegian employees and does not trigger employer/social security tax.

3.2. Share-Based Payment Plan

Zalaris has the following two equity-based programs that will affect executives and key personnel.

3.2.1. Restricted Stock Units (RSU)

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

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

3.2.2. Option Scheme to Executive Management and Key Employees

Eligibility	Executive Management and Key Employees
Rationale	Incentivize management and key employees to stay with company and focus on long-term shareholder value creation
Frequency	Three-year program, 75% to be completed in Q2 each year, and 25% of the options held back for ad hoc allocations.
Principle for allocation	Executive Management and Key Employees granted options on the basis of own performance-based gross bonus as % of total group gross bonus for eligible managers and key employees for the year (allocation %). Number of options to be granted equal to allocation % times total number of options to be granted for the Zalaris Group that year. Strike price for options to be set at average market price 2 weeks before grant date. Max number of options of the program to be limited to 1,000,000 options per year (approx. 5.0% of issued shares) with a total number of options equal to 3,000,000 (approx. 15% of the issued shares) for the three-year program.
Restrictions	Options to vest 100% after 36 months and be subject to good leaver/bad leaver clause. Early vesting on change of control.
Impact	Examples below are based on a share price of NOK 60 at grant date, and assuming that approx 80% of the granted options become fully vested. The IFRS 2 cost for the company has been estimated at NOK 14.10 per option, which would result in an average annual cost of approximately NOK 3.8 million, per tranche of 1,000,000 options excluding any social security tax. The options will trigger income tax for the receiver and social security tax for the company when the options are executed. The social security tax to be paid an expensed by the company will depend on the difference between the actual share price and the strike price at the execution date.

4. Severance Schemes

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

5. Benefits

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

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

6. Pensions

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

Pension for Executive Management Employed in Entities Outside Norway
Pension levels and arrangements for managers outside must be seen in the context of the individual's total wages and employment conditions and shall be comparable to total compensation packages offered by management in Norway. Local rules on pension legislation, social security etc. is taken into account when determining individual pension schemes.

7. Procedures for Determination of Remuneration to Executive Management

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

7.2. Remuneration to the Group Executive Management
Remuneration to the individual members of the executive management group is determined by the CEO

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

Arrangements that include allocation of shares, options and other forms of remuneration linked to the Group's shares shall be approved by the General Assembly. Within the framework of resolution set by the General Assembly,

the Board shall decide on the process of implementing the remuneration scheme.

The Board may also delegate such authority to the CEO.

8. Execution of Remuneration Policy

8.1. Execution of Remuneration Policy in 2020
The Company's remuneration of the CEO and senior management has been conducted in accordance with the guidelines presented above in the preceding financial year, with the exception of certain changes to the share-based payment plan.

8.2. Binding Guidelines for Remuneration in 2021
For 2021, the Board of Directors proposes to continue the existing remuneration policy as presented above.

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

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

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

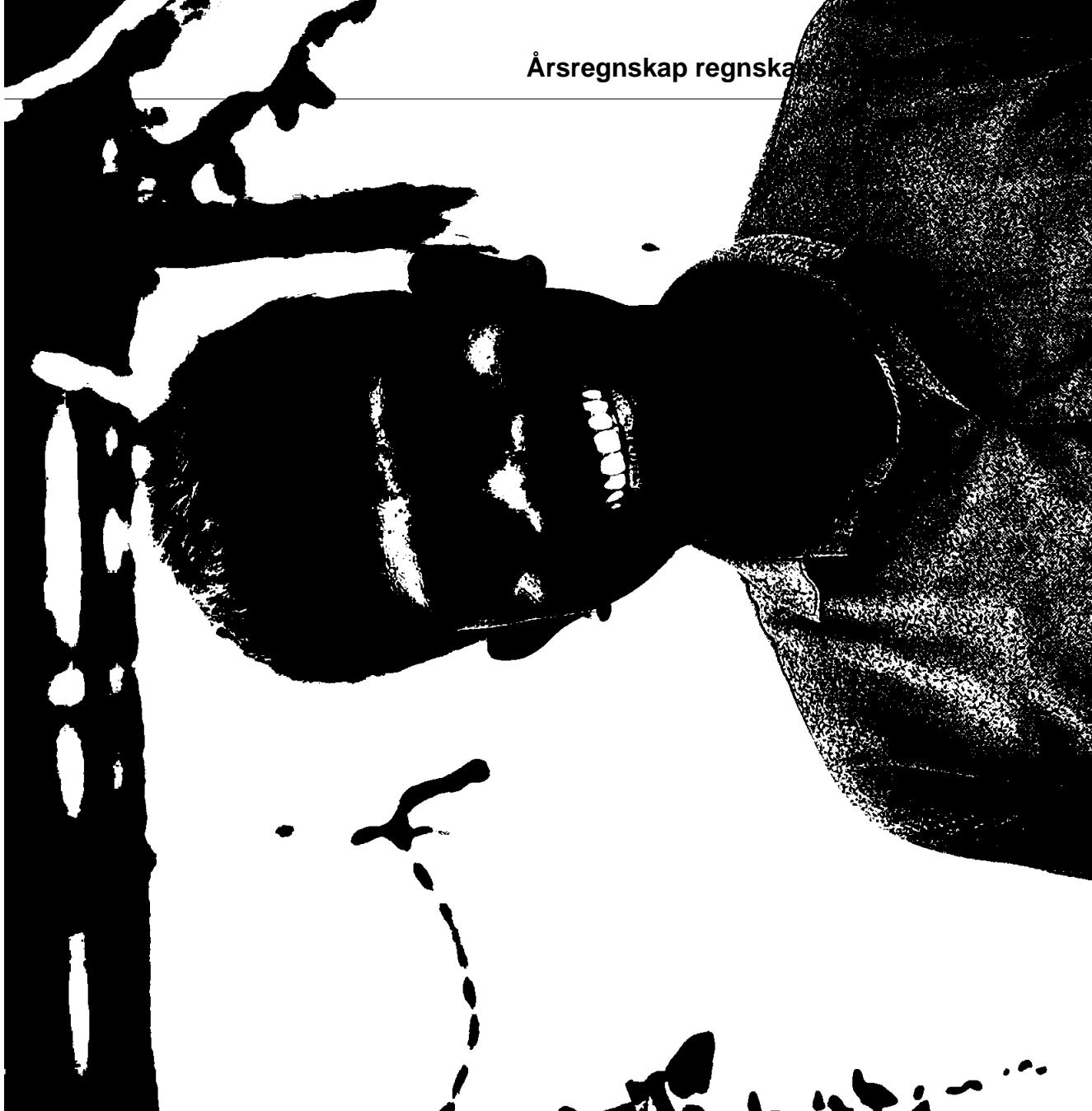
Remuneration to the Board for the coming year is determined by the General Assembly, based on a proposal from the Nominating Committee.

7.4. Remuneration to Executive Management in Subsidiaries of Zalaris ASA

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

7.5. Principles of Disclosing Remuneration Information

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



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EMPLOYEE PHOTO:
Ganesan Murugesan, Senior Payroll Administrator

Shareholder Information

Introduction

There were 20,122,979 issued shares at the end of 2020, of which 503,521 were owned by the Company. A total of 11.9 million (6.6 million) Zalaris shares were traded on the Oslo Stock Exchange ("OSE") during 2020 at a value of NOK 436 million. The average daily trading volume for Zalaris shares on the OSE during 2020 was 47k shares (27k) Zalaris' share price closed at NOK 51.80 at the end of 2020.

Zalaris' shares are listed on the Oslo Stock Exchange.

Key Figures for Zalaris Share

(All figures in NOK unless stated)	2020	2019	2018	2017	2016
Share price high (close)	53.20	27.60	58.20	58.50	35.10
Share price low (close)	22.00	19.90	25.20	33.00	28.20
Share price average (close)	36.35	23.63	40.55	44.62	31.14
Share price year-end	51.80	27.60	25.20	56.00	32.80
Earnings per share	(0.53)	(0.36)	(0.06)	(0.61)	1.34
Dividend per share	1.00*	0.00	0.00	0.65	0.87
Issued shares, average	19,647	19,729	20,030	19,637	19,124
Diluted** shares, average	20,301	20,123	20,177	20,265	19,056
Total number of shares, year-end	19,620	19,568	20,030	20,030	19,124
Diluted** shares, year-end	20,505	20,196	20,177	20,230	19,231

* To be proposed by the Board of Directors for 2020

** Including employee share options and restricted stock units (RSUs)

Dividend Policy

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

Zalaris will aim to make annual dividend payments in the region of 50 percent of the net profits before tax, provided that this will not influence target growth negatively and that the capital structure is sound and at a satisfactory

level. When deciding the final dividend amount to be proposed for the General Meeting, the Board of Directors will also take into consideration Zalaris' capital requirements, including legal restrictions, capital expenditure requirements and potential investment plans.

The Board of Directors will propose a dividend of NOK 1.00 per share for the fiscal year 2020.

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 did not buy back any shares during 2020.

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 justification for treating them differently. Zalaris' shares are freely negotiable and there are no restrictions of the negotiability in Zalaris' Articles of Association.

As of 23 February 2021, the number of shareholders in Zalaris was 1,058, of which 95 percent were in the Nordics.

Investor Relations Policy

The investor relations policy at Zalaris is based on the idea that objective and relevant information to the market is essential for a proper valuation of the company. Thus, the Company has a continuous dialogue with analysts and investors.

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

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

Investor	Holding	Stake	Type
1. Skandinaviska Enskilda Banken AB	3,440,000	17.09 %	Nomin
2. Norwegian Retail AS	2,891,482	14.37 %	Ordin
3. Handelsbanken Nordiska Smaablag	1,180,585	5.87 %	Nomin
4. Verdipapirfondet DNB SMB	902,471	4.48 %	Ordin
5. Verdipapirfondet Norge Selektiv	808,837	4.02 %	Ordin
6. Vestland Invest AS	780,659	3.88 %	Ordin
7. Verdipapirfondet Nordea Kapital	715,508	3.56 %	Ordin
8. Vevien Gård AS	609,836	3.03 %	Ordin
9. Verdipapirfondet Nordea Avkastning	505,705	2.51 %	Ordin
10. Zalaris ASA	503,521	2.50 %	Ordin
11. Deutsche Bank Aktiengesellschaft	469,757	2.33 %	Nomin
12. Verdipapirfondet Nordea Norge Plus	466,816	2.32 %	Ordin
13. Tigerstaden AS	400,000	1.99 %	Ordin
14. Verdipapirfondet Alfred Berg Gamba	393,202	1.95 %	Ordin
15. UBS Switzerland AG	295,417	1.47 %	Nomin
16. Nordea Norwegian Stars Fund	272,694	1.36 %	Ordin
17. Næringslivets Hovedorganisasjon	253,217	1.26 %	Ordin
18. Taconic AS	245,212	1.22 %	Ordin
19. Sober AS	238,718	1.19 %	Ordin
20. A/S Skarv	225,000	1.12 %	Ordin
Other shareholders	4,524,342	22.48 %	
Total number of shares	20,122,979	100.00 %	

Analyst Coverage

ABG Sundal Collier:

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akselengebakken@abgsc.no

Arctic Securities:

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Kristian Spetalen
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Kepler Cheuvreux:

Knut Erik Løvstad
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Sparebanken1 Markets: Petter Kongsli

petter.kongsli@sb1markets.no

VPS Registrar

Nordea Bank Norway ASA
Wholesale Banking | Securities Services
P.O. Box 1166 Sentrum
NO-0107 Oslo, Norway

Financial Calendar 2021

- Results Q1: 29 April 2021
- Annual General Meeting: 20 May 2021
- Results Q2: 26 August 2021
- Results Q3: 28 October 2021

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.

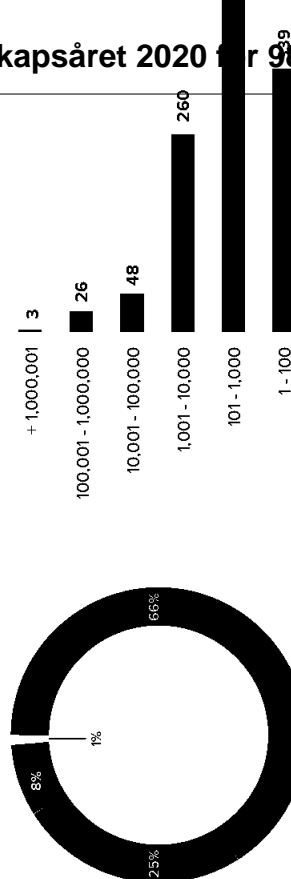
Investor Relations Contacts

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

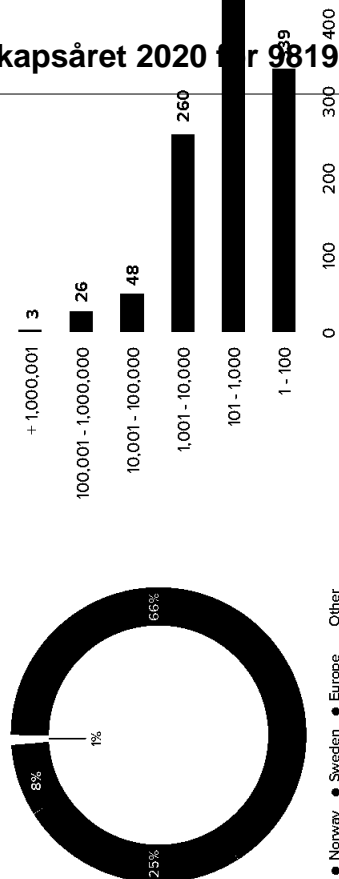
For all other matters, such as new customer contracts or other share price sensitive information, the CEO of Zalaris ASA is the contact person CEO and founder: Hans-Petter Møllerud
hans-petter.mollerud@zalaris.com and CFO:
Gunnar Manum: gunnar.manum@zalaris.com

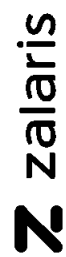
Arsregnskap regnskapsåret 2020 for 981953134

Ownership Structure by # of Shares Held (as of 8 March)



Regional Distribution, # of Shareholders





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Årsregnskap Regnskapsåret 2020 for 981953134

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