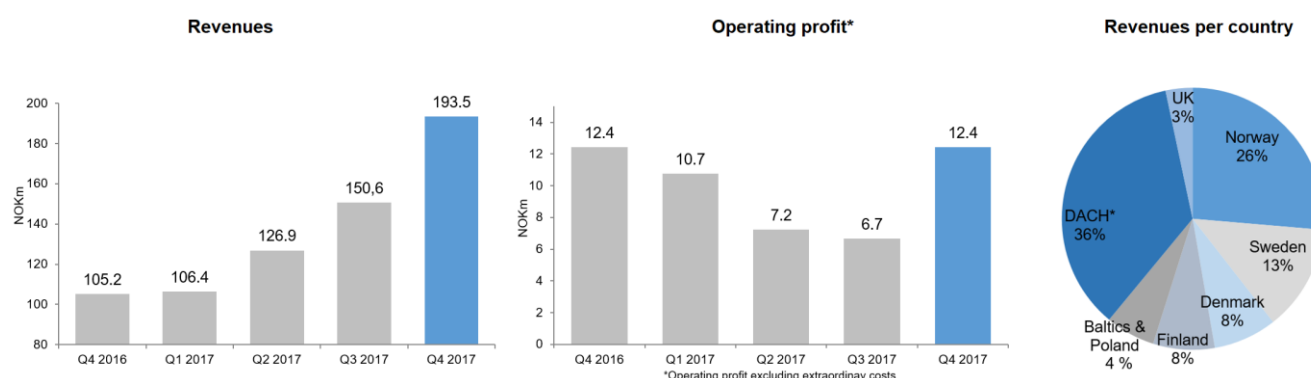


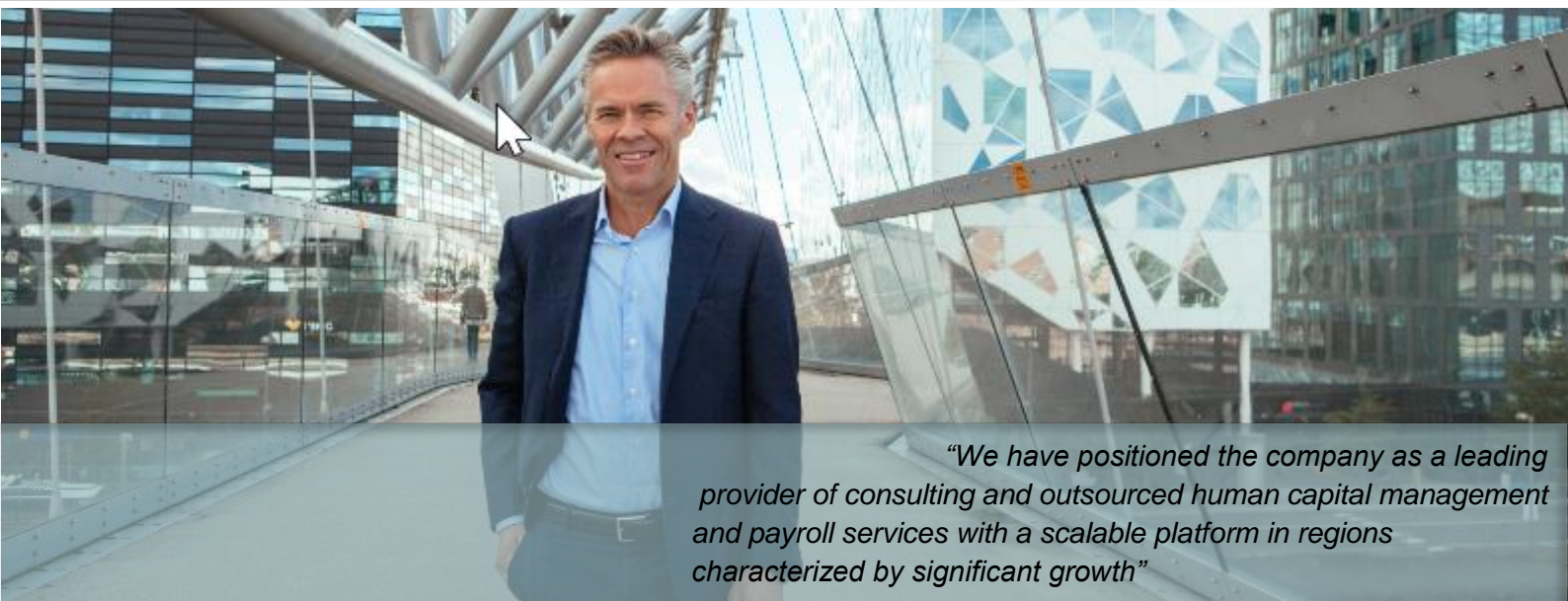


# Interim Report • Q4 2017

## Highlights

- Quarterly revenues for Q4/17 amount to NOK 193.5 million and include full effect of acquired companies' revenues. FY 2017 revenues reach NOK 577.3 million.
- Q4/17 EBIT of NOK 12.4 million excluding other costs related to transactions and integration corresponding to a 6.4% margin. Quarterly profits marked by post-acquisition integration activities to ensure materialization of synergies and scale in the combined business. Profits before tax was marked by a negative NOK 12.1 million non-cash foreign currency effect on EUR based acquisition financing in Q4/17.
- Integration of the new businesses is progressing according to plan, and is expected to be concluded by mid-2018. Encouraging feedback and increased business from existing and new customers, as we have expanded our offering and capabilities to new geographies
- We have positioned the company as a leading provider of consulting and outsourced human capital management and payroll services with a scalable platform in regions characterized by significant growth.
- Strong new contracts/signings with new customers such as DNB ASA, Statkraft AS, China Euro Vehicle Technology AB and expansion of agreements with existing customers such as Siemens AB and Norsk Hydro ASA in 2017.





*"We have positioned the company as a leading provider of consulting and outsourced human capital management and payroll services with a scalable platform in regions characterized by significant growth"*

The fourth quarter of 2017 marks the end of an extraordinary year for Zalaris. We entered the year as a mostly Nordic player with some activity in Poland and the Baltics, and an offshoring operation in India. We celebrated the New Year as a European player with activities stretching across Northern and Central Europe, the UK and Ireland, India and Thailand.

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

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

#### Revenues more than doubled

Our profit and margin in the fourth quarter and for the year are marked by the extraordinary transactions and associated integration costs, but when looking beyond these short-term effects, we clearly see a new Zalaris emerging. Annualized group revenues in Q4/17 was close to NOK 800 million, almost doubling from 2014 when we listed on the Oslo Stock Exchange. #teamZalaris counted 829 employees at the end of 2017.

The company has not only grown, it has also changed. Whereas we remain customer oriented, technology driven and entrepreneurial at heart, we see that the business of providing HR services is changing, and we are transforming ourselves. In 2015 our HR Outsourcing business represented 93 per cent of our revenues. In the fourth quarter 2017 the corresponding number was 55 per cent. Our other business segments, Consulting and Cloud are becoming increasingly important with 28 and 18 per cent of revenues respectively. Our extensive insight and proven capabilities in SAP Human Capital Solutions and SAP SuccessFactors are key in this respect.

#### Providing tomorrow's HR services

This development reflects market trends and the way that our customers are adopting to new realities. Talent management is

becoming increasingly important to our customers, and we see that enterprises are preferring strategic partners with capabilities and expertise required to build the next generation multi-process HR model on a digital platform. Tomorrow's HR services are highly automated, they offer seamless and integrated employee experience, they are delivered through the cloud and give deep strategic insight through higher-end analytics.

According to industry analysts, the market for multi-process HR services has grown consistently 6-7 per cent annually over the past few years, and is expected to continue to grow by the same rate. We have seen even stronger growth in market segments that are particularly relevant for Zalaris, such as multi-country payroll services, which is growing by more than 20 per cent per year.

We are well positioned and expect that we will gain from these industry trends. We have already received encouraging feedback and increased business from existing customers, as we have expanded our offering and capabilities to new geographies. We have also been challenged by other industry leaders to help them design, develop and implement sophisticated new integrated solutions that will significantly change their talent management processes.

#### Continue growing with our customers

Our main theme going forward will be to grow our customer base and business organically, though we may still be looking for new ways to expand our business through acquisitions. Our ultimate objective is to keep our customers satisfied and offer them ever better, broader and more valuable services.

With ROC already rolled into the Zalaris brand and sumarum following suit in the second quarter this year, we will now continue streamlining of our own operations and expand our margin, not only by reducing cost, but by ensuring that all Zalaris is running at an optimal speed. While some further integration activities are planned in the first half this year, we expect profit margins towards the end of the year to gradually climb towards our double-digit ambition for the long term.

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

*Hans-Petter Møllerud, CEO*

## Financial Review

(Figures in brackets = same period or balance date last year, unless otherwise specified)

### Key Figures

	2017	2016	2017	2016
All figures in NOK 1 000	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Revenue	193 511	105 193	577 338	396 646
Growth (y-o-y)	84,0 %	11,2 %	45,6 %	6,1 %
Operating profit before other costs	12 411	12 415	37 040	37 980
Operating profit margin before other costs	6,4 %	11,8 %	6,4 %	9,6 %
Ordinary Profit before tax	(12 449)	11 109	(6 479)	33 260
Profit for the period	(16 228)	9 129	(11 579)	25 567
Earnings per share	(0,82)	0,55	(0,58)	1,34
Net cash from operating activities	20 882	21 521	43 488	14 266
Headcount end of the period	829	467	829	467

### Group Revenue

Q4/17 revenues for the Zalaris group were NOK 193.5 million, up 83.9% from Q4/16 (NOK 105.2 million). This increase is mainly attributable to the acquired companies with majority of their business within the Consulting and Cloud segment amounting to NOK 81.6 million in the quarter.

FY 2017 revenues reached NOK 577.3 million (NOK 396.6 million). This represent a 45.6% growth compared to previous year. Pre-acquisition business grew by 7.4%.

### Group Profits

Q4/17 group operating profit before other costs was NOK 12.4 million or 6.4% (12.4 million or 11.8%). The HR Outsourcing segment showed a continuous strong margin. The Consulting and Cloud services segment achieved a margin of 3.2% and 3.3% respectively. These segments were negatively affected by a low utilization due to post acquisition integration activities throughout the organization and a low utilization of SuccessFactors capacity. The margin within the Cloud segment was impacted by high project implementation costs.

Group operating profit excluding extraordinary costs FY 2017 was NOK 37.0 million representing a 6.4% margin (NOK 38.0 million and 9.6%). In 2H 2017, the integration work related to the acquisitions negatively influenced the Group margin. Zalaris has throughout the year invested in consulting competency within the SuccessFactors area, which will increase Zalaris presence and competitiveness going forward.

Q4/17 group revenue reached NOK 193.5 million and 84.0% y-o-y growth.



Q4/17 group profit margin (excluding extraordinary costs) affected by integration activities.



## Financial position and liquidity

As of 31 Dec, total assets amounted to NOK 563.6 million and total equity was NOK 126.6 million. This equals an equity ratio of 20.3% (52.4%).

Group cash and cash equivalents was NOK 37.7 million as of the end of Q4/17. Cash from operating activities amounted to NOK 20.9 million. This amount was mainly driven by changes in accounts payables and other short term debt. Cash used for investments in the reporting period amounted to NOK 19.4 million. Main investment activities in the period related to new portal release and CRM system in addition to the system integration project for the acquired companies. The campus in Leipzig in Germany was finalized in October, and was thus partly included in the investments in Q4/17.

Interest-bearing debt was NOK 229.7 million at the end of Q4/17 (NOK 1.4 million). The increase from previous year is related to the acquisitions. An unrealized loss on foreign currency amounting to NOK 12 million related to this loan in the period. The company will carefully manage its financial position with the aim of strengthening its capital structure.

## Operational KPIs

The HR Outsourcing segment served an average of 271 000 employees per month during Q4/17.

The number of customer employees served is an indication of the volume of transactions and services delivered. The scope of services provided varies for each customer.

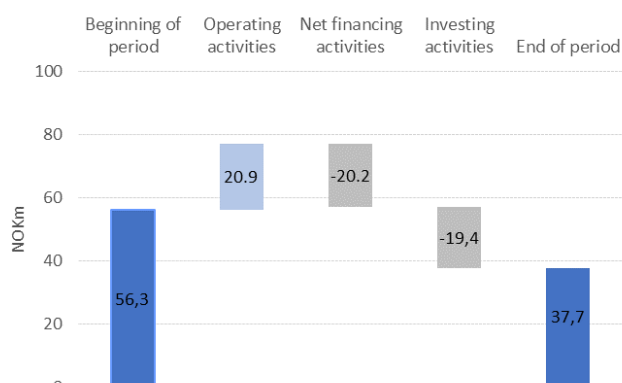
For Q4/17, we again see an increase in number of employees served. This is mainly due to the launch of a new large norwegian customer on Zalaris platform. Services provided for this new customer include payroll and SuccessFactors solutions within the Employee Central module. As ROC is mainly consulting business, the acquisition had no significant effect on this KPI.

Zalaris total group headcount, including ROC employees, was 829 at the end of Q4/17.

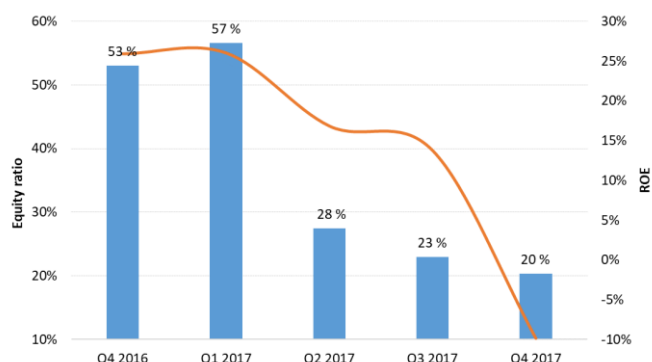
The aggregated offshore and nearshore presence was 40% of Zalaris workforce excluding employees in aquired companies.

Total number of FTEs at the end of Q4/17 was 768 whereas 108 FTEs were from ROC companies.

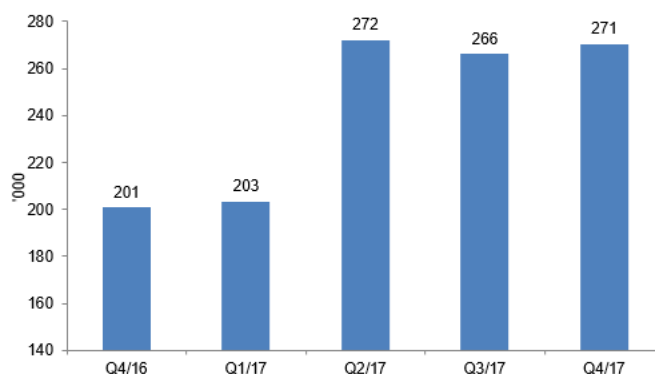
Cash decomposition, Q3/17 to Q4/17.



Equity ratio and return on equity (ROE).



# of employees served by Zalaris systems ('000).



## Revenues per segment

In Q4/17, HR outsourcing business grew by 14.5% compared to Q4/16, mainly due to the effect of the sumarum acquisition. The HR outsourcing segment revenues grew by 8.1% when comparing FY 17 with FY 16, reaching NOK 383.9 million (NOK 355.1 million). Zalaris pre-acquisition business contributed to this growth with a 1.5%, the rest is attributable to sumarum business.

The revenues within the cloud services segment amounted to NOK 34.0 million in Q4/17 (NOK 9.6 million) and for the whole FY 17 to NOK 92.1 million (NOK 30.0 million). In both cases, the increase derived from the acquisition of sumarum and ROC businesses as well as from a continuous strong demand from Zalaris' existing customers for cloud based services.

In Q4/17, consulting business reached revenues of NOK 54.1 million, a remarkable upswing of NOK 50.6 million from Q4/16 and mostly attributable to sumarum and ROC. Those acquisitions had the same effect on the entire fiscal year, with a total revenue of NOK 101.4 million (NOK 11.5 million).

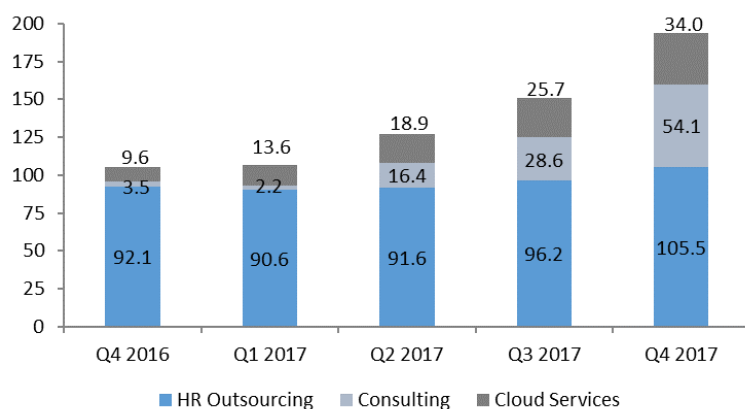
## Profits per segment

HR outsourcing segment generated an 11.3% profit margin in Q4/17, a 3.9 percentage points increase compared to Q4/16. The quarterly revenues and profits were also positively impacted by a termination fee. The increased margin in FY 17 compared with previous year, was a result of the increased offshore presence and lower usage of consulting on maintenance work.

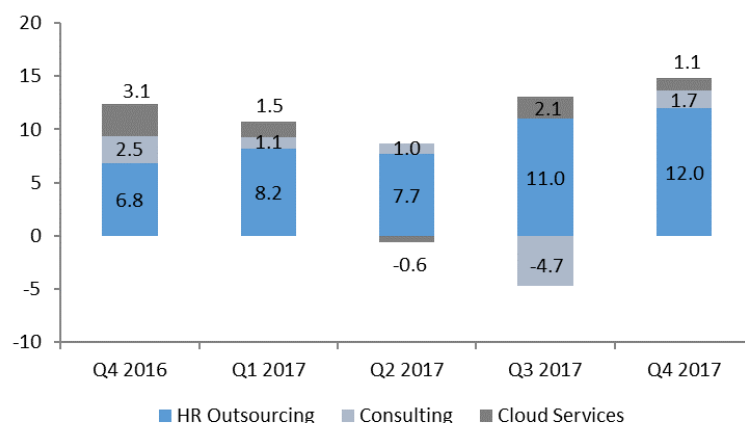
Operating profit for the cloud business segment Q4/17 was 3.3% while FY 17 is equal to 4.5% (32.1% and 15.7%). The downturn was caused by low utilization and high integration costs within ROC and sumarum companies, while Zalaris companies pre-acquisition generated stable strong margin.

Utilization of consulting resources in post-acquisition integration activities and Success-Factors training, impacted the profit margin of the consulting business negatively. In addition seasonal variations impacted the margin in the acquired businesses.

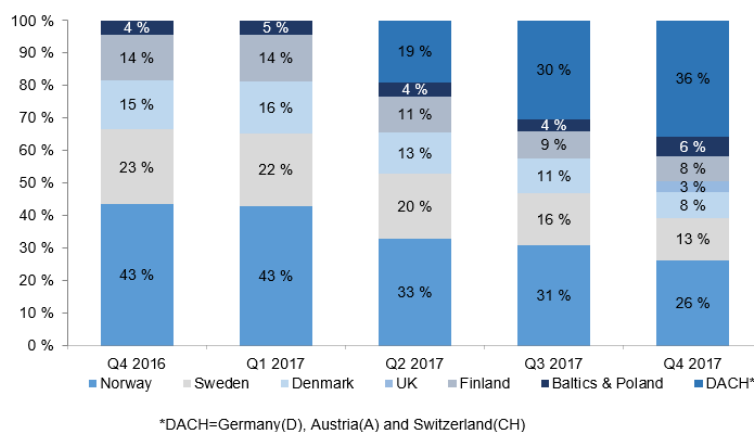
Revenues per segment (NOKm) shows growth in each segments.



Operating profit per segment (NOKm).



Quarterly revenues per country shows increased presence in the DACH region with full effect of the acquired businesses.



\*DACH=Germany(D), Austria(A) and Switzerland(CH)

## Outlook

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

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

The business of HR and human capital management is changing. Enterprises seek the advantages and cost savings of outsourcing and digitization of respective functions. Driven by advances in digital technology, the European market for multi-process human resources outsourcing is strong, and cloud solutions and mobile innovations are some key focus areas.

The pipeline of business opportunities is solid, and the company remains optimistic about growth opportunities, both in the form of new contracts with new clients and increased scope with existing clients.

Oslo, 27 February 2018  
The Board of Directors of Zalaris ASA



Lars Laier Henriksen  
(chairman)



Karl Christian Agerup



Liselotte Hægert Engstam



Tina Steinsvik Sund



Jan M. Koivurinta

*This interim report was not reviewed by  
The Company's auditors*

## Interim consolidated condensed financial statements

### Consolidated Statement of Profit and Loss

(NOK 1000)	Notes	2017	2016	2017	2016
		Oct-Dec <i>unaudited</i>	Oct-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>
<b>Revenue</b>	2	<b>193 511</b>	<b>105 193</b>	<b>577 338</b>	<b>396 646</b>
<b>Operating expenses</b>					
License costs		16 247	6 773	48 002	29 353
Personell expenses	3	100 821	54 346	308 935	213 193
Other operating expenses		47 162	21 758	128 263	80 189
Depreciations		393	489	2 217	1 835
Amortisation intangible assets	4	4 783	3 266	14 963	9 434
Amortisation implementation costs	5	11 694	6 144	37 918	24 661
Other costs		9 282	0	23 398	1 558
<b>Total operating expenses</b>		<b>190 383</b>	<b>92 777</b>	<b>563 696</b>	<b>360 224</b>
<b>Operating profit</b>		<b>3 128</b>	<b>12 415</b>	<b>13 642</b>	<b>36 422</b>
<b>Financial items</b>					
Financial income		96	136	1 498	2 125
Financial expense		(3 616)	(1 442)	(9 560)	(5 287)
Unrealized foreign currency loss	7	(12 057)		(12 057)	
<b>Net financial items</b>		<b>(15 577)</b>	<b>(1 306)</b>	<b>(20 120)</b>	<b>(3 162)</b>
<b>Ordinary profit before tax</b>		<b>(12 449)</b>	<b>11 109</b>	<b>(6 479)</b>	<b>33 260</b>
<b>Income tax expense</b>					
Tax expense on ordinary profit		3 780	1 979	5 101	7 693
<b>Total tax expense</b>		<b>3 780</b>	<b>1 979</b>	<b>5 101</b>	<b>7 693</b>
<b>Profit for the period</b>		<b>(16 228)</b>	<b>9 129</b>	<b>(11 579)</b>	<b>25 567</b>
<b>Profit attributable to:</b>					
- Owners of the parent		(16 228)	10 660	(11 579)	25 567
- Non-controlling interests		-	(1 531)		
<b>Earnings per share:</b>					
Basic earnings per share (NOK)		(0,82)	0,55	(0,58)	1,34
Diluted earnings per share (NOK)		(0,83)	0,56	(0,59)	1,34

## Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2017	2016	2017	2016
		Oct-Dec <i>unaudited</i>	Oct-Dec	Jan-Dec <i>unaudited</i>	Jan-Dec
<b>Profit for the period</b>		<b>(16 228)</b>	<b>9 129</b>	<b>(11 579)</b>	<b>25 567</b>
<b>Other comprehensive income</b>					
Currency translation differences		9 266	2 296	11 803	(3 944)
<b>Total other comprehensive income</b>		<b>9 266</b>	<b>2 296</b>	<b>11 803</b>	<b>(3 944)</b>
<b>Total comprehensive income</b>		<b>(6 962)</b>	<b>11 425</b>	<b>224</b>	<b>21 623</b>
<b>Total comprehensive income attributable to:</b>					
- Owners of the parent		(6 962)	12 956	224	21 623
- Non-controlling interests		-	(1 531)	-	-

## Consolidated Statement of Financial Position

(NOK 1000)	Notes	2017	2016
		31 Dec	31 Dec
		<i>unaudited</i>	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Other intangible assets	4	145 747	39 054
Goodwill		147 835	
<b>Total intangible assets</b>		<b>293 582</b>	<b>39 054</b>
<b>Deferred tax asset</b>		<b>1 872</b>	<b>2 028</b>
<b>Fixed assets</b>			
Office equipment		1 546	1 120
Property, plant and equipment		34 926	4 282
<b>Total fixed assets</b>		<b>36 472</b>	<b>5 402</b>
<b>Total non-current assets</b>		<b>331 926</b>	<b>46 484</b>
<b>Current assets</b>			
Trade accounts receivable		157 912	70 887
Customer projects	5	21 798	23 112
Other short-term receivables		14 019	8 021
Cash and cash equivalents		37 657	43 509
<b>Total current assets</b>		<b>231 386</b>	<b>145 528</b>
<b>TOTAL ASSETS</b>		<b>563 312</b>	<b>192 012</b>

## Consolidated Statement of Financial Position

		2017	2016
(NOK 1000)	Notes	31 Dec	31 Dec
unaudited			
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital		2 012	1 912
Own shares - nominal value		(6)	(6)
Other paid in equity		1 116	122
Share premium		58 217	37 048
Total paid-in capital		61 339	39 076
Othe requity		(2 114)	
Retained earnings		55 315	61 548
Equity attributable to equity holders of the parent		114 540	100 624
Non-controlling interests			
Total equity		114 540	100 624
Non-current liabilities			
Deferred tax		31 996	2 792
Interest-bearing loans and borrowings	7	229 653	1 436
Employee defined benefit liabilities		-	103
Total long-term debt		261 649	4 331
Current liabilities			
Trade accounts payable		24 211	10 792
Interest-bearing loan from shareholders		8 723	
Interest-bearing loans		33 187	
Income tax payable		7 688	4 613
Public duties payable		36 418	24 853
Other short-term debt		76 896	46 410
Total short-term debt		187 122	87 057
Total liabilities		448 771	91 388
TOTAL EQUITY AND LIABILITIES		563 312	192 012

## Consolidated Statement of Cash Flow

(NOK 1000)	Notes	2017	2016	2017	2016
		Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<b>Cash Flow from operating activities</b>		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
<b>Profit before tax</b>		<b>(12 449)</b>	<b>12 415</b>	<b>(6 479)</b>	<b>33 260</b>
Financial income		(96)		(1 169)	(1 108)
Financial costs		15 014		18 547	3 280
Depreciations and impairments		393	488	2 217	1 835
Amortisation intangible assets		4 783	3 267	14 963	9 434
Amortisation implementation costs customer projects		11 694	6 145	37 918	24 661
Customer projects		(8 334)	(2 180)	(36 603)	(21 450)
Taxes paid		(2 015)	(5 137)	(2 259)	(6 009)
Changes in accounts receivable and accounts payable		(7 369)	527	(73 607)	(15 359)
Changes in other short term debt and disposals		21 401	5 996	94 986	(12 808)
Interest received		60		129	20
Interest paid		(2 198)		(5 155)	(1 490)
<b>Net cash flow from operating activities</b>		<b>20 882</b>	<b>21 521</b>	<b>43 488</b>	<b>14 266</b>
<b>Cash flows from investing activities</b>					
Purchase of fixed and intangible assets		(12 066)	(5 003)	(154 887)	(14 078)
Purchase of goodwill		(7 289)		(147 835)	
<b>Net cash flow from investing activities</b>		<b>(19 355)</b>	<b>(5 003)</b>	<b>(302 722)</b>	<b>(14 078)</b>
<b>Cash flows from financing activities</b>					
Net financial items			1 380		
Buyback shares from minority			(5 983)		(5 983)
Changes minorities		(4 707)			
Stock purchase program		57	122	992	122
Issuance of new shares		(1 593)		35 713	
Transaction costs related to issuance of new shares		(3 411)		(3 411)	
Proceeds from issue of new borrowings		11 316		259 275	-
Repayments of borrowings		(21 827)	(208)	(22 079)	(690)
Dividend payments			(0)	(16 557)	(16 177)
Dividend payments to non-controlling interest			(990)		(990)
<b>Net cash flow from financing activities</b>		<b>(20 165)</b>	<b>(5 679)</b>	<b>253 932</b>	<b>(23 717)</b>
<b>Net changes in cash and cash equivalents</b>		<b>(6 580)</b>	<b>(5 142)</b>	<b>6 755</b>	<b>(23 529)</b>
<b>Net foreign exchange difference</b>				<b>(550)</b>	<b>(702)</b>
<b>Cash and cash equivalents at the beginning of the per</b>		<b>56 295</b>	<b>40 498</b>	<b>43 509</b>	<b>67 740</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>37 657</b>	<b>35 356</b>	<b>37 657</b>	<b>43 509</b>
Unused credit facilities		24 439	15 000	24 439	15 000

## Consolidated Statement of Changes in Equity

(in NOK 1000)	Share capital	Own shares	Share premium	Other paid in equity	Total paid-in equity	Cumul. translation differences	Other equity	Non-controlling interests	Total equity
<b>Equity at 01.01.2017</b>	<b>1 912</b>	<b>(6)</b>	<b>37 048</b>	<b>122</b>	<b>39 076</b>	<b>(2 662)</b>	<b>64 209</b>	<b>0</b>	<b>100 624</b>
Profit of the period					-		(11 579)		(11 579)
Other comprehensive income				2	2	11 801			11 803
Share based payments				992	992				992
Issue of Share Capital	100		37 726		37 826		(2 114)		35 712
Transaction costs related to issue of new shares					-		(3 411)		(3 411)
Other changes					-	53	(3 096)		(3 043)
Dividend			(16 557)		(16 557)				(16 557)
<b>Equity at 31.12.2017</b>	<b>2 012</b>	<b>(6)</b>	<b>58 217</b>	<b>1 116</b>	<b>61 339</b>	<b>9 193</b>	<b>44 009</b>	<b>-</b>	<b>114 540</b>
<b>Equity at 01.01.2016</b>	<b>1 912</b>	<b>(6)</b>	<b>53 224</b>	<b>-</b>	<b>55 131</b>	<b>1 852</b>	<b>41 585</b>	<b>4 601</b>	<b>103 168</b>
Profit of the period					-		25 567		25 567
Other comprehensive income					-	(3 944)			(3 944)
Buyback of shares					-		(1 383)	(4 601)	(5 983)
Share based payments				122	122				122
Other changes					-	(569)	(570)		(1 139)
Dividend			(16 177)		(16 177)		(990)		(17 167)
<b>Equity at 31.12.2016</b>	<b>1 912</b>	<b>(6)</b>	<b>37 048</b>	<b>122</b>	<b>39 076</b>	<b>(2 662)</b>	<b>64 209</b>	<b>-</b>	<b>100 624</b>

## Notes to the interim consolidated condensed financial statements

### Note 1 – General Information and basis for preparation

#### General information

Zalaris ASA is a public limited company incorporated in Norway. The Group's main office is located in Hovfaret 4, Oslo, Norway. The Group delivers full-service outsourced personnel and payroll services.

Zalaris' interim financial statements for the fourth quarter of 2017 were authorized for issue by the board of directors on 27 February 2018.

#### Basis for preparation

These interim consolidated condensed financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The condensed interim financial statements do not include all of the information and disclosures required by International Financial Reporting Standards (IFRS) for a complete set of financial statements, and these condensed interim financial statements should be read in conjunction with the annual financial statements. The interim condensed consolidated financial statements for the nine months ended 30 September, have not been audited or reviewed by the auditors.

A description of the significant accounting policies is included in Zalaris' annual financial statements for 2016, and applies to these interim consolidated condensed financial statements. New and amended standards applicable for the period starting 1 October 2017 did not have any effect for the Company.

#### Going concern

With reference to the Norwegian Accounting Act § 3-3, the Board confirms its belief that conditions exist for continuing operations and that these interim consolidated condensed financial statements have been prepared in accordance with the going concern principle.

## Note 2 – Segment Information

The Company has three operating segments, which are Outsourcing, Cloud Services and Consulting Outsourcing, offering a full range of payroll and HR outsourcing services, including payroll processing, time and attendance and travel expenses. Consulting delivers turnkey projects based on Zalaris templates or implementation of customer-specific functionality. They also assist customers with cost-effective maintenance and support of customers' own on-premise solutions. The Cloud services unit is offering additional cloud-based HR functionality to existing outsourcing customers as talent management, digital personnel archive, HR analytics, mobile solutions, etc.

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

### 2017 Jan-Dec

<b>(NOK 1.000)</b>	<b>HR Outsourcing</b>	<b>Cloud- services</b>	<b>Consulting</b>	<b>Unallocated</b>	<b>Total</b>
Other operating income, external	383 924	92 062	101 352		<b>577 338</b>
Other operating expenses	(304 441)	(79 555)	(101 204)		<b>(485 199)</b>
Depreciation and amortisation	(40 671)	(8 390)	(1 076)	(4 962)	<b>(55 098)</b>
Transaction related costs				(23 398)	<b>(23 398)</b>
<b>Operating profit/(loss)</b>	<b>38 813</b>	<b>4 117</b>	<b>(928)</b>	<b>(28 360)</b>	<b>13 642</b>
Net financial income/(expenses)				(20 120)	<b>(20 120)</b>
Income tax				(5 101)	<b>(5 101)</b>
<b>Profit for the period</b>	<b>38 339</b>	<b>3 589</b>	<b>(928)</b>	<b>(53 581)</b>	<b>(11 579)</b>
<b>Cash flow from investing activities</b>				<b>(302 722)</b>	<b>(302 722)</b>

### 2016 Jan-Dec

<b>(NOK 1.000)</b>	<b>HR Outsourcing</b>	<b>Cloud- services</b>	<b>Consulting</b>	<b>Unallocated</b>	<b>Total</b>
Other operating income, external	355 123	29 996	11 527		<b>396 646</b>
Other operating expenses	(289 950)	(25 235)	(7 550)		<b>(322 736)</b>
Depreciation and amortisation	(35 797)	(48)	(85)		<b>(35 930)</b>
IPO related costs				(1 558)	<b>(1 558)</b>
<b>Operating profit/(loss)</b>	<b>29 376</b>	<b>4 713</b>	<b>3 891</b>	<b>(1 558)</b>	<b>36 422</b>
Net financial income/(expenses)				(3 162)	<b>(3 162)</b>
Income tax				(7 693)	<b>(7 693)</b>
<b>Profit for the period</b>	<b>29 376</b>	<b>4 713</b>	<b>3 891</b>	<b>(12 412)</b>	<b>25 567</b>

## Geographic Information

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

### Revenue from external customers attributable to:

(NOK 1000)	as % of total	2017 Oct-Dec	as % of total	2016 Oct-Dec	as % of total	2017 Jan-Dec	as % of total	2016 Jan-Dec
Norway	26%	50 973	44%	45 751	32%	185 310	43%	169 374
Sweden	13%	25 352	23%	24 255	17%	98 070	25%	98 721
DACH*	36%	68 994			24%	138 909		
Denmark	8%	15 146	15%	15 778	11%	64 352	15%	60 406
Finland	8%	14 731	14%	14 686	10%	56 711	13%	52 095
UK	3%	6 436			1%	6 436		
Other	6%	11 859	4%	4 723	5%	27 549	4%	16 050
<b>Total</b>	<b>100%</b>	<b>193 511</b>	<b>100%</b>	<b>105 193</b>	<b>100%</b>	<b>577 338</b>	<b>100%</b>	<b>396 646</b>

### Information about major customers

(NOK 1000)	as % of total	2017 Oct-Dec	as % of total	2016 Oct-Dec	as % of total	2017 Jan-Dec	as % of total	2016 Jan-Dec
5 largest customer	26%	51 096	48%	50 029	36%	208 328	48%	191 760
10 largest customer	38%	73 774	66%	69 170	51%	291 821	68%	269 383
20 largest customer	52%	101 325	80%	83 706	64%	370 349	82%	326 253

## Note 3 – Personnel Costs

(NOK 1000)	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Salary	94 426	49 018	276 540	191 826
Bonus	1 843	2 085	8 692	4 678
Social security tax	14 351	6 990	41 286	27 343
Pension costs	5 533	3 833	19 619	18 472
Other expenses	3 416	2 471	13 426	9 773
Capitalised development expenses	(3 166)	(2 542)	(10 360)	(8 009)
Capitalised implementation costs customer	(15 581)	(7 509)	(40 269)	(30 890)
<b>Total</b>	<b>100 821</b>	<b>54 346</b>	<b>308 935</b>	<b>213 193</b>

Average number of employees:	826	467	651	454
Average number of FTEs:	770	429	607	423

## Note 4 – Intangible Assets

(NOK 1000)	Licenses and software	Internally developed software	Internally developed software under construction	Customer Relationship & Contracts	Total
Book value 01.01.2016	8 140	23 974	4 117		36 230
Additions of the period	594		11 851		12 445
Reclassifications		6 380	(6 380)		-
Disposals and currency effects in the period	(36)	(151)			(188)
This period ordinary amortisation	(2 085)	(7 349)	-		(9 434)
<b>Book value 31.12.2016</b>	<b>6 613</b>	<b>22 853</b>	<b>9 589</b>		<b>39 054</b>
Book value 01.01.2017	6 613	22 853	9 589		39 054
Net additions through acquisition	841	416		99 994	101 251
Additions of the period	3 337		17 121		20 458
Reclassifications		16 210	(16 210)		-
Disposals and currency effects in the period	143	(13)	56	(238)	(52)
This period ordinary amortisation	(1 993)	(8 008)		(4 962)	(14 963)
<b>Book value 31.12.2017</b>	<b>8 940</b>	<b>31 458</b>	<b>10 555</b>	<b>94 794</b>	<b>145 747</b>

## Note 5 – Customer Projects

Costs related to delivering outsourcing contracts are recognized as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts may be deferred when they are specific to a given contract, relate to future activity on the contract, will generate future economic benefits and are recoverable. These costs are capitalized as "customer projects" and any prepaid revenues by the client are recorded as a deduction from the costs incurred in the balance for customer projects. 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.

	2017	2016
(NOK 1000)	31 Dec	31 Dec
Deferred costs related to customer projects	95 284	83 440
Deferred revenue related to customer projects	(73 487)	(60 328)
<b>Net customer implementation costs</b>	<b>21 798</b>	<b>23 112</b>

## Note 6 – Transactions with Related Parties

Related party	Transaction	2017	2016	2017	2016
(NOK 1000)		Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Rayon Design AS <sup>1)</sup>	Management Services	211	162	902	162
<b>Total</b>		<b>211</b>	<b>162</b>	<b>902</b>	<b>162</b>

<sup>1)</sup> Hans-Petter Møllerud, CEO, is director of the board and Norwegian Retail AS, a company 100% owned by Hans-Petter Møllerud, owns 45% of the shares in Rayon Design AS since September 2016.

## Note 7 – Interest bearing debt

In connection with the acquisitions the company entered into a new loan agreement amounting to EUR 25.8 million. Due to fluctuations in the exchange rates the company had an unrealized loss related to this loan. The maturity of the loan is 02.05.2022. Per 31.12.2017 the loan amounted to NOK 236.2 million whereof 31.7 is categorized as current liabilities.

## Note 8 – Events after Balance Sheet Date

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

## Key Figures

Key financials	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
NOKm except per share figures								
<b>Revenues</b>	<b>98,5</b>	<b>95,3</b>	<b>97,7</b>	<b>105,2</b>	<b>106,4</b>	<b>126,9</b>	<b>150,6</b>	<b>193,5</b>
Revenue growth (y-o-y)	4,6 %	3,2 %	5,4 %	11,2 %	8,0 %	33,2 %	54,2 %	83,9 %
<b>EBITDA excl. Extraordinary items</b>	<b>11,9</b>	<b>10,0</b>	<b>11,3</b>	<b>16,2</b>	<b>13,6</b>	<b>11,3</b>	<b>11,8</b>	<b>17,6</b>
EBITDA margin	12 %	10 %	12 %	15 %	13 %	9 %	8 %	9 %
<b>EBIT excl. extraordinary items</b>	<b>9,3</b>	<b>7,1</b>	<b>9,2</b>	<b>12,4</b>	<b>10,7</b>	<b>7,2</b>	<b>6,7</b>	<b>12,4</b>
EBIT margin	9,4 %	7,5 %	9,4 %	11,8 %	10,1 %	5,7 %	4,4 %	6,4 %
<b>Profit Before Tax</b>	<b>7,2</b>	<b>6,4</b>	<b>8,5</b>	<b>11,1</b>	<b>7,0</b>	<b>-5,8</b>	<b>4,7</b>	<b>-12,4</b>
Income Tax Expense	1,7	1,7	2,3	1,6	1,6	-1,2	0,9	3,8
Non- Controlling Interests	0,7	0,7	0,2	-1,5				
<b>Net income</b>	<b>4,9</b>	<b>4,0</b>	<b>6,0</b>	<b>11,0</b>	<b>5,4</b>	<b>-4,6</b>	<b>3,8</b>	<b>-16,2</b>
Profit margin	5,0 %	4,2 %	6,2 %	10,5 %	5,1 %	-3,6 %	2,5 %	-8,4 %
Weighted # of shares outstanding (m)	19,0	19,0	19,0	19,0	19,2	19,6	20,1	20,2
Basic EPS	0,3	0,2	0,3	0,6	0,3	-0,2	0,2	-0,8
Diluted EPS	0,3	0,2	0,3	0,6	0,3	-0,2	0,2	-0,8
DPS		0,9				0,9		
<b>Cash flow items</b>								
Cash from operating activities	-14,8	10,8	-0,9	21,5	-2,8	31,1	-5,7	32,9
Investments	-1,3	-4,3	-3,5	-5,0	-4,7	-203,4	-75,3	-19,4
Net changes in cash and cash equi.	-16,6	-10,6	-5,1	8,4	-7,3	10,0	10,6	-6,6
Cash and cash equivalents end of period	51,1	40,5	35,4	43,5	36,2	42,2	56,7	37,7
Net debt	-64,2	-49,0	-53,1	-54,1	-59,9	130,7	183,0	225,2
<b>Equity</b>								
Equity	107,6	93,8	97,5	101,0	107,6	118,7	128,4	114,5
Equity ratio	54 %	52 %	54 %	53 %	57 %	28 %	23 %	20 %
ROE	20 %	19 %	21 %	26 %	26 %	17 %	14 %	-9,9%
Number of FTE (Period End)	426	444	419	427	461	643	786	768
Segment overview	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
NOKm								
<b>Revenues</b>	<b>98,5</b>	<b>95,3</b>	<b>97,7</b>	<b>105,2</b>	<b>106,4</b>	<b>126,9</b>	<b>150,6</b>	<b>193,5</b>
HR Outsourcing	90,4	86,8	85,8	92,1	90,6	91,6	96,2	105,5
Consulting	3,1	2,4	2,4	3,5	2,2	16,4	28,6	54,1
Cloud Services	5,0	6,0	9,4	9,6	13,6	18,9	25,7	34,0
Adjustments	-	-						
<b>EBIT</b>	<b>9,3</b>	<b>7,1</b>	<b>9,2</b>	<b>12,4</b>	<b>7,7</b>	<b>-3,6</b>	<b>6,4</b>	<b>3,1</b>
HR Outsourcing	7,1	6,3	9,1	6,8	8,2	7,7	11,0	12,0
Consulting	1,0	0,8	-0,4	2,5	1,1	1,0	-4,7	1,7
Cloud Services	1,1	-0,0	0,5	3,1	1,5	-0,6	2,1	1,1
Unallocated	-	-	-	-		-0,8	-1,7	-2,4
Unallocated Other costs					-3,1	-10,8	-0,2	-9,3
HR Outsourcing	7,9 %	7,3 %	10,6 %	7,4 %	9,0 %	8,4 %	11,5 %	11,3 %
Consulting	32,1 %	33,8 %	-17,7 %	70,9 %	48,1 %	6,1 %	-16,5 %	3,2 %
Cloud Services	22,7 %	-0,1 %	5,5 %	32,1 %	11,2 %	-3,2 %	8,1 %	3,3 %

## For questions, please contact

**Nina Stemshaug**

CFO

[nina.stemshaug@zalaris.com](mailto:nina.stemshaug@zalaris.com)

+47 982 60 394

**Hans-Petter Mellerud**

CEO

[hans-petter.mellerud@zalaris.com](mailto:hans-petter.mellerud@zalaris.com)

+47 928 97 276

## Financial information

Interim report Q1 2018 to be published 3. May 2018.

Interim report Q2 2018 to be published 16. August 2018.

Interim report Q3 2018 to be published 25. October 2018.

Interim report Q4 2018 to be published ultimo February 2019.

All financial information is published on the Zalaris' website:

<http://www.zalaris.com/Investor-Relations/>

Financial reports can also be ordered at [ir@zalaris.com](mailto:ir@zalaris.com).

### **Zalaris ASA**

PO Box1053 Hoff

0218 Oslo

Norway

