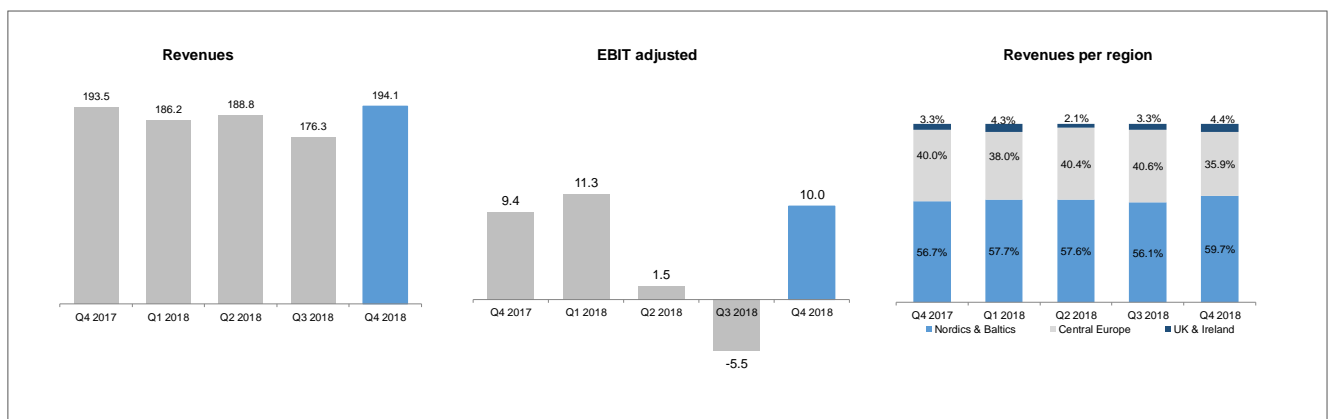




Interim Report • Q4 2018

- Revenues of NOK 194.1 million and adjusted EBIT of NOK 10.0 million or 5.2% in Q4/18, in line with the same quarter last year. 2018 revenues amounted to NOK 745 million, up from NOK 577 million in 2017.
- Strong profitability improvement compared to previous quarters establishing a good starting point for 2019. Pre-tax profits for the quarter strongly impacted by a non-cash revaluation of net debt in EUR, with a corresponding positive currency translation difference, resulting in total comprehensive income for the quarter of NOK 12.4 million.
- Important contracts signed in UK and Germany, including a global estate agency, demonstrating strength of Zalaris Group affiliation.
- The Board of Directors proposes that no dividend will be paid for FY/2018.





Moving in the right direction

The last quarter of 2018 marks the end of an exciting and demanding year for Zalaris. Extensive efforts have been made to integrate our new businesses in Germany, Poland and the UK, enabling our new pan-European organization to fully utilize our scalable model. The integration process has been more time-consuming than we anticipated, but we are now a better integrated company, in stronger position to support our customers.

2018 revenues amounted to NOK 745 million (NOK 577 million), with the increase driven by the two acquired companies. While Q3/18 was a temporary low, the fourth quarter was a step in the right direction. Revenues amounted to NOK 194 million for the fourth quarter – in line with Q4/17, and adjusted EBIT came in at NOK 10 million (NOK 9 million).

Promising prospects

Even though the end of 2018 was a step in the right direction, we still have much untapped potential. Over the past quarters there has been an increased focus on customer relations, business developments and pipeline in our new markets Poland, UK and Germany. This materialized in new contracts and renewals in Q4/18, and with more potential to be pursued.

Specifically, Zalaris UK signed a new contract in Q4/18 with the global real estate consultants Knight Frank for delivery of cloud-based talent management solutions. Furthermore, Zalaris Germany has signed multiple new and renewed contracts in H2/18 with Archdiocese Freiburg and Protestant Foundation Neuerkerode, demonstrating the long-term relationships with our customers. The renewals support our strong market position in Germany, and we are pleased to see recurring business also for our consulting business through long term Application Maintenance Outsourcing contracts.

Global HR systems

Multi-national companies are increasingly looking for ways to establish solutions for their HR activities across borders. They expect cloud-based solutions to

manage employee master data and process support for recruiting, onboarding, performance review and compensation models. In parallel, customers also want to include traditional transactional HR services such as payroll, time and attendance and expenses to avoid continuing with two separate IT systems. This is a key value proposition for Zalaris going forward. We deliver one common solution, supporting all major HR solutions, fully integrated, across borders and with one user interface. This is likely one of the reasons why our offerings are gaining attention among blue-chip customers and global analysts; we are now ranked as Star Performer by the industry analysts at Everest—due to our multi-process and multi-country offerings and successes.¹⁾

Aiming for more

Public sector is a large potential market for Zalaris in all the geographies where we operate. Zalaris has for several years successfully signed contracts in the public sector in Germany which is also the target in other regions. The first Norwegian municipality was signed in Q4/18. The agreement is a pilot agreement to develop an offering suitable for serving the city and municipality sector in Norway.

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

We are happy to see that we are moving in the right direction, towards our long-term goals of continued organic growth and delivering margins closer to the other leading players in our space. I would like to thank all of you for your patience and support over the past year. With the efforts we have made in 2018, we are well positioned for further growth and profitability in 2019.

Hans-Petter Møllerud, CEO

Financial Review

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

All figures in NOK 1 000	Q4-2018 Oct-Dec	Q4-2017 Oct-Dec	FY-2018 Jan-Dec	FY-2017 Jan-Dec
Revenue	194 153	193 511	745 434	577 338
Growth (y-o-y)	0,3 %	84,0 %	29,1 %	45,6 %
EBITDA adjusted¹⁾	25 999	26 232	80 496	89 090
as % of revenues	13,4 %	13,6 %	10,8 %	15,4 %
EBIT adjusted¹⁾	10 021	9 362	17 339	33 992
as % of revenues	5,2 %	4,8 %	2,3 %	5,9 %
Profit Before Tax	(9 235)	(15 497)	(4 161)	(9 526)
Profit for the Period	(4 225)	(16 837)	(1 273)	(12 188)
Total Comprehensive Income	12 395	(7 571)	815	1 815
Net Cash from Operating Activities	543	29 338	4 195	53 637
Earnings Per Share (EPS)	-0,20	-0,85	-0,06	-0,61
Full Time Equivalent (FTE) end of the period	801	768	801	768

Financials for sumamur and ROC are consolidated from May and October 2017 respectively

¹⁾ Defined in separate section Alternative Performance Measure (APM)

Group Revenues

Revenues in the fourth quarter 2018 were NOK 194.1 million. Year-on-year growth in the quarter was 0.3 %, negatively impacted by the strong focus on renewal of existing business and integration activities in 2018.

Although cross selling of products and services increased in Q4/18, the benefits of the recent acquisitions have yet to fully materialise. Consulting capacity in Central Europe was also somewhat reduced in Q4 and contributed to the lack of growth.

Revenues for the full year 2018 were NOK 745 million, a significant increase from the previous year due to the addition of businesses acquired in Continental Europe and the UK.

Central Europe

Revenues in Central Europe fell by NOK 7 million from NOK 77 million in Q4/17 to NOK 70 million in Q4/18. The German consulting business performed well with strong demand and high utilization, but a decline in the total consulting capacity in the region caused a general decline on the topline.

The reduction in capacity is temporary as actions have been implemented to increase consulting capacity in the region in the coming quarters.

UK & Ireland

Revenues in this region continued a positive trend and grew by NOK 2.1 million from NOK 6.4 million in Q4/17 to NOK 8.5 million in Q4/18.

The growth reflects a high activity level as the company is delivering on the strong pipeline built during the last quarters. The project launch for a major multinational estate agency was particularly important and contributed to the strong growth. Growth was achieved by improved utilization, which resulted in strong operating margins for the region.

Nordics & Baltics

Revenues in Northern Europe increased from NOK 110 million in Q4/17 to NOK 116 million in Q4/18, positively impacted by higher Cloud contract and project revenues.

Group Profits

Adjusted EBIT for the quarter was NOK 10.0 million, compared to NOK 9.4 million in the corresponding quarter last year. Although the result was positively impacted by lower than normal personnel expenses, Q4/18 was a step in the right direction compared to the previous quarters.

Net financial costs for the quarter was NOK 19.3 million, including a non-cash foreign currency loss of NOK 12.7 million related to debt nominated in euro. Tax on ordinary profit was positive by NOK 5.0 million and net loss for the period was NOK 4.2 million. Total comprehensive income for the quarter was NOK 12.4 million, including NOK 16.6 million currency translation differences.

Segment information

Revenues

Revenues in the **Cloud services segment** in Q4/18 amounted to NOK 37.6 million (34.0 million). Higher project activity and annual contract revenues were the main drivers behind the growth.

Revenues in the **Consulting segment** declined by NOK 4.0 million to NOK 50.1 million in Q4/18 compared to the same period previous year. The decline mainly reflects the temporary reduction in consulting capacity in Central Europe. A positive development in the UK consulting business compensated for part of the decline in Central Europe.

Q4/18 revenues in the **HR outsourcing segment (HRO)** amounted to NOK 106.5 million, a slight increase compared with the same quarter last year (NOK 105.5 million).

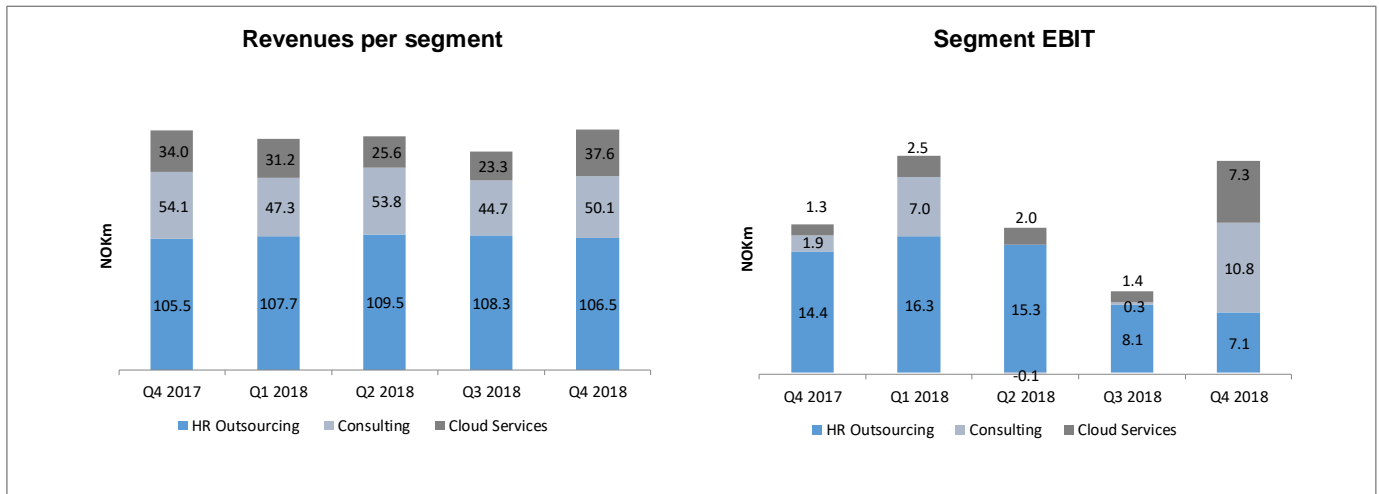
Segment EBIT

The **Cloud services segment** delivered EBIT of NOK 7.3 million in Q4/18 compared to NOK 1.3 million in the same quarter last year. The increase mainly reflects higher revenues.

EBIT for the **Consulting segment** amounted to NOK 10.8 compared to NOK 1.9 million in the same quarter last year. The strong improvement is partly significantly higher margins achieved by the UK and Polish consulting business, which again is a result of higher volumes and improved utilization.

EBIT for the **HR Outsourcing segment** in Q4/18 amounted to NOK 7.1 million compared to NOK 14.4 million in the same quarter last year. A termination fee recognized in Q4/17 positively impacted EBIT in this period.

Customer margins in the period were affected by price reductions on renewed contracts, and higher project amortization costs related to launch of renewed contracts with a broader scope.



Financial position

In compliance with IFRS 15 customer projects have been presented with gross amounts. Capitalized cost is presented as Customer projects under current assets, and deferred revenues presented as Customer project liabilities under short term debt. Comparable numbers have been restated in the statement of financial position and in key figures.

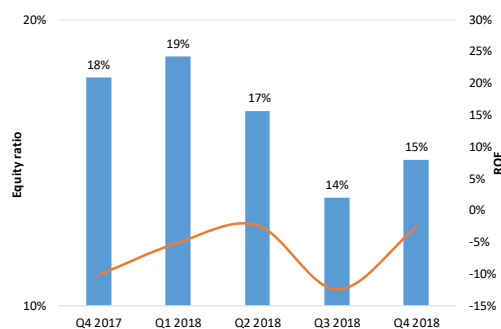
Total assets increase by NOK 59.6 million since Q4/17 and NOK 30.7 since Q3/18, to NOK 725.6 million at 31 December 2018. The year over year increase is mainly related to the refinancing in Q3/18, while the increase from Q3/18 to Q4/18 was driven by currency translation effects and year end tax assessments.

Equity decreased year over year by NOK 11.2 million due to a dividend distribution in Q2/18, while increased from NOK 95.6 million in Q3/18 to NOK 108.4 million in Q4/18. Consequently equity ratio increased from 14% to 15% during Q4/18.

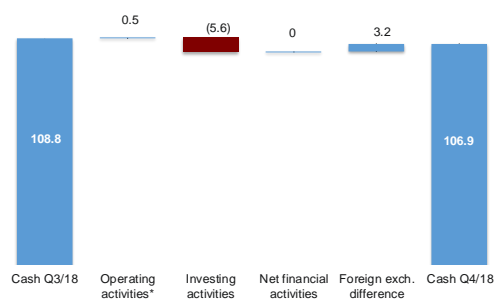
Cash and cash equivalents were NOK 106.9 million as of the end of Q4/18, down from 108.6 million as of the end of Q3/18. Cash balance declined due to negative operating cash flow after investments and interest payments of NOK -5.1 million. Revaluation of cash balance contributed positive by NOK 3.2 million.

Net interest bearing debt increased from NOK 253 million at the end of the last quarter to NOK 271.6 million due to the revaluation debt in EUR and a negative cash flow for the quarter.

Equity ratio and return on equity (ROE)



Cash development, Q3/18 to Q4/18



*Includes net interest payments, bank fees, and transactional charges.

Outlook

The fourth quarter of 2018 was a step in the right direction, confirming our previous statement that Q3/18 would represent a temporary low for Zalaris in terms of financial results. However, the company is still working on actions, to get better aligned with the long term operational and financial targets.

The integration of the businesses in Continental Europe and the UK continues, and as the group's common systems and procedures are taking hold, sales and margins are expected to improve. During 2018, Zalaris built an easily scalable delivery model, which will support sales and provide efficiency gains across the group.

During 2018 Zalaris also made significant advances in relation to contract renewals. While market dynamics entail that some of these renewals cause reduced margins in the short run, the potential for additional sales through the contract period means that the long-term potential is promising.

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

Oslo, 27 February 2019
The Board of Directors of Zalaris ASA



Lars Laier Henriksen
(chairman)



Jon Erik Haug



Liselotte Hægert Engstam



Adele Norman Pran



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	2018	2017	2018	2017
		Oct-Dec <i>unaudited</i>	Oct-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>	Jan-Dec
Revenue	2	194 153	193 511	745 434	577 338
Operating expenses					
License costs		18 636	16 247	60 492	48 002
Personnel expenses	3	104 258	100 821	426 623	308 935
Other operating expenses		45 259	50 210	177 823	131 311
Depreciations		943	393	3 635	2 217
Amortisation intangible assets	4	6 025	4 783	23 575	14 963
Amortisation implementation costs customer projects	5	9 010	11 694	35 947	37 918
Other costs		-	9 282	-	23 398
Total operating expenses		184 131	193 431	728 094	566 744
Operating profit		10 021	80	17 339	10 594
Financial items					
Financial income		1 748	96	9 675	1 498
Financial expense		(8 316)	(3 616)	(18 442)	(9 560)
Unrealized foreign currency gain/(loss)		(12 688)	(12 057)	(12 734)	(12 057)
Net financial items		(19 256)	(15 577)	(21 501)	(20 120)
Profit before tax		(9 235)	(15 497)	(4 161)	(9 526)
Income tax expense					
Tax expense on ordinary profit		5 010	(1 340)	2 888	(2 661)
Total tax expense		5 010	(1 340)	2 888	(2 661)
Profit for the period		(4 225)	(16 837)	(1 273)	(12 188)
Earnings per share:					
Basic earnings per share (NOK)		(0,20)	(0,85)	(0,06)	(0,61)

Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2018	2017	2018	2017
		Oct-Dec <i>unaudited</i>	Oct-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>	Jan-Dec
Profit for the period		(4 225)	(16 837)	(1 273)	(12 188)
Other comprehensive income					
Items that will be reclassified to profit and loss in subsequent periods					
Currency translation differences		16 620	9 266	2 088	14 003
Total other comprehensive income		16 620	9 266	2 088	14 003
Total comprehensive income		12 395	(7 571)	815	1 815

Consolidated Statement of Financial Position

(NOK 1000)	Notes	2018 31. Dec	2017 31. Dec
		<i>unaudited</i>	
ASSETS			
Non-current assets			
Intangible assets			
Other intangible assets	4	143 064	145 747
Goodwill		151 996	151 075
Total intangible assets		295 059	296 822
Deferred tax asset		6 468	848
Fixed assets			
Office equipment		1 737	1 546
Property, plant and equipment		33 455	34 926
Total fixed assets		35 192	36 472
Total non-current assets		336 720	334 143
Current assets			
Trade accounts receivable		158 118	157 493
Customer projects	5	97 272	95 284
Other short-term receivables		26 618	16 290
Cash and cash equivalents		106 880	62 792
Total current assets		388 887	331 859
TOTAL ASSETS		725 607	666 002

Consolidated Statement of Financial Position

(NOK 1000)	Notes	2018 31. Dec	2017 31. Dec
EQUITY AND LIABILITIES		<i>unaudited</i>	
Equity			
Paid-in capital			
Share capital		2,012	2,012
Own shares - nominal value		(6)	(6)
Other paid in equity		2,061	1,116
Share premium		45,138	58,217
Total paid-in capital		49,205	61,339
Other equity		(33)	(2,114)
Retained earnings		59,258	60,461
Total equity		108,430	119,686
Non-current liabilities			
Deferred tax		25,776	29,482
Interest-bearing loans and borrowings	7	355,665	220,225
Total long-term debt		381,441	249,707
Trade accounts payable		25,713	24,211
Customer projects liabilities	5	64,284	73,487
Bank overdraft		-	25,135
Interest-bearing loan from shareholders		7,867	7,775
Interest-bearing loans		14,899	41,782
Income tax payable		5,036	4,773
Public duties payable		36,756	36,418
Other short-term debt		80,300	82,773
Derivatives		882	255
Total short-term debt		235,736	296,609
Total liabilities		617,177	546,316
TOTAL EQUITY AND LIABILITIES		725,607	666,002

Consolidated Statement of Cash Flow

(NOK 1000)	Notes	2018	2017	2018	2017
		Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Cash Flow from operating activities		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
Profit before tax		(9 235)	(15 497)	(4 161)	(9 526)
Financial income		12 996	(96)	3 059	(1 169)
Financial costs		8 250	15 013	18 442	18 546
Stock purchase program		945	57	945	992
Depreciations and impairments		944	393	3 635	2 217
Amortisation intangible assets		6 025	4 783	23 575	14 963
Amortisation implementation costs customer projects		9 009	11 694	35 947	37 918
Revenue recognized customer projects		(5 168)	(8 522)	(33 499)	(28 303)
Project payments from customers		2 695	15 230	24 296	42 042
Salaries and vendor payments customer projects		(13 906)	(15 042)	(36 872)	(49 762)
Taxes paid		(249)	(1 467)	(4 996)	(1 711)
Changes in trade receivables		3 389	(20 369)	(624)	(86 607)
Changes in trade payables		1 503	13 419	1 503	13 419
Changes in other items		(11 362)	31 879	(14 619)	105 642
Interest received		74	60	212	129
Interest paid		(5 365)	(2 198)	(12 645)	(5 155)
Net cash flow from operating activities		543	29 338	4 195	53 637
Cash flows from investing activities					
Fixed and intangible assets		(5 649)	118 066	(21 330)	(24 755)
Acquisition of fixed and intangible assets, including goodwill in connection with business combinations			(136 201)	-	(276 748)
Net cash flow from investing activities		(5 649)	(18 136)	(21 330)	(301 503)
Cash flows from financing activities					
Change minorities		-	(4 707)	-	-
Issuance of new shares		-	24 300	-	35 713
Transaction costs related to issuance of new shares		-	(3 411)	-	(3 411)
Bank overdraft		-	25 135	(25 135)	25 135
Proceeds from issue of new borrowings		-	10 368	340 282	258 327
Repayments of borrowings		-	(31 256)	(244 696)	(31 507)
Dividend payments		-	-	(13 080)	(16 557)
Net cash flow from financing activities		-	20 430	57 371	267 700
Net changes in cash and cash equivalents		(5 104)	31 633	40 236	19 834
Net foreign exchange difference		3 157	(443)	3 850	(550)
Cash and cash equivalents at the beginning of the period		108 827	56 738	62 793	43 509
Cash and cash equivalents at the end of the period		106 880	62 793	106 880	62 793

Consolidated Statement of Changes in Equity

(NOK 1000)	Share capital	Own shares	Share premium	Other paid in equity	Total paid-in equity	Other equity	Retained earnings	Total equity
Equity at 01.01.2018	2 012	(6)	58 217	1 116	61 339	(2 114)	60 461	119 687
Profit of the year					-		(1 273)	(1 273)
Other comprehensive income					-	2 088		2 088
Share based payments				945	945			945
Other changes					-	(7)	70	63
Dividend			(13 080)		(13 080)			(13 080)
Equity at 31.12.2018	2 012	(6)	45 137	2 061	49 205	(33)	59 258	108 430
Equity at 01.01.2017	1 912	(6)	37 048	122	39 076	(15 545)	77 094	100 624
Profit of the period					-		(12 187)	(12 187)
Other comprehensive income				2	2	14 001		14 003
Share based payments				992	992			992
Issue of Share Capital	100		37 727		37 827		(2 114)	35 713
Transaction costs related to issue of new shares							(3 411)	(3 411)
Other changes					-	(570)	1 080	510
Dividend			(16 557)		(16 557)			(16 557)
Equity at 31.12.2017	2 012	(6)	58 217	1 116	61 339	(2 114)	60 461	119 686

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 2018 were authorized for issue by the board of directors on 27th of February 2019.

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 twelve months ended 31 December, have not been audited or reviewed by the auditors.

A description of the significant accounting policies is included in Zalaris' annual financial statements for 2017 and applies to these interim consolidated condensed financial statements. New and amended standards applicable for the period starting 1 January 2018 did not have any material effect for the Company.

The Group adopted two new IFRS standards as of 1 January 2018, IFRS 9 and IFRS 15.

Implementation of IFRS 9 Financial Instruments has limited effect for the Group and none of the standard's rules regarding classification, impairment testing or hedge accounting will materially affect the financial statements. Historical figures have not been restated and no changes have been made in the statement of changes in equity. The Group does not apply hedge accounting, hence the change in qualifying relationships introduced by IFRS 9 will not have an impact on the financial statements. Further, the new set of rules prescribing whether changes in the value of financial asset are to be recognised in the ordinary income statement or only in the statement of comprehensive income will have no effect. The switch from an "incurred loss model" to an "expected loss model" has no material effect on the valuation of trade receivables.

IFRS 15 Revenue from Contracts with Customers provides a comprehensive framework for revenue recognition. The main message in IFRS 15 is that different performance obligations in the contract must be identified and expected consideration must be reported as revenue according to a pattern that reflects the transfer of the delivery, goods or services to the customer. Having examined the Group's recognition of revenue in the light of the new standard, Zalaris has determined that the standard does not entail material changes in revenue recognition compared with earlier years, with the exception of a change to gross presentation of customer projects in the statement of the financial position. The impact on total assets can be seen on the line item "customer project liabilities" in the Consolidated Statement of Profit and Loss.

The new IFRS 16 standard on Leases entered into force on 1 January 2019 and requires that discounted right-of-use assets and associated payment liabilities are to be recognised in the statement of financial position. Zalaris has chosen to use the modified retrospective method in implementing IFRS 16. Upon implementation the right-of-use assets are valued at the amount of the lease liability, which thereby does not give rise to an equity effect. The comparative figures do not change.

In 2018, all leases in the Group were registered and right-of-use assets and lease liabilities were calculated. Based on the preliminary review, the Zalaris Group will have capitalised right-of-use assets and liabilities totaling around NOK 50 million. The increase in total assets will reduce the equity ratio by approximately 1 percentage points.

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, 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.

2018 Jan-Dec

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Gr.Ovhd & Unallocated	Total
Revenue, external	431,864	117,695	195,862	-	745,421
Operating expenses	(352,411)	(98,595)	(175,605)	(38,314)	(664,925)
EBITDA	79,453	19,100	20,257	(38,314)	80,496
Depreciation and amortisation	(32,594)	(5,919)	(2,211)	(22,433)	(63,156)
EBIT	46,859	13,181	18,046	(60,747)	17,340
Net financial income/(expenses)				(21,501)	(21,501)
Income tax				2,888	2,888
Profit for the period	46,859	13,181	18,046	(79,360)	(1,273)

2017 Jan-Dec

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Revenue, external	383,924	92,062	101,352		577,338
Operating expenses	(290,321)	(76,189)	(97,499)	(24,238)	(488,247)
Transaction related costs				(23,398)	(23,398)
EBITDA	93,603	15,873	3,853	(47,636)	65,693
Depreciation and amortisation	(39,510)	(8,111)	(769)	(6,708)	(55,098)
EBIT	54,093	7,762	3,084	(54,344)	10,595
Net financial income/(expenses)				(20,120)	(20,120)
Income tax				(2,661)	(2,661)
Profit for the period	54,093	7,762	3,084	(77,125)	(12,187)

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)	2018		2017		2018		2017	
	as % of total	Oct-Dec	as % of total	Oct-Dec	as % of total	Jan-Dec	as % of total	Jan-Dec
Northern Europe	60%	115,747	57%	109,687	58%	430,885	72%	416,729
Central Europe	36%	69,869	40%	77,388	39%	288,213	27%	154,173
UK & Ireland	4%	8,524	3%	6,436	4%	26,323	1%	6,436
Total	100%	194,140	100%	193,511	100%	745,421	100%	577,338

Information about major customers

(NOK 1000)	2018		2017		2018		2017	
	as % of total	Oct-Dec	as % of total	Oct-Dec	as % of total	Jan-Dec	as % of total	Jan-Dec
5 largest customer	29%	55,771	26%	51,096	27%	202,304	36%	208,328
10 largest customer	39%	76,251	38%	73,774	38%	284,033	51%	291,821
20 largest customer	55%	105,968	52%	101,325	53%	398,121	64%	370,349

Note 3 – Personnel Costs

(NOK 1000)	2018		2017	
	Oct-Dec	Jan-Dec	Oct-Dec	Jan-Dec
Salary	97,971	367,842	94,426	276,540
Tantieme and variable compensation	(1,208)	19,198	1,843	8,692
Social security tax	13,934	54,679	14,351	41,286
Pension costs	4,723	19,905	5,533	19,619
Other expenses	1,779	19,796	3,416	13,426
Capitalised development expenses	(5,353)	(17,924)	(3,166)	(10,360)
Capitalised implementation costs customer projects	(7,588)	(36,872)	(15,581)	(40,269)
Personnel expenses	104,258	426,623	100,821	308,935

Note 4 – Intangible Assets

(NOK 1000)	Licenses and software	Intern. developed software	Internally developed AuC	Customer Relation & Contracts	Goodwill	Total
Book value 01.01.2018	8 940	31 458	10 555	94 794	151 075	296 822
Additions of the period	2 608	-	18 097	-	-	20 705
Reclassifications	-	8 715	(8 715)	-	-	-
Disposals and currency effects	582	(690)	0	295	921	1 107
This period ordinary amortisation	(3 073)	(10 715)	-	(9 787)	-	(23 575)
Book value 31.12.2018	9 057	28 768	19 937	85 302	151 996	295 059
Book value 01.01.2017	6 613	22 853	9 589	-	-	39 054
Net additions through acquisition	841	416	-	95 535	144 337	241 129
Additions of the period	3 337	-	17 121	-	-	20 458
Reclassifications	-	16 210	(16 210)	-	-	-
Currency effects	143	(13)	56	4 221	6 738	11 145
This period ordinary amortisation	(1 993)	(8 008)	-	(4 962)	-	(14 963)
Book value 31.12.2017	8 940	31 458	10 555	94 794	151 075	296 822
Useful life	3-10 years	5 years	N/A	10 years	N/A	
Depreciation method	linear	linear		linear		

Note 5 – Customer Projects

Costs related to delivering outsourcing contracts are expensed as 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, and will generate future economic benefits and are recoverable. These costs are capitalized as "customer projects". Related customer payments in the initial phase of the outsourcing contracts, are recognized as deferred revenues and classified as "customer project liabilities". Customer projects are expensed evenly over the period the outsourcing services are provided and included in the line item "Amortization implementation cost customer projects." Customer project liabilities is recognized over the corresponding period as revenue from outsourcing contracts.

(NOK 1000)	2018	2017
	Dec	Dec
Deferred costs related to customer projects	97,272	95,284
Deferred revenue related to customer projects	(64,284)	(73,487)
Net customer implementation costs	32,988	21,798

(NOK 1000)	2018	2017	2018	2017
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Opening balance	24 556	25 157	21 798	23 112
Revenue deferred	-2 695	-15 230	-24 296	-42 042
Cost capitalized	13 906	15 042	36 872	49 762
Revenue recognized	5 168	8 522	33 499	28 303
Amortization	-9 010	-11 694	-35 947	-37 918
Disposals & currency	1 062		1 062	581
Net customer implementation costs	32 988	21 798	32 988	21 798

Note 6 – Transactions with Related Parties

(NOK 1000)		2018	2017	2018	2017
Related party	Transaction	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Rayon Design AS 1)	Management Services	264	480	1 271	902
Total		264	480	1 271	902

¹⁾ 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 loans and borrowings

	2018	2017
(NOK 1000)	Dec	Dec
Loan Nordea Bank AB	-	204,424
Secured bond*	347,718	-
Capitalized arrangement fees	(7,436)	-
Financial lease	1,440	712
Loan Commerzbank Germany	13,944	15,089
Interest bearing loans and borrowings	355,665	220,225

*Bond	Value	Interest	Settlement	Maturity
Oslo Stock Exchange	EUR 35 000 000	3 m Euribor + 4.75 %	28.09.2018	28.09.2023

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.

Alternative Performance Measures

This section describes the non/GAAP financial measures that are used in this reporting and in the quarterly presentation.

The following measures are not defined nor specified in the applicable financial reporting framework of the IFRS GAAP. They may be considered non-GAAP financial measures that may include or exclude amounts that are calculated and presented according to the IFRS GAAP:

- EBIT / Adjusted EBIT
- EBITDA / Adjusted EBITDA
- Segment EBIT
- Return on Equity (ROE)
- Net Interest-Bearing Debt (NIBD)

EBIT / Adjusted EBIT

EBIT, earnings before interest and tax is defined as the earnings excluding the effects of how the operations were financed, taxed and excluding foreign exchange gains & losses. EBIT is used as a measure of operational profitability. In order to abstract non-recurring or unusual costs not reflective of the underlying operational performance, the Group also lists the adjusted EBIT. Adjusted EBIT is defined as EBIT excluding other costs. Other costs contain cost related to the sumarum and ROC acquisitions in 2017.

Adjusted EBIT (MNOK)	Q4 2018	Q4 2017	2018	2017
EBIT (1)	10.0	0.1	17.3	10.6
Other cost (2)	-	9.3	-	23.4
Adjusted EBIT, (1) + (2)	10.0	9.4	17.3	34.0

EBITDA / Adjusted EBITDA

Earnings before interest expenses and interest income, tax, depreciation, amortization, and excluding foreign exchange gains & losses. Adjusted EBITDA is defined as EBITDA excluding acquisition, restructuring, and integration costs. EBITDA is used as an additional measure of the Group's operational profitability, excluding the impact from depreciation and amortization.

Adjusted EBITDA (MNOK)	Q4 2018	Q4 2017	2018	2017
Adjusted EBIT (1)	10.0	9.4	17.3	34.0
Depreciations (2)	0.9	(0.5)	3.6	2.2
Amortisation intangible assets (3)	6.0	5.6	23.6	15.0
Amortisation implementation costs customer projects (4)	9.0	11.7	35.9	37.9
Adjusted EBITDA, (1) + (2) + (3) + (4)	26.0	26.2	80.5	89.1

Segment EBIT

Segment EBIT is defined as EBIT excluding Group and other unallocated costs. This includes other cost (acquisition cost), Shareholder costs associated with Group executive management and the corporate finance function, and purchase price amortization.

Segment EBIT (MNOK)	Q4 2018	Q4 2017	2018	2017
EBIT (1)	10.0	0.1	17.3	10.6
Group overhead and unallocated costs (2)	5.7	13.5	22.4	30.1
Segment EBIT, (1) + (2)	15.7	13.5	39.8	40.7

Return on Equity

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets. ROE is considered a measure of how effectively management is using a company's assets to create profits. Net income is calculated before dividends paid to common shareholders and after dividends to preferred shareholders and interest to lenders.

Return on Equity (ROE)	Q4 2018	Q4 2017	2018	2017
Average equity last four quarters (1)	108.8	118.6	108.8	118.6
Profit after tax last twelve months (2)	(1.3)	(12.2)	(1.3)	(12.2)
ROE, (2) / (1)	-1.2%	-10.3%	-1.2%	-10.3%

Net Interest-Bearing Debt (NIBD)

Net Interest-Bearing Debt (NIBD), consists of interest-bearing liabilities less cash and cash equivalents. The Group risk of default and financial strength is measured by the net interest bearing debt. It shows the Group's financial position and leverage. As cash equivalents can be used to repay debt, this measurement shows the net overall financial position of the group.

	2018	2017
Net Interest Bearing Debt (MNOK) from reported balance sheet	31. Dec	31. Dec
Interest bearing loans and borrowings	355.7	220.2
Bank overdraft	-	25.1
Interest-bearing loan from shareholders	7.9	7.8
Interest-bearing loans	14.9	41.8
Cash and cash equivalents	(106.9)	(62.8)
Net Interesting Bearing Debt	271.6	232.1

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period from January 1 to December 31 2018 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the financial year and their impact on the condensed set of financial statements.

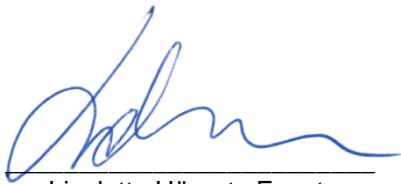
Oslo, 27 February 2019
The Board of Directors of Zalaris ASA



Lars Laier Henriksen
(chairman)



Jon Erik Haug



Liselotte Hægert Engstam



Adele Bugge Norman Pran



Jan M. Koivurinta

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

Key Figures

Key financials	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
NOKm except per share figures								
Revenues	106,4	126,9	150,6	193,5	186,2	188,8	176,3	194,1
Revenue growth (y-o-y)	8,0 %	33,2 %	54,2 %	83,9 %	75,0 %	48,8 %	17,1 %	0,3 %
EBITDA adjusted	18,1	9,7	20,9	17,0	19,3	25,0	10,2	26,0
EBITDA margin	17 %	8 %	14 %	9 %	10 %	13 %	6 %	13 %
EBIT adjusted	10,7	7,2	6,7	9,4	11,34	1,45	-5,47	10,0
EBIT margin	10,1 %	5,7 %	4,4 %	4,8 %	6,1 %	0,8 %	-3,1 %	5,2 %
Profit Before Tax	7,0	-5,8	4,7	-15,5	12,7	0,9	-8,5	-9,2
Income Tax Expense	1,6	-1,2	0,9	1,3	1,3	2,0	-1,2	-5,0
Net income	5,4	-4,6	3,8	-16,8	11,4	-1,1	-7,3	-4,2
Profit margin	5,1 %	-3,6 %	2,5 %	-8,7 %	6,1 %	-0,6 %	-4,1 %	-2,2 %
Weighted # of shares outstanding (m)	19,2	19,6	20,1	20,2	20,3	20,3	20,3	21,3
Basic EPS	0,3	-0,2	0,2	-0,8	0,6	-0,1	-0,4	-0,2
Diluted EPS	0,3	-0,2	0,2	-0,8	0,6	-0,1	-0,4	-0,2
DPS		0,9						
Cash flow items								
Cash from operating activities	-2,8	31,1	-5,7	30,0	-2,3	0,6	5,4	0,5
Investments	-4,7	-203,4	-75,3	-18,1	-5,3	-8,9	-1,5	-5,6
Net changes in cash and cash equi.	-7,3	10,0	10,6	-18,6	-7,4	-17,1	69,8	-5,1
Cash and cash equivalents end of period	36,2	42,2	56,7	37,7	31,7	37,4	108,6	106,9
Net debt	-59,9	130,7	183,0	224,4	231,6	214,6	253,0	271,6
Equity	107,6	118,7	128,4	119,7	125,3	106	96	108
Equity ratio	42,8 %	23,8 %	20,6 %	18,0 %	18,7 %	16,8 %	13,8 %	14,9 %
ROE	26,1 %	16,9 %	13,8 %	-10,2 %	-5,1 %	-2,3 %	-12,4 %	-1,2 %
Number of FTE (Period End)	461	643	786	768	779	792	788	801
Segment overview	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
NOKm								
Revenues	106,4	126,9	150,6	193,5	186,2	188,8	176,3	194,1
HR Outsourcing	90,6	91,6	96,2	105,5	107,7	109,5	108,3	106,5
Consulting	2,2	16,4	28,6	54,1	47,3	53,8	44,7	50,1
Cloud Services	13,6	18,9	25,7	34,0	31,2	25,6	23,3	37,6
Adjustments								
EBIT	7,7	-3,6	6,4	0,1	11,3	1,5	-5,5	10,0
HR Outsourcing	13,8	11,7	14,1	14,4	16,3	15,3	8,1	7,1
Consulting	1,2	1,9	-1,9	1,9	7,0	-0,1	0,3	10,8
Cloud Services	2,4	0,3	3,8	1,3	2,5	2,0	1,4	7,3
Gr.ovhd & Unallocated	-6,6	-6,6	-9,3	-8,4	-14,5	-15,7	-15,2	-15,2
Unallocated Acquisition costs	-3,1	-10,8	-0,2	-9,3				
HR Outsourcing	15,3 %	12,8 %	14,7 %	13,7 %	15,2 %	14,0 %	7,5 %	6,7 %
Consulting	54,4 %	11,3 %	-6,7 %	3,6 %	14,9 %	-0,1 %	0,6 %	21,5 %
Cloud Services	17,4 %	1,5 %	14,7 %	4,0 %	8,0 %	7,7 %	5,9 %	19,5 %

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Financial information

Annual report to be published 29 April 2019

Interim report Q1 2019 to be published 8 May 2019

AGM to be held 21 May 2019

Interim report Q2 2019 to be published 16 August 2019

Interim report Q3 2019 to be published 30 October 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.

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