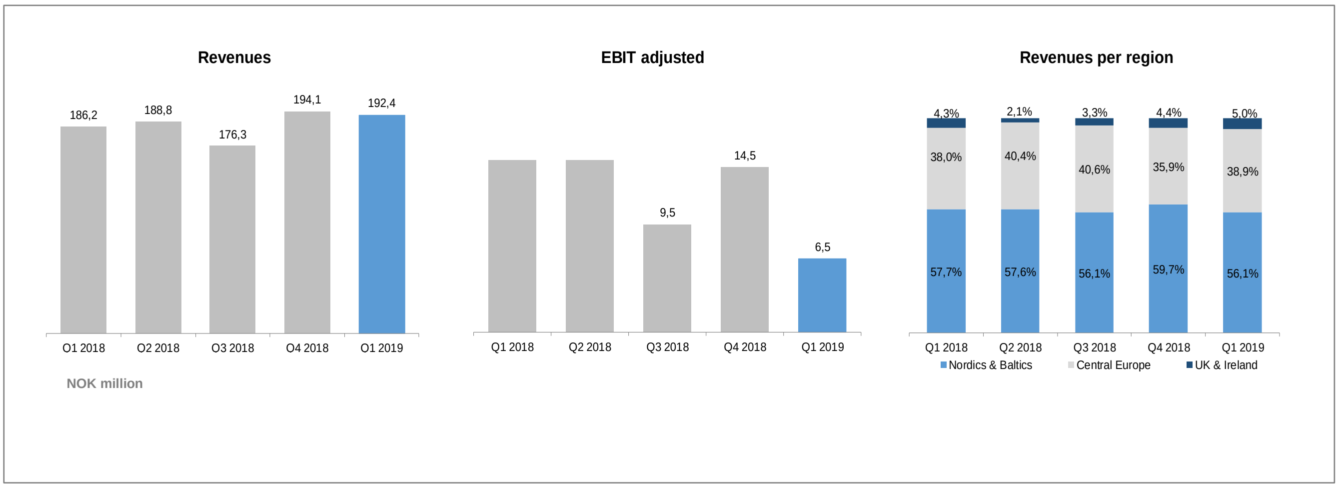
Interim Report • Q1 2019

- Revenues of NOK 192.4 million and EBIT of NOK 6.5 million or 3.4%.
- Launched long-term new customers during the quarter with an annual contract value of approximately NOK 20 million.
- Streamlining the organization to achieve coherent customer experience and improved profitability.
- Actions initiated to drive EBIT margin towards historic performance and a recurring target level of 10% ultimo 2019.



Streamlining the organization to achieve coherent customer experience and improved profitability

In Q1/19 our operating revenues amounted to NOK 192 million, up 3% from the same quarter last year. We successfully started delivering Managed Services for several top-tier Norwegian customers as DNB, Kongsberg Group and Aker BP with a total annual contract value of approximately NOK 20 million. We announced the renewal of our framework agreement with the German Federal Administration for application maintenance of their personnel and payroll system which pays close to 300,000 employees, civil servants and pension recipients on a monthly basis. In January Zalaris signed a letter of intent (LOI) with the municipality of Bø in Northern Norway. The goal of this strategic partnership is to prepare and implement a municipal solution covering the same scope of services as Zalaris offers to the private sector.

While there are some accounting effects distorting the year-on-year comparison of profitability, there is no question that Zalaris is aiming higher than the EBIT-margin of 3 percent achieved in Q1/19. In the report for Q4/18 we stated that our key objectives for 2019 were increased growth and improved financial results, and these objectives remain within reach based on our progress so far and pipeline for the rest of the year.

New segments

During the quarter we tuned our business and organization into two business segments by merging the previous business segments HR Outsourcing (BPaaS) and Cloud (SaaS) into Managed Services whereas the previous Consulting was renamed Professional Services. This change was made as a natural consequence of how our business is evolving in the markets we operate.

By streamlining our organization towards coherent customer offerings, we are able to improve the utilization of capacity both within our sales and service organization and align with customer needs across our regions. This again enables us to focus on opportunities, improve efficiency and better utilize our offshore capabilities which will improve both the top- and bottom line.

Professional Services is a segment that has grown through our recent acquisitions. With the new reporting structure, we aim to provide a better understanding of the value creation of this segment. In particular the long-term and stable nature of customer relationships with recurring revenues accounting for more than 60 percent of the segment's total. The demand for Professional Services has shown a positive development and currently exceeds capacity in the German market. Thus, we expect to be actively recruiting skilled consultants throughout 2019.

Our target for 2019

We aim to continue being a growth company. However, our short-term priority is to return to the margin level that we had prior to our acquisitions – and to reach target margin defined as producing a consistent 10% adjusted EBIT. We have already initiated actions to reach this target by:

- Centralizing support functions as Finance, HR and IT to accelerate process improvements, synergy realization and cost reductions
- Reducing costs for external advisors and downsizing administrative functions
- Converting internal resource usage to market facing capacity
- Focusing sales efforts to improve scale utilization
- Increasing offshore capability utilization

Looking ahead, we are committed to ensure that 2019 becomes the 19th year of uninterrupted revenue growth for Zalaris and that we deliver on our profitability ambitions.

Hans-Petter Mellerud, 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	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Revenue	**192 351**	**186 167**	**745 434**
Growth (y-o-y) [1]	*3,3 %*	*75,0 %*	*29,1 %*
EBITDA	**27 819**	**27 170**	**80 496**
as % of revenue	*14,5 %*	*14,6 %*	*10,8 %*
EBIT	**6 483**	**11 339**	**17 339**
as % of revenue	*3,4 %*	*6,1 %*	*2,3 %*
Profit before tax	7 621	12 712	(4 161)
Profit for the period	6 264	11 376	(1 273)
Total comprehensive Income	(1 117)	5 392	815
Earnings Per Share (EPS) [2]	0,29	0,56	(0,06)
Net cash from Operating Activities	(22 028)	(2 339)	52 644
Full Time Equivalent (FTE) end of the period [3]	837	792	838

[1] Growth in FY 2018 reflects the inorganic growth through acquistion of sumarum AG and ROC Ltd.

[2] Defined in separate section Alternative Performance Measure (APM) Reference to APM

[3] FTE last quarter corrected

Group Revenues

Revenues in the first quarter 2019 were NOK 192,4 million (NOK 186.2 million). Year-on-year growth in the quarter was 3.3 % primarely driven by growth in the managed services segment.

Central Europe
Revenues in Central Europe increased by NOK 4.1 million from NOK 70.8 million in Q1/18 to NOK 74.8 million in Q1/19. The growth can be attributed to both the Managed Services and Professional Services segment which showed a growth of 9.0% and 2.5% respectively. Total revenues within the region grew 7.0% q-o-q due to expanding services to several new customers.

UK & Ireland
Q1/19 revenues were NOK 9.7 million, up from NOK 8.1 million in Q1/18. The primary reason for this growth was the ongoing delivery of significant projects, accompanied by increased sales, closed in Q4/18. Additionally, re-structuring of the UK and Ireland businesses and targeted attention on UK sales to establish a clear go-to-market strategy, has seen instant results.

Nordics & Baltics
Revenues in Northern Europe showed a slight growth from NOK 107.4 million in Q1/18 to NOK 107.8 million in Q1/19. The negative impact of price reductions within renewed contracts was compensated with an increased scope of deliveries both with reference to the launch of new customers as well as increased functionality and services to existing customers.

Group Profits

EBIT for the quarter was NOK 6.5 million, compared to NOK 11.4 million in the corresponding quarter last year. Q1/19 was marked by increased expenses for freelancers compared to Q1/18. This is a result of the temporary reduction of internal consulting capacity within Professional Services Segment. The personnel costs as a percentage of revenue increased with 2 percentage points, both compared to Q1/18 and Q4/18. The increase y-o-y mainly relates to an increase in number of employees due to a build-up of new offshore capacity, enabling an increase of the offshore percentage in customer service deliveries. The personnel costs and thus the Group Profits in Q4/18 were positively affected by year-end assessments. When excluding these year-end adjustments for comparable reasons, the EBIT margin slightly increased q-o-q.

Net financial costs for the quarter were NOK 1.1 million, including a non-cash foreign currency profit of NOK 8.3 million related to debt nominated in euro. Tax on ordinary profit was NOK 1.4 million and net profit for the period was NOK 6.3 million. Total comprehensive income for the quarter was negative by NOK 1.1 million, including a loss of NOK 7.4 million in currency translation differences.

Segment information

Change in segment reporting

From 1 January 2019 the Company has changed its segment reporting due to market conditions and internal reorganizations. HR Outsourcing and Cloud Services have been merged into one segment now reported as Managed Services. Consulting has been renamed to Professional Services. Comparable numbers have been restated in the statement of financial position and in key figures, further information in note 5.

Revenues

The Managed Services segment contributed to 75% of Group revenues in the quarter, with long-term recurring revenues. Revenues in Q1/19 amounted to NOK 143.7 million (NOK 138.9 million) a y-o-y growth of 3.5 %. Compared with previous quarter the revenues decreased with NOK 0.4 million.

Central Eastern Europe has mainly contributed to the growth within the segment through new customers and increased scope of deliveries to existing customers.

Northern Europe slightly increased revenues by launch of services to new customers in the quarter as, DNB and Kongsberg Group in addition to upsell of additional functionality within SuccessFactors to Codan. The decline in revenues caused by price reductions in renegotiated contracts, as announced in previous quarters, could thus be compensated for.

Y-o-y growth in UK & Ireland is mainly due to the Knight Frank-contract.

Revenues in the Professional Services segment increased by NOK 1.4 million to NOK 48.7 million in Q1/19 compared to the same period previous year.

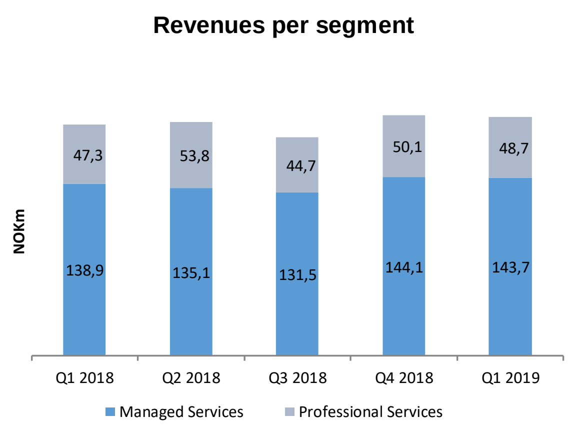
The segment delivered growth through service deliveries to new customers directly and through strategic partners. The main new business contributors on the revenue side were Freie Universität Berlin, E.ON Kundenservice GmbH and SAP Deutschland AG.

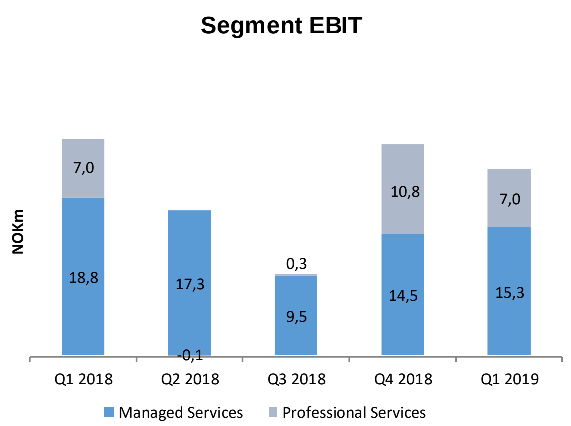
The increase for the segment as a whole also reflects the continued increase in utilization, especially in the UK, which contributed by additional delivery of change orders to Veolia and Compass in the quarter.

Segment EBIT

The Managed Services segment had an EBIT of NOK 15.3 million in Q1/19 compared to NOK 18.8 million in the same quarter last year. The decrease in the margin mainly reflects the price reductions for large customers effectuated in Q3/18. Initiatives are being implemented to reduce costs through automation and increase utilization of offshore resources in service deliveries within this segment. The segment shows a positive development over the last three quarters.

EBIT in the Professional Services segment amounted to NOK 7.0 million (NOK 7.0 million). The decrease in margin compared with the previous quarter, is a result of increased use of freelancers at a higher cost than internal capacity. In addition, the segment EBIT was positively affected by the year end assessment in Q4/18.





Financial position

In compliance with IFRS 15 customer projects have been presented with gross amounts. Comparable numbers have been restated in the statement of financial position and in key figures, further information in note 5. Effective 1 January 2019, Zalaris adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated. Further information in note 8.

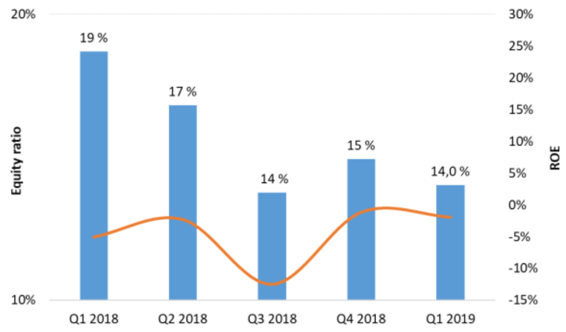
Total assets increased by NOK 119.4 million compared to Q1/18 and NOK 30.8 since Q4/18, to NOK 756.4 million at 31 March 2019. The y-o-y increase mainly relates to the refinancing in Q3/18, the adoption of IFRS 16 and an increase in accounts receivables. The increase in other short term receivables mainly relates to prepayments of licenses for customer deliveries.

Equity decreased by NOK 20.0 million and by NOK 3.6 million from Q1/18 and Q4/18 respectively to NOK 105.2 million. Consequently, the equity ratio decreased from 15% to 14% during Q1/19. The dividend distribution in Q2/18 and the announced share buy back program initiated in Q1/19 are main reasons for this decrease.

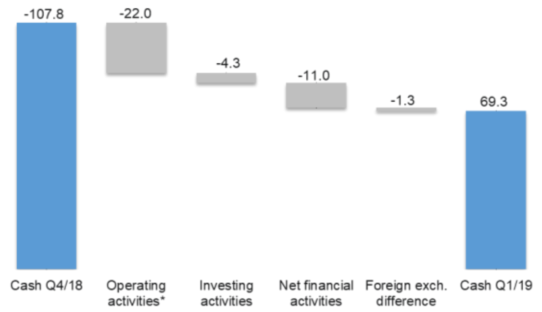
Cash and cash equivalents were NOK 69.3 million as of the end of Q1/19, down from 107.8 million at the end of Q4/18. Cash balance declined due to negative operating cash flow after investments and interest payments of NOK -26.3 million in the period. An ongoing improvement project for the order to cash process, is expected to improve the operating cash flow. Revaluation of cash balance contributed negative by NOK 1.1 million.

Net interest bearing debt increased from NOK 270.6 million at the end of the last quarter to NOK 299.0 million due to a negative cash flow for the quarter.

Equity ratio and return on equity (ROE)



Cash development, Q4/18 to Q1/19



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

Outlook

The market fundamentals for Zalaris remain strong, and so does the company's position to capture further growth. In Q1/19 the company has experienced that the demand for its services in some markets exceeded its capacity to deliver. This is being rectified both through new hiring and reallocations of internal capacity to more customer-oriented tasks.

The cross-selling of Zalaris' complementary solutions and strengths into new regions continues to be a source of growth, particularly in the Managed Services segment.

The Company's margins are expected to improve from the level observed in Q1/19, driven by several ongoing initiatives to reduce costs. A more streamlined delivery model throughout the organization within both business segments, should drive increased efficiency and utilization of offshore resources in Zalaris' service deliveries. Furthermore, the company has simplified its organizational structure, creating potential for significant reductions in overhead costs in the coming quarters.

Oslo, 7 May 2019
The Board of Directors of Zalaris ASA

Lars Laier Henriksen
(chairman)

Jon Erik Haug

Liselotte Hägertz Engstam

Adele Norman Pran

Jan M. Koivurinta

This interim report was not reviewed by

Interim consolidated condensed financial statements

Consolidated Statement of Profit and Loss

(NOK 1000)	Notes	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
		unaudited	*unaudited*	
Revenue	2	**192 351**	**186 167**	**745 434**
Operating expenses				
License costs		14 928	14 681	60 492
Personell expenses	3	107 569	100 418	426 623
Other operating expenses		42 035	43 898	177 823
Depreciations and impairments		998	888	3 635
Amortizations rights of use assets	8	5 344		
Amortisation intangible assets	4	6 697	5 816	23 575
Amortisation implement. costs customer projects	5	8 297	9 127	35 947
Total operating expenses		**185 869**	**174 828**	**728 094**
Operating profit		**6 483**	**11 339**	**17 339**
				2,3 %
Financial items				
Financial income		636	381	9 675
Financial expense		(7 784)	(3 223)	(18 442)
Unrealised foreign currency profit/loss	7	8 286	4 215	(12 734)
Net financial items		**1 139**	**1 373**	**(21 501)**
Profit before tax		**7 621**	**12 712**	**(4 161)**
Income tax expense				
Tax expense on ordinary profit		(1 357)	(1 336)	2 888
Total tax expense		**(1 357)**	**(1 336)**	**2 888**
Profit for the period		**6 264**	**11 376**	**(1 273)**

Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
		unaudited	*unaudited*	
Profit for the period		**6 264**	**11 376**	**(1 273)**
Other comprehensive income				
Items that will be reclassified to profit and loss in subsequent periods				
Currency translation differences		(7 381)	(5 985)	2 088
Total other comprehensive income		**(7 381)**	**(5 985)**	**2 088**
Total comprehensive income		**(1 117)**	**5 392**	**815**

Consolidated Statement of Financial Position

(NOK 1000)	Notes	2019 31. Mar	2018 31. Mar	2018 31. Dec
		unaudited	*unaudited*	
ASSETS				
Non-current assets				
Intangible assets	4	140 653	145 777	143 064
Goodwill	4	149 842	148 765	151 996
Total intangible assets		**290 495**	**294 542**	**295 059**
Deferred tax asset		5 184	829	6 468
Fixed assets				
Office equipment		1 836	1 471	1 737
Right-of-use assets	8	49 994		
Property, plant and equipment		32 301	33 778	33 455
Total fixed assets		**84 132**	**35 249**	**35 192**
Total non-current assets		**379 810**	**330 620**	**336 720**
Current assets				
Trade accounts receivable	5	173 941	158 622	158 118
Customer projects	5	97 741	98 490	97 272
Other short-term receivables		35 568	17 498	25 653
Cash and cash equivalents		69 348	31 741	107 844
Total current assets		**376 597**	**306 351**	**388 887**
TOTAL ASSETS		**756 408**	**636 970**	**725 607**

Consolidated Statement of Financial Position

(NOK 1000)	Notes	2019 31. Mar	2018 31. Mar	2018 31. Dec
EQUITY AND LIABILITIES				
Equity				
Paid-in capital				
Share capital		2 012	2 012	2 012
Own shares		(2 364)	(6)	(6)
Other paid in equity		2 431	1 355	2 061
Share premium		45 138	58 217	45 138
Total paid-in capital		**47 217**	**61 578**	**49 205**
Other equity		(7 942)	(2 057)	(33)
Retained earnings		65 996	65 745	59 733
Equity attributable to equity holders of the parent		**105 271**	**125 267**	**108 905**
Total equity		**105 271**	**125 267**	**108 905**
Liabilities				
Non-current liabilities				
Deferred tax		25 513	27 923	25 776
Interest-bearing loans and borrowings		346 592	217 437	355 746
Lease liabilities	8	28 474		
Total long-term debt		**400 579**	**245 360**	**381 522**
Current liabilities				
Trade accounts payable		17 019	17 946	24 358
Customer projects liabilities	5	61 500	75 172	64 284
Interest-bearing loan from shareholders		7 644	7 636	7 867
Interest-bearing loans		14 111	45 927	14 817
Lease liabilities	8	21 981		
Income tax payable		1 806	4 871	4 801
Public duties payable		36 675	33 854	36 517
Other short-term debt		88 713	80 676	81 655
Derivatives		1 108	262	882
Total short-term debt		**250 558**	**266 343**	**235 180**
Total liabilities		**651 137**	**511 703**	**616 702**
TOTAL EQUITY AND LIABILITIES		**756 408**	**636 970**	**725 607**

Consolidated Statement of Cash Flow

(NOK 1000)	Notes	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Cash Flow from operating activities		*unaudited*	*unaudited*	
Profit (Loss) before tax		7 621	12 712	(4 161)
Financial income		(8 922)	(4 596)	3 059
Financial costs		7 784	2 188	18 442
Stock purchase program		382	-	945
Depreciation and impairments		6 342	888	3 635
Amortisation intangible assets		6 697	5 816	23 575
Amortisation implementation costs customer projects [1)]	5	8 297	9 127	35 947
Recognized customer projects assets [1)]	5	(11 242)	(12 332)	(36 872)
Recognized customer projects liabilities [1)]	5	(1 737)	1 686	(9 203)
Taxes paid		-	(1 218)	(4 996)
Changes in accounts receivable		(15 824)	(7 393)	(624)
Changes in accounts payable		(7 339)	-	1 503
Changes in other items [1)]		(8 598)	(7 271)	(13 614)
Interest received		117	33	212
Interest paid		(5 606)	(1 979)	(12 645)
Net cash flow from operating activities		**(22 028)**	**(2 339)**	**5 200**
Cash flows from investing activities				
Fixed and intangible assets		(4 248)	(7 563)	(21 330)
Acquisition of fixed and intagible assets, including goodwill in connection with business combiantions			2 310	
Net cash flow from investing activities		**(4 248)**	**(5 253)**	**(21 330)**
Cash flows from financing activities				
Purchase of own shares		(2 358)		
Transaction costs related to issuance of new shares		-	252	
Bank overdraft		-	(25 136)	(25 135)
Proceeds from issue of new borrowings			1 297	340 282
Payment of lease liabilities		(6 085)		
Repayment of loan		(2 515)	(9)	(244 736)
Dividend payments		-	-	(13 080)
Net cash flow from financing activities		**(10 957)**	**(23 596)**	**57 331**
Net changes in cash and cash equivalents		**(37 232)**	**(31 188)**	**41 201**
Net foreign exchange difference		**(1 264)**	**138**	**3 851**
Cash and cash equivalents at the beginning of the period		**107 844**	**62 792**	**62 792**
Cash and cash equivalents at the end of the period		**69 348**	**31 741**	**107 844**

[1)] Comparable 2018 numbers are restated for presentation purposes

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 01.01.2019	**2 012**	**(6)**	**45 137**	**2 061**	**49 205**	**(32)**	**59 733**	**108 905**
Profit of the year							6 264	**6 264**
Other comprehensive income				(12)	**(12)**	(7 369)		**(7 381)**
Buyback of own shares		(2 358)			**(2 358)**			**(2 358)**
Share based payments				382	**382**			**382**
Other changes						(541)		**(541)**
Equity at 31.03.2019 Unaudited	**2 012**	**(2 364)**	**45 137**	**2 431**	**47 217**	**(7 942)**	**65 996**	**105 271**
Equity at 01.01.2018	**2 012**	**(6)**	**58 217**	**1 116**	**61 339**	**(2 114)**	**60 461**	**119 687**
Profit of the year							11 376	**11 376**
Other comprehensive income				(13)	**(13)**	(5 972)		**(5 985)**
Share based payments				252	**252**			**252**
Other changes						(64)		**(64)**
Dividend								
Equity at 31.03.2018 Unaudited	**2 012**	**(6)**	**58 217**	**1 355**	**61 578**	**(8 149)**	**71 837**	**125 267**
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)	545	**537**
Dividend			(13 080)		**(13 080)**			**(13 080)**
Equity at 31.12.2018	**2 012**	**(6)**	**45 137**	**2 061**	**49 205**	**(33)**	**59 733**	**108 905**

Notes to the interim consolidated condensed financial statements

Note 1 – General Information and basis for preparation

General information
Zalaris ASA (the Group) 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 first quarter of 2019 were authorized for issue by the board of directors on 7th of May 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 consolidated 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 three months ended 31 March, have not been audited or reviewed by the auditors.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except from the adoption of the new standards effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued not yet effective.

The Group applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed. IFRS 16 supersedes IAS 17, IFRIC 4, SIC-15 and SIC 27. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The group adopted IFRS 16 using the modified retrospective method of adoption with the initial application of January 1, 2019. The group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of the initial application. The group also decided to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adopting IFRS 16 is disclosed in note 8.

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

From 1 January 2019 the Company has changed its segment reporting.

The Company has changed its reporting of business segments with effect from 1 January 2019.
HR Outsourcing and Cloud Services have been merged into one segment now reported as Managed Services. Consulting has been renamed to Professional Services.The changes are made to improve visibility and reflect market trends, especially the increasingly overlapping sales and deliveries of HR Outsourcing and Cloud services to the same customers. Managed Services will be organized as a group wide business unit to speed growth and adaptation in key markets.

Managed services include a full range of payroll and HR outsourcing services, such as payroll processing, time and attendance, travel expenses as well as related cloud system solutions and services. This includes additional cloud-based HR functionality to existing outsourcing customers as talent management, digital personnel archive, HR analytics, mobile solutions, etc.

Professional Services is a segment that has grown significantly larger through our recent acquisitions. Professional services include deliveries of turnkey projects based on Zalaris templates or implementation of customer-specific functionality. This business unit also assists customers with cost-effective maintenance and support of customers' own on-premise solutions. A large portion of these services are of recurring nature and much of the services are based on long-term customer relationships.

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.

2019 Jan-Mar

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	143 688	48 664		**192 351**
Operating expenses	(116 169)	(39 697)	(8 666)	**(164 532)**
EBITDA	**27 519**	**8 966**	**(8 666)**	**27 819**
Depreciation and amortisation	(12 247)	(1 960)	(7 129)	**(21 337)**
EBIT	**15 271**	**7 006**	**(15 795)**	**6 483**
Net financial income/(expenses)			1 139	**1 139**
Income tax			(1 357)	**(1 357)**
Profit for the period	**15 271**	**7 006**	**(16 014)**	**6 264**
Cash flow from investing activities				**(19 330)**

2018 Jan-Mar[1)]

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	138 875	47 292		**186 167**
Operating expenses	(107 128)	(39 790)	(12 079)	**(158 997)**
EBITDA	**31 747**	**7 502**	**(12 079)**	**27 170**
Depreciation and amortisation	(12 925)	(454)	(2 452)	**(15 831)**
EBIT	**18 822**	**7 048**	**(14 531)**	**11 339**
Net financial income/(expenses)			1 373	**1 373**
Income tax			(1 336)	**(1 336)**
Profit for the period	**18 822**	**7 048**	**(14 494)**	**11 376**
Cash flow from investing activities			**(9 526)**	**(9 526)**

[1)] Restated to new business segments for reporting purposes

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*	2019 Jan-Mar	*as % of total*	2018 Jan-Mar	*as % of total*	2018 Jan-Dec
Northern Europe	*56 %*	107 871	*58 %*	107 360	*58 %*	430 897
Central Europe	*39 %*	74 815	*38 %*	70 727	*39 %*	288 213
UK & Ireland	*5 %*	9 665	*4 %*	8 080	*4 %*	26 323
Total	***100 %***	**192 351**	***100 %***	**186 167**	***100 %***	**745 434**

Information about major customers

(NOK 1000)	*as % of total*	2019 Jan-Mar	*as % of total*	2018 Jan-Mar	*as % of total*	2018 Jan-Dec
5 largest customers	*22 %*	41 912	*27 %*	50 507	*27 %*	202 304
10 largest customers	*34 %*	64 492	*38 %*	71 357	*38 %*	284 033
20 largest customers	*50 %*	94 122	*53 %*	99 187	*53 %*	398 121

Note 3 – Personnel Costs

(NOK 1000)	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Salary	96 255	91 169	367 842
Variable compensation	3 454	312	19 198
Social security tax	14 180	14 597	54 679
Pension costs	5 238	5 236	19 905
Other expenses	3 836	6 825	19 796
Capitalized development expenses	(4 143)	(3 590)	(17 924)
Capitalized implementation costs customer projects	(11 242)	(14 131)	(36 872)
Total personnel expenses	**107 577**	**100 418**	**426 623**

Note 4 – Intangible Assets

(NOK 1000)	Licenses and software	Intern. developed software	Intern. developed AuC	Customer Relation & Contracts	Goodwill	Total
Book value 01.01.2019	9 057	28 768	19 937	85 302	151 996	295 059
Additions of the period			4 248			4 248
Reclassifications		17 269	(17 269)			
Disposals and currency effects	(9)	204	1 020	(1 175)	(2 154)	(2 115)
This period ordinary amortisation	(816)	(3 401)		(2 480)		(6 697)
Book value 31.03.2019	**8 232**	**42 840**	**7 935**	**81 647**	**149 842**	**290 495**
Book value 01.01.2018	8 940	31 458	10 555	94 794	151 075	296 822
Additions of the period	1 355		6 209			7 563
Reclassifications		6 403	(6 403)			
Disposals and currency effects	(79)	(186)		(1 453)	(2 310)	(4 028)
This period ordinary amortisation	(696)	(2 669)		(2 451)		(5 816)
Book value 31.03.2018	**9 520**	**35 006**	**10 361**	**90 891**	**148 765**	**294 542**
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)		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**
Useful life	3-10 years	5 years	N/A	10 years	N/A	
Depreciation method	linear	linear		linear		

Note 5 – Revenue from contracts with customers

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

Contract balances

(NOK 1000)	2019 31. Mar	2018 31. Mar	2018 31. Dec
Trade receivables	173 941	158 622	158 118
Customer project assets	97 741	98 490	97 272
Customer project liabilities	(73 487)	(75 172)	(64 284)
Prepayments from customers	(18 795)	(17 760)	(18 021)

Trade receivables are non-interest bearing and are on general terms of from 14 to 90 days credit.

Customer project assets 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 deferred and amortized evenly over the period the outsourcing services are provided.

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

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

Movements in customer project assets through the period:

(NOK 1000)	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Opening balance in the period	97 272	95 284	95 284
Cost capitalized	11 242	12 332	36 872
Amortization	(8 297)	(9 127)	(35 947)
Currency	(2 476)		1 062
Customer projects assets end of period	97 741	98 490	97 272

Movements in customer project liabilities through the period:

(NOK 1000)	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Opening balance in the period	(64 284)	(73 487)	(73 487)
Revenue deferred	(3 835)	(11 427)	(24 296)
Revenue recognized	5 572	9 741	33 499
Currency	1 046		
Customer project liabilities end of period	(61 501)	(75 172)	(64 284)

Note 6 – Transactions with Related Parties

a) Purchase from related parties

(NOK 1000)		2019	2018	2018
Related party	**Transaction**	**Jan-Mar**	**Jan-Mar**	**Jan-Dec**
Rayon Design AS [1)]	Management Services	147	482	1 677
Haug Advisory AS [2)]	Management Services	100	-	-
Total		**247**	**482**	**1 677**

[1)] Hans-Petter Mellerud, CEO, owns 40% of Rayon Design AS though his company Norwegian Retail AS
[2)] Jon Erik Haug, Board Member of Zalaris ASA, owns 100% of Haug Advisory AS

Note 7 – Interest bearing loans and borrowings

Long term liabilities
The Company has secured a bond listed at Oslo Stock Exchange, loan in Commerzvank DE related to office building in Leipzig and financial leasing loans in SG Finance.

(NOK 1000)	Value	Interest	Maturity	2019 31 Mar	2018 31 Dec
Bond loan	EUR 35 000 000	3 m Euribor + 4.75 %	28.09.2023	338 665	340 282
Loan Nordea	EUR 25 800 000	6,25 %	31.05.2022	-	-
Commerzbank - DE	EUR 1 636 430	1,3 %	31.12.2031	13 573	27 666
SG Finance loans	NOK 5 000 348	From 4,0 % to 6,7 %	2019-2023	1 399	2 615
Total loans				**346 592**	**370 563**

Note 8 – Right of use assets and lease liabilities

Changes in accounting policies and disclosures

IFRS 16 *Leases*
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, Zalaris recognised a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Zalaris separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The agreements as of January 1, 2019 increases annual depreciation by TNOK 20 829, reduces other operating expenses by TNOK 21 332 and increases financial expenses by TNOK 2 006. The expected EBIT increase is approximately TNOK 502.

Effective 1 January 2019 Zalaris adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated. For leases where Zalaris is a lessee and the agreements were previously recognized as financial leases, the carrying amount of the Right of Use (ROU) and the lease liability will not change. For leases that were previously recognized as operational and not capitalized, the lease liability is measured at the time of transition to the present value of outstanding lease payments, discounted by Zalaris' incremental borrowing rate. The right-of-use asset is recognized at the same value as the lease liability at the time of transition for all agreements.

A summary of the changes and practical expedients applied is presented below:

Determining whether a contract is or contains a lease
On the transition to IFRS 16, Zalaris elected to reassess whether a contract is, or contains a lease. Zalaris applied IFRS 16 to all contracts with the right to control and direct the use of an identified asset for a period in exchange for consideration.

Zalaris as a lessee
Zalaris previously classified leases as a finance lease if it transferred substantially all the risks and rewards incidental to ownership to the Group.

Leases previously classified as operating leases under IAS 17

At the date of initial application of IFRS 16, Zalaris recognised a lease liability for leases previously classified as operating leases after IAS 17 in accordance with the transition requirements. Zalaris measured the lease liabilities at the present value of the remaining lease payments, discounted by using the Group's incremental borrowing rate at 1 January 2019.

Zalaris has applied the following practical expedients to leases previously classified as operating leases at the date on initial application:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low value assets (NOK 50 000 or less)
-

Leases previously classified as finance leases under IAS 17
For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date if initial application of IFRS 16.

IFRS 16 impact on the consolidated financial statements
On transition to IFRS 16, Zalaris recognised MNOK 55,3 in right-of-use assets (see table below) and MNOK 53,4 million as lease liabilities.

The impact on the date of initial application is further presented below:

Reconciliation of lease commitments to lease liabilities	01.01.2019
Finance lease liabilities at 31 December 2018	2 594
+/- Sublease reclassifications and short-term lease exemptions	-
Non-cancellable operating lease commitments at 31 December 2018	57 769
+/- Sublease reclassifications	-
+ Extension options reasonably certain to be exercised	-
- Termination options reasonably certain to be exercised	-
- Practical expedient related to short-term leases (including short-term low value assets)	527
- Practical expedient related to low-value leases	699
- Residual value guarantees	-
- Discounting using the incremental borrowing rate	3 137
Lease liabilities recognised at initial application	**53 407**
The weighted average incremental borrowing rate applied:	4,75%

Zalaris as a lessee

Right-of-use assets

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

Right-of-use assets	Buildings	Equipment	Vehicles	Total
Acquisition cost 1 January 2019				
Addition of right-of-use assets	44 842	3 510	6 985	55 338
Acquisition cost 31 March 2019	**44 842**	**3 510**	**6 985**	**55 338**
Accumulated depreciation and impairment 1 January 2019				
Depreciation	4 045	391	908	5 344
Accumulated depreciation and impairment 31 March 201	**4 045**	**391**	**908**	**5 344**
Carrying amount of right-of-use assets 31 March 2019	**40 798**	**3 119**	**6 077**	**49 994**
Lower of remaining lease term or economic life	1 - 10 years	3 - 6 years	3 - 6 years	
Depreciation method	Linear	Linear	Linear	

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	(TNOK)
Less than 1 year	21 791
1-2 years	17 881
2-3 years	6 703
3-4 years	3 066
4-5 years	1 015
Total undiscounted lease liabilities at 31 March 2019	**50 454**

Summary of the lease liabilities in the financial statements	Statement of:	(TNOK)
At initial application 01.01.2019		55 338
New lease liabilities recognised in the year		-
Cash payments for the principal portion of the lease liabili	Cash flows	(5 483)
Cash payments for the interest portion of the lease liabilit	Cash flows	(602)
Interest expense on lease liabilities	Profit and loss	602
Reassessment of the discount rate on previous lease liab	Profit and loss	-
Currency exchange differences	P&L and Other comprehensive income	599
Total lease liabilities at 31 March 2019		**50 454**
Current lease liabilities	Financial position	21 981
Non-current lease liabilities	Financial position	28 474
Total cash outflows for leases	Cash flows	(6 084)

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.

Practical expedients applied

Zalaris has elected to apply the practical expedient of low value assets and does not recognise lease liabilities or right-of-use assets. The leases are instead expensed when they incur. Zalaris has also applied the practical expedient to not recognise lease liabilities and right-of-use assets for short-term leases, presented in the table above.

Variable lease payments and other lease commitments

In addition to the lease liabilities above, Zalaris is committed to pay variable lease payments for its buildings, equipment and vehicles, mainly due to annual inflation adjustments.

Extension options

Zalaris' lease of buildings have lease terms that vary from 1 years to 10 years, and several agreements involve a right of renewal which may be exercised during the last period of the lease terms. Zalaris doesn't 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 business does not consider these assets to be particularly important.

Note 9 – 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 where 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.

(MNOK)	2019	2018	2018
Adjusted EBIT	**Jan-Mar**	**Jan-Mar**	**Jan-Dec**
EBIT (1)	6,5	11,3	17,3
Other cost (2)	-	-	-
Adjusted EBIT, (1) + (2)	**6,5**	**11,3**	**17,3**

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.

(MNOK)	2019	2018	2018
Adjusted EBITDA	**Jan-Mar**	**Jan-Mar**	**Jan-Dec**
Adjusted EBIT (1)	6.5	11.3	17.3
Depreciations (2)	1.0	0.9	3.6
Amortizations rights of use assets (3)	5.3		
Amortisation intangible assets (4)	6.7	5.8	23.6
Amortisation implementation costs customer projects (5)	8.3	9.1	35.9
Adjusted EBITDA, (1) + (2) + (3) + (4) + (5)	**27.8**	**27.2**	**80.5**

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.

(MNOK)	2019	2018	2018
Segment EBIT	**Jan-Mar**	**Jan-Mar**	**Jan-Dec**
EBIT (1)	6,5	11,3	17,3
Group overhead and unallocated costs (2)	15,8	14,5	60,7
Segment EBIT, (1) + (2)	**22,3**	**25,9**	**78,1**

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.

(MNOK)	**2019**	**2018**	**2018**
Return on equity (ROE)	**Jan-Mar**	**Jan-Mar**	**Jan-Dec**
Average equity last four quarters (1)	103,9	123,0	108,9
Profit after tax last twelve months (2)	(6,4)	(6,2)	(1,3)
ROE, (2) / (1)	**-6,2 %**	**-5,1 %**	**-1,2 %**

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.

(MNOK)	**2019**	**2018**	**2018**
Net Interest Bearing Debt reported in balance sheet	**Mar**	**Mar**	**Dec**
Interest bearing loans and borrowings	346,6	217,4	355,7
Interest-bearing loan from shareholders	7,6	7,6	7,9
Interest-bearing loans	14,1	45,9	14,8
Cash and cash equivalents	-69,3	-31,7	-107,8
Net Interesting Bearing Debt	**299,0**	**239,3**	**270,6**

Key Figures

Key financials	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
NOKm except per share figures								
Revenues	**126,9**	**150,6**	**193,5**	**186,2**	**188,8**	**176,3**	**194,1**	**192,4**
Revenue growth (y-o-y)	33,2 %	54,2 %	83,9 %	75,0 %	48,8 %	17,1 %	0,3 %	3,3 %
EBITDA adjusted	**9,7**	**20,9**	**17,0**	**19,3**	**25,0**	**10,2**	**26,0**	**27,8**
EBITDA margin	8 %	14 %	9 %	10 %	13 %	6 %	13 %	14 %
EBIT adjusted	**7,2**	**6,7**	**9,4**	**11,3**	**1,5**	**-5,5**	**10,0**	**6,5**
EBIT margin	5,7 %	4,4 %	4,8 %	6,1 %	0,8 %	-3,1 %	5,2 %	3,4 %
Profit Before Tax	**-5,8**	**4,7**	**-15,5**	**12,7**	**0,9**	**-8,5**	**-9,2**	**7,6**
Income Tax Expense	-1,2	0,9	1,3	1,3	2,0	-1,2	-5,0	-1,4
Net income	**-4,6**	**3,8**	**-16,8**	**11,4**	**-1,1**	**-7,3**	**-4,2**	**6,3**
Profit margin	-3,6 %	2,5 %	-8,7 %	6,1 %	-0,6 %	-4,1 %	-2,2 %	3,3 %
Weighted # of shares outstanding (m)	19,6	20,1	20,2	20,3	20,3	20,3	21,3	21,3
Basic EPS	-0,2	0,2	-0,8	0,6	-0,1	-0,4	-0,2	0,3
Diluted EPS	-0,2	0,2	-0,8	0,6	-0,1	-0,4	-0,2	0,3
DPS	0,9				0,7			
Cash flow items								
Cash from operating activities	31,1	-5,7	30,0	-2,3	0,6	5,4	0,5	-22,0
Investments	-203,4	-75,3	-18,1	-5,3	-8,9	-1,5	-5,6	-4,2
Net changes in cash and cash equi.	10,0	10,6	-18,6	-23,6	-0,9	69,8	-5,1	-37,2
Cash and cash equivalents end of period	42,2	56,7	37,7	31,7	37,4	108,6	107,8	69,3
Net debt	130,7	183,0	224,4	239,3	214,6	253,0	270,6	299,0
Equity	118,7	128,4	119,7	125,3	106	96	108	105
Equity ratio	24 %	21 %	18 %	19 %	17 %	14 %	15 %	14 %
ROE	16,9 %	13,8 %	-10,2 %	-5,1 %	-2,3 %	-12,4 %	-1,2 %	-6,2 %
Number of FTE (Period End)	643	786	768	779	792	813	838	837

Segment overview	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
NOKm								
Revenues	**126,9**	**150,6**	**193,5**	**186,2**	**188,8**	**176,3**	**194,1**	**192,4**
Managed Services	110,5	121,9	139,4	138,9	135,1	131,5	144,1	143,7
Professional Services	16,4	28,6	54,1	47,3	53,8	44,7	50,1	48,7
Adjustments								
EBIT	**-3,6**	**6,4**	**0,1**	**11,3**	**1,5**	**-5,5**	**10,0**	**6,5**
Managed Services	12,0	17,9	15,8	18,8	17,3	9,5	14,5	15,3
as % of revenue	*10,8 %*	*14,7 %*	*11,3 %*	*13,6 %*	*12,8 %*	*7,2 %*	*10,0 %*	*10,6 %*
Professional Services	1,9	-1,9	1,9	7,0	-0,1	0,3	10,8	7,0
as % of revenue	*11,3 %*	*-6,7 %*	*3,6 %*	*14,9 %*	*-0,1 %*	*0,6 %*	*21,5 %*	*14,4 %*
Gr.ovhd & Unallocated	-6,6	-9,3	-8,4	-14,5	-15,7	-15,2	-15,2	-15,8
Unallocated Acquisition costs	-10,8	-0,2	-9,3					

For questions, please contact

Nina Stemshaug
CFO
nina.stemshaug@zalaris.com
+47 982 60 394

Hans-Petter Mellerud
CEO
hans-petter.mellerud@zalaris.com
+47 928 97 276

Financial information

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
Interim report Q4 2019 to be published ultimo February 2020

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.

Zalaris ASA
PO Box1053 Hoff
0218 Oslo
Norway