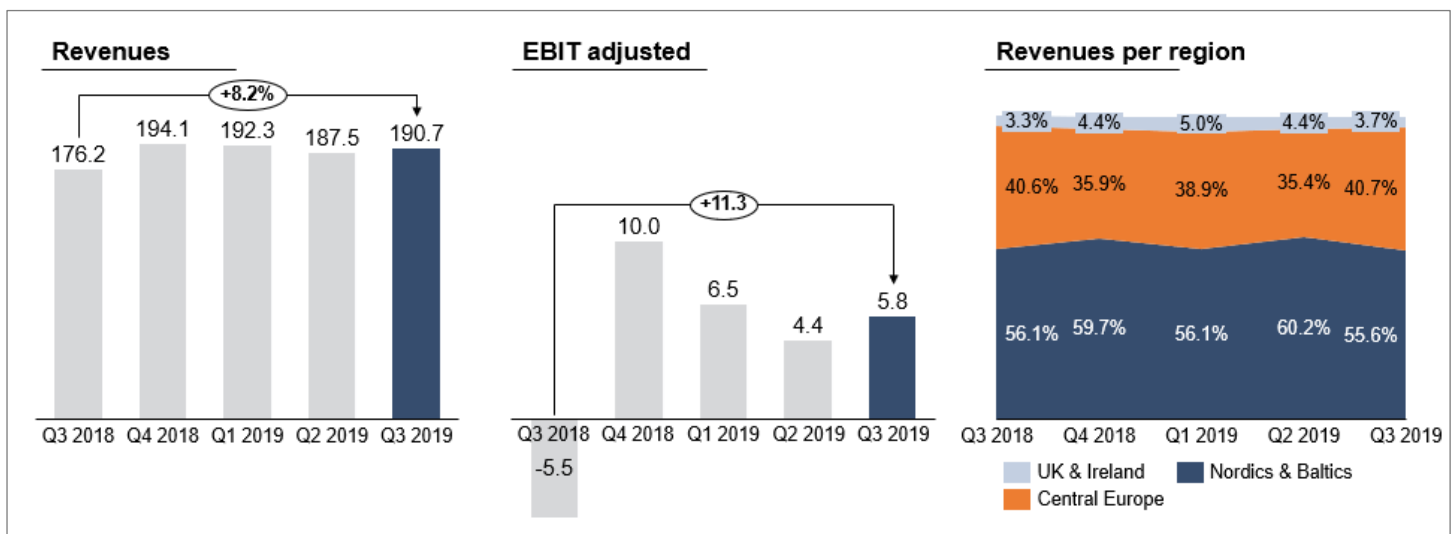




Interim Report Q3 2019

- Revenues of NOK 190.7 million, EBIT of NOK 4.8 million (2.5%) and EBIT adjusted of NOK 5.8 million (3.0%)
- Quarterly results coming in strong, despite the usual seasonal variations due to summer vacation impacts on activity level
- EBIT-improvement initiatives launched according to plan during the quarter
- Cost size measurements relating to rightsizing, co-location and other cost reduction activities have been executed on during the quarter. The effect on reported figures will not be seen until Q1-2020



“Preparing to enter 2020 on a strengthened trajectory with renewed capacity, a more optimized cost structure and sharper overall focus on customer value, service and business growth”



In Q3-19, our operating revenues increased to NOK 190.7 million, up 8.2% compared to the same quarter last year. Adjusted EBIT for the period improved to NOK 5.8 million as margin in the quarter rose to 3.0% from -3.1% in the same quarter last year.

EBIT program driving margin improvements

Vision 2020 – our EBIT improvement program communicated in May targeting monthly cost reductions of 4.7 million by Q1-20 – has refocused #teamZalaris, and we are in the process of becoming stronger and more agile.

Key initiatives are being executed to strengthen our market-facing capacity and significantly reduce costs. Our cost reducing initiatives includes consolidating functions, reducing physical locations, rightsizing support functions, and refocusing more internally oriented roles to market-facing responsibilities. Approximately 100 employees – or 12.5% of our workforce – are impacted by these changes. About half of the affected positions will be rehired in other locations or in additional market-facing capacities, with a net downsizing of approximately 6% of our Q1-19 employee base.

Our project consolidating internal IT infrastructure is also well underway to enable one fully unified and consolidated customer-facing platform. Q1-20 completion is anticipated, with the goal of giving Zalaris greater overall market-driven capabilities in a more cost-effective manner.

Most of the planned activities related to supplier consolidation and re-negotiation with 3rd parties have been completed and will start showing an effect from Q4-19. In parallel, we have ramped up several activities focusing on further digitizing and automating our services to increase quality and

reduce costs. In addition to our established digitizing efforts, powered by our integrated SAP

infrastructure, we are increasing our implementation of Robotic Process Automation (RPA) projects.

Market wins reinforce strong position in attractive Payroll/HR tech market

One of the keys in meeting our objective to increase margins beyond our target, is *focused organic growth* in market segments where we can best utilize existing capacity and scale.

In the UK and Ireland, we closed our first local Managed Services deals with Barden and ABB, representing another milestone for Zalaris.

We continued to see the effects of the strong Central European market throughout the quarter. In Germany, we reported five customer contract signings during the quarter which include renowned companies such as Dräger and Eurowings. The total estimated contract value of these contracts amounts to EUR 3 million and is distributed 50:50 on renewals and new orders. In stronger market conditions, renewals are done at better pricing with higher margins for both our Managed Services and Professional Services businesses. In Poland, our professional services business is experiencing strong demand resulting in a healthy pipeline and 9% revenues growth in Q3 YTD.

In Northern Europe, we secured agreements for expanding services with existing customers to cover mobile and new HR cloud functionality. In addition, we continued developing our pipeline with opportunities in various stages of the sales cycle.

In parallel with driving margin improvements, we are focusing marketing and sales with the goal of making 2019 our 19th year of uninterrupted growth. This will prepare us to enter 2020 on a strengthened trajectory with renewed capacity, a more optimized cost structure and sharper overall focus on customer value, service and business growth.

- **Hans-Petter Mellerud, CEO**

Financial Review

All figures in NOK 1 000	2019 Q3	2018 Q3	2019 YTD	2018 YTD	2018 FY
Revenue	190,672	176,275	570,571	551,281	745,434
<i>Growth (Year-over-year)</i>	8.2 %	17.1 %	3.5 %	60.8 %	29.1 %
EBITDA adjusted¹⁾	29,654	10,175	83,826	54,478	80,496
<i>as % of revenue</i>	15.6 %	5.8 %	14.7 %	9.9 %	10.8 %
EBIT adjusted¹⁾	5,814	(5,500)	16,708	7,300	17,339
<i>as % of revenue</i>	3.0 %	-3.1 %	2.9 %	1.3 %	2.3 %
Profit before tax	(9,324)	(8,548)	(6,001)	5,073	(4,161)
Profit for the period	(6,642)	(7,307)	(3,702)	2,951	(1,273)
Total comprehensive Income	1,085	(10,176)	(3,382)	(11,629)	815
Earnings Per Share (EPS) ¹⁾	(0.31)	(0.36)	(0.17)	0.15	(0.05)
Net cash from Operating Activities	8,848	8,386	(8,216)	8,947	5,200
Full Time Equivalent (FTE) - period average	801	777	804	780	785

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

Group Revenues

Revenues for Q3-19 amounted to NOK 190.7 million which is a growth of 8.2% compared with Q3 last year. Managed Services in Northern Europe is the main driver of this increase.

Nordics & Baltics

Revenues for Q3-19 grew by 7.4% compared to Q3-18, amounting to NOK 106.3 million. Strong growth in revenues mainly driven by new sales in Managed Services and large contracts with amongst other Aker BP, DnB, Carlsberg and Aker Energy.

Revenues YTD-19 amounted to 327 million up from NOK 315 million in YTD Sep-18 showing a growth rate of 3.8%.

Central Europe

Revenues for the third quarter amounted to NOK 77.3 million compared to NOK 71.5 million in the same quarter last year. The increase in revenues from last year was driven by improved utilization and enhanced focus on market facing activities.

New contracts signed in the quarter, include multiple year contracts with customers within public sector, securing long term recurring revenues.

UK & Ireland

Revenues in Q3-19 amounted to NOK 7.1 million, up from NOK 5.9 million in Q3-18.

Revenue increase has been driven by new sales and increased scope of work for existing customers.

Group Profits

EBIT for the quarter was NOK 4.8 million compared to NOK -5.5 million for the same quarter last year. EBIT and EBIT margin for the first nine months of the year amounted to NOK 15.7 million and 2.7% respectively. Comparable numbers for the same period last year were NOK 7.3 million and 1.3%.

Cost saving initiatives were implemented in all regions which margin wise are expected to materialize mainly in Q4-19 and Q1-20. UK & Ireland showed a 5% cost reduction compared to previous quarter and 10% compared to Q1-19.

For Northern Europe the largest cost reduction during Q3-19 was seen in Denmark, where 10% EBIT improvement compared to Q3-18.

Rationalizing of operations in Baltics resulted in one-time redundancy costs in Q3-19. Thus, the recurring and underlying EBIT impact of this initiative will first yield result in Q4-19 and onwards.

Segment information

Revenues

Managed Services

The Managed Services segment contributed to 70.8% of the total revenue in Q3-19, slightly lower proportion of the product mix than in previous quarters. Revenues in Q3-19 amounted to NOK 135 million, up from NOK 131.5 million in Q3-18, equal to 2.6% growth in this segment.

This growth is mainly fuelled by increased activity in the Nordics and new customer contracts with Aker BP, DNB, Aker Energy.

In Germany new sales and contract extensions are signed with approximate value EUR 2 million with Eurowings and Dräger as biggest contributors.

There is also high demand for Success Factors services in the Polish market, where the scope of delivered projects has increased substantially compared to the same quarter last year.

UK & Ireland delivering stable services and new contracts with ABB Group within HR and payroll services will ensure future growth in the region.

Professional Services

Revenues in the Professional Services segment amounted to NOK 55.7 million, up from NOK 44.8 million in the same quarter last year.

Contracts signed in Germany in Q3 will secure revenue of EUR 1 million.

Legislative changes in Polish payroll laws have generated additional revenue which is expected to increase through the end of the year.

Segment EBIT

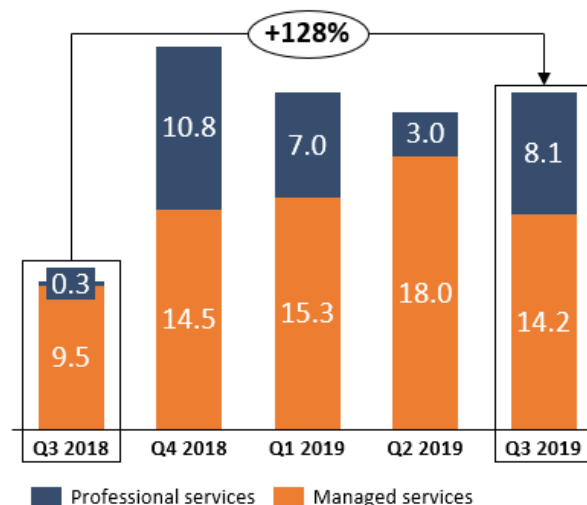
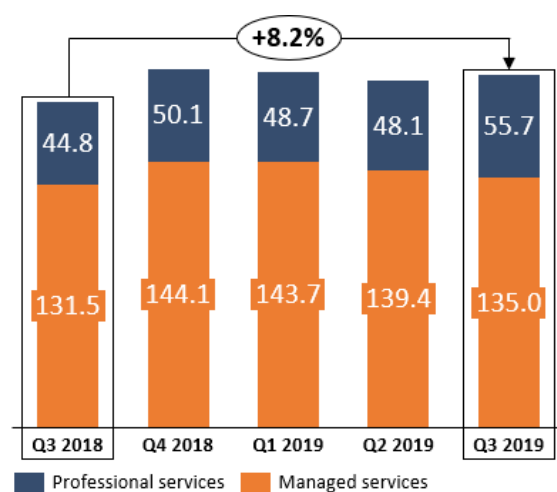
Managed Services

Compared to Q3-18 the EBIT is up by NOK 4.8 million to NOK 14.2 million in the quarter which translates into an EBIT-margin of 10.5%.

An increased share of new customers within HR Cloud as well as more efficient delivery on large well-established customers, contribute positively to margin development within Northern Europe.

Professional Services

EBIT in the Professional Services segment amounted to NOK 8.1 million compared to NOK 0.3 million in Q3-18.



Financial position and cash flow

Total assets decreased by NOK 15.6 million compared to Q2-19 to NOK 709.1 million at 30 September 2019.

Equity increased by NOK 1.5 million compared to Q2-19 to NOK 101.6 million at 30 September 2019.

The announced share buy-back program fulfilled during Q3-19 as per initiated targets. The equity ratio was stable at 14% during Q3-19.

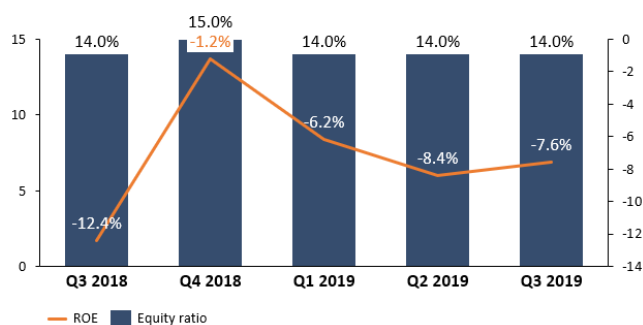
Net interest bearing debt increased from NOK 308.7 million at the end of last quarter to NOK 311.0 million. The increase of net interest bearing debt is driven by repayments for M&A, operational activities and financing.

(Capitalized costs net of deferred revenue) in customer projects of NOK 3.3 million.

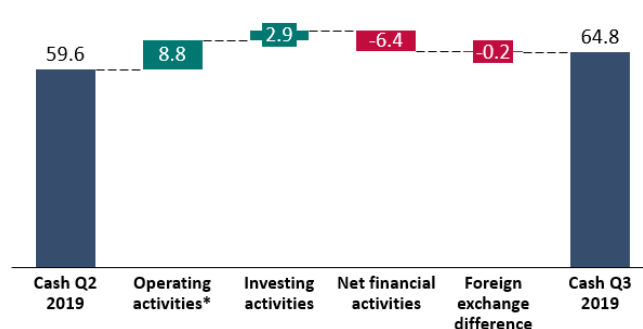
Net financial activities contributed to a negative cash flow of NOK 6.4 million in the period.

Cash balance increased during the quarter by NOK 5.2 million.

Equity ratio and Return On Equity (ROE)



Cash development Q2 2019 to Q3 2019



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

Cash and cash equivalents were NOK 64.8 million as of 30 September 2019, up from NOK 59.6 million as of 30 June 2018.

Cash from operating activities during Q3-19 was positive NOK 8.8 million including net investment

EBIT improvement program

As communicated, we have launched an EBIT improvement program – Vision2020. On the back of this program we are continuing our work in order to streamline, harmonize and simplify the organization in order to improve synergies across countries with the aim of ensuring economy of scales, profitability and reduce vulnerability. Key elements executed on during the third quarter were:

- Consolidated Lithuanian IT & Technology operations to Riga Service Center
- Consolidated Managed Services Operations in Lithuania and Estonia to our Riga Service Center

- Consolidated office locations in Germany impacting three locations
- Consolidated Dresden SAP Application Maintenance Services (AMS) Team in Dresden into our Leipzig Service Center
- Commenced process of organizational simplification targeting one legal entity per country resulting in the reduction of six legal entities. Reduction of three entities expected to take effect for 2019 and furthermore three entities for 2020
- Continued reduction of overhead costs with focus on finance function. Reduction of

recurring costs expected to take gradual effect during Q4 and full P&L effect during Q1 2020.

- Renegotiated and/or eliminated external supplier costs with effects showing in Q4-19
- Increased utilization of our near- and offshore capabilities
- Ongoing work focusing on reducing group overhead as % of revenue through focusing local capacity on market facing activities instead of supporting group functions.

Q3 YTD	Managed Services (MS)					Professional Services (PS)				
	NE	CEE	UK&I	APAC & NOZH	Total	NE	CEE	UK&I	APAC & NOZH	Total
Revenues	323,110	84,585	9,925	440	418,060	3,366	134,052	15,042	50	152,511
Contribution from operation 1)	77,842	8,013	1,200	462	87,517	77	37,170	6,667	627	43,133
<i>Contribution from operation as % of revenue</i>	24%	9%	12%	105%	21%	-2%	28%	44%	-1246%	28%
Allocated overhead 2)	- 24,504	- 13,225	- 2,366	-	- 40,094	- 256	- 21,145	- 3,585	-	- 24,986
<i>Allocated overhead as % of revenue</i>	-8%	-16%	-24%	0%	-10%	-8%	-16%	-24%	0%	-16%
Segment EBIT	53,339	- 5,212	- 1,166	462	47,423	- 332	16,025	3,081	- 627	18,147
as % of revenues	17%	-6%	-12%	105%	11%	-10%	12%	20%	-1246%	12%

¹⁾ Contribution from Operations includes all revenues and costs that can directly be attributed to the segment including segment management.

²⁾ Allocated overhead includes regional and country management, admin and business development costs.

Outlook

Substantiated in the positive development in revenues during a traditionally low season, market fundamentals for Zalaris remain advantageous. Pipeline is growing and improved focus on external market facing activities are promising. Outlook for financial year 2019 is to continue our 19 years of uninterrupted growth.

The Company's margins are expected to improve from the levels observed to date in 2019. This effect is boosted by EBIT Vision 2020 currently being implemented. Streamlining of the organization, ramp-

up of digitizing efforts, automating services and increasing Robotic Process Automation (RPA) projects all aim at increasing quality in deliveries and reduce costs.

Cost cutting measures and improved work-flow efficiency measures allow for further reducing recurring overhead cost.



Lars Laier Henriksen
(chairman)



Jon Erik Haug



Liselotte Hægertz Engstam



Adele Norman Pran



Corinna Schäfer



Kenth Erland Eriksson



Jan M. Koivurinta

Oslo, 29 October 2019
The Board of Directors of Zalaris ASA

*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	2019	2018	2019	2018	2018
		Jul-Sep <i>unaudited</i>	Jul-Sep <i>unaudited</i>	Jan-Sep <i>unaudited</i>	Jan-Sep <i>unaudited</i>	Jan-Dec
Revenue	2	190,672	176,275	570,571	551,281	745,434
Operating expenses						
License costs		15,238	13,620	44,071	41,856	60,492
Personell expenses	3	106,765	108,877	321,244	322,365	426,623
Other operating expenses		40,053	43,576	122,469	132,563	177,823
Depreciations and impairments		1,043	921	3,076	2,692	3,635
Amortizations rights of use assets	8	5,512	-	16,312	-	-
Amortisation intangible assets	4	6,539	5,868	19,972	17,549	23,575
Amortisation implement. costs customer projec	5	10,747	8,886	27,758	26,937	35,947
Total operating expenses		185,896	181,747	554,901	543,963	728,094
Operating profit		4,776	(5,472)	15,670	7,318	17,339
Financial items						
Financial income		628	1,557	1,068	2,315	9,675
Financial expense		(6,667)	(4,643)	(22,454)	(12,182)	(18,442)
Unrealised foreign currency profit/loss	7	(8,060)	10	(285)	7,622	(12,734)
Net financial items		(14,100)	(3,076)	(21,671)	(2,245)	(21,501)
Profit before tax		(9,324)	(8,548)	(6,001)	5,073	(4,161)
Income tax expense						
Tax expense on ordinary profit		2,682	1,241	2,299	(2,122)	2,888
Total tax expense		2,682	1,241	2,299	(2,122)	2,888
Profit for the period		(6,642)	(7,307)	(3,702)	2,951	(1,273)

Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2019	2018	2019	2018	2018
		Jul-Sep <i>unaudited</i>	Jul-Sep <i>unaudited</i>	Jan-Sep <i>unaudited</i>	Jan-Sep <i>unaudited</i>	Jan-Dec
Profit for the period		(6,642)	(7,307)	(3,702)	2,951	(1,273)
Other comprehensive income						
Items that will be reclassified to profit and loss in subsequent periods						
Currency translation differences		7,728	(2,869)	320	(14,581)	2,088
Total other comprehensive income		7,728	(2,869)	320	(14,581)	2,088
Total comprehensive income		1,085	(10,176)	(3,382)	(11,629)	815

Consolidated Statement of Financial Position

(NOK 1000)	Notes	2019 30. Sept <i>unaudited</i>	2018 30. Sept <i>unaudited</i>	2018 31. Dec
ASSETS				
Non-current assets				
Intangible assets	4	136,440	143,284	143,064
Goodwill	4	152,266	144,991	151,996
Total intangible assets		288,706	288,275	295,059
Deferred tax asset		7,900	1,076	6,468
Fixed assets				
Office equipment		2,129	1,593	1,737
Right-of-use assets	8	39,925		-
Property, plant and equipment		32,235	32,120	33,455
Total fixed assets		74,289	33,713	35,192
Total non-current assets		370,894	323,064	336,720
Current assets				
Trade accounts receivable	5	151,377	155,465	158,118
Customer projects	5	95,970	91,778	97,272
Other short-term receivables		26,068	16,395	25,653
Cash and cash equivalents		64,812	108,645	107,844
Total current assets		338,228	372,283	388,887
TOTAL ASSETS		709,122	695,347	725,607

Consolidated Statement of Financial Position

(NOK 1000)	Notes	2019 30. Sept <i>unaudited</i>	2018 30. Sept <i>unaudited</i>	2018 31. Dec
EQUITY AND LIABILITIES				
Equity				
Paid-in capital				
Share capital		2,012	2,012	2,012
Own shares		(4,425)	(6)	(6)
Other paid in equity		3,165	1,860	2,061
Share premium		45,138	45,198	45,138
Total paid-in capital		45,889	49,064	49,205
Other equity		(171)	(2,037)	(33)
Retained earnings		55,834	48,637	59,733
Equity attributable to equity holders of the parent		101,552	95,664	108,905
Total equity		101,552	95,664	108,905
Liabilities				
Non-current liabilities				
Deferred tax		25,022	27,555	25,776
Interest-bearing loans and borrowings		355,122	339,774	355,746
Lease liabilities	8	18,607	-	-
Total long-term debt		398,751	367,329	381,522
Current liabilities				
Trade accounts payable		5,310	20,479	24,358
Customer projects liabilities	5	57,480	67,223	64,284
Interest-bearing loan from shareholders		7,216	7,492	7,867
Interest-bearing loans		13,521	14,339	14,817
Lease liabilities	8	21,881	-	-
Income tax payable		333	2,376	4,801
Public duties payable		34,276	34,933	36,517
Other short-term debt		67,107	85,511	81,655
Derivatives		1,694	-	882
Total short-term debt		208,818	232,353	235,180
Total liabilities		607,569	599,683	616,702
TOTAL EQUITY AND LIABILITIES		709,122	695,347	725,607

Consolidated Statement of Cash Flow

(NOK 1000)	Notes	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Cash Flow from operating activities		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
Profit (Loss) before tax		(9,324)	(8,548)	(6,001)	5,074	(4,161)
Financial income		7,433	(1,567)	(783)	(2,269)	3,059
Financial costs		6,667	4,643	22,454	4,513	18,442
Stock purchase program		533	-	1,115	-	945
Depreciation and impairments		6,554	921	19,388	2,692	3,635
Amortisation intangible assets		6,539	5,868	19,972	17,549	23,575
Amortisation implementation costs customer projects ¹	5	10,747	8,886	27,758	26,937	35,947
Recognized customer projects assets ¹⁾	5	(5,867)	(2,835)	(28,112)	(32,539)	(36,872)
Recognized customer projects liabilities ¹⁾	5	(3,165)	-	(6,805)	2,845	(9,203)
Taxes paid		-	77	-	(4,747)	(4,996)
Changes in accounts receivable		11,154	1,441	6,740	2,028	(624)
Changes in accounts payable		(12,009)	7,167	(19,048)	(3,731)	1,503
Changes in other items ¹⁾		(3,734)	(4,464)	(28,192)	(2,262)	(14,619)
Interest received		(16)	65	124	137	212
Interest paid		(6,663)	(3,270)	(16,826)	(7,280)	(12,645)
Net cash flow from operating activities		8,848	8,386	(8,216)	8,947	4,195
Cash flows to investing activities						
Fixed and intangible assets		2,942	(1,481)	(8,408)	(17,991)	(21,330)
Net cash flow to investing activities		2,942	(1,481)	(8,408)	(17,991)	(21,330)
Cash flows from financing activities						
Purchase of own shares		-	-	(4,419)	-	-
Transaction costs related to issuance of new shares		-	273	-	765	-
Bank overdraft		-	(42,557)	-	(25,135)	(25,135)
Proceeds from issue of new borrowings		-	323,592	-	324,831	340,282
Payment of lease liabilities		(6,276)	-	(18,530)	-	-
Repayment of loan		(102)	(218,377)	(1,682)	(233,055)	(244,696)
Dividend payments to owners of the parent		-	-	-	(13,020)	(13,080)
Net cash flow from financing activities		(6,378)	62,931	(24,630)	54,386	57,371
Net changes in cash and cash equivalents		5,412	69,835	(41,254)	45,341	40,237
Net foreign exchange difference		(170)	1,365	(1,778)	512	3,851
Cash and cash equivalents at the beginning of the period		59,570	37,445	107,844	62,793	62,792
Cash and cash equivalents at the end of the period		64,812	108,646	64,812	108,646	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					-		(3,702)	(3,702)
Other comprehensive income				(11)	(11)	331		320
Buyback of own shares		(4,419)			(4,419)			(4,419)
Share based payments				1,115	1,115			1,115
Other changes					-	(469)	(197)	(666)
Equity at 30.09.2019	2,012	(4,425)	45,137	3,165	45,889	(171)	55,436	101,553
Unaudited								
Equity at 01.01.2018	2,012	(6)	58,217	1,116	61,339	(2,114)	60,461	119,687
Profit of the year					-		2,952	2,952
Other comprehensive income				(20)	(20)	(14,633)		(14,654)
Share based payments				765	765			765
Other changes					-	(65)		(65)
Dividend			(13,020)		(13,020)			(13,020)
Equity at 30.09.2018	2,012	(6)	45,197	1,861	49,064	(16,812)	63,413	95,665
Unaudited								

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 third quarter of 2019 were authorized for issue by the board of directors on 29th of October 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 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 September 2019, 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

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 change 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 Jul-Sep

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	134 978	55 694		190 672
Operating expenses	(106 107)	(45 304)	(10 561)	(161 971)
EBITDA	28 871	10 390	(10 561)	28 701
Depreciation and amortisation	(14 644)	(2 269)	(7 012)	(23 925)
EBIT	14 227	8 121	(17 573)	4 776
Net financial income/(expenses)			(14 100)	(14 100)
Income tax			2 682	2 682
Profit for the period	14 227	8 121	(28 991)	(6 642)
Cash flow from investing activities			2 942	2 942

2018 Jul-Sep

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	131 537	44 738		176 275
Operating expenses	(116 210)	(45 203)	(4 658)	(166 072)
EBITDA	15 327	(465)	(4 658)	10 204
Depreciation and amortisation	(5 857)	755	(10 573)	(15 675)
EBIT	9 470	290	(15 231)	(5 471)
Net financial income/(expenses)			(3 076)	(3 076)
Income tax			1 241	1 241
Profit for the period	9 470	290	(17 066)	(7 305)
Cash flow from investing activities			(1 481)	(1 481)

2019 Jan-Sep

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	418,060	152,511		570,571
Operating expenses	(331,068)	(128,033)	(28,598)	(487,699)
EBITDA	86,992	24,478	(28,598)	82,872
Depreciation and amortisation	(39,569)	(6,331)	(21,301)	(67,202)
EBIT	47,423	18,147	(49,899)	15,670
Net financial income/(expenses)			(21,671)	(21,671)
Income tax			2,299	2,299
Profit for the period	47,423	18,147	(69,271)	(3,702)
Cash flow from investing activities			(8,408)	(8,408)

2018 Jan-Sep

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	405,482	145,799		551,281
Operating expenses	(330,791)	(137,195)	(28,798)	(496,785)
EBITDA	74,691	8,604	(28,798)	54,497
Depreciation and amortisation	(29,125)	(1,345)	(16,708)	(47,178)
EBIT	45,566	7,259	(45,506)	7,320
Net financial income/(expenses)			(2,245)	(2,245)
Income tax			(2,122)	(2,122)
Profit for the period	45,566	7,259	(49,873)	2,953
Cash flow from investing activities			(17,991)	(17,991)

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 Jul-Sep	as % of total	2018 Jul-Sep	as % of total	2019 Jan-Sep	as % of total	2018 Jan-Sep	as % of total	2018 Jan-Dec
Northern Europe	56%	106,263	56%	98,958	57%	326,967	57%	315,137	58%	430,897
Central Europe	41%	77,315	41%	71,472	38%	218,637	40%	218,344	39%	288,213
UK & Ireland	4%	7,095	3%	5,845	4%	24,968	3%	17,801	4%	26,323
Total	100%	190,672	100%	176,275	100%	570,571	100%	551,282	100%	745,434

Information about major customers

(NOK 1000)	as % of total	2019 Jul-Sep	of total	2018 Jul-Sep	of total	2019 Jan-Sep	of total	2018 Jan-Sep	of total	2018 Jan-Dec
5 largest customers	24%	46,591	28%	51,868	26%	145,901	26%	99,311	27%	202,304
10 largest customers	35%	67,641	38%	72,149	36%	207,357	37%	140,028	38%	284,033
20 largest customers	52%	98,892	54%	101,345	52%	296,340	48%	181,252	53%	398,121

Note 3 – Personnel Costs

(NOK 1000)	2019	2018	2019	2018	2018
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Salary	89,586	87,048	278,249	269,871	367,842
Variable compensation	4,427	6,844	14,241	20,406	19,198
Social security tax	13,382	13,117	40,390	40,744	54,679
Pension costs	5,031	4,903	15,350	15,182	19,905
Other expenses	4,696	6,444	13,121	18,016	19,796
Capitalized development expenses	(4,490)	(4,342)	(11,994)	(12,570)	(17,924)
Capitalized implementation costs customer projects	(5,867)	(5,138)	(28,112)	(29,284)	(36,872)
Total personnel expenses	106,765	108,877	321,244	322,365	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	136	1,008	11,821	-	-	12,965
Reclassifications	-	18,071	(18,071)	-	-	-
Disposals and currency effects	(5)	(48)	376	61	270	653
This period ordinary amortisation	(2,335)	(10,178)	-	(7,459)	-	(19,972)
Book value 30.9.2019	6,852	37,621	14,063	77,905	152,266	288,706
Book value 01.01.2018	8,940	31,458	10,555	94,794	151,075	296,822
Additions of the period	1,369	-	16,413	-	-	17,782
Reclassifications	-	6,403	(6,403)	-	-	(0)
Disposals and currency effects	794	211	-	(3,700)	(6,084)	(8,779)
This period ordinary amortisation	(2,143)	(8,090)	-	(7,317)	-	(17,550)
Book value 30.9.2018	8,960	29,982	20,565	83,777	144,991	288,275
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

	2019	2018	2018
(NOK 1000)	30. Sep	30. Sep	31. Dec
Trade receivables	151,377	156,906	158,118
Customer project assets	95,970	91,778	97,272
Customer project liabilities	(57,480)	(67,223)	(64,284)
Prepayments from customers	(13,976)	(14,311)	(18,021)

Trade receivables are non-interest bearing and are on general terms of from 14 to 90 days credit. In 2019 TNOK 210 (2018 TNOK 519) was recognised as provision for expected credit losses on trade receivables.

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:

	2019	2018	2018
(NOK 1000)	Jan-Sep	Jan-Sep	31. Dec
Opening balance in the period	97,273	95,284	95,284
Cost capitalized	28,112	26,619	36,872
Amortization	(27,758)	(30,126)	(35,947)
Currency	(1,656)	-	1,063
Customer projects assets end of period	95,970	91,778	97,272

Movements in customer project liabilities through the period:

	2019	2018	2018
(NOK 1000)	Jan-Sep	Jan-Sep	Jan-Dec
Opening balance in the period	(64,284)	(73,487)	(73,487)
Revenue deferred	(13,532)	(22,066)	(24,296)
Revenue recognized	18,490	28,330	33,499
Currency	1,846	-	-
Customer project liabilities end of period	(57,480)	(67,223)	(64,284)

Note 6 – Transactions with Related Parties

a) Purchase from related parties

(NOK 1000)		2019	2018	2019	2018	2018
Related party	Transaction	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Rayon Design AS ¹⁾	Management Services	314	42	872	1,007	1,677
Haug Advisory AS ²⁾	Management Services	100	-	200	-	-
Total		414	42	1,072	1,007	1,677

¹⁾ Hans-Petter Møllerud, CEO, owns 40% of Rayon Design AS through 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 Commerzbank DE related to office building in Leipzig and financial leasing loans in SG Finance.

(NOK 1000)		Value	Interest	Maturity	2019	2018	2018
					30. Sep	30. Sep	31. Dec
Bond loan	EUR 35 000 000	3 m Euribor + 4.75 %	28.09.2023	347,156	-	340,282	
Loan fees bond			28.09.2023	(6,262)	-	-	
Loan Nordea	EUR 25 800 000	6,25 %	31.05.2022	-	-	-	
Commerzbank - DE	EUR 1 636 430	1,3 %	31.12.2031	13,043	13,813	27,665	
SG Finance loans	NOK 5 000 348	From 4,0 % to 6,7 %	2019-2023	1,185	1,130	2,616	
Total loans				355,122	14,943	370,563	

Note 8 – Right of use assets and lease liabilities

Zalaris as a lessee

Right-of-use assets

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

Right-of-use assets	Buildings	Equipment	Vehicles	Total
Acquisition cost 1.1.2019	42,218	3,428	6,680	52,326
Addition of right-of-use assets	3,246	359	305	3,910
Acquisition cost 30.9.2019	45,464	3,787	6,985	56,237
Accumulated depreciation and impairment 1.1.2019				
Depreciation	12,374	1,202	2,736	16,312
Accumulated depreciation and impairment 30.9.2019	12,374	1,202	2,736	16,312
Carrying amount of right-of-use assets 30.9.2019	33,090	2,585	4,249	39,925

Lower of remaining lease term or economic life	1 - 10 years	3 - 6 years	3 - 6 years
Depreciation method	Linear	Linear	Linear

3-4 years	5,122
4-5 years	2,100
More than 5 years	76
Total undiscounted lease liabilities at 30.9.2019	40,488

Summary of the lease liabilities in the financial statements	Statement of:	Total
At initial application 01.01.2019		52,326
New lease liabilities recognised in the year		3,910
Cash payments for the principal portion of the lease liability	Cash flows	-16,866
Cash payments for the interest portion of the lease liability	Cash flows	-1,664
Interest expense on lease liabilities	Profit and loss	1,664
Reassessment of the discount rate on previous lease liabilities	Profit and loss	-
Currency exchange differences	income	1,117
Total lease liabilities at 30.9.2019		40,488
Current lease liabilities	Financial position	21,881
Non-current lease liabilities	Financial position	18,607
Total cash outflows for leases	Cash flows	-18,530

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.

Summary of other lease expenses recognised in profit or loss	Total
Variable lease payments expensed in the period	16 866
Operating expenses related to short-term leases (including short-term low value assets)	148
Operating expenses period related to low value assets (excluding short-term leases included above)	419
Total lease expenses included in other operating expenses	17 433

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.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period from January 1 to September 30 2019 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 first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Oslo, 29 October 2019
The Board of Directors of Zalaris ASA



Lars Laier Henriksen
(chairman)



Jon Erik Haug



Liselotte Hågertz Engstam



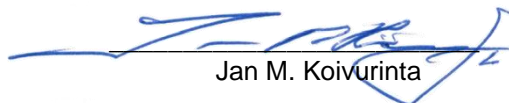
Adele Norman Pran



Corinna Schäfer



Kenth Erland Eriksson



Jan M. Koivurinta

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

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
- EBITdA / Adjusted EBITdA
- EBITA / Adjusted EBITA
- 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	2019	2018	2018
Adjusted EBIT	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
EBIT (1)	4.8	-5.5	15.7	7.3	17.3
Other cost (2)	1.0		1.0		
Adjusted EBIT, (1) + (2)	5.8	-5.5	16.7	7.3	17.3

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	2019	2018	2018
Adjusted EBITDA	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Adjusted EBIT (1)	5.8	-5.5	16.7	7.3	17.3
Depreciations (2)	1.0	0.9	3.1	2.7	3.6
Amortizations rights of use assets (3)	5.5		16.3		
Amortisation intangible assets (4)	6.5	5.9	20.0	17.5	23.6
Amort. implem. costs customer projects (5)	10.7	8.9	27.8	26.9	35.9
Adjusted EBITDA, (1) + (2) + (3) + (4) + (5)	29.7	10.2	83.8	54.5	80.5

Adjusted EBITdA

EBITdA is defined as EBITDA adjusted for P&L and Δ Balance Sheet items pertaining to customer projects.

Adjusted EBITdA	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Adjusted EBITDA (1)	29.7	10.2	83.8	54.5	80.5
Capitalized implementation costs (2)	-7.1	-5.9	-26.5	-23.2	-36.4
Recognized revenue (3)	-6.9	-8.4	-18.5	-23.7	-27.0
Deferred revenue (4)	3.7	11.5	11.7	17.4	17.8
Adjusted EBITdA, (1) + (2) + (3) + (4)	19.4	7.3	50.6	25.0	34.9

Adjusted EBITA

EBITA is defined as EBIT with added back amortization expenses.

(MNOK)	2019	2018	2019	2018	2018
Adjusted EBITA	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Adjusted EBIT (1)	5.8	-5.5	16.7	7.3	17.3
Amortizations rights of use assets (2)	5.5		16.3		
Amortisation intangible assets (3)	6.5	5.9	20.0	17.5	23.6
Amort. implem. costs customer projects (4)	10.7	8.9	27.8	26.9	35.9
Adjusted EBITA, (1) + (2) + (3) + (4)	28.6	9.3	80.8	51.8	76.9

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 finance function, and purchase price amortization.

(MNOK)	2019	2018	2019	2018	2018
Segment EBIT	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
EBIT (1)	4.8	(5.5)	15.7	7.3	17.3
Group overhead and unallocated costs (2)	17.6	15.2	49.9	45.5	60.7
Segment EBIT, (1) + (2)	22.3	9.8	65.6	52.8	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)	Sep	Sep	Dec
Average equity last four quarters (1)	103.8	111.6	108.8
Profit after tax last twelve months (2)	-7.9	-13.9	-1.3
ROE, (2) / (1)	-7.6 %	-12.4 %	-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	Sep	Sep	Dec
Interest bearing loans and borrowings	355.1	339.8	355.7
Interest-bearing loan from shareholders	7.2	7.5	7.9
Interest-bearing loans	13.5	14.3	14.8
Cash and cash equivalents	-64.8	-108.6	-107.8
Net Interest Bearing Debt	311.0	253.0	270.6

Key Figures

Key financials	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Revenues	186.2	188.8	176.3	194.1	192.4	187.5	190.7
Revenue growth (YoY)	75.0 %	48.8 %	17.1 %	0.3 %	3.3 %	-0.7 %	8.2 %
EBITDA adjusted	19.3	25.0	10.2	26.0	27.8	26.4	29.7
EBITDA margin	10%	13%	6%	13%	14%	14%	16%
EBIT adjusted	11.3	1.5	-5.5	10.0	6.5	4.4	5.8
EBIT margin	6.1 %	0.8 %	-3.1 %	5.2 %	3.4 %	2.4 %	3.0 %
Profit Before Tax	12.7	0.9	-8.5	-9.2	7.6	-4.3	-9.3
Income Tax Expense	1.3	2.0	-1.2	-5.0	-1.4	1.0	2.7
Net income	11.4	-1.1	-7.3	-4.2	6.3	-3.3	-6.6
Profit margin	6.1 %	-0.6 %	-4.1 %	-2.2 %	3.3 %	-1.8 %	-3.5 %
Weighted # of shares outstanding (m)	20.3	20.3	20.3	21.3	21.3	21.3	21.3
Basic EPS	0.6	-0.1	-0.4	-0.2	0.3	-0.2	-0.3
Diluted EPS	0.6	-0.1	-0.4	-0.2	0.3	-0.2	-0.3
DPS		0.7					
Cash flow items							
Cash from operating activities	-2.3	0.6	5.4	0.5	-22.0	5.0	8.8
Investments	-5.3	-8.9	-1.5	-5.6	-4.2	-7.1	2.9
Net changes in cash and cash equi.	-23.6	-0.9	69.8	-5.1	-37.2	-9.4	5.4
Cash and cash equivalents end of period	31.7	37.4	108.6	107.8	69.3	59.6	64.8
Net debt	239.3	214.6	253.0	270.6	299.0	308.7	311.0
Equity	125.3	106	96	108	105	100	102
Equity ratio	19%	17%	14%	15%	14%	14%	14%
ROE	-5.1 %	-2.3 %	-12.4 %	-1.2 %	-6.2 %	-8.4 %	-7.6 %
Number of FTE (Period End)	779	792	798	799	822	825	804
Segment overview	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
NOKm							
Revenues	186.2	188.8	176.3	194.1	192.4	187.5	190.7
Managed Services	138.9	135.1	131.5	144.1	143.7	139.4	135.0
Professional Services	47.3	53.8	44.7	50.1	48.7	48.2	55.7
Adjustments							
EBIT	11.3	1.5	-5.5	10.0	6.5	4.4	4.8
Managed Services	18.8	17.3	9.5	14.5	15.3	17.9	14.2
as % of revenue	13.6 %	12.8 %	7.2 %	10.0 %	10.6 %	12.9 %	10.5 %
Professional Services	7.0	-0.1	0.3	10.8	7.0	3.0	8.1
as % of revenue	14.9 %	-0.1 %	0.6 %	21.5 %	14.4 %	6.3 %	14.6 %
Gr.ovhd & Unallocated	-14.5	-15.7	-15.2	-15.2	-15.8	-16.5	-17.6

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Financial information

Interim report Q4 2019 to be published 28 February 2020

Annual report FY 2019 to be published 24 April 2020

Interim report Q1 2020 to be published 8 May 2020

Interim report Q2 2020 to be published 18 August 2020

Interim report Q3 2020 to be published 29 October 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.

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