



Q1 2020 Interim Report

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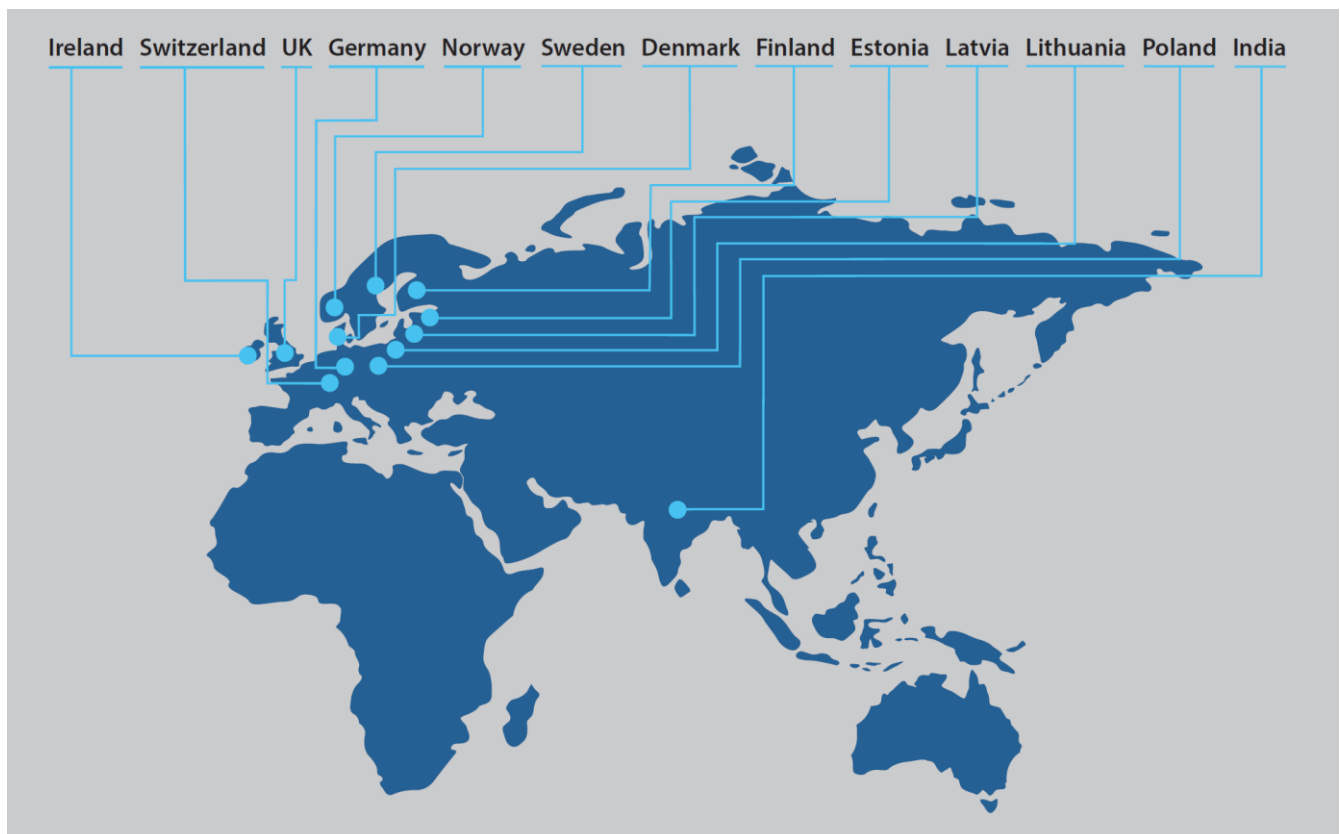
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About Zalaris

We simplify HR and payroll administration, and empower organisations with useful information so that they can invest more in their people.

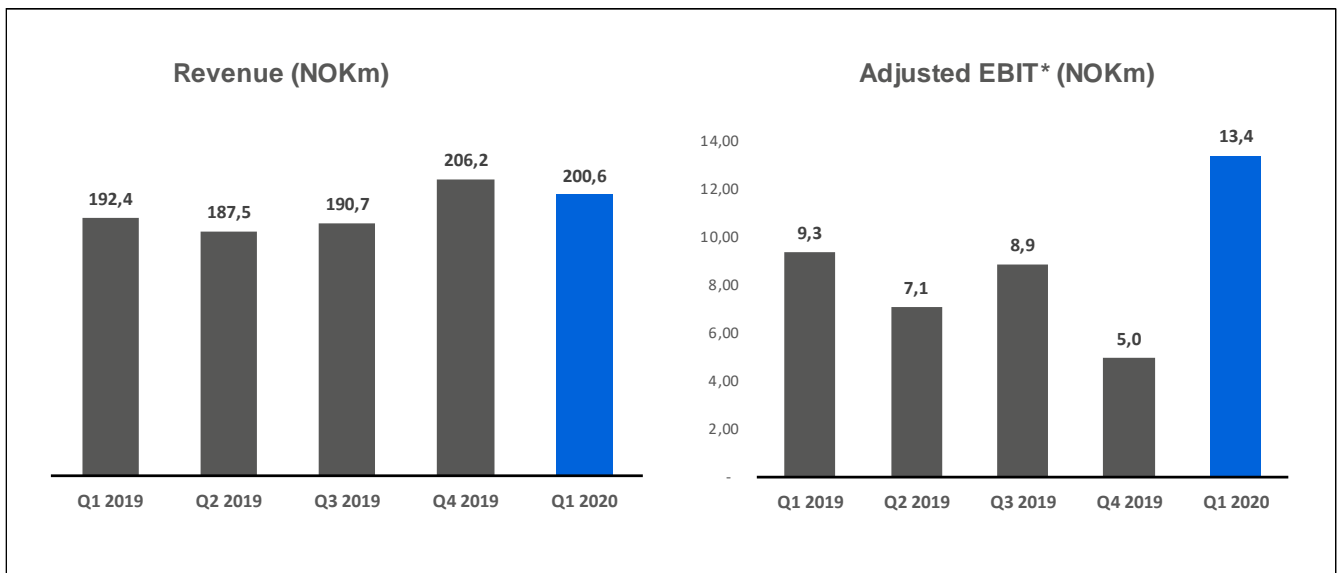
Our proven local and multi-country delivery models include on-premise implementations, software as a service (SaaS), integrated cloud and business process outsourcing (BPO). We are supported by over 800 competent employees across 12 countries in the Nordics, Baltics, Poland, Germany, India, Ireland and the UK. Our consultants have more than 20 years of experience across all industries and IT environments. We serve over 1.5 million employees each month, across multiple industries and with many of Europe's most reputable employers with our innovative payroll, HR and professional services. Our customers include large multinational companies within different sectors.

Headquartered in Oslo, Norway, Zalaris is publicly traded on the Oslo Stock Exchange (ZAL).



Q1 Highlights

- Revenue of NOK 200.6 million for the first quarter (+4.3%)
- Adjusted EBIT of NOK 13.4 million (NOK 9.3 million)
- Signed long-term renewals with blue-chip companies including Yara, CircleK and Gassco, and agreements within the public sector in Germany and Norway
- Rapidly adapted to the challenges of COVID-19, enabling our +800 employees to work from home within days, and fully running HR support functions for our customers
- Cash and cash equivalents of NOK 87.5 million, an increase of NOK 5.1 million from year-end



*Defined in separate section: Alternative Performance Measure (APMs)

Key Figures

Q1 2020 financial summary

(NOK 1 000)	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Revenue	200 611	192 351	776 792
<i>Growth (YoY)</i>	4,3 %	3,3 %	4,2 %
EBITDA	30 853	27 819	103 381
Adjusted EBITDA ¹⁾	26 824	22 858	87 549
<i>Adjusted EBITDA margin (as % of revenue)</i>	13,4 %	11,9 %	11,3 %
EBIT	9 451	6 483	14 091
Adjusted EBIT ¹⁾	13 391	9 345	30 240
<i>Adjusted EBIT margin (as % of revenue)</i>	6,7 %	4,9 %	3,9 %
Profit/(loss) for the period	(48 551)	6 264	(7 011)
Adj. profit/(loss) for the period ¹⁾	10 554	14 683	18 737
Earnings per share (EPS)	(2,48)	0,29	(0,36)
Adj. earnings per share (adj. EPS) ¹⁾	0,54	0,74	0,95
Total comprehensive income	3 856	(1 117)	3 856
Free cash flow ¹⁾	13 226	(26 274)	17 046
Net interest-bearing debt (NIBD) ¹⁾	(344 484)	(298 999)	(286 610)
Full time equivalents (FTEs) period end ¹⁾	728	822	753

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

Q1 2020 financial performance by business segment*

(NOK 1 000)	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Revenue			
Managed services	142 348	136 241	553 691
Professional services	58 263	56 110	223 101
Group overhead and other	-	-	-
Total revenue	200 611	192 351	776 792
EBIT			
Managed services	16 737	13 642	54 958
Professional services	6 278	8 679	20 961
Group overhead and other	(13 564)	(15 839)	(61 828)
EBIT	9 451	6 483	14 091
EBIT margin (%)			
Managed services	11,8 %	10,0 %	9,9 %
Professional services	10,8 %	15,5 %	9,4 %
Group overhead and other	n/a	n/a	n/a
EBIT margin (%)	4,7 %	3,4 %	1,8 %

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

CEO Insights

In these unprecedented times of handling the COVID-19 epidemic, Zalaris is delivering as normal on customer commitments, with 75% of our workforce working from home.

At the same time, we are celebrating Zalaris' 20th anniversary! This is a time of reflection, gratitude and appreciation of how far we have come together since the company started in 2000, with only 1 person in Norway, and we are now more than 800 in 12 countries!

We completed Q1/20 with an increase in revenue to NOK 200.6 million growing 4.3% YoY – a new high for Q1. Adjusted EBIT for the quarter, increased to NOK 13.4 million, up 44% from NOK 9.3 in the same quarter last year.

EBIT improvement program delivered target cost savings – going for more

Vision 2020 – our EBIT improvement program, which was communicated in May 2019, and targeting monthly cost reductions of 4.7 million by Q1-20, has been concluded and we have delivered on our cost savings targets resulting in a significant improvement in EBIT for the quarter. However, during this period, we have not been able to attain our target of 10% EBIT. This has primarily been due to us not fully succeeding in converting freed-up resources to additional chargeable work. We are currently addressing this, as well as opportunities to further increase our cost efficiency and closing in on the gaps to industry peers.

Delivering on commitments to customers despite COVID-19 disruptions

The world has entered unprecedented times due to the outbreak of the COVID-19 pandemic. Home offices and updated labour compliances are the new normal, and we are in a position to support our customers in simplifying HR and payroll, facilitating re-skilling and empowering our customers with useful and timely information. We are poised to serve as a critical backbone for our customers, ensuring the smooth running of their HR function. Our modern and scalable IT infrastructure is anywhere in real time. Governments in countries where we operate have introduced restrictions as a part of the COVID-19 pandemic, for instance,

allowing us to introduce remote-work for our employees within days. No additional investments were needed to secure access equal to that of sitting in our offices. Our standardised and well-documented processes, in combination with our geographically distributed service centres and talented employees, allow us to shift work between locations in real time.

This makes our company resilient. Because even if governments and authorities impose travel or other restrictions on an employee or a group of employees, Zalaris can continue to work and deliver on customer commitments. Fortifying recurring revenue streams.

Renewing our identity to support our growth ambitions

Whilst these are unprecedented times for all of us in the COVID-19 predicament, we also see this as an opportune time to renew our identity and strengthen our shared sense of purpose as a team to serve our customers better. We have updated our mission to: We simplify HR and payroll administration, and empower you with useful information enabling you to invest more in people.

Our values bind us together as one company: they shape the way we behave towards each other, our customers and our partners across the markets we serve. The new logo is the culmination of this process, symbolising our ambition on being people focused, agile, and the continuous simplification of processes to improve customer experience.

With Zalaris providing fully digitised solutions and outsourcing services for HR and payroll, we are well positioned to deliver on an expected increased demand from the market for solutions that support reducing operating costs and allowing flexibility to work from anywhere.

Hans-Petter Mellerud

Financial Review

Revenue

Consolidated revenue for the first quarter 2020 amounted to NOK 200.6 million (Q1 2019: NOK 192.4 million), which was an increase of 4.3% from last year.

Nordics & Baltics

Revenue in the Nordic & Baltic region grew by 5.4%, from NOK 107.9 million in the first quarter last year to NOK 113.7 million in the same quarter this year. The revenue growth was due to marginally higher revenue from new and existing customers in Norway, as well as a higher EUR/NOK.

Central Europe

Revenue in the Central Europe region for the first quarter amounted to NOK 77.4 million, compared to NOK 74.8 million in the same quarter last year, an increase of 3.4%. Increased revenue from new and existing customers in Poland, as well as a higher EUR/NOK, was partly offset by lower revenue in Germany.

UK & Ireland

Revenue for the first quarter in the UK & Ireland region amounted to NOK 9.6 million, compared to NOK 9.7 million in the same quarter last year.

Group Profits

Consolidated EBIT for the quarter was NOK 9.5 million (NOK 6.5 million).

Cost saving initiatives were implemented in all regions in 2019, and the number of FTEs has been reduced by approximately 52, since the program was initiated. Of these, 48 FTEs were employed within support and admin. functions. The cost saving initiatives have had a positive impact on operating expenses, and, when adjusted for currency movements, actual employee costs during the quarter have been reduced by approximately NOK 9 million compared to last year. However, this reduction has been more than offset by less employee costs being capitalized to customer projects and internal development projects, as well as unfavorable currency movements, resulting in higher personnel costs for the quarter compared to last year.

Adjusted for one-off costs (NOK 0.6 million), calculated costs of the Company's share-based payment plan (NOK 0.7 million) and amortization of excess values on acquisition (NOK 2.6 million), the EBIT was NOK 13.4 million for the first quarter (NOK 9.3 million).

The Group had net financial expense of NOK 72.0 million for the first quarter (income NOK 1.1 million), of which NOK 66.3 million (gain NOK 8.3 million) relates to an unrealized loss on the EUR 35 million bond loan and other foreign currency denominated balances. This has been partly offset by a currency translation gain of NOK 52.4 million (loss NOK 7.4 million) in other comprehensive income, as a result of the increased value of equity in foreign subsidiaries.

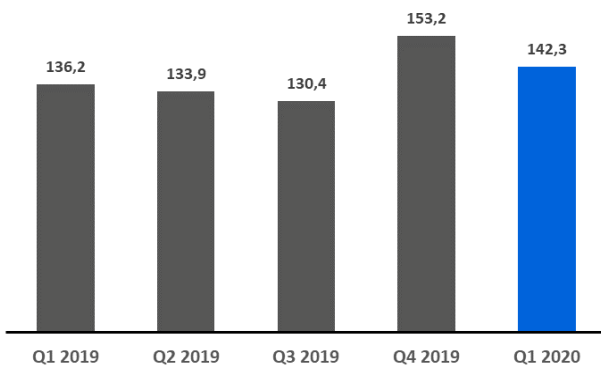
The net loss for the quarter was NOK 48.6 million (gain NOK 6.3 million), and total comprehensive income amounted to NOK 3.9 million (loss NOK 1.1 million).

Business segment performance

Managed Services

The Managed Services segment grew by 4.5% during the first quarter 2020, compared to the same quarter last year, and amounted to NOK 142.3 million for the quarter. Managed service revenue contributed to 70.9% (70.8%) of total revenue for the Group.

Revenue Managed Services (NOKm):

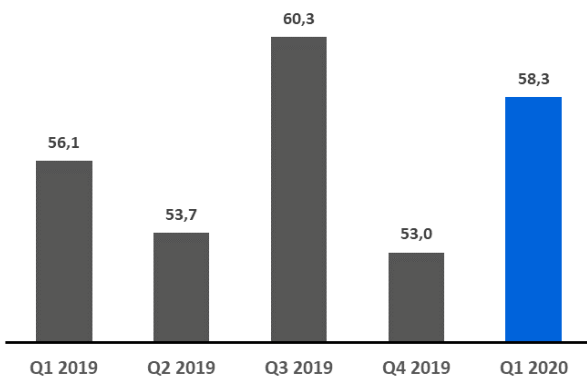


The EBIT for Managed Services for the first quarter 2020 was NOK 16.7 million (NOK 13.6 million).

Professional Services

Revenue in the Professional Services segment amounted to NOK 58.3 million for the first quarter 2020, an increase of 3.9% from last year.

Revenue Professional Services (NOKm):



The EBIT for Professional Services for the first quarter was NOK 6.3 million (NOK 8.7 million). The negative variance is mainly due to lower utilization of consultants.

Financial position and cash flow

Zalaris had total assets of NOK 772.5 million as of 31 March 2020, compared to NOK 713.0 million at 31 December 2019. The large increase in total assets is mainly due to the currency translation effect of consolidating entities with a different functional currency than NOK.

Cash and cash equivalents were NOK 87.5 million as of 31 March 2020, an increase of NOK 5.1 million from the end of the previous quarter.

Total equity as of 31 March 2020 was NOK 95.9 million, compared to NOK 92.2 million as of 31 December 2019. This corresponds to an equity ratio of 12.4% (12.9%).

The Company holds 554,627 own shares at 31 March 2020.

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) increased from NOK 286.6 million at 31 December 2019 to NOK 344.5 million at 31 March 2020. The increase is mainly due to increased value of the EUR 35 million bond loan, as a result of the depreciation of NOK during the period. This has been partly compensated by an increase in the NOK value of net assets in subsidiaries.

Operating cash flow during the first quarter 2020 was NOK 16.9 million (negative NOK 22.0 million). The increase compared to last year is mainly due to a reduction in working capital and a lower cost base.

Net cash flow from investing activities for the first quarter was negative NOK 3.7 million (negative NOK 4.2 million), mainly relating to internal development

projects. Net cash flow from financing activities for the first quarter was negative NOK 9.3 million (negative NOK 11.0 million), mainly relating to lease and loan repayments.

Cash and cash equivalents balance at 31 March 2020 was NOK 87.5 million (NOK 69.3 million).

EBIT improvement program

As previously communicated, Zalaris launched an EBIT improvement program in 2019, Vision2020. This included streamlining of the organization, ramp-up of digitizing efforts, automating services and increasing Robotic Process Automation (RPA) projects, all aimed at increasing quality in deliveries and reducing costs. As part of the program the total number of FTEs has been reduced by approximately 52 (-6%) from when the program was launched. Key elements executed, which is expected to have a positive financial effect in 2020, 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 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 overhead costs
- Renegotiated and/or eliminated external supplier costs
- 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

Outlook

The market fundamentals remain strong and Zalaris' key markets are expected to grow in the foreseeable future. The Company is well positioned to capture part of this growth through new customers and by expanding the service offering to existing customers. The Company's financial results are expected to improve from the levels observed in 2019, as a result of the cost reduction initiatives implemented in 2019 through the EBIT improvement program. This include streamlining of the organization, ramp-up of digitizing

efforts, automating services and increasing Robotic Process Automation (RPA) projects, all aimed at increasing quality in deliveries and reducing costs. The COVID-19 pandemic has had limited financial impact on the Company so far, but revenue could be impacted negatively in the time to come, depending on the scope and duration of COVID-19. However, the underlying market fundamentals remain strong, and the long-term outlook is positive.

The Board of Directors of Zalaris ASA
Oslo, 7 May 2020

A handwritten signature in blue ink, appearing to read 'Lars Lajer Henriksen', written over a horizontal line.

Lars Lajer Henriksen
(chairman)

A handwritten signature in blue ink, appearing to read 'Jon Erik Haug', written over a horizontal line.

Jon Erik Haug

A handwritten signature in blue ink, appearing to read 'Liselotte Hægertz Engstam', written over a horizontal line.

Liselotte Hægertz Engstam

A handwritten signature in blue ink, appearing to read 'Adele Norman Pran', written over a horizontal line.

Adele Norman Pran

A handwritten signature in blue ink, appearing to read 'Corinna Schäfer', written over a horizontal line.

Corinna Schäfer

A handwritten signature in blue ink, appearing to read 'Kenth Eriksson', written over a horizontal line.

Kenth Eriksson

A handwritten signature in blue ink, appearing to read 'Jan M. Koivumäki', written over a horizontal line.

Jan M. Koivumäki

Interim Consolidated Financial Statements

Consolidated Statement of Profit and Loss

(NOK 1 000)	Notes	2020 Jan-Mar <i>unaudited</i>	2019 Jan-Mar <i>unaudited</i>	2019 Jan-Dec
Revenue	2	200 611	192 351	776 792
Operating expenses				
License costs		16 998	14 928	67 981
Personnel expenses	4	111 579	107 569	438 543
Other operating expenses		41 181	42 035	166 887
Depreciation and impairments		900	998	4 048
Depreciation right-of-use assets	7	5 291	5 344	21 932
Amortisation intangible assets	6	6 608	6 697	26 704
Amortisation implementation costs customer projects	3	8 603	8 297	36 606
Total operating expenses		191 160	185 869	762 701
Operating profit (EBIT)		9 451	6 483	14 091
Financial items				
Financial income	5	2 742	636	2 632
Financial expense	5	(8 440)	(7 784)	(29 057)
Unrealized foreign exchange gain/(loss)	5	(66 298)	8 286	2 375
Net financial items		(71 996)	1 138	(24 051)
Profit before tax		(62 545)	7 621	(9 960)
Tax expense		13 994	(1 357)	2 950
Profit for the period		(48 551)	6 264	(7 011)
Earnings per share:				
Basic earnings per share (NOK)		(2,48)	0,29	(0,36)
Diluted earnings per share (NOK)		(2,40)	0,28	(0,35)

Consolidated Statement of Comprehensive Income

(NOK 1 000)	Notes	2020 Jan-Mar <i>unaudited</i>	2019 Jan-Mar <i>unaudited</i>	2019 Jan-Dec
Profit for the period		(48 551)	6 264	(7 011)
Other comprehensive income				
Items that will be reclassified to profit and loss in subsequent periods				
Currency translation differences		52 407	(7 381)	1 688
Total other comprehensive income		52 407	(7 381)	1 688
Total comprehensive income		3 856	(1 117)	(5 322)

Consolidated Statement of Financial Position

(NOK 1 000)	Notes	2020	2019	2019
		31. Mar	31. Mar	31. Dec
		<i>unaudited</i>	<i>unaudited</i>	
ASSETS				
Non-current assets				
Intangible assets	6	141 455	140 653	132 950
Goodwill		176 801	149 842	153 248
Total intangible assets		318 256	290 495	286 198
Deferred tax asset		11 778	5 184	11 710
Fixed assets				
Right-of-use assets	7	33 084	49 994	34 849
Property, plant and equipment		37 818	34 137	33 137
Total fixed assets		70 902	84 131	67 986
Total non-current assets		400 936	379 810	365 894
Current assets				
Trade accounts receivable		161 913	173 941	148 614
Customer projects	3	90 104	97 741	88 808
Other short-term receivables		32 096	35 568	27 275
Cash and cash equivalents	8	87 491	69 348	82 448
Total current assets		371 603	376 598	347 145
TOTAL ASSETS		772 539	756 408	713 038

Consolidated Statement of Financial Position

(NOK 1 000)	Notes	2020	2019	2019
		31. Mar <i>unaudited</i>	31. Mar <i>unaudited</i>	31. Dec
EQUITY AND LIABILITIES				
Equity				
Paid-in capital				
Share capital		1 957	2 006	1 957
Other paid in equity		4 492	2 437	3 804
Share premium		34 252	42 774	34 252
Total paid-in capital		40 701	47 217	40 014
Other equity		51 227	(7 942)	(374)
Retained earnings		3 975	65 996	52 526
Total equity		95 903	105 271	92 166
Liabilities				
Non-current liabilities				
Deferred tax		14 736	25 513	25 313
Interest-bearing loans	9	424 314	346 592	362 487
Lease liabilities	7	18 530	28 474	16 536
Total long-term liabilities		457 580	400 579	404 337
Current liabilities				
Trade accounts payable		21 120	17 019	29 845
Customer projects liabilities	3	55 383	61 500	55 740
Interest-bearing loans	9	7 661	21 755	6 571
Lease liabilities	7	19 569	21 981	19 099
Income tax payable		4 807	1 806	5 408
Public duties payable		39 645	36 675	37 314
Other short-term liabilities		69 625	88 713	61 464
Derivatives		1 245	1 108	1 095
Total short-term liabilities		219 055	250 558	216 535
Total liabilities		676 635	651 137	620 873
TOTAL EQUITY AND LIABILITIES		772 539	756 408	713 038

Consolidated Statement of Cash Flow

(NOK 1 000)	Notes	2020	2019	2019
		Jan-Mar <i>unaudited</i>	Jan-Mar <i>unaudited</i>	Jan-Dec
Cash Flow from operating activities				
Profit (Loss) before tax		(62 545)	7 621	(9 960)
Net financial items	5	71 996	(1 138)	24 051
Share-based payments		687	382	1 743
Depreciation and impairments		900	998	4 049
Depreciation right-of-use assets	7	5 291	5 344	21 932
Amortisation intangible assets	6	6 608	6 697	26 705
Depreciation implementation costs customer projects	3	8 603	8 297	36 606
Recognized customer projects assets	3	(4 219)	(11 242)	(29 505)
Recognized customer projects liabilities		(357)	(1 737)	(8 545)
Taxes paid		552	-	(6 356)
Changes in accounts receivable		(13 299)	(15 824)	9 504
Changes in accounts payable		(8 725)	(7 339)	5 487
Changes in other items		17 464	(8 598)	(8 313)
Interest received		53	117	162
Interest paid		(6 106)	(5 604)	(25 052)
Net cash flow from operating activities		16 903	(22 026)	42 508
Cash flows to investing activities				
Investment in fixed and intangible assets		(3 677)	(4 248)	(25 462)
Net cash flow from investing activities		(3 677)	(4 248)	(25 462)
Cash flows from financing activities				
Buyback of own shares		-	(2 358)	(10 934)
Payment of lease liabilities		(5 933)	(6 085)	(22 807)
Repayment of loan		(3 382)	(2 515)	(6 320)
Net cash flow from financing activities		(9 315)	(10 958)	(40 062)
Net changes in cash and cash equivalents		3 911	(37 232)	(23 016)
Net foreign exchange difference		1 133	(1 264)	(2 380)
Cash and cash equivalents at the beginning of the period		82 449	107 844	107 844
Cash and cash equivalents at the end of the period		87 492	69 348	82 449

Consolidated Statement of Changes in Equity

(NOK 1 000)	Share capital	Share premium	Other paid in equity	Total paid-in equity	Other equity	Retained earnings	Total equity
Equity at 01.01.2019	2 003	45 140	2 061	49 204	(33)	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	2 003	42 782	2 431	47 216	(7 943)	65 997	105 271
Unaudited							
Profit of the year						(13 275)	(13 275)
Other comprehensive income			12	12	9 057		9 069
Buyback of own shares	(46)	(8 530)		(8 576)			(8 576)
Share based payments			1 361	1 361			1 361
Other changes					(1 489)	(196)	(1 685)
Equity at 31.12.2019	1 957	34 252	3 804	40 013	(375)	52 526	92 165
Profit of the year						(48 551)	(48 551)
Other comprehensive income					52 407		52 407
Share based payments			687	687			687
Other changes					(806)	-	(806)
Equity at 31.03.2020	1 957	34 252	4 491	40 701	51 227	3 975	95 903
Unaudited							

Notes to the condensed 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.

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 31 March 2020, 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, 2019.

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's operations are split into two main business segments; Managed Services and Professional Services.

Managed Services includes 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 includes deliveries of change projects based on Zalaris templates or implementation of customer-specific functionality. This business segment also assists 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 executive 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. The operating assets and liabilities of the Group are not allocated between segments.

2020 Jan-Mar

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	142 348	58 263	-	200 611
Operating expenses	(113 461)	(49 776)	(6 522)	(169 758)
EBITDA	28 887	8 488	(6 522)	30 853
Depreciation and amortisation	(12 150)	(2 210)	(7 042)	(21 402)
EBIT	16 737	6 278	(13 564)	9 451
Net financial income/(expenses)			(71 996)	(71 996)
Income tax			13 994	13 994
Profit for the period	16 737	6 278	(71 566)	(48 551)
Cash flow from investing activities				(1 210)

2019 Jan-Mar*

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	136 241	56 110	-	192 351
Operating expenses	(110 351)	(45 472)	(8 709)	(164 532)
EBITDA	25 890	10 639	(8 709)	27 819
Depreciation and amortisation	(12 247)	(1 960)	(7 129)	(21 337)
EBIT	13 642	8 679	(15 839)	6 483
Net financial income/(expenses)			1 138	1 138
Income tax			(1 357)	(1 357)
Profit for the period	13 642	8 679	(16 057)	6 264
Cash flow from investing activities				(4 248)

2019 Jan-Dec*

(NOK 1.000)	Managed Services	Professional Services	Gr.Ovhd & Unallocated	Total
Revenue, external	553 691	223 101	-	776 792
Operating expenses	(446 455)	(192 606)	(34 351)	(673 411)
EBITDA	107 236	30 495	(34 351)	103 380
Depreciation and amortisation	(52 279)	(9 534)	(27 477)	(89 290)
EBIT	54 957	20 961	(61 828)	14 090
Net financial income/(expenses)			(24 051)	(24 051)
Income tax			2 950	2 950
Profit for the period	54 957	20 961	(82 929)	(7 011)
Cash flow from investing activities				(25 462)

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

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 1 000)	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Norway	56 730	54 758	228 438
Northern Europe, excluding Norway	56 940	53 113	221 455
Central Europe	77 384	74 815	294 135
UK & Ireland	9 558	9 665	32 764
Total	200 611	192 351	776 792

Note 3 – Revenue from contracts with customers

Disaggregated revenue information

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

Contract balances:

(NOK 1000)	2020 31. Mar	2019 31. Mar	2019 31. Dec
Trade receivables	162 525	173 941	148 614
Customer project assets	90 104	97 741	88 808
Customer project liabilities	(55 383)	(61 500)	(55 740)
Prepayments from customers	(12 392)	(18 795)	(9 608)

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)	2020	2019	2019
	Jan-Mar	Jan-Mar	31. Dec
Opening balance in the period	88 808	97 272	97 272
Cost capitalized	4 219	11 242	29 505
Amortization	(8 603)	(8 297)	(36 606)
Disposals & currency	5 678	(2 476)	(1 363)
Customer projects assets end of period	90 104	97 741	88 808

Movements in customer project liabilities through the period:

(NOK 1000)	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Opening balance in the period	(55 739)	(64 284)	(64 284)
Revenue deferred	(2 275)	(3 835)	(17 188)
Revenue recognized	5 862	5 572	28 505
Disposals & currency	(3 230)	1 046	(2 773)
Customer project liabilities end of period	(55 382)	(61 500)	(55 740)

Note 4 – Personnel expenses

(NOK 1 000)	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Salary	92 232	96 255	366 516
Tantieme and variable compensation	2 556	3 454	19 437
Social security tax	13 922	14 180	54 099
Pension costs	4 901	5 238	19 333
Other expenses	4 894	3 828	24 953
Capitalised development expenses	(2 707)	(4 143)	(16 290)
Capitalised implementation costs customer projects	(4 219)	(11 242)	(29 505)
Total personnel expenses	111 579	107 569	438 543

Note 5 – Finance income and finance expense

(NOK 1 000)	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Interest income on bank accounts and receivables	53	35	160
Currency gain	2 608	735	1 916
Other financial income	81	-133	556
Finance income	2 742	637	2 632
Interest expense on financial liabilities measured at amortised cost	5 783	4 631	19 253
Currency loss	1 487	1 848	3 377
Unrealised foreign currency loss	66 298	-8 286	-2 375
Interest expense on leasing	444	602	2 126
Other financial expenses	725	702	4 302
Finance expenses	74 738	-503	26 683
Net financial items	-71 996	1 140	-24 051

Note 6 – Intangible assets

(NOK 1 000)	Licenses and software	Intern. developed software	Internally developed AuC	Customer Relation & Contracts	Goodwill	Total
Book value 01.01.2020	4 505	34 652	17 889	75 905	153 248	286 199
Additions of the period	-	(659)	1 407	2 707	-	3 455
Reclassifications	-	14 766	(14 766)	-	-	-
Disposals and currency effects	408	2 339	305	8 604	23 553	35 210
This period ordinary amortisation	(487)	(3 510)	-	(2 612)	-	(6 608)
Book value 31.3.2020	4 426	47 589	4 835	84 605	176 801	318 256
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)	(2 114)
This period ordinary amortisation	(816)	(3 401)	-	(2 480)	-	(6 697)
Book value 31.3.2019	8 232	42 840	7 936	81 647	149 842	290 497
Book value 01.01.2019	9 057	28 768	19 937	85 302	151 996	295 059
Additions of the period	135	1 579	21 389	-	-	23 103
Reclassifications	-	18 055	(18 055)	-	-	-
Disposals and currency effects	(1 744)	(39)	(5 381)	652	1 253	(5 259)
This period ordinary amortisation	(2 944)	(13 711)	-	(10 049)	-	(26 705)
Book value 31.12.2019	4 505	34 652	17 889	75 905	153 248	286 198
Useful life	3-10 years	5 years	N/A	10 years	N/A	
Depreciation method	linear	linear		linear		

Note 7 – Right-of-use assets and lease liabilities

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 (NOK 1 000)	Buildings	Equipment	Vehicles	Total
Acquisition cost 1 January 2019	42 218	3 428	6 680	52 326
Adjustments and additions	-	-	-	-
Depreciation	-4 045	-391	-908	-5 344
Acquisition cost 31 March 2019	38 173	3 037	5 772	46 982
Adjustments and additions	3 402	747	305	4 454
Depreciation	-12 608	-1 238	-2 742	-16 588
Acquisition cost 1 January 2020	28 967	2 546	3 335	34 848
Adjustments and additions	3 527	-	-	3 527
Depreciation	-4 059	-432	-801	-5 291
Acquisition cost 31 March 2020	28 435	2 114	2 534	33 083

Lower of remaining lease term or economic life

1-10 years

3-6 years

3-6 years

Depreciation method

Linear

Linear

Linear

Lease liabilities (NOK 1 000)	Buildings	Equipment	Vehicles	Total
Opening balance 1 January 2019	42 218	3 427	6 680	52 325
Adjustments and additions	2 624	80	305	3 010
Lease payments incl interest	-4 160	-398	-925	-5 483
Currency exchange differences	-985	-100	-194	-1 279
Opening balance 31 March 2019	39 698	3 009	5 866	48 573
Adjustments and additions	777	666	-	1 443
Lease payments incl interest	-11 420	-1 170	-2 607	-15 197
Currency exchange differences	604	71	141	816
Opening balance 1 January 2020	29 658	2 576	3 400	35 634
Adjustments and additions	3 527	-	-	3 527
Lease payments incl interest	-4 177	-449	-862	-5 489
Currency exchange differences	3 601	371	454	4 426
Acquisition cost 31 March 2020	32 608	2 498	2 992	38 098

	2020	2019	2019
Lease liabilities (NOK 1000)	31. Mar	31. Mar	31. Dec
Short-term	19 569	21 981	19 099
Long-term	18 529	28 474	16 536
Total lease liabilities at 31 March 2020	38 098	50 455	35 634

Note 8 - Cash and cash equivalents and short term deposits

(NOK 1 000)	2020	2019	2019
	31. Mar	31. Mar	31. Dec
Cash in hand and at bank - unrestricted funds	81 717	52 704	75 182
Deposit accounts - guarantee rent obligations - restricted funds	2 721	13 442	2 480
Employee withheld taxes - restricted funds	3 053	3 202	4 787
Cash and cash equivalents	87 491	69 348	82 448

Note 9 – Interest-bearing loans and borrowings

(NOK 1 000)	Value	Annual interest	Maturity	2020	2019	2019
				31. Mar	31. Mar	31. Dec
Bond loan	EUR 35 000 000	3 m Euribor + 4.75%	28.09.2023	403 264	338 665	345 188
Loan fees bond			28.09.2023	(6 309)	(7 045)	(6 760)
Commerzbank - DE	EUR 1 636 430	1.3%	31.12.2031	14 478	14 704	13 834
Landesbank Baden-Württemberg	EUR 300 000	4.0%	31.12.2022	2 358	9 570	9 270
Landesbank Baden-Württemberg	EUR 1 030 100	1.95 %	31.12.2031	11 962	2 054	2 200
MBG	EUR 790 000	From 5.0% to 6.5%	2020-2026	6 222	7 644	5 326
SG Finance loans	NOK 5 000 348	From 4.0% to 6.7%	2019-2023	-	2 755	-
Total interest-bearing loans				431 975	368 347	369 058
Total long-term interest-bearing loans				424 314	346 592	362 487
Total short-term interest-bearing loans				7 661	21 755	6 571
Total interest-bearing loans				431 975	368 347	369 058

The Company's bond loan of EUR 35 million is listed on the Oslo Stock Exchange. The loan in Commerzbank DE relates to the office building in Leipzig, which is owed by the Company.

Note 10 – Transactions with Related Parties

Purchase from related parties:

(NOK 1 000)	Related party	Transaction	2020	2019	2019
			Jan-Mar	Jan-Mar	Jan-Dec
	Rayon Design AS 1)	Management Services	138	147	1 556
	Haug Advisory AS 2)	Management Services	-	100	200
	Total		138	247	1 756

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 11 – Events after Balance Sheet Date

There have been no events after the balance sheet date significantly affecting the Group's financial position. For the potential impact of Covid-19 please refer to the Annual Report 2019.

Alternative Performance Measures (APMs)

Zalaris' financial information is prepared in accordance with IFRS. In addition, financial performance measures (APMs) are used by Zalaris to provide supplemental information to enhance the understanding of the Group's underlying financial performance. These APMs take into consideration income and expenses defined as items regarded as special due to their nature and include among others restructuring provisions and write-offs. Financial APMs should not be considered as a substitute for measures of performance in accordance with IFRS. Disclosures of APMs are subject to established internal control procedures.

Adjusted EBITDA and EBIT

EBIT, earnings before interest and tax is defined as the earnings excluding the effects of how the operations were financed, taxed and excluding foreign exchange gains & losses. EBIT is used as a measure of operational profitability. EBITDA is before depreciation, amortization and impairment of tangible assets and in-house development projects. In order to abstract non-recurring or income not reflective of the underlying operational performance, the Group also lists the adjusted EBIT and EBITDA. Adjusted EBIT is defined as EBIT excluding non-recurring costs, costs relating to share based payments to employees, and amortization of excess values on acquisition. Adjusted EBITDA is EBITDA excluding non-recurring costs and costs relating to share based payments to employees, but after depreciation of right-of-use assets.

(NOK 1 000)	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
EBITDA	30 853	27 819	103 381
Restructuring costs	575	-	4 259
Share-based payments	687	382	1 841
Depreciation right-of-use assets (IFRS 16 effect)	(5 291)	(5 344)	(21 932)
Adjusted EBITDA	26 824	22 858	87 549

(NOK 1 000)	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
EBIT	9 451	6 483	14 091
Restructuring costs	575	-	4 259
Share-based payments	687	382	1 841
Amortization of excess values on acquisition	2 678	2 480	10 049
Adjusted EBIT	13 391	9 345	30 240

Free cash flow

Free cash flow represents the cash flow that Zalaris generates after capital investments in the Group's business operations have been made. Free cash flow is defined as operational cash flow.

(NOK 1 000)	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Net cash flow from operating activities	16 903	(22 026)	42 508
Investment in fixed and intangible assets	(3 677)	(4 248)	(25 462)
Free cash flow	13 226	(26 274)	17 046

Adjusted earnings per share (adjusted EPS)

Adjusted earnings per share is calculated as profit/-loss for the year attributable to shareholders (owners of the parent company) adjusted for any other income and expenses after tax, costs relating to share based payments to employees, amortization of excess values on acquisition, and unrealized currency gain/loss on the EUR denominated bond loan, divided by the average number of shares outstanding over the year.

(NOK 1 000)	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
Profit/(loss) for the period	(48 551)	6 264	(7 011)
Restructuring costs	575	-	4 259
Share-based payments	687	382	1 841
Amortization of excess values on acquisition	2 678	2 480	10 049
Unrealized (gain)/loss on EUR bond loan	71 815	7 216	13 739
Tax effect	(16 650)	(1 660)	(4 139)
Adjusted profit/(loss) for the period	10 554	14 683	18 737
Weighted average number of shares outstanding	19 568	19 932	19 730
Adjusted earnings per share	0,54	0,74	0,95

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.

(NOK 1 000)	2020	2019	2019
	31. Mar	31. Mar	31. des
Cash and cash equivalents	87 491	69 348	82 448
Interest-bearing loans and borrowings - long-term	(424 314)	(346 592)	(362 487)
Interest bearing loans and borrowings - short-term	(7 661)	(21 755)	(6 571)
Net interest-bearing debt (NIBD)	(344 484)	(298 999)	(286 610)

Full time equivalents (FTEs)

The ratio of the total number of normal agreed working hours for all employees (part-time or full-time) by the number of normal full-time working hours in that period (i.e. one FTE is equivalent to one employee working full-time).

Key Figures

(NOKm unless otherwise stated)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Revenues	192,4	187,5	190,7	206,2	200,6
Revenue growth (YoY)	3,3 %	-0,7 %	8,2 %	6,2 %	4,3 %
EBITDA adjusted	22,9	21,1	24,7	18,9	26,8
EBITDA margin	11,9 %	11,2 %	12,9 %	9,2 %	13,4 %
EBIT adjusted	9,3	7,1	8,9	5,0	13,4
EBIT margin	4,9 %	3,8 %	4,6 %	2,4 %	6,7 %
Profit Before Tax	7,6	(4,3)	(9,3)	(4,0)	(62,5)
Income Tax Expense	(1,4)	1,0	2,7	0,7	14,0
Non- Controlling Interests					
Net income	6,3	(3,3)	(6,6)	(3,3)	(48,6)
Profit margin	3,3 %	-1,8 %	-3,5 %	-1,6 %	-24,2 %
Weighted # of shares outstanding (m)	19,9	19,9	19,8	19,7	19,6
Basic EPS (NOK)	0,31	(0,17)	(0,34)	(0,17)	(2,48)
Diluted EPS (NOK)	0,28	(0,17)	(0,33)	(0,16)	(2,40)
Cash flow items					
Cash from operating activities	(22,0)	5,0	8,8	50,7	16,9
Investments	(4,2)	(7,1)	2,9	(17,1)	(3,7)
Net changes in cash and cash equi.	(37,2)	(9,4)	(5,4)	18,2	3,9
Cash and cash equivalents end of period	69,3	59,6	64,8	82,4	87,5
Net interest-bearing debt	299,0	308,7	311,0	286,6	344,5
Equity	105,3	100,1	101,6	92,2	95,9
Equity ratio	13,9 %	13,8 %	14,3 %	12,9 %	12,4 %
Number of FTE (Period End)	822	825	803	753	728
Segment overview*	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Revenues	192,4	187,5	190,7	206,2	200,6
Managed Services	136,2	133,9	130,4	153,2	142,3
Professional Services	56,1	53,7	60,3	53,0	58,3
EBIT	6,5	4,4	4,8	(1,6)	9,5
Managed Services	13,6	15,8	10,6	14,9	16,7
as % of revenue	10,0 %	11,8 %	8,2 %	9,7 %	11,8 %
Professional Services	8,7	3,5	9,1	(0,3)	6,3
as % of revenue	15,5 %	6,5 %	15,1 %	-0,6 %	10,8 %
Gr.ovhd & Unallocated	(15,8)	(14,9)	(15,0)	(16,2)	(13,6)

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

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Financial information

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.**Zalaris ASA**

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