



A good start of the year with projects on track and a positive pipeline of new business opportunities.

Interim Report

Q1 2016

HIGHLIGHTS Q1 2016

- Generated quarterly revenues of NOK 98.6 million compared to NOK 94.2 million for Q1/15; EBIT for Q1/16 reached NOK 9.3 million, when excluding extraordinary costs, corresponding to a margin of 9.4%
- Successfully launched outsourced payroll services for Swedish Global Fortune 500-company in Sweden and Finland on Zalaris' Platform
- Signed new outsourcing contract with a global company, including full multi-country payroll services for more than 4,000 employees in the Nordics and Poland
- Pursued new opportunities within the cloud and outsourcing segments, as both markets remain strong and entered into temporary agreements with new customers
- Increased offshoring share of the business to 14% of total hours, with goal of 20% for 2016; in parallel, we are reducing capacity in the Nordics and anticipate related cost savings

KEY FIGURES

All figures in NOK 1 000	2016	2015	2015
	Jan-Mar	Jan-Mar	Jan-Dec
Revenue	98 496	94 183	373 719
Growth (y-o-y)	4,6 %	27,0 %	14,6 %
Operating profit*	9 261	9 851	33 829
Operating profit margin	9,4 %	10,5 %	9,1 %
Ordinary Profit before tax	7 227	9 734	31 353
Profit for the period	5 573	7 169	23 295
Earnings per share	0,26	0,33	1,11
Net cash from operating activities	(14 752)	(7 496)	29 291
Headcount end of the period	451	443	452

Expanding customer sets,
markets and offerings to
increase stakeholder value

Zalaris continues quarter by quarter growth of recurring revenues delivering multi country payroll and HR services to our customers. Our balanced location model and scalable integrated cloud and mobile solution are well received in the market.

Hans-Petter Mellerud, CEO



INSIGHTS FROM THE CEO

We are continuing to advance HR value for our customers, driving for top line growth for our company while balancing cost reductions and customer satisfaction. With revenue of NOK 98 million, we grew 4.6% compared to Q1/15, with our Outsourcing business delivering 3.8% quarter-by-quarter growth. Zalaris delivered a 9.4% EBIT before extraordinary items.

Continued focus on costs through x-Shoring

Our x-Shoring efforts are gaining positive results, and we are continuing to realize improvements from utilizing our near- and offshore centers. In Q1/16, 14% of our produced hours were delivered from Chennai, and we expect to increase the percentage each month to achieve our target of 20% by the end of 2016. In parallel, we are reducing onshore capacity through rightsizing workload in corresponding service centers to further boost profitability.

Zalaris' mobile solution is gaining traction with our customer base, increasingly serving as the starting point of a fully digitized HR environment – simplifying both our service production processes as well as our customers' day-to-day lives through increased efficiencies

Major projects on track

In Q1/16 we had successful go-lives with both our Nordic Fortune 500 client with 20,000 employees and the Norwegian Railways (NSB). Another milestone was Telenor rolling out our mobile solution successfully to more than 10,000 employees in Scandinavia.

Our consulting capacity is currently fully utilized with new implementation projects.

Analysts and advisors increase Zalaris visibility

Global analysts and advisors such as Everest group, Nelson Hall, HfS and others are increasingly recognizing Zalaris' capabilities. We have gained a solid reputation as a leader and major contender in the world of multi-country payroll and multi-process HR outsourcing. This positioning increases Zalaris' overall market exposure and access to new deals.

Poised for continued growth

We have seen positive development of our pipeline of deals during the first quarter of 2016.

In Q1/16, we signed an agreement with a large global customer for the provision of full-service multi-country payroll services in the Nordics and Poland, covering more than 4,000 employees.

In Q2 we entered into temporary agreements with two customers totaling more than 6,000 employees in the Nordics. This allows us to start implementing our services in the months ahead for both companies, with target go-live in January 2017. Payment for all incurred project work for both clients is secured, while we finalize contract negotiations with a purpose of a long term relationship.

The positive market response and our growing pipeline clearly support our growth ambitions as well as Zalaris' encouraging long-term outlook. We're ready to accelerate the success and value throughout 2016!

Hans-Petter Mellerud, CEO

FINANCIAL REVIEW

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

Group revenues

In Q1/16, group revenues increased 4.6%, to NOK 98.5 million (NOK 94.2 million). The main reason for the revenue growth is attributable to our growing Cloud Services business segment, which reported NOK 5 million revenues in the first quarter 2016 (NOK 0.3 million).

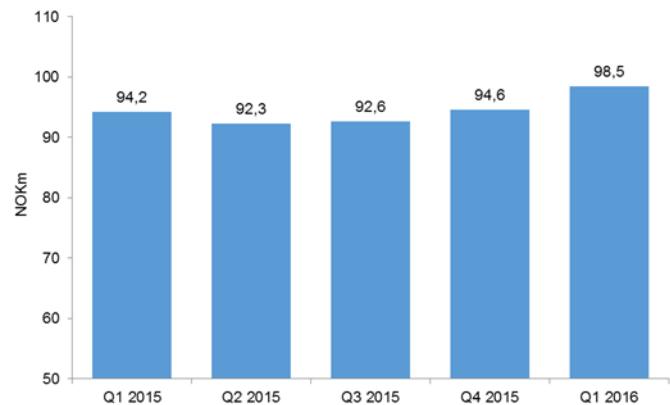
Q1/16 had 4.1% growth in revenues compared to the last quarter of 2015. This is partly due to an increase of NOK 3.3 million in the HR Outsourcing business. The increase is related to the launch of a new outsourcing customer on Zalaris' Platform in January 2016. In addition, the Cloud services unit shows a growth of NOK 2.1 million, reflecting an increase in long-term recurring revenue and the ongoing SAP SuccessFactors implementation project. In the same period, consulting revenue declined with NOK 1.6 million, a downturn explained by lower demand and high utilization of consulting capacity on customer implementation projects.

The HR Outsourcing business segment represents 91.9% of total group revenues in the first quarter of 2016. This is in line with Q4/15 but 3.9%-points lower than in Q1/15 (95.8%). This reflects the increase in Cloud service revenues in Q1/16. Cloud revenues represent 5% of total group revenues (0.3%).

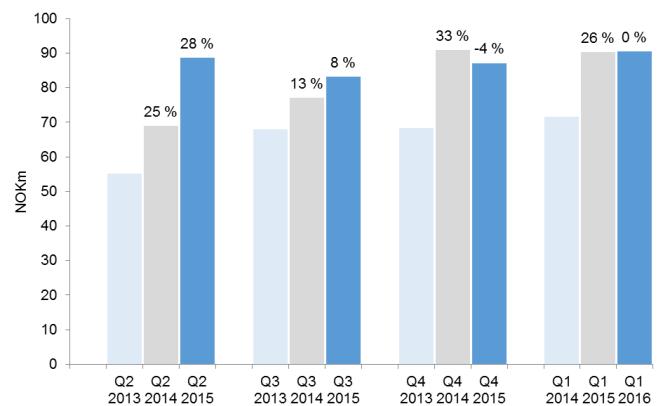
HR outsourcing revenues were stable when comparing Q1/16 with Q1/15. However, the launch of HR and payroll services on Zalaris' Platform for new customers in Q1/16 results in a 3.8% revenue growth, equal to NOK 3.3 million compared to previous quarter.

In Q1/16, Norway is still the largest revenue contributor with 41.0%, however Sweden has increased its share of total revenue with 7%-points compared with Q1/15.

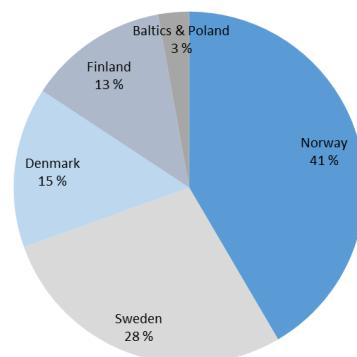
Stable Group revenue growth



Stable HR Outsourcing revenue compared to Q1/15, increasing with 3.8% compared to Q4/15



Sweden, increased its part of the Group's total revenues



Profit and loss

Total operating costs, excluding extraordinary items, amounted to NOK 89.2 million, or 90.6% of revenue (NOK 84.3 million, 89.5%).

The license costs amounted to NOK 6.4 million, or 6.5% of revenue (NOK 4.6 million or 4.9%). The increase in license costs is related to the revenue growth in the Cloud services unit.

The total personnel costs for the quarter represented 55.3% of revenue (57.1%), amounting to NOK 54.5 million (NOK 53.8 million). The main reasons for the decline in personnel costs (as a percentage of total revenue) relate to increased systems-based revenue within the cloud unit, and a higher utilization on customer implementation projects compared with the same quarter last year. Measures have been taken to further reduce personnel costs, which will show results in the second half of the year.

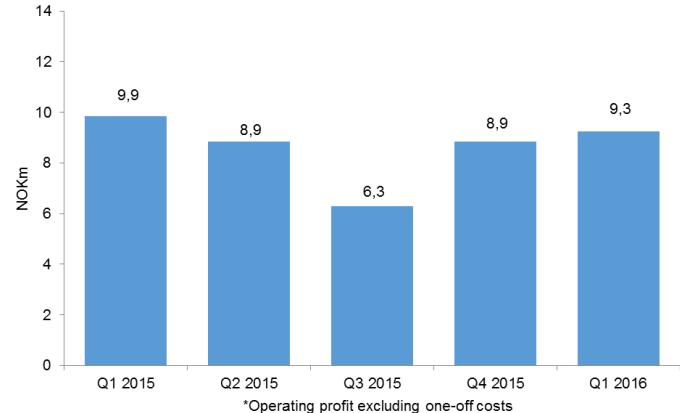
Other operating expenses increased somewhat from the same quarter last year, partly due to new office premises in India and Sweden.

Zalaris continues to follow up strategic growth opportunities. Extraordinary costs related to these efforts amounted to NOK 1.6 million in the quarter.

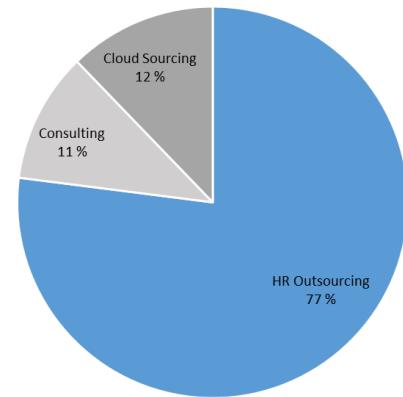
Group operating profit before extraordinary costs amounted to NOK 9.3 million or 9.4% (NOK 9.9 million or 10.5%).

Group operating profit after extraordinary costs amounted to NOK 7.7 million or 7.3% (NOK 9.9 million or 10.3%).

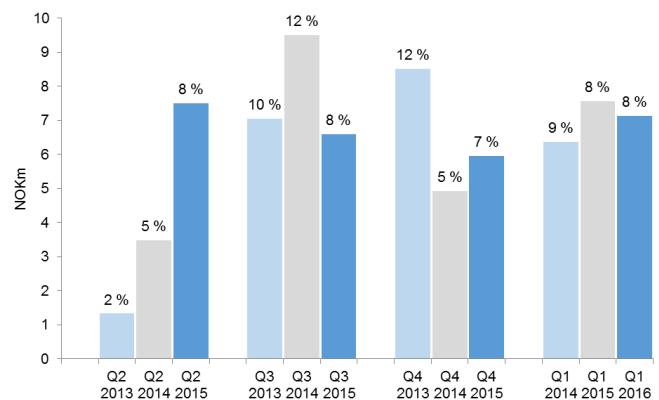
Operating profit* shows normal seasonal variations



EBIT per segment Q1/16, HR outsourcing 77% of EBIT



Lower level of variable revenue impact operating profit margin for the quarter



Financial position and liquidity

At 31 March 2016, total assets amounted to NOK 198.8 million (NOK 204.7 million). Total equity amounted to NOK 107.6 million (NOK 99.9 million), equaling an equity ratio of 54.1% (48.8%).

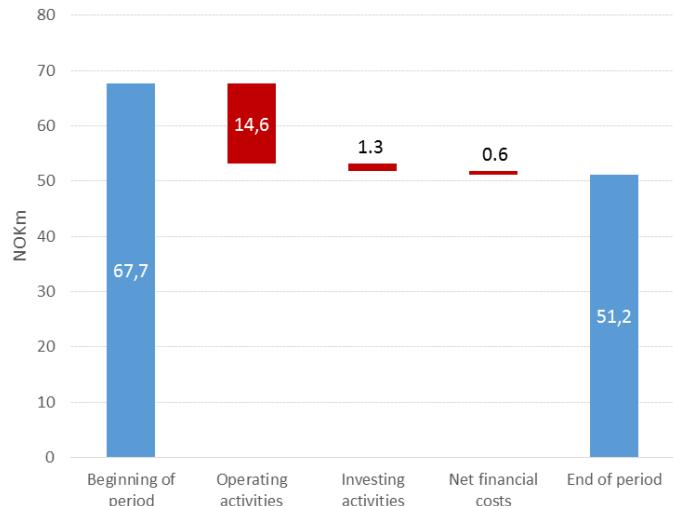
The group had cash and cash equivalents of NOK 51.1 million (NOK 64.5 million) end of Q1/16. Cash from operating activities amounted to NOK -14.8 million (NOK -7.5 million) and was negatively impacted by increased accounts receivables partly as a result of milestone invoicing for customer implementation projects.

Investment activities in Q1/16 are mainly related to projects ensuring that the Company is in compliance with strict security policies related to our provided services, which includes handling of customers' sensitive HR master data and salary payments. In addition, the Company has an ongoing project to improve its functionality to enhance and facilitate increased digitalization in our service delivery processes.

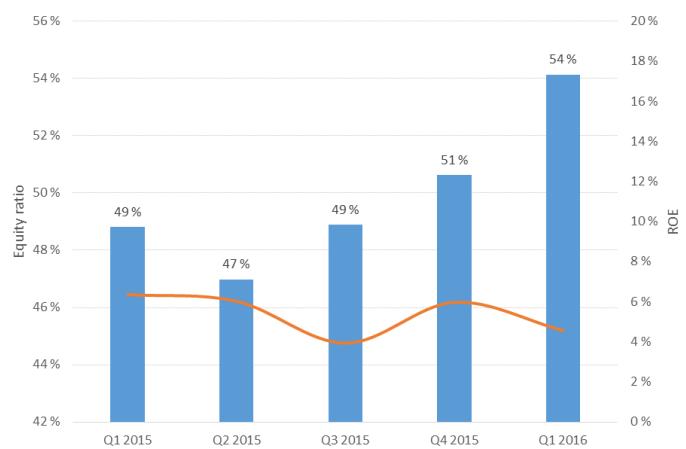
The Group has an unused credit facility of NOK 15.0 million at the end of the reporting period.

Interest bearing debt amounted to NOK 2.0 million (NOK 2.2 million) end of Q1/16.

Cash decomposition, Q4/15 to Q1/16



Equity ratio and return on equity (ROE)



Operational KPIs

The number of customer employees served by the HR Outsourcing unit indicates the volume of transactions and services delivered by Zalaris' HR Outsourcing unit, although the scope of services provided varies for each customer.

In Q1/16, the average number of customer employees served per month by our HR Outsourcing unit was 196'. This represents an increase of 10.7% compared to the same quarter in 2015.

The average number of employees served per onshore FTE (full time equivalent) was 715 in Q1/16. This shows a stable growth in productivity throughout recent quarters.

Group headcount was 451 at the end of Q1/16. This number was stable compared to last quarter. The presence of offshore and nearshore resources is also stable since last quarter and represents 27% of the total workforce. Total number of FTEs at the end of the quarter was 426.

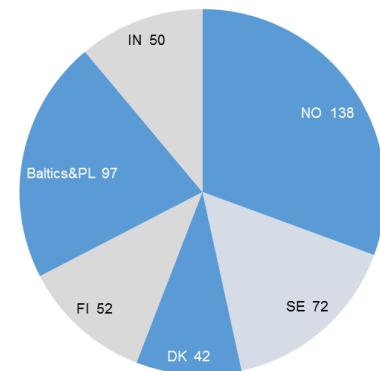
of employees served by Zalaris systems ('1000) stabilized during last quarters after continuous growth



of FTEs and employees served per FTE ('1000) shows increased efficiency in Zalaris' deliveries



Total headcount at 451 at the end of Q1/16





OUTLOOK

There are no significant changes in the Company's outlook from the previous quarter, and the opportunities continue to be favorable for HR technology and outsourcing services in the markets we serve. In the first months of 2016, the Company entered temporary outsourcing agreements with new customers, including multi-country payroll services, that we expect to convert into longer-term agreements.

Zalaris continues to invest in new and improved solutions to better support customers. We are pursuing process improvements and cost savings for our customers as well as Zalaris, while increasing our

scope of services to capture more of the people process value chain.

Zalaris continues its dual focus of maintaining satisfied customers and achieving higher cost efficiency for increased profitability.

The European market for business process outsourcing remains strong, and the Company is continuously exploring growth opportunities in and outside our Nordic home market.

Oslo, 27 April 2016
The Board of Directors of Zalaris ASA

Lars Laier Henriksen
(chairman)

Karl Christian Agerup

Liselotte Hägertz Engstam

Tina Steinsvik Sund

Jan M. Koivurinta

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



Interim consolidated condensed financial statements

Consolidated Statement of Profit and Loss

(NOK 1000)	Notes	2016		2015
		Jan-Mar unaudited	Jan-Mar unaudited	Jan-Dec
Revenue	2	98 496	94 183	373 719
Operating expenses				
License costs		6 388	4 580	22 785
Personnel expenses	3	54 516	53 760	208 140
Other operating expenses		20 409	19 201	77 390
Depreciations		418	212	1 066
Amortisation intangible assets	4	2 183	1 869	7 606
Amortisation impl. costs customer	5	5 321	4 710	22 903
Extraordinary costs		1 558		
Total operating expenses		90 793	84 332	339 890
Operating profit		7 703	9 851	33 829
Financial items				
Financial income		1 343	610	1 801
Financial expense		(1 818)	(726)	(4 277)
Net financial items		(476)	(117)	(2 476)
Ordinary profit before tax		7 227	9 734	31 353
Income tax expense				
Tax expense on ordinary profit		1 654	2 565	8 058
Total tax expense		1 654	2 565	8 058
Profit for the period		5 573	7 169	23 295
Profit attributable to:				
- Owners of the parent		4 909	6 354	21 161
- Non-controlling interests		664	815	2 134
Earnings per share:				
- Basic and diluted		0,03 %	0,03 %	0,11 %
- NOK		0,26	0,33	1,11



Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2016		2015	
		Jan-Mar <i>unaudited</i>	Jan-Mar <i>unaudited</i>	Jan-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>
Profit for the period		5 573		7 169	23 295
Other comprehensive income					
Items that will be reclassified to profit and loss in subsequent periods					
Currency translation differences		(1 109)		(194)	2 644
Total other comprehensive income		(1 109)		(194)	2 644
Total comprehensive income		4 464		6 974	25 938
Total comprehensive income attributable to:					
- Owners of the parent		3 800		6 159	23 804
- Non-controlling interests		664		815	2 134



Consolidated Statement of Financial Position

(NOK 1000)	Notes	2016	2015	2015	
		31 Mar	31 Mar	31 Dec	
<i>unaudited unaudited</i>					
ASSETS					
Non-current assets					
Intangible assets					
Other intangible assets	4	35 252	30 636	36 230	
Total intangible assets		35 252	30 636	36 230	
Deferred tax asset		2 983	5 683	3 110	
Fixed assets					
Office equipment		750	175	738	
Property, plant and equipment		4 438	1 910	4 990	
Total fixed assets		5 188	2 084	5 727	
Total non-current assets		43 422	38 403	45 067	
Current assets					
Trade accounts receivable		65 678	67 928	59 318	
Customer projects	5	29 603	26 842	26 323	
Other short-term receivables		9 013	7 070	5 439	
Cash and cash equivalents		51 128	64 459	67 740	
Total current assets		155 421	166 300	158 820	
TOTAL ASSETS		198 843	204 703	203 887	



Consolidated Statement of Financial Position

(NOK 1000)	Notes	2016	2015	2015	
		31 Mar	31 Mar	31 Dec	
<i>unaudited unaudited</i>					
EQUITY AND LIABILITIES					
Equity					
Paid-in capital					
Share capital		1 912	1 912	1 912	
Own shares - nominal value		(6)	(6)	(6)	
Share premium		53 224	67 498	53 224	
Total paid-in capital		55 131	69 404	55 131	
Retained earnings		47 236	25 913	43 436	
Equity attributable to equity holders of the parent		102 367	95 317	98 567	
Non-controlling interests		5 264	4 545	4 601	
Total equity		107 631	99 862	103 168	
Non-current liabilities					
Deferred tax		2 291	1 498	2 349	
Interest-bearing loans and borrowings		2 012	2 202	2 125	
Employee-defined benefit liabilities		304	0	34	
Total long-term debt		4 607	3 700	4 508	
Current liabilities					
Trade accounts payable		8 437	8 156	14 582	
Income tax payable		5 093	3 265	4 401	
Public duties payable		24 964	23 179	25 221	
Other short-term debt		48 111	66 541	52 007	
Total short-term debt		86 605	101 141	96 211	
Total liabilities		91 212	104 841	100 719	
TOTAL EQUITY AND LIABILITIES		198 843	204 703	203 887	



Consolidated Statement of Cash Flow

(NOK 1000)	Notes	2016	2015	2015
		Jan-Mar unaudited	Jan-Mar unaudited	Jan-Dec
Cash Flow from operating activities				
Operating profit		7 703	9 851	33 829
Depreciations and impairments		418	212	1 066
Amortisation intangible assets		2 183	1 869	7 606
Amortisation implementation costs customer projects		5 321	4 710	22 903
Customer projects		(8 600)	(6 235)	(23 909)
Taxes paid		(835)	(2 342)	(3 475)
Changes in accounts receivable and accounts payable		(12 505)	(7 959)	7 078
Changes in other short term debt and disposals		(8 436)	(7 602)	(15 807)
Net cash flow from operating activities		(14 752)	(7 496)	29 291
Cash flows from investing activities				
Purchase of fixed and intangible assets		(1 271)	(3 013)	(18 547)
Net cash flow from investing activities		(1 271)	(3 013)	(18 547)
Cash flows from financing activities				
Net financial items		(476)	(117)	(2 476)
Proceeds from issue of new borrowings				550
Repayments of borrowings		(114)	(269)	(896)
Dividend payments		-	-	(14 273)
Dividend payments to non-controlling interest		-	-	(1 263)
Net cash flow from financing activities		(590)	(386)	(18 358)
Net changes in cash and cash equivalents		(16 613)	(10 895)	(7 614)
Cash and cash equivalents at the beginning of the period		67 740	75 354	75 354
Cash and cash equivalents at the end of the period		51 127	64 459	67 740
Unused credit facilities		15 000	15 000	15 000



Consolidated Statement of Changes in Equity

(in NOK 1000)	Share capital	Own shares	Share premium	Total paid-in equity	Cumul. translation differences	Other equity	Non-controlling interests	Total equity
Equity at 01.01.2016	1 912	(6)	53 224	55 131	1 852	41 144	5 041	103 168
Profit of the period					-	4 909	664	5 573
Other comprehensive income					-	(1 109)		(1 109)
Other changes					-			
Transaction costs related to IPO					-			
Purchase/sale of own shares (net)					-			
Dividend					-			
Equity at 31.03.2016	1 912	(6)	53 224	55 131	743	46 054	5 705	107 631
Equity at 01.01.2015	1 912	(6)	67 498	69 404	(792)	20 545	3 730	92 887
Profit of the period					-	6 354	815	7 169
Other comprehensive income					-	(194)		(194)
Other changes					-			
Transaction costs related to IPO					-			
Purchase/sale of own shares (net)					-			
Dividend					-			
Equity at 31.03.2015	1 912	(6)	67 498	69 404	(986)	26 898	4 545	99 862
Equity at 01.01. 2015	1 912	(6)	67 499	69 404	(792)	20 104	4 170	92 887
Profit of the period					-	21 161	2 134	23 295
Other comprehensive income					-	2 644		2 644
Other changes					-	(121)		(121)
Transaction costs related to IPO					-			
Purchase/sale of own shares (net)					-			
Dividend			(14 274)	(14 274)			(1 263)	(15 537)
Equity at 31.12. 2015	1 912	(6)	53 224	55 130	1 852	41 144	5 041	103 168



Notes to the interim consolidated condensed financial statements

Note 1 – General Information and basis for preparation

General information

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

Zalaris' interim financial statements for the first quarter of 2016 were authorized for issue by the board of directors on 27 April 2016.

Basis for preparation

These interim consolidated condensed financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The condensed interim financial statements do not include all of the information and disclosures required by International Financial Reporting Standards (IFRS) for a complete set of financial statements, and these condensed interim financial statements should be read in conjunction with the annual financial statements. The interim condensed consolidated financial statements for the three months ended 31 March have not been audited or reviewed by the auditors.

A description of the significant accounting policies is included in Zalaris' annual financial statements for 2015, and applies to these interim consolidated condensed financial statements. New and amended standards applicable for the period starting 1 January 2016 did not have any effect for the Company.

Going concern

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



Note 2 – Segment Information

The Company has three operating segments, which are Outsourcing, Cloud Services and Consulting Outsourcing, offering a full range of payroll and HR outsourcing services, including payroll processing, time and attendance and travel expenses. Consulting delivers turnkey projects based on Zalaris template or implementation of customer-specific functionality. They also assist customers with cost-effective maintenance and support of customers' own on-premise solutions. The Cloud services unit is offering additional cloud-based HR functionality to existing outsourcing customers as talent management, digital personnel archive, HR analytics, mobile solutions, etc., and was divided into its own reporting segment from 2014. 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.

2016 Jan-Mar

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Other operating income, external	90 390	4 996	3 110		98 496
Other operating expenses	(75 472)	(3 757)	(2 083)		(81 313)
Depreciation and amortisation	(7 787)	(107)	(29)		(7 922)
IPO related costs				(1 558)	(1 558)
Operating profit/(loss)	7 131	1 132	997	(1 558)	7 702
Net financial income/(expenses)				(476)	(476)
Income tax				(1 654)	(1 654)
Profit for the period	7 131	1 132	997	(3 688)	5 572
Cash flow from investing activities				(1 271)	(1 271)

2015 Jan-Mar

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Other operating income, external	90 222	258	3 703		94 183
Other operating expenses	(75 962)	(227)	(1 352)		(77 541)
Depreciation and amortisation	(6 704)	(6)	(82)		(6 792)
IPO related costs					(11 948)
Operating profit/(loss)	7 557	25	2 269	-	9 851
Net financial income/(expenses)				(117)	(117)
Income tax				(2 565)	(2 565)
Profit for the period	7 557	25	2 269	(2 682)	7 169
Cash flow from investing activities				(3 013)	(3 013)

2015 Jan-Dec

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Revenue	349 076	10 160	14 484		373 720
Operating expenses	(290 133)	(8 479)	(9 703)		(308 315)
Depreciation and amortisation	(31 332)	(70)	(173)		(31 575)
One-Off Costs					-
Operating Profit/Loss	27 610	1 610	4 608	-	33 829
Net financial income/(expenses)				(2 476)	(2 476)
Income tax				(8 058)	(8 058)
Profit for the period	27 610	1 610	4 608	(10 534)	23 295
Cash flow from investing activities				(18 547)	(18 547)



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	2016		2015		2015 Jan-Dec
		Jan-Mar	as % of total	Jan-Mar	as % of total	
Norway	42 %	40 929	49 %	45 962	47 %	177 467
Sweden	28 %	27 543	21 %	20 109	22 %	83 693
Denmark	15 %	14 524	16 %	14 749	16 %	59 108
Finland	13 %	12 701	12 %	11 482	12 %	44 763
Other	3 %	2 800	2 %	1 881	2 %	8 689
Total	100 %	98 497	100 %	94 183	100 %	373 719

Information about major customers

(NOK 1000)	as % of total	2016		2015		2015 Jan-Dec
		Jan-Mar	as % of total	Jan-Mar	as % of total	
5 largest customer	48 %	47 090	48 %	45 022	50 %	186 884
10 largest customer	68 %	66 896	66 %	62 199	68 %	253 635
20 largest customer	83 %	81 782	81 %	75 901	83 %	308 500

Note 3 – Personnel Costs

(NOK 1000)		2016		2015	
		Jan-Mar	Jan-Mar	Jan-Mar	Jan-Dec
Salary		50 600	46 616	188 177	
Bonus		-	2 220	4 833	
Social security tax		7 084	5 839	26 578	
Pension costs		5 078	4 530	18 375	
Other expenses		2 324	4 333	8 783	
Capitalised development expenses		(1 033)	(3 343)	(8 079)	
Capitalised implementation costs customer projects		(9 537)	(6 435)	(30 527)	
Total salary expenses		54 516	53 760	208 140	
Average number of employees:		450	407	418	
Average number of FTEs:		422	375	388	



Note 4 – Other Intangible Assets

(NOK 1000)	Licenses and software	Internally developed software	Internally developed software under construction	Total
Book value 01.01.2015	9 833	15 417	4 373	29 624
Additions of the period	570	13 775	13 518	27 862
Disposals and currency effects in the period	23	102	(13 775)	(13 650)
This period ordinary amortisation	(2 287)	(5 320)	-	(7 606)
Book value 30.12.2015	8 140	23 974	4 117	36 230
Book value 01.01.2016	8 140	23 974	4 117	36 230
Additions of the period	-	877	1 271	2 148
Disposals and currency effects in the period	(13)	(60)	(870)	(944)
This period ordinary amortisation	(461)	(1 722)	-	(2 183)
Book value 31.03.2016	7 666	23 068	4 518	35 252
Book value 01.01.2015	9 833	15 417	4 373	29 624
Additions of the period	-	457	2 977	3 434
Disposals and currency effects in the period	(35)	(61)	(457)	(553)
This period ordinary amortisation	(647)	(1 222)	-	(1 869)
Book value 31.03.2015	9 152	14 591	6 893	30 636

Useful life

3-10 years 5 years



Note 5 – Customer Projects

Costs related to delivering outsourcing contracts are recognized as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts (transition and/or transformation costs) may be deferred when they are specific to a given contract, relate to future activity on the contract and/or will generate future economic benefits, and are recoverable. These costs are allocated to work-in-progress (customer projects), and any prepaid revenues by the client are recorded as a deduction from the costs incurred in the balance for customer projects. The deferred costs are expensed evenly over the period the outsourcing services are provided and included in the line item "Amortization implementation cost customer projects."

(NOK 1000)	2016	2015	2015
	Mar	Mar	Dec
Deferred costs related to customer projects	84 911	69 455	81 636
Deferred revenue related to customer projects	(55 308)	(42 613)	(55 313)
Net customer implementation costs	29 603	26 842	26 323

Note 6 – Transactions with Related Parties

There have been no material transactions with related parties during the reporting period 1st of January to 31st of March 2016. Please refer to the annual financial statements for further information.

Note 7 – Events after Balance Sheet Date

According to Zalaris executive remuneration policy approved by the board of directors on 22 April 2015, an employee share purchase program including matching of restricted stock units, has been developed. The board of Directors proposes to implement this program in the annual general meeting on 13 May 2016. Further details about the program are available in Zalaris executive remuneration policy, which is part of the 2015 annual report approved by the board of directors on the 19 of April 2016 .

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



Key figures

Key financials	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
NOKm except per share figures									
Revenues	74,1	71,1	83,6	97,3	94,2	92,3	92,6	94,6	98,5
Revenue growth (y-o-y)	25 %	21 %	17 %	35 %	27 %	30 %	11 %	-2,8 %	4,6 %
EBITDA	10,1	5,0	10,2	13,8	11,9	10,9	8,3	11,4	11,9
EBITDA margin	14 %	7 %	12 %	14 %	13 %	12 %	9 %	12 %	12 %
EBIT excl. extraordinary items	8,5	3,2	8,3	11,8	9,9	8,9	6,3	8,9	9,3
EBIT margin	11 %	5 %	10 %	12 %	10 %	10 %	7 %	9,4 %	9,4 %
Ordinary Profit Before Tax	8,2	-1,1	-0,6	5,5	9,7	8,3	5,0	8,4	7,2
Income Tax Expense	2,2	-0,3	-0,2	1,6	2,6	2,1	1,1	1,6	1,7
Non- Controlling Interests	0,6	0,3	-0,1	0,7	0,8	0,6	0,0	0,6	0,7
Net income	5,4	-1,1	-0,4	3,2	6,4	5,5	3,8	6,2	4,9
Profit margin	7 %	-1 %	0 %	3 %	7 %	6 %	4 %	6,5 %	5,0 %
Weighted # of shares outstanding (m)				19,0	19,1	19,0	19,0	19,0	19,0
Basic EPS		-0,1	-0,0	0,2	0,3	0,3	0,2	0,3	0,3
Diluted EPS		-0,1	-0,0	0,2	0,3	0,3	0,2	0,3	0,3
DPS						0,8			
Cash flow items									
Cash from operating activities	0,6	-3,8	25,0	15,9	-7,5	9,1	6,2	21,6	-14,8
Investments	-1,2	-2,8	-1,7	-8,7	-3,0	-6,3	-6,2	-3,1	-1,3
Net changes in cash and cash equi.	-1,4	38,1	21,3	6,4	-10,9	-11,8	-1,5	16,6	-16,6
Cash and cash equivalents end of period	9,4	47,5	68,8	75,2	64,5	52,6	51,2	67,7	51,1
Equity	45,7	91,3	89,2	92,9	99,9	91,6	97,1	103,2	107,6
Equity ratio	36 %	54 %	44 %	45 %	49 %	47 %	49 %	51 %	54 %
ROE				3 %	6 %	6 %	4 %	6 %	5 %
Number of FTE (Period End)	375,0	415,0	442,0	441,0	443,0	456,0	452,0	452,0	

Segment overview	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
NOKm									
Revenues	74,1	71,1	83,6	97,3	94,2	92,3	92,6	94,6	98,5
HR Outsourcing	71,6	68,9	77,0	90,9	90,2	88,6	83,2	87,1	90,4
Consulting	2,4	1,9	2,1	4,3	3,7	2,9	3,2	4,6	3,1
Cloud Sourcing	0,1	0,2	4,5	2,2	0,3	0,8	6,2	2,9	5,0
Adjustments	-	-	-	-	-	-	-	-	-
EBIT	8,5	3,2	8,3	11,7	9,9	8,9	6,3	8,9	9,3
HR Outsourcing	6,4	3,5	9,5	4,9	7,6	7,5	6,6	6,0	7,1
Consulting	2,1	-0,2	-2,2	1,5	2,3	1,3	-1,3	2,4	1,0
Cloud Sourcing	0,0	0,0	0,9	0,4	0,0	0,1	1,0	0,5	1,1
Adjustments	-	-	-	-	-	-	-	-	-



The quarter in pictures



Zalaris expands agreement with leading customer to provide SuccessFactors based cloud services across the Nordic and Baltic regions and Poland.



Zalaris becomes SAP Gold Partner due to its high-level performance and value to customers. SAP recognizes it for a complete and unmatched market offering for Nordic and Baltic companies.



Eika Gruppen selects Zalaris to deliver payroll and strategic HR services to their Norwegian employees. This is a five year agreement with go live in Q4 2016.



Successful go live with payroll for NSB for 6,200 employees and for a leading Fortune 500 company in Sweden and Finland for more than 18,000 employees.



Zalaris India celebrates the harvest festival Pongal, decorating the office with the traditional flower arrangement, "athhapoo", sugar canes and dressing up in traditional sarees and dhotis.



Zalaris establishes global end-to-end SuccessFactors Center of Excellence to further distinguish its role as a one-stop source for holistic HR solutions.

For questions, please contact

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Financial information

Annual general meeting May 13th 2016
Interim report Q2 2016 to be published on Aug. 18th 2016
Interim report Q3 2016 to be published on Oct. 26th 2016

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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