



Zalaris' HR and payroll expertise continues to ascend in the cloud, delivering practical business management value and cost savings that leading enterprises demand.

Interim Report Q3 2016

HIGHLIGHTS

- Generated quarterly revenues of NOK 97.7 million for Q3/16, compared to NOK 92.6 million in the corresponding period last year. Q3/16 EBIT reached NOK 9.2 million, corresponding to a margin of 9.4%.
- Top analysts continue to recognize Zalaris as "Star Performer" in a healthy growth market.
- Celebrated first 12 months in Chennai, India with a doubling of employees and reaching 20% + share of productive hours delivered from the Indian service centre.
- Drove continuous cloud segment growth, representing 7% of group revenue YTD.
- Adapted organizational structure to support market changes and geographic expansion ambitions.

KEY FIGURES

	2016	2015	2016	2015	2015
All figures in NOK 1 000	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Revenue	97 669	92 626	291 453	279 105	373 719
Growth (y-o-y)	5,4 %	30,4 %	4,4 %	92,2 %	14,6 %
Operating profit before extraordinary costs	9 157	6 273	25 564	24 973	33 829
Operating profit margin bef. extraord. costs	9,4 %	6,8 %	8,8 %	8,9 %	9,1 %
Ordinary Profit before tax	8 512	4 991	22 151	22 974	31 353
Profit for the period	6 178	3 863	16 438	17 188	23 295
Earnings per share	0,32	0,20	0,78	0,82	1,11
Net cash from operating activities	(857)	6 170	(4 796)	7 729	29 291
Headcount end of the period	452	452	452	452	452



Opportunities abound in both current and emerging markets for Zalaris. We provide tangible advantages that never diminish.

From the customers we serve to leading analysts covering what we do, the consensus is clear: Zalaris represents indisputable value across today's enterprises, modernizing operations and optimizing workforces in ways that withstand the test of time while consistently exceeding business leader expectations.

Hans-Petter Møllerud, CEO



INSIGHTS FROM THE CEO

Many companies are starting to respond to the opportunities from digitalization, embarking on new business models and partnerships. Talent management and HR are at the core of enabling the change and leaders are increasingly looking for more modern and flexible HR support.

Zalaris continued its growth in Q3 with revenue of NOK 97.7 million – up 5.4% compared to this period last year. Operational improvements gave additional traction, contributing to an EBIT of 9.4% up from 6.8% EBIT in the same quarter last year. The strategies and tactics we have communicated earlier to strengthen overall results are on track and steadily progressing.

Top industry analysts continue to recognize Zalaris as “Star Performer” in a healthy growth market

Leading HR BPO market analysts such as the Everest Group continue to identify Zalaris as a best-of-breed business. In their PEAK Matrix 2016, Everest cites Zalaris as a Star Performer and Major Contender in the Multi-Process HR Outsourcing (MPHRO) market complementing our Major Contender status in the Multi-Country Payroll space.

High market activity and interest

Throughout the quarter, our international team galvanized to meet the accelerated pipeline while further strengthening customer service levels and satisfaction. Our goal is to maintain and fine-tune our responsiveness on all fronts.

An increased number of companies are looking to cut costs and strengthen HR/payroll functions through outsourcing and new cloud solutions. Opportunities

cover a broad spectrum of services, customer sizes and geographies, including the potential to expand into other countries.

Celebrating one year anniversary in Chennai – doubling the workforce

In Q3 we completed our first 12 months of operations in our Chennai service center. Doubling the number of employees, we are now almost 80 skilled colleagues supporting our onshore teams with high quality BPO, IT and internal services.

In the past quarter, more than 20% of our productive hours were delivered from Chennai. This is line with our communicated target, and we believe the offshoring trend will continue going forward. Our Chennai presence enables us to optimize customer service at lower cost levels, driving margin improvements and makes us more competitive towards potential offshore-based competitors.

Adapting organizational structure to support market changes and geographic expansion ambitions

The outlook for HR cloud-based and BPO services remains encouraging. To address increased demand in Northern European geographies, we have established a new market group to maintain our customer-centric approach, coordinating deliverables across all units, with responsibilities for sales, key accounts and product management.

These types of changes keep Zalaris moving forward.

Hans-Petter Møllerud, CEO



FINANCIAL REVIEW

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

Group revenues

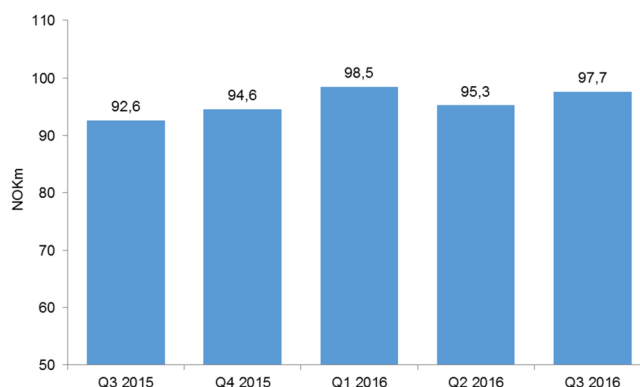
Q3/16 group revenues increased 5.4% compared to Q3/15 and reached a total of NOK 97.7 million (NOK 92.6 million) for the period. This revenue growth was mainly attributable to the continuous growth of our Cloud Services business segment, which delivered a total revenues of NOK 9.4 million (NOK 6.2 million) in the quarter. This corresponds to an upturn of 51.1% over the same period last year. The remaining increase in the group revenues related to the launch of new HR Outsourcing customers, which generated higher revenues especially in Sweden, Baltics and Poland.

Compared to Q2/16, group revenues increased 2.6% (NOK 2.5 million). This increase was the outcome of yearly subscription fees invoiced within the Cloud business segment. The HR Outsourcing business unit experienced a downturn of NOK 0.9 million in revenue. This was caused by lower recognized revenues related to a personnel transfer project for one of our major customers in Norway.

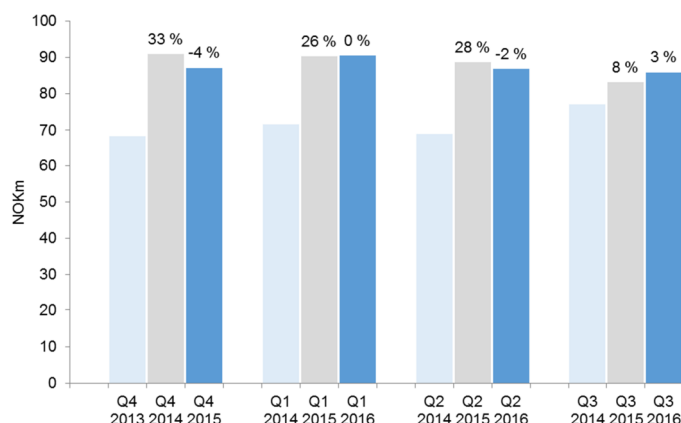
HR Outsourcing revenues represented 87.7% of total group revenues in Q3/16 (85.1%). This was a decrease by 1.1 percentage points compared to the previous quarter, attributable to the increased revenue share of our Cloud business segment. This unit represented 9.6% of total group revenues in Q3/16 (6.7%) and 6.3% in Q2/16.

In Q3/2016, Norway continued to be the leading contributor with a robust 44.0% of group revenues. Baltics & Poland increased revenue contribution by 3 percentage points compared to Q3/15, a result of Zalaris' continued expansion outside the Nordic countries.

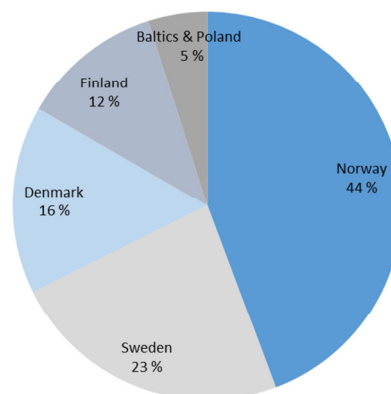
Group revenue increased by 5.4% compared to Q3/15



Graph is showing y-o-y growth within the HR Outsourcing segment which revenue share represents 87.9% of total group revenues.



Norway continues to be the leading revenue contributor





Profit and loss

Q3/16 group operating profit amounted to NOK 9.2 million or 9.4% (NOK 6.3 million or 6.8%).

Total operating costs for the quarter amounted to NOK 88.5 million, which represents 90.6% of group revenues (NOK 86.3 million, 93.2%).

License costs in Q3/16 represented NOK 9.7 million corresponding to 9.9% of group revenues (NOK 8.5 million or 9.2%). This slight increase compared to Q3/15 levels (9.2%) is explained by the higher portion of cloud-based revenue for which license costs of new functionality are the main cost driver. Compared to previous quarter, the Q3/16 level showed an increase attributable to the yearly subscription fees within the Cloud segment.

Total personnel costs in Q3/16 amounted to NOK 51.7 million (NOK 52.0 million), equal to 53.0% of revenues (56.1%). We see an improvement of 3.1 percentage points of group revenues compared to the same quarter last year. This improvement was not only driven by the increased revenues in the Cloud services business segment, but also by transitioning certain onshore resources to offshore operations.

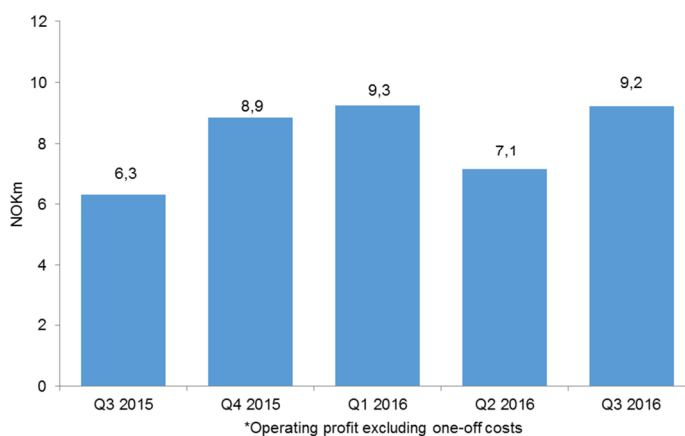
Compared to Q2/16, personnel costs were reduced by NOK 0.9 million, following a reduction in the average FTE count. This reflects the progress of the ongoing downsizing project, with a full effect anticipated by Q2/17.

Other operating expenses amounted to NOK 17.7 million, 18.1% of total revenues (NOK 18.6 million or 20.1%). This decrease was a consequence of lower usage of external consultants within the consulting unit. These costs were also NOK 2.6 million lower compared to Q2/2016 and reflected a decrease in usage of temporary and external staff.

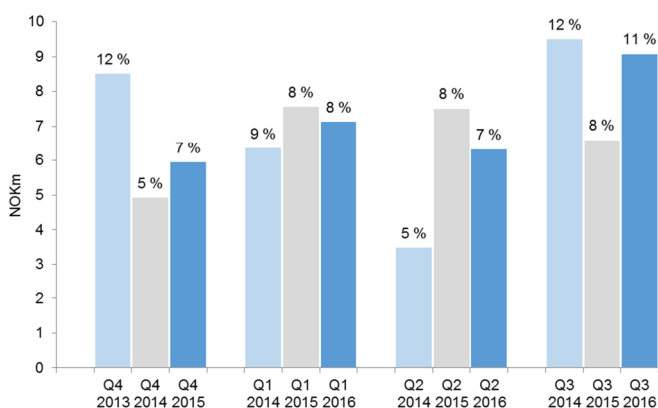
The HR Outsourcing unit achieved a 10.7% (7.9%) operating profit margin in Q3/16. Consulting had a slightly negative margin in Q3/16 due to seasonal variations resulting from summer holidays and thus lower utilization and less external sales.

All segments had a positive margin per September.

A strong group operating profit* for the quarter



Growth in HR Outsourcing operating profit margin compared with both previous quarter and same quarter last year.





Financial position and liquidity

As of 30 September 2016, total assets amounted to NOK 179.6 million (NOK 198.7 million). Total equity level was NOK 97.5 million (NOK 97.1 million), equal to an equity ratio of 54.3% (48.9%).

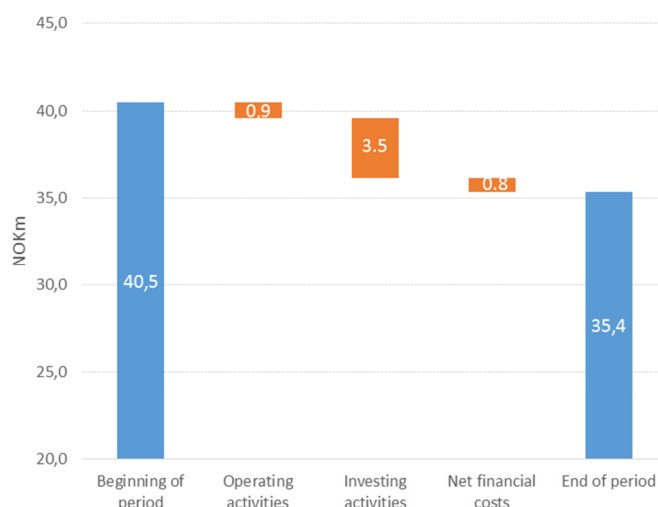
Group cash and cash equivalents was NOK 35.4 million (NOK 51.2 million) as of the end of Q3/16. Cash from operating activities amounted to NOK -0.9 million (NOK 6.2 million). The negative cash flow is mainly due to an increase in accounts receivables during the quarter as a result of growth.

Investment activities for the quarter were mainly related to projects implementing new functionality, features, systems and solutions to be ready to meet a cloud and mobile first-paradigm of continuous release-cycles. We also continued projects already in progress with the goal of making our systems and handling of sensitive HR master data and payroll records as secure as possible.

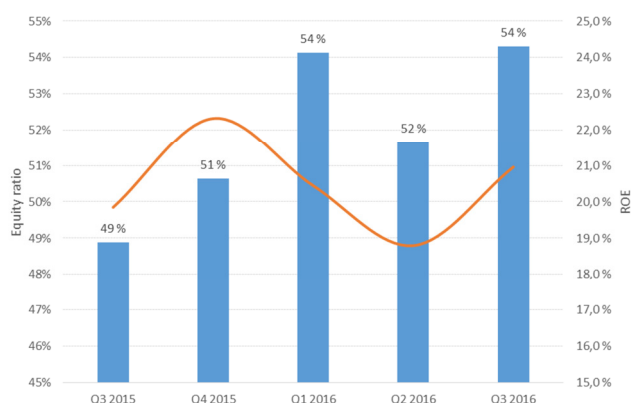
The Group had an unused credit facility of NOK 15.0 million at the end of the reporting period.

Interest bearing debt amounted to NOK 1.6 million (NOK 2.3 million) at the end of Q3/16.

Cash decomposition, Q2/16 to Q3/16



Equity ratio and return on equity (ROE)¹⁾



¹⁾ Net income LTM divided on Average Equity LTM



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.

Our HR Outsourcing division served an average of 200,000 employees per month during Q2/16 and Q3/16. This represents a 5.3% growth compared to Q3/15.

Each FTE (full time equivalent) within the HR Outsourcing segment has served an average number of 662 employees in Q3/16. The reporting now includes offshore resources to show how we achieve increased efficiency at the same time as we have stable growth in usage of offshore resources.

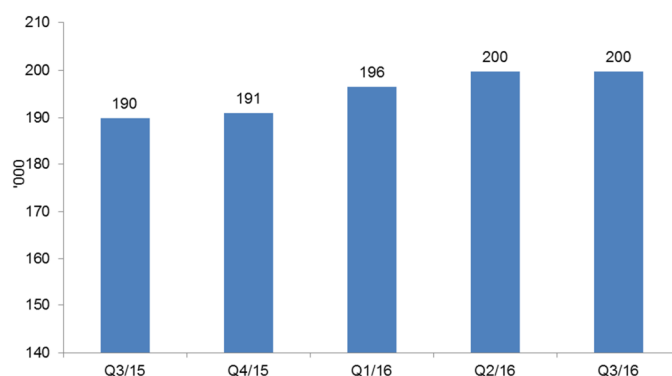
The improved efficiency is a result of the ongoing downsizing project with full effect planned by Q2/17, with further efficiencies in service delivery. Zalaris also continued its efforts to increase digitization and automation of related processes.

Group headcount was 452 at the end of Q3/16 and thus stable compared to end of previous quarter. However, our offshore resources grew throughout the period and at the same time number of employees in the Nordics decreased.

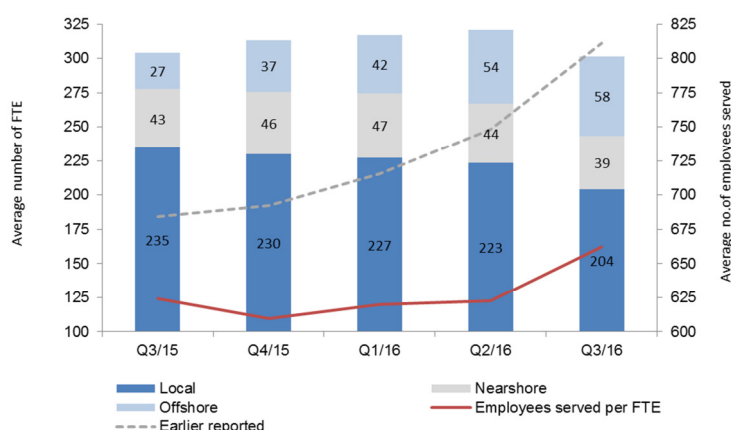
Our aggregate offshore and nearshore resources have been stable since the last quarter and represents 32% of the total workforce at the end of Q3/16.

Total number of FTEs at the end of the quarter was 419.

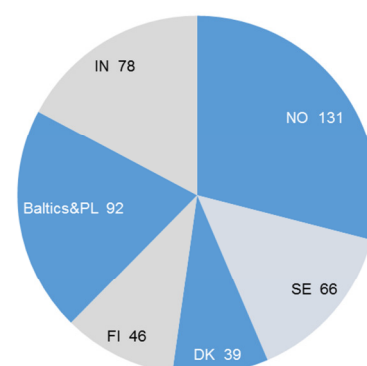
of employees served by Zalaris systems ('1000)
shows stability since last quarter



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



Total headcount of 452 at the end of Q3/16





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 Zalaris serves.

The company's pipeline of new opportunities is solid. This is reflected in the increased volume of requests for proposals (RFP) that Zalaris is currently addressing.

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

our customers while at the same time optimizing Zalaris' own value chain. We are continuously working to increase our scope of services to capture more of the people process value chain.

Zalaris therefore continues its dual focus of maintaining satisfied customers while achieving higher cost efficiency for increased profitability at the same time.

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, 25 October 2016
The Board of Directors of Zalaris ASA

Lars Laier Henriksen
(chairman)

Karl Christian Agerup

Liselotte Hægert 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	2016	2015	2015
		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
Revenue	2	97 669	92 626	291 453	279 105	373 719
Operating expenses						
License costs		9 709	8 499	22 580	17 367	22 785
Personnel expenses	3	51 721	51 953	158 847	157 436	208 140
Other operating expenses		17 664	18 552	58 431	55 603	77 390
Depreciations		476	220	1 346	652	1 066
Amortisation intangible assets	4	1 631	1 822	6 168	5 485	7 606
Amortisation impl. costs customer	5	7 311	5 287	18 517	17 569	22 903
Extraordinary costs		-	-	1 558	-	-
Total operating expenses		88 512	86 333	267 447	254 112	339 890
Operating profit		9 157	6 293	24 006	24 993	33 829
Financial items						
Financial income		115	162	1 990	873	1 801
Financial expense		(760)	(1 444)	(3 845)	(2 872)	(4 277)
Net financial items		(646)	(1 282)	(1 855)	(1 999)	(2 476)
Ordinary profit before tax		8 512	5 011	22 151	22 994	31 353
Income tax expense						
Tax expense on ordinary profit		2 333	1 128	5 713	5 786	8 058
Total tax expense		2 333	1 128	5 713	5 786	8 058
Profit for the period		6 178	3 883	16 438	17 208	23 295
Profit attributable to:						
- Owners of the parent		6 019	3 844	14 907	15 720	21 161
- Non-controlling interests		160	39	1 531	1 488	2 134
Earnings per share:						
- Basic and diluted		0,03 %	0,02 %	0,08 %	0,08 %	0,11 %
- NOK		0,32	0,20	0,78	0,83	1,11



Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2016	2015	2016	2015	2015
		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		6 178	3 883	16 438	17 208	23 295
Other comprehensive income						
Items that will be reclassified to profit and loss in subsequent periods						
Currency translation differences		(4 172)	1 644	(6 240)	1 321	2 644
Total other comprehensive income		(4 172)	1 644	(6 240)	1 321	2 644
Total comprehensive income		2 006	5 527	10 198	18 529	25 938
Total comprehensive income attributable to:						
- Owners of the parent		1 847	5 487	8 667	17 041	23 804
- Non-controlling interests		160	39	1 531	1 488	2 134



Consolidated Statement of Financial Position

(NOK 1000)	Notes	2016 30. Sep <i>unaudited</i>	2015 30. Sep <i>unaudited</i>	2015 31. Dec
ASSETS				
Non-current assets				
Intangible assets				
Other intangible assets	4	37 218	39 149	36 230
Total intangible assets		37 218	39 149	36 230
Deferred tax asset				
		2 176	4 435	3 110
Fixed assets				
Office equipment		1 120	178	738
Property, plant and equipment		3 891	1 906	4 990
Total fixed assets		5 011	2 084	5 727
Total non-current assets		44 405	45 668	45 067
Current assets				
Trade accounts receivable		67 421	67 563	59 318
Customer projects	5	27 076	29 200	26 323
Other short-term receivables		5 373	5 108	5 439
Cash and cash equivalents		35 357	51 189	67 740
Total current assets		135 226	153 060	158 820
TOTAL ASSETS		179 631	198 728	203 887



Consolidated Statement of Financial Position

		2016	2015	2015
(NOK 1000)	Notes	30. Sep	30. Sep	31 Dec
		<i>unaudited</i>	<i>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		37 048	53 225	53 224
Total paid-in capital		38 954	55 131	55 131
Retained earnings		52 418	36 794	43 436
Equity attributable to equity holders of the parent		91 372	91 925	98 567
Non-controlling interests		6 131	5 218	4 601
Total equity		97 503	97 143	103 168
Non-current liabilities				
Deferred tax		2 101	1 626	2 349
Interest-bearing loans and borrowings		1 644	2 291	2 125
Employee-defined benefit liabilities		1 050	427	34
Total long-term debt		4 795	4 344	4 508
Current liabilities				
Trade accounts payable		6 799	8 301	14 582
Income tax payable		8 308	1 815	4 401
Public duties payable		23 346	24 989	25 221
Other short-term debt		38 880	62 135	52 007
Total short-term debt		77 333	97 240	96 211
Total liabilities		82 128	101 585	100 719
TOTAL EQUITY AND LIABILITIES		179 631	198 728	203 887



Consolidated Statement of Cash Flow

		2016	2015	2015
(NOK 1000)	Notes	Jul-Sep	Jul-Sep	Jan-Dec
Cash Flow from operating activities		<i>unaudited</i>	<i>unaudited</i>	
Operating profit		9 157	6 293	33 829
Depreciations and impairments		476	220	1 066
Amortisation intangible assets		1 631	1 822	7 606
Amortisation implementation costs customer projects		7 311	5 287	22 903
Customer projects		(4 282)	(9 908)	(23 909)
Taxes paid		(43)	(2 050)	(3 475)
Changes in accounts receivable and accounts payable		(12 017)	773	7 078
Changes in other short term debt and disposals		(3 090)	3 753	(15 807)
Net cash flow from operating activities		(857)	6 190	29 291
Cash flows from investing activities				
Purchase of fixed and intangible assets		(3 476)	(6 185)	(18 547)
Net cash flow from investing activities		(3 476)	(6 185)	(18 547)
Cash flows from financing activities				
Net financial items		(646)	(1 282)	(2 476)
Proceeds from issue of new borrowings				550
Repayments of borrowings		(163)	(172)	(896)
Dividend payments				(14 273)
Dividend payments to non-controlling interest				(1 263)
Net cash flow from financing activities		(809)	(1 454)	(18 358)
Net changes in cash and cash equivalents		(5 142)	(1 449)	(7 614)
Cash and cash equivalents at the beginning of the period		40 498	52 638	75 354
Cash and cash equivalents at the end of the period		35 356	51 189	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				-		14 907	1 531	16 438
Other comprehensive income				-	(6 240)			(6 240)
Other changes				-		315		315
Transaction costs related to IPO				-				-
Purchase/sale of own shares (net)				-				-
Dividend			(16 177)	(16 177)				(16 177)
Equity at 30.06.2016	1 912	(6)	37 047	38 954	(4 388)	56 366	6 572	97 503
Equity at 01.01.2015	1 912	(6)	67 498	69 404	(792)	20 545	3 730	92 887
Profit of the period				-		15 720	1 488	17 208
Other comprehensive income				-	1 321			1 321
Other changes				-				-
Transaction costs related to IPO				-				-
Purchase/sale of own shares (net)				-				-
Dividend			(14 273)	(14 273)				(14 273)
Equity at 30.09.2015	1 912	(6)	53 225	55 131	529	36 265	5 218	97 143
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	18 034
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 third quarter of 2016 were authorized for issue by the board of directors on 25 October 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 30 September, 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 April 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..

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-Sep

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Other operating income, external	263 029	20 427	7 997		291 453
Other operating expenses	(215 026)	(18 288)	(6 545)		(239 859)
Depreciation and amortisation	(25 471)	(496)	(63)		(26 030)
IPO related costs				(1 558)	(1 558)
Operating profit/(loss)	22 532	1 643	1 389	(1 558)	24 006
Net financial income/(expenses)				(1 855)	(1 855)
Income tax				(5 713)	(5 713)
Profit for the period	22 532	1 643	1 389	(9 127)	16 438
Cash flow from investing activities				(9 127)	(9 127)

2015 Jan-Sep

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Other operating income, external	261 962	7 265	9 878		279 105
Other operating expenses	(216 857)	(6 116)	(7 433)		(230 406)
Depreciation and amortisation	(23 449)	(40)	(217)		(23 705)
IPO related costs	-	-	-	-	-
Operating profit/(loss)	21 657	1 110	2 227	-	24 994
Net financial income/(expenses)				(1 999)	(1 999)
Income tax				(5 786)	(5 786)
Profit for the period	21 657	1 110	2 227	(7 785)	17 208
Cash flow from investing activities				(15 463)	(9 075)

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)	<i>as % of total</i>	2016 Jul-Sep	<i>as % of total</i>	2015 Jul-Sep	<i>as % of total</i>	2015 Jan-Dec
Norway	44 %	43 242	49 %	45 776	47 %	177 467
Sweden	23 %	22 830	22 %	20 206	22 %	83 693
Denmark	16 %	15 304	15 %	14 226	16 %	59 108
Finland	12 %	11 496	11 %	10 113	12 %	44 763
Other	5 %	4 796	2 %	2 305	2 %	8 689
Total	100 %	97 669	100 %	92 626	100 %	373 719

Information about major customers

(NOK 1000)	<i>as % of total</i>	2016 Jul-Sep	<i>as % of total</i>	2015 Jul-Sep	<i>as % of total</i>	2015 Jan-Dec
5 largest customer	51 %	49 778	52 %	48 231	50 %	186 884
10 largest customer	70 %	68 427	69 %	63 999	68 %	253 635
20 largest customer	84 %	81 642	84 %	77 985	83 %	308 500

Note 3 – Personnel Costs

(NOK 1000)	2016 Jul-Sep	2015 Jul-Sep	2015 Jan-Dec
Salary	43 273	45 276	188 177
Bonus	2 547	648	4 833
Social security tax	7 060	7 059	26 578
Pension costs	4 712	4 604	18 375
Other expenses	1 926	2 382	8 783
Capitalised development expenses	(2 437)	(1 112)	(8 079)
Capitalised implementation costs customer projects	(5 360)	(6 904)	(30 527)
Total salary expenses	51 721	51 953	208 140
Average number of employees:	447	404	418
Average number of FTEs:	414	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 31.12.2015	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	594	3 707	7 437	11 738
Disposals and currency effects in the period	(38)	(837)	(3 707)	(4 582)
This period ordinary amortisation	(1 392)	(4 776)	-	(6 168)
Book value 30.06.2016	7 303	22 068	7 846	37 218
Book value 01.01.2015	9 833	15 417	4 373	29 624
Additions of the period	550	2 398	14 556	17 504
Disposals and currency effects in the period	38	(126)	(2 408)	(2 495)
This period ordinary amortisation	(1 738)	(3 747)	-	(5 485)
Book value 30.06.2015	8 684	13 944	16 522	39 149
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."

	2016	2015	2015
(NOK 1000)	Jun	Jun	Dec
Deferred costs related to customer projects	82 243	75 005	81 636
Deferred revenue related to customer projects	(55 167)	(45 805)	(55 313)
Net customer implementation costs	27 076	29 200	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 30 September 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. It was decided in the annual general meeting on 13 May 2016 to implement this program. Further details about the program are available in Zalaris executive remuneration policy which is part of the annual report 2015 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	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
NOKm except per share figures									
Revenues	83,6	97,3	94,2	92,3	92,6	94,6	98,5	95,3	97,7
Revenue growth (y-o-y)	17 %	35 %	27 %	30 %	11 %	-2,8 %	4,6 %	3,2 %	5,4 %
EBITDA	10,2	13,8	11,9	10,9	8,3	11,4	11,9	10,0	11,3
EBITDA margin	12 %	14 %	13 %	12 %	9 %	12 %	12 %	10 %	12 %
EBIT excl. extraordinary items	8,3	11,8	9,9	8,9	6,3	8,9	9,3	7,1	9,2
EBIT margin	10 %	12 %	10 %	10 %	6,8 %	9,4 %	9,4 %	7,5 %	9,4 %
Ordinary Profit Before Tax	-0,6	5,5	9,7	8,3	5,0	8,4	7,2	6,4	8,5
Income Tax Expense	-0,2	1,6	2,6	2,1	1,1	1,6	1,7	1,7	2,3
Non- Controlling Interests	-0,1	0,7	0,8	0,6	0,0	0,6	0,7	0,7	0,2
Net income	-0,4	3,2	6,4	5,5	3,8	6,2	4,9	4,0	6,0
Profit margin	-0,5 %	3,3 %	6,7 %	6,0 %	4,1 %	6,5 %	5,0 %	4,2 %	6,2 %
Weighted # of shares outstanding (m)									
Basic EPS	-0,0	0,2	0,3	0,3	0,2	0,3	0,3	0,2	0,3
Diluted EPS	-0,0	0,2	0,3	0,3	0,2	0,3	0,3	0,2	0,3
DPS				0,8				0,9	
Cash flow items									
Cash from operating activities	25,0	15,9	-7,5	9,1	6,2	21,6	-14,8	10,8	-0,9
Investments	-1,7	-8,7	-3,0	-6,3	-6,2	-3,1	-1,3	-4,3	-3,5
Net changes in cash and cash equi.	21,3	6,4	-10,9	-11,8	-1,5	16,6	-16,6	-10,6	-5,1
Cash and cash equivalents end of period	68,8	75,2	64,5	52,6	51,2	67,7	51,1	40,5	35,4
Equity									
Equity ratio	44 %	45 %	49 %	47 %	49 %	51 %	54 %	52 %	54 %
ROE		9 %	9 %	16 %	20 %	22 %	20 %	19 %	21 %
Number of FTE (Period End)	380	372	379	378	374	419	426	444	419
Segment overview	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
NOKm									
Revenues	83,6	97,3	94,2	92,3	92,6	94,6	98,5	95,3	97,7
HR Outsourcing	77,0	90,9	90,2	88,6	83,2	87,1	90,4	86,8	85,8
Consulting	2,1	4,3	3,7	2,9	3,2	4,6	3,1	2,4	2,4
Cloud Sourcing	4,5	2,2	0,3	0,8	6,2	2,9	5,0	6,0	9,4
Adjustments	-	-	-	-	-	-	-	-	-
EBIT	8,3	11,7	9,9	8,9	6,3	8,9	9,3	7,1	9,2
HR Outsourcing	9,5	4,9	7,6	7,5	6,6	6,0	7,1	6,3	9,1
Consulting	-2,2	1,5	2,3	1,3	-1,3	2,4	1,0	0,8	-0,4
Cloud Services	0,9	0,4	0,0	0,1	1,0	0,5	1,1	-0,0	0,5



#teamZalaris in pictures



Team of the year recognized while celebrating first 12 months in our Chennai based service center



Team Stavanger participating in the Oil Northern Seas (ONS) Run for Fun event



Team Denmark participating in DHL walk and run relay



Mona Haslevang – Team Lødingen - cycled 170 km for the cancer cause in Lofoten Insomnia

For questions, please contact

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Financial information

Interim report Q4 2016 to be published on 24 February 2017

Annual report 2016 to be published on 21 April 2017

Interim report Q1 2017 to be published on 27 April 2017

Interim report Q2 2017 to be published on 16 August 2017

Interim report Q3 2017 to be published on 25 October 2017

Interim report Q4 2017 to be published February 2018

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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