

Service Excellence,  
Quality-Focused Processes  
and Employees – Our Key Asset

# Interim Report April-June 2015

## KEY FIGURES Q2 2015

All figures in NOK 1 000	2015	2014	2015	2014	2014
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Revenue	92 295	71 051	186 478	145 186	326 145
Growth (y-o-y)	29,9 %	21,1 %	28,4 %	22,8 %	74,9 %
Operating profit	8 849	(479)	18 700	7 972	14 861
Operating profit margin	9,6 %	-0,7 %	10,0 %	5,5 %	4,6 %
Operating profit excl. IPO related & one off costs*	8 849	3 175	18 700	11 627	31 663
Operating profit margin excl. IPO related & one off costs	9,6 %	4,5 %	10,0 %	8,0 %	9,7 %
Ordinary Profit before tax	8 249	-1 066	17 983	7 137	12 023
Profit for the period	6 157	-778	13 325	5 210	8 793
Earnings per share**	0,29	-0,07	0,62	0,28	0,38
Net cash from operating activities	9 055	-3 810	1 559	-3 217	37 318
Headcount end of the period	456	415	456	415	441
				3 655	11 948
					4 854
** Weighted number of shares for the period	19 031 313	14 410 152	19 031 313	15 633 776	19 031 313
Increase in number of shares in Q2 2014 by 1) a share split in the ratio 1:5 due to a share capital increase and 2) issue of new shares.					

## HIGHLIGHTS Q2 2015

- Revenue grew 30% compared to Q2 2014 – increasing to NOK 92.3 million
- Operating profit (EBIT) rose to 9.6% in Q2 2015 vs. 4.5% in Q2 2014
- Business development capacity investments starting to pay off: Selected as supplier for large Norwegian state-owned company with the intent to sign contract in Q3 2015. Shortlisted on multiple deals in the Nordics.
- Existing customers continuing to expand with Zalaris; examples include Baltics and Polish scope for HR Outsourcing processes and large Norwegian customer migrating own SAP-HCM platform to our cloud
- Successful Go Live of outsourced payroll services for TeliaSonera in Norway



## 2015 – Delivering on Customer and Stakeholder Expectations

“We delivered a strong first half of 2015 in line with our expectations: 28.4% year-over-year growth and an EBIT of 10.0% for the period. We continue to see high interest in Zalaris services, and our pipeline remains healthy.

Hans-Petter Mellerud, CEO



### Insights from the CEO

We delivered strong second-quarter results, which helped make the first six months of 2015 our best half year results ever. Revenue increased 28.4% in the first half, with EBIT of 10.0 % for the period.

We continue to see improvements and positive developments across our organization – building on the momentum established the first 12 months as a listed company on the Oslo Stock Exchange.

#### Major new projects on track

Large implementation projects are on track. In June, for example, we began service delivery to TeliaSonera in Norway, after a successful on-time deployment with the company.

Another example is the design, configuration and migration of the legacy payroll solutions of a Swedish Fortune 500 company with approximately 20'000 employees. The undertaking, now well in progress, is scheduled to go live in January 2016 on our cloud-based services platform.

#### Existing customers growing with Zalaris

In our last quarterly report, we informed you that our largest customer extended the scope of our services to include the implementation and use of SuccessFactors talent management for their more than 30'000 employees across the Nordic. In Q2, this customer extended the Nordic geographic scope of our HR Outsourcing services agreement to include full coverage of the Baltic countries and Poland.

A large Norwegian customer also recently opted to move their on premise SAP HCM solutions to Zalaris' comprehensive cloud-based alternative. Advantages

range from best practices and readymade processes to lower costs and flexible licensing programs.

#### Rising in cloud with first publicly owned customer

We continue to see strong interest in our cloud solutions offering. Our investments in business development are also starting to pay off with a steady pipeline of projects, including a number of potential new customers as well as geographic and scope extensions with existing customers.

It is particularly satisfying to report that one of the most well-known Norwegian state-owned companies chose our full suite of cloud-based services. Their migration to Zalaris' platform will further boost our development and penetration of the market space.

#### Continuing to invest in core products and services

We are well positioned to sustain our growth story going forward. We are in dialogue with a number of customers to adopt more of Zalaris' increasingly diverse portfolio – from mobile solutions to cloud, all built to help companies reduce HR expense while improving personnel and payroll services

In Q2, we rolled out a new version of our Cloud solution that was well received by our customers. We continue to develop new functionality – with particular emphasis on productivity optimization and process efficiency. Traits that are ingrained in our own culture.

*Hans-Petter Mellerud, CEO*



## Income statement

### Revenue

Q2 2015 total group revenue grew 30% from the year-ago quarter to NOK 92.3 million. The increase reflects the addition of HR Outsourcing customers, yet also includes an extraordinary revenue of NOK 3.1 million related to termination of an HR-Outsourcing contract.

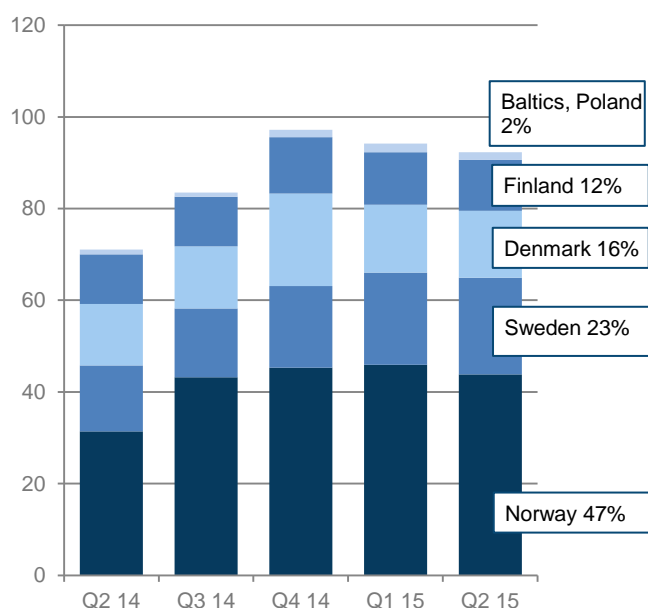
Compared to Q1 of this year, revenue slightly decreased. This was the result of lower delivery of additional invoicing and change-order activities within the HR outsourcing business. Moreover, the group faced high usage of consulting capacity in implementation projects for new customers and internal projects, which limited external sales in the Consulting unit.

### Profit/loss

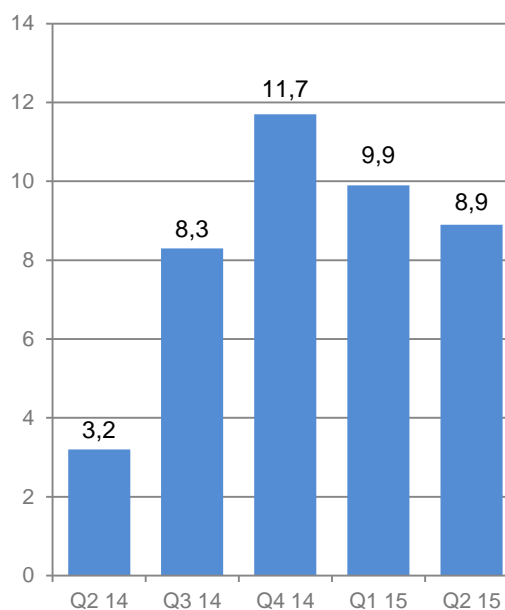
Group operating profit for the second quarter was NOK 8.9 million, with an operating margin of 9.6%. This is in line with expectations and a positive development compared to Q2 2014. Profitable growth in the Outsourcing unit and high utilization in Consulting resulted in increased profit compared to the same quarter last year. The positive profit from extraordinary revenue was NOK 0.6 million.

Net financial items for the first quarter amounted to NOK -0.6 million, and profit after tax was NOK 6.2 million. Q2 2014 had net financial items of NOK -0.6, and profit after tax was NOK -0.8 million.

**Revenues**  
(in NOK mill)



**EBIT\***  
(in NOK mill)



\*EBIT excluding one-off costs.



## Segment Information

in NOK 1000

Segment	FY 2014	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
HR Outsourcing	308 843	68 907	77 032	91 319	90 223	88 578
Consulting	10 685	1 886	2 111	4 267	3 702	2 938
Cloud	6 617	258	4 498	1 733	258	779
<b>Total</b>	<b>326 146</b>	<b>71 051</b>	<b>83 640</b>	<b>97 319</b>	<b>94 183</b>	<b>92 295</b>

### HR Outsourcing

Total revenue for the HR Outsourcing business was NOK 88,6 million in Q2 2015, an increase of 29% compared with Q2 2014, but a minor decrease of 2% compared with the first quarter in 2015. In Q2 2015, 96% of revenues from Zalaris outsourcing business originated in the Nordic region.

Comparison between Q2 2015 and Q1 2015 in general shows a slight decrease in revenue. This is mainly attributable to a lower turnover from additional invoicing and change-order activities due to seasonal variations.

Norway experienced a 3% turnover decrease, comparing Q2 2015 with Q1 2015. This is according to expectations, as the first quarter has higher activity due to year-end related variable invoicing. We also see a slight reduction in revenue for new customers, which had higher invoicing at an early stage but now is more on expected level.

Revenue grew by 5% in Sweden, from Q1 2015 to Q2 2015, as a consequence of turnover derived from a new customer with revenue impact from March.

### Consulting

In Q2 2015, consulting business revenue fell 21% compared to the prior year-ago quarter. The high usage of Consulting capacity in implementing projects for new HR outsourcing customers has caused a decrease in revenue.

The revenue share of the Consulting unit corresponds to 3% of total external revenue, or NOK 2.9 million, which was mainly generated in Norway.

Increases in consulting revenue were registered respectively in Finland, Baltics and Poland.

### Cloud Services

Due to an agreement for the implementation of SuccessFactors Cloud solution with one of our major customers, Zalaris Cloud Services revenue increased in Q2 2015 compared to Q1 2015. The contribution to total Cloud revenue for Q2 2015 was divided evenly amongst the Nordic countries.



## Cash flow, investments and balance sheet items

Q2 2015 cash flow from operating activities amounted to NOK 9.1 million, compared to NOK -3.8 million Q2 2014. This figure includes cash-flow impact related to customer implementation projects from new outsourcing contracts of NOK -7.4 million compared to NOK -7.0 million Q2 2014.

Cash flow from investing activities was NOK -6.3 million in Q2 2015 compared to NOK -2.8 million Q2 2014. Investment activities in Q2 2015 are mainly related to product improvements and the establishment of Zalaris' own service center in Chennai, India.

Cash and cash equivalents amounted to NOK 52.6 million at the end of Q2 2015 compared to NOK 47.5 million at the end of Q2 2014. A dividend of 0.75 per share, or NOK 14.3 million, was paid out in Q2 2015. The Group had an unused credit facility of NOK 15.0 million at the end of the reporting period.

### Equity

At the end of Q2 2015, equity was NOK 91.6 million, which corresponds to an equity ratio of 47.0%. At the end of Q2 2014, the equity was NOK 91.3 million, equivalent to 53.6%.

## Employees

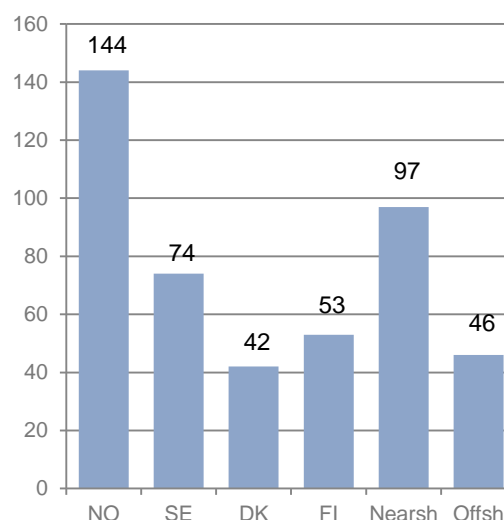
At the end of Q2 2015, the Group's headcount reached 456. The number of employees increased 3% compared to the prior quarter, mainly due to an expansion of offshore capacity in India.

Our resources located in the 'Baltics & Poland' (Nearshore) and in India (Offshore) represents 16% and 13% of total headcount, respectively, within the HR Outsourcing unit.

Our Consulting unit consisted of 79 employees at the end of Q2 2015, the same as in Q1 2015. However, the proportions have changed: 'Baltics & Poland' (Nearshore) employees represent 37% of the Consulting headcount, compared to 34% in the last quarter.

The number of FTEs (Full Time Equivalents) at the end of the quarter was 424. This increase of 4% in comparison with Q1 2015 is also mainly due to the growth of our offshore capacity.

Group Headcount





## Outlook

Our pipeline of new opportunities continue to rise in our core markets, as a result of additional sales efforts and publicity from recently won contracts. The opportunities are in different stages of the sales lifecycle and are in line our target growth rate. We expect positive ripple effects from winning our first agreement with a state-owned company.

We are working on increasing our scope of services to capture more of the people process value chain. In particular, we are addressing service and functionality

requirements associated with managing flexible benefits as well as pension/insurance administration functionality. In addition – based on customer demand – we are further improving our solutions to better support customer HR departments in their process improvement and cost-saving efforts.

We continue our dual focus of maintaining satisfied customers and achieving higher cost efficiency for increased profitability.

Oslo, August 19, 2015  
Board of Directors

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	2015	2014	2015	2014	2014
		Apr-Jun <i>unaudited</i>	Apr-Jun <i>unaudited</i>	Jan-Jun <i>unaudited</i>	Jan-Jun <i>unaudited</i>	Jan-Dec
<b>Revenue</b>	2	<b>92 295</b>	<b>71 051</b>	<b>186 478</b>	<b>145 186</b>	<b>326 145</b>
<b>Operating expenses</b>						
License costs		4 289	2 662	8 869	5 144	13 031
Personnel expenses	3	51 723	42 361	105 483	83 771	184 920
Other operating expenses		17 850	17 224	37 051	33 831	72 111
Depreciations		220	184	432	368	733
Amortisation intangible assets	4	1 793	1 609	3 662	3 069	6 652
Amortisation impl. costs customer	5	7 571	3 836	12 282	7 376	17 037
IPO-related costs			3 655		3 655	11 948
One-off extraordinary impairment						4 854
<b>Total operating expenses</b>		<b>83 446</b>	<b>71 531</b>	<b>167 778</b>	<b>137 214</b>	<b>311 284</b>
<b>Operating profit</b>		<b>8 849</b>	<b>-479</b>	<b>18 700</b>	<b>7 972</b>	<b>14 861</b>
<b>Financial items</b>						
Financial income		102	98	711	293	708
Financial expense		-702	-684	-1 428	-1 129	-3 546
<b>Net financial items</b>		<b>-600</b>	<b>-586</b>	<b>-717</b>	<b>-835</b>	<b>-2 838</b>
<b>Ordinary profit before tax</b>		<b>8 249</b>	<b>-1 066</b>	<b>17 983</b>	<b>7 137</b>	<b>12 023</b>
<b>Income tax expense</b>						
Tax expense on ordinary profit		2 093	-288	4 658	1 927	3 230
<b>Total tax expense</b>		<b>2 093</b>	<b>-288</b>	<b>4 658</b>	<b>1 927</b>	<b>3 230</b>
<b>Profit for the period</b>		<b>6 157</b>	<b>-778</b>	<b>13 325</b>	<b>5 210</b>	<b>8 793</b>
<b>Profit attributable to:</b>						
- Owners of the parent		5 523	-1 054	11 876	4 303	7 312
- Non-controlling interests		634	276	1 449	907	1 481
<b>Earnings per share:</b>						
- Basic and diluted		0,03 %	-0,01 %	0,04 %	0,06 %	0,03 %
- NOK		0,29	-0,07	0,38	0,62	0,28



## Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2015	2014	2015	2014	2014
		Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
<b>Profit for the period</b>		<b>6 157</b>	<b>-778</b>	<b>13 325</b>	<b>5 210</b>	<b>8 793</b>
<b>Other comprehensive income</b>						
Items that will be reclassified to profit and loss in subsequent periods						
Currency translation differences		-128	-637	-808	-1 200	-377
<b>Total other comprehensive income</b>		<b>-128</b>	<b>-637</b>	<b>-808</b>	<b>-1 200</b>	<b>-377</b>
<b>Total comprehensive income</b>		<b>6 028</b>	<b>-1 415</b>	<b>12 517</b>	<b>4 010</b>	<b>8 416</b>
<b>Total comprehensive income attributable to:</b>						
- Owners of the parent		5 394	-1 690	11 206	3 103	6 935
- Non-controlling interests		634	276	1 311	907	1 481





## Consolidated Statement of Financial Position

(NOK 1000)	Notes	2015	2014	2014
		30. Jun	30. Jun	31. Dec
		<i>unaudited</i>	<i>unaudited</i>	
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets				
Other intangible assets	4	34 850	23 111	29 624
<b>Total intangible assets</b>		<b>34 850</b>	<b>23 111</b>	<b>29 624</b>
Deferred tax asset		4 763	5 260	6 041
<b>Fixed assets</b>				
Office equipment		166	249	224
Property, plant and equipment		1 997	2 084	2 083
<b>Total fixed assets</b>		<b>2 163</b>	<b>2 332</b>	<b>2 308</b>
<b>Total non-current assets</b>		<b>41 776</b>	<b>30 704</b>	<b>37 973</b>
<b>Current assets</b>				
Trade accounts receivable		66 767	54 299	64 306
Customer projects	5	26 645	29 321	25 317
Other short-term receivables		7 166	8 411	4 346
Cash and cash equivalents		52 638	47 540	75 354
<b>Total current assets</b>		<b>153 216</b>	<b>139 572</b>	<b>169 324</b>
<b>TOTAL ASSETS</b>		<b>194 992</b>	<b>170 275</b>	<b>207 297</b>



## Consolidated Statement of Financial Position

(NOK 1000)	Notes	2015 30. Jun <i>unaudited</i>	2014 30. Jun <i>unaudited</i>	2014 31. Dec
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Paid-in capital</b>				
Share capital		1 912	1 912	1 912
Own shares - nominal value		-6	-6	-6
Share premium		53 225	67 498	67 498
<b>Total paid-in capital</b>		<b>55 131</b>	<b>69 404</b>	<b>69 404</b>
Retained earnings		31 307	18 159	19 753
<b>Equity attributable to equity holders of the parent</b>		<b>86 438</b>	<b>87 563</b>	<b>89 157</b>
Non-controlling interests		5 179	3 697	3 730
<b>Total equity</b>		<b>91 617</b>	<b>91 260</b>	<b>92 887</b>
<b>Non-current liabilities</b>				
Deferred tax		1 531	2 999	1 531
Interest-bearing loans and borrowings		2 463	1 047	2 471
Employee-defined benefit liabilities		718	394	28
<b>Total long-term debt</b>		<b>4 713</b>	<b>4 440</b>	<b>4 031</b>
<b>Current liabilities</b>				
Trade accounts payable		6 733	8 697	12 493
Interest-bearing loan from shareholders				
Income tax payable		3 065	3 274	3 399
Public duties payable		22 853	20 897	24 546
Other short-term debt		66 012	41 708	69 941
<b>Total short-term debt</b>		<b>98 663</b>	<b>74 575</b>	<b>110 379</b>
<b>Total liabilities</b>		<b>103 376</b>	<b>79 015</b>	<b>114 410</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>194 992</b>	<b>170 275</b>	<b>207 297</b>



## Consolidated Statement of Cash Flow

(NOK 1000)	Notes	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun	2014 Jan-Dec
<b>Cash Flow from operating activities</b>		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
<b>Operating profit</b>		<b>8 849</b>	<b>-479</b>	<b>18 700</b>	<b>7 972</b>	<b>14 861</b>
Depreciations and impairments		220	186	432	369	5 586
Amortisation intangible assets		1 793	1 610	3 662	3 070	6 652
Amortisation implementation costs customer projects		7 571	3 836	12 282	7 376	17 037
Customer projects		-7 374	-7 033	-13 610	-17 490	-23 518
Taxes paid		-1 372	493	-3 714	-1 674	-3 633
Changes in accounts receivable and accounts payable		-263	-4 291	-8 221	-2 600	-8 811
Changes in other short term debt and disposals		-369	1 868	-7 971	-241	29 143
<b>Net cash flow from operating activities</b>		<b>9 055</b>	<b>-3 810</b>	<b>1 559</b>	<b>-3 217</b>	<b>37 318</b>
<b>Cash flows from investing activities</b>						
Purchase of fixed and intangible assets		-6 265	-2 803	-9 278	-4 051	-14 411
<b>Net cash flow from investing activities</b>		<b>-6 265</b>	<b>-2 803</b>	<b>-9 278</b>	<b>-4 051</b>	<b>-14 411</b>
<b>Cash flows from financing activities</b>						
Net financial items		-600	-586	-717	-835	-2 838
Purchase of own shares						
Proceeds from issue of new borrowings						2 880
Repayments of borrowings		262	-1 626	-8	-2 090	-3 033
Changes in factoring debt						
Dividend payments		-14 273		-14 273		
Dividend payments to non-controlling interest						-1 172
Proceeds from issue of new shares			49 274		49 274	49 274
IPO Costs of equity			-2 342		-2 342	-3 464
<b>Net cash flow from financing activities</b>		<b>-14 612</b>	<b>44 720</b>	<b>-14 998</b>	<b>44 007</b>	<b>41 647</b>
<b>Net changes in cash and cash equivalents</b>		<b>-11 821</b>	<b>38 107</b>	<b>-22 717</b>	<b>36 738</b>	<b>64 553</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>64 459</b>	<b>9 433</b>	<b>75 355</b>	<b>10 802</b>	<b>10 802</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>52 638</b>	<b>47 540</b>	<b>52 638</b>	<b>47 540</b>	<b>75 355</b>
Unused credit facilities		15 000	15 000	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
<b>Equity at 31.03.2015</b>	<b>1 912</b>	<b>-6</b>	<b>67 499</b>	<b>69 404</b>	<b>-986</b>	<b>26 898</b>	<b>4 545</b>	<b>99 862</b>
Profit of the period						5 523	634	6 157
Other comprehensive income					-128			-128
Other changes								
Purchase/sale of own shares (net)								
Dividend			-14 273	-14 273				-14 273
<b>Equity at 30.06. 2015 (unaudited)</b>	<b>1 912</b>	<b>-6</b>	<b>53 225</b>	<b>55 131</b>	<b>-1 114</b>	<b>32 421</b>	<b>5 179</b>	<b>91 617</b>
<b>Equity at 31.03.2014</b>	<b>339</b>	<b>-6</b>	<b>18 442</b>	<b>18 774</b>	<b>-978</b>	<b>23 892</b>	<b>4 053</b>	<b>45 742</b>
Profit of the period						-1 054	276	-778
Other comprehensive income					-637			-637
Other changes								
Transaction costs related to IPO						-2 342		-2 342
Issue of new shares	1 573		49 057	50 630		-1 356		49 274
Purchase/sale of own shares (net)								
Dividend								
<b>Equity at 30.06.2014 (unaudited)</b>	<b>1 912</b>	<b>-6</b>	<b>67 499</b>	<b>69 404</b>	<b>-1 615</b>	<b>19 142</b>	<b>4 329</b>	<b>91 260</b>
<b>Equity at 01.01.2014</b>	<b>339</b>	<b>-6</b>	<b>18 442</b>	<b>18 774</b>	<b>-415</b>	<b>18 536</b>	<b>3 421</b>	<b>40 317</b>
Profit of the year						7 312	1 481	8 793
Other comprehensive income					-377			-377
Other changes						-484		-484
Transaction costs related to IPO						-3 464		-3 464
Issue of new shares (20.06.2014)	217		49 057	49 274		-		49 274
Issue of new shares (13.05.2014)	1 356			1 356		-1 356		
Purchase/sale of own shares (net)								
Dividend							-1 172	-1 172
<b>Equity at 31.12.2014</b>	<b>1 912</b>	<b>-6</b>	<b>67 499</b>	<b>69 404</b>	<b>-792</b>	<b>20 545</b>	<b>3 730</b>	<b>92 887</b>



## 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 second quarter of 2015 were authorized for issue by the board of directors on 19.08.2015.

#### 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 nine 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 2014, and applies to these interim consolidated condensed financial statements. New and amended standards applicable for the period starting 1 April 2015 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.

### Jan-Jun 2015

(NOK 1.000)	Outsourcing	Cloud	Consulting	Non-allocated	Total
Other operating income, external	178 800	1 037	6 641		186 478
Other operating expenses	-147 532	-905	-2 964		-151 401
Depreciation and amortisation	-16 208	-23	-146		-16 377
<b>Operating profit/(loss)</b>	<b>15 061</b>	<b>110</b>	<b>3 530</b>		<b>18 700</b>
<b>Cash flow from investing activities</b>				<b>-9 278</b>	<b>-9 278</b>

### Jan-Jun 2014

(NOK 1.000)	Outsourcing	Cloud	Consulting	Non-allocated	Total
Other operating income, external	140 378	498	4 310		145 187
Other operating expenses	-120 002	-419	-2 325		-122 746
Group depr. and amortisation	-10 699	-12	-102		-10 813
IPO related costs				-3 655	-3 655
<b>Operating profit/(loss)</b>	<b>9 677</b>	<b>67</b>	<b>1 883</b>	<b>-3 655</b>	<b>7 972</b>
<b>Cash flow from investing activities</b>				<b>-4 051</b>	<b>-4 051</b>

### 2014

(NOK 1.000)	Outsourcing	Cloud	Consulting	Non-allocated	Total
Other operating income, external	308 843	6 617	10 685		326 145
Other operating expenses	-255 542	-5 199	-9 321		-270 062
Depreciation and amortisation	-29 145	-33	-98		-29 275
IPO related costs				-11 948	-11 948
<b>Operating profit/(loss)</b>	<b>24 156</b>	<b>1 386</b>	<b>1 266</b>	<b>-11 948</b>	<b>14 861</b>
<b>Cash flow from investing activities</b>				<b>-14 411</b>	<b>-14 411</b>



## 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:

<i>(NOK 1000)</i>	<i>as % of total</i>	<b>2015</b> Apr-Jun	<i>as % of total</i>	<b>2014</b> Apr-Jun	<i>as % of total</i>	<b>2014</b> Jan-Dec
Norway	47 %	43 828	44 %	31 416	46 %	151 480
Sweden	23 %	21 075	20 %	14 369	20 %	64 923
Denmark	16 %	14 594	19 %	13 398	19 %	60 598
Finland	12 %	11 148	15 %	10 787	14 %	44 610
Other	2 %	1 650	2 %	1 082	1 %	4 534
<b>Total</b>	<b>100 %</b>	<b>92 295</b>	<b>100 %</b>	<b>71 051</b>	<b>100 %</b>	<b>326 145</b>

### Information about major customers

<i>(NOK 1000)</i>	<i>as % of total</i>	<b>2015</b> Apr-Jun	<i>as % of total</i>	<b>2014</b> Apr-Jun	<i>as % of total</i>	<b>2014</b> Jan-Dec
5 largest customer	46 %	42 456	49 %	34 638	47 %	153 930
10 largest customer	63 %	58 315	68 %	47 971	65 %	212 002
20 largest customer	79 %	72 796	83 %	58 670	80 %	260 308

## Note 3 – Personnel Costs

<i>(NOK 1000)</i>	<b>2015</b> Jan-Jun	<b>2014</b> Jan-Jun	<b>2014</b> Jan-Dec
Salary	93 491	81 605	122 968
Bonus	3 781	3 051	4 684
Social security tax	12 486	10 196	16 669
Pension costs	8 959	7 527	11 355
Other expenses	4 592	3 116	58 382
Capitalised development expenses	-5 429	-1 437	-2 897
Capitalised implementation costs customer projects	-12 398	-20 287	-26 240
<b>Total salary expenses</b>	<b>105 483</b>	<b>83 771</b>	<b>184 920</b>
Average number of employees:	410	369	301
Average number of FTEs:	376	344	261



## Note 4 – Other Intangible Assets

(NOK 1000)	Licenses and software	Internally developed software	Internally developed software under construction	Total
Book value 01.01.2014	7 852	8 765	6 068	22 685
Additions of the period	4 591	10 689	8 994	24 275
Disposals and currency effects in the period	15	-11	-10 689	-10 685
This period ordinary amortisation	-2 626	-4 026	-	-6 652
<b>Book value 31.12.2014</b>	<b>9 833</b>	<b>15 417</b>	<b>4 373</b>	<b>29 624</b>
Book value 01.01.2015	9 833	15 417	4 373	29 624
Additions of the period	550	2 052	8 406	11 008
Disposals and currency effects in the period	-24	-41	-2 054	-2 119
This period ordinary amortisation	-1 190	-2 473	-	-3 662
<b>Book value 30.06.2015</b>	<b>9 170</b>	<b>14 955</b>	<b>10 725</b>	<b>34 850</b>
Book value 01.01.2014	7 852	8 765	6 068	22 685
Additions of the period	1 140	5 711	2 361	9 213
Disposals and currency effects in the period	-3	-3	-5 711	-5 717
This period ordinary amortisation	-1 330	-1 741	-	-3 070
<b>Book value 30.06.2014</b>	<b>7 660</b>	<b>12 733</b>	<b>2 718</b>	<b>23 111</b>
Useful life	5-10 years	5 years		
Depreciation method	linear	linear		





## 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."

<b>(NOK 1000)</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Jun</b>	<b>Jun</b>	<b>Dec</b>
Deferred costs related to customer projects	69 106	66 148	69 729
Deferred revenue related to customer projects	-42 461	-36 826	-44 412
<b>Net customer implementation costs</b>	<b>26 645</b>	<b>29 321</b>	<b>25 317</b>

## Note 6 – Transactions with Related Parties

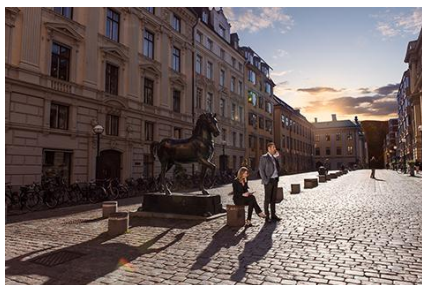
There have been no material transactions with related parties during the reporting period 1st of April to 30th of June 2015. Please refer to the annual financial statements for further information.

## Note 7 – Events after Balance Sheet Date

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



## The quarter in pictures



Leading enterprise extended agreement with Zalaris to deliver cloud services to 30 000 employees in Nordic, Baltic regions and Poland.



Zalaris sponsored “Walking the Lithuanian Coastline in 24H,” arranged by walking enthusiast and Zalaris employee Deividas Urbonavicius.



The world’s only bicycle race in midnight sun – the incredible Zalaris Lofoten Insomnia Race – was held for the first time with Zalaris as a main sponsor. Join us next year on [www.lofoteninsomnia.no](http://www.lofoteninsomnia.no)

## For questions, please contact

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## Financial information

Interim report Q3 2015 to be published on Oct. 28<sup>th</sup> 2015  
Interim report Q4 2015 to be published on Feb. 25<sup>th</sup> 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](mailto:ir@zalaris.com).

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