

Advancing our services and pipeline combining local expertise with offshore capabilities

# Interim Report

## Q4 2015

### HIGHLIGHTS Q4 2015

- Quarterly revenues of NOK 94.6 million with EBIT 9.4% according to expectations. Leading to full year growth of 14.6% and corresponding EBIT of 9.1% - in the lower range of communicated targets.
- Offshore transition according to plan. Based on positive experience to date, target has been increased to 25% of hours to be produced offshore for HR outsourcing deliverables.
- Continued strong pipeline of opportunities within both the Outsourcing and Cloud Service business units, however conversion to signed agreements takes time.

### KEY FIGURES

All figures in NOK 1 000	2015	2014	2015	2014
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Revenue	94 614	97 318	373 719	326 145
Growth (y-o-y)	-2,8 %	34,8 %	14,6 %	24,4 %
Operating profit*	8 856	6 892	33 829	14 861
Operating profit margin	9,4 %	7,1 %	9,1 %	4,6 %
Ordinary Profit before tax	8 379	5 512	31 353	12 023
Profit for the period	6 107	3 880	23 295	8 793
Earnings per share	0,29	0,17	1,11	0,38
Net cash from operating activities	21 561	15 941	29 291	37 318
Headcount end of the period	452	441	452	441

\* Including

One off IPO related costs	-	-	-	11 948
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## Expanding customer sets, markets and offerings to increase stakeholder value

Zalaris is primed to capitalize on emerging growth opportunities. We continued to advance our capabilities, solutions and service levels as well as balance sheet management in 2015. Our stellar reputation as a trusted HR/payroll outsourcing partner prepares Zalaris for a promising pan-European future.

Hans-Petter Møllerud, CEO



## INSIGHTS FROM THE CEO

2015 was another good year for Zalaris, with 14.6% revenue growth to NOK 374 million and EBIT of 9.1%, or NOK 33.8 million, for the period. Earnings per share nearly tripled to NOK 1.11 from 0.38 in 2014. Although at the lower end of our expectations, these strong results also reflect many strategic advances – from operational efficiencies to solution and service improvements.

### Reducing costs through xShoring and automation

Our new Chennai, India-based Service Center continues to deliver according to plan, with 13% of total hours already generated here. This ramp-up parallels corresponding cost savings to take effect beginning in Q2 2016.

In addition, we have refined our systems strategy and production planning to further scale our business with faster implementation and cloud-based self-service innovations. Target markets also show strong interest in Zalaris mobile solutions, which is critical considering the importance of “anywhere” access and functionality in today’s HR environments. Related contracts are on the rise and contributing to the company’s leadership position.

### Major projects on track

During Q4, our consulting capacity was highly utilized with large implementation projects with a Swedish Fortune 500 company employing 20’000, as well as Norwegian Railways- Both projects confirmed production readiness with a corresponding successful start-up in January 2016.

### Advancing leadership position as Northern European provider of HR- and payroll services

Our pipeline of deals in the Nordic market remains strong. Generally tougher economic conditions work in Zalaris’ favor as companies look to reduce costs and efficiently increase HR capability and organizational value. We continue to strengthen sales capacity to address these opportunities and broaden geographic market coverage.

A key win in Q4 was a major agreement with one of Zalaris’ largest customers to expand services to include SuccessFactors Cloud functionality for managing global workforce master data and a web-based help desk/ticketing solution for their 32,500 employees. The solution will support streamlining of internal HR processes for the company across the Nordics, Baltics and Poland -- and is fully integrated with Zalaris Cloud Based SAP HCM solution. Such developments are among the reasons we recently became a coveted SAP Gold Partner.

To deliver on our ambition to be a leading European provider of HR- and payroll services, we continue to evaluate options to maximize overall market coverage. This includes further strengthening delivery capability internally as well as through partnerships to cover new geographic markets.

*Hans-Petter Møllerud, CEO*



## FINANCIAL REVIEW

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

### Group income statement

#### Revenues

Full year 2015 group revenues increased by 14.6% to NOK 373.7 million compared to previous year (NOK 326.1 million).

For the fourth quarter of 2015, group revenues decreased 2.8% to NOK 94.6 million compared to the same quarter last year (NOK 97.3 million). The decline partly reflects a large change order to a major customer in Denmark with a positive impact on Q4 2014 revenues and profit.

Also in Q4 2015, a large portion of the consulting capacity was used for implementation projects for new HR outsourcing customers with launch Q1 2016. As a consequence there were less resources available for external invoicing.

#### Operating costs

Total operating costs, excluding extraordinary items, amounted to NOK 85.8 million or 90.6% of revenue (NOK 85.6 million, 87.9%). The license costs amounted to NOK 5.4 million or 5.6% of revenue (2.6 or 2.6%). The increase included license costs related to the increased revenues in the Cloud services unit. The total personnel costs for the quarter represented 54% of revenue (56%). The headcount increased from previous quarter, as a result of transferring employees into our own service center in Chennai from October. Thus the decrease in personnel costs is related to the high level of consulting capacity used on customer implementation projects. The nominal value of other operating expenses was stable despite that the Q4 2015 numbers includes increased office related costs for our new service center in Chennai.

#### Profit/loss

Group operating profit before extraordinary costs amounted to NOK 8.9 million (NOK 11.7 million), reflecting an operating margin of 9.4% (12.1%). Comparable numbers excluding last years extraordinary change order revenue in Denmark, showed an increase in the margin of approx 1.0 percentage points.

Year to date numbers show operating profit before extraordinary costs of NOK 33.8 million (NOK 31.7 million) corresponding to an operating profit margin of 9.1% (9.7%). The license costs for FY 2015 increased 2.1% compared to FY 2014 due to increased revenues from Cloud services. Other expenses decreased accordingly, though with some increased expenses related to the set-up of the new service center in Chennai. Personnel costs decreased 1% reflecting a high utilization in the consulting unit both on work generating additional invoicing and on implementation projects. The amortization of customer projects as a share of revenue increased from FY 2014 to FY 2015, reflecting finalized improvement projects.

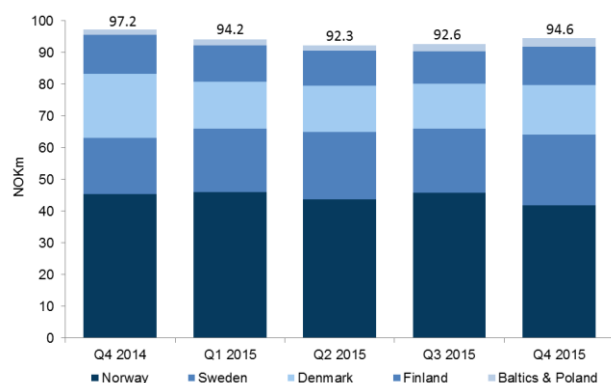
The weakening of the Norwegian Krone impacted the revenues positively and the costs negatively throughout 2015, the net effect on the profits was not significant.

Net financial items for the quarter amounted to NOK -0.5 million, and profit after tax came in at NOK 6.1 million. Q4 2014 had net financial items of NOK -1.4, and profit after tax was NOK 3.9 million.

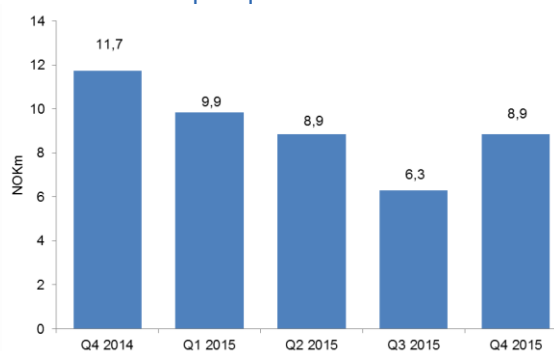
Net financial items for the FY 2015 amounted to NOK -2.5 million, and profit after tax was NOK 23.3 million. FY 2014 had net financial items of NOK -2.8, and profit after tax was NOK 8.8 million.



### Stable revenue growth compared to last quarter



### Operating profit\* shows normal seasonal variations per quarter



\*Operating profit excluding one-off costs

## Financial position and liquidity

At 31 December 2015, total assets amounted to NOK 203.9 million (NOK 207.3 million). Total equity amounted to NOK 103.2 million (NOK 92.9 million), equalling an equity ratio of 50.6% (44.8%).

The group had cash and cash equivalents of NOK 67.7 million (NOK 75.4 million). Interest bearing debt amounted to NOK 2.1 million (NOK 2.5 million).



## Revenues by segment

(Amounts in NOK 1000)

Segment	FY 2015	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15
HR Outsourcing	349 776	91 319	90 223	88 578	83 162	87 114
Consulting	13 784	4 267	3 702	2 938	3 237	4 606
Cloud	10 160	1 733	258	779	6 228	2 895
<b>Total</b>	<b>373 719</b>	<b>97 319</b>	<b>94 183</b>	<b>92 295</b>	<b>92 626</b>	<b>94 615</b>

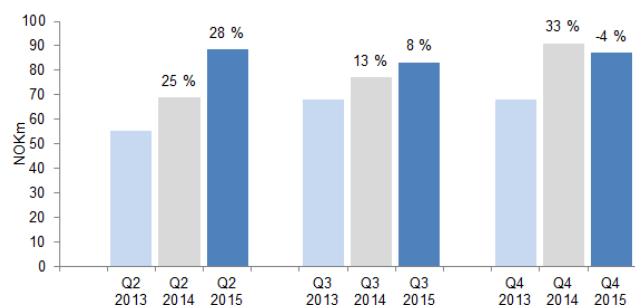
### HR Outsourcing

The HR Outsourcing segment accounted for 92.1% of total group revenues in the fourth quarter and close to 93.6% for FY 2015.

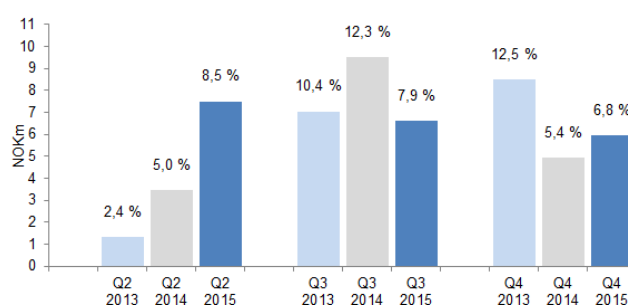
HR outsourcing revenue experienced a 4.1% decline in Q4 2015 compared to Q4 2014. The main reason was the extra-ordinary high revenue level in Q4 2014 in combination with lower activity related to variable invoicing as consulting resources were employed in the implementation project in Q4 2015. Excluding the extraordinary revenues in Q4 2014 the quarterly y-o-y growth was 2.5% in Q4 2015.

The operating margin YTD was NOK 27.6 million (NOK 24.2 million) representing a slight increase of 0.1 percentage points in operating margin compared to previous year.

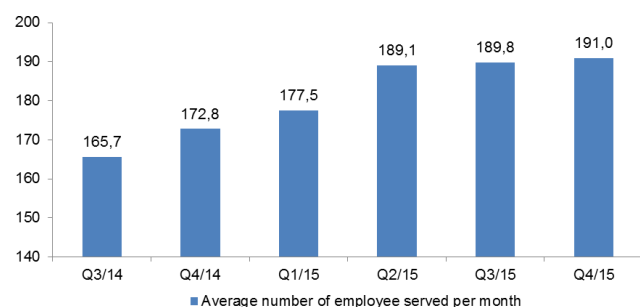
#### Minor negative trend y-o-y revenue growth



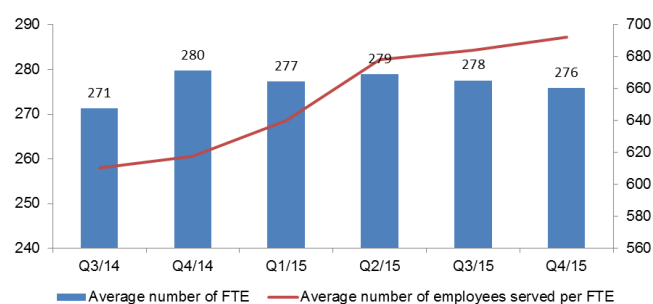
#### Lower level of variable revenue impact operating profit margin for the quarter



#### # 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

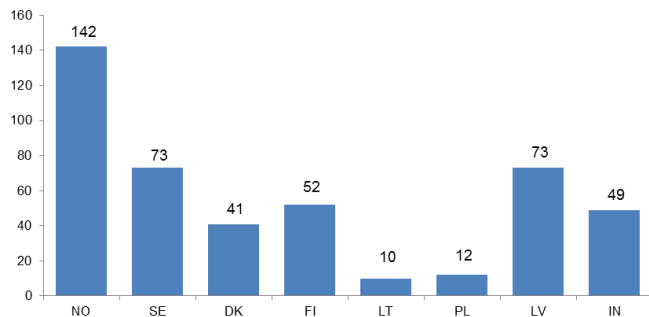


The number of customer employees served by the HR Outsourcing unit indicates the volume of transactions and services delivered by Zalaris' HR Outsourcing unit, although the scope of services provided varies for each customer. In Q4 2015 the average number of employees served per month was 191 thousand, 10.5% higher compared to Q4 2014. Average number of employees served per FTE grew up to 692 and represents an improved level of productivity since Q4 2014.



## GROUP HEADCOUNT

Headcount per country shows continuous focus on strong offshore and nearshore presence



Group headcount was 452 at the end of 2015. This number was stable compared to last quarter.

We continued our work focusing on a service delivery model with a substantial presence from our newly established Service Center in India. Offshore and nearshore resources represented 27% of the total workforce at the end of Q4 2015.

Total number of FTEs (Full Time Equivalent) at the end of the quarter was 419.



## OUTLOOK

The opportunities continue to be favorable for HR technology and outsourcing services in our markets. We have however experienced that the decision process with some of our potential customers are taking longer than expected, as priority is given to more immediate cost saving opportunities.

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.

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

Oslo, 24 February 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	2015	2014	2015	2014
		Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
		<i>unaudited</i>		<i>unaudited</i>	
<b>Revenue</b>	2	<b>94 614</b>	<b>97 318</b>	<b>373 719</b>	<b>326 145</b>
<b>Operating expenses</b>					
License costs		5 418	2 557	22 785	13 031
Personnel expenses	3	50 704	54 245	208 140	184 920
Other operating expenses		21 767	21 656	77 390	72 111
Depreciations		414	168	1 066	733
Amortisation intangible assets	4	2 122	1 877	7 606	6 652
Amortisation impl. costs customer	5	5 334	5 071	22 903	17 037
IPO-related costs		-	-	-	11 948
One-off extraordinary impairment		-	4 854	-	4 854
<b>Total operating expenses</b>		<b>85 759</b>	<b>90 426</b>	<b>339 890</b>	<b>311 284</b>
<b>Operating profit</b>		<b>8 856</b>	<b>6 892</b>	<b>33 829</b>	<b>14 861</b>
<b>Financial items</b>					
Financial income		928	318	1 801	708
Financial expense		(1 405)	(1 699)	(4 277)	(3 546)
<b>Net financial items</b>		<b>(477)</b>	<b>(1 381)</b>	<b>(2 476)</b>	<b>(2 838)</b>
<b>Ordinary profit before tax</b>		<b>8 379</b>	<b>5 512</b>	<b>31 353</b>	<b>12 023</b>
<b>Income tax expense</b>					
Tax expense on ordinary profit		2 272	1 632	8 058	3 230
<b>Total tax expense</b>		<b>2 272</b>	<b>1 632</b>	<b>8 058</b>	<b>3 230</b>
<b>Profit for the period</b>		<b>6 107</b>	<b>3 880</b>	<b>23 295</b>	<b>8 793</b>
<b>Profit attributable to:</b>					
- Owners of the parent		5 461	3 228	21 161	7 312
- Non-controlling interests		645	652	2 134	1 481
<b>Earnings per share:</b>					
- Basic and diluted		0,03 %	0,02 %	0,11 %	0,04 %
- NOK		0,29	0,17	1,11	0,38





## Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2015	2014	2015	2014
		Oct-Dec <i>unaudited</i>	Oct-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>
<b>Profit for the period</b>		<b>6 107</b>	<b>3 880</b>	<b>23 295</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		1 323	1 492	2 644	(377)
<b>Total other comprehensive income</b>		<b>1 323</b>	<b>1 492</b>	<b>2 644</b>	<b>(377)</b>
<b>Total comprehensive income</b>		<b>7 429</b>	<b>5 372</b>	<b>25 938</b>	<b>8 416</b>
<b>Total comprehensive income attributable to:</b>					
- Owners of the parent		6 784	4 720	23 804	6 935
- Non-controlling interests		645	652	2 134	1 481



## Consolidated Statement of Financial Position

(NOK 1000)	Notes	2015	2014
		31. Dec <i>unaudited</i>	31. Dec <i>unaudited</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Other intangible assets	4	36 230	29 624
<b>Total intangible assets</b>		<b>36 230</b>	<b>29 624</b>
<b>Deferred tax asset</b>		<b>3 110</b>	<b>6 041</b>
<b>Fixed assets</b>			
Office equipment		738	224
Property, plant and equipment		4 990	2 083
<b>Total fixed assets</b>		<b>5 727</b>	<b>2 308</b>
<b>Total non-current assets</b>		<b>45 067</b>	<b>37 973</b>
<b>Current assets</b>			
Trade accounts receivable		59 318	64 306
Customer projects	5	26 323	25 317
Other short-term receivables		5 439	4 346
Cash and cash equivalents		67 740	75 354
<b>Total current assets</b>		<b>158 820</b>	<b>169 324</b>
<b>TOTAL ASSETS</b>		<b>203 887</b>	<b>207 297</b>



## Consolidated Statement of Financial Position

(NOK 1000)	Notes	2015	2014
		31. Dec	31. Dec
		<i>unaudited</i>	<i>unaudited</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Paid-in capital</b>			
Share capital		1 912	1 912
Own shares - nominal value		(6)	(6)
Share premium		53 224	67 498
<b>Total paid-in capital</b>		<b>55 131</b>	<b>69 404</b>
Retained earnings		43 436	19 753
<b>Equity attributable to equity holders of the parent</b>		<b>98 567</b>	<b>89 157</b>
Non-controlling interests		4 601	3 730
<b>Total equity</b>		<b>103 168</b>	<b>92 887</b>
<b>Non-current liabilities</b>			
Deferred tax		2 349	1 200
Interest-bearing loans and borrowings		2 125	793
Employee-defined benefit liabilities		34	178
<b>Total long-term debt</b>		<b>4 508</b>	<b>2 170</b>
<b>Current liabilities</b>			
Trade accounts payable		14 582	12 493
Income tax payable		4 401	3 399
Public duties payable		25 221	24 546
Other short-term debt		52 007	69 941
<b>Total short-term debt</b>		<b>96 211</b>	<b>110 379</b>
<b>Total liabilities</b>		<b>100 719</b>	<b>114 410</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>203 887</b>	<b>207 297</b>



## Consolidated Statement of Cash Flow

(NOK 1000)	Notes	2015	2014	2015	2014
		Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<b>Cash Flow from operating activities</b>		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
<b>Operating profit</b>		<b>8 856</b>	<b>6 892</b>	<b>33 829</b>	<b>14 861</b>
Depreciations and impairments		414	211	1 066	5 586
Amortisation intangible assets		2 122	1 878	7 606	6 652
Amortisation implementation costs customer projects		5 334	5 071	22 903	17 037
Customer projects		(392)	(4 804)	(23 909)	(23 518)
Taxes paid		2 289	(2 712)	(3 475)	(3 633)
Changes in accounts receivable and accounts payable		14 526	8 492	7 078	(8 811)
Changes in other short term debt and disposals		(11 589)	913	(15 807)	29 143
<b>Net cash flow from operating activities</b>		<b>21 561</b>	<b>15 941</b>	<b>29 291</b>	<b>37 318</b>
<b>Cash flows from investing activities</b>					
Purchase of fixed and intangible assets		(3 083)	(8 647)	(18 547)	(14 411)
<b>Net cash flow from investing activities</b>		<b>(3 083)</b>	<b>(8 647)</b>	<b>(18 547)</b>	<b>(14 411)</b>
<b>Cash flows from financing activities</b>					
Net financial items		(477)	(1 381)	(2 476)	(1 458)
Purchase of own shares		-	(72)	-	-
Proceeds from issue of new borrowings		550	2 240	550	-
Repayments of borrowings		(716)	(562)	(896)	(2 344)
Changes in factoring debt		-	-	-	-
Dividend payments		-	-	(14 273)	-
Dividend payments to non-controlling interest		(1 263)	(1 172)	(1 263)	-
Proceeds from issue of new shares		-	-	-	49 274
IPO Costs of equity		-	-	-	(3 464)
<b>Net cash flow from financing activities</b>		<b>(1 906)</b>	<b>(947)</b>	<b>(18 358)</b>	<b>41 647</b>
<b>Net changes in cash and cash equivalents</b>		<b>16 572</b>	<b>6 347</b>	<b>(7 614)</b>	<b>64 553</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>51 169</b>	<b>68 828</b>	<b>75 354</b>	<b>10 802</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>67 741</b>	<b>75 175</b>	<b>67 740</b>	<b>75 354</b>
Unused credit facilities		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 30.09. 2015 (unaudited)</b>	<b>1 912</b>	<b>(6)</b>	<b>53 225</b>	<b>55 131</b>	<b>529</b>	<b>36 245</b>	<b>5 218</b>	<b>97 124</b>
Profit of the period				-		5 461	645	6 106
Other comprehensive income				-	1 323			1 323
Other changes				-		(121)		(121)
Transaction costs related to IPO				-				-
Purchase/sale of own shares (net)				-				-
Dividend				-			(1 263)	(1 263)
<b>Equity at 31.12. 2015</b>	<b>1 912</b>	<b>(6)</b>	<b>53 225</b>	<b>55 129</b>	<b>1 851</b>	<b>41 585</b>	<b>4 601</b>	<b>103 168</b>
<b>Equity at 01.01. 2015</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>
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			(14 273)	(14 273)			(1 263)	(15 537)
<b>Equity at 31.12. 2015</b>	<b>1 912</b>	<b>(6)</b>	<b>53 225</b>	<b>55 129</b>	<b>1 851</b>	<b>41 585</b>	<b>4 601</b>	<b>103 168</b>
<b>Equity at 30.09.2014 (unaudited)</b>	<b>1 912</b>	<b>(6)</b>	<b>67 499</b>	<b>69 404</b>	<b>(2 114)</b>	<b>17 641</b>	<b>4 251</b>	<b>89 182</b>
Profit of the period				-		3 228	811	4 039
Other comprehensive income				-	1 322			1 322
Other changes				-		(484)		(484)
Transaction costs related to IPO				-				-
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>
<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 fourth quarter of 2015 were authorized for issue by the board of directors on 24.02.2016.

#### 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 twelve months ended 31 December 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 October 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.

### 2015

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Revenue	349 076	10 160	14 484		<b>373 720</b>
Operating expenses	(290 133)	(8 479)	(9 703)		<b>(308 315)</b>
Depreciation and amortisation	(31 332)	(70)	(173)		<b>(31 575)</b>
One-Off Costs					-
<b>Operating Profit/Loss</b>	<b>27 610</b>	<b>1 610</b>	<b>4 608</b>	-	<b>33 829</b>
<b>Cash flow from investing activities</b>				<b>(18 547)</b>	<b>(18 547)</b>

### 2014

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Other operating income, external	308 843	6 617	10 685		<b>326 145</b>
Other operating expenses	(255 542)	(5 199)	(9 321)		<b>(270 062)</b>
Depreciation and amortisation	(29 145)	(33)	(98)		<b>(29 275)</b>
IPO related costs				(11 948)	<b>(11 948)</b>
<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:

(NOK 1000)	as % of total	2015		2014		2015		2014	
		Oct-Dec	as % of total	Oct-Dec	as % of total	Jan-Dec	as % of total	Jan-Dec	
Norway	44 %	41 899	52 %	45 332	47 %	177 467	46 %	151 480	
Sweden	24 %	22 303	18 %	17 834	22 %	83 693	20 %	64 923	
Denmark	16 %	15 539	16 %	20 189	16 %	59 108	19 %	60 598	
Finland	13 %	12 020	13 %	12 320	12 %	44 763	14 %	44 610	
Other	3 %	2 853	1 %	1 643	2 %	8 689	1 %	4 534	
<b>Total</b>	<b>100 %</b>	<b>94 614</b>	<b>100 %</b>	<b>97 318</b>	<b>100 %</b>	<b>373 719</b>	<b>100 %</b>	<b>326 145</b>	

### Information about major customers

(NOK 1000)	as % of total	2015		2014		2015		2014	
		Oct-Dec	as % of total	Oct-Dec	as % of total	Jan-Dec	as % of total	Jan-Dec	
5 largest customer	54 %	51 175	49 %	47 674	50 %	186 884	47 %	153 930	
10 largest customer	73 %	69 122	65 %	63 169	68 %	253 635	65 %	212 002	
20 largest customer	86 %	81 818	79 %	76 901	83 %	308 500	80 %	260 308	

## Note 3 – Personnel Costs

(NOK 1000)	2015		2014	
	Oct-Dec	Jan-Dec	Oct-Dec	Jan-Dec
Salary	49 410	188 177	48 514	171 482
Bonus	404	4 833	1 633	6 317
Social security tax	7 032	26 578	6 555	23 224
Pension costs	4 812	18 375	4 439	15 794
Other expenses	1 809	8 783	1 756	5 892
Capitalised development expenses	(1 538)	(8 079)	(3 066)	(5 963)
Capitalised implementation costs customer projects	(11 225)	(30 527)	(5 587)	(31 827)
<b>Total salary expenses</b>	<b>50 704</b>	<b>208 140</b>	<b>54 245</b>	<b>184 920</b>

Average number of employees:	455	413	421	388
Average number of FTEs:	420	377	388	359





## 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	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)
<b>Book value 30.12.2015</b>	<b>8 140</b>	<b>23 974</b>	<b>4 117</b>	<b>36 230</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."

(NOK 1000)	2015 Dec	2014 Dec
Deferred costs related to customer projects	81 636	69 729
Deferred revenue related to customer projects	(55 313)	(44 412)
<b>Net customer implementation costs</b>	<b>26 323</b>	<b>25 317</b>

## Note 6 – Transactions with Related Parties

### a) Purchase from related parties

(NOK 1000)		2015 Oct-Dec	2014 Oct-Dec	2015 Jan-Dec	2014 Jan-Dec
<b>Related party</b>	<b>Transaction</b>				
Digoshen AB <sup>1)</sup>	Management Services	80	-	368	-
<b>Total</b>		<b>80</b>	<b>-</b>	<b>368</b>	<b>-</b>

<sup>1)</sup> Liselotte Hågertz Engstam, board member, is director of the board and owns 50% of the shares in Digoshen AB

There have been no further material transactions with related parties during the reporting period 1st of October to 31th of December 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.

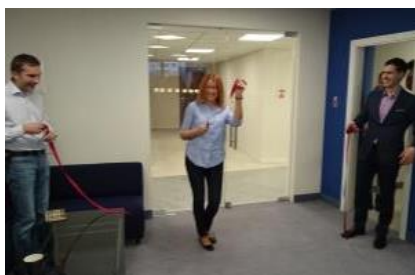


## Key figures

Key financials	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
NOKm except per share figures								
<b>Revenues</b>	<b>74,1</b>	<b>71,1</b>	<b>83,6</b>	<b>97,3</b>	<b>94,2</b>	<b>92,3</b>	<b>92,6</b>	<b>94,6</b>
Revenue growth (y-o-y)	25 %	21 %	17 %	35 %	27 %	30 %	11 %	-2,8 %
<b>EBITDA</b>	<b>10,1</b>	<b>5,0</b>	<b>10,2</b>	<b>13,8</b>	<b>11,9</b>	<b>10,9</b>	<b>8,3</b>	<b>11,4</b>
EBITDA margin	14 %	7 %	12 %	14 %	13 %	12 %	9 %	12 %
<b>EBIT excl. extraordinary items</b>	<b>8,5</b>	<b>3,2</b>	<b>8,3</b>	<b>11,8</b>	<b>9,9</b>	<b>8,9</b>	<b>6,3</b>	<b>8,9</b>
EBIT margin	11 %	5 %	10 %	12 %	10 %	10 %	7 %	9,4 %
<b>Ordinary Profit Before Tax</b>	<b>8,2</b>	<b>-1,1</b>	<b>-0,6</b>	<b>5,5</b>	<b>9,7</b>	<b>8,3</b>	<b>5,0</b>	<b>8,4</b>
Income Tax Expense	2,2	-0,3	-0,2	1,6	2,6	2,1	1,1	1,6
Non- Controlling Interests	0,6	0,3	-0,1	0,7	0,8	0,6	0,0	0,6
<b>Net income</b>	<b>5,4</b>	<b>-1,1</b>	<b>-0,4</b>	<b>3,2</b>	<b>6,4</b>	<b>5,5</b>	<b>3,8</b>	<b>6,2</b>
Profit margin	7 %	-1 %	0 %	3 %	7 %	6 %	4 %	6,5 %
Weighted # of shares outstanding (m)								
Basic EPS		-0,1	-0,0	0,2	0,3	0,3	0,2	0,3
Diluted EPS		-0,1	-0,0	0,2	0,3	0,3	0,2	0,3
DPS						0,8		
<b>Cash flow items</b>								
Cash from operating activities	0,6	-3,8	25,0	15,9	-7,5	9,1	6,2	21,6
Investments	-1,2	-2,8	-1,7	-8,7	-3,0	-6,3	-6,2	-3,1
Net changes in cash and cash equi.	-1,4	38,1	21,3	6,4	-10,9	-11,8	-1,5	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
<b>Equity</b>								
Equity ratio	45,7	91,3	89,2	92,9	99,9	91,6	97,1	103,2
Equity ratio	36 %	54 %	44 %	45 %	49 %	47 %	49 %	51 %
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
NOKm								
<b>Revenues</b>	<b>74,1</b>	<b>71,1</b>	<b>83,6</b>	<b>97,3</b>	<b>94,2</b>	<b>92,3</b>	<b>92,6</b>	<b>94,6</b>
HR Outsourcing	71,6	68,9	77,0	90,9	90,2	88,6	83,2	87,1
Consulting	2,4	1,9	2,1	4,3	3,7	2,9	3,2	4,6
Cloud Sourcing	0,1	0,2	4,5	2,2	0,3	0,8	6,2	2,9
Adjustments	-	-	-	-	-	-	-	-
<b>EBIT</b>	<b>8,5</b>	<b>3,2</b>	<b>8,3</b>	<b>11,7</b>	<b>9,9</b>	<b>8,9</b>	<b>6,3</b>	<b>8,9</b>
HR Outsourcing	6,4	3,5	9,5	4,9	7,6	7,5	6,6	6,0
Consulting	2,1	-0,2	-2,2	1,5	2,3	1,3	-1,3	2,4
Cloud Sourcing	0,0	0,0	0,9	0,4	0,0	0,1	1,0	0,5
Adjustments	-	-	-	-	-	-	-	-



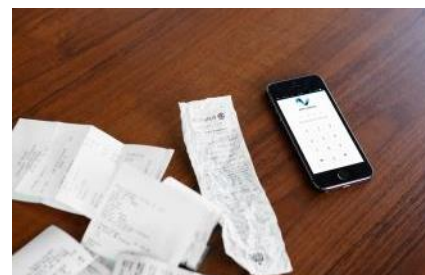
## The quarter in pictures



Zalaris Latvia moved to new modern office premises, with good opportunities for expansion.



SAP certified Zalaris' Latvian payroll solution - the first and only SAP payroll solution in Latvia.



Zalaris experienced an increased interest in our mobile solution, with several customers going live on our new and improved HR app.

## For questions, please contact

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## Financial information

Annual report to be published Apr. 21<sup>th</sup> 2016  
Interim report Q1 2016 to be published on Apr. 28<sup>th</sup> 2016  
Annual general meeting May 13<sup>th</sup> 2016  
Interim report Q2 2016 to be published on Aug. 18<sup>th</sup> 2016  
Interim report Q3 2016 to be published on Oct. 26<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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