

*“Companies across multiple industries continue to turn to Zalaris to optimize HR, HCM and payroll functions – including ways to document GDPR compliance and “the right to be forgotten.”*

## Interim Report • Q1 2017

### Highlights

- Revenue of NOK 106.4 million, an 8 % increase from Q1 2016 and the second consecutive quarter the company surpassed the NOK 100 million milestone in revenue
- EBIT, excluding other costs, reached NOK 10.7 million or a profit margin of 10.1%, in line with our target
- Five-year renewal and expansion with Norsk Hydro ASA and the Swedish subsidiary of Siemens confirming the recurring nature and upsell potential of our revenue stream
- Chosen by Europe’s largest generator of renewable energy to deliver solutions and services to 3 000+ global employees, further supporting our expansion into the UK and Germany
- GDPR program off to a promising start with customer seminar in Oslo receiving high marks from attendees

### Key Figures

	2017	2016	2016
All figures in NOK 1 000	Jan-Mar	Jan-Mar	Jan-Dec
Revenue	106 389	98 496	396 646
Growth (y-o-y)	8,0 %	4,6 %	6,1 %
Operating profit before other costs	10 745	9 261	37 980
Operating profit margin before other costs	10,1 %	9,4 %	9,6 %
Ordinary Profit before tax	6 992	7 227	33 260
Profit for the period	5 411	5 573	25 567
Earnings per share	0,28	0,26	1,34
Net cash from operating activities	(2 846)	(15 585)	14 266
Headcount end of the period	494	451	454



*“Renewing contracts and expanding functionality with existing customers validates our business model and creates long-term recurring revenue streams and deeper partnerships.”*

**Hans-Petter Mellerud, CEO**

The year 2017 started well with an encouraging level of activity and numerous wins and developments that further strengthen Zalaris for the future.

We ended Q1 with revenues growing 8% year-on-year to NOK 106.4 million. The corresponding EBIT increased from 9.1% to 10.1%. We served an all-time high average number of 203'000+ employees during the quarter.

To support our growth ambitions into new markets, we strengthened our management team with the seasoned German HR Outsourcing professional Jörg John in Q1.

### **Renewing contracts with and expanding our services to existing customers, is proof of our long-term recurring-revenue-based business model**

Little pleases #teamZalaris as much as when long-term customers renew their trust in us. This is the true proof point of our efforts in terms of customer satisfaction as well as in regard to innovation and continuously delivering effective user-friendly services.

Hydro signed a new five-year agreement for the provision of full-service cloud-based services for approximately 10'000 employees and pensioners. As a part of the new agreement, we will implement new functionality and solutions with the goal to further support Hydro in streamlining their internal HR operations.

The Swedish subsidiary of Siemens renewed and expanded their relationship that started in 2005 with another five years covering all their nearly 5'000 employees in Sweden. With the new agreement, we added around 2'000 employees previously served on a competitor's solution to the Zalaris platform, enabling the customer to harmonize all processes for payroll, transactional HR and interfaces on Zalaris' GDPR-compliant Cloud solution.

### **Germany and UK expansion plans become reality as leading Energy Company chooses Zalaris**

Europe's largest generator of renewable energy has chosen Zalaris to deliver a wide range of transactional HR services, including payroll, to approximately 3'000 employees globally. Approximately 2'300 employees in Norway, Sweden, UK and Germany will receive full HR Outsourcing services, including payroll.

The five-year agreement, with the implementation project already underway will have a phased rollout starting in November 2017. This allows us to expand our footprint to new geographies such as Germany and UK. The global scope includes all of the company's locations across Europe, South America, and Asia – including such as Brazil, Chile and Turkey.

### **Pipeline remains strong**

Our pipeline of opportunities remains strong, and we have further strengthened our sales capacity throughout the quarter.

### **Exploring non-organic avenues for growth into new geographic markets**

With a nearly debt-free balance sheet and strong financials, Zalaris is well-positioned for non-organic growth. We continue to explore acquisition-based alternatives as a way to speed up our growth ambitions into new geographic markets.

Whether looking internally at our operations or externally at market opportunities, we feel good about 2017 and beyond. Our aspirations are high, and our ability to deliver has never been more encouraging, especially as we strive to step up to yet another goal in our compelling history – to become a leading international provider of innovative cloud-based payroll and HR services.

*Hans-Petter Mellerud, CEO*

## Financial Review

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

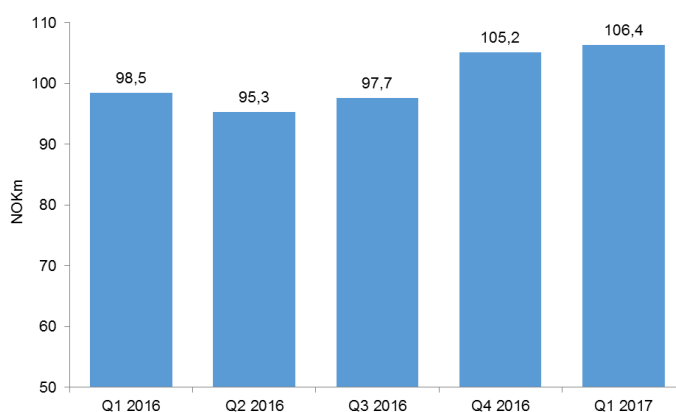
### Group Revenue

Total group revenue in Q1/17 was NOK 106.4 million, which represents 8.0% growth compared with Q1/16 (NOK 98.5 million). The growth in the cloud services segment continued in Q1, reaching revenue of NOK 13.6 million (NOK 5.0 million). The HR Outsourcing business segment remained at a stable level of NOK 90.6 million (NOK 90.4), whereas the Consulting business segment experienced a minor decline in revenue, down to NOK 2.2 million (NOK 3.1 million) compared to the same quarter last year. A high portion of the consulting capacity was used on services within the Cloud segment, thus contributing to the growth in this segment rather than in the consulting segment.

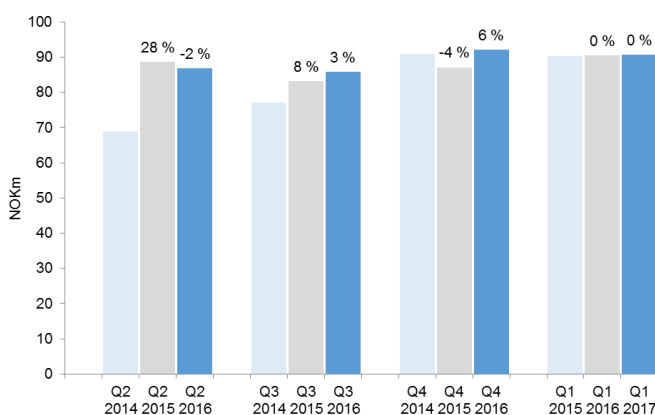
Compared to Q4/16, total group revenue increased slightly, but this varied within the different segments. The level of revenue for the HR Outsourcing segment dropped by NOK 0.5 million. This was mainly a consequence of a high portion of additional services for some of the largest customers in Q4/16. The revenue in the Cloud business segments increased by NOK 4 million, or 41.6% since Q4/16, due to launch of service delivery to Swedish customers in the quarter. Revenue from the Consulting business segment decreased by NOK 1.3 million compared to the prior quarter.

The distribution of total revenues within the different geographies was stable over the last quarters. Norway continued to be the main contributor to total group revenue with a 43% share.

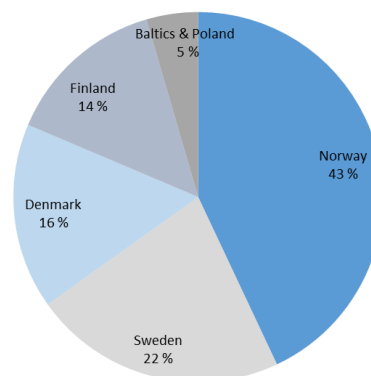
Second quarter in a row with group revenue above NOK 100 million.



Y-o-y growth in the HR Outsourcing segment (revenue share represents 87.2% of total group revenues).



Norway continues to be the leading revenue contributor.



## Profit and Loss

Group operating profit for Q1/17 (excluding other costs) was NOK 10.7 million with a margin of 10.1% (NOK 9.3 million and 9.4%). The HR Outsourcing business segment was the primary driver of this operating profit growth with an improvement of NOK 1.1 million. The Cloud business segment also contributed to an operating profit increase of NOK 0.4 million compared to Q1/16. The overall positive result was in line with expectations when considering seasonal variations where Q1 (and Q4) traditionally has a high level of additional invoicing.

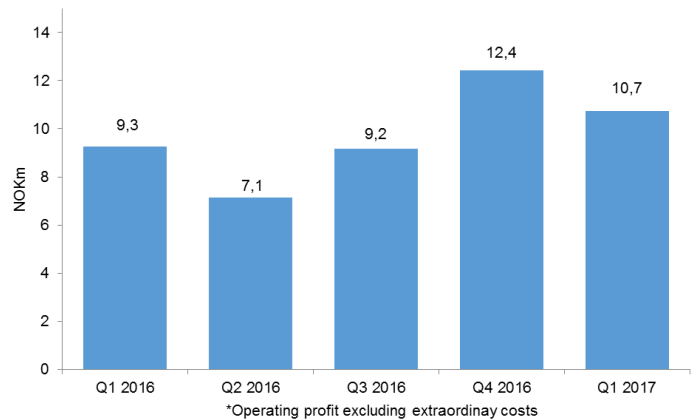
In Q1/17, operating expenses reached NOK 98.7 million (NOK 90.8 million) including NOK 3.1 million other costs. Group revenues and costs were impacted by a stronger Norwegian krone in Q1/17 compared to Q1/16. The operating margin decreased with 0.7 percentage points due to currency effects.

Total license costs increased to NOK 7.2 million (NOK 6.4 million), but the percentage of total group revenue remained approximately at the same level, 6.7% (6.5%). This also applies when comparing Q1/17 with Q4/16 when the level of license costs was at 6.4%.

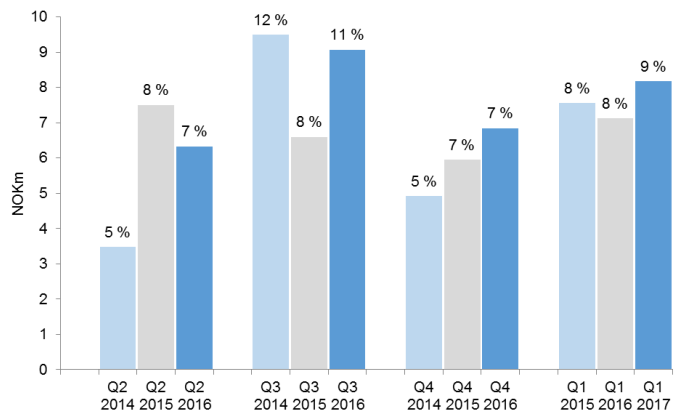
Comparing Q1/17 with Q1/16 and Q4/16, total personnel expenses increased in nominal terms. This is attributable partly to the fact that higher personnel costs have been capitalized in the 2016 quarters and partly to an increase in numbers of FTEs. The HR Outsourcing unit had a significant personnel cost reduction amounting to approximately NOK 4.5 million since Q1/16. This is a consequence of the onshore downsizing process as Zalaris continue to expand offshore. On the other hand, an increased number of FTEs in the market and technology units resulted in an increase of personnel expenses, reflecting Zalaris' growth ambitions and to be prepared for the increased interest in the market for the company's cloud solutions.

The go-live of new customers in Norway, Sweden and the Baltics in Q1/17 contributed to an increase in the amortization implementation costs. The increased cost level is accompanied by a higher level of recognized project revenue.

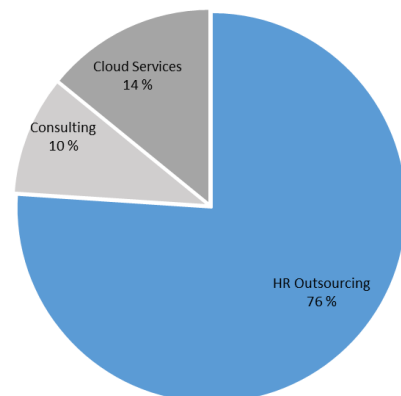
Operating profit\* increased 16% in Q1/17 compared to Q1/16.



HR Outsourcing improved the operating profit both in nominal terms and as a percentage of revenues compared to same quarter previous years (Operating margin shown as labels at top of bars).



Cloud services at a solid 14% of total operating profit.



## Financial Position and Liquidity

As of 31 March, total assets amounted to NOK 190.2 million (NOK 198.8 million) while total equity level was NOK 107.6 million (NOK 107.6 million). This equals an equity ratio of 56.6% (54.1%).

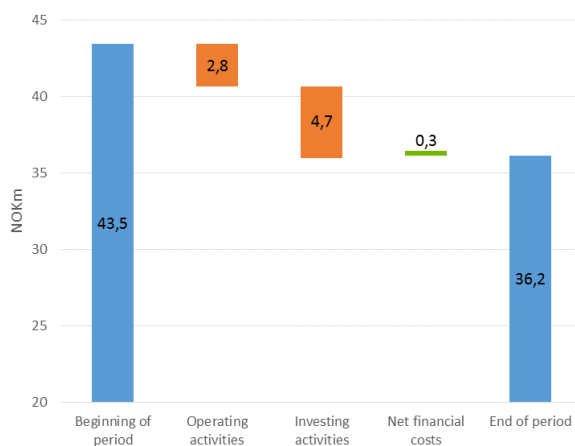
Group cash and cash equivalents was NOK 36.2 million (NOK 51.1 million) as of the end of Q1/17. Cash from operating activities amounted to NOK -2.9 million (NOK 21.5 million). The negative cash flow is driven by the increased level of capitalized implementation project costs and other short-term debt.

Investment activities for the quarter were mainly related to continuing projects implementing new functionality, features and systems in addition to new standard interface solutions to make the company prepared for customers' cloud-focused requirements. We also continued ongoing projects with the goal of making our systems and handling of sensitive HR master data and payroll records as secure as possible. Some smaller projects were also started to implement and update the Zalaris' Golden Client in Sweden and Poland.

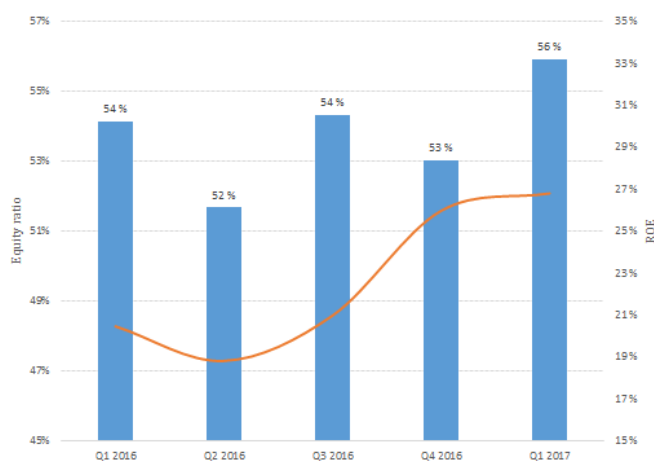
The Group had an unused credit facility of NOK 15.0 million at the end of the reporting period.

Interest-bearing debt amounted to NOK 1.4 million (NOK 1.4 million) at the end of Q1/17.

Cash decomposition, Q4/16 to Q1/17.



Equity ratio and return on equity (ROE).



<sup>1)</sup> Net income LTM divided on Average Equity LTM

## Operational KPIs

The HR Outsourcing division served an average of 203'000 employees per month during Q1/17 corresponding to a growth of 3.6% compared to the same quarter last year.

The number of customer employees served by the HR Outsourcing unit is an indication of the volume of transactions and services delivered. However, the scope of services provided varies for each customer. The growth in average number of employees served in Q1 compared to last quarter, is the result of go-live for several customers in the Nordic region.

In Q1/17, an average of 648 customers' employees was served by one FTE (full time equivalent) within Zalaris HR Outsourcing segment. This is a slight decrease compared to last quarter, but the good trend is preserved when comparing Q1/16 with 620 employees served by one FTE. This represents a 4.5% increase in efficiency.

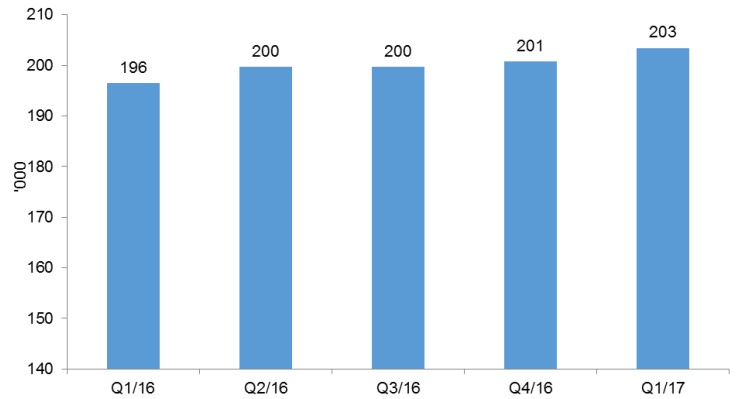
Zalaris delivers well on the goal to increase offshore presence and transfer transactional services to the team in India. The corresponding reduction in onshore employees will come into full effect mid 2017.

Total group headcount was 494 at the end of Q1/17. The increase of 4.8% compared to previous quarter is mainly driven by the offshore expansion, but we also see a minor increase in our nearshore resources due to start-up of new customers in the Baltics.

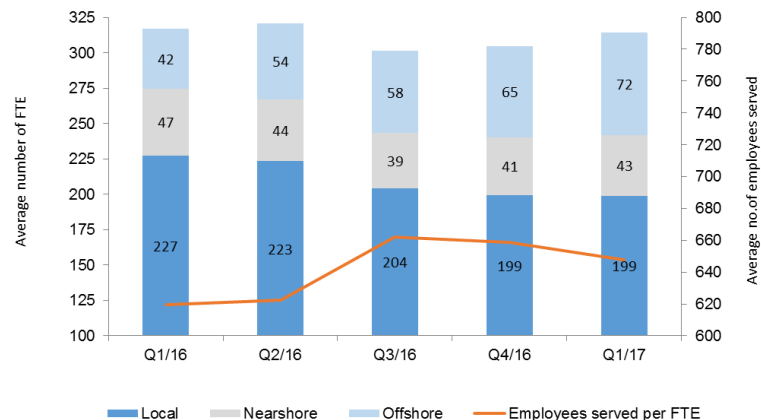
Zalaris' aggregate offshore and nearshore presence was 36% of the total workforce at the end of Q1/17. This is an increase compared to the end of last quarter and shows that the increase in total headcount is mainly represented by this part of the work force.

At the end of Q1/17, total number of FTEs was 461.

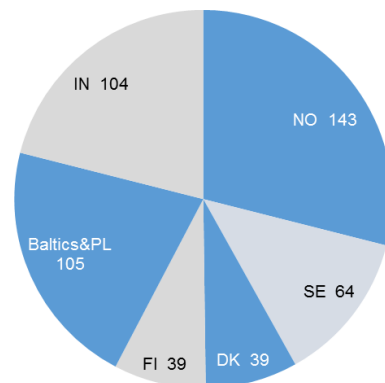
# of employees served by Zalaris systems ('000) shows stability since last quarter.



# of FTEs and employees served per FTE ('000) shows increased efficiency in Zalaris' deliveries.



Total headcount at the end of Q1/17 was 494 with an increased part located in India, Baltics and Poland.



## Outlook

Many factors contribute to Zalaris' outlook, including the general trend of companies outsourcing non-core competencies such as HR, human capital management (HCM) and payroll processing with many also adopting cloud based HR system delivery models. In addition to opportunities with current and new customers in existing geographies, Zalaris is slowly expanding into new geographies with our customers, including the DACH region and UK. The company is also strengthening partnerships with leading technology innovators such as SAP, as the company this year was one of their first-ever Business Process Outsourcing (BPO) partners for their top-rated SAP SuccessFactors HCM platform.

Zalaris has proven that its customers stays with the company as they expand and grow (their businesses), and this strengthens the value of the recurring revenue business model of Zalaris. Customer satisfaction is intrinsic and vital to Zalaris' continued success.

Zalaris' customer base covers a broad range of industries in both the public and private sector. All companies in the EU now face the enforcement of EU's General Data Protection Regulation, GDPR, - including "the right to be forgotten". Compliance with GDRP is an important business opportunity where Zalaris can provide added value to its customers. Zalaris has the standards, processes and solutions in place to enable effective documentation and legal compliance - meeting and adhering to the necessary standards in partnership with existing and new customers.

Zalaris seeks to uphold the highest ethical standards and customer-service mentality as well as solid financial management practices across all operations. The company expects to continuously strengthen its approach that combines a proven mix of onshore and offshore services, while carefully cultivating and expanding customer relationships.

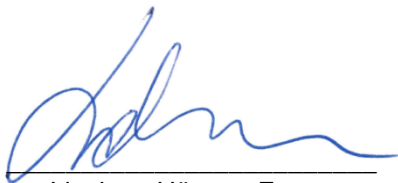
Oslo, 26 April 2017  
The Board of Directors of Zalaris ASA



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	2017	2016	2016
		Jan-Mar <i>unaudited</i>	Jan-Mar <i>unaudited</i>	Jan-Dec
<b>Revenue</b>	2	<b>106 389</b>	<b>98 496</b>	<b>396 646</b>
<b>Operating expenses</b>				
License costs		7 175	6 388	29 353
Personell expenses	3	56 613	54 516	213 193
Other operating expenses		21 439	20 409	80 189
Depreciations		464	418	1 835
Amortisation intangible assets	4	2 377	2 183	9 434
Amortisation implementation costs	5	7 575	5 321	24 661
Other costs		3 067	1 558	1 558
<b>Total operating expenses</b>		<b>98 711</b>	<b>90 793</b>	<b>360 224</b>
<b>Operating profit</b>		<b>7 678</b>	<b>7 703</b>	<b>36 422</b>
<b>Financial items</b>				
Financial income		750	1 343	2 125
Financial expense		(1 436)	(1 818)	(5 287)
<b>Net financial items</b>		<b>(686)</b>	<b>(476)</b>	<b>(3 162)</b>
<b>Ordinary profit before tax</b>		<b>6 992</b>	<b>7 227</b>	<b>33 260</b>
<b>Income tax expense</b>				
Tax expense on ordinary profit		1 582	1 654	7 693
<b>Total tax expense</b>		<b>1 582</b>	<b>1 654</b>	<b>7 693</b>
<b>Profit for the period</b>		<b>5 411</b>	<b>5 573</b>	<b>25 567</b>
<b>Profit attributable to:</b>				
- Owners of the parent		5 411	4 909	25 567
- Non-controlling interests		-	664	-
<b>Earnings per share:</b>				
Basic earnings per share (NOK)		0,28	0,26	1,34
Diluted earnings per share (NOK)		0,28	0,26	1,34



## Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2017	2016	2016
		Jan-Mar <i>unaudited</i>	Jan-Mar <i>unaudited</i>	Jan-Dec
<b>Profit for the period</b>		<b>5 411</b>	<b>5 573</b>	<b>25 567</b>
<b>Other comprehensive income</b>				
Items that will be reclassified to profit and loss in subsequent periods				
Currency translation differences		690	(1 109)	(3 944)
<b>Total other comprehensive income</b>		<b>690</b>	<b>(1 109)</b>	<b>(3 944)</b>
<b>Total comprehensive income</b>		<b>6 101</b>	<b>4 464</b>	<b>21 623</b>
<b>Total comprehensive income attributable to:</b>				
- Owners of the parent		6 101	3 800	21 623
- Non-controlling interests		0	664	0

## Consolidated Statement of Financial Position

(NOK 1000)	Notes	2017	2016	2016
		31 Mar	31 Mar	31 Dec
		<i>unaudited</i>	<i>unaudited</i>	
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	4	40 053	35 252	39 054
<b>Total intangible assets</b>		<b>40 053</b>	<b>35 252</b>	<b>39 054</b>
<b>Deferred tax asset</b>		<b>1 765</b>	<b>2 983</b>	<b>2 028</b>
<b>Fixed assets</b>				
Office equipment		1 237	750	1 120
Property, plant and equipment		4 696	4 438	4 282
<b>Total fixed assets</b>		<b>5 932</b>	<b>5 188</b>	<b>5 402</b>
<b>Total non-current assets</b>		<b>47 750</b>	<b>43 422</b>	<b>46 484</b>
<b>Current assets</b>				
Trade accounts receivable		75 340	65 678	70 887
Customer projects	5	22 300	29 603	23 112
Other short-term receivables		8 565	9 013	8 021
Cash and cash equivalents		36 243	51 128	43 509
<b>Total current assets</b>		<b>142 448</b>	<b>155 421</b>	<b>145 528</b>
<b>TOTAL ASSETS</b>		<b>190 197</b>	<b>198 843</b>	<b>192 012</b>

## Consolidated Statement of Financial Position

(NOK 1000)	Notes	2017 31 Mar <i>unaudited</i>	2016 31 Mar <i>unaudited</i>	2016 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)
Other paid in equity		465		122
Share premium		37 048	53 224	37 048
<b>Total paid-in capital</b>		<b>39 419</b>	<b>55 131</b>	<b>39 076</b>
Retained earnings		68 228	47 236	61 548
<b>Equity attributable to equity holders of the parent</b>		<b>107 648</b>	<b>102 367</b>	<b>100 624</b>
Non-controlling interests			5 264	
<b>Total equity</b>		<b>107 648</b>	<b>107 631</b>	<b>100 624</b>
<b>Non-current liabilities</b>				
Deferred tax		3 113	2 291	2 792
Interest-bearing loans and borrowings		1 368	2 012	1 436
Employee defined benefit liabilities		-	304	103
<b>Total long-term debt</b>		<b>4 480</b>	<b>4 607</b>	<b>4 331</b>
<b>Current liabilities</b>				
Trade accounts payable		16 631	8 437	10 792
Income tax payable		5 174	5 093	4 613
Public duties payable		23 395	24 964	24 853
Other short-term debt		32 865	48 111	46 410
<b>Total short-term debt</b>		<b>78 070</b>	<b>86 605</b>	<b>87 057</b>
<b>Total liabilities</b>		<b>82 550</b>	<b>91 212</b>	<b>91 388</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>190 197</b>	<b>198 843</b>	<b>192 012</b>

## Consolidated Statement of Cash Flow

(NOK 1000)	Notes	2017 Jan-Mar	2016 Jan-Mar	2016 Jan-Dec
<b>Cash Flow from operating activities</b>		<i>unaudited</i>	<i>unaudited</i>	
<b>Profit before tax</b>		<b>6 992</b>	<b>7 227</b>	<b>33 260</b>
Financial income		(542)	(980)	(1 108)
Financial costs		916	1 005	3 280
Depreciations and impairments		464	418	1 835
Amortisation intangible assets		2 377	2 183	9 434
Amortisation implementation costs customer projects		7 575	5 321	24 661
Customer projects		(6 763)	(8 600)	(21 450)
Taxes paid		(1 147)	(835)	(6 009)
Changes in accounts receivable and accounts payable		1 385	(12 505)	(15 359)
Changes in other short term debt and disposals		(13 726)	(8 436)	(12 808)
Interest received		8	6	20
Interest paid		(385)	(388)	(1 490)
<b>Net cash flow from operating activities</b>		<b>(2 846)</b>	<b>(15 585)</b>	<b>14 266</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed and intangible assets		(4 698)	(1 271)	(14 078)
<b>Net cash flow from investing activities</b>		<b>(4 698)</b>	<b>(1 271)</b>	<b>(14 078)</b>
<b>Cash flows from financing activities</b>				
Buyback shares from minority		-		(5 983)
Stock purchase program		343		122
Proceeds from issue of new borrowings				-
Repayments of borrowings		(68)	(114)	(690)
Dividend payments				(16 177)
Dividend payments to non-controlling interest				(990)
<b>Net cash flow from financing activities</b>		<b>275</b>	<b>(114)</b>	<b>(23 717)</b>
<b>Net changes in cash and cash equivalents</b>		<b>(7 269)</b>	<b>(16 970)</b>	<b>(23 529)</b>
<b>Net foreign exchange difference</b>		<b>4</b>	<b>357</b>	<b>(702)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>43 509</b>	<b>67 740</b>	<b>67 740</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>36 243</b>	<b>51 128</b>	<b>43 509</b>

## Consolidated Statement of Changes in Equity

(NOK 1000)	Share capital	Own shares	Share prem.	Other paid in equity	Total paid-in equity	Cum. Transl. diff.	Other equity	Minority interest	Total equity
<b>Equity at 01.01.2017</b>	<b>1 912</b>	<b>(6)</b>	<b>37 048</b>	<b>122</b>	<b>39 076</b>	<b>(2 662)</b>	<b>64 209</b>	<b>0</b>	<b>100 624</b>
Profit of the year					-		5 411	-	5 411
Other comprehensive income					-	690			690
Buyback of shares					-				-
Share based payments				343	343				343
Other changes					-	10	570		580
Dividend					-				-
<b>Equity at 31.03.2017 (unaudited)</b>	<b>1 912</b>	<b>(6)</b>	<b>37 048</b>	<b>465</b>	<b>39 419</b>	<b>(1 961)</b>	<b>70 190</b>	<b>0</b>	<b>107 648</b>
<b>Equity at 01.01.2016</b>	<b>1 912</b>	<b>(6)</b>	<b>53 224</b>	<b>-</b>	<b>55 131</b>	<b>1 852</b>	<b>41 585</b>	<b>4 601</b>	<b>103 168</b>
Profit of the year					-		4 909	664	5 573
Other comprehensive income					-	(1 109)			(1 109)
Other changes					-				-
Dividend					-				-
<b>Equity at 31.03.2016 (unaudited)</b>	<b>1 912</b>	<b>(6)</b>	<b>53 224</b>		<b>55 131</b>	<b>743</b>	<b>46 054</b>	<b>5 705</b>	<b>107 631</b>
<b>Equity at 01.01.2016</b>	<b>1 912</b>	<b>(6)</b>	<b>53 224</b>	<b>-</b>	<b>55 131</b>	<b>1 852</b>	<b>41 585</b>	<b>4 601</b>	<b>103 168</b>
Profit of the year					-		25 567	-	25 567
Other comprehensive income					-	(3 944)			(3 944)
Buyback of shares					-		(1 383)	(4 601)	(5 983)
Share based payments				122	122		-		122
Other changes					-	(569)	(570)		(1 139)
Dividend			(16 177)		(16 177)		(990)		(17 167)
<b>Equity at 31.12.2016</b>	<b>1 912</b>	<b>-6</b>	<b>37 048</b>	<b>122</b>	<b>39 076</b>	<b>-2 662</b>	<b>64 209</b>	<b>0</b>	<b>100 624</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 first quarter of 2017 were authorized for issue by the board of directors on 26 April 2017.

#### Basis for preparation

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

A description of the significant accounting policies is included in Zalaris' annual financial statements for 2015, and applies to these interim consolidated condensed financial statements. New and amended standards applicable for the period starting 1 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.

### 2017 Jan-Mar

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Other operating income, external	90 642	13 553	2 193		106 389
Other operating expenses	(73 109)	(11 040)	(1 079)		(85 228)
Depreciation and amortisation	(9 363)	(995)	(59)		(10 416)
IPO related costs				(3 067)	(3 067)
<b>Operating profit/(loss)</b>	<b>8 171</b>	<b>1 518</b>	<b>1 056</b>	<b>(3 067)</b>	<b>7 678</b>
Net financial income/(expenses)				(686)	(686)
Income tax				(1 582)	(1 582)
<b>Profit for the period</b>	<b>8 171</b>	<b>1 518</b>	<b>1 056</b>	<b>(5 335)</b>	<b>5 411</b>
<b>Cash flow from investing activities</b>				<b>(4 698)</b>	<b>(4 698)</b>

### 2016 Jan-Mar

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

### 2016 Jan-Dec

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Other operating income, external	355 123	29 996	11 527		396 646
Other operating expenses	(289 950)	(25 235)	(7 550)		(322 736)
Depreciation and amortisation	(35 797)	(48)	(85)		(35 930)
IPO related costs				(1 558)	(1 558)
<b>Operating profit/(loss)</b>	<b>29 376</b>	<b>4 713</b>	<b>3 891</b>	<b>(1 558)</b>	<b>36 422</b>
Net financial income/(expenses)				(3 162)	(3 162)
Income tax				(7 693)	(7 693)
<b>Profit for the period</b>	<b>29 376</b>	<b>4 713</b>	<b>3 891</b>	<b>(12 412)</b>	<b>25 567</b>
<b>Cash flow from investing activities</b>				<b>(14 078)</b>	<b>(14 078)</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	2017		2016		2016
		Jan-Mar	as % of total	Jan-Mar	as % of total	Jan-Dec
Norway	44 %	45 739	44 %	40 929	43 %	169 374
Sweden	23 %	23 558	24 %	27 576	25 %	98 721
Denmark	15 %	17 281	16 %	14 583	15 %	60 406
Finland	14 %	15 004	13 %	12 758	13 %	52 095
Other	4 %	4 807	3 %	2 796	4 %	16 050
<b>Total</b>	<b>100 %</b>	<b>106 389</b>	<b>100 %</b>	<b>98 642</b>	<b>100 %</b>	<b>396 646</b>

#### Information about major customers

(NOK 1000)	as % of total	2017		2016		2016
		Jan-Mar	as % of total	Jan-Mar	as % of total	Jan-Dec
5 largest customer	50 %	52 968	48 %	47 090	48 %	191 760
10 largest customer	69 %	73 520	68 %	66 896	68 %	269 383
20 largest customer	83 %	87 985	83 %	81 782	82 %	326 253

#### Note 3 – Personnel Costs

(NOK 1000)	2017	2016	2016
	Jan-Mar	Jan-Mar	Jan-Dec
Salary	49 701	50 600	191 826
Bonus	470	-	4 678
Social security tax	7 807	7 084	27 343
Pension costs	4 532	5 078	18 472
Other expenses	2 999	2 324	9 773
Capitalised development expenses	(2 168)	(1 033)	(8 009)
Capitalised implementation costs customer projects	(6 727)	(9 537)	(30 890)
<b>Total salary expenses</b>	<b>56 613</b>	<b>54 516</b>	<b>213 193</b>

Average number of employees:	487	450	454
Average number of FTEs:	454	422	423



## Note 4 – Intangible Assets

(NOK 1000)	Licenses and software	Internally developed software	Internally developed software under construction	Total
Book value 01.01.2016	8 140	23 974	4 117	36 230
Additions of the period	594		11 851	12 445
Reclassifications		6 380	(6 380)	-
Disposals and currency effects in the period	(36)	(151)		(188)
This period ordinary amortisation	(2 085)	(7 349)	-	(9 434)
<b>Book value 31.12.2016</b>	<b>6 613</b>	<b>22 853</b>	<b>9 589</b>	<b>39 054</b>
Book value 01.01.2017	6 613	22 853	9 589	39 054
Additions of the period	-		3 353	3 353
Reclassifications		1 703	(1 703)	-
Disposals and currency effects in the period	7	16	-	23
This period ordinary amortisation	(438)	(1 939)		(2 377)
<b>Book value 31.03.2017</b>	<b>6 182</b>	<b>22 633</b>	<b>11 238</b>	<b>40 052</b>
Book value 01.01.2016	8 140	23 974	4 117	36 230
Additions of the period	-		1 271	2 148
Reclassifications		877	(877)	-
Disposals and currency effects in the period	(13)	(60)	7	(944)
This period ordinary amortisation	(461)	(1 722)	-	(2 183)
<b>Book value 31.03.2016</b>	<b>7 666</b>	<b>23 068</b>	<b>4 518</b>	<b>35 252</b>

## 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 may be deferred when they are specific to a given contract, relate to future activity on the contract, will generate future economic benefits and are recoverable. These costs are capitalised as "customer projects" and any prepaid revenues by the client is 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". Deferred revenue is recognized over the corresponding period.

(NOK 1000)	2016	2016	2016
	31 Mar	31 Mar	31 Dec
Deferred costs related to customer projects	83 433	84 911	83 440
Deferred revenue related to customer projects	(61 133)	(55 308)	(60 328)
<b>Net customer implementation costs</b>	<b>22 300</b>	<b>29 603</b>	<b>23 112</b>

## Note 6 – Transactions with Related Parties

Related party (NOK 1000)	Transaction	2017	2016	2016
		Jan-Mar	Jan-Mar	Jan-Dec
Rayon Design AS <sup>1)</sup>	Management Services	121		162
<b>Total</b>		<b>121</b>	<b>-</b>	<b>162</b>

<sup>1)</sup> Hans-Petter Møllerud, CEO, is director of the board and Norwegian Retail AS, a company 100% owned by Hans-Petter Møllerud, owns 45% of the shares in Rayon Design AS since September 2016.

There have been no material transactions with related parties during the reporting period 1st of January to 31 March 2017.

## Note 7 – Events after Balance Sheet Date

### Acquisition of shares in sumarum AG

April 26, 2017 Zalaris ASA entered into a share purchase agreement with AHAG Vermögensverwaltung GmbH regarding the acquisition of 88.22% of the shares in sumarum AG ("sumarum").

The Acquisition is based on an equity value of 100% of the shares in sumarum on a fully diluted basis in the amount of EUR 19,201,000. The purchase price payable to the Sellers, i.e. EUR 16,894,852.6 will be settled through (i) a cash consideration in the amount of EUR 14,219,834.3 and (ii) the issuance of 687,111 new shares in Zalaris. The number of consideration shares has been calculated based on the volume weighted average price of the shares in Zalaris on the Oslo Stock Exchange during the last 5 trading days prior to the date hereof and NOK/EUR exchange rate of 9.2347.

The remaining shareholders will be offered to sell their shares in sumarum at a price per share equal to the price agreed with the Sellers, to be settled partly (90%) in cash and partly (10%) in new shares in Zalaris. The value per consideration share will be the same as agreed with the Sellers.

The cash component of the consideration for the shares in sumarum will be debt financed.

The consideration shares to be issued to the Sellers and other selling shareholders with larger shareholdings will be subject to a 36 months lock-up. Further, certain good and bad leaver provisions have been agreed which makes Zalaris entitled to buy back consideration shares if the sellers (or their respective owners, if applicable) who are employed by sumarum cease their employment with the Zalaris group during the initial 36 months period

Completion of the Acquisition is subject to certain conditions, such as no material adverse change having occurred and that Zalaris acquires shares representing at least 95% of the fully diluted share capital of sumarum.

Completion of the Acquisition is expected to take place in May 2017, subject to satisfaction or waiver of the conditions to closing. The Agreement may be terminated by either party if completion has not occurred by 30 June 2017 for any reason other than through the fault of the party seeking to terminate the Agreement.

The consideration shares to be issued and delivered to the Sellers and other selling shareholders in sumarum in connection with the transaction will be listed on the Oslo Stock Exchange.

Zalaris will publish an information memorandum pursuant to section 3.5 of the Continuing Obligations for companies listed on the Oslo Stock Exchange as soon as possible and no later than before trade commences on the 30th trading day on the Oslo Stock Exchange after the date hereof.

sumarum is a German joint stock corporation registered with the commercial register maintained at the local court of Kiel with registration number HRB 8473 KI and registered address at Rathausplatz 3, D-24558 Henstedt-Ulzburg. As Zalaris, sumarum provides cloud-based payroll and HR solutions on SAP's platform and a wide range of SAP HCM and SuccessFactors consulting services for private and public entities in Germany, Austria and Switzerland. As of 30 March 2017, sumarum had approximately 185 employees.

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

## Key Figures

Key financials	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
NOKm except per share figures										
<b>Revenues</b>	<b>97,3</b>	<b>94,2</b>	<b>92,3</b>	<b>92,6</b>	<b>94,6</b>	<b>98,5</b>	<b>95,3</b>	<b>97,7</b>	<b>105,2</b>	<b>106,4</b>
Revenue growth (y-o-y)	35 %	27 %	30 %	11 %	-2,8 %	4,6 %	3,2 %	5,4 %	11,2 %	8,0 %
<b>EBITDA</b>	<b>13,8</b>	<b>11,9</b>	<b>10,9</b>	<b>8,3</b>	<b>11,4</b>	<b>11,9</b>	<b>10,0</b>	<b>11,3</b>	<b>16,2</b>	<b>13,6</b>
EBITDA margin	14 %	13 %	12 %	9 %	12 %	12 %	10 %	12 %	15 %	13 %
<b>EBIT excl. extraordinary items</b>	<b>11,8</b>	<b>9,9</b>	<b>8,9</b>	<b>6,3</b>	<b>8,9</b>	<b>9,3</b>	<b>7,1</b>	<b>9,2</b>	<b>12,4</b>	<b>10,7</b>
EBIT margin	12 %	10 %	10 %	6,8 %	9,4 %	9,4 %	7,5 %	9,4 %	11,8 %	10,1 %
<b>Profit Before Tax</b>	<b>5,5</b>	<b>9,7</b>	<b>8,3</b>	<b>5,0</b>	<b>8,4</b>	<b>7,2</b>	<b>6,4</b>	<b>8,5</b>	<b>11,1</b>	<b>7,0</b>
Income Tax Expense	1,6	2,6	2,1	1,1	1,6	1,7	1,7	2,3	1,6	1,6
Non- Controlling Interests	0,7	0,8	0,6	0,0	0,6	0,7	0,7	0,2	-1,5	
<b>Net income</b>	<b>3,2</b>	<b>6,4</b>	<b>5,5</b>	<b>3,8</b>	<b>6,2</b>	<b>4,9</b>	<b>4,0</b>	<b>6,0</b>	<b>11,0</b>	<b>5,4</b>
Profit margin	3,3 %	6,7 %	6,0 %	4,1 %	6,5 %	5,0 %	4,2 %	6,2 %	10,5 %	5,1 %
Weighted # of shares outstanding (m)	19,0	19,1	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,2
Basic EPS	0,2	0,3	0,3	0,2	0,3	0,3	0,2	0,3	0,6	0,3
Diluted EPS	0,2	0,3	0,3	0,2	0,3	0,3	0,2	0,3	0,6	0,3
DPS			0,8				0,9			
<b>Cash flow items</b>										
Cash from operating activities	15,9	-7,5	9,1	6,2	21,6	-14,8	10,8	-0,9	21,5	-2,8
Investments	-8,7	-3,0	-6,3	-6,2	-3,1	-1,3	-4,3	-3,5	-5,0	-4,7
Net changes in cash and cash equi.	6,4	-10,9	-11,8	-1,5	16,6	-16,6	-10,6	-5,1	8,4	-7,3
Cash and cash equivalents end of period	75,2	64,5	52,6	51,2	67,7	51,1	40,5	35,4	43,5	36,2
<b>Equity</b>										
Equity ratio	45 %	49 %	47 %	49 %	51 %	54 %	52 %	54 %	53 %	57 %
ROE	9 %	9 %	16 %	20 %	22 %	20 %	19 %	21 %	26 %	26 %
Number of FTE (Period End)	372	379	378	374	419	426	444	419	427	461
<b>Segment overview</b>										
NOKm										
<b>Revenues</b>	<b>97,3</b>	<b>94,2</b>	<b>92,3</b>	<b>92,6</b>	<b>94,6</b>	<b>98,5</b>	<b>95,3</b>	<b>97,7</b>	<b>105,2</b>	<b>106,4</b>
HR Outsourcing	90,9	90,2	88,6	83,2	87,1	90,4	86,8	85,8	92,1	90,6
Consulting	4,3	3,7	2,9	3,2	4,6	3,1	2,4	2,4	3,5	2,2
Cloud Sourcing	2,2	0,3	0,8	6,2	2,9	5,0	6,0	9,4	9,6	13,6
Adjustments	-	-	-	-	-	-	-	-	-	-
<b>EBIT</b>	<b>11,7</b>	<b>9,9</b>	<b>8,9</b>	<b>6,3</b>	<b>8,9</b>	<b>9,3</b>	<b>7,1</b>	<b>9,2</b>	<b>12,4</b>	<b>10,7</b>
HR Outsourcing	4,9	7,6	7,5	6,6	6,0	7,1	6,3	9,1	6,8	8,2
Consulting	1,5	2,3	1,3	-1,3	2,4	1,0	0,8	-0,4	2,5	1,1
Cloud Services	0,4	0,0	0,1	1,0	0,5	1,1	-0,0	0,5	3,1	1,5

## For questions, please contact

### Nina Stemshaug

CFO

[nina.stemshaug@zalaris.com](mailto:nina.stemshaug@zalaris.com)

+47 982 60 394

### Hans-Petter Mellerud

CEO

[hans-petter.mellerud@zalaris.com](mailto:hans-petter.mellerud@zalaris.com)

+47 928 97 276

## Financial information

Annual General Meeting to be held 16 May 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](mailto:ir@zalaris.com) .

### Zalaris ASA

PO Box1053 Hoff

0218 Oslo

Norway