



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

Interim Report January – March 2014

KEY FIGURES Q1 2014

	2014	2013	2013
All figures in NOK 1 000	Jan-Mar	Jan-Mar	Jan-Dec
Revenue	74 135	59 536	262 216
Growth	24,5 %	2,6 %	15,8 %
Operating profit	8 451	6 072	24 616
Operating profit margin	11,4 %	10,2 %	9,4 %
Profit before tax	8 203	5 647	23 534
Profit for the period	5 988	4 122	17 089
Net cash from operating activities	593	475	21 939
Headcount end of the period	401	321	391

HIGHLIGHTS Q1 2014

- Grew revenue 24.5% compared to same period last year
- Achieved operating profit of NOK 8.5 million, equating to an operating margin of 11.4 %, up from NOK 6.1 million and 10.2 % in the same period last year
- Generated cash flow from operations of NOK 0.6 million, with cash and cash equivalents of NOK 9.4 million at the end of the quarter
- As a subsequent event of negotiations in Q1, signed a new five-year HR outsourcing agreement in April with Statoil ASA for the provision of a broad range of HR functions to their 23'000 employees globally
- Renewed outsourcing contracts with new five-year terms for Relacom, Yara and Gassco
- Implemented payroll services for Telenor in Norway and Denmark
- Strengthened management team with the addition of Otto Lepikkö as VP, Group Operations, and COO Peter Gogstad taking on responsibility for expanding the company's HR Business Consulting practice

2014 – Advancing Customer Satisfaction and Profitable Growth

“We are ready to advance Zalaris’ proven business model in the fast-growing enterprise market for quality outsourced HR solutions. It’s ideal timing for our pending IPO on the Oslo Stock Exchange as demand continues to rise for the service levels and cost savings we consistently deliver.”

Hans-Petter Møllerud, CEO



Insights from the CEO

Zalaris concluded the first quarter of 2014 slightly ahead of our ambitious expectations for the period and on track with fiscal objectives for the year. In addition to growing revenue 24,5% compared to the same period last year, we concurrently increased profitability 39%, resulting in annualized run-rate revenue of NOK 296 million and an operating profit of 11.4%.

With the intent of listing on the Oslo Stock Exchange in June 2014, we converted our 2012 results and 2013 annual accounts on the basis of International Financial Reporting Standards (IFRS).

We continue to advance our proven business model centered on helping clients maximize the value of their human capital through excellence in HR processes. Zalaris applies the same principles and practices in its own organization, which now exceeds 400 heads across the Nordics, include Baltics, Poland and India. We have an exceptional team with low attrition among our most valued contributors. Current focus areas include moving more transaction-based processes and IT system configuration activities to near-shore and offshore operations that maximize cost efficiencies.

Zalaris’ success relates to many factors, beginning with exceptional customer relationships. This foundation means ample positive references for prospective clients and very high renewal rates for our service agreements. Our historically low churn ratio averaged just 1,5% of revenue over the past five years. To maintain this position, we plan service enhancements throughout 2014 and even sharper attention on ways to help customers improve their people and processes.

Corresponding developments included splitting the role of our COO, Peter Gogstad, to grow our HR Business Consulting unit with emphasis on client and Zalaris

process improvements, while bringing Otto Lepikkö on board as a VP to head up group operations.

Our HRO and Consulting practices are both fully engaged with new large enterprise customers. Telenor Norway and Denmark went live on Zalaris SAP systems in February. Production start-up is scheduled through September for Telenor Sweden and June for TeliaSonera Finland.

Overall market response to our services remains strong. Three global trends contribute to the company’s encouraging long-term outlook:

- Large enterprises recognizing people as their most valued asset – investing in and improving HR system and process support
- Multinational companies increasingly seeking solutions that enable consistent HCM standards, best practices and processes across borders
- Realization that outsource specialists like Zalaris are better positioned to deliver quality HR services at lower costs compared to internal organizations

These are the types of conclusions that led to our landmark agreement in April with Statoil – a leading Norway-based global energy supplier – to deliver a broad range of HR services to their 23’000 employees worldwide. Zalaris beat several large competitors for the business, which includes transfer of approximately 30 Statoil employees to Zalaris. As a result, we are establishing a new service center in Stavanger focused on services to the North Sea oil and offshore industry.

Our pipeline of new potential large customers remains solid, and we are on track to reach our sales target for the year. We look forward to a record-breaking year!

Hans-Petter Møllerud, CEO



Revenue and Profit/Loss

Revenue

Total revenue amounted to NOK 74.1 million in Q1 2014, an increase of 24.5 % compared to the same period in 2013.

Zalaris' revenue related to the HR Outsourcing business increased 30% compared to Q1 2013. Note that revenue increased 23% between Q2 and Q3 of 2013 due to several new large contracts in the Nordics (Elkj p, Telenor, Teliasonera).

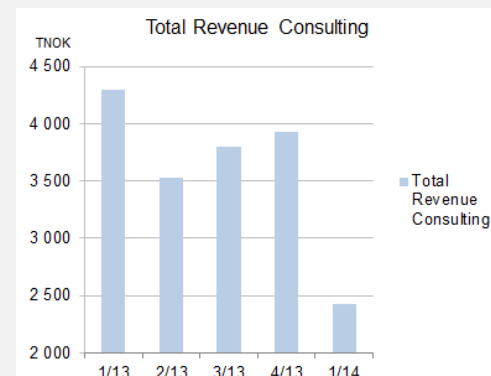
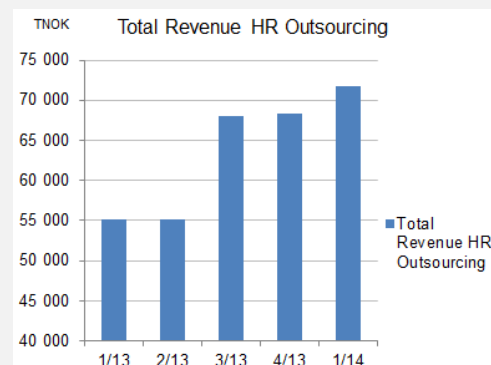
Q1 2014 revenues are 5% higher compared to Q4 2013 – partly due to normal seasonal variation for delivery of annual statements and also due to increased invoicing for existing customers in transition to the Zalaris platform.

Consulting revenue per quarter remained stable between 3-5 MNOK in 2013, but decreased to 2,4 MNOK in Q1 2014. For Q1 2014, the group faced high usage of consulting capacity in implementation projects for new customers, which limited external selling by the Consulting unit.

Profit/loss

Group operating profit amounted to NOK 8,5 million in the first quarter, equivalent to an operating margin of 11.4 %, gaining NOK 2.4 million compared to the same period last year.

Net financial items for the first quarter amounted to NOK -0.3 million. Profit after tax increased to NOK 6.0 million for the same period. Equivalent figures for the first quarter of 2013 were net financial NOK 0.4 million and profit after tax NOK 4.1 million.





Revenue per region

Business unit – HR Outsourcing

Zalaris is a business experiencing continuous growth. The Group currently has offices covering the Nordics, Baltics and Poland. In the first quarter of 2014, 97% of the total revenue was generated in the Group's HR Outsourcing business unit. This represents a 4% increase compared to the same period in 2013.

In Q1 2014, 99% of Zalaris' operation revenues resulted from our Nordic subsidiaries with the following split: Norway 42%, Sweden 24%, Denmark 19% and Finland 15%.

Compared to Q4 2013, Q1 2014 revenue remained relatively stable for Norway while it increased approximately 10% for the other countries. This is partly due to normal seasonal variation for delivery of year-end work as well as increased revenue for customers in the transition phase.

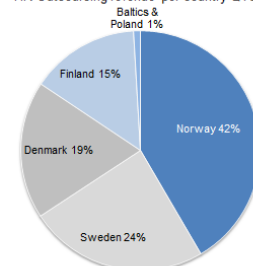
Business unit - Consulting

The contribution to total external revenue from the Consulting business unit was 3% in the first quarter of 2014, amounting to NOK 2.4 million. This is a decrease from the same period last year in which the contribution to total external revenue amounted to NOK 4.3 million or 7% of total revenue for the Group.

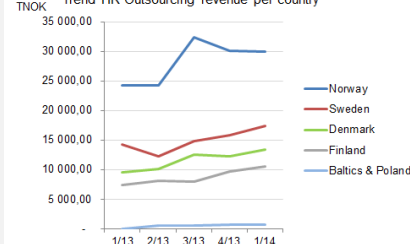
The consulting revenue in Q1 2014 decreased in all the Nordic countries compared to Q1 2013. This is caused by the high utilization of consulting capacity on new HR outsourcing contracts.

In Q1 2014, the consulting unit in Poland signed a contract for consulting services with a large global energy company.

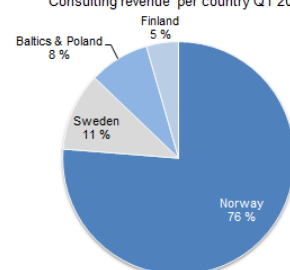
HR Outsourcing revenue per country Q1 2014



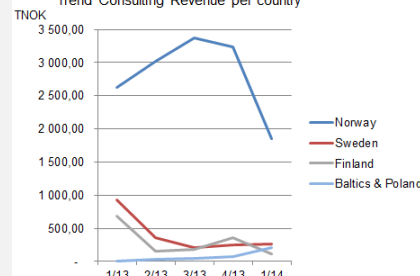
Trend HR Outsourcing revenue per country



Consulting revenue per country Q1 2014



Trend Consulting Revenue per country



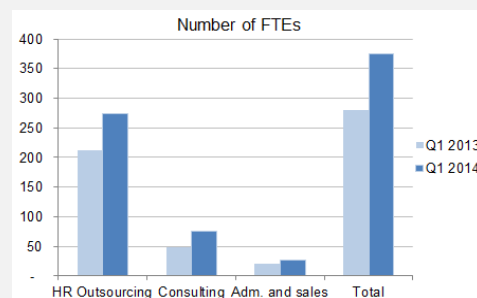
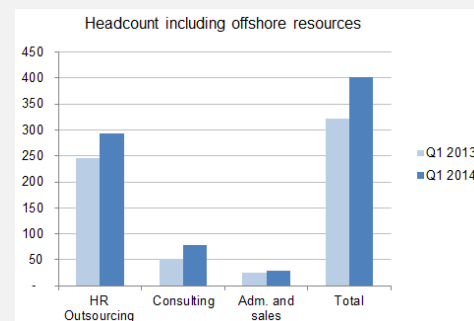


Employees

The Group had a headcount of 401 (of which 368 were employed by Zalaris), equivalent to an increase of 25% from 321 (of which 293 employed by Zalaris) at the end of Q1 2013. The number of FTEs (Full Time Equivalents) at the end of Q1 2014 was 375, compared to 281 FTEs at the end of Q1 2013.

The increase in the number of resources in the HR Outsourcing business unit is a consequence of growth through outsourcing agreements with new customers. New HR Outsourcing contracts in Finland, Norway, Sweden and Poland included people transfer after Q1 2013.

Headcount in the Consulting business unit increased by 28 to 79 employees at end of Q1 2014. The growth is primarily from expansion of HR outsourcing services for customers in Poland and in the Baltics, resulting in Zalaris needing to strengthen the local consulting capacity. The Nordic countries, except for Denmark, which built up a new consulting group after Q1 2013, have had moderate consultant growth from Q1 2013 to Q1 2014.



Cash flow and investments

Cash flow from operating activities amounted to NOK 0.6 million (NOK 0.5 million 2013) for the first quarter. Included in this number are the costs of activities related to customer implementation projects from new outsourcing contracts amounting to -10.5 million (NOK -8.9 million 2013).

Cash and cash equivalents amounted to NOK 9.4 million (NOK 6.4 million 2013) at the end of the quarter. The Group has a credit facility of NOK 15 million. At the end of the quarter, the Group had an unused credit facility of NOK 14.5 million.

The Group made investments of NOK 1.3 million during the quarter. The investments relate to IT functionality for improve the efficiency in service operations as well as new product development.

Equity

The equity by the end of the first quarter was NOK 45.7 million, which corresponds to an equity ratio of 36.3%. The equity by the end of first quarter 2013 was NOK 30.4 million, equivalent to 30.8%.



Target Compliance and Outlook

Long-term ambition

Zalaris' ambition for the next three years is to maintain the growth rate achieved over the last years. This will result in better profitability and cash flow from improved utilization of existing infrastructure and operations. Focus will remain on increasing recurring revenue in the HR Outsourcing business while maintaining the revenue in our Consulting business.

The Group will continue to concentrate on organic growth. An important driver is to keep a low churn rate through high focus on customer satisfaction. We expect the growth rate to vary between the quarters depending on the timing of new deals signed. Our aim is to improve our profitability through continuous focus on automation and increased usage of low-cost near- and offshore resources to deliver routine tasks.

Target Compliance for the first quarter of 2014

For the first quarter of 2014, the Group is slightly above both expected revenues and operating profits.

Outlook for 2014

We expect Zalaris to continue its profitable growth in 2014.

Oslo, May 23, 2014
Board of Directors


Lars Laier Henriksen
(chairman)
Narve Reiten
Liselotte Hægert Engstam
Tina Steinsvik Sund
Jan Koivurinta

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



Interim consolidated condensed financial statements

Consolidated statement of profit or loss

(NOK 1000)	Notes	2014 Jan-Mar <i>unaudited</i>	2013 Jan-Mar <i>unaudited</i>	2013 Jan-Dec
Revenue	2	74 135	59 536	262 216
Operating expenses				
License costs		2 482	2 227	12 881
Personell expenses	3	41 410	31 509	139 178
Other operating expenses		16 608	12 932	60 601
Depreciations		183	187	811
Amortisation intangible assets	4	1 460	2 090	7 148
Amortisation implementation costs customer projects	5	3 540	4 519	16 981
Total operating expenses		65 684	53 465	237 600
Operating profit		8 451	6 072	24 616
Financial items				
Financial income		195	413	3 708
Financial expense		-444	-838	-4 790
Net financial items		-249	-424	-1 083
Ordinary profit before tax		8 203	5 647	23 534
Income tax expense				
Tax expense on ordinary profit		2 215	1 525	6 445
Total tax expense		2 215	1 525	6 445
Profit for the period		5 988	4 122	17 089
<i>Profit attributable to:</i>				
- Owners of the parent		5 356	3 445	15 776
- Non-controlling interests		632	677	1 313
<i>Earnings per share:</i>				
- Basic and diluted		0,16 %	0,10 %	0,47 %
- NOK		1,59	1,02	4,68

Consolidated statement of comprehensive income

(unaudited, in NOK 1000)	Notes	2014 Jan-Mar	2013 Jan-Mar	2013 Jan-Dec
Profit for the period		5 988	4 122	17 089
Other comprehensive income				
Items that will be reclassified to profit and loss in subsequent periods				
Currency translation differences		-563	337	-1 188
Total other comprehensive income		-563	337	-1 188
Total comprehensive income		5 425	4 460	15 901
<i>Total comprehensive income attributable to:</i>				
- Owners of the parent		4 793	3 782	14 588
- Non-controlling interests		632	677	1 313



Consolidated statement of financial position

(unaudited, in NOK 1000)	Notes	2014	2013	2013
		31. Mar	31. Mar	31. Dec
		<i>unaudited</i>	<i>unaudited</i>	
ASSETS				
Non-current assets				
Intangible assets				
Deferred tax asset		5 466	7 689	5 513
Other intangible assets	4	22 389	21 352	22 685
Total intangible assets		27 855	29 042	28 198
Fixed assets				
Office equipment		308	503	380
Property, plant and equipment		1 719	1 511	1 788
Total fixed assets		2 027	2 014	2 168
Total non-current assets		29 882	31 055	30 366
Current assets				
Trade accounts receivable		53 439	38 993	54 934
Customer projects	5	25 753	16 918	18 836
Other short-term receivables		7 551	4 686	4 880
Cash and cash equivalents		9 433	6 388	10 802
Total current assets		96 177	66 985	89 451
TOTAL ASSETS		126 058	98 041	119 817
EQUITY AND LIABILITIES				
Equity				
Paid-in capital				
Share capital		339	339	339
Own shares - nominal value		-6	0	-6
Share premium		18 441	18 441	18 442
Total paid-in capital		18 774	18 781	18 774
Retained earnings		22 915	7 994	18 122
Equity attributable to equity holders of the parent		41 689	26 774	36 896
Non-controlling interests		4 053	3 470	3 421
Total equity		45 742	30 244	40 317
Non-current liabilities				
Deferred tax		3 542	2 119	1 306
Interest-bearing loans and borrowings		2 672	3 587	3 136
Employee defined benefit liabilities		101	282	44
Total long-term debt		6 315	5 988	4 486
Current liabilities				
Trade accounts payable		12 128	4 300	11 932
Interest-bearing loan from shareholders		0	9 000	0
Income tax payable		3 274	2 280	3 274
Public duties payable		19 108	14 465	18 884
Other short-term debt		39 492	31 764	40 924
Total short-term debt		74 002	61 808	75 013
Total liabilities		80 317	67 796	79 500
TOTAL EQUITY AND LIABILITIES		126 058	98 041	119 817



Consolidated statement of cash flows

		2014	2013	2013
(unaudited, in NOK 1000)	Notes	Jan-Mar	Jan-Mar	Jan-Dec
Operating profit		8 451	6 072	24 616
Depreciation		183	187	811
Amortisation intangible assets		1 460	2 090	7 148
Amortisation implementation costs customer projects		3 540	4 519	16 981
Customer projects		-10 457	-8 858	-23 237
Taxes paid		-2 167	-1 591	-3 341
Changes in accounts receivable and accounts payable		1 691	-2 975	-11 283
Changes in other accruals		-2 109	1 030	10 244
Net cash flow from operating activities		593	475	21 939
Cash flows from investing activities				
Purchase of fixed and intangible assets		-1 248	-1 321	-8 965
Net cash flow from investing activities		-1 248	-1 321	-8 965
Cash flows from financing activities				
Net financial items		-249	-424	-1 083
Purchase of own shares		-	-	-6
Proceeds from issue of new borrowings		-	-	1 493
Repayments of borrowings		-464	-431	-9 306
Changes in factoring debt		-	-113	-113
Dividend payments to non-controlling interest		-	-	-1 362
Net cash flow from financing activities		-713	-969	-10 377
Net changes in cash and cash equivalents		-1 368	-1 816	2 598
Cash and cash equivalents at the beginning of the period		10 802	8 204	8 204
Cash and cash equivalents at the end of the period		9 433	6 388	10 802
Unused credit facilities		14 547	14 093	15 000



Consolidated statement of changes in equity

(in NOK 1000)	Share capital	Own shares	Share premium	Total paid-in equity	Cumulative translation differences	Other equity	Non-controlling interests	Total equity
Equity at 01.01.2013	339	-0	18 441	18 780	774	2 646	3 470	25 670
Profit of the year						15 776	1 313	17 089
Other comprehensive income					-1 188			-1 188
Purchase/sale of own shares (net)		-6	1	-5		113		108
Dividend							-1 362	-1 362
Equity at 31.12.2013	339	-6	18 442	18 774	-415	18 536	3 421	40 317
Equity at 01.01.2014	339	-6	18 442	18 774	-415	18 536	3 421	40 317
Profit of the year				-		5 356	632	5 988
Other comprehensive income					-563			-563
Equity at 31.03.2014 (unaudited)	339	-6	18 442	18 774	-979	23 893	4 053	45 742
Equity at 01.01.2013	339	-	18 441	18 781	774	2 646	3 470	25 670
Profit of the period				-		3 445	677	4 122
Other comprehensive income				-	337		-	337
Other changes				-		114		114
Equity at 31.03.2013 (unaudited)	339	-	18 441	18 781	1 111	6 205	4 147	30 244

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 2014 were authorised for issue by the board of directors on 19.05.2014

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 the Zalaris' annual financial statements for 2013, and applies to these interim consolidated condensed financial statements. New and amended standards applicable for the period starting 1 January 2014 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 two operating segments, which are HR Outsourcing and Consulting.

HR Outsourcing offers a full range of payroll and HR outsourcing services including payroll, 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 solution.

Information is organised 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 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-Mar 2014

(NOK 1.000)	HR Outsourcing	Consulting	Unallocated	Total
Revenue	71 714	2 421		74 135
Operating expenses	65 452	232		65 684
Operating profit	6 261	2 190		8 451
Net financial items			-249	-249
Income tax			-2 215	-2 215
Cash flow from investing activities	-		-1 248	-1 248

Jan-Mar 2013

(NOK 1.000)	HR Outsourcing	Consulting	Unallocated	Total
Revenue	55 228	4 308		59 536
Operating expenses	51 195	2 270		53 465
Operating profit	4 033	2 037	-	6 071
Net financial items			-424	-424
Income tax			-1 525	-1 525
Cash flow from investing activities	-		-1 321	-1 321

7 %

2013

(NOK 1.000)	HR Outsourcing	Consulting	Unallocated	Total
Revenue	246 663	15 554		262 216
Operating expenses	224 882	12 718		237 600
Operating profit	21 781	2 836		24 617
Net financial items			-1 083	-1 083
Income tax			-6 445	-6 445
Cash flow from investing activities	-		-8 965	-8 965

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 correspond to the geographical location of the customers.

Information about geographical allocation of revenue

Revenue from external customers attributable to:

(NOK 1000)	as % of total	2014		2013		2013	
		Jan-Mar	as % of total	Jan-Mar	as % of total	Jan-Dec	
Norway	42 %	31 496	45 %	26 700	47 %	122 648	
Sweden	24 %	17 692	26 %	15 185	22 %	58 949	
Denmark	18 %	13 377	16 %	9 613	17 %	44 508	
Finland	14 %	10 677	13 %	8 022	13 %	34 415	
Other	1 %	893	0 %	16	1 %	1 697	
Total	100 %	74 135	100 %	59 536	100 %	262 217	

Information about major customers

(NOK 1000)	as % of total	2014		2013		2013	
		Jan-Mar	as % of total	Jan-Mar	as % of total	Jan-Dec	
5 largest customer	45 %	33 316	46 %	27 684	42 %	110 733	
10 largest customer	65 %	48 106	63 %	37 660	60 %	158 140	
20 largest customer	80 %	59 277	78 %	46 488	76 %	199 551	



Note 3 - Personell expenses

(NOK 1000)	2014 Jan-Mar	2013 Jan-Mar	2013 Jan-Dec
Salary	40 718	28 925	132 459
Bonus	1 525	1 140	4 364
Social security tax	5 098	3 824	17 452
Pension costs	3 816	2 835	12 899
Other expenses	2 389	1 394	6 532
Capitalised development expenses	-512	-801	-3 066
Capitalised implementation costs customer projects	-11 624	-5 808	-31 461
Total salary expenses	41 410	31 509	139 178
Average number of employees:	363	294	328
Average number of FTEs	338	257	298

Note 4 - Other intangible assets

(NOK 1000)	Licenses and software	Internally developed software	Internally developed software under construction	Total
Book value 01.01.2013	8 004	11 498	2 714	22 216
Additions of the period	1 898	2 288	5 642	9 828
Disposals and currency effects in the period	403	-325	-2 288	-2 210
This periods ordinary amortisation	-2 452	-4 696	-	-7 148
Book value 31.12.2013	7 852	8 765	6 068	22 686
Book value 31.12.2013	7 852	8 765	6 068	22 686
Additions of the period	-	389	1 174	1 563
Disposals and currency effects in the period	-8	-2	-389	-399
This periods ordinary amortisation	-686	-774	-	-1 460
Book value 31.03.2014	7 159	8 378	6 852	22 389
Book value 01.01.2013	8 004	11 498	2 714	22 216
Additions of the period	109	-	1 046	1 155
Disposals and currency effects in the period	359	-289	-	71
This periods ordinary amortisation	-785	-1 305	-	-2 090
Book value 31.03.2013	7 687	9 905	3 760	21 352
Useful life	5-10 years	5 years		
Depreciation method	linear	linear		



Note 5 - Customer projects

	2014 Mar	2013 Mar	2013 Dec
(NOK 1000)			
Deferred costs related to customer projects	60 915	37 158	53 584
Deferred revenue related to customer projects	-35 163	-20 240	-34 749
Net customer implementation costs	25 753	16 918	18 836

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 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".

Note 6 - Transactions with related parties

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

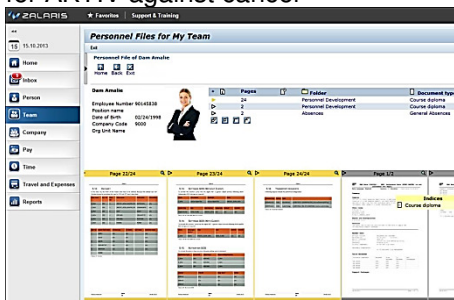
Note 7 - Events after the balance sheet date

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

The quarter in pictures



Zalaris becomes sponsor company for AKTIV against cancer



Zalaris announces New Cloud based Personnel Document Archiving Solution



Zalaris wins SAP Innovation Partner 2013 award



Zalaris' employee, Undine Balode, awarded 'Best Pop Rock album' in Latvia for her band 'The Sound Poets'



Successful Go-Live for Telenor in Denmark and Norway



Statoil chooses Zalaris to deliver HR Services

For questions, please contact

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Financial information

Interim report April – June August 22, 2014
Interim report July – September October 23, 2014

All financial information is published at Zalaris' website
www.zalaris.com investor relations.

Financial reports can also be ordered from
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