



Interim report | Full year and fourth quarter 2016

Oslo, 28 February 2017

Presenters and agenda



**Hans-Petter
Mellerud**
Founder and CEO



Nina Stemshaug
CFO

Agenda

- Recent highlights
- Financial performance in fourth quarter of 2016
- Cloud market position
- EU General Data Privacy Regulation (GDPR)
- Outlook

Record high quarterly revenues, passing hundred million mark

Financial indicators

- Q4/16 revenues was 105.2 million, up 11.2 % year-on-year.
- EBIT reached 12.4 million, corresponding to a margin of 11.8 %, up from 8.9 million and 9.4 % same quarter last year.
- Proposed dividend for 2016: NOK 0.87 per share.

Key figures

NOK million	Q4 16	Q4 15	FY16	FY15
Revenues	105.2	94.6	396.6	373.7
Operating profit	12.4	8.9	38.0	33.8
Profit for the period	9.5	6.1	26.0	23.3
EPS (NOK)	0.58	0.29	1.36	1.11

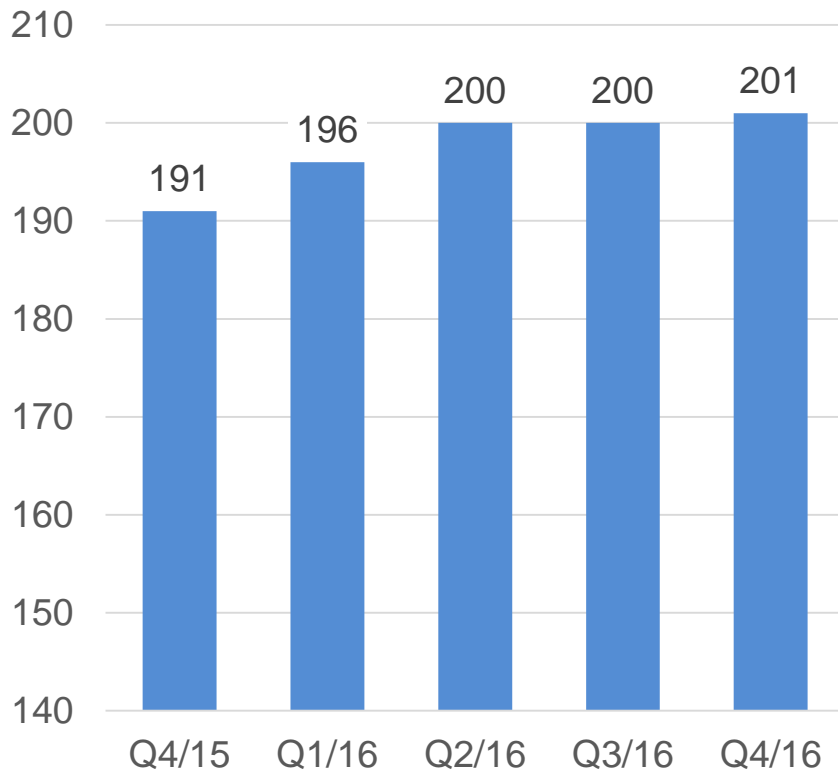
All amounts are in NOK unless otherwise stated

Strategic milestones and trends

- Series of new contracts and advances, including...
 - NSB – 1400 employees
 - Sporveien Oslo – 3800 employees
 - Outokumpu – 1800 employees
- Industry trends points towards continued growth in the years ahead...
 - New EU regulation generate opportunities for Zalaris' privacy compliant services.
 - Strong growth in demand for mobile and cloud solutions.
- Acquisition of minority's share in Consulting with positive effect on EPS.

Operational key performance indicators, number of employees served in Q4/16 up 5.4 % year-on-year

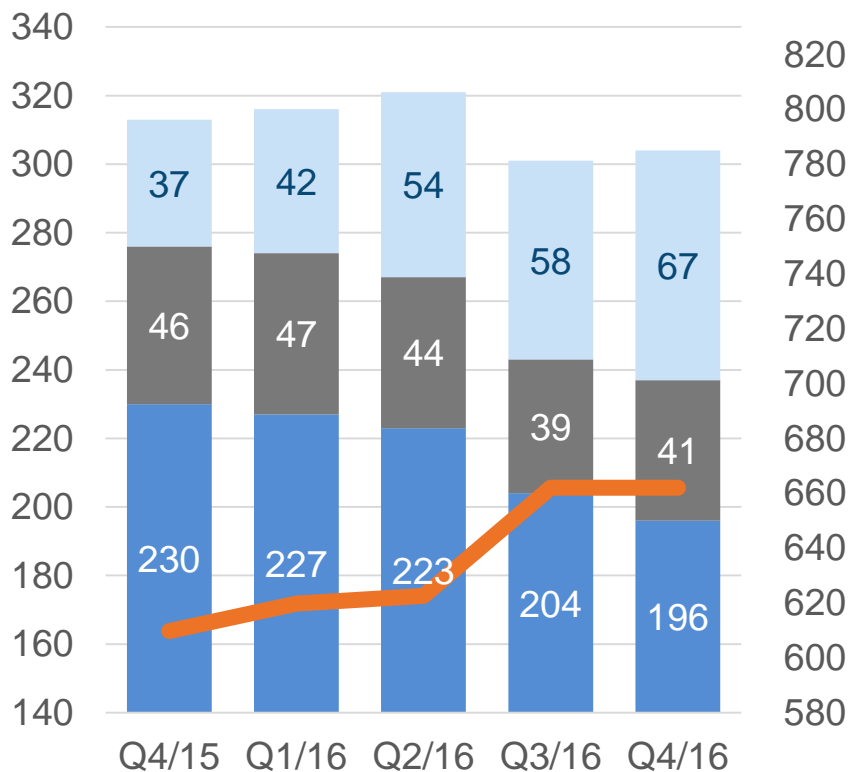
Employees served (1000')



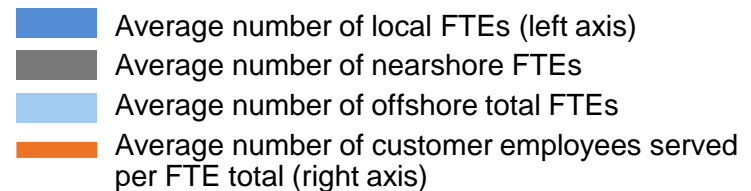
- Number of customer employees served indicates volume of transactions and services delivered.
- New customer was enrolled in the fourth quarter. Several new are underway when recent contract awards come into effect.
- A workforce reduction at some of our clients, slightly influences total number of employees served negatively in Q4 compared to Q3

Operational key performance indicators, efficiency continues to improve

HR Outsourcing Employees and productivity

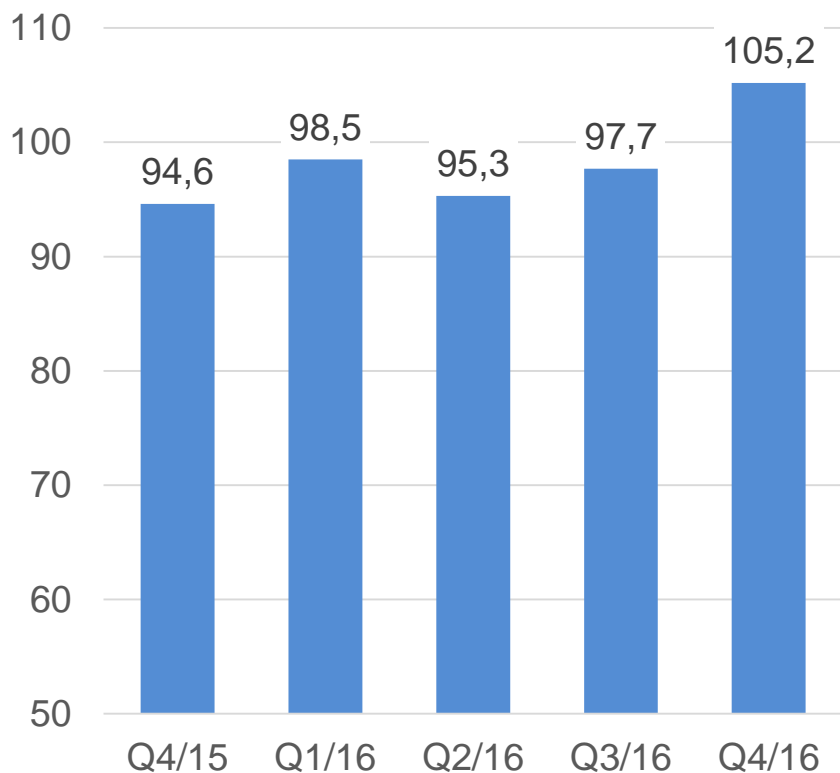


- Average number of employees served per FTE (full time equivalent) by **HR Outsourcing** was 662 in Q4/16.
- Productivity continued to improve – 8.6 % up compared with Q4/15. Actual Q4/16 numbers show some lag. Full effect of recent productivity initiatives in Q2/17.
- In **HR Outsourcing** offshore and nearshore employees was 34 % of workforce at year-end.
- **Group** headcount was 467 at end of Q4/16, up 3.3 compared to Q3 stable in total, but marked shift towards offshore.



Q4/16 revenues increased 11.2 % year-on-year. Cloud business continues to grow in importance

Operating revenues

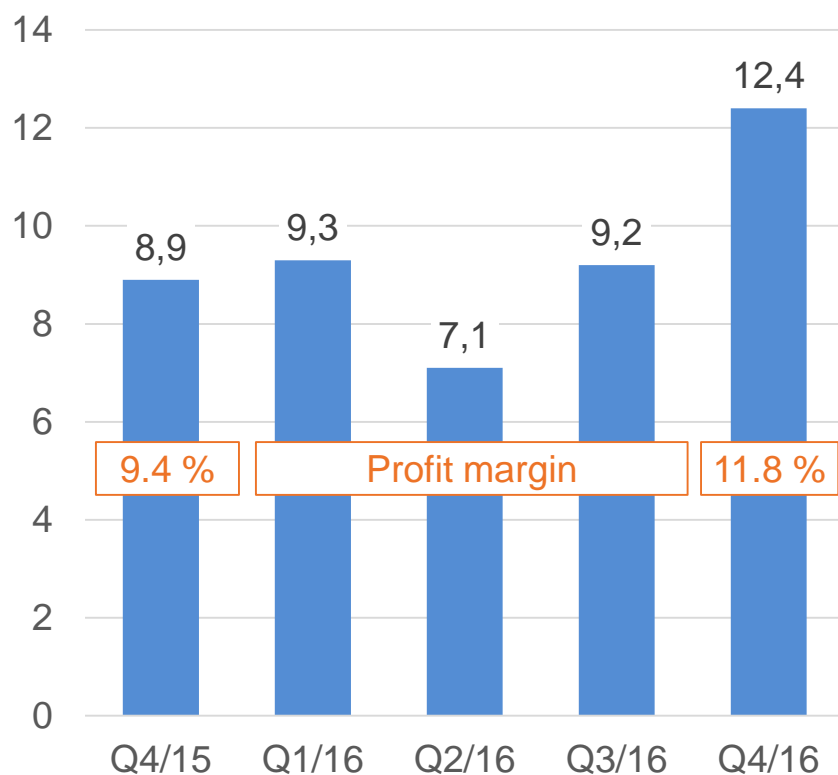


- **Group** revenues in Q4/16 was 105.2 million, passing the hundred million mark for the first time.
- **Cloud Services** continued to grow in significance: 9.6 million revenues in Q4/16 compared with 2.9 million in Q4/15.
- Representing 88 % of group revenues, **HR Outsourcing** grew by 5.7 % year-on-year to 92.1 million in Q4/16 as new customers have come on board.
- **Full year 2016** group revenues was 396.6 million, up 6.1 % compared with 2015. Cloud Services was main driver for growth as our Zalaris SuccessFactors solutions has seen increased interest.

All amounts are in NOK unless otherwise stated

Ending the year with a strong operating profit in the last quarter

Group operating profit¹



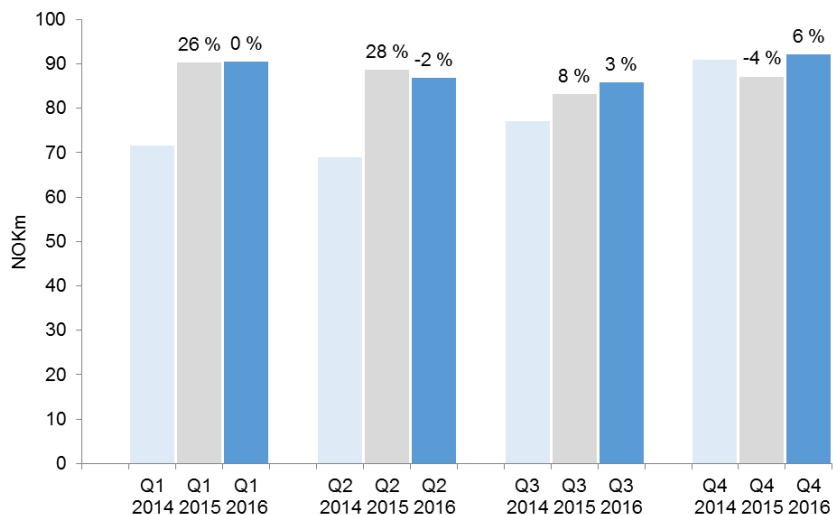
- Operating profit **for Q4/16** was 12.4 million, a profit margin of 11.8 %.
- Operating expenses increased 4.9 % from Q3/16 to 92.8 million in Q4/16 due to transfer of new employees from customers and audit activities.
- Net financial items amounted to minus 1.3 million in Q4/16.
- Profit after tax was NOK 8.8 million.
- **Full year 2016** operating profit was 38.0 million, up from 33.8 million the year before.
- Group revenues and costs were impacted by a weaker Norwegian krone. This currency effect represent 0.3 %-points on operating margin.

All amounts are in NOK unless otherwise stated

¹ Excluding extraordinary costs

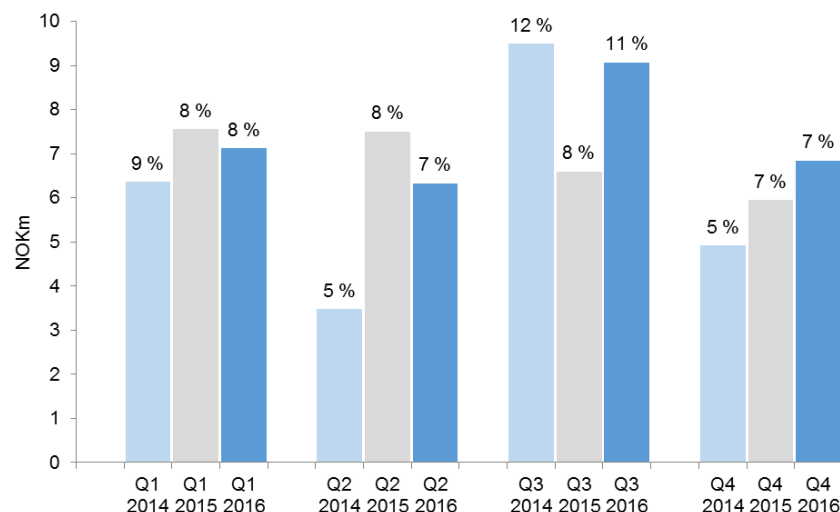
HR Outsourcing segment: Steady growth in profit compared with Q4 in previous years

Operating revenues



- Revenues in Q4/16 was 92.1 million, up 5.7 % y-o-y as new customers have come online in the Nordics and Baltics.
- Quarterly variations are normal due to seasonality.

Operating profit and margin

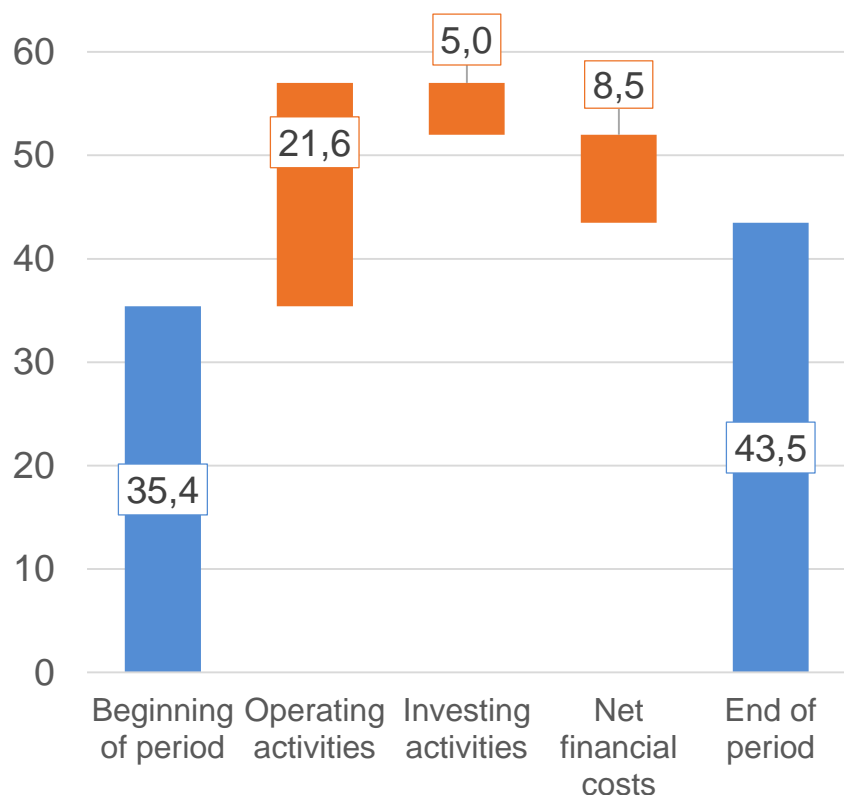


- Profit in Q4/16 was 6.8 million, down from Q3 but growing compared to Q4 in previous years

All amounts are in NOK unless otherwise stated

Positive cash flow from operations, strong financial position

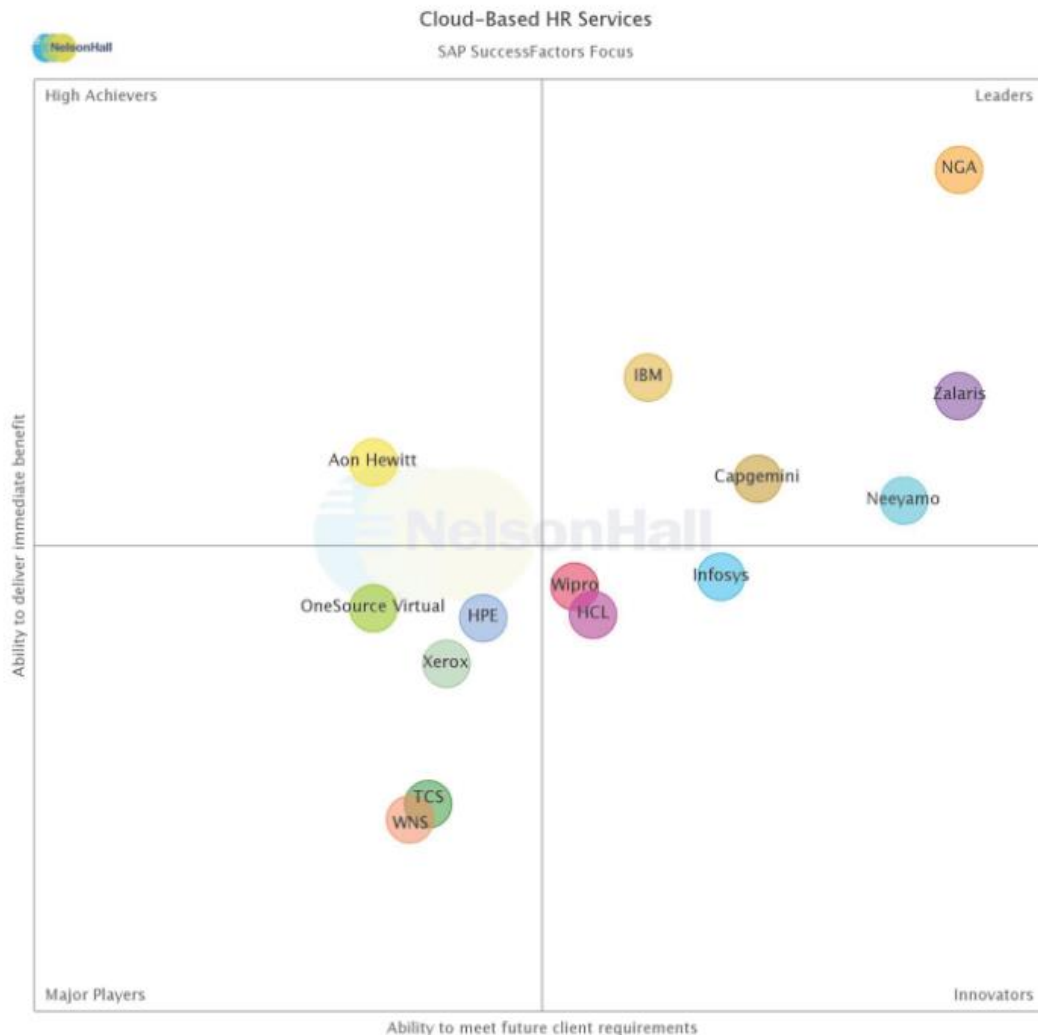
Cash and cash flows Q4/16



- Group cash and cash equivalents increased to 43.5 million through Q4/16, driven by increased operating profit.
- Investments in ongoing projects continued, and the company also invested in upgrade of security systems, processes and services. An ISO9001 certification was achieved in early 2017.
- Cash from financial activities includes buyback of shares from - and dividend paid to minority interests in Consulting.
- Strong financial position: 53 % equity ratio at end of Q4/16.
- Interest bearing debt was 1.4 million at end of Q4/16.

All amounts are in NOK million unless otherwise stated

Industry analyst NelsonHall cites Zalaris as market leader in Cloud-Based HR Services



“Zalaris’ long-standing relationship with SAP, coupled with client satisfaction ratings, has established it as a leader delivering cloud-based HR services around SAP SuccessFactors, including deployments, HR BPaaS, and consulting services”

Amy Gurchensky
Senior HR Research Analyst with
NelsonHall

What is EU General Data Protection Regulation – GDPR?

GDPR (EU Regulation 2016/679) will give individuals back the control and protection of their personal data in a networked digital world.

Most affected are data controllers and processors offering goods or services, or monitoring behavior, of people in the EU. It simplifies the EU regulatory environment replacing the 1995 data protection Directive.

GDPR is a **regulation** and does not require member state approval

Adopted in April 2016 and enforceable **on 25th of May 2018**

Penalties for non compliance of up to 4% of global revenue or EUR 20 mill
whichever is greatest

GDPR will...

- Increase **privacy** for individuals' personal data covering data **processing** and storing, requiring active **consent**
- Extend the **definition** of **personal data**, person **identification**, direct **marketing**, duties after **data breaches**
- Defend the legal **purpose** for storing or processing personal data & archiving, address inaccuracies, disclosures
- Give regulatory **authorities** greater **powers** and **sanctions** against businesses that breach the regulation

Data privacy has always been a vital part of Zalaris' systems and operations - regulated by both local and global laws and practice

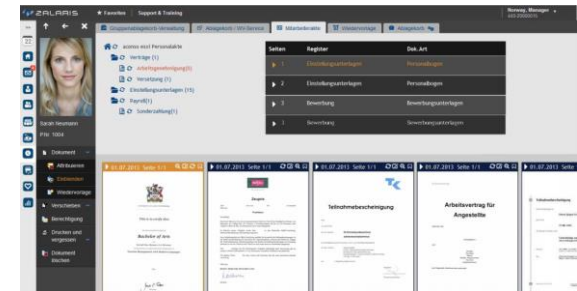
GDPR represents a more rigorous environment, with new specific requirements in managing personal data and a new sanctions regime and will provide a framework for improved cross border alignments

- Data can only be processed if on a process basis there is a **legal** or **contractual** obligation, **consent** or to protect **vital interests**.
- The **risk** associated with processing their personal data has to be **assessed**
- Data is **safeguarded**, ensuring that only the defined and currently agreed processing in the required scope will take place
- Employees will have **access to information** on their personnel data used for processing and to get incorrect data corrected
- Data is **deleted** as soon as all legal retention periods have passed, and the data is blocked during the time in which it is kept for legal reasons only
- **Right to be forgotten** - employees may request deletion of their data
- **Privacy by Design** – systems and processes should be developed with their data protection as integral part of design and privacy settings at high levels by default

Zalaris' services supports customers' ensuring and documenting GDPR compliance

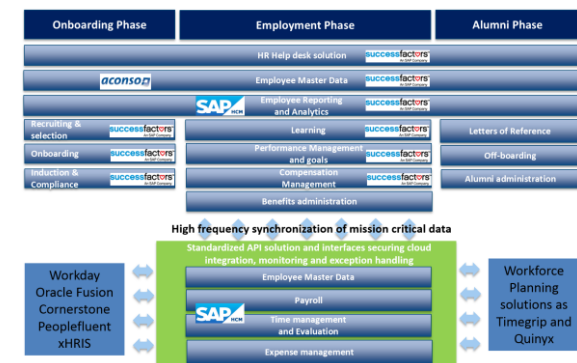
Digitized processes simplifying the employer – employee relationship

- **Digital personnel archive** and **Employee Self Service** to support insight into all personal data and processing and connected processes to support the Right To Be Forgotten
- **Digital Workflow solutions** to support consent management



Compliant Zalaris' Outsourcing Processes and Cloud Infrastructure

- Solution with valid From/To **dates** on all information support selective deletion of data
- **Centrally managed and documented interface layer** enable documenting sources and uses of personnel data
- Detailed Operating Procedure **documentation** outlining what information is **processed where and by whom**
- Centrally provided **risk assessment** and **compliance** documentation
- Revised **EU (Model) Agreements** and **Binding Corporate Rules (BCR)** framework to facilitate cross border / global implementations, incl. managing relationships to local Data Protection Agencies (DPAs) in all clients' Headquarter locations



Concluding remarks: Quarterly revenues pass 100 million mark, multiple wins and strategic advances

- **Revenues continued to grow** passing the 100 million mark for the first time in Q4, 11.2 % growth year-on-year
- **Multiple wins and advances**, including Norwegian Railways (NSB), public transportation company Sporveien Oslo and steel producer Outokumpu
- **Profits and margin continue to increase** as downsizing and offshoring delivers results. Q4/16 operating margin 11.8 %
- **Seeking organic growth** in our home market and exploring other opportunities elsewhere where Zalaris' scalable business model would fit well
- **Well positioned** to capitalize on legal changes as well as macro and technology trends that are moving in Zalaris' favor; new privacy regulations and cloud solutions drives demand

Important Notice

This Presentation includes certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements relate to future circumstances and results and other statements that are not historical facts, sometimes identified by the words “believes”, “expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets”, and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts which are subject to material risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. Neither the Company nor any of its subsidiaries or any such person’s officers or employees provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor do any of them accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to its actual results.

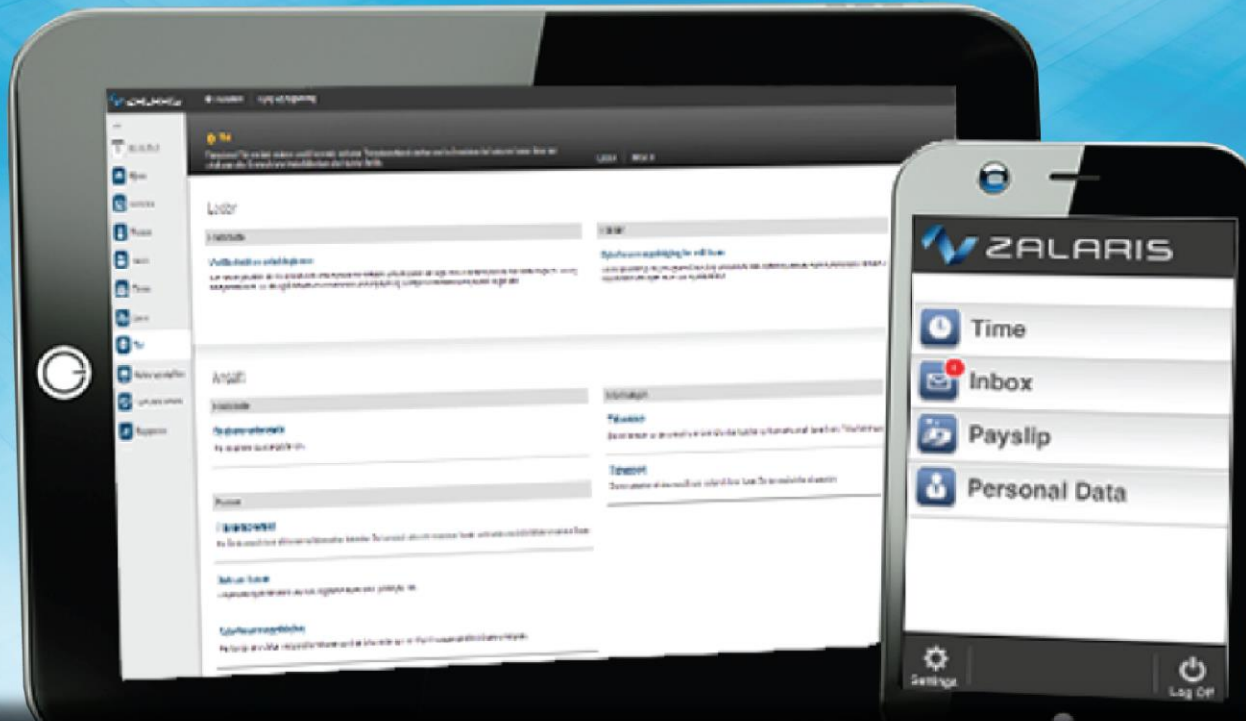
AN INVESTMENT IN THE COMPANY INVOLVES SIGNIFICANT RISK AND SEVERAL FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY STATEMENTS AND INFORMATION IN THIS PRESENTATION. A NON-EXHAUSTIVE OVERVIEW OF RELEVANT RISK FACTORS THAT SHOULD BE TAKEN INTO ACCOUNT WHEN CONSIDERING AN INVESTMENT IN THE SHARES ISSUED BY THE COMPANY IS INCLUDED IN THIS PRESENTATION. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED IN THIS PRESENTATION. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT THE INFORMATION INCLUDED IN THIS PRESENTATION.

No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, neither the Company nor any of its subsidiaries nor any such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this Presentation.

The contents of this Presentation are not to be construed as legal, business, investment or tax advice. Each recipient should consult its own legal, business, investment or tax adviser as to legal, business, investment or tax advice. By attending or receiving this Presentation you acknowledge that (i) you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company’s business, (ii) if you are a U.S. person, you are a QIB (as defined below), and (iii) if you are a non-U.S. person, you are a Qualified Investor or a Relevant Person (as defined below).

This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in any jurisdiction or to any person in which or to whom it is unlawful to make such an offer or solicitation. The distribution of this Presentation and the offering, subscription, purchase or sale of securities issued by the Company are in certain jurisdictions restricted by law. Persons into whose possession this Presentation may come are required by the Company and the Joint Bookrunners to inform themselves about, and to comply with, all applicable laws and regulations in force in any jurisdiction in or from which it invests in the securities issued by the Company or receives or possesses this Presentation and must obtain any consent, approval or permission required under the laws and regulations in force in such jurisdiction. The Company shall not have any responsibility or liability whatsoever for these obligations.

We open for questions



Thank you!

Hans-Petter Mellerud
CEO & Founder
hans-petter.mellerud@zalaris.com

Nina Stemshaug
CFO
nina.stemshaug@zalaris.com

Zalaris HR Services AS
PO Box 1053
NO-0218 Oslo
Tel: +47 4000 3300
www.zalaris.com

