



2016 proved strong interest for cloud-based services among our clients. This has materialized in an increased proportion of revenues from the related business.

Interim Report Q4 2016

HIGHLIGHTS

- Quarterly revenues reached NOK 105.2 million in Q4/16, a y-o-y growth of 11.2%. Full-year revenues increased 6.1%.
- EBIT reached NOK 12.4 million or a profit margin of 11.8%, above our 10% target. Full-year margin close to target, ending at 9.6%.
- New EU privacy regulation generates opportunities for Zalaris, increasing relevance and demand for our services supporting compliance.
- Multiple new wins in Q4, including contracts signed with Norwegian Railways (NSB), the municipally owned public transport operator Sporveien Oslo AS and steel producer Outokumpu in Sweden.
- Proposed dividend of NOK 0.87 per share for 2016.

KEY FIGURES

All figures in NOK 1 000	2016	2015	2016	2015
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Revenue	105 193	94 614	396 646	373 719
Growth (y-o-y)	11,2 %	-2,8 %	6,1 %	14,6 %
Operating profit before extraordinary costs	12 415	8 856	37 980	33 829
Operating profit margin bef. extraord. costs	11,8 %	9,4 %	9,6 %	9,1 %
Ordinary Profit before tax	11 109	8 379	33 260	31 353
Profit for the period	9 519	6 107	25 957	23 295
Earnings per share	0,50	0,29	1,36	1,11
Net cash from operating activities	21 521	21 561	16 725	29 291
Headcount end of the period	467	452	467	452



INSIGHTS FROM THE CEO

"Many of the trends sweeping across all industries and technologies are paving the way for our continued success at Zalaris. We have always been at the forefront of HR and payroll innovations, and that remains the case today. The dynamic nature of current changes – the movement to cloud and mobile solutions, for example, is more encouraging than ever."

Hans-Petter Møllerud, CEO



In 2016 our industry experienced significant and rapid changes. More disruption is coming. We are moving towards a future in which our reference customers and our comprehensive set of payroll and people services are even better positioned than before.

Mobile and cloud technologies have attracted a large influx of investor capital combined with large traditional ERP vendors as SAP strengthened their development, sales and marketing efforts to drive growth in the segment and optimize acquisitions such as SuccessFactors. Add to this the consequences and corresponding challenges of the EU General Data Privacy Regulations that will be in full effect from May 2018.

Zalaris ended the year with Q4/16 revenues growing 11.2% to NOK 105.2 million with a corresponding EBIT of 11.8%. Full-year revenues ended at 396.6 million, growing 6.1% from the previous year. Profitability increased with EBIT improving to 9.6% or NOK 38.0 million, up from 9.1% and NOK 33.8 million in 2015. Earnings per share increased 22.7% from NOK 1.11 in the previous year to NOK 1.36 in 2016.

New regulation generates opportunities

The European Union passed the General Data Protection Regulation in 2016 after more than four years of negotiations. Under the new law, companies will now have to take the issue of data protection much more seriously with an increased focus on improved rights of individuals. Key elements affecting our industry under the new regulation are requirements related to documenting what and where personnel information is stored and maintained, where it is being processed and the right to be forgotten. The risk of being subject to large fines for non-compliance creates opportunities for Zalaris' fully compliant systems and processes.

Significant new wins and advances in Q4

We advanced and closed a number of our pipeline opportunities during Q4. Notable wins strengthening our public sector presence, were outsourcing agreements with entities spun out of the Norwegian Railways with 1,400 employees and an agreement for the provision of a full

suite of cloud payroll and talent management functionality to Sporveien Oslo AS, a municipally owned public transport operator, with 3,800 employees. In Sweden we signed an agreement with Outokumpu to provide payroll and BPO services to their 1,800 employees.

In addition, we signed promising letters of intent with two large Nordic companies – one of them with a footprint covering Northern Europe. The two agreements are so-called proof of concept projects, with the goal to develop into long-term contracts in 2017.

Continuing focus on operations and margin improvements

During Q4 we continued to improve our utilization target for our Chennai service center within the HR Outsourcing segment. We will continue focusing on realization of corresponding cost reductions onshore in 2017.

Throughout 2016 we modified our organizational structure with capability to better coordinate our increasing set of services to our customers. This included strengthening our sales capacity to take advantage of the opportunities in the market. To simplify our consulting organization and to achieve increased flexibility, we acquired all shares from minority shareholders, a move that contributed to 8.2% improved earnings per share (EPS) in 2016. All Zalaris subsidiaries are now directly or indirectly owned 100% by Zalaris ASA.

For 2017 we maintain our ambition to be a leading European provider of HR- and payroll services. We continue to evaluate options to maximize overall market coverage. Trends are moving in Zalaris' favor, and we look forward to a promising year ahead.

Hans-Petter Møllerud, CEO



FINANCIAL REVIEW

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

Group revenue

Revenues for the 2016 fiscal year amounted to NOK 396.6 million (NOK 373.7 million) or 6.1% growth compared to the previous year.

The main driver of this upswing was attributable to a stable growth in the cloud services business segment which reached total revenues of NOK 30.0 million in 2016 (NOK 10.2 million). The significant growth in this segment was mainly driven by increased interest in Zalaris' SuccessFactor solution.

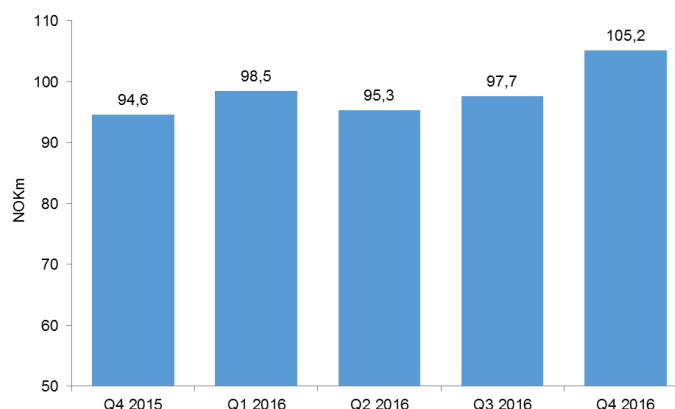
For Q4/16, group revenues reached NOK 105.2 million corresponding to a 11.2% upturn compared to Q4/15 (NOK 94.6 million). The cloud services business segment grew substantially compared to Q4/15 with a turnover of NOK 9.6 million (NOK 2.9 million). The HR Outsourcing business segment grew by 5.7% up to NOK 92.1 million compared to Q4/15 (NOK 87.1). The growth resulted from new HR outsourcing customers both in the Nordics, the Baltics and Poland as well as increased additional revenues from existing customers.

Revenues in the consulting business segment decreased slightly by NOK 1.1 million compared to the same quarter last year. This because a main portion of the consulting capacity was spent on customer implementation projects and change orders within the HR outsourcing and cloud services segments rather than on consulting customers. Total revenues from external consulting customers amounted to NOK 3.5 million (NOK 4.6 million).

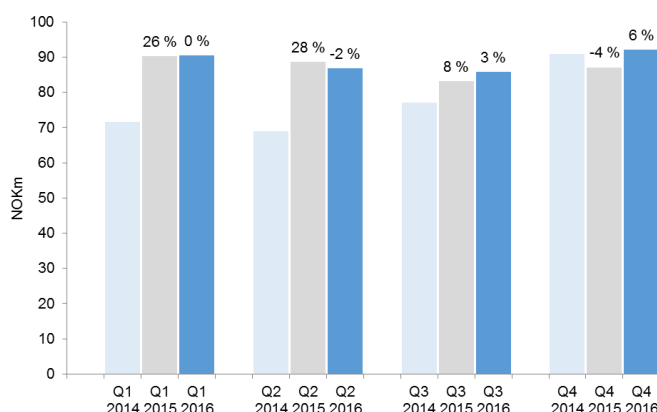
Compared to Q3/16 total revenues for the quarter grew 7.7% or NOK 7.5 million. HR Outsourcing and Consulting businesses resulted in a NOK 6.3 and NOK 1.1 million upswing respectively, due to higher activity for some of the large customers as well as a general increase in the level of variable invoicing. The cloud segment is characterized by a stable level of revenue in Q3/16 and Q4/16 with NOK 9.4 million and NOK 9.6 million respectively.

Norway continues to be the leading revenue contributor with 44.0% of group revenues.

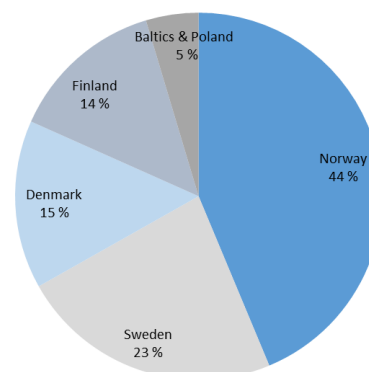
Group revenue increased by 11.2% vs Q4/15.



Y-o-y growth within the HR Outsourcing segment (revenue share represents 87.5% of total group revenues).



Norway continues to be the leading revenue contributor.





Profit and loss

For FY 2016, group operating profit (excluding extraordinary costs) amounted to NOK 38.0 million and a margin of 9.6% (NOK 33.8 million and 9.1%). Operating expenses, amounted to NOK 360.2 million (NOK 339.9 million) including NOK 1.6 million in extraordinary costs related to a due diligence process in Q1. Group revenues and costs were impacted by a weaker Norwegian krone in FY 2016 compared to previous year. The operating margin increased with 0.3 percentage points due to currency effects.

Total license costs were NOK 29.4 million (NOK 22.8 million), representing 7.4% of total group revenue. This is an increase of 1.3 percentage points compared to previous year. The main reason is attributable to the increased level of cloud business revenue whose primary cost driver is license fees.

Total personnel expenses as a percentage of revenue went down 2.0 percentage points for the year compared to FY 2015, although the nominal value of the personnel costs increased with NOK 5.1 million in the same period. The nominal increase was mainly caused by a weaker Norwegian krone compared with previous year, but to some extent this was also a result of increased personnel costs in new service centers.

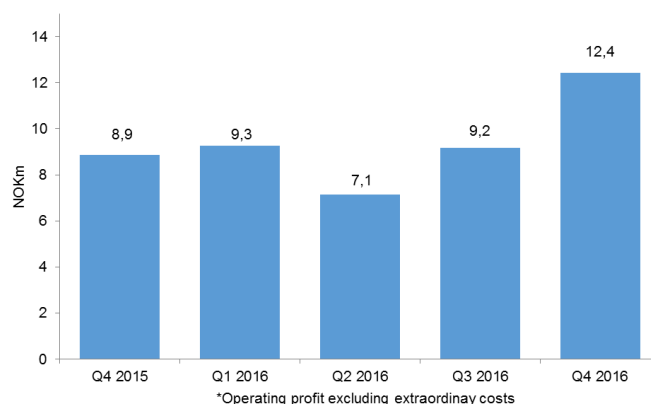
The decrease of personnel costs as a percentage of total revenue was a result of two main drivers through the FY 2016.

The first driver was the increased utilization of Zalaris' employees located in Chennai. Although the total number of employees steadily increased, the number of onshore resources decreased compared with previous year. The second driver was the growth of Zalaris cloud services segment which reduced the share of personnel costs to total revenue.

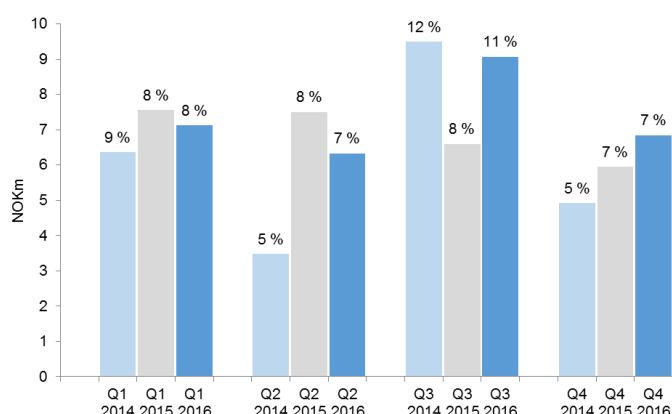
For Q4/16 the group operating profit was NOK 12.4 million or 11.8% (NOK 8.9 million or 9.4%).

Total other operating expenses for the quarter were NOK 21.8 million, 20.7% of total revenues (NOK 21.8 million or 23.0%). Compared to Q3/16 the operating expenses increased as a result of audit activities and the transfer of employees from new customers to the Zalaris organization.

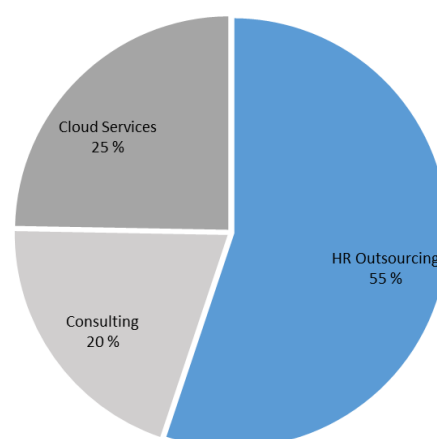
Zalaris ended the year with a strong operating profit* in Q4/16.



HR Outsourcing operating profit shows a steady growth compared to same quarter previous years (Operating margin shown as labels at top of bars).



Cloud services at a solid 25% of total operating profit.





Financial position and liquidity

As of 31 december 2016, total assets amounted to NOK 190.8 million (NOK 203.9 million). Total equity level was NOK 101.0 million (NOK 103.2 million), equal to an equity ratio of 53.0% (50.6%).

Group cash and cash equivalents was NOK 43.5 million (NOK 67.7 million) as of the end of Q4/16. Cash from operating activities amounted to NOK 21,5 million (NOK 21.6 million). The positive cash flow is driven by the increased level of Operating profit and an increase in other short-term debt.

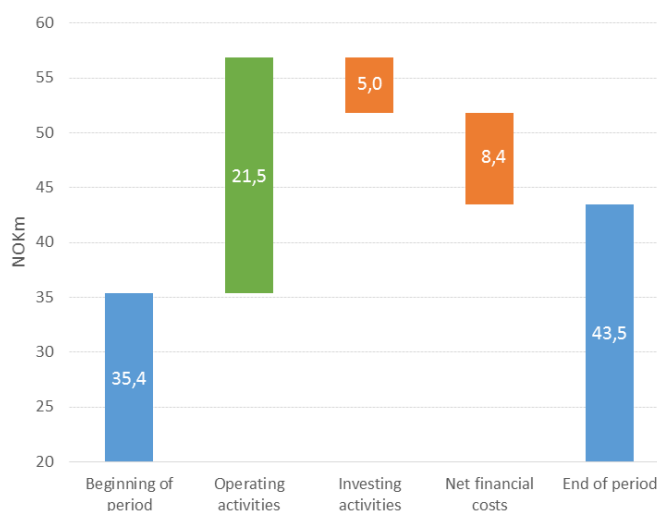
Zalaris continued its investments in projects to improve user experience and product functionality. An important focus area is secure handling of personnel data, and improving the quality of Zalaris' systems, processes and services. Early in 2017 Zalaris' became ISO9001 certified which further strengthens the company's ability to deliver according to uncompromised standards.

Cash from financial activities were affected by a buyback of shares from minority interests resulting in 100% ownerships of all subsidiaries within Zalaris Group. The buyback indirectly had a positive impact on the EPS. The company also paid out a dividend to minority interests in Q4/16.

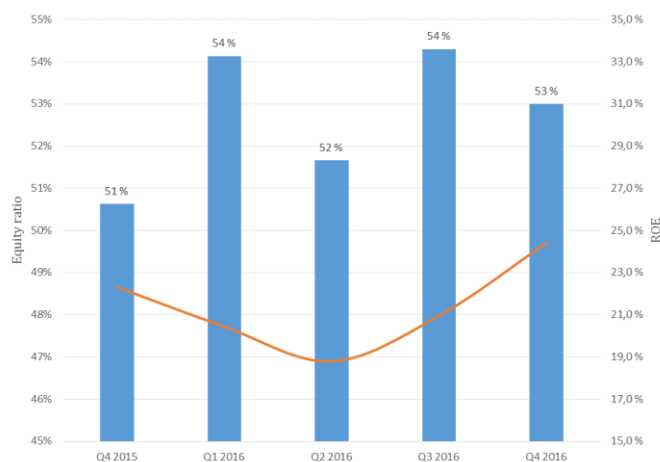
The Group had an unused credit facility of NOK 15.0 million at the end of the reporting period.

Interest bearing debt amounted to NOK 1.4 million (NOK 2.1 million) at the end of Q4/16.

Cash decomposition, Q3/16 to Q4/16.



Equity ratio and return on equity (ROE).



¹⁾Net income LTM divided on Average Equity LTM



Operational KPIs

Our HR Outsourcing division served an average of 201,000 employees per month during Q4/16 corresponding to a growth of 5.2% 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. Although the scope of services provided varies for each customer.

The launch of service delivery to a new HR Outsourcing customer in October, resulted in an increase in the average number of employees served in Q4. On the other hand downsizing actions undertaken by some of our larger clients in the same period, impacted the average number served negatively compared with Q3/16.

In Q4/16, an average of 662 customers' employees was served by one FTE (full time equivalent) within Zalaris' HR Outsourcing segment. This means a 8.6% increase in efficiency compared to Q4/15, and quite stable compared to Q3/16. The expansion in the number of offshore FTEs does not correspond to a proportional onshore downsizing yet as a consequence of the handover process. Full effect of the downsizing project is planned by Q2/17.

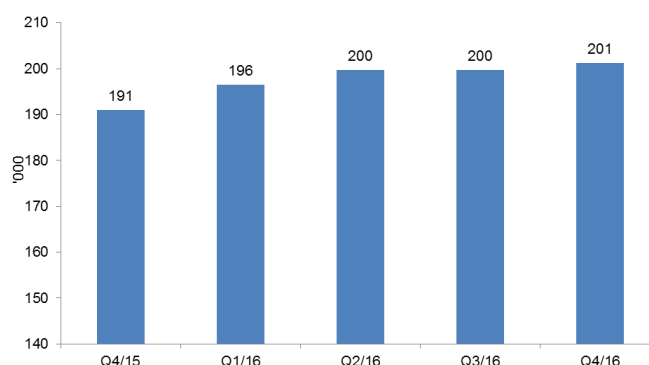
At the end of Q4/16, total group headcount was 467, an increase of 3.3% compared to Q3/16. This increase in number of employees is a consequence of our offshore expansion, and corresponding onshore downsizing will continue.

Employees from a new HR customer in Norway were transferred at the end of the year. Service delivery for the same customer will commence in 2017.

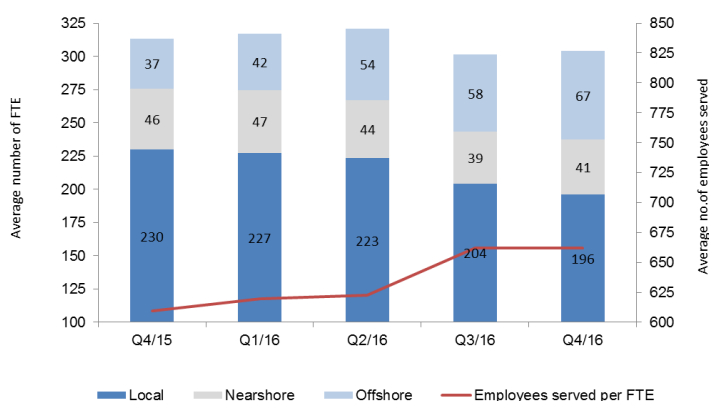
Zalaris' aggregate offshore and nearshore presence was 34% of the total workforce at the end of Q4/16. This is an increase of 2 percentage points since the end of Q3/16.

At the end of Q4/16, total number of FTEs was 427.

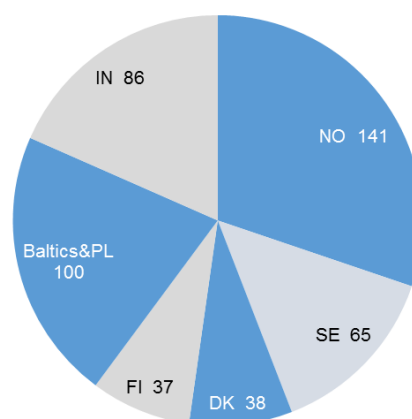
of employees served by Zalaris systems ('000) shows stability since last quarter.



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



Total headcount at the end of Q4/16 was 467 with an increased part located in India, Baltics and Poland.





OUTLOOK

The opportunities continue to be favorable for HR technology and outsourcing services in the markets Zalaris serves. Increasingly stringent privacy regulations in the EU are among many trends supporting Zalaris' leading position and positive overall outlook. An important focus area through 2017 is to ensure that Zalaris services and solutions are in compliance with the new data regulatory valid from May 2018.

The company's pipeline of new opportunities is solid.

Zalaris continues to invest in new and improved solutions to provide better support to its customers.

The company is pursuing process improvements and cost savings for Zalaris customers while at the same time optimizing Zalaris' own processes.

Zalaris is continuously working to increase its scope of services to capture more of the people process value chain. The company therefore continues its dual focus of maintaining satisfied customers while concurrently achieving higher cost efficiencies for increased profitability. Zalaris is on track to improving its cost structure and operational capacity in India, which are among the top priorities of the company.

The European market for business process outsourcing and HR cloud services remains strong, and the company is continuously exploring growth opportunities in and outside the Nordic home market.

Oslo, 27 February 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	2016	2015	2016	2015
		Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
Revenue	2	105 193	94 614	396 646	373 719
Operating expenses					
License costs		6 773	5 418	29 353	22 785
Personnel expenses	3	54 346	50 704	213 193	208 140
Other operating expenses		21 758	21 767	80 189	77 390
Depreciations		489	414	1 835	1 066
Amortisation intangible assets	4	3 266	2 122	9 434	7 606
Amortisation impl. costs customer	5	6 144	5 334	24 661	22 903
Extraordinary costs				1 558	
Total operating expenses		92 777	85 759	360 224	339 890
Operating profit		12 415	8 856	36 422	33 829
Financial items					
Financial income		136	928	2 125	1 801
Financial expense		(1 442)	(1 405)	(5 287)	(4 277)
Net financial items		(1 306)	(477)	(3 162)	(2 476)
Ordinary profit before tax		11 109	8 379	33 260	31 353
Income tax expense					
Tax expense on ordinary profit		1 590	2 272	7 303	8 058
Total tax expense		1 590	2 272	7 303	8 058
Profit for the period		9 519	6 107	25 957	23 295
Profit attributable to:					
- Owners of the parent		11 049	5 461	25 957	21 161
- Non-controlling interests		(1 531)	645	-	2 134
Earnings per share:					
Basic earnings per share (NOK)		0,58	0,29	1,36	1,11
Diluted earnings per share (NOK)		0,58	0,29	1,36	1,11



Consolidated Statement of Comprehensive Income

(NOK 1000)	Notes	2016	2015	2016	2015
		Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
Profit for the period		9 519	6 107	25 957	23 295
Other comprehensive income					
Items that will be reclassified to profit and loss in subsequent periods					
Currency translation differences		2 296	1 323	(3 944)	2 644
Total other comprehensive income		2 296	1 323	(3 944)	2 644
Total comprehensive income		11 815	7 429	22 013	25 938
Total comprehensive income attributable to:					
- Owners of the parent		13 346	6 784	22 013	23 804
- Non-controlling interests		-1 531	645	0	2 134



Consolidated Statement of Financial Position

		2016	2015
(NOK 1000)	Notes	31. Dec	31. Dec
		unaudited	
ASSETS			
Non-current assets			
Intangible assets			
Other intangible assets	4	39 054	36 230
Total intangible assets		39 054	36 230
Deferred tax asset		2 028	3 110
Fixed assets			
Office equipment		1 120	738
Property, plant and equipment		4 282	4 990
Total fixed assets		5 402	5 727
Total non-current assets		46 484	45 067
Current assets			
Trade accounts receivable		70 887	59 318
Customer projects	5	23 112	26 323
Other short-term receivables		6 779	5 439
Cash and cash equivalents		43 509	67 740
Total current assets		144 286	158 820
TOTAL ASSETS		190 770	203 887



Consolidated Statement of Financial Position

	2016	2015
(NOK 1000)	Notes	31 Dec
		31 Dec
		unaudited
EQUITY AND LIABILITIES		
Equity		
Paid-in capital		
Share capital		1 912
Own shares - nominal value		(6)
Other paid in equity		122
Share premium		37 048
Total paid-in capital		39 076
		55 131
Retained earnings		61 938
Equity attributable to equity holders of the parent		101 013
		98 567
Non-controlling interests		4 601
Total equity		101 013
		103 168
Non-current liabilities		
Deferred tax		2 792
Interest-bearing loans and borrowings		1 436
Employee-defined benefit liabilities		103
Total long-term debt		4 331
		4 508
Current liabilities		
Trade accounts payable		9 550
Income tax payable		4 613
Public duties payable		24 853
Other short-term debt		46 410
Total short-term debt		85 426
Total liabilities		89 757
TOTAL EQUITY AND LIABILITIES		190 770
		203 887



Consolidated Statement of Cash Flow

		2016	2015	2016	2015
(NOK 1000)	Notes	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Cash Flow from operating activities		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	
Operating profit		12 415	8 856	36 422	33 829
Depreciations and impairments		488	414	1 835	1 066
Amortisation intangible assets		3 267	2 122	9 434	7 606
Amortisation implementation costs customer projects		6 145	5 334	24 661	22 903
Customer projects		(2 180)	(392)	(21 450)	(23 909)
Taxes paid		(5 137)	2 289	(6 009)	(3 475)
Changes in accounts receivable and accounts payable		(715)	14 526	(16 601)	7 078
Changes in other short term debt and disposals		7 238	(11 589)	(11 566)	(15 807)
Net cash flow from operating activities		21 521	21 561	16 725	29 291
Cash flows from investing activities					
Purchase of fixed and intangible assets		(5 003)	(3 083)	(14 078)	(18 547)
Net cash flow from investing activities		(5 003)	(3 083)	(14 078)	(18 547)
Cash flows from financing activities					
Net financial items		(1 306)	(477)	(3 162)	(2 476)
Buyback shares from minority		(5 983)	-	(5 983)	
Stock purchase program		122		122	
Proceeds from issue of new borrowings		-	550	-	550
Repayments of borrowings		(208)	(716)	(690)	(896)
Dividend payments				(16 177)	(14 273)
Dividend payments to non-controlling interest		(990)	(1 263)	(990)	(1 263)
Net cash flow from financing activities		(8 365)	(1 906)	(26 879)	(18 358)
Net changes in cash and cash equivalents		8 153	16 572	(24 231)	(7 614)
Cash and cash equivalents at the beginning of the period		35 356	51 169	67 740	75 354
Cash and cash equivalents at the end of the period		43 509	67 740	43 509	67 740
Unused credit facilities		15 000	15 000	15 000	15 000



Consolidated Statement of Changes in Equity

(NOK 1000)	Share capital	Own shares	Share premium	Other paid in equity	Total paid-in equity	Cum. Transl. diff.	Other equity	Minority interests	Total equity
Equity at 01.01.2016	1 912	(6)	53 224	-	55 131	1 852	41 585	4 601	103 168
Profit of the year					-		25 957	-	25 957
Other comprehensive income					-	(3 944)			(3 944)
Buyback of shares					-		(1 383)	(4 601)	(5 983)
Stock options				122	122		-		122
Other changes					-		(1 139)		(1 139)
Dividend			(16 177)		(16 177)		(990)		(17 167)
Equity at 31.12.2016 - unaudited	1 912	-6	37 048	122	39 076	-2 092	64 029	0	101 013
Equity at 01.01.2015	1 912	(6)	67 498		69 404	(792)	20 545	3 730	92 887
Profit of the year					-		21 161	2 134	23 295
Other comprehensive income					-	2 644			2 644
Other changes					-		(121)		(121)
Dividend			(14 273)		(14 273)			(1 263)	(15 537)
Equity at 31.12.2015	1 912	(6)	53 224		55 131	1 852	41 585	4 601	103 168



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 2016 were authorized for issue by the board of directors on 27 February 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 30 September, have not been audited or reviewed by the auditors.

A description of the significant accounting policies is included in Zalaris' annual financial statements for 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.

2016

(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)
Extraordinary costs				(1 558)	(1 558)
Operating profit/(loss)	29 376	4 713	3 891	(1 558)	36 422
Net financial income/(expenses)				(3 162)	(3 162)
Income tax				(7 303)	(7 303)
Profit for the period	29 376	4 713	3 891	(12 023)	25 957
Cash flow from investing activities				(14 078)	(14 078)

2015

(NOK 1.000)	HR Outsourcing	Cloud- services	Consulting	Unallocated	Total
Revenue	349 076	10 160	14 484		373 720
Operating expenses	(290 133)	(8 479)	(9 703)		(308 315)
Depreciation and amortisation	(31 332)	(70)	(173)		(31 575)
Extraordinary costs					-
Operating Profit/Loss	27 610	1 610	4 608	-	33 829
Net financial income/(expenses)				(2 476)	(2 476)
Income tax				(8 058)	(8 058)
Profit for the period	27 610	1 610	4 608	(10 534)	23 295
Cash flow from investing activities				(18 547)	(18 547)



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	2016 Oct-Dec	as % of total	2015 Oct-Dec	as % of total	2016 Jan-Dec	as % of total	2015 Jan-Dec
Norway	44 %	45 751	44 %	41 899	43 %	169 374	47 %	177 467
Sweden	23 %	24 255	24 %	22 303	25 %	98 721	22 %	83 693
Denmark	15 %	15 778	16 %	15 539	15 %	60 406	16 %	59 108
Finland	14 %	14 686	13 %	12 020	13 %	52 095	12 %	44 763
Other	4 %	4 723	3 %	2 853	4 %	16 050	2 %	8 689
Total	100 %	105 193	100 %	94 614	100 %	396 646	100 %	373 719

Information about major customers

(NOK 1000)	as % of total	2016 Oct-Dec	as % of total	2015 Oct-Dec	as % of total	2016 Jan-Dec	as % of total	2015 Jan-Dec
5 largest customer	48 %	50 029	54 %	51 175	48 %	191 760	50 %	186 884
10 largest customer	66 %	69 170	73 %	69 122	68 %	269 383	68 %	253 635
20 largest customer	80 %	83 706	86 %	81 818	82 %	326 253	83 %	308 500

Note 3 – Personnel Costs

(NOK 1000)	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Salary	49 018	49 410	191 826	188 177
Bonus	2 085	404	4 678	4 833
Social security tax	6 990	7 032	27 343	26 578
Pension costs	3 833	4 812	18 472	18 375
Other expenses	2 471	1 809	9 773	8 783
Capitalised development expenses	(2 542)	(1 538)	(8 009)	(8 079)
Capitalised implementation costs customer projects	(7 509)	(11 225)	(30 890)	(30 527)
Total salary expenses	54 346	50 704	213 193	208 140

Average number of employees:	467	455	454	418
Average number of FTEs:	429	420	423	388



Note 4 – Other Intangible Assets

(NOK 1000)	Licenses and software	Internally developed software	Internally developed software under construction	Total
Book value 01.01.2015	9 833	15 417	4 373	29 624
Additions of the period	570	-	13 518	14 088
Reclassification	-	13 775	(13 775)	-
Disposals and currency effects in the period	23	102	-	125
This period ordinary amortisation	(2 287)	(5 320)	-	(7 606)
Book value 31.12.2015	8 140	23 974	4 117	36 230
Book value 01.01.2016	8 140	23 974	4 117	36 230
Additions of the period	594	-	11 851	12 446
Reclassification	-	6 380	(6 380)	-
Disposals and currency effects in the period	(36)	(151)	-	(188)
This period ordinary amortisation	(2 085)	(7 349)	-	(9 434)
Book value 31.12.2016	6 613	22 853	9 589	39 054

Useful life

3-10 years

5 years



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.

	2016	2015
(NOK 1000)	Dec	Dec
Deferred costs related to customer projects	83 440	81 636
Deferred revenue related to customer projects	(60 328)	(55 313)
Net customer implementation costs	23 112	26 323

Note 6 – Transactions with Related Parties

Related party	Transaction	2016	2015
Rayon Design AS ¹⁾	Management Services	309	
Digoshen AB ²⁾	Management Services		368
Total		309	368

¹⁾ 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.

²⁾ Liselotte Hægert Engstam, board member, is director of the board and owns 50% of the shares in Digoshen AB

There have been no material transactions with related parties during the reporting period 1st of January to 31 December 2016. Please refer to the annual financial statements for further information.

Note 7 – Events after Balance Sheet Date

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
NOKm except per share figures									
Revenues	97,3	94,2	92,3	92,6	94,6	98,5	95,3	97,7	105,2
Revenue growth (y-o-y)	35 %	27 %	30 %	11 %	-2,8 %	4,6 %	3,2 %	5,4 %	11,2 %
EBITDA	13,8	11,9	10,9	8,3	11,4	11,9	10,0	11,3	16,2
EBITDA margin	14 %	13 %	12 %	9 %	12 %	12 %	10 %	12 %	15 %
EBIT excl. extraordinary items	11,8	9,9	8,9	6,3	8,9	9,3	7,1	9,2	12,4
EBIT margin	12 %	10 %	10 %	6,8 %	9,4 %	9,4 %	7,5 %	9,4 %	11,8 %
Ordinary Profit Before Tax	5,5	9,7	8,3	5,0	8,4	7,2	6,4	8,5	11,1
Income Tax Expense	1,6	2,6	2,1	1,1	1,6	1,7	1,7	2,3	1,6
Non- Controlling Interests	0,7	0,8	0,6	0,0	0,6	0,7	0,7	0,2	-1,5
Net income	3,2	6,4	5,5	3,8	6,2	4,9	4,0	6,0	11,0
Profit margin	3,3 %	6,7 %	6,0 %	4,1 %	6,5 %	5,0 %	4,2 %	6,2 %	10,5 %
Weighted # of shares outstanding (m)	19,0	19,1	19,0	19,0	19,0	19,0	19,0	19,0	19,0
Basic EPS	0,2	0,3	0,3	0,2	0,3	0,3	0,2	0,3	0,6
Diluted EPS	0,2	0,3	0,3	0,2	0,3	0,3	0,2	0,3	0,6
DPS			0,8				0,9		
Cash flow items									
Cash from operating activities	15,9	-7,5	9,1	6,2	21,6	-14,8	10,8	-0,9	21,5
Investments	-8,7	-3,0	-6,3	-6,2	-3,1	-1,3	-4,3	-3,5	-5,0
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
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
Equity	92,9	99,9	91,6	97,1	103,2	107,6	93,8	97,5	101,0
Equity ratio	45 %	49 %	47 %	49 %	51 %	54 %	52 %	54 %	53 %
ROE	9 %	9 %	16 %	20 %	22 %	20 %	19 %	21 %	26 %
Number of FTE (Period End)	372	379	378	374	419	426	444	419	427
Segment overview	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
NOKm									
Revenues	97,3	94,2	92,3	92,6	94,6	98,5	95,3	97,7	105,2
HR Outsourcing	90,9	90,2	88,6	83,2	87,1	90,4	86,8	85,8	92,1
Consulting	4,3	3,7	2,9	3,2	4,6	3,1	2,4	2,4	3,5
Cloud Sourcing	2,2	0,3	0,8	6,2	2,9	5,0	6,0	9,4	9,6
Adjustments	-	-	-	-	-	-	-	-	-
EBIT	11,7	9,9	8,9	6,3	8,9	9,3	7,1	9,2	12,4
HR Outsourcing	4,9	7,6	7,5	6,6	6,0	7,1	6,3	9,1	6,8
Consulting	1,5	2,3	1,3	-1,3	2,4	1,0	0,8	-0,4	2,5
Cloud Services	0,4	0,0	0,1	1,0	0,5	1,1	-0,0	0,5	3,1



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Financial information

Annual report 2016 to be published on 21 April 2017

Interim report Q1 2017 to be published on 27 April 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.

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