



Interim report | First quarter 2016

Oslo, 28 April 2016

Presenters and agenda



**Hans-Petter
Mellerud**
Founder and CEO



Nina Stemshaug
CFO

Agenda

- Highlights for the first quarter 2016
- Financial performance
- Regional trends
- Outlook

A good start of the year. Prospects on track.

Positive pipeline of new opportunities

Financial indicators

- Q1 2016 revenues up 4.6 % from 2015
- EBIT reached NOK 9.3 million, corresponding to a margin of 9.4 %
- One-off cost of NOK 1.6 million related to assessment of strategic opportunities in the quarter

Key figures

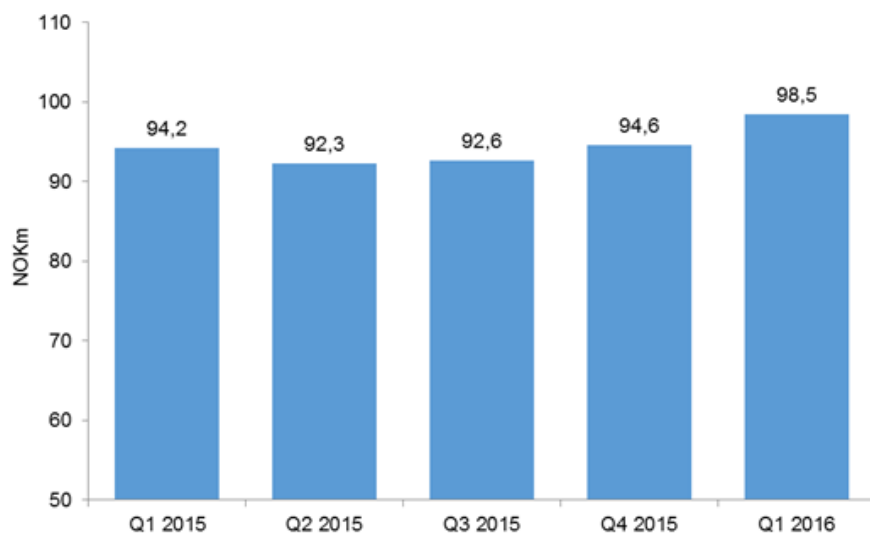
NOK million	Q1 16	Q1 15	2015
Revenues	98.5	94.2	373.7
Operating profit	9.3	9.9	33.8
Profit for the period	5.6	7.2	23.3
EPS (NOK)	0.26	0.33	1.11

Strategic milestones

- Successfully launched payroll services for Fortune 500 in Sweden and Finland on Zalaris' platform
- Entered into agreement for provision of multi-country payroll services with global company, including 4,000+ employees
- Pursued new opportunities within the cloud and outsourcing segments. Both markets remain strong
- Offshoring share of business increased to 14 % of total hours, with goal of 20 % in 2016. In parallel reducing capacity and cost in the Nordics

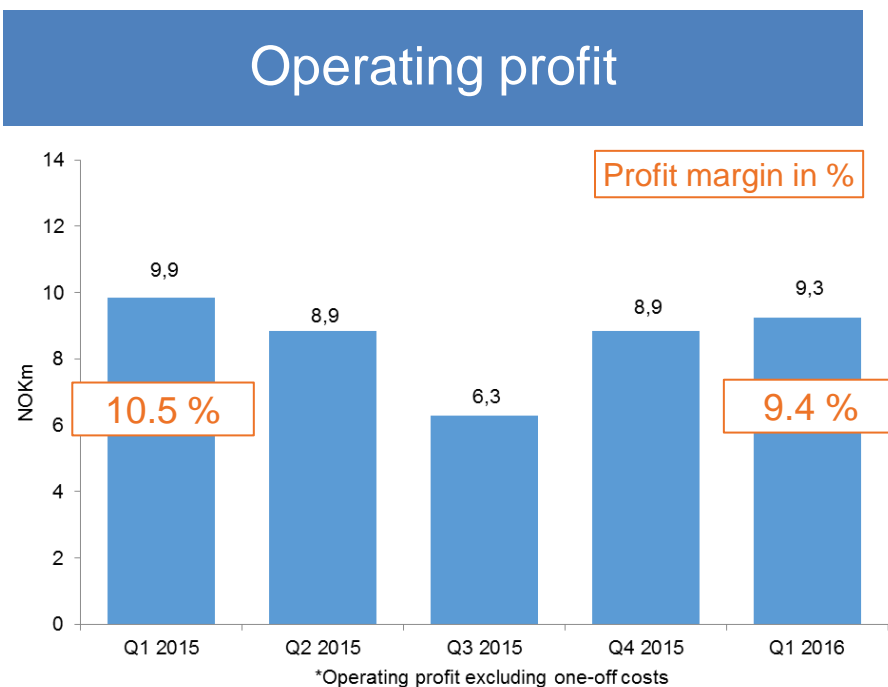
Q1 2016 revenues increased 4.6 % from last year

Operating revenues



- Cloud Services business segment main reason for year-on-year growth
- Q1 2016 up 4.1 % compared to previous quarter
 - NOK 3.3 million increase in HR Outsourcing
 - NOK 2.1 million growth in Cloud Services
- HR Outsourcing segment represent 92 % of group revenues, share declines as Cloud Services grows
- Norway remains the largest contributor with 41 %. Business in Sweden grows to 28 % of total

Operating profit in line with expectations



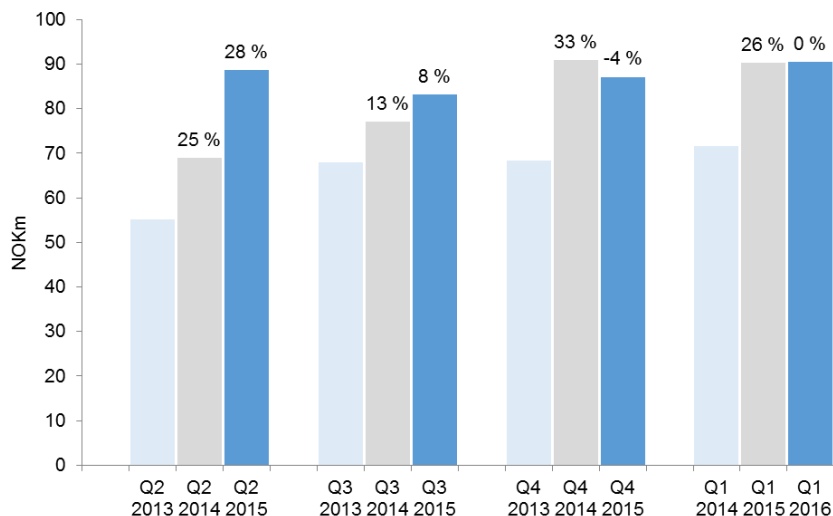
- Operating profit in Q1 2016 was NOK 9.3 million or 9.4 % before extraordinary costs.
- Q1 2016 includes a NOK 1.6 million charge related to initiative to identify growth opportunities
- Net financial items amounted to minus 0.5 million in Q1 2016
- Profit after tax was NOK 5.6 million

Excl. one-off costs

HR Outsourcing segment:

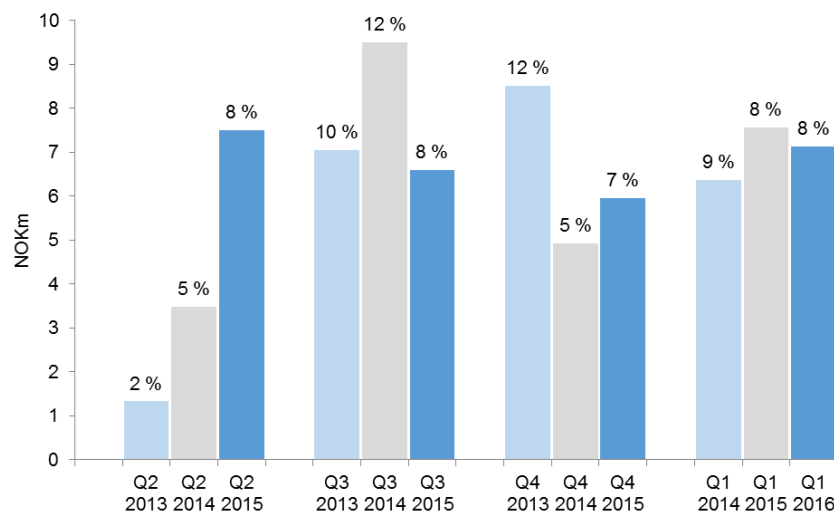
Revenue in line with Q1 2015, increased from Q4 2015

Operating revenues



- HR Outsourcing revenues were stable Q1 2016 vs Q1 2015
- Launch of HR and payroll services for new customers added 3.8 % to revenue compared to previous quarter

Operating profit and margin

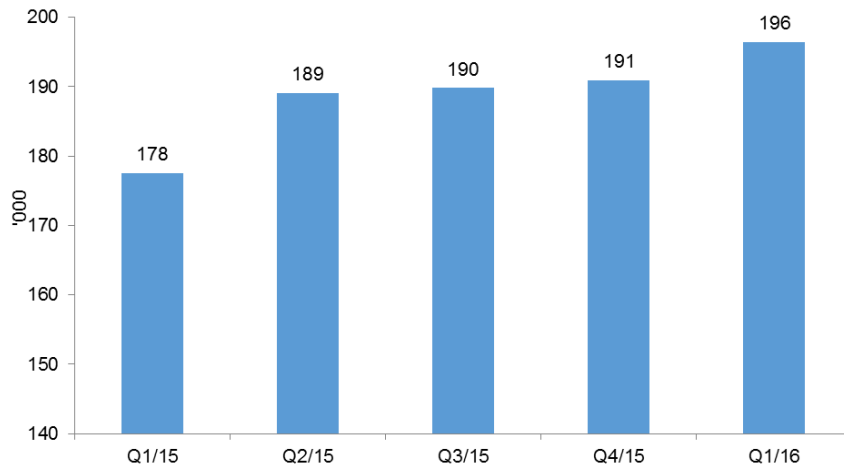


- Lower level of variable revenue impact operating profit margin for the quarter

Operational key performance indicators

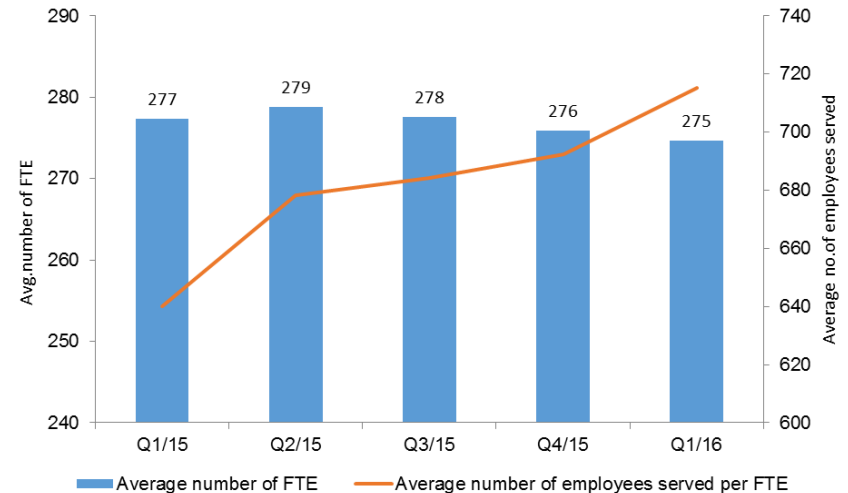
Major projects on track - employees served reach 196'

Employees served (1000')



- Number of employees served by Zalaris systems relatively stable during the past quarters

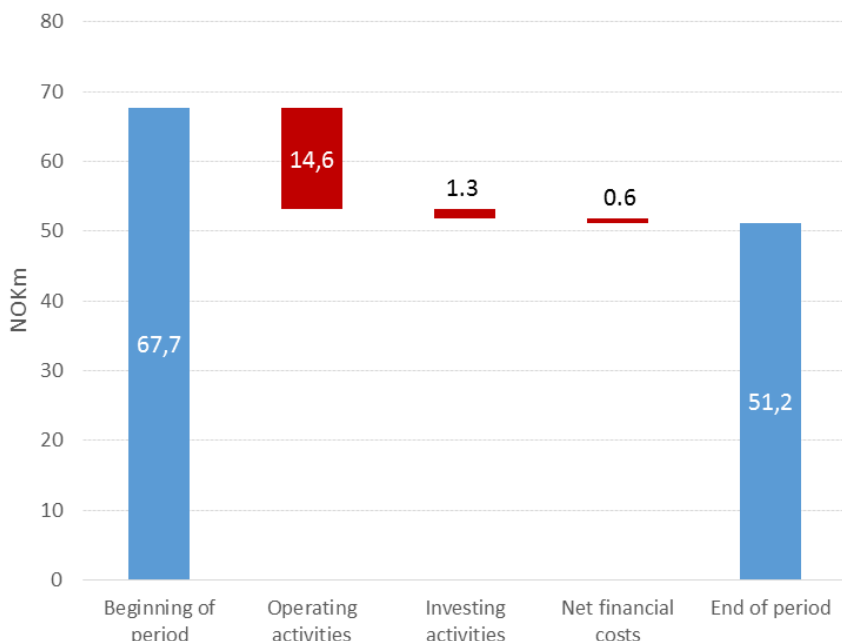
Employees and productivity



- Stable growth in productivity: Average number of employees served per onshore FTE (full time equivalent) was 715 in Q1 2016

Positive cash flow from operations, strong financial position

Cash and cash flows Q4 15



- Cash flow from operating activities in Q1 2016 was negative NOK 14.8 million
- Impacted by increased accounts receivables, partly a result of milestone invoicing
- NOK 51.2 million cash and cash equivalents at the end of Q1 2016. In addition NOK 15.0 million unused credit facility
- Strong financial position. 54 % equity ratio at end of Q1 2016. NOK 2.0 million interest bearing debt

Major projects delivered in Q1 exemplifying Zalaris capability



- Telecom infrastructure with HQ in the Nordics
- Approx. 20'000 employees in Sweden, Finland, Denmark and Norway
- 5 year agreement
- 13 employees transferred to Zalaris
- One common payroll solution for all countries
- Fully integrated to the customers SuccessFactors/SAP HCM global HR solution
- Full service payroll
- Implementation time 14 months

Production start – go live – for approximately 19'000 employees in Sweden and Finland in January 2016



- Railway operations
- Approx. 6'000 employees in Norway
- 5 year agreement
- Comprehensive Zalaris Cloud solution delivering SAP HCM and Payroll operated by NSBs own payroll team
- Mobile and web enabled processes for employees and managers
- Implementation time 6 months

Production start – go live - in January 2016



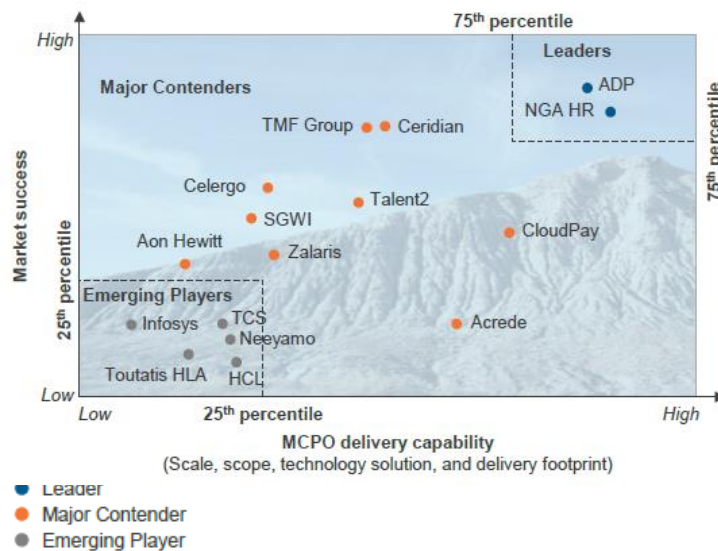
- Telecom
- Approx. 12'000 employees in Norway, Sweden and Denmark
- 5 year agreement
- 22 employees transferred to Zalaris
- Full service payroll, travel expenses and time and attendance
- Integrated to global Workday based HR solution
- Mobile and web enabled processes for employees and managers
- Implementation time 18 months

Rolled out mobile solution to 10'000 employees in Q1

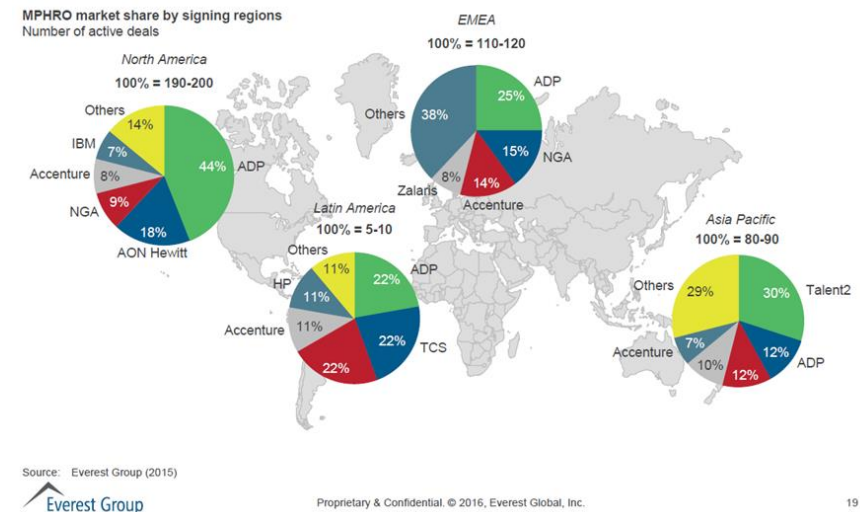
Analysts and advisors increase Zalaris visibility as shown with Everest Groups coverage

Zalaris a Major Contender in Multi Country Payroll (MCPO) by Everest

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for MCPO



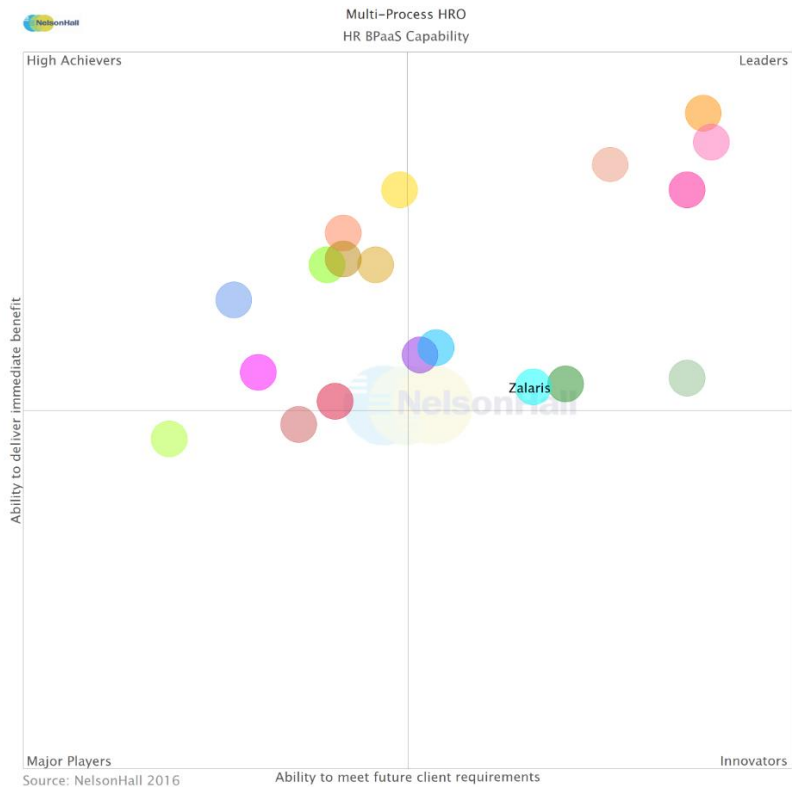
Zalaris as 4th in terms of # Multi Process HR Deals in EMEA by Everest



Everest Group in March 2015:

- “Multi-Country Payroll Outsourcing (MCPO) market grew at a rate of approximately 20% CAGR to reach US\$1.2 billion annualized revenue in 2014
- The growth story is expected to continue in coming years with an expected CAGR of 20-25%”

Analyst firm NelsonHall positions Zalaris as one of the Leaders in Multi Process HR Outsourcing (MPHRO)



“As organizations adopt cloud HR technology, HR BPaaS capabilities necessarily become increasingly important along with corresponding cloud services. Zalaris has established itself as a leader for HR BPaaS services, especially in the Nordics, due to its strong partnership with SAP and SuccessFactors coupled with its payroll and transactional HR administration support. “

- Amy Gurchensky, NelsonHall

Source: NelsonHall, NEAT, April 2016

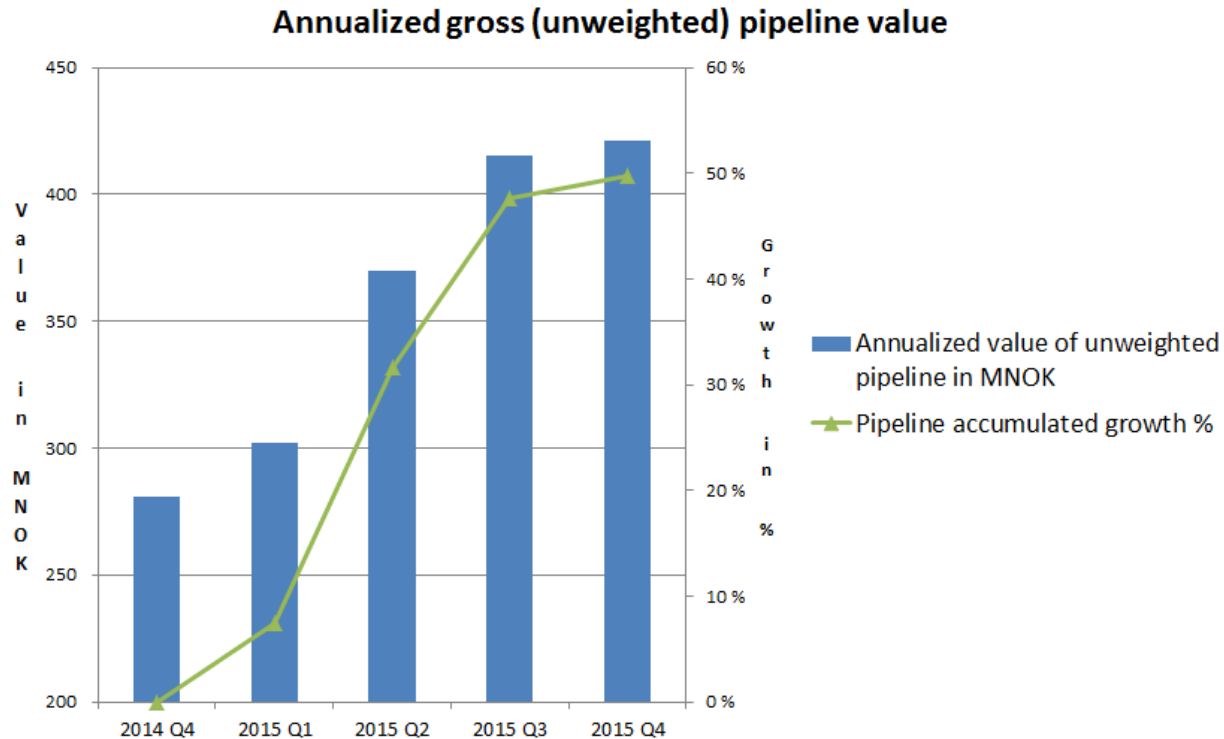
Digital disruption and Cloud are key drivers supporting Zalaris business model directly or indirectly

IDC Futurshape predictions:

- *Prediction 1: Digital Transformation — By the End of 2017, Two-Thirds of the CEOs of Global 2000 Enterprises Will Have Digital Transformation at the Center of Their Corporate Strategy*
- *Prediction 2: 3rd Platform IT — By 2017, Over 50% of Organizations' IT Spending Will Be for 3rd Platform Technologies, Solutions, and Services, Rising to Over 60% by 2020*
- *Prediction 3: Cloud Core — By 2018, at Least Half of IT Spending Will Be Cloud Based, Reaching 60% of All IT Infrastructure and 60-70% of All Software, Services, and Technology Spending by 2020*

Source: In IDC Predictions 2015: Accelerating Innovation — and Growth — on the 3rd Platform

Positive development of actively worked opportunities over the last 12 months



Source: Annual contract value of opportunities with probability higher than 5% that are actively being sold to by Zalaris in Zalaris CRM

Concluding remarks: Good start of the year

- **Continued focus on costs through xShoring** We are continuing to realize improvements from utilizing our near and offshore centers. In Q1 2016 14 % of produced hours were delivered from Chennai, India, climbing towards 20 % by the end of 2016
- **Investing in improved solutions** We are pursuing process improvements and cost savings for our customers – and for Zalaris – while increasing our scope of services to capture more of the people process value chain
- **Poised for continued growth** We see positive development of our pipeline of deals during the first quarter of 2016, clearly a support to our organic growth ambitions
- **Strategic opportunities open up** European market for business process outsourcing remains strong. Zalaris is continuously exploring growth opportunities in and outside its our Nordic home market

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.

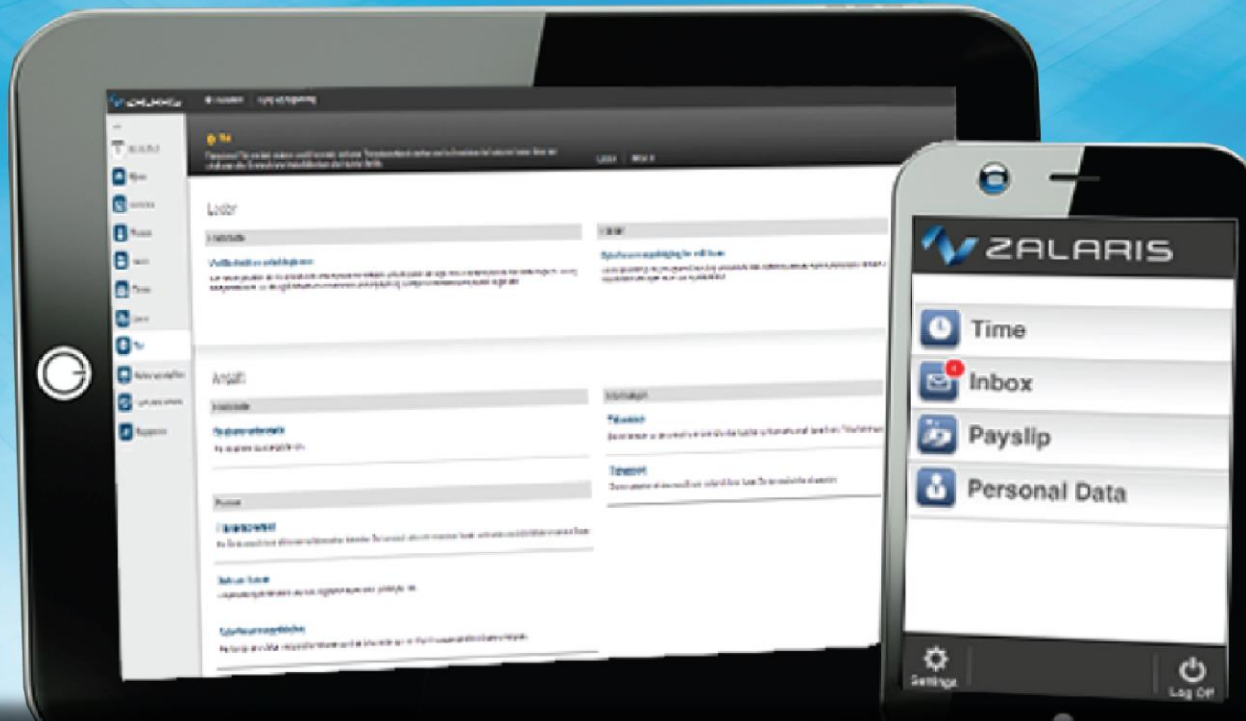
AN INVESTMENT IN THE COMPANY INVOLVES SIGNIFICANT RISK AND SEVERAL FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY STATEMENTS AND INFORMATION IN THIS 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.

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

