



Interim Report | Q2 & H1 2018

16 August 2018

Presenters and agenda

1. Highlights
2. Financial performance in Q2/18 and H1/18
3. Market trends
4. Outlook



Hans-Petter Mellerud
Founder and CEO



Highlights | Strategy and operations

Integration completed, well positioned for further growth

- Integration of new Zalaris entities prioritized in the first six months
- Technical onboarding and system integration is now successfully completed, GDPR compliant and with ISO certification
- Extended BPO agreement with SAP for another 5 years, a mutually beneficial partnership
- Successful launch of first BPO customer in UK – Statkraft
- Milestone contract signed with a leading German-based engineering and project management company. Scope includes optimising HR processes by using the highly recognised SAP SuccessFactors solutions.



- Rebranding completed
- All acquired entities are now flying the Zalaris flag

Highlights | Financial

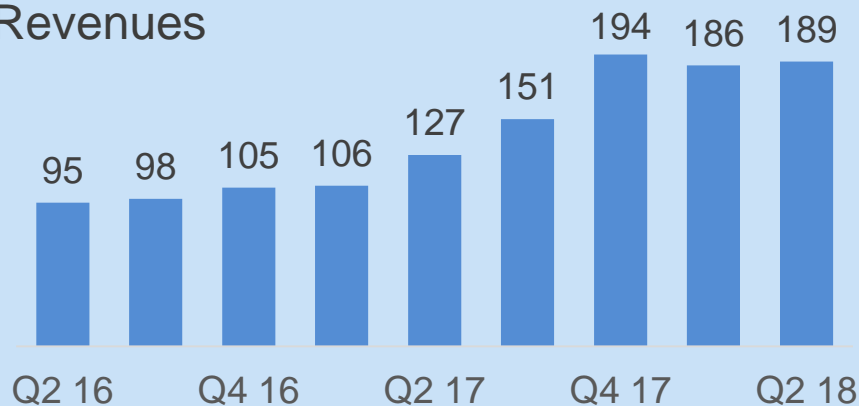
Growth in revenues, margins marked by integration

Key figures

NOK million	Apr-June		Jan-June	
	2018	2017	2018	2017
Revenues	189	127	375	233
Operating profit ¹	1.5	7.2	12.8	18.0
Profit for the period	-1.1	-4.6	10.3	0.8
EPS (NOK)	-0.06	-0.23	0.51	0.04

¹ Operating profit before other costs

Revenues

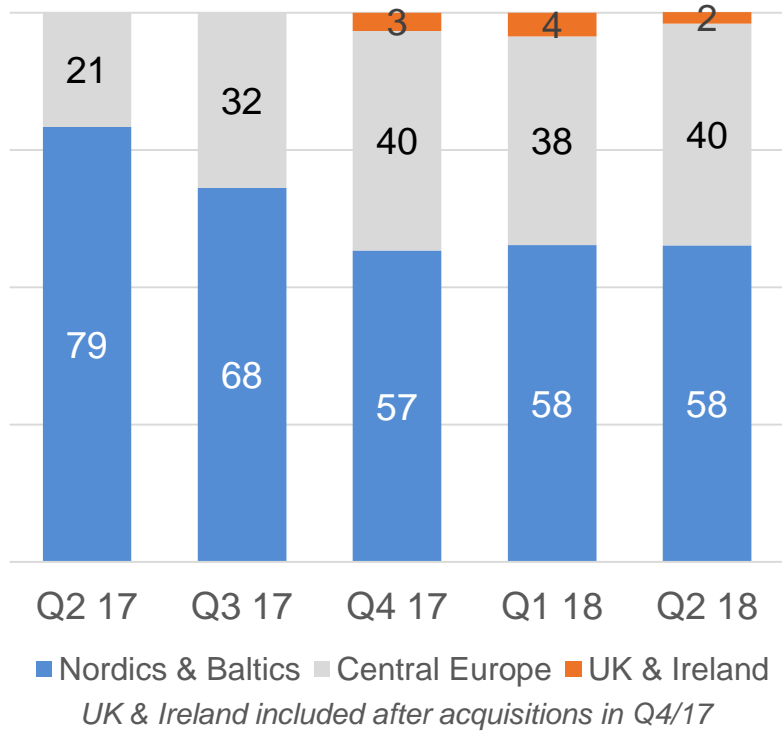


- Revenues reached NOK 189 million, an increase of 49 % compared to Q2/17
- Long-term revenues show clear trend: Zalaris nearly doubled in size. H1/18 revenues up 61 % vs H1/17.
- Margins transitorily marked by integration activities
- Current priorities: Margin improvement, continued organic and non-organic growth

Revenue split

Organic growth, well aligned with market demand

Distribution of revenues by geography (in per cent)

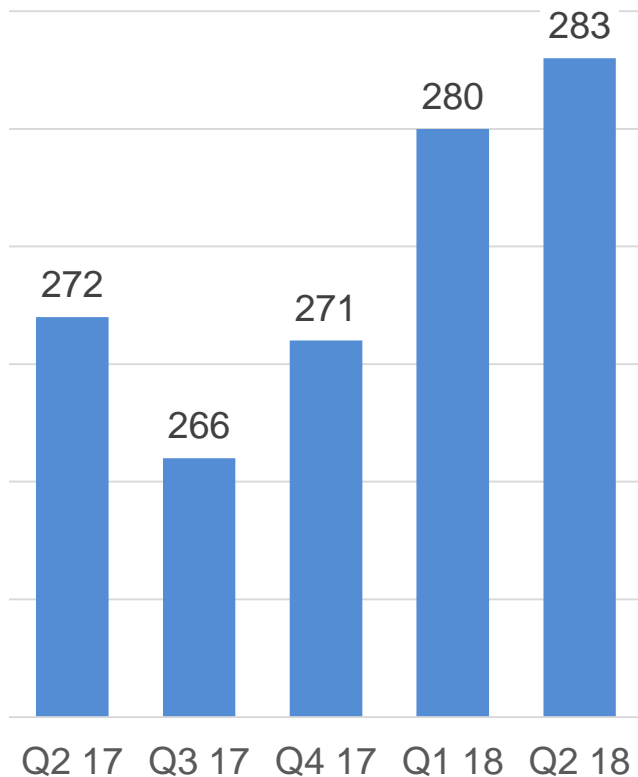


- Growth through acquisitions, more balanced presence across Europe.
- Year-on-year organic growth was 8%, positively affected by timing of project revenues
- Nordics & Baltics growth mostly in HR Outsourcing segment
- Important wins in Central Europe in Q2, supporting region's future growth ambitions
- UK & Ireland is building promising pipeline of potential contracts

Customer reach

Number of employees served by HR Outsourcing

Number of employees served (1000')



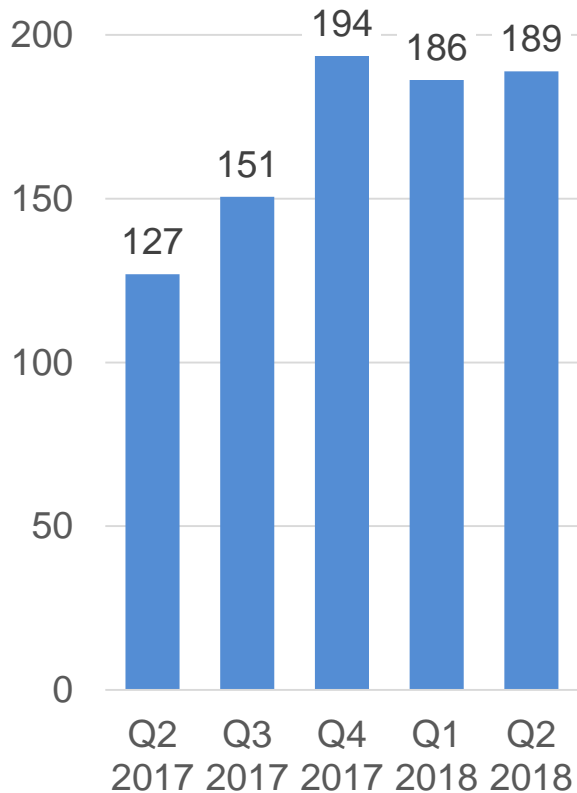
- Number of employees and group full time equivalent at the end of the quarter were 840 and 779.
- Number of customer employees served by HR Outsourcing per month is 283 000
- Expansion into Ireland with Circle K in Q1/18, a long-term customer. New services provided in Norway, UK and Germany for Statkraft, a leading company in hydropower and Europe's largest generator of renewable energy.
- New contract with Aker BP aiming to build a state-of-the art human capital management system.

Key financials

Second quarter 2018

Group operating revenues. Y-o-y revenues up NOK 62 million to nearly NOK 190 million

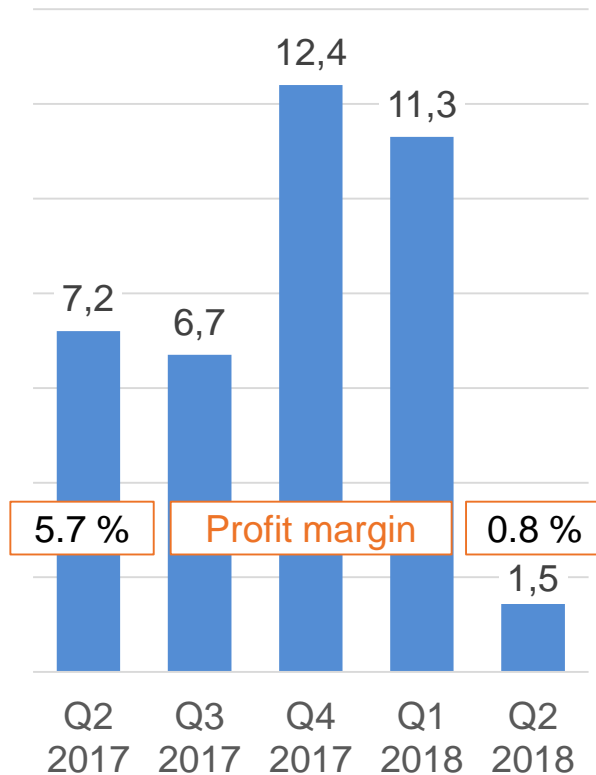
Operating revenues
(in NOK million)



- Total revenue in Q2/18 was NOK 189 million, NOK 62 million or 49% growth compared to the same quarter previous year.
- Corresponding organic growth was 8 %, positively affected by timing of project revenues
- Operating revenues for H1/18 reached NOK 375 million, up 61 per cent vs H1/17.
- Low variable project revenues in the quarter as consulting capacity was engaged in internal - and customer transformation projects, reducing potential billable time

Group operating profit | Integration activities affecting margins

Group operating profit
(in NOK million)

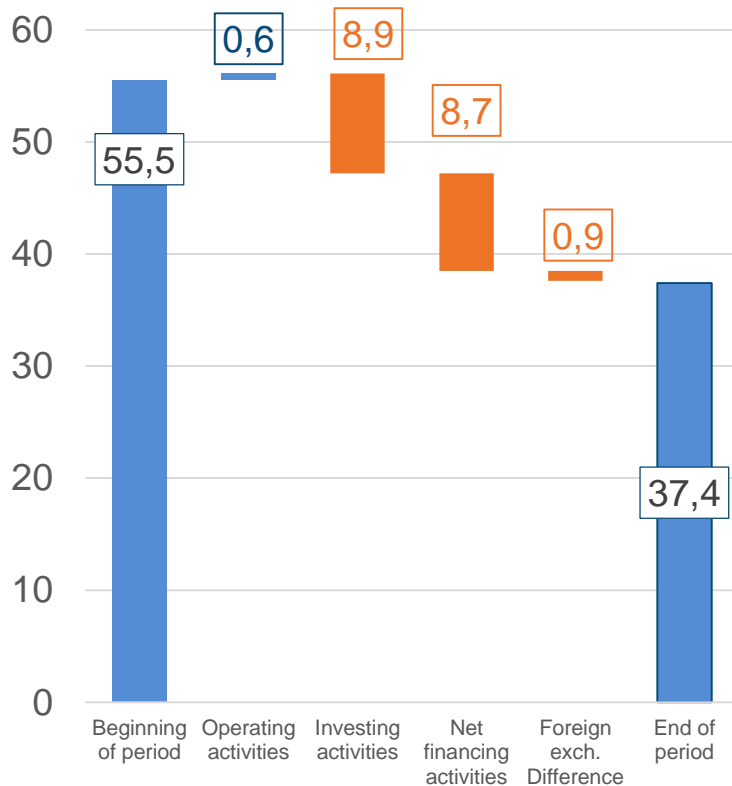


- Q2/18 operating profit for the group was NOK 1.5 million, representing a 0.8% margin
- While a decline in operating profit in the quarter was expected, the level is not satisfactory
- Profit margin marked by post-merger integration activities to capture synergies and enable scalability.
- Increased overhead costs driven by internal projects, including GDPR and ISO certification, and business development activities.
- No significant currency effects on the operating margin Q2/18
- Net financial cost was 0.5 million, including an unrealized currency profit of 3.3 million related to euro debt. Tax expense in Q2/18 was 2 million

Financial position

Capital structure influenced by acquisitions

Cash and cash flows Q2/18 (in NOK million)



Changes in balance sheet and cash flows

- Group cash and cash equivalents were NOK 37.4 million at the end of Q2/18
- Cash flow from financing activities reflects repayment of borrowings (NOK 14.7 million) and dividend payments (NOK 13.0 million), partly offset by increased utilization of bank overdraft (NOK 18.7 million).
- As of 30 June, total assets amounted to NOK 564 million and total equity was NOK 106 million. This equals an equity ratio of 18.7% (27.5%).
- Long term interest bearing-debt as of 30 June amounted to NOK 199.4 million (NOK 161.7 million).

Key financials | Business segment

Second quarter 2018

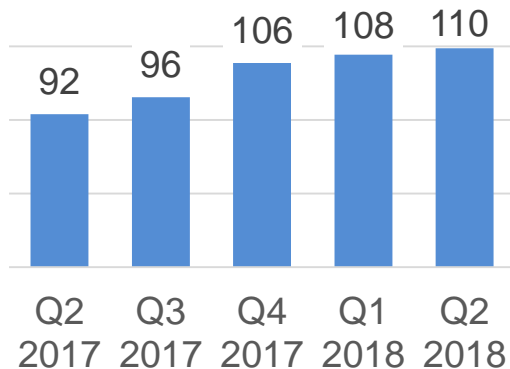
*Segment reporting includes
only external revenues and external profit*

Revenues by segment

Growth in HR Outsourcing and Consulting

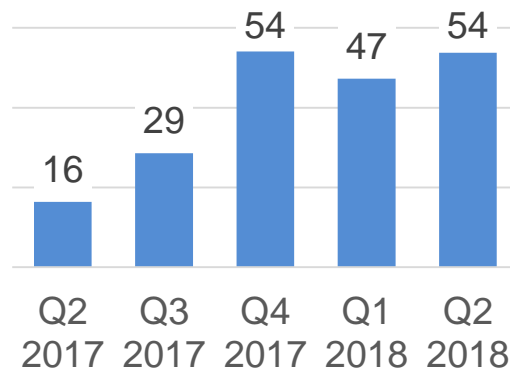
HR Outsourcing (NOK million)

- Q2/18 revenues up 19.5% compared with the same quarter previous year.
- Growth mainly attributable to acquired business in Central Europe and timing of project revenues.
- Underlying organic growth was 4.0%, driven by BPO launches in previous quarters, as well as an increase in change order activity.



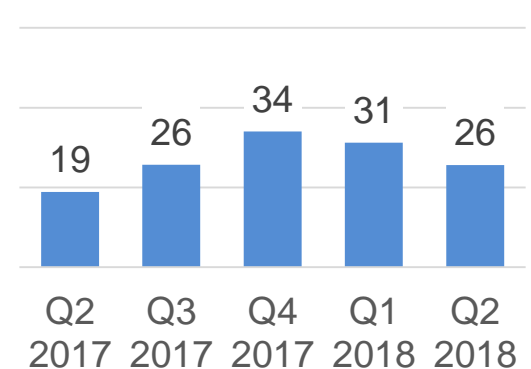
Consulting (NOK million)

- Revenues increased y-o-y with NOK 37 million, mainly due to acquired business in Central Europe
- Consulting capacity in Q2/18 engaged with customer implementation projects and internal system integration projects.



Cloud Services (NOK million)

- Cloud Services revenues growth is mainly related to acquisition of sumarum and ROC in May and October 2017, respectively.
- Recurring cloud revenues increased while variable cloud revenues decreased as a consequence of consulting resources being utilized in HR outsourcing transformation projects.



Profit by business segment ex. group overhead

Positioned to improve profit margins

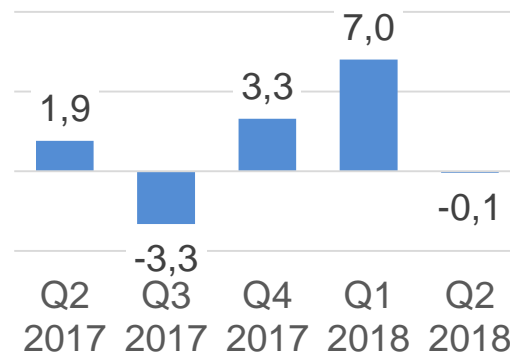
HR Outsourcing (NOK million)

- Operating profit in Q2/18 amounted to NOK 15.3 million or 13.9% (NOK 11.7 million or 12.7%).
- The underlying business showed a positive margin development compared to same quarter previous year mainly driven by the increased level of variable billing with good margins.



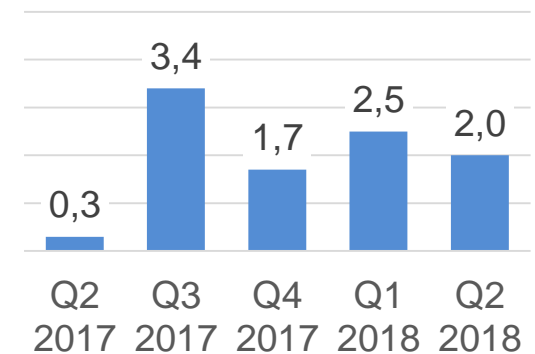
Consulting (NOK million)

- Operating loss of NOK 0.1 in Q2/18
- The loss is mainly due to change in accounting estimates affecting profit allocation between first and second quarter in 2018.



Cloud Services (NOK million)

- Operating profit of NOK 2.0 million in Q2/18, an increase of NOK 1.7 million from Q2/17.
- The positive development reflects the increase in revenues.

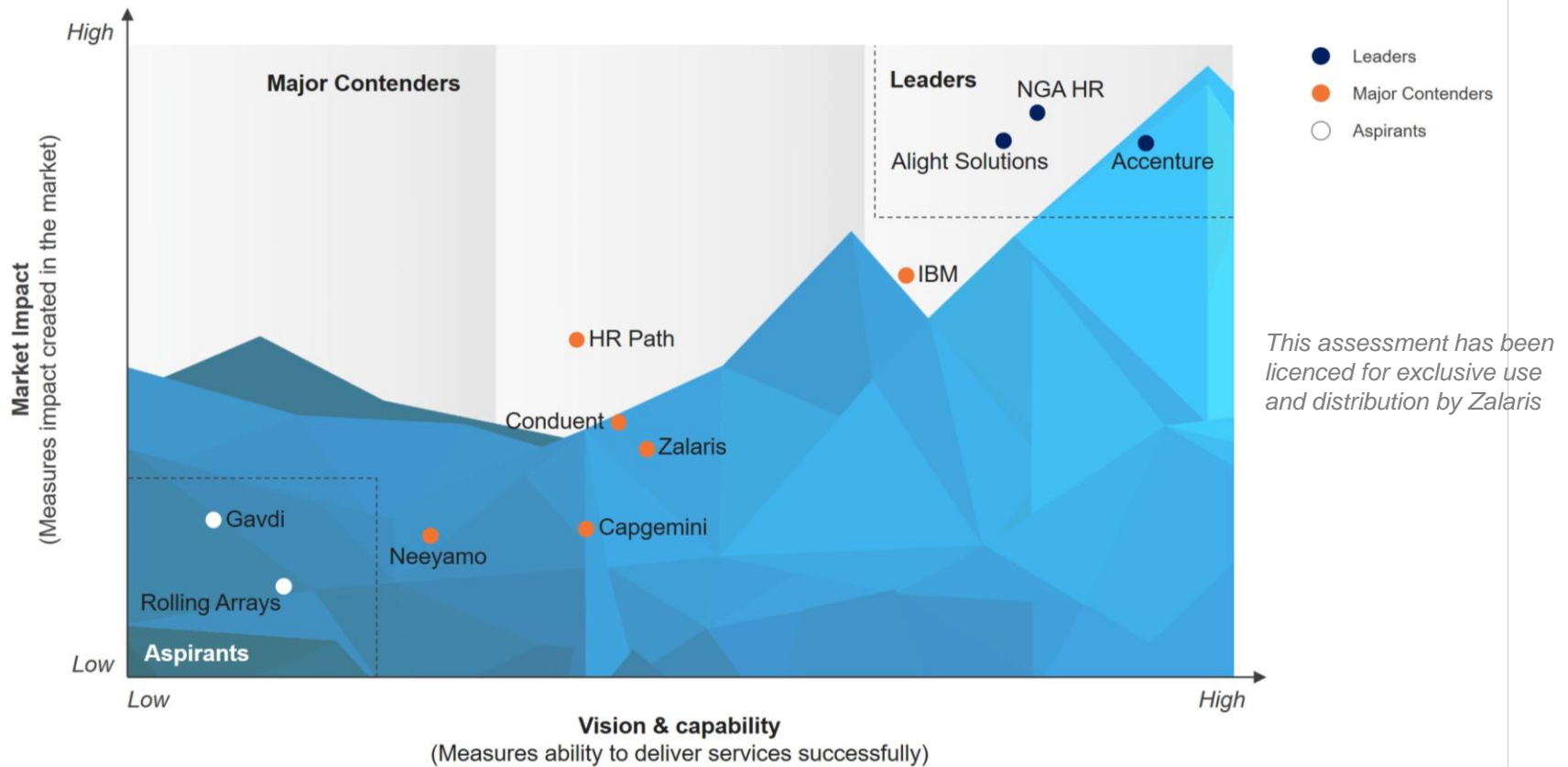


Market update and concluding remarks

Leading Analyst Firm Names Zalaris a ‘Major Contender’

Recognition marks Zalaris’ position as top provider of SAP SuccessFactors-based HR solutions and services

Everest Group SuccessFactors-based human resources business process services – Service provider landscape with services PEAK Matrix™ assessment 2018



Note 1 Service providers scored using Everest Group’s proprietary scoring methodology given on page 9

Note 2 Assessment for Capgemini, IBM, Gavdi and Rolling Arrays excludes service provider inputs on this particular study, and is based on Everest Group’s estimates that leverage Everest Group’s proprietary Transaction Intelligence (TI) database, service providers’ ongoing coverage & public disclosures, and interaction with buyers

Concluding remarks

Priorities: Margin improvement and continued growth

- Zalaris enters **a new era** as ROC Group and sumarum AG are fully integrated; **Stronger and better** than ever before
- The integration efforts will enable **synergy realization** and **margin improvement**
- **Zalaris' key financial targets** with a clear focus on **improving operating margin and increase historic growth**
- One key priority going forward is to **take full advantage of investments** made in new systems, structures and geographical reach
- The **pipeline of opportunities remains strong across the group** and management is optimistic about growth prospects in current and new markets.
- Customers have transformation at the top of their minds as they seek to advance in the data-driven culture of the future. Zalaris is **well positioned**. We do not lean back to rest

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We open for questions



Thank you!

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