Interim Report | Q3 2018

25 October 2018

Presenters and agenda

1. Highlights
2. Financial performance in Q3/18
3. Market trends
4. Outlook

Hans-Petter Mellerud
Founder and CEO

Gaining speed. Profitability below target.

- Integration completed, teams now gearing up customer activities, business development and operational improvements
- Pipeline of new orders firming up. High activity on potential new customers
- Contract extensions with three of our largest HR Outsourcing customers securing long term recurring revenue.
- Significant trend shift seen for our integrated business in UK and Ireland. New contracts likely to be signed in Q4
- Successful bond placement at favourable terms securing flexibility for further growth

Growth in revenues. Margins significantly below target.

Key figures

NOK million	Jan-Sep 2018	Jan-Sep 2017
Revenues	**551**	384
Operating profit[1]	**7.3**	24.6
Profit for the period	**3.0**	4.6
EPS (NOK)	**0.15**	0.24

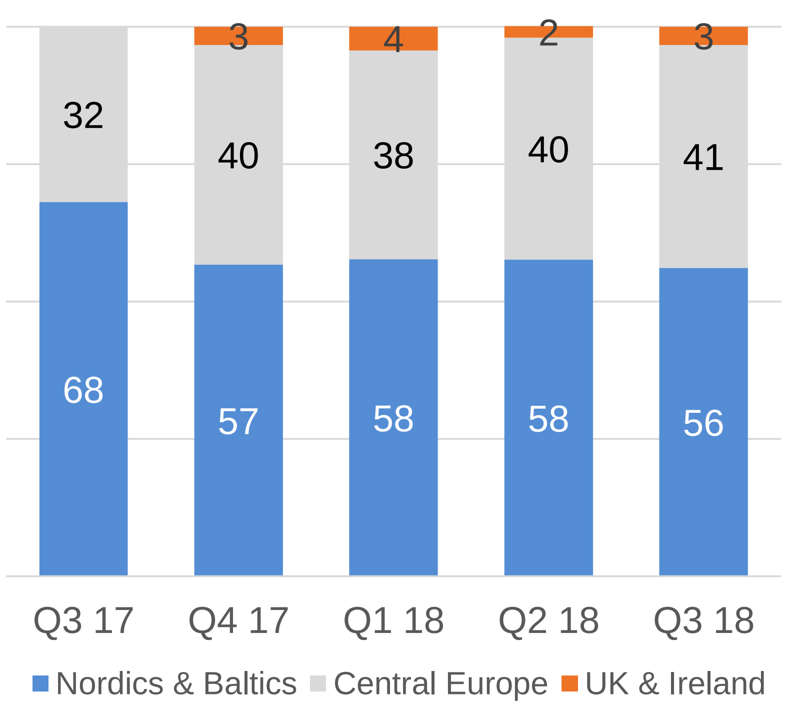
NOK million	July-Sep 2018	July-Sep 2017
Revenues	**176**	151
Operating profit[1]	**-5.5**	6.7
Profit for the period	**-7.3**	-3.8
EPS (NOK)	**-0.36**	0.19

- Year-to-date growth of 54.1 %. Mainly due to acquisition of Sumarum and ROC
- Q3 marked by usual seasonality effects as Europe slows down during summer
- Revenues of 176 million in the quarter, an increase of 17.1 % compared to Q3/17
- Year-to-date profits marked by integration activities in first half of the year and timing of income, contract renewals and PPA[2] amortisation in Q3/18

All amounts in NOK unless otherwise specified
[1] Operating profit (EBIT) before other costs
[2] Purchase price allocation and other non-cash accounting effects amounted to negative 2.4 million in Q3/18

Trend shift in the UK.
Strong performance of Consulting in Germany.

Distribution of revenues by geography (in per cent)



UK & Ireland included after acquisitions in Q4/17

All amounts in NOK unless otherwise specified

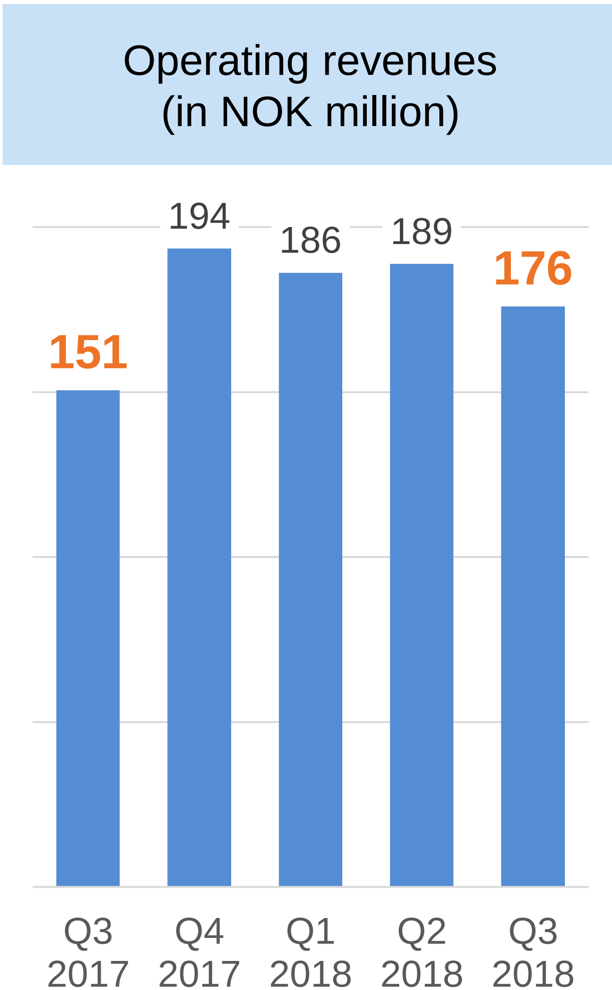
- Nordics & Baltics
  - Revenues *declined* from 103 million in Q3/17 to 99 million in Q3/18
  - Mainly due to phasing of income from Cloud contract renewals
- Central Europe
  - Revenues *increased* by 22 million from 48 million in Q3/17 to 70 million in Q3/18
  - Mainly due to acquisition and strong performance of prev. ROC in Germany
- UK & Ireland
  - Revenues *increased* by 49 % to 5.8 million, from 3.9 million in previous quarter
  - Strong demand and increased customer activity

Key financials

Third quarter 2018

Group operating revenues

Y-o-Y revenues up 25 million to NOK 176 million



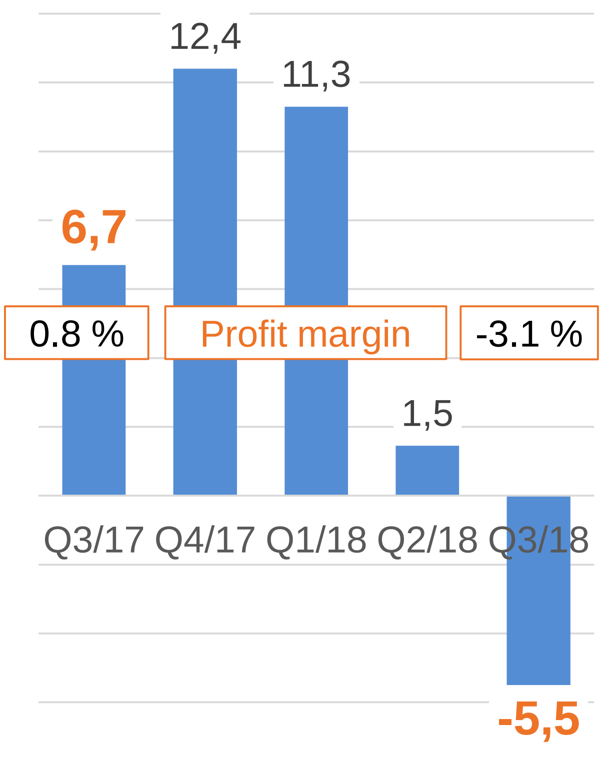
All amounts in NOK unless otherwise specified

- Q3 the weakest quarter of the year driven by seasonality in the consulting business.
- Revenues of NOK 176 million, an increase of 17.1% compared to Q3/17
- Negative timing effects and adjustments to renewed contract further reduced revenues
- Growth below ambitions, however sharpened customer focus is expected to materialize in new contracts and revenue increase in in Q4/18

Group operating profit

Disappointing Q3 profitability

Group operating profit/loss
(in NOK million)



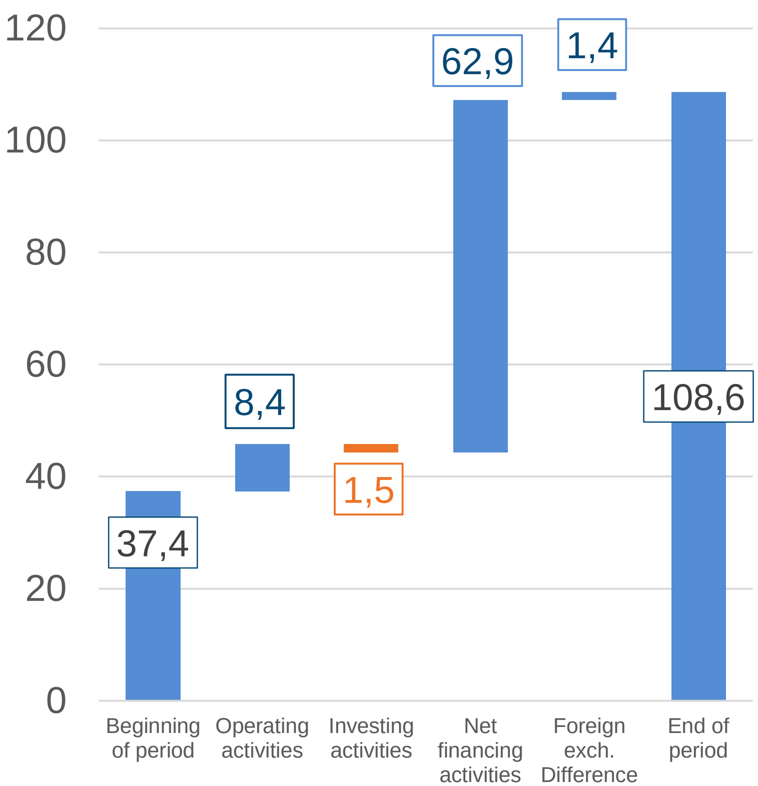
- Q3/18 operating loss for the group was 5.5 million, a negative 3.1 % margin
- Significant decline in profitability impacted by contract renewals, timing of cloud revenues, PPA amortization, restructuring costs, and additional HRO start up costs.
- Higher level of Group overhead from strengthening the groups central functions
- Net financial cost was 3.1 million, including a accounting currency loss of 1.1 million mainly related to EUR debt
- Tax on ordinary profit was positive by 1.2 million and net loss for the period was 7.3 million

All amounts in NOK unless otherwise specified

Financial position

Successful Bond Issue of EUR 35 Million at favorable terms

Cash and cash flows Q3/18 (in NOK million)



All amounts in NOK unless otherwise specified

Changes in balance sheet and cash flows

- Cash and cash equivalents were 108.6 million as of the end of Q3/18, up from 37.4 million as of the end of Q2/18.
- Cash flow from financing activities reflects the receipt of funds from the bond issue.
- Total assets increased by 63.9 million to 628 in Q3/18. At the same time, equity decreased from 106 million to 96 million.
- The equity ratio was consequently reduced from 18.7% to 15.2%.
- Net interest bearing debt decreased from 257 million at the end of the last quarter to 253 million.

Key financials | Business segment

Third quarter 2018

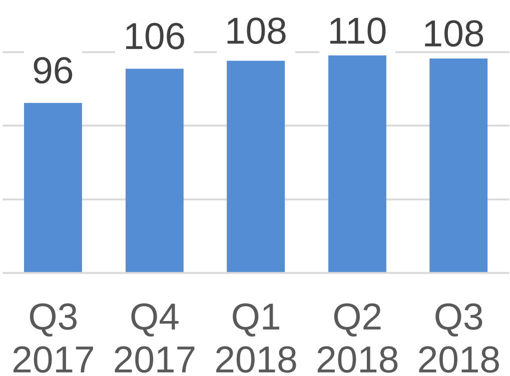
Segment reporting includes
only external revenues and external profit

Revenues by segment

Growth in HR Outsourcing and Consulting. Cloud impacted by timing effects.

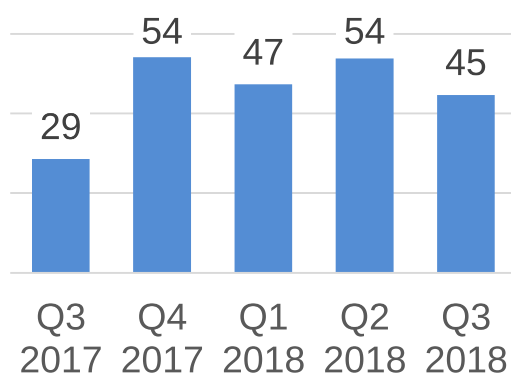
HR Outsourcing
(NOK million)

- Q3/18 revenues up 17.5 % compared with the same quarter previous year.
- Growth mainly related to the HRO business in the acquired entities partly driven by segment reclassification.
- Revenues in Nordics & Baltics were negatively impacted by contract renewals.



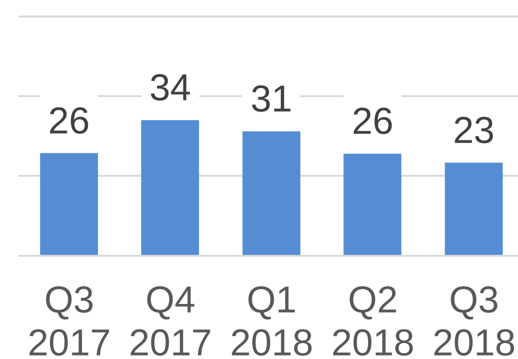
Consulting
(NOK million)

- Revenues in the Consulting segment grew by 16.1 million to 44.7 million in Q3/18.
- Last year’s acquisition of ROC was the key driver behind the growth.
- Seasonal volatility is higher in this segment as revenues are strongly linked to the number of available working days per quarter.



Cloud Services
(NOK million)

- Non-organic growth related to the ROC acquisition
- Negative effect from change in timing of Cloud revenues and reclassification of customers from Cloud to HRO segment as consequence of increased scope.

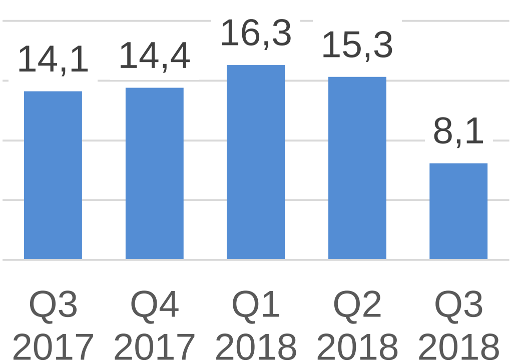


Profit by business segment ex. group overhead

Margins in Q3 impacted short term by timing of revenue and cost of contract renewals

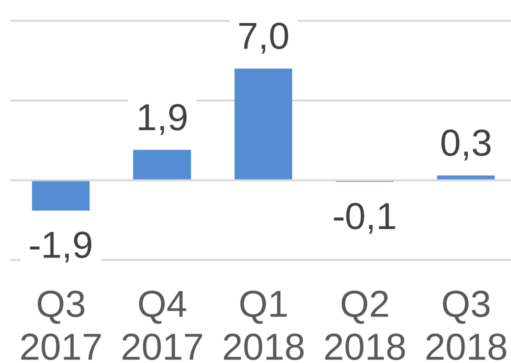
HR Outsourcing
(NOK million)

- Operating profit in Q3/18 was NOK 8.1 million.
- Decline in profitability primarily related to contract renewals, severance payments, and project start-up costs



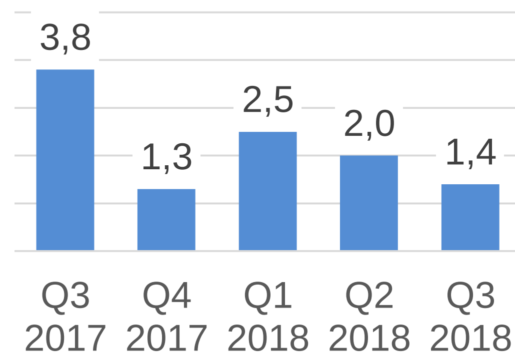
Consulting
(NOK million)

- Operating profit in Q3/18 was NOK 0.3 million. Up from NOK -1,9 million the year before.
- Despite a significant seasonal decline in revenues the segment delivered positive operating profits



Cloud Services
(NOK million)

- Operating profit in Q3/18 was NOK 1.4 million compared to NOK 3.8 million in the same quarter last year.
- The decline from Q3/17 reflects the change in timing of revenues.



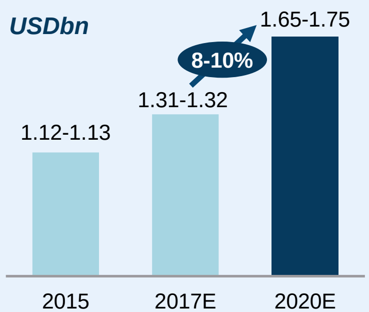
Market update and concluding remarks

Attractive and growing market

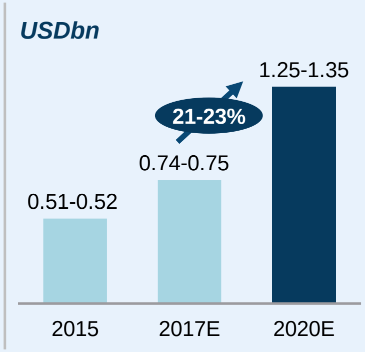
Zalaris is operating in a market with significant growth

Strong underlying European market growth expected

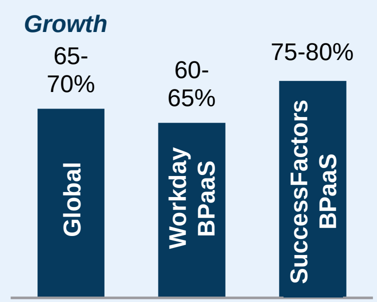
MPHRO[1] Market



MCPO[2] Market



BPaaS[3] Market (2017)

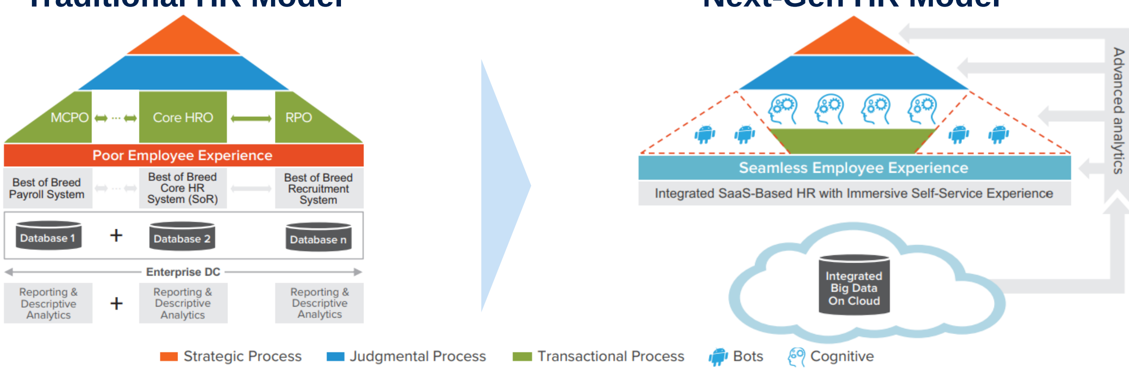


European market size

USD 1.3bn | USD 0.8bn | USD 0.35bn

Evolving HR model

Traditional HR Model | **Next-Gen HR Model**



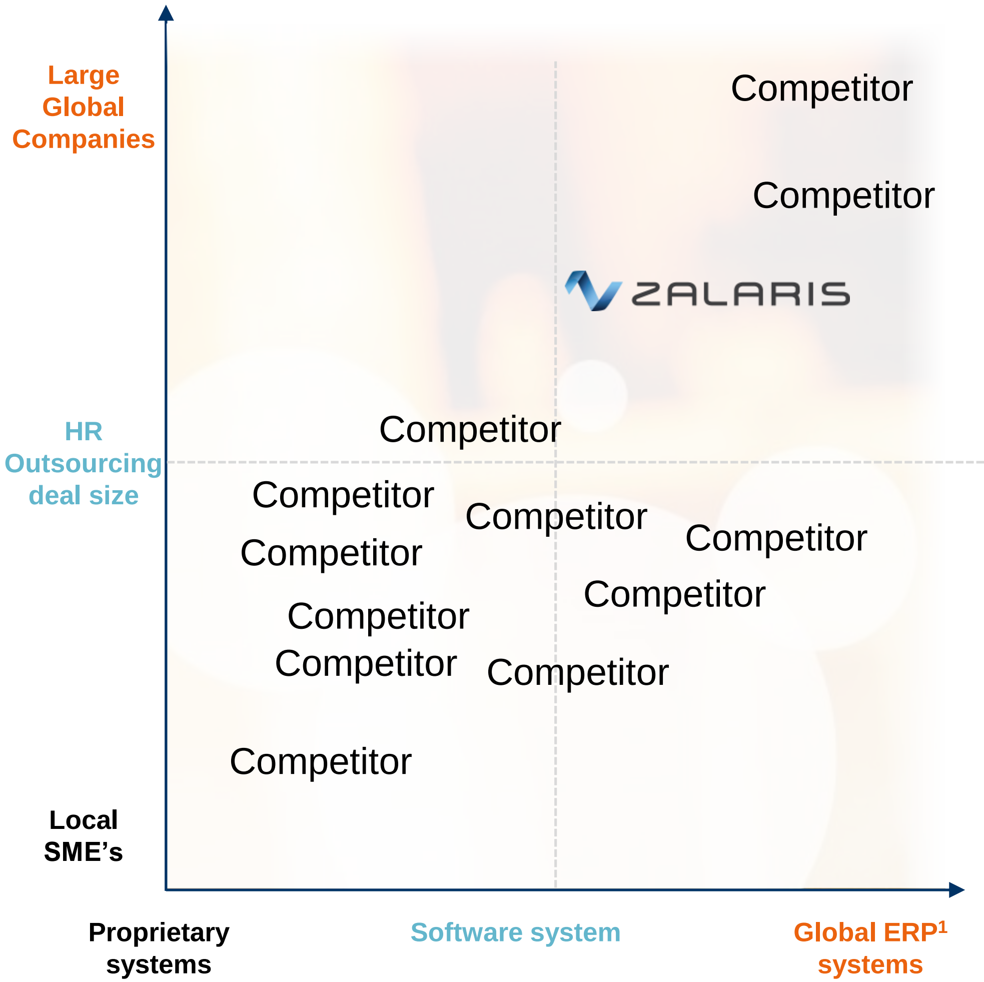
Key market trend

- Increasing focus on the overall workplace experience
- Movement away from "permanent" jobs
- Increasing focus on recruitment, engagement and retention
- Demand for cloud based platforms and services
- Evolution of Robotic Process Automation (RPA) and Artificial Intelligence (AI)-based Automation

Source: Everest Group and Gartner
1) Multi-Process HR Outsourcing; 2) Multi-Country Payroll Outsourcing; 3) Business Process as a Service

Regional HRO leader

Uniquely positioned towards multinational companies…



…with a sustainable competitive advantage

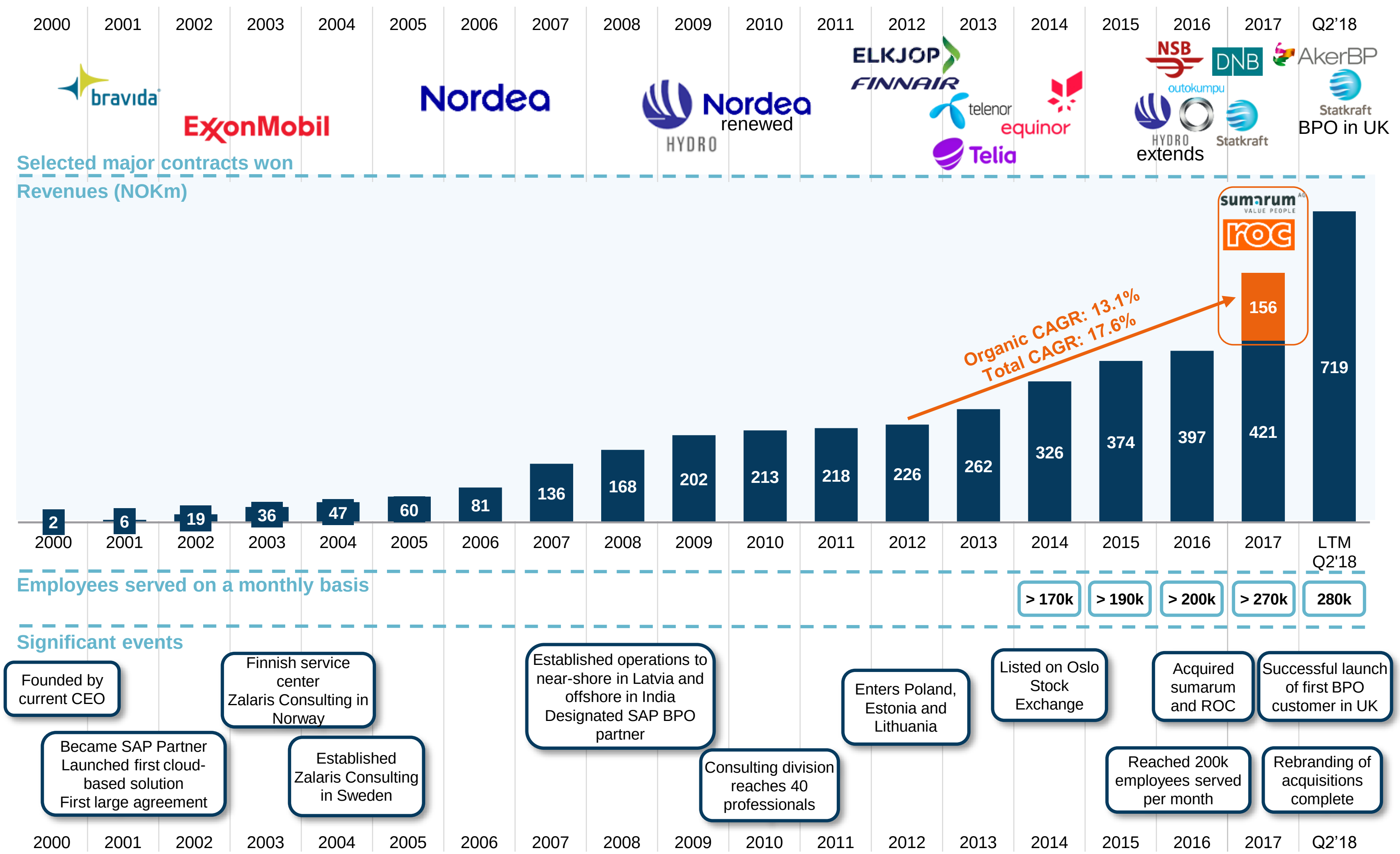
- Local language and culture knowledge through presence with business support centers in all end-user markets
- Offering of one technology platform that works efficiently cross-boarder
- Proven scale with more than 280k employees on the Zalaris platform and proven near- and offshore platform/development
- Offering of a "one-stop-shop" for all BPO services

Recognized by market participants

- SAP Gold Partner
- Neptune Software – Global Innovation Award (2017)
- EY Entrepreneur Of The Year – 2017 Award Winner – EY Entrepreneur of the Year 2017
- Everest Group – Star Performer (2016)
- Cited as a market leader (2017) NelsonHall

1) Enterprise Resource Planning
Source: Company

18 years of uninterrupted growth



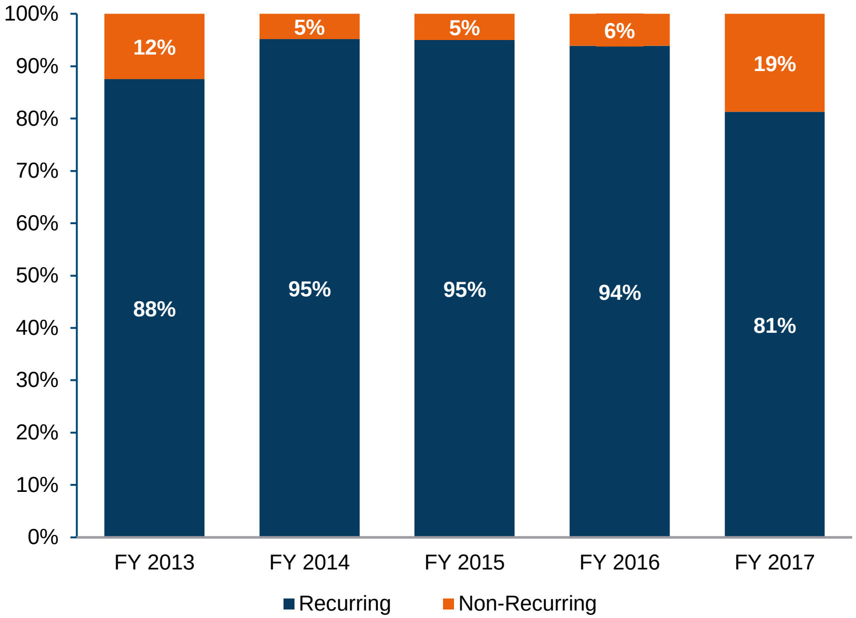
Note: LTM Q2 2018 contains sumarum and ROC from 18 May 2017 and 25 September 2017 respectively

ZALARIS

High degree of recurring and contracted revenues

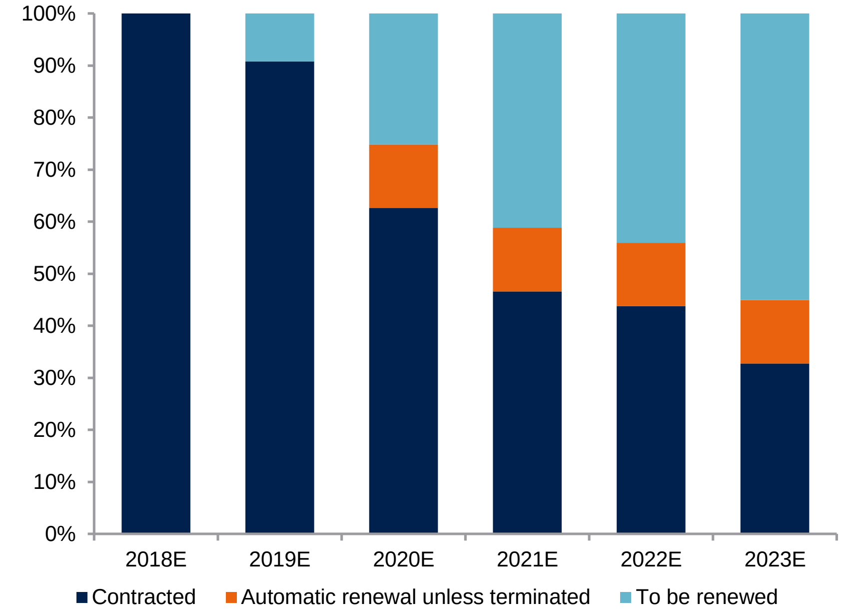
Recurring revenues with insignificant churn

Recurring revenues - % of total revenues[1]



Contract backlog provides earnings visibility

Northern Europe top 20 customer contracts[2]



Low customer churn rates

- "Sticky" service – substantial costs related to change of vendor
- As of June 2018, no significant agreement has been terminated or is in a wind down
- Maximum churn in any year to date is 5%

2 – 3%
average churn per annum

Contracted revenue

- Average contract duration of 5 years
- Client has to cover lost margin and project pre-financing if contract is terminated early
- Contracts include yearly indexing

Recent major contract wins

1) Recurring revenues based on the Cloud and HRO segments, not including consulting
2) Top 20 clients in the Northern Europe segment, with aggregated revenue of NOK ~290m in 2017

Concluding remarks

Rebound ahead after disappointing profits in Q3

- With integration of new businesses successfully completed, we are now **concentrating our efforts and energy on achieving target margins** including realization of cost and revenue synergies
- New company-wide systems and procedures are providing management with much greater insight and control of our business. **Deeper insight drives operational improvements** and quicker responses to deviations
- Sales and customer efforts have produced results. **New customers and contract renewals are being firmed up**, securing our platform for continued growth
- We are determined to demonstrate that the **disappointing financial results** in third quarter represents a **temporary low** and that we will continue our **convincing record of 18 years with uninterrupted growth**

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We open for questions

Thank you!

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