



Simplify work life. Achieve more.

Presentation of interim financial results | Q1 2020

Agenda

• Highlights

- Operational review
- Financial review
- Market update and outlook
- Appendix



Hans-Petter Mellerud
Founder and CEO



Gunnar Manum
CFO

20
years

First quarter 2020: EBIT improvement in progress

- We are celebrating Zalaris' 20th anniversary with a renewal of our identity and strengthen our shared sense of purpose as a team to serve our customers better!
- Revenue of NOK 200.6 million for the first quarter (+4.3%)
- Adjusted EBIT of NOK 13.4 million (NOK 9.3 million) and adj. EBIT margin of 6.7% (4.8%)
- Signed long-term renewals with blue-chip companies including Yara, CircleK and Gassco, and agreements within the public sector in Germany and Norway
- Rapidly adapted to the challenges of COVID-19, enabling our +800 employees to work from home within days, and fully running HR support functions for our customers
- Cash and cash equivalents of NOK 87.5 million, an increase of NOK 5.1 million from year-end

Highlights

Several large renewals and new customers in Q1

- 5-year renewal with CircleK to deliver European Managed Payroll and HR services
- 5-year renewal with Yara for the provision of multi-country HR services including payroll, time & attendance, and travel expenses
- The County Council of Trøndelag for a new payroll and travel expense solution
- 4-year extension (up to 5,000 man-days of consulting) with the German state North Rhine-Westphalia, to be delivered by the PS organization in Germany
- 5-year renewal with Gassco in Norway for the provision of HR services including payroll, time & attendance, and travel expenses
- MAHLE UK for outsourcing of payroll and transactional HR



Delivering on commitments to customers despite COVID-19

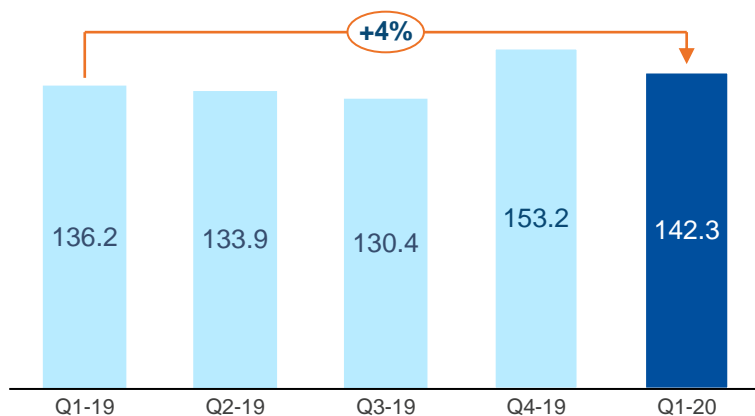
- **Rapidly adapted to the challenges of COVID-19**, enabling our +800 employees to work from home within days, and fully running HR support functions for our customers
- **Currently delivering as normal on customer commitments** and is continuing preparation for a gradual return to new normal
- Home offices and updated labour compliances are the new normal, and **we are in position to support our customers in simplifying HR and payroll**, facilitating re-skilling and empowering our customers with useful and timely information
- **Revenue implications are currently neutral** with some areas as travel expense processing being impacted but other areas as support our customers adapting to the situation increasing
- **Sales and pipeline impact limited to date.** A few processes are slowing down but expect higher demand for traditional business process outsourcing models as companies adapt to new normal and look for additional cost savings and digital solutions.
- **Lessons learned from remote working will be used in new normal business model** to continue agility, foster team-work across geographical distance and improve efficiency.

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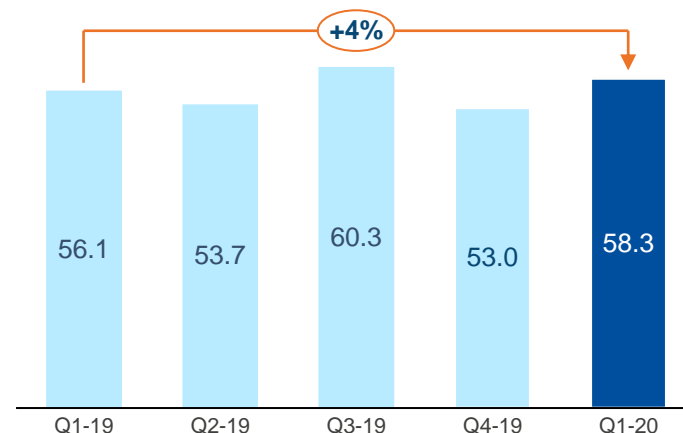
Increased revenue in both business segments (NOKm)

Managed Services



- Marginally higher revenue in NE and higher EUR/NOK partly offset by lower revenue in Germany
- Key focus during the last few quarters has been on the renewal of key long-term contracts, as well as the efficiency and cost reduction program. This has had a negative impact on Zalaris' ability to take full advantage of potential growth opportunities. Increased revenue through existing and new customers will be a key focus going forward

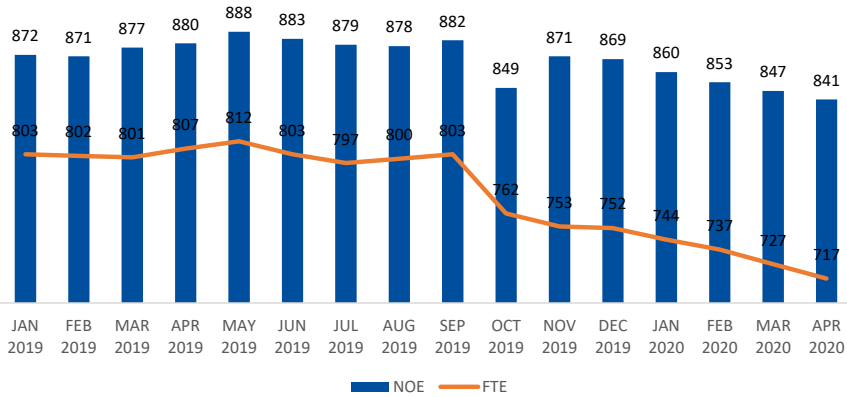
Professional Services



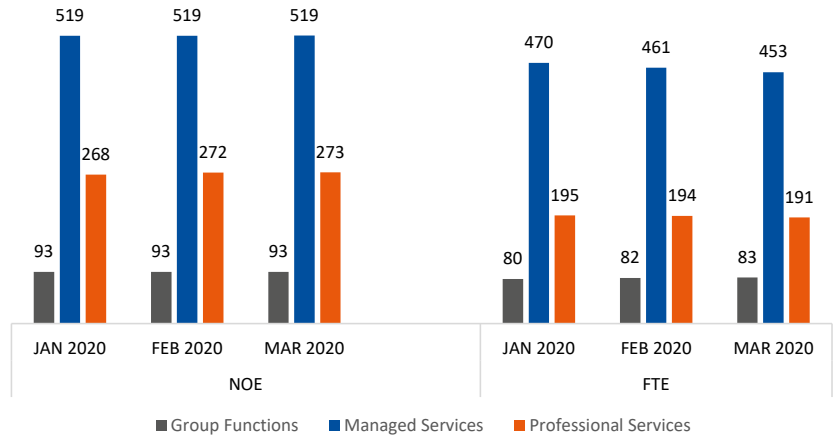
- Significant revenue increase in Poland and higher EUR/NOK, partly offset by marginally lower revenue in Germany and the UK
- Revenue from Professional Services continue to be negatively impacted by the restructuring process, particularly in Germany where offices have been merged

Operational efficiency program is showing effect

Number of Employees and FTE on downward trend as efficiency measures takes effect



Majority of headcount reduction in Managed Services



Improvement program to continue until reaching target margins

- Organizational simplification
- Automation and digitization
- Leveraging balanced near- and offshore capabilities

Majority of large customer agreements extended. Well positioned to support customers coming out of the Covid-19 tunnel

2020

- Gassco extends for another 5 years
- Yara extends for another 5 years
- CircleK extends for another 5 years

2019

- Nordea renews for another 5 years
- Bilfinger extends for another 5 years
- Borregaard extends for another 5 years
- North Rhine Westfalen extends with 4 years
- PEKAO Bank selects Zalaris with 5 years
- Germanwings extends with 5 years
- Equinor extends with 2 years
- German investment bank extends with 5 years
- Waste recycling company in Germany extends with 5 years
- Regional energy provider in Germany extends with 3 years

2018

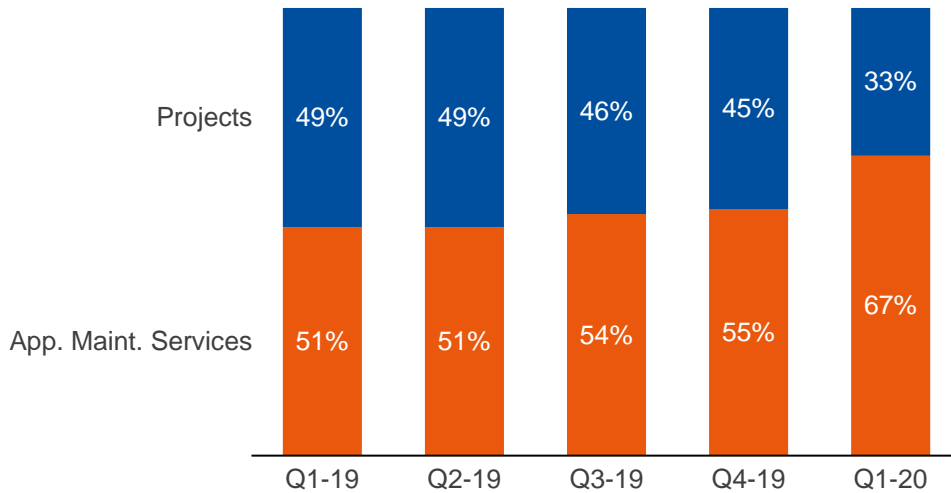
- DNB – 5 year
- Santander Bank – 5 year
- AkerBP – 5 year
- Aker Energy – 5 year
- Telenor extends with 5 years
- Hydro extends with 5 years

Value Proposition:

- 20-30% cost reduction
- Variabilization of costs
- Reduced Capex
- Access to best practice analytics
- Digitalization of processes supporting effective flexible work arrangements

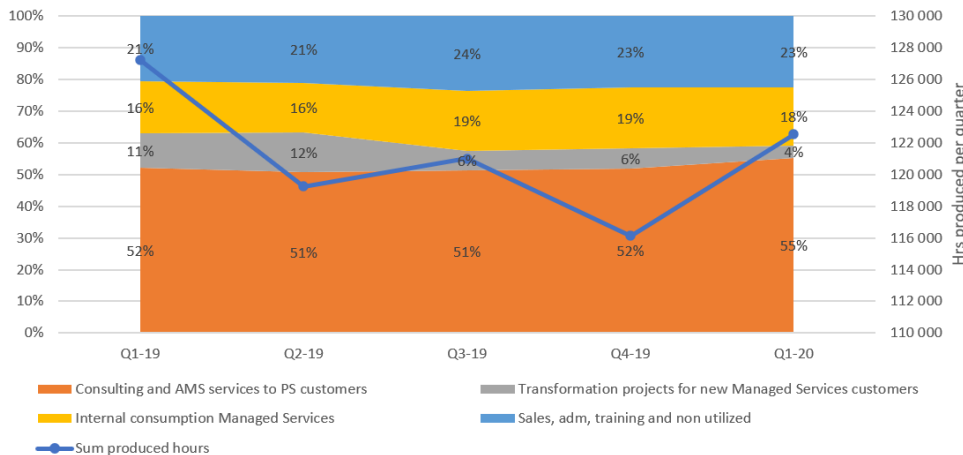
Professional Services recurring revenue increasing. Profitability initiatives focusing on using capacity for billable work.

Revenue mix Projects and Application Maintenance Services



- Positive development in Application Maintenance Services (AMS) is improving PS share of recurring revenue

Usage of available Professional Services Capacity

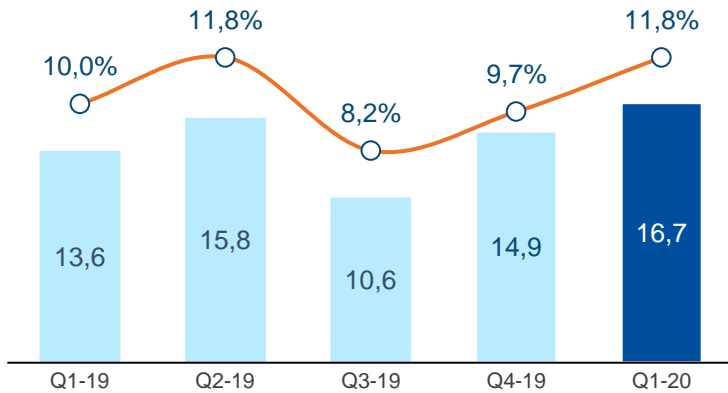


- Reduction in produced working hrs resulting from slight reduction in the number of consultants
- Opportunity to increase billable work through reducing time spent on sales, administration and training
- Capacity previously used for transformation projects has focused cleaning backlog of application maintenance work with focus on improved customer satisfaction

EBIT margins within Managed Services improving

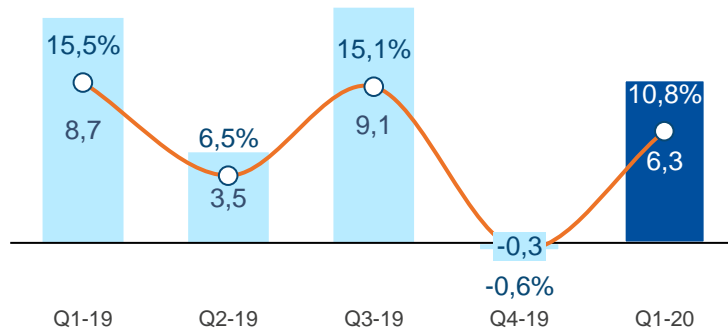
- EBIT (NOKm) and EBIT margin (%)

Managed Services



- Increases EBIT margins within Managed Services for the third consecutive quarter. Efficiency improvements (EBIT improvement program) will continue to have a positive impact on margins going forward

Professional Services



- EBIT for Professional services for Q1 vs. last year negatively impacted by lower utilisation
- As noted in Q4, the restructuring process has had a negative affect on EBIT margins also in Q1, particularly in Germany where offices were merged, resulted in a combination of marginally lower utilization and increased use of external consultants (lower margin)

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Financial review

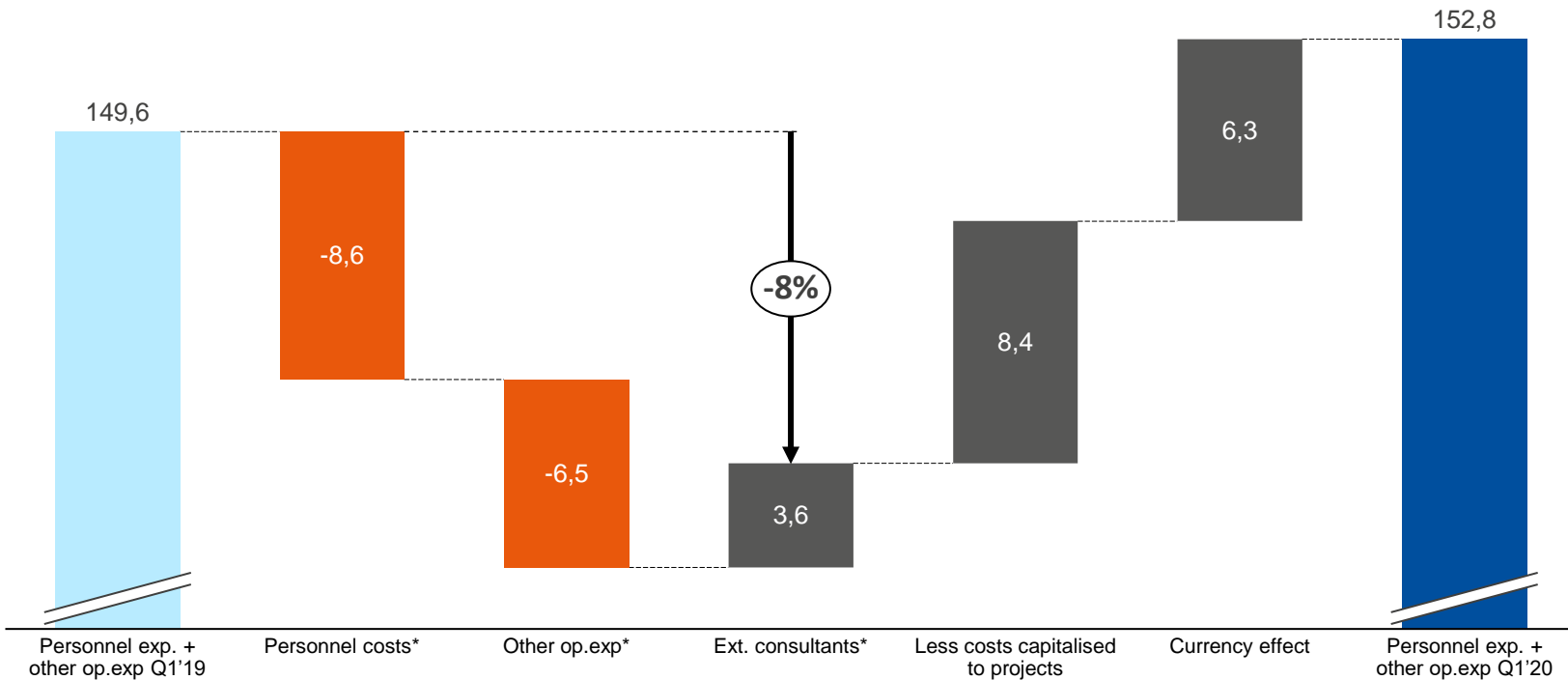
Condensed Profit and Loss

(NOK 1 000)	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Revenue	200 611	192 351	776 792
License costs	16 998	14 928	67 981
Personnel expenses	111 579	107 569	438 543
Other operating expenses	41 181	42 035	166 887
Amortization implementation costs customer projects	8 603	8 297	36 606
Depreciation, amortization and impairments	12 800	13 039	52 684
EBIT	9 451	6 483	14 091
Adjustment items	3 940	2 862	16 149
Adjusted EBIT*	13 391	9 345	30 240
Net financial income/(expense)	(71 996)	1 138	(24 051)
Profit/(loss) before tax	(62 545)	7 621	(9 960)
Income tax expense	13 994	(1 357)	2 950
Profit/(loss) for the period	(48 551)	6 264	(7 010)

- Significant improvement in adj. EBIT margin (%) compared to last year – 6.7% vs. 4.8%
- EBIT improvement program has resulted in a ~8% lower cost base (NOK 11.5m) YoY, however this has been offset by less costs being capitalised to customer projects and currency movements
- Unrealised currency loss of NOK 66m, relating the EUR 35m bond loan and other foreign currency denominated items. Partly offset by positive currency translation differences in other comprehensive income of NOK 52.4m

* Items excluded from adjusted EBIT Q1 2020: restructuring costs (NOK 0.6m), share-based payments (NOK 0.7m) and amortization of excess values on acquisitions (NOK 2.6m)

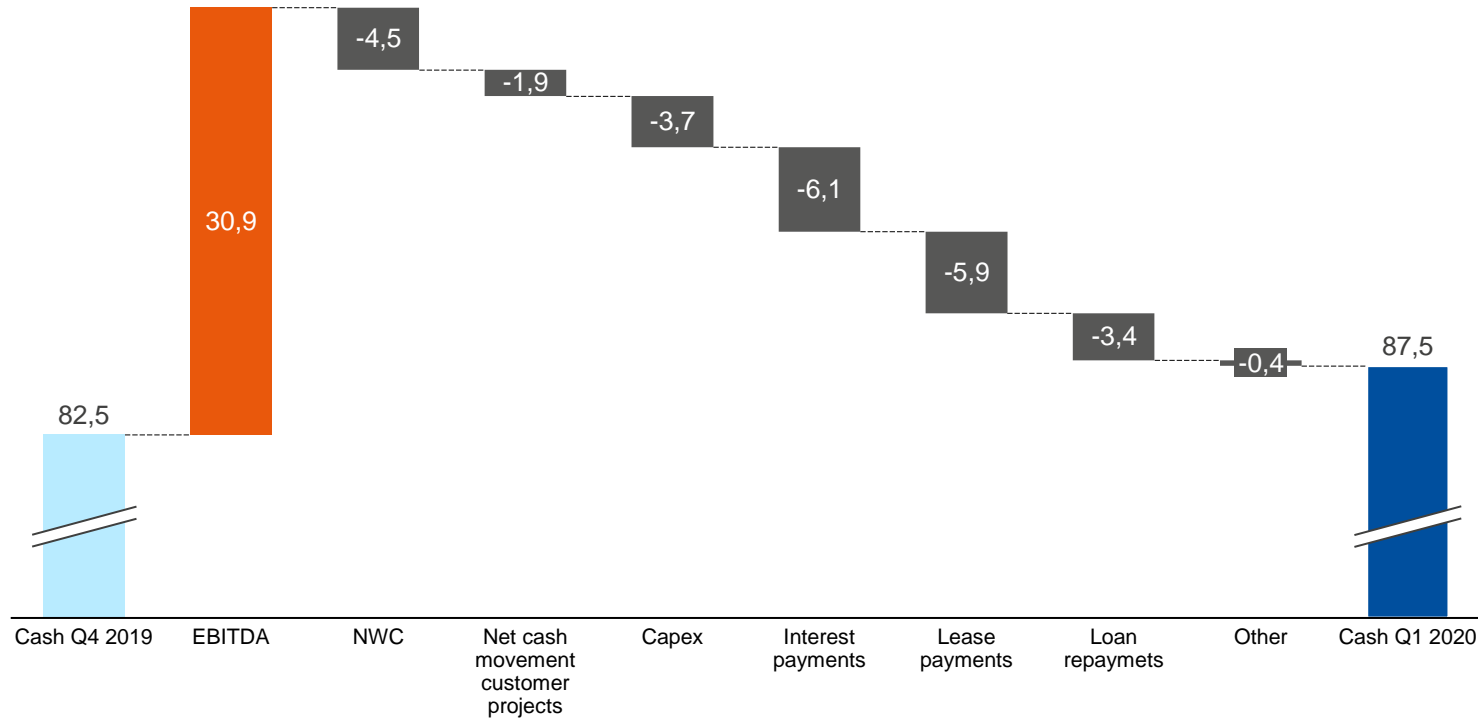
Cost base reduced by ~8% (NOKm)



- Personnel costs and other op. expenses reduced by ~8% (~NOK 15m) when adj. for currency effects
- Reduction in cost base offset less costs being capitalized to customer projects and internal development projects (lower utilization of resources)
- Significant currency effect during the quarter for costs denominated in currencies other than NOK

*Calculated based on Q1'19 exchange rates to eliminate currency effects

Positive cash flow during the quarter (NOKm)



- Operating cash flow for quarter of NOK 16.9m – increase in working capital items of NOK 4.5m
- Capex of NOK 3.7m mainly related to internal development project
- Cash balance as of 31 March 2020 NOK 87.5m

Condensed Balance Sheet

(NOK 1 000)	2020 31.Mar	2019 31.Mar	2019 31.Dec
Fixed and intangible assets	389 158	374 626	354 184
Trade accounts receivable	161 913	173 941	148 614
Customer projects assets	90 104	97 741	88 808
Cash and cash equivalents	87 491	69 348	82 448
Other assets	43 874	40 752	38 984
Total assets	772 539	756 408	713 038
Equity	95 903	105 271	92 166
Interest-bearing loans and borrowings	431 975	368 347	369 058
Lease liabilities	38 099	50 455	35 635
Customer projects liabilities	55 383	61 500	55 740
Other liabilities	151 178	170 834	160 439
Total equity and liabilities	772 539	756 408	713 038

- Cash and cash equivalents of NOK 87.5 million, up by NOK 5.0 million from previous quarter
- Only minor net movements in customer projects (-NOK 1.5 million)
- Lease liabilities relate to right-of-use assets (IFRS 16)
- Net interest-bearing debt of NOK 344.5 million, increase by NOK 57.9 million from previous quarter, mainly as a result of the increased NOK value of the EUR 35m bond loan

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Despite Covid-19 – ambition is to deliver our 20th year of uninterrupted growth



Market update and outlook

We are still aiming high

- Delivering our 20th year of uninterrupted growth through expanding relationship with existing customers, explore new verticals as the municipality market in Norway and focus on core products and services combined with improved efficiency of marketing and sales
- Continue improving margins towards our communicated target through organizational simplification, increased productivity, automation and utilization of our near- and offshore assets
- Operating Professional Services as a global business unit and further develop the potential of our solid partnership with SAP
- Creating more Net Promoting Customers and Employees
- Positioned to deliver on an expected increased demand as a result of the Covid-19 crisis for solutions that support reducing operating costs and allowing flexibility to work from anywhere.

We open for questions

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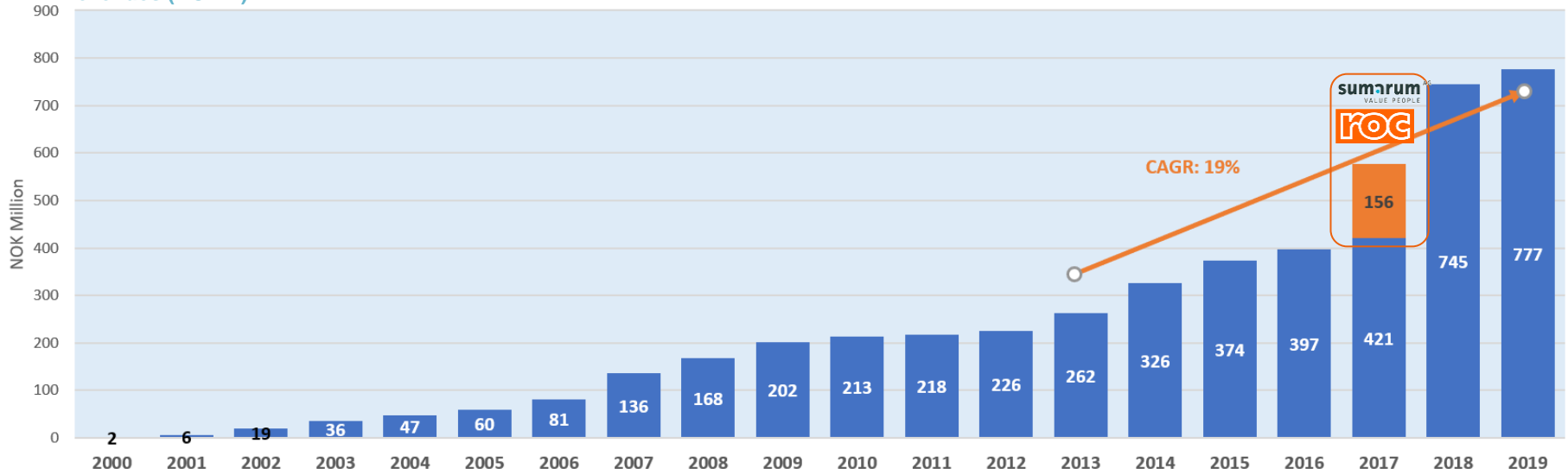
19 years of uninterrupted growth – to be continued



Nordea



Selected major contracts won Revenues (NOKM)



Significant events

- Founded by current CEO
- Became SAP Partner
Launched first cloud-based solution
First large agreement
- Finnish service center
Zalaris Consulting in Norway
- Established Zalaris Consulting in Sweden
- Established operations to near-shore in Latvia and offshore in India
Designated SAP BPO partner
- Consulting division reaches 40 professionals
- Enters Poland, Estonia and Lithuania
- Listed on Oslo Stock Exchange
- Reached 200k employees served per month
- Acquired sumarum and ROC
- Successful launch of first BPO customer in UK
- Rebranding of acquisitions complete

Highly experienced management team...

Management team



Hans-Petter Mellerud
Founder & CEO

Prior to his founding of Zalaris, Hans-Petter was a partner with Accenture, where he was responsible for business development in the company's Nordic Outsourcing Unit. His educational background includes an MBA from IMD, Lausanne, Switzerland, and a BSc, magna cum laude, as well as a MSc, cum laude, in Computer Science from The University of Tulsa, USA



Gunnar Manum
CFO

Manum joined Zalaris in January, 2020, and previously held the position as CFO of Vistin Pharma ASA. He has extensive experience as CFO for publicly listed companies, and has previously held the position as CFO at Clavis Pharma ASA and Weifa ASA (now Karo Pharma ASA). Prior to that he was a senior advisor at Handelsbanken Capital Markets, Corporate Finance, for eight years, and has been an auditor at PwC. Manum holds a MCom in Finance and Accounting from the University of New South Wales, Sydney.



Halvor Leirvåg
CTO

Halvor joined Zalaris in 2006 as a developer in Zalaris Consulting. He was responsible for establishing Zalaris integration platform based on SAP PI. He was appointed CTO in 2011. Prior to joining Zalaris, He held positions at Hewlett-Packard and the Swedish IT consultancy WM-data. Halvor has a Master's of Information Technology from Queensland University of Technology in Brisbane, Australia



Øyvind Reiten
Executive VP Sales

Before being appointed Vice President of business development in 2012, Øyvind held several positions within product development, key account management and new business and sales. He has extensive experience working with new business opportunities and negotiations across the Nordic and Central Eastern European region. Øyvind holds a bachelor's degree in Business & Economics at the Norwegian School of Management



Harald Goetsch
Executive VP Central Europe

Prior to founding of sumarum AG, Harald was an Associate Partner with Accenture, where he was responsible for the German outsourcing unit Accenture Services for HR. Prior to Accenture, Harald focused on outsourcing-related business issues in companies like NorthgateArinso Germany and Computer Sciences Corporation. He holds a Diploma Degree in economics and technical economics of the Offenburg University of applied sciences.



Will Jackson
Executive VP UK/IRL

Will was previously a Director within the ROC Group prior to the acquisition by Zalaris ASA. Will has predominantly focused his career in HRIT having previously worked across multiple continents and geographies within industries such as Oil and Gas, Public Sector, Manufacturing, Healthcare, Distribution and Technology.



Balakrishnan Narayanan
Executive VP APAC

Bala has headed Zalaris' offshore center in India from its inception in 2015 and has been instrumental in the growth and expansion of Zalaris India. Bala has more than 13 years of experience in the HR Operations industry and has worked with some of the top corporate in India and around the world including Fidelity Investments, Tata Consultancy Services, IBM Business Services and Wipro



Richard E. Schiørn
Executive VP Managed Services

Richard joined the company in September 2015 after nearly 20 years in Accenture with experience from technology, consulting and outsourcing business. In Accenture he held a Managing Director/Partner position in the business unit Communication, Media and Technology. He holds a Master's degree in Industrial Economy and Labour Science/Technology at the Norwegian University of Science and Technology (NTH/NTNU)



Hilde Karlsmyr
Chief Human Resources Officer

Hilde joined the company in September 2018. Hilde has more than 10 years of Executive Human Resource Management experience, last as Chief HR Officer at Steen & Strøm ASA and before that as HR Director at REMA 1000. Hilde's experience also includes 10 years as Executive Search consultant with Korn/Ferry International and previous sales and marketing management. Hilde holds a Master of Business and Marketing from BI Norwegian business School and a Master Program in both Human Resource Management and Labour Law



Sami Seikkula
Executive VP Northern Europe

Prior to starting in Zalaris, Sami has been ramping up businesses within software sales, finance, accounting & payroll outsourcing services. He has also gained experience from M&A, heading acquisition processes and integration projects in Norway, Germany, the Baltics and Poland. Sami holds a MSc in Engineering with a major in Industrial Engineering and Management from the Technical University of Tampere.

...and committed owners and Board of Directors

TOP 20 Shareholders as of 5.05.2020

Rank	Investor	Number of shares	Shareholding (%)	Type
1	NORWEGIAN RETAIL AS*	3 091 482	15,36 %	Ordinary
2	SKANDINAVISKA ENSKILDA BANKEN AB	2 634 227	13,09 %	Nominee
3	HANDELSBANKEN NORDISKE SMABOLAG	1 378 253	6,85 %	Nominee
4	VERDIPAPIRFONDET DNB SMB	818 419	4,07 %	Ordinary
5	VERDIPAPIRFONDET NORGE SELEKTIV	815 751	4,05 %	Ordinary
6	ATHANASE	795 255	3,95 %	Ordinary
7	VERDIPAPIRFONDET NORDEA KAPITAL	775 508	3,85 %	Ordinary
8	COMMEZBANK AKTIENGESELLSCHAFT	716 152	3,56 %	Nominee
9	VESTLAND INVEST A/S	686 793	3,41 %	Ordinary
10	DANSKE BANK A/S	572 230	2,84 %	Nominee
11	ZALARIS ASA	526 170	2,61 %	Ordinary
12	VERDIPAPIRFONDET NORDEA AVKASTNING	505 705	2,51 %	Ordinary
13	VERDIPAPIRFONDET NORDEA NORGE PLUS	366 916	1,82 %	Ordinary
14	NÆRINGSLIVETS HOVEDORGANISASJON	303 217	1,51 %	Ordinary
15	TACONIC AS	300 212	1,49 %	Ordinary
16	UBS SWITZERLAND AG	295 139	1,47 %	Nominee
17	TIGERSTADEN AS	273 460	1,36 %	Ordinary
18	AVANZA BANK AB	228 723	1,14 %	Nominee
19	A/S SKARV	225 000	1,12 %	Ordinary
20	LUNDHS LABRADOREEKSPORT A/S	211 500	1,05 %	Ordinary
	Other shareholders	4 602 867	22,87 %	
	Total number of shares	20 122 979	100,00 %	

Board members

**Lars Henriksen (DK)***Chairman of the Board***Liselotte Hægertz Engstam (SE)****Jan Koivurinta (FI)****Adele Bugge Norman Pran (NO)****Jon Erik Haug (NO)****Kenth Eriksson (SE)****Corinna Schaefer (DE)**

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We simplify HR and payroll administration, and empower you with useful information so that you can invest more in people.

Thank you!

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Hans-Petter.Mellerud@zalaris.com



Hans-Petter Mellerud, CEO & Founder