



Q3 2020 Interim Report



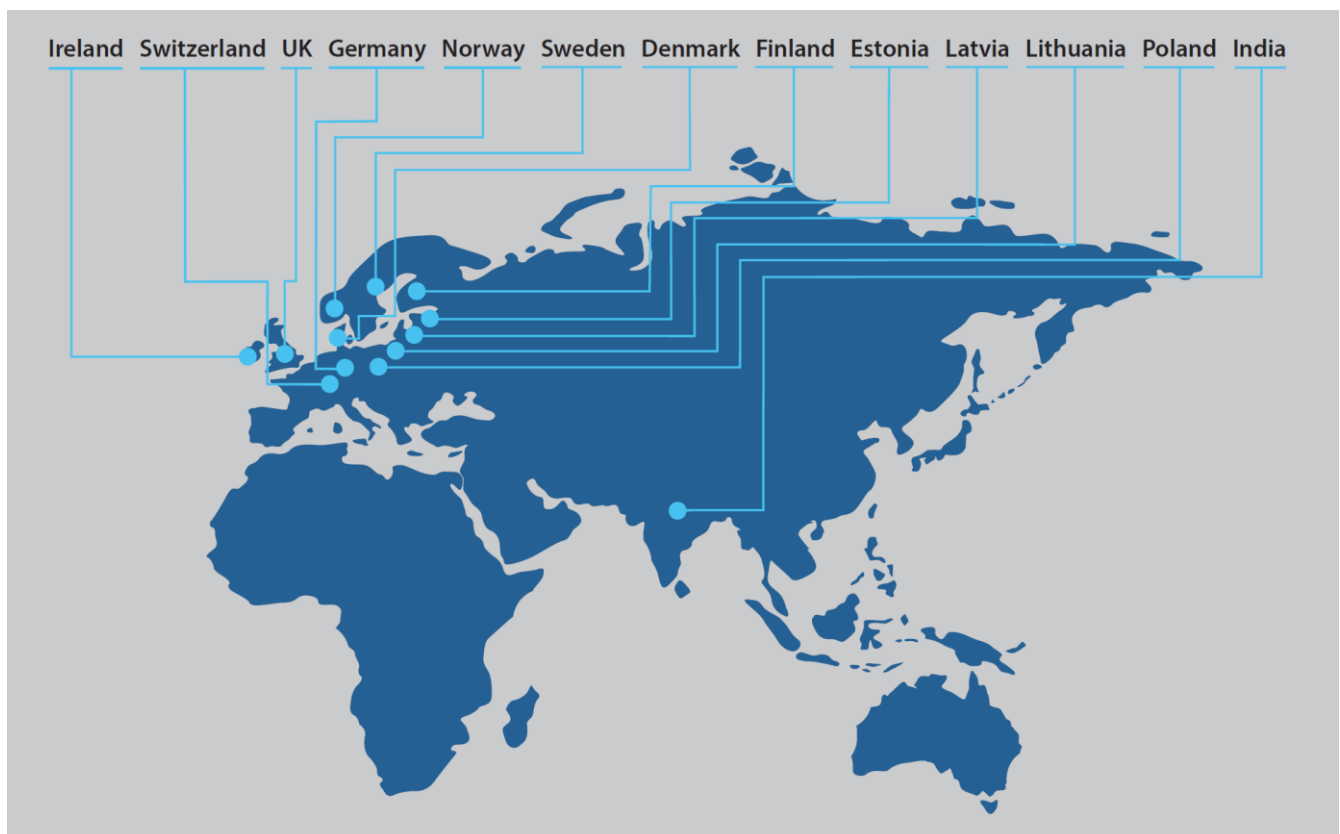
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About Zalaris

We simplify HR and payroll administration and empower organizations with useful information so that they can invest more in their people.

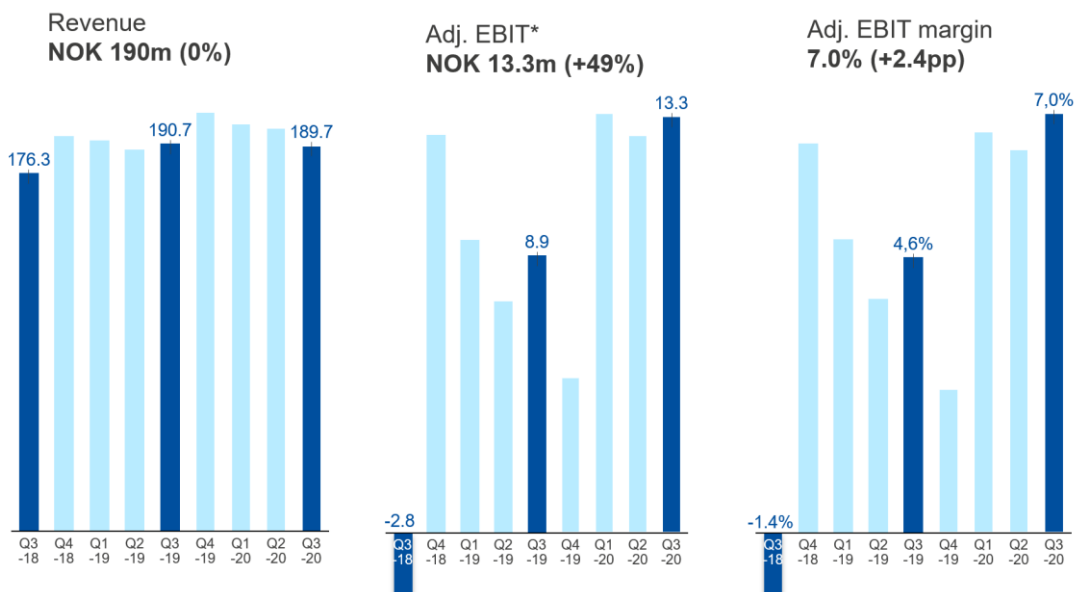
Our proven local and multi-country solutions for payroll and HR includes software and business process as a service (SaaS/BPaaS), and outsourcing (BPO). Our solutions integrate with customers global HR systems. Mobile apps enable people to work from anywhere. We can implement with both local on-site and remote project teams, addressing needs in times of Covid-19 pandemic. #teamZalaris has 800 competent team members across Europe and APAC serving customers from local language service centers. Our 300+ consultants have more than 20 years of experience across all industries and IT environments including on premise, cloud and integration services. Zalaris manage solutions serving over 1.5 million employees each month, across multiple industries and with many of Europe's most reputable employers.

Headquartered in Oslo, Norway, Zalaris is publicly traded on the Oslo Stock Exchange (ZAL).



Q3 Highlights

- Revenue of NOK 189.7 million (NOK 190.7 million) -0.5%
- Adjusted EBIT of NOK 13.3 million (NOK 8.9 million) +49.4%
- Adjusted EBIT margin of 7.0% (4.7%) +2.3pp
- Cost reduction initiatives carried out is having a positive effect on EBIT, and has strengthened cash generation
- Signed a 10-year BPO agreement with Danske Bank in Sweden, strengthening the position as the leading payroll supplier to the banking and finance sector in the Nordic region
- Signed first BPO agreement originated in the UK with leading software development and gaming company
- The pipeline remains strong, and is expected to grow due to an increased focus on outsourcing and digitalization in wake of Covid-19
- Cash and cash equivalents of NOK 116.3 million, +NOK 51.5 million from last year (+79.5%), with continued strong operating cash flow



*Defined in separate section: Alternative Performance Measure (APMs)

Key Figures

Q3 2020 financial summary

| | 2020 | 2019 | 2020 | 2019 | 2019 |
|-------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| (NOK 1 000) | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Revenue | 189 748 | 190 672 | 588 804 | 570 571 | 776 792 |
| Growth (YoY) | -0,5 % | 8,2 % | 3,2 % | 1,3 % | 4,2 % |
| EBITDA | 30 299 | 28 616 | 90 470 | 82 787 | 103 381 |
| Adjusted EBITDA ¹⁾ | 26 993 | 24 638 | 80 684 | 68 591 | 87 451 |
| Adjusted EBITDA margin (as % of revenue) | 14,2 % | 12,9 % | 13,7 % | 12,0 % | 11,3 % |
| EBIT | 9 172 | 4 776 | 25 990 | 15 671 | 14 091 |
| Adjusted EBIT ¹⁾ | 13 282 | 8 870 | 39 363 | 25 244 | 30 142 |
| Adjusted EBIT margin (as % of revenue) | 7,0 % | 4,7 % | 6,7 % | 4,4 % | 3,9 % |
| Profit/(loss) for the period | (1 752) | (6 642) | (27 883) | (3 702) | (7 011) |
| Earnings per share (EPS) | (0,09) | (0,34) | (1,42) | (0,19) | (0,36) |
| Total comprehensive income | 8 125 | 1 086 | 11 826 | (3 382) | (5 323) |
| Free cash flow ¹⁾ | 8 259 | 11 790 | 63 290 | (16 624) | 17 046 |
| Net interest-bearing debt (NIBD) ¹⁾ | (280 704) | (311 048) | (280 704) | (311 048) | (286 610) |
| Full time equivalents (FTEs) period end ¹⁾ | 713 | 803 | 713 | 803 | 753 |

¹⁾ Defined in separate section Alternative Performance Measure (APMs)

Q3 2020 financial performance by business segment*

| | 2020 | 2019 | 2020 | 2019 | 2019 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| (NOK 1 000) | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Revenue | | | | | |
| Managed services | 127 351 | 130 389 | 406 807 | 400 500 | 553 691 |
| Professional services | 62 397 | 60 283 | 181 996 | 170 071 | 223 101 |
| Group overhead and other | - | - | - | - | - |
| Total revenue | 189 748 | 190 672 | 588 804 | 570 571 | 776 792 |
| EBIT | | | | | |
| Managed services | 14 772 | 10 640 | 47 514 | 40 052 | 54 957 |
| Professional services | 6 847 | 9 091 | 17 179 | 21 276 | 20 961 |
| Group overhead and other | (12 447) | (14 954) | (38 703) | (45 658) | (61 828) |
| EBIT | 9 172 | 4 776 | 25 990 | 15 671 | 14 090 |
| EBIT margin (%) | | | | | |
| Managed services | 11,6 % | 8,2 % | 11,7 % | 10,0 % | 9,9 % |
| Professional services | 11,0 % | 15,1 % | 9,4 % | 12,5 % | 9,4 % |
| Group overhead and other | n/a | n/a | n/a | n/a | n/a |
| EBIT margin (%) | 4,8 % | 2,5 % | 4,4 % | 2,7 % | 1,8 % |

*Revenue from certain consulting services previously report as part of Managed Services have been moved to Professional Services from 1 January 2020. Business development costs previously included within Group Overhead has been allocated to the business segments from 1 January 2020. Comparable historical information has been updated accordingly.

CEO Insights

Another Quarter with Positive Development in Margins

Despite short term impacts from the Covid-19 pandemic, #teamZalaris delivered revenue of NOK 189.7 million, which is in line with the same quarter last year. EBIT continued on the journey towards our communicated 10% target to NOK 13.3 million (7%), which is an increase of 49% compared to Q3 last year and one of our best Q3s ever.

All our services were delivered without disruption in a mixed mode working from both our offices and home.

Our efforts of managing the pandemic are being recognized by our employees resulting in a significant jump in employee engagement scores across all countries.

Thank you to the whole #teamZalaris for doing a tremendous job!

Covid-19 slowing growth in large scale transformation projects but driving growth in solutions supporting working from anywhere

In Managed Services we continue to see the impact of reduced travel expense processing and some reduced headcount resulting from Covid-19. The net effect of these reductions amount to approximately NOK 3-4 million for the quarter. We expect a partial return of this revenue when the situation normalises.

During the quarter we signed several new agreements including a 10-year Master Services Agreement with the Danske Bank for the provision of outsourced transactional HR services for their 2,200 Swedish employees, a five-year agreement with a fast growing Scandinavian IT company with 1,200 employees, and a five-year agreement for the provision of outsourced multi-country payroll services for a UK based FTSE250 gaming company with 800 employees. In addition, we signed several new smaller agreements, including energy company Total E&P for provision of outsourced transactional HR and cloud services in Norway. In Germany, we communicated a landmark win in the municipality energy sector, employing more than 170K people in almost 400 legal entities, signing a five-year agreement with Stadtwerke Krefeld GmbH for the implementation and delivery of a SuccessFactors based HR solution for their approx. 3,000 employees.

In Professional Services we see impacted companies adjusting their HR roadmaps from larger transformative projects to more tactical projects with shorter payback time. Professional Services activity levels were stable with fair utilization of resources and revenue impacted by Q3 being the main vacation season with corresponding reduced available working days. Supporting customers with Business Continuity Services continue to be a growing services and in some cases have been converted to a permanent solution.

Working from anywhere has become the new normal driving the need for fully digitized people processes. This is the core of what we have been delivering for twenty years.

We are experiencing an all-time-high interest in our outsourced multi-country payroll solutions, as customers are exploring alternatives to reduce costs and optimize their global HR processes. Our pipeline is filled with opportunities fitting well with our offerings. While sales cycles in the past frequently have been 6-18 months, we see signs of urgency, combined with the benefit of digital sales meetings and virtual site visits, driving these down to more effective 6-9 months. Based on our historic win rate we expect to close some of these opportunities by year-end.

Productizing solution offering to address growing interest in HR Tech and further scale revenue streams

Since inception Zalaris has been driven by a continuous quest to digitize and automate processes including developing web and mobile based solutions and workflows that enable customers to operate transactional HR processes across borders. This has resulted in building own solutions and IP that are built into our service offerings. In Q3 we initiated a process to further productize and commercialize these solutions with the aim of scaling the sale and distribution of these. Our goal is to report the revenue development of this HR Technology value stream separately moving forward.

Financial Review

Revenue

Consolidated revenue for the third quarter 2020 amounted to NOK 189.7 million (Q3 2019: NOK 190.7 million), only marginally lower than last year despite some negative impact on revenue from Covid-19.

Nordics & Baltics

Revenue in the Nordic & Baltic region was NOK 104.0 million in the third quarter, which was marginally lower than the figure last year of NOK 106.3 million. The revenue growth during the quarter has been negatively impacted by Covid-19 in terms of lower transaction volumes (e.g. travel controls) and less change orders from existing customers.

Central Europe

Revenue in the Central Europe region for the third quarter was NOK 75.1 million, compared to NOK 77.3 million last year. Higher revenue from new and existing customers in Poland was offset by a reduction in Germany, mainly within Professional Services. The market for Professional Services in Germany has been negatively impacted by potential implementation projects being postponed due to Covid-19.

UK & Ireland

Revenue for the third quarter in the UK & Ireland region amounted to NOK 10.7 million, compared to NOK 7.1 million in the same quarter last year.

The region experienced an increase in sales from existing customers and continues to see an

increase in opportunities from new potential customers.

Group Profits

Consolidated EBIT for the quarter was NOK 9.2 million (NOK 4.8 million).

The EBIT was NOK 13.3 million for the third quarter (NOK 8.9 million) when adjusted for one-off costs (NOK 0.8 million) relating to redundancies, calculated costs of the Company's share-based payment plan (NOK 0.6 million), and amortisation of excess values on acquisition (NOK 2.7 million).

Through the EBIT-improvement program initiated in 2019, employee costs and other operating expenses have been reduced by approximately NOK 15 million for the quarter and NOK 42 million year-to-date compared to last year, when adjusted for currency effects and differences in costs capitalised. Thus, the Company's operational cost base has been significantly reduced, and has contributed to an increased operating cash flow.

The Group had net financial expense of NOK 12.3 million for the third quarter (net expense NOK 14.1 million), of which NOK 5.2 million (loss NOK 8.1 million) relates to an unrealised gain on the EUR 35 million bond loan and other foreign currency denominated balances.

The net loss for the quarter was NOK 1.8 million (loss NOK 6.6 million).

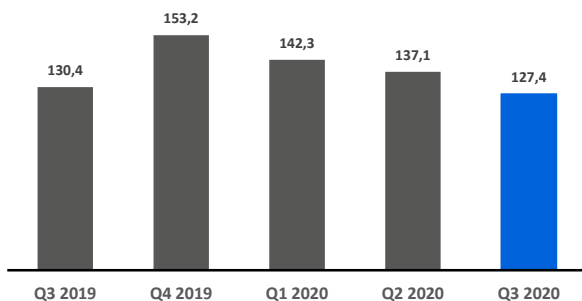
Total comprehensive income amounted to NOK 8.1 million (NOK 1.1 million), after currency translation differences of positive NOK 9.9 million (NOK 7.7 million).

Business segment performance

Managed Services

The Managed Services segment had revenue of NOK 127.4 million for the third quarter 2020, compared to NOK 130.4 in the same quarter last year. Managed service revenue contributed to 67.2% (68.4%) of total revenue for the Group. Revenue within Managed Services has been negatively impacted by lower volumes of travel controls and change orders for existing BPO customers, as a result of Covid-19.

Revenue Managed Services (NOKm):

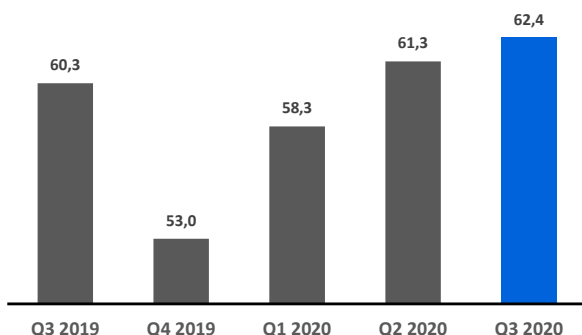


The EBIT for Managed Services for the third quarter 2020 was NOK 14.8 million (NOK 10.6 million). The increased EBIT comes as a result of the EBIT improvement program.

Professional Services

Revenue in the Professional Services segment amounted to NOK 62.4 million for the third quarter 2020, marginally higher than last year's figure of NOK 60.3 million. Increased revenue in Poland and UK, was partly offset by a reduction in Germany, where Covid-19 has had a more negative impact than in other regions, with several potential implementation projects being postponed.

Revenue Professional Services (NOKm):



The EBIT for Professional Services for the third quarter was NOK 6.8 million (NOK 9.1 million). The lower EBIT compared to last year is mainly due to lower utilisation of consultants in Germany, and a higher share of revenue from Poland where margins are lower than in Germany.

Financial position and cash flow

Zalaris had total assets of NOK 723.7 million as of 30 September 2020, compared to NOK 750.4 million at 30 June 2020.

Cash and cash equivalents were NOK 116.3 million as of 30 September 2020, a decrease of NOK 12.7 million from the end of the previous quarter after repayment of interest-bearing debt (NOK 16.5 million) and deferred VAT liability (NOK 8.0 million).

Total equity as of 30 September 2020 was NOK 108.1 million, compared to NOK 101.5 million as of 30 June 2020. This corresponds to an equity ratio of 14.9% (13.5%).

The Company holds 503,521 own shares at 30 September 2020.

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) increased marginally from NOK 277.9 million at 30 June 2020 to NOK 280.7 million at 30 September 2020. The increase is mainly due an increase in the NOK value of the EUR 35 million bond loan, as a result of the depreciation of NOK during the period.

Operating cash flow during the third quarter 2020 was NOK 13.3 million (NOK 8.8 million), after a payment of NOK 8.0 million in deferred VAT (Covid-19 relief). The increase compared to last year is mainly due to improved earnings.

Net cash flow from investing activities for the third quarter was negative NOK 5.0 million (positive NOK 2.9 million), mainly relating to internal development projects. Net cash flow from financing activities for the third quarter was negative NOK 22.3 million (negative NOK 6.4 million), after repayment of interest-bearing debt of NOK 16.5 million.

Cash and cash equivalents balance at 30 September 2020 was NOK 116.3 million (NOK 64.8 million).

As communicated in the second quarter, based on the current financial performance of the Company the Board will propose a dividend of minimum NOK 0.5 per share for 2020.

EBIT improvement program

As communicated in previous reports, Zalaris launched an EBIT improvement program in 2019, Vision2020 targeting NOK 4,7 million monthly cost reductions by Q1 2020. This included streamlining of the organization, ramp-up of digitizing efforts, automating services and increasing Robotic Process Automation (RPA) projects, all aimed at increasing quality in deliveries and reducing costs. As part of the program the total number of FTEs was reduced by approximately 52 (-6%) from when the program was launched.

In Q2 a follow up of Vision2020 was executed, realizing additional NOK 1 million in monthly cost reductions by Q4 2020 through a reorganizing of the Nordic Professional Services organization to align with the Professional Services organizations in our other regions. Key actions taken were:

- Moving consultants primarily working with Managed Services customers to the Managed Services Organization

- Realigning the Nordic Professional Services organization to focus on advisory and implementation of SAP Cloud based HR solutions.
- Adjusting capacity to demand resulting in the downsizing of approximately ten employees.

Other ongoing cost based EBIT initiatives focus on:

- Increased utilization of our near- and offshore capabilities
- Automation of standardized processes through digitization and Robotic Process Automation.

The EBIT improvement program has resulted in a reduction in total operating expenses of approximately NOK 42 million (-9%) year-to-date, when adjusted for differences in costs capitalized and currency rates compared to last year.

Outlook

The market fundamentals remain strong and Zalaris' key markets within multi-country payroll and HR outsourcing are expected to grow in the foreseeable future. The Company is well positioned to capture part of this growth through new customers and by expanding the service offering to existing customers.

The Covid-19 pandemic has had a short-term negative impact on revenue, as larger implementation projects within Professional Services are being postponed and less travel and lower employee numbers are impacting Managed Services. This situation is also expected going forward, depending on the duration of Covid-19.

In the longer term, Zalaris should benefit from the uncertainty created by Covid-19 by helping companies

to move from a fixed to variable cost base. The Company's pipeline of potential multi-country payroll outsourcing projects is strong.

The Company's financial results have significantly improved compared to 2019, as a result of the cost reduction initiatives implemented in 2019 through the EBIT improvement program, and further optimization initiatives in 2020. These initiatives include streamlining of the organization, ramp-up of digitizing efforts, automating services and increasing Robotic Process Automation (RPA) projects, all aimed at increasing quality in deliveries and reducing costs. Further improvements in the financial results are expected going forward.

The Board of Directors of Zalaris ASA
Oslo, 28 October 2020

Interim Consolidated Financial Statements

Consolidated Statement of Profit and Loss

| (NOK 1 000) | Notes | 2020 Jul-Sep <i>unaudited</i> | 2019 Jul-Sep <i>unaudited</i> | 2020 Jan-Sep <i>unaudited</i> | 2019 Jan-Sep <i>unaudited</i> | 2019 Jan-Dec |
|-----------------------------------------------------|-------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-----------------|
| Revenue | 2 | 189 748 | 190 672 | 588 804 | 570 571 | 776 792 |
| Operating expenses | | | | | | |
| License costs | | 18 337 | 15 238 | 51 572 | 44 070 | 67 981 |
| Personnel expenses | 4 | 99 439 | 106 765 | 324 149 | 321 245 | 438 543 |
| Other operating expenses | | 41 672 | 40 053 | 122 613 | 122 469 | 166 887 |
| Depreciation and impairments | | 794 | 1 043 | 2 542 | 3 076 | 4 048 |
| Depreciation right-of-use assets | 7 | 4 721 | 5 512 | 14 952 | 16 312 | 21 932 |
| Amortisation intangible assets | 6 | 6 840 | 6 539 | 20 672 | 19 971 | 26 704 |
| Amortisation implementation costs customer projects | 3 | 8 772 | 10 747 | 26 314 | 27 758 | 36 606 |
| Total operating expenses | | 180 576 | 185 896 | 562 814 | 554 901 | 762 701 |
| Operating profit (EBIT) | | 9 172 | 4 776 | 25 990 | 15 671 | 14 091 |
| Financial items | | | | | | |
| Financial income | 5 | 406 | 628 | 4 754 | 1 068 | 2 632 |
| Financial expense | 5 | (7 446) | (6 667) | (23 266) | (22 454) | (29 057) |
| Unrealized foreign exchange gain/(loss) | 5 | (5 247) | (8 060) | (45 986) | (285) | 2 375 |
| Net financial items | | (12 287) | (14 100) | (64 498) | (21 672) | (24 051) |
| Profit before tax | | (3 115) | (9 324) | (38 508) | (6 001) | (9 960) |
| Tax expense | | 1 363 | 2 682 | 10 625 | 2 299 | 2 950 |
| Profit for the period | | (1 752) | (6 642) | (27 883) | (3 702) | (7 011) |
| Earnings per share: | | | | | | |
| Basic earnings per share (NOK) | | (0,09) | (0,34) | (1,42) | (0,19) | (0,36) |
| Diluted earnings per share (NOK) | | (0,09) | (0,34) | (1,42) | (0,18) | (0,36) |

Consolidated Statement of Comprehensive Income

| (NOK 1 000) | Notes | 2020 Jul-Sep <i>unaudited</i> | 2019 Jul-Sep <i>unaudited</i> | 2020 Jan-Mar <i>unaudited</i> | 2019 Jan-Mar <i>unaudited</i> | 2019 Jan-Dec |
|--------------------------------------------------------------------------|-------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-----------------|
| Profit for the period | | (1 752) | (6 642) | (27 883) | (3 702) | (7 011) |
| Other comprehensive income | | | | | | |
| Items that will be reclassified to profit and loss in subsequent periods | | | | | | |
| Currency translation differences | | 9 877 | 7 728 | 39 709 | 320 | 1 688 |
| Total other comprehensive income | | 9 877 | 7 728 | 39 709 | 320 | 1 688 |
| Total comprehensive income | | 8 125 | 1 086 | 11 826 | (3 382) | (5 322) |

Consolidated Statement of Financial Position

| (NOK 1 000) | Notes | 2020 30. Sept <i>unaudited</i> | 2019 30. Sept <i>unaudited</i> | 2019 31. Dec |
|---------------------------------|----------|--------------------------------------|--------------------------------------|-----------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | | 126 414 | 136 440 | 132 950 |
| Goodwill | | 168 090 | 152 266 | 153 248 |
| Total intangible assets | 6 | 294 503 | 288 706 | 286 198 |
| Deferred tax asset | | 11 729 | 7 900 | 11 710 |
| Fixed assets | | | | |
| Right-of-use assets | 7 | 27 214 | 39 925 | 34 849 |
| Property, plant and equipment | | 34 711 | 34 364 | 33 137 |
| Total fixed assets | | 61 925 | 74 289 | 67 986 |
| Total non-current assets | | 368 157 | 370 894 | 365 894 |
| Current assets | | | | |
| Trade accounts receivable | | 132 225 | 151 377 | 148 614 |
| Customer projects | 3 | 82 441 | 95 970 | 88 808 |
| Other short-term receivables | | 24 608 | 26 068 | 27 275 |
| Cash and cash equivalents | 8 | 116 251 | 64 812 | 82 448 |
| Total current assets | | 355 526 | 338 228 | 347 145 |
| TOTAL ASSETS | | 723 683 | 709 122 | 713 038 |

Consolidated Statement of Financial Position

| (NOK 1 000) | Notes | 2020 30. Sept | 2019 30. Sept | 2019 31. Dec |
|-------------------------------------|-------|------------------|------------------|-----------------|
| | | | <i>unaudited</i> | |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Paid-in capital | | | | |
| Share capital | | 1 962 | 2 006 | 1 957 |
| Other paid in equity | | 5 591 | 3 165 | 3 804 |
| Share premium | | 35 565 | 40 718 | 34 252 |
| Total paid-in capital | | 43 118 | 45 889 | 40 014 |
| Other equity | | 42 136 | (171) | (374) |
| Retained earnings | | 22 846 | 55 834 | 52 526 |
| Total equity | | 108 100 | 101 552 | 92 166 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Deferred tax | | 8 546 | 25 022 | 25 313 |
| Interest-bearing loans | 9 | 395 633 | 362 339 | 362 487 |
| Lease liabilities | 7 | 13 767 | 18 607 | 16 536 |
| Total long-term liabilities | | 417 946 | 405 968 | 404 337 |
| Current liabilities | | | | |
| Trade accounts payable | | 13 414 | 5 310 | 29 845 |
| Customer projects liabilities | 3 | 49 702 | 57 480 | 55 740 |
| Interest-bearing loans | 9 | 1 323 | 13 521 | 6 571 |
| Lease liabilities | 7 | 14 677 | 21 881 | 19 099 |
| Income tax payable | | 4 262 | 333 | 5 408 |
| Public duties payable | | 41 578 | 34 276 | 37 314 |
| Other short-term liabilities | | 71 599 | 67 107 | 61 464 |
| Derivatives | | 1 083 | 1 694 | 1 095 |
| Total short-term liabilities | | 197 637 | 201 602 | 216 535 |
| Total liabilities | | 615 583 | 607 570 | 620 873 |
| TOTAL EQUITY AND LIABILITIES | | 723 683 | 709 122 | 713 038 |

Consolidated Statement of Cash Flow

| (NOK 1 000) | Notes | 2020 | 2019 | 2020 | 2019 | 2019 |
|-----------------------------------------------------------------|-------|------------------|------------------|------------------|------------------|-----------------|
| | | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| | | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | |
| Cash Flow from operating activities | | | | | | |
| Profit (Loss) before tax | | (3 115) | (9 324) | (38 508) | (6 001) | (9 960) |
| Net financial items | 5 | 12 287 | 14 100 | 64 498 | 21 671 | 24 051 |
| Share-based payments | | 633 | 534 | 1 786 | 1 115 | 1 743 |
| Depreciation and impairments | | 795 | 1 041 | 2 543 | 3 076 | 4 049 |
| Depreciation right-of-use assets | 7 | 4 721 | 5 512 | 14 952 | 16 312 | 21 932 |
| Amortisation intangible assets | 6 | 6 840 | 6 540 | 20 672 | 19 972 | 26 705 |
| Depreciation implementation costs customer projects | 3 | 8 772 | 10 747 | 26 314 | 27 758 | 36 606 |
| Recognized customer projects assets | 3 | (2 877) | (5 866) | (12 091) | (28 112) | (29 505) |
| Recognized customer projects liabilities | | (2 162) | (3 166) | (8 211) | (6 805) | (8 545) |
| Taxes paid | | (25) | - | (1 281) | - | (6 356) |
| Changes in accounts receivable | | 5 892 | 11 153 | 16 389 | 6 740 | 9 504 |
| Changes in accounts payable | | (4 224) | (12 009) | (16 432) | (19 048) | 5 487 |
| Changes in other items | | (6 215) | (3 734) | 24 646 | (28 192) | (8 313) |
| Interest received | | 49 | (16) | 158 | 124 | 162 |
| Interest paid | | (8 072) | (6 663) | (19 835) | (16 826) | (25 052) |
| Net cash flow from operating activities | | 13 299 | 8 848 | 75 600 | (8 216) | 42 508 |
| Cash flows to investing activities | | | | | | |
| Investment in fixed and intangible assets | | (5 039) | 2 942 | (12 310) | (8 408) | (25 462) |
| Net cash flow from investing activities | | (5 039) | 2 942 | (12 310) | (8 408) | (25 462) |
| Cash flows from financing activities | | | | | | |
| Sale/(Buyback) of own shares | | - | - | 1 332 | (4 419) | (10 934) |
| Payment of lease liabilities | | (5 849) | (6 276) | (15 896) | (18 530) | (22 807) |
| Repayment of loan | | (16 446) | (102) | (17 888) | (1 682) | (6 320) |
| Net cash flow from financing activities | | (22 295) | (6 378) | (32 452) | (24 630) | (40 062) |
| Net changes in cash and cash equivalents | | (14 036) | 5 412 | 30 838 | (41 254) | (23 016) |
| Net foreign exchange difference | | 1 334 | (170) | 2 964 | (1 778) | (2 379) |
| Cash and cash equivalents at the beginning of the period | | 128 953 | 59 570 | 82 449 | 107 844 | 107 844 |
| Cash and cash equivalents at the end of the period | | 116 251 | 64 812 | 116 251 | 64 812 | 82 449 |

Consolidated Statement of Changes in Equity

| (NOK 1000) | Share capital | Share premium | Other paid in equity | Total paid-in equity | Other equity | Retained earnings | Total equity |
|------------------------------|---------------|---------------|----------------------|----------------------|---------------|-------------------|----------------|
| Equity at 01.01.2019 | 2 003 | 45 140 | 2 061 | 49 204 | (33) | 59 733 | 108 905 |
| Profit of the year | | | | | | (3 702) | (3 702) |
| Other comprehensive income | | | (11) | (11) | 331 | | 320 |
| Buyback of own shares | | (4 419) | | (4 419) | | | (4 419) |
| Share based payments | | | 1 115 | 1 115 | | | 1 115 |
| Other changes | | | | | (469) | (197) | (666) |
| Equity at 30.09.2019 | 2 003 | 40 721 | 3 165 | 45 889 | (171) | 55 834 | 101 553 |
| Unaudited | | | | | | | |
| Profit of the year | | | | | | (3 309) | (3 309) |
| Other comprehensive income | | | 11 | 11 | 1 357 | | 1 368 |
| Buyback of own shares | (46) | (6 469) | | (6 515) | | | (6 515) |
| Share based payments | | | 628 | 628 | | | 628 |
| Other changes | | | | | (1 561) | 2 | (1 560) |
| Equity at 30.12.2019 | 1 957 | 34 252 | 3 804 | 40 013 | (375) | 52 526 | 92 165 |
| Profit of the year | | | | | | (27 883) | (27 883) |
| Other comprehensive income | | | | | 39 709 | | 39 709 |
| (Buyback)/sale of own shares | 5 | 1 312 | | 1 318 | | | 1 318 |
| Share based payments | | | 1 786 | 1 786 | | | 1 786 |
| Other changes | | | | | 2 802 | (1 797) | 1 005 |
| Equity at 30.09.2020 | 1 962 | 35 565 | 5 590 | 43 117 | 42 136 | 22 846 | 108 100 |
| Unaudited | | | | | | | |

Notes to the condensed interim consolidated condensed financial statements

Note 1 – General Information and basis for preparation

General information

Zalaris ASA (the Group) is a public limited company incorporated in Norway. The Group's main office is in Hovfaret 4, Oslo, Norway. The Group delivers full-service outsourced personnel and payroll services.

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 consolidated interim financial statements do not include all 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 2020, have not been audited or reviewed by the auditors.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019.

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's operations are split into two main business segments; Managed Services and Professional Services.

Managed Services includes a full range of payroll and HR outsourcing services, such as payroll processing, time and attendance, travel expenses as well as related cloud system solutions and services. This includes additional cloud-based HR functionality to existing outsourcing customers as talent management, digital personnel archive, HR analytics, mobile solutions, etc.

Professional Services includes deliveries of change projects based on Zalaris templates or implementation of customer-specific functionality. This business segment also assists with cost-effective maintenance and support of customers' own on-premise solutions. A large portion of these services are of recurring nature and much of the services are based on long-term customer relationships.

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 executive 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. The operating assets and liabilities of the Group are not allocated between segments.

2020 Jul-Sep

| (NOK 1 000) | Managed Services | Professional Services | Gr.Ovhd & Unallocated | Total |
|--------------------------------------------|------------------|-----------------------|-----------------------|----------------|
| Revenue, external | 127 351 | 62 397 | - | 189 748 |
| Operating expenses | (101 618) | (52 997) | (4 833) | (159 448) |
| EBITDA | 25 733 | 9 400 | (4 833) | 30 299 |
| Depreciation and amortisation | (10 961) | (2 553) | (7 613) | (21 128) |
| EBIT | 14 772 | 6 847 | (12 447) | 9 172 |
| Net financial income/(expenses) | | | (12 287) | (12 287) |
| Income tax | | | 1 363 | 1 363 |
| Profit for the period | 14 772 | 6 847 | (23 371) | (1 752) |
| Cash flow from investing activities | | | | (5 039) |

2019 Jul-Sep*

| (NOK 1 000) | Managed Services | Professional Services | Gr.Ovhd & Unallocated | Total |
|--------------------------------------------|------------------|-----------------------|-----------------------|----------------|
| Revenue, external | 130 389 | 60 283 | - | 190 672 |
| Operating expenses | (105 275) | (48 754) | (8 027) | (162 056) |
| EBITDA | 25 115 | 11 529 | (8 027) | 28 617 |
| Depreciation and amortisation | (14 475) | (2 438) | (6 928) | (23 841) |
| EBIT | 10 640 | 9 091 | (14 954) | 4 776 |
| Net financial income/(expenses) | | | (14 100) | (14 100) |
| Income tax | | | 2 682 | 2 682 |
| Profit for the period | 10 640 | 9 091 | (26 372) | (6 642) |
| Cash flow from investing activities | | | | 2 942 |

2020 Jan-Sep

| (NOK 1 000) | Managed Services | Professional Services | Gr.Ovhd & Unallocated | Total |
|--------------------------------------------|------------------|-----------------------|-----------------------|------------------|
| Revenue, external | 406 807 | 181 996 | - | 588 804 |
| Operating expenses | (324 677) | (157 358) | (16 299) | (498 334) |
| EBITDA | 82 131 | 24 639 | (16 299) | 90 470 |
| Depreciation and amortisation | (34 617) | (7 459) | (22 404) | (64 480) |
| EBIT | 47 514 | 17 179 | (38 703) | 25 990 |
| Net financial income/(expenses) | | | (64 498) | (64 498) |
| Income tax | | | 10 625 | 10 625 |
| Profit for the period | 47 514 | 17 179 | (92 577) | (27 883) |
| Cash flow from investing activities | | | | (12 310) |

2019 Jan-Sep*

| (NOK 1 000) | Managed Services | Professional Services | Gr.Ovhd & Unallocated | Total |
|--------------------------------------------|------------------|-----------------------|-----------------------|------------------|
| Revenue, external | 400 500 | 170 071 | - | 570 571 |
| Operating expenses | (321 444) | (141 898) | (24 441) | (487 783) |
| EBITDA | 79 056 | 28 173 | (24 441) | 82 788 |
| Depreciation and amortisation | (39 004) | (6 897) | (21 217) | (67 118) |
| EBIT | 40 052 | 21 276 | (45 658) | 15 671 |
| Net financial income/(expenses) | | | (21 672) | (21 672) |
| Income tax | | | 2 299 | 2 299 |
| Profit for the period | 40 052 | 21 276 | (65 031) | (3 701) |
| Cash flow from investing activities | | | | (8 408) |

2019 Jan-Dec*

| (NOK 1 000) | Managed Services | Professional Services | Gr.Ovhd & Unallocated | Total |
|--------------------------------------------|------------------|-----------------------|-----------------------|------------------|
| Revenue, external | 553 691 | 223 101 | - | 776 792 |
| Operating expenses | (446 455) | (192 606) | (34 351) | (673 411) |
| EBITDA | 107 236 | 30 495 | (34 351) | 103 380 |
| Depreciation and amortisation | (52 279) | (9 534) | (27 477) | (89 290) |
| EBIT | 54 957 | 20 961 | (61 828) | 14 090 |
| Net financial income/(expenses) | | | (24 051) | (24 051) |
| Income tax | | | 2 950 | 2 950 |
| Profit for the period | 54 957 | 20 961 | (82 929) | (7 011) |
| Cash flow from investing activities | | | | (25 462) |

*Revenue from certain consulting services previously report as part of Managed Services have been moved to Professional Services from 1 January 2020. Business development costs previously included within Group Overhead has been allocated to the business segments from 1 January 2020. Comparable historical information has been updated accordingly.

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 1 000) | 2020 | 2019 | 2020 | 2019 | 2019 |
|-----------------|----------------|----------------|----------------|----------------|----------------|
| | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Northern Europe | 103 987 | 106 262 | 329 020 | 327 008 | 449 893 |
| Central Europe | 75 075 | 77 315 | 228 955 | 218 637 | 294 135 |
| UK & Ireland | 10 686 | 7 095 | 30 829 | 24 926 | 32 764 |
| Total | 189 748 | 190 672 | 588 804 | 570 571 | 776 792 |

Note 3 – Revenue from contracts with customers

Disaggregated revenue information

The Group's revenue from contracts with customers has been disaggregated and presented in note 2.

Contract balances:

| (NOK 1 000) | 2020 | 2019 | 2019 |
|------------------------------|----------|----------|----------|
| | 30. Sep | 30. Sep | 31. Dec |
| Trade receivables | 132 225 | 151 377 | 148 614 |
| Customer project assets | 82 441 | 95 970 | 88 808 |
| Customer project liabilities | (49 702) | (57 480) | (55 740) |
| Prepayments from customers | (10 068) | (13 976) | (9 608) |

Customer project assets are costs specific to a given contract, generate or enhance the Group's resources that will be used in satisfying performance obligations in the future, and are recoverable. These costs are deferred and amortized evenly over the period the outsourcing services are provided.

Customer project liabilities are prepayments from customer specific to a given contract and are recognized as revenue evenly as the Group fulfills the related performance obligations over the contract period.

Prepayments from customers comprises a combination of short- and long-term advances from customers. The short-term advances are typically deferred revenues related to smaller projects or change orders related to the system solution. The long-term liabilities relate to initial advances paid upon signing the contract. These advances are contracted to be utilized by the customer to either transformation-, change- or other projects. These advances are open for application until specified, or when the contract is terminated, where the eventual remainder of the amount become the property of Zalaris and is hence rendered as income by the Group.

Movements in customer project assets through the period:

| (NOK 1 000) | 2020 | 2019 | 2020 | 2019 | 2019 |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | 31. Dec |
| Opening balance in the period | 84 763 | 99 667 | 88 808 | 97 272 | 97 272 |
| Cost capitalized | 2 878 | 5 866 | 12 091 | 28 112 | 29 505 |
| Amortization | (8 772) | (10 747) | (26 314) | (27 758) | (36 606) |
| Disposals & currency | 3 573 | 1 185 | 7 855 | (1 656) | (1 363) |
| Customer projects assets end of period | 82 441 | 95 970 | 82 441 | 95 970 | 88 808 |

Movements in customer project liabilities through the period:

| (NOK 1 000) | 2020 | 2019 | 2020 | 2019 | 2019 |
|---------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Opening balance in the period | (52 255) | (60 645) | (55 740) | (64 284) | (64 284) |
| Revenue deferred | (2 651) | (3 159) | (8 009) | (13 532) | (17 188) |
| Revenue recognized | 4 813 | 6 890 | 16 220 | 18 490 | 28 505 |
| Disposals & currency | 393 | (565) | (2 174) | 1 846 | (2 773) |
| Customer project liabilities end of period | (49 702) | (57 480) | (49 702) | (57 480) | (55 740) |

Note 4 – Personnel expenses

| (NOK 1 000) | 2020 | 2019 | 2020 | 2019 | 2019 |
|----------------------------------------------------|---------------|----------------|----------------|----------------|----------------|
| | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Salary | 82 181 | 89 586 | 269 054 | 278 249 | 366 516 |
| Tantieme and variable compensation | 5 116 | 4 427 | 14 078 | 14 241 | 19 437 |
| Social security tax | 13 221 | 13 373 | 38 987 | 40 390 | 54 099 |
| Pension costs | 4 549 | 5 032 | 14 368 | 15 350 | 19 333 |
| Other expenses | 2 365 | 4 704 | 9 538 | 13 121 | 24 953 |
| Capitalised development expenses | (5 116) | (4 490) | (9 785) | (11 994) | (16 290) |
| Capitalised implementation costs customer projects | (2 877) | (5 867) | (12 091) | (28 112) | (29 505) |
| Total personnel expenses | 99 439 | 106 765 | 324 149 | 321 245 | 438 543 |

Note 5 – Finance income and finance expense

| (NOK 1 000) | 2020 | 2019 | 2020 | 2019 | 2019 |
|-------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Interest income on bank accounts and receivables | 49 | 53 | 158 | 123 | 160 |
| Currency gain | 129 | 391 | 4 071 | 1 399 | 1 916 |
| Other financial income | 229 | 183 | 525 | -454 | 556 |
| Finance income | 406 | 628 | 4 754 | 1 068 | 2 632 |
| Interest exp. on financial liab. measured at amortised cost | 7 657 | 4 893 | 18 585 | 14 845 | 19 253 |
| Currency loss | -1 248 | 546 | 1 011 | 2 991 | 3 377 |
| Unrealised foreign currency loss | 5 247 | 8 060 | 45 986 | 285 | -2 375 |
| Interest expense on leasing | 391 | 1 664 | 1 238 | 1 664 | 2 126 |
| Other financial expenses | 646 | -435 | 2 432 | 2 955 | 4 302 |
| Finance expenses | 12 693 | 14 729 | 69 252 | 22 740 | 26 683 |
| Net financial items | -12 287 | -14 101 | -64 498 | -21 672 | -24 051 |

Note 6 – Intangible assets

| (NOK 1 000) | Licenses and software | Intern. developed software | Internally developed AuC | Customer Relation & Contracts | Goodwill | Total |
|-----------------------------------|-----------------------|----------------------------|--------------------------|-------------------------------|----------------|-----------------|
| Book value 01.01.2020 | 4 505 | 34 652 | 17 889 | 75 905 | 153 248 | 286 198 |
| Additions of the period | - | 1 012 | 10 775 | - | - | 11 787 |
| Reclassifications | - | 15 282 | (15 282) | - | - | - |
| Disposals and currency effects | 287 | 486 | (5 185) | 6 760 | 14 842 | 17 189 |
| This period ordinary amortisation | (1 398) | (11 125) | - | (8 148) | - | (20 672) |
| Book value 30.9.2020 | 3 393 | 40 306 | 8 197 | 74 516 | 168 089 | 294 503 |
| Book value 01.01.2019 | 9 057 | 28 768 | 19 937 | 85 302 | 151 996 | 295 059 |
| Additions of the period | 136 | 1 008 | 11 821 | - | - | 12 965 |
| Reclassifications | - | 18 071 | (18 071) | - | - | - |
| Disposals and currency effects | (5) | (48) | 376 | 61 | 270 | 653 |
| This period ordinary amortisation | (2 335) | (10 178) | - | (7 459) | - | (19 972) |
| Book value 30.9.2019 | 6 853 | 37 621 | 14 063 | 77 903 | 152 265 | 288 706 |
| Book value 01.01.2019 | 9 057 | 28 768 | 19 937 | 85 302 | 151 996 | 295 059 |
| Additions of the period | 135 | 1 579 | 21 389 | - | - | 23 103 |
| Reclassifications | - | 18 055 | (18 055) | - | - | - |
| Disposals and currency effects | (1 744) | (39) | (5 381) | 652 | 1 253 | (5 259) |
| This period ordinary amortisation | (2 944) | (13 711) | - | (10 049) | - | (26 705) |
| Book value 31.12.2019 | 4 505 | 34 652 | 17 889 | 75 905 | 153 248 | 286 198 |
| Useful life | 3-10 years | 5 years | N/A | 10 years | N/A | |
| Depreciation method | linear | linear | | linear | | |

Note 7 – Right-of-use assets and lease liabilities

Zalaris leases several assets such as buildings, equipment, and vehicles. The Group's right-of-use assets are categorized and presented in the table below:

| Right-of-use assets (NOK 1 000) | 2020 30. Sep | 2019 30. Sep | 2019 31. Dec |
|--------------------------------------------|-------------------------|-------------------------|-------------------------|
| Opening balance | 34 849 | 52 326 | 52 326 |
| Adjustments and additions | 6 435 | 3 910 | 4 455 |
| Depreciation and impairments | 14 952 | 16 312 | 21 932 |
| Terminations | 283 | - | - |
| Foreign currency transaction gain/(loss) | -1 166 | -1 | - |
| Closing balance | 27 214 | 39 925 | 34 849 |

Lower of remaining lease term or economic life. Linear depreciation 1-10 years

| Lease liabilities (NOK 1 000) | 2020 30. Sep | 2019 30. Sep | 2019 31. Dec |
|------------------------------------------|-------------------------|-------------------------|-------------------------|
| Opening balance | 35 635 | 52 326 | 52 326 |
| Additions and lease modifications | 6 435 | 3 910 | 4 455 |
| Lease payments including interest | 17 134 | 16 866 | 20 683 |
| Foreign currency transaction gain/(loss) | 3 508 | 1 118 | -463 |
| Closing balance | 28 444 | 40 488 | 35 635 |

| Lease liabilities (NOK 1 000) | 2020 30. Sep | 2019 30. Sep | 2019 30. Sep |
|-----------------------------------------------------|-------------------------|-------------------------|-------------------------|
| Short-term | 14 677 | 21 881 | 19 099 |
| Long-term | 13 767 | 18 607 | 16 536 |
| Total lease liabilities at 30 September 2020 | 28 444 | 40 488 | 35 635 |

Note 8 - Cash and cash equivalents and short term deposits

| (NOK 1 000) | 2020 30. Sep | 2019 30. Sep | 2019 31. Dec |
|------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| Cash in hand and at bank - unrestricted funds | 110 872 | 59 347 | 75 182 |
| Deposit accounts - guarantee rent obligations - restricted funds | 2 399 | 2 261 | 2 480 |
| Employee withheld taxes - restricted funds | 2 981 | 3 203 | 4 787 |
| Cash and cash equivalents | 116 251 | 64 812 | 82 448 |

Note 9 – Interest-bearing loans and borrowings

| (NOK 1 000) | Annual interest | Maturity | 2020 | 2019 | 2019 |
|-----------------------------------------|---------------------|------------|----------------|----------------|----------------|
| | | | 30. Sep | 30. Sep | 31. Dec |
| Bond loan | 3 m Euribor + 4.75% | 28.09.2023 | 385 986 | 347 156 | 345 188 |
| Loan fees bond | | 28.09.2023 | (5 408) | (6 262) | (6 760) |
| Commerzbank - DE | 1.3% | 31.12.2031 | 13 213 | 13 043 | 13 834 |
| Landesbank Baden-Württemberg | 4.0% | 31.12.2022 | 1 842 | - | 2 200 |
| Landesbank Baden-Württemberg | 1.95 % | 31.12.2031 | 1 323 | 13 521 | 9 270 |
| MBG | From 5.0% to 6.5% | 2020-2026 | - | 7 216 | 5 326 |
| SG Finance loans | From 4.0% to 6.7% | 2019-2023 | - | 1 185 | - |
| Total interest-bearing loans | | | 396 956 | 375 860 | 369 058 |
| Total long-term interest-bearing loans | | | 395 633 | 362 339 | 362 487 |
| Total short-term interest-bearing loans | | | 1 323 | 13 521 | 6 571 |
| Total interest-bearing loans | | | 396 956 | 375 860 | 369 058 |

Total unrealized foreign exchange profit/(loss) on bond loan (40 798) 562 2 531

The Company's bond loan of EUR 35 million is listed on the Oslo Stock Exchange. The loan in Commerzbank DE relates to the office building in Leipzig, which is owned by the Company.

Note 10 – Transactions with Related Parties

Purchase from related parties:

| (NOK 1 000) | Transaction | 2020 | 2019 | 2020 | 2019 | 2019 |
|---------------------|---------------------|------------|------------|--------------|--------------|--------------|
| | | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Rayon Design AS 1) | Management Services | 564 | 314 | 1 517 | 872 | 1 556 |
| Haug Advisory AS 2) | Management Services | - | 100 | - | 200 | 200 |
| Total | | 564 | 414 | 1 517 | 1 072 | 1 756 |

¹⁾ Hans-Petter Møllerud, CEO, owns 40% of Rayon Design AS through his company Norwegian Retail AS

²⁾ Jon Erik Haug, Board Member of Zalaris ASA, owns 100% of Haug Advisory AS

Note 11 – Events after Balance Sheet Date

There have been no events after the balance sheet date significantly affecting the Group's financial position.

Alternative Performance Measures (APMs)

Zalaris' financial information is prepared in accordance with IFRS. In addition, financial performance measures (APMs) are used by Zalaris to provide supplemental information to enhance the understanding of the Group's underlying financial performance. These APMs take into consideration income and expenses defined as items regarded as special due to their nature and include among others restructuring provisions and write-offs. Financial APMs should not be considered as a substitute for measures of performance in accordance with IFRS. Disclosures of APMs are subject to established internal control procedures.

Adjusted EBITDA and EBIT

EBIT, earnings before interest and tax is defined as the earnings excluding the effects of how the operations were financed, taxed and excluding foreign exchange gains & losses. EBIT is used as a measure of operational profitability. EBITDA is before depreciation, amortization and impairment of tangible assets and in-house development projects. To abstract non-recurring or income not reflective of the underlying operational performance, the Group also lists the adjusted EBIT and EBITDA. Adjusted EBIT is defined as EBIT excluding non-recurring costs, costs relating to share based payments to employees, and amortization of excess values on acquisition. Adjusted EBITDA is EBITDA excluding non-recurring costs and costs relating to share based payments to employees, but after depreciation of right-of-use assets.

| (NOK 1 000) | 2020 | 2019 | 2020 | 2019 | 2019 |
|---------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| EBITDA | 30 299 | 28 616 | 90 470 | 82 787 | 103 381 |
| Restructuring costs | 782 | 1 000 | 3 380 | 1 000 | 4 259 |
| Share-based payments | 632 | 534 | 1 786 | 1 115 | 1 743 |
| Depreciation right-of-use assets (IFRS 16 effect) | (4 721) | (5 512) | (14 952) | (16 312) | (21 932) |
| Adjusted EBITDA | 26 993 | 24 638 | 80 684 | 68 591 | 87 451 |

| (NOK 1 000) | 2020 | 2019 | 2020 | 2019 | 2019 |
|----------------------------------------------|---------------|--------------|---------------|---------------|---------------|
| | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| EBIT | 9 172 | 4 776 | 25 990 | 15 671 | 14 091 |
| Restructuring costs | 782 | 1 000 | 3 380 | 1 000 | 4 259 |
| Share-based payments | 632 | 534 | 1 786 | 1 115 | 1 743 |
| Amortization of excess values on acquisition | 2 696 | 2 560 | 8 207 | 7 458 | 10 049 |
| Adjusted EBIT | 13 282 | 8 870 | 39 363 | 25 244 | 30 142 |

Free cash flow

Free cash flow represents the cash flow that Zalaris generates after capital investments in the Group's business operations have been made. Free cash flow is defined as operational cash flow.

| (NOK 1 000) | 2020 | 2019 | 2020 | 2019 | 2019 |
|-------------------------------------------|--------------|---------------|---------------|-----------------|---------------|
| | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Net cash flow from operating activities | 13 299 | 8 848 | 75 600 | (8 216) | 42 508 |
| Investment in fixed and intangible assets | (5 039) | 2 942 | (12 310) | (8 408) | (25 462) |
| Free cash flow | 8 259 | 11 790 | 63 290 | (16 624) | 17 046 |

Net interest-bearing debt (NIBD)

Net interest-bearing debt (NIBD), consists of interest-bearing liabilities, less cash and cash equivalents.

The Group risk of default and financial strength is measured by the net interest-bearing debt.

| | 2020 | 2019 | 2019 |
|----------------------------------------------------|------------------|------------------|------------------|
| (NOK 1 000) | 30.Sep | 30.Sep | 31.des |
| Cash and cash equivalents | 116 251 | 64 812 | 82 448 |
| Interest-bearing loans and borrowings - long-term | (395 633) | (362 339) | (362 487) |
| Interest bearing loans and borrowings - short-term | (1 323) | (13 521) | (6 571) |
| Net interest-bearing debt (NIBD) | (280 704) | (311 048) | (286 610) |

Full time equivalents (FTEs)

The ratio of the total number of normal agreed working hours for all employees (part-time or full-time) by the number of normal full-time working hours in that period (i.e. one FTE is equivalent to one employee working full-time).

Key Figures

| (NOKm unless otherwise stated) | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
|-----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues | 192,4 | 187,5 | 190,7 | 206,2 | 200,6 | 198,4 | 189,7 |
| Revenue growth (YoY) | 3,3 % | -0,7 % | 8,2 % | 6,2 % | 4,3 % | 5,8 % | -0,5 % |
| EBITDA adjusted | 22,9 | 21,4 | 24,7 | 18,5 | 26,8 | 26,3 | 27,0 |
| EBITDA margin | 11,9 % | 11,4 % | 12,9 % | 9,0 % | 13,4 % | 13,2 % | 14,2 % |
| EBIT adjusted | 9,3 | 7,5 | 8,9 | 4,5 | 13,4 | 12,1 | 13,3 |
| EBIT margin | 4,9 % | 4,0 % | 4,6 % | 2,2 % | 6,7 % | 6,1 % | 7,0 % |
| Profit Before Tax | 7,6 | (4,3) | (9,3) | (4,0) | (62,5) | 27,2 | (3,1) |
| Income Tax Expense | (1,4) | 1,0 | 2,7 | 0,7 | 14,0 | (4,7) | 1,4 |
| Net income | 6,3 | (3,3) | (6,6) | (3,3) | (48,6) | 22,4 | (1,8) |
| Profit margin | 3,3 % | -1,8 % | -3,5 % | -1,6 % | -24,2 % | 11,3 % | -0,9 % |
| Weighted # of shares outstanding (m) | 19,9 | 19,9 | 19,8 | 19,7 | 19,6 | 19,6 | 19,6 |
| Basic EPS (NOK) | 0,31 | (0,17) | (0,34) | (0,17) | (2,48) | 1,14 | (0,09) |
| Diluted EPS (NOK) | 0,28 | (0,17) | (0,34) | (0,17) | (2,48) | 1,11 | (0,09) |
| Cash flow items | | | | | | | |
| Cash from operating activities | (22,0) | 8,8 | (8,2) | 50,7 | 16,9 | 45,4 | 13,3 |
| Investments | (4,2) | (7,1) | 2,9 | (17,1) | (3,7) | (3,6) | (5,0) |
| Net changes in cash and cash equi. | (37,2) | (9,4) | (5,4) | 18,2 | 3,9 | 41,0 | (14,0) |
| Cash and cash equivalents end of period | 69,3 | 59,6 | 64,8 | 82,4 | 87,5 | 129,0 | 116,3 |
| Net interest-bearing debt | 299,0 | 308,7 | 311,0 | 286,6 | 344,5 | 277,9 | 280,7 |
| Equity | 105,3 | 100,1 | 101,6 | 92,2 | 95,9 | 101,5 | 108,1 |
| Equity ratio | 13,9 % | 13,8 % | 14,3 % | 12,9 % | 12,4 % | 13,5 % | 14,9 % |
| Number of FTE (Period End) | 822 | 825 | 803 | 753 | 728 | 723 | 713 |
| Segment overview* | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
| Revenues | 192,4 | 187,5 | 190,7 | 206,2 | 200,6 | 198,4 | 189,7 |
| Managed Services | 136,2 | 133,9 | 130,4 | 153,2 | 142,3 | 137,1 | 127,4 |
| Professional Services | 56,1 | 53,7 | 60,3 | 53,0 | 58,3 | 61,3 | 62,4 |
| EBIT | 6,5 | 4,4 | 4,8 | (1,6) | 9,5 | 7,4 | 9,2 |
| Managed Services | 13,6 | 15,8 | 10,6 | 14,9 | 16,7 | 16,0 | 14,8 |
| as % of revenue | 10,0 % | 11,8 % | 8,2 % | 9,7 % | 11,8 % | 11,7 % | 11,6 % |
| Professional Services | 8,7 | 3,5 | 9,1 | (0,3) | 6,3 | 4,1 | 6,8 |
| as % of revenue | 15,5 % | 6,5 % | 15,1 % | -0,6 % | 10,8 % | 6,7 % | 11,0 % |
| Gr.ovhd & Unallocated | (15,8) | (14,9) | (15,0) | (16,2) | (13,6) | (12,7) | (12,4) |

*Revenue from certain consulting services previously report as part of Managed Services have been moved to Professional Services from 1 January 2020. Business development costs previously included within Group Overhead has been allocated to the business segments from 1 January 2020. Comparable historical information has been updated accordingly.

IR contacts:**Hans-Petter Mellerud**

CEO

hans-petter.mellerud@zalaris.com

+47 928 97 276

Gunnar Manum

CFO

gunnar.manum@zalaris.com

+47 951 79 190

Financial information

Interim report Q4 2020 to be published at a date to be announced.

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.**Zalaris ASA**

PO Box1053 Hoff

0218 Oslo

Norway