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About Zalaris

Payroll & HR Solutions that enable fully digital organizations - we simplify HR and payroll administration and empower customers with useful information so they can invest more in people

Zalaris is a leading European provider of human capital management (HCM) and payroll solutions, covering the entire employee lifecycle from recruitment and onboarding to compensation, time and attendance, travel expenses and performance management.

We offer flexible delivery models, including on-premise, software as a service (SaaS), cloud integration and business process outsourcing (BPO). We also have experienced consultants and advisors who can support any industry and IT environment.

Based in Oslo, Norway, and listed on the Oslo Stock Exchange (ZAL), we serve over one million employees every month across various industries and with some of Europe's most reputable employers. We have grown steadily since our inception in 2000 and today operate in the Nordics, Baltics, Poland, Germany, Austria, Switzerland, Hungary, France, Spain, India, Ireland, the UK, Singapore and Australia.



1,500,000+
employees served monthly
across all HR solutions



~ 1,100
Zalaris
employees



300,000+
employees served monthly
through payroll services



23 years
years of experience
and continuous growth



NOK 1069 mill
LTM Q3 2023
Revenue



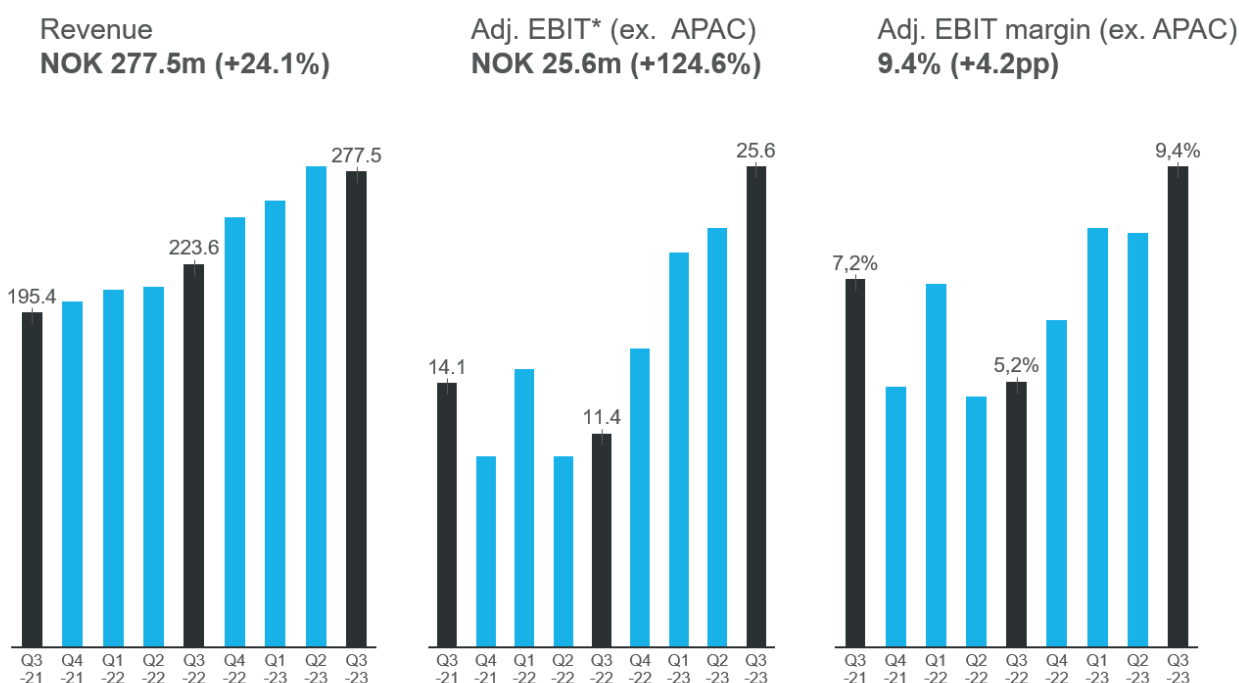
17 Countries
with service centers
and local expertise



150+ Countries
partnered with Zalaris
giving local expertise

Q3 Highlights

- Revenue of NOK 277.5 million (NOK 223.5 million), representing a growth of 24.1% YoY and +13.4% in constant currency.
- All time high quarterly adjusted EBIT of NOK 25.6 million (NOK 11.4 million) +124.6% YoY, before the investment in greenfield Asia-Pacific (APAC) operations, and unadjusted EBIT of NOK 17.6m (NOK 4.4 million).
- Adjusted EBIT margin (before APAC) of 9.4% (5.2%). Strong margin improvement from the realization of the EBIT improvement program.
- Net Retention of 106% in constant currency YoY signalling good growth in existing customer base.
- Signed a five-year agreement with a German pharmaceutical company to deliver a new outsourced payroll solution and outsourcing services for ~4,500 employees, and a five-year agreement with an existing customer in the Nordics to cover an additional country serving ~10,000+ employees.
- In Germany, after the quarter end, we secured another four-year agreement with an annual contract value of more than EUR 2 million with the state of North Rhine-Westphalia, Germany, for application maintenance of their payroll systems serving ~700,000 employees.
- Operating cash flow, before interest, of NOK 24.9 million (NOK -5.8 million).



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

Key Figures

Q3 2023 financial performance by business segment

(NOK 1 000)	2023 Jul-Sep	2022 Jul-Sep	2023 Jan-Sep	2022 Jan-Sep	2022 Jan-Dec
Revenue					
Managed Services	200 005	160 628	590 705	458 842	644 801
Professional Services	73 076	61 349	215 828	181 192	243 138
New business (APAC)	4 379	1 587	12 256	2 157	4 803
Total revenue	277 459	223 564	818 788	642 191	892 742
Adjusted EBIT¹⁾					
Managed Services	29 330	17 531	83 830	46 119	69 734
Professional Services	7 002	4 226	20 664	16 396	21 172
HQ (unallocated costs)	(10 689)	(10 311)	(35 518)	(26 513)	(38 525)
Adj. EBIT (ex. APAC)	25 643	11 446	68 975	36 001	52 381
<i>Adj. EBIT margin (ex. APAC)</i>	<i>9,4 %</i>	<i>5,2 %</i>	<i>8,6 %</i>	<i>5,6 %</i>	<i>5,9 %</i>
New business (APAC)	(1 978)	(1 696)	(6 607)	(5 049)	(6 139)
Adj. EBIT	23 665	9 750	62 369	30 952	46 242
<i>EBIT margin (%)</i>	<i>8,5 %</i>	<i>4,4 %</i>	<i>7,6 %</i>	<i>4,8 %</i>	<i>5,2 %</i>
Share-based payments	(2 601)	(2 520)	(8 789)	(6 225)	(8 706)
Amortisation excess value on acquisitions	(3 426)	(2 873)	(10 196)	(8 822)	(11 935)
Other	-	-	-	(1 906)	(1 906)
EBIT	17 638	4 356	43 383	13 999	23 695
<i>EBIT margin (%)</i>	<i>6,4 %</i>	<i>1,9 %</i>	<i>5,3 %</i>	<i>2,2 %</i>	<i>2,7 %</i>

Q3 2023 financial summary

(NOK 1 000)	2023 Jul-Sep	2022 Jul-Sep	2023 Jan-Sep	2022 Jan-Sep	2022 Jan-Dec
Revenue	277 459	223 564	818 788	642 191	892 743
<i>Growth (YoY)</i>	<i>24,1 %</i>	<i>14,4 %</i>	<i>27,5 %</i>	<i>12,0 %</i>	<i>15,1 %</i>
Adjusted EBITDA ¹⁾	37 926	22 041	102 145	68 626	98 261
<i>Adjusted EBITDA margin (as % of revenue)</i>	<i>13,7 %</i>	<i>9,9 %</i>	<i>12,5 %</i>	<i>10,7 %</i>	<i>11,0 %</i>
Adjusted EBIT¹⁾	23 665	9 749	62 368	30 951	46 242
<i>Adjusted EBIT margin (as % of revenue)</i>	<i>8,5 %</i>	<i>4,4 %</i>	<i>7,6 %</i>	<i>4,8 %</i>	<i>5,2 %</i>
EBIT	17 638	4 356	43 383	13 998	23 695
Profit/(loss) for the period	13 371	(11 100)	(23 842)	(26 622)	(38 721)
Earnings per share (EPS)	0,62	(0,95)	(1,10)	(1,23)	(1,79)
Total comprehensive income	(1 796)	(3 109)	4 204	(8 129)	(27 431)
Net cash flow from operating activities	15 255	(10 615)	14 418	(12 001)	422
Net interest-bearing debt (NIBD) ¹⁾	333 327	284 465	333 327	284 465	287 133
NIBD/Adjusted EBITDA (LTM)	2,5	3,0	2,5	3,0	2,9

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

CEO Insights

In Q3 2023, Zalaris delivered another quarter with good growth taking revenues to NOK 277.5 million, up from NOK 223.6 million in the same quarter last year. This translates to year-on-year growth of 24.1% in actual terms and 13.4% in constant currency terms, which is well above our communicated target of 10%.

Adjusted EBIT (ex. Asia Pacific) increased to an all-time-high of NOK 25.6 million and increase of 125% from NOK 11.5 million in the same quarter last year. With an adjusted EBIT before APAC of 9.4% we continue to be well on the way to our 10% EBIT target.

Significant value creation achieved

Our sales team continued delivering on their targets closing around NOK 20 million of annual contract value of new agreements: delivering Zalaris PeopleHub-based payroll services to a large German pharma company with 4,000+ employees, expanding our agreement with one of our large Scandinavian customers to another country to serve their 10,000+ additional employees with a complete PeopleHub solution as SaaS, and renewing the agreement with one of our financial services customers for another five-year term and expanding with two countries adding an additional 500 employees.

In Germany, after the quarter end, we secured another four-year agreement with an annual contract value of more than two million euro with the state of North Rhine-Westphalia, for application maintenance of their payroll systems serving around 700,000 employees.

Our APAC team, building our presence from scratch over the last 18 months, continued their signing streak; they are now well on their way to deliver their target break-even in Q4.

Our EBIT-improvement program continued to have a positive impact during the quarter. As communicated in Q2, we have moved from a project phase to a continuous improvement phase in Northern Europe. We now focus all our efforts on moving our German operations to Zalaris 4.0, and expect to continue to see positive results from this, as well as from increased revenues from both new and renegotiated agreements over the next two quarters.

Raising the bar

As communicated on our first capital markets day in September, our goal is to become the leading European provider of Global Payroll and HR solutions and services to mid-market and large customers.

Based on our reported market success, we experience that PeopleHub is a popular choice among medium and large customers who want to modernize their Payroll & HR processes. We have met a key milestone of becoming a EUR 100 million annualized revenue company. We are confident that we can sustain our 10% growth target for the next 36 months, by selling more global payroll deals based on PeopleHub. We plan to achieve this by growing our Managed Services revenue by 15% and our Professional Services revenue by 5% annually, reaching approximately EUR 150 million annualized revenue by Q4 2026.

We believe that we can meet our 10% EBIT target and improve the margin further to 12-15% by 2026 by continuing refining our Zalaris 4.0 operating model, increasing our productivity through automation at 10% per year, and leveraging our scalable model. Add to this an increased focus on capital allocation targeting an operating cash flow conversion before interest payments, of 65 - 70%. Based on a target EBIT of 12% in 2026, this should give an operating cash flow before interest of approximately 190 million, aligning us closer to our international peers.

Continued use of technology to drive value

A foundation for the success of Zalaris is our commitment to the use of information technology as the key element for HR and process transformation. In addition to the AI solutions that we have deployed for some time as chatbot solutions, cyber security monitoring and recently the introduction of Bing Chat Enterprise to our team members, we have established a strategic project to explore how we can use this new and exiting technology to improve existing services and add new ones to our portfolio.

Living our values of #aiminghigh, #teamwork and #bestingourselves we in #teamZalaris continue being enthusiastic of our future!

Hans-Petter Mellerud, CEO of Zalaris

Financial Review

Revenue

Revenue for the third quarter 2023 amounted to NOK 277.5 million (Q3 2022: NOK 223.6 million). The revenue increase was +24.1%. Measured in constant currency the increase was +13.4%*.

The increase in revenue compared to last year is mainly from new customers within Managed Services, as well as increased volume of change orders and additional services from existing customers. The Net Retention within Managed Services was approximately 106%*, measured in constant currency.

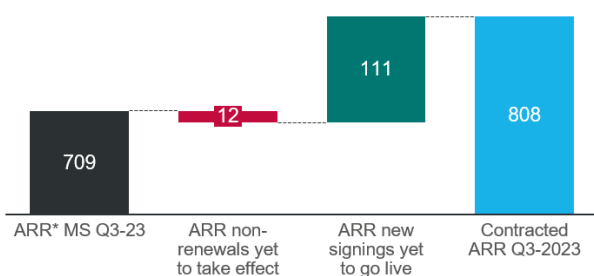
During the third quarter, Zalaris signed a five-year agreement with a German pharmaceutical company to deliver a new outsourced payroll solution and outsourcing services to serve the company's more than 4,500 employees in Germany. The solution, which is scheduled to go-live in the first quarter 2024, is based on Zalaris PeopleHub integrated with SAP SuccessFactors as the company's global HR solution.

Zalaris has also signed a five-year agreement with an existing customer in the Nordics to cover an additional country serving approximately 10,000 employees. Zalaris will deliver a PeopleHub based Payroll and Time & Attendance Solution as Software as a Service (SaaS).

New contracts signed during the third quarter amount to annual recurring revenue ("ARR") of approx. NOK 19 million.

The revenue impact of signed contracts that have not yet gone live as of 30 September 2023 is shown in the table below. The table shows the ARR within Managed Services at the end of the third quarter, and how the Group's ARR will increase, when these contracts are implemented.

Contracted ARR* in MS (NOKm)

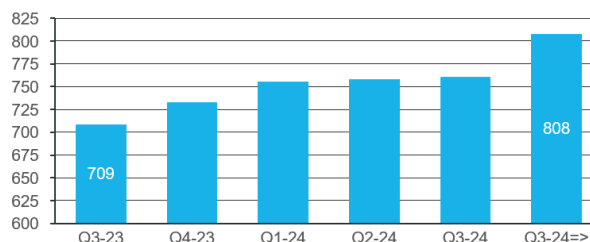


*See definitions and reconciliation of APM's in a separate section of the interim report.

The net ARR to be implemented from new contracts (NOK 99 million) represents a further increase in annual revenue for Managed Services of +12.4% (when compared to the total annualized revenue for Q3 2023).

The figure below shows the timing of the expected increase in the ARR for Managed Services, based on these new contracts.

Expected timing of Contracted ARR (NOKm)



Nordics & Baltics

Revenue in the Nordic & Baltic region was NOK 133.7 million in the third quarter. Adjusted for positive currency effects, the revenue was 5.5% higher than the figure last year of NOK 120.4 million. This was explained by the implementation of new customers, and additional volumes and change orders from existing customers, within Managed Services.

Central Europe

Revenue in the Central Europe region was NOK 115.8 million in the third quarter, compared to NOK 89.4 million last year. An increase of +13.3%, when adjusted for positive currency effects.

The organic growth came mainly from new customers in Managed Services in Germany.

Managed Services in Germany grew by +39.7% in local currency, compared to last year. Within Professional Services, Germany and Poland showed a revenue growth of -1.1% and -15.4% respectively in local currency compared to last year.

UK & Ireland

Revenue in the UK & Ireland region amounted to NOK 23.6 million in the third quarter, compared to NOK 12.1 million in the same quarter last year, an increase of +72.7% in local currency. This growth can be attributed to heightened activity in Managed Services, a strategic focus area in the region, which led to substantial rise in revenue with this segment. Additionally, revenue in Professional Services also increased significantly compared to last year, driven by a large multi-country payroll implementation project for Ryanair.

Earnings

The adjusted EBIT, before EBIT from APAC region, was NOK 25.6 million for the third quarter (NOK 11.5 million). The increase is largely explained by increased revenue from new and existing customers, and margin improvements in the Nordic region. The focus on increased use of resources from near- and offshore locations, as well as other operational improvements, has had a positive effect on customer margins in the Nordic region.

The adjusted EBIT from APAC was negative NOK 2.0 million in the third quarter. The financial result from new business activities (e.g. the establishment of a new geographical region) are reported separately, until the business is up and running at a normal level and included in one of the two main segments.

EBIT for the quarter was NOK 17.6 million (NOK 4.4 million). The positive variance from last year is mainly due the factors noted above.

The difference between the adjusted EBIT and EBIT were the calculated costs of the Company's share-based payment plan (NOK 2.6 million) and amortisation of excess values on acquisitions (NOK 3.4 million).

The Group had net financial income of NOK 1.1 million for the third quarter (net expense NOK 13.8 million). This includes a net unrealised currency gain of NOK 12.6 million (loss NOK 8.3 million) mainly relating to the EUR 40 million bond loan.

The net profit for the quarter was NOK 13.4 million (negative NOK 11.1 million), after a loss from discontinued operations (vyble GmbH) of NOK 2.2 million (loss NOK 4.4 million)

Total comprehensive income amounted to negative NOK 1.8 million (negative NOK 3.1 million), after currency translation differences of negative NOK 15.2 million (NOK 8.0 million) relating to foreign subsidiaries.

EBIT improvement program

In the third quarter 2022, we announced our plans to increase our annual EBIT by NOK 40 – 50 million by the end of 2023. This come from direct cost improvements and improved allocation of resources of NOK 25 - 30 million, and contribution from new contracts of NOK 20 - 25 million. A significant part of this EBIT improvement has already materialized, and the EBIT has gradually increased during the last four quarters. Our goal is to reach an adjusted EBIT margin of 10% by the end of 2023, and the program is progressing according to plan.

We aim for each Zalaris entity to have an EBIT margin of at least 15 – 20%, before any allocation of group costs. Well performing countries have a high degree of standardization and customer deliveries based on the Zalaris PeopleHub platform, and use more resources from near- and offshore locations when delivering services. They also benefit from economies of scale, that improve profitability.

The EBIT improvement projects in Managed Services in the Nordic countries were mainly completed in the second quarter. We moved significant tasks from local to near-/offshore locations to reduce operational costs and increase existing capacity for more revenue without hiring new local resources. These projects have increased EBIT margins in these countries, and we expect more improvements as we stabilise the new organisation is being stabilised and realise more benefits.

Germany has much lower margins than other countries, because it has traditionally delivered services based on individual customer's specific system configurations and requirements. In addition, limited use of near- and offshore resources and automation has had a negative impact. In Professional Services, they have also had to rely on external consultants, due to a tight labour market. As part of the EBIT improvement program, we are changing the operating model in Managed Services from a local customer-oriented to a process-oriented delivery model, and work is being shifted to near- and offshore locations.

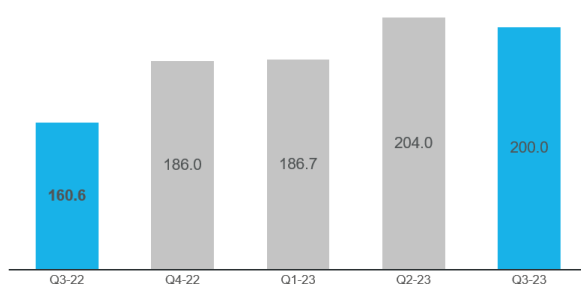
We have expanded our delivery team in Latvia with a German team, and the new setup also includes local experts in Germany who can comply with local laws. In addition, we have established a new delivery centre in Poland, to increase our flexibility and competence for the German market. These activities are progressing well and will improve margins gradually.

Business segment performance

Managed Services

The Managed Services (“MS”) segment had revenue of NOK 200.0 million (72% of total revenue) for the third quarter 2023, compared to NOK 160.6 million in the same quarter last year. This corresponds to an increase of 15.3%, when adjusted for positive currency effects, and was mainly due to revenue from new customers that have gone live since the third quarter last year and increased change orders and additional services from existing customers.

Revenue Managed Services (NOKm)



As noted earlier in this report, Zalaris is implementing a large number of new MS contracts. As a result, significant resources are being utilized on contract implementation, resulting in increased deferred revenue, which will be recognized as revenue from when the projects go live. MS revenue deferred for the third quarter was NOK 25.3 million, compared to NOK 12.8 million last year.

The adj. EBIT for MS for the third quarter was NOK 29.3 million (NOK 17.5 million), and adj. EBIT margin was 14.6% (10.9%). EBIT margin was positively impacted by the increased revenue.

The planned EBIT improvement of NOK 40 – 50 million by the end of 2023, described earlier in this report, mainly relates to Managed Services.

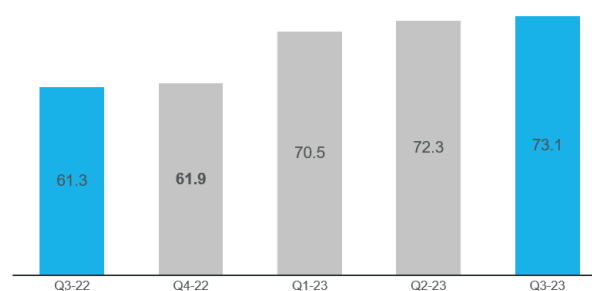
The target is for Managed Services to operate in the same manner across all regions. In this model Managed Services will be able to continue to optimise and harmonise the operational processes, use digitalisation, leverage the flexibility and competence of resources across all deliveries, both locally, nearshore (Latvia, Poland, Spain) and offshore (India).

Professional Services

Revenue in the Professional Services (“PS”) segment amounted to NOK 73.1 million for the third quarter 2023, compared to NOK 61.3 million last year. When adjusted for positive currency movements the increase was approximately 4.1% year-on-year.

Significantly higher revenue in UK, was partly offset by lower revenue in Poland.

Revenue Professional Services (NOKm)



The adj. EBIT for PS for the third quarter was NOK 7.0 million (NOK 4.2 million), and adj. EBIT margin was 9.6% (6.9%).

APAC

During the first quarter last year, Zalaris established operations in Australia and Singapore, to expand its multi-country payroll capabilities to the Asia-Pacific region (“APAC”). The purpose is to better support European headquartered customers, that have operations in APAC countries. APAC is one of the fastest growing markets for multi-country payroll. The new region is offering both Professional Services and Managed Services. The new region is reported separately until it has reached a sustainable business level.

The new region is an early-stage business, and had revenue and adj. EBIT of NOK 4.4 million (NOK 1.6 million) and negative NOK 2.0 million (NOK 1.7 million) respectively in the third quarter.

Discontinued operations (vyble)

In February 2022, Zalaris acquired the assets of vyble AG, a payroll and HR solution start-up located in Rostock and Hamburg, Germany. The business is being operated through a 90% owned subsidiary, vyble GmbH (“vyble”). vyble has a complete suite of Payroll and HR solutions delivered as Software as a Service (SaaS) targeting the SME market in Germany. There is an ongoing process to exit this

investment, and a final solution is expected in the fourth quarter.

Financial position and cash flow

Zalaris had total assets of NOK 1,054.2 million as of 30 September 2023, compared to NOK 1,051.7 million on 30 June 2023.

Cash and cash equivalents were NOK 120.7 million (including cash in discontinued operations) as of 30 September 2023, an increase of NOK 7.2 million from the end of the previous quarter.

Total equity as of 30 September 2023 was NOK 177.6 million, compared to NOK 176.7 million as of 30 June 2023. This corresponds to an equity ratio of 16.8% (16.8%).

The Company holds 490,070 own shares at 30 September 2023.

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) was reduced from NOK 356.3 million on 30 June 2023 to NOK 333.3 million on 30 September 2023.

Outlook

Zalaris is well positioned for future revenue growth, having signed a record number of large new, long-term BPaaS/SaaS contracts within the Managed Services Division during the last 18 months. The pipeline of new potential contracts remains strong, supporting Zalaris' target of an annual growth rate of 10%.

The increased scale of our operations from this revenue growth will be a key driver for higher profitability, as well as further cost optimisation. Zalaris is executing on a detailed plan for EBIT improvements of NOK 40 – 50 million by the end of 2023. This projection is based on the annualised adjusted EBIT recorded in the third quarter of 2022. Key targets for 2023 include further automation of our delivery processes and improved use of our near- and offshore delivery centres in Latvia, Poland and India. These improvement initiatives have largely been completed in the Nordic region, and the focus is currently on the German operation.

These activities, and the significant revenue growth in Managed Services, may have a short-term negative impact on margins due to both on-boarding

The decrease in net interest-bearing debt is due to the lower EUR/NOK currency rate, impacting the NOK value of the EUR denominated bond loan positively, and a positive net cash flow for the quarter.

Operating cash flow during the third quarter 2023 was NOK 15.3 million (negative NOK 10.6 million).

Net cash flow from investing activities for the third quarter was negative NOK 4.2 million (negative NOK 8.0 million), mainly relating to internal development of new and existing system solutions.

Net cash flow from financing activities for the third quarter was negative NOK 3.7 million (negative NOK 4.7 million).

Subsequent events

There have been no events after the balance sheet date, which have had a material effect on the issued accounts.

of new customers and restructuring activities, until new employees are trained and can be fully utilised. However, Zalaris remains firm on its short-term target of an adjusted EBIT margin of 10%, and a long-term target of an adjusted EBIT margin of 12 – 15%.

Based on industry and market research reports, Zalaris' key markets, within multi-country payroll and HR outsourcing, are expected to continue growing in the foreseeable future. The company is well positioned to capture part of this growth through new customers, as demonstrated by the multi-country contracts with e.g., Yunex Traffic and Innomotics. Growth will also come from expanding the service offering to existing customers, particularly increasing geographic coverage, as we have done with customers such as Siemens and Tryg.

Zalaris has been expanding its geographical coverage both in Europe and the Asia-Pacific region to strengthen its competitive position. While the Company previously established its own subsidiaries in new countries, a revised expansion strategy is being implemented using in-country

partners, who will use Zalaris' PeopleHub solution. This enables profitable geographic expansion globally, with low and moderately sized employee volumes. The global macro picture with high inflation, increased interest rates, and fear of recession, have so far not impacted our business significantly. However, we are experiencing upward pressure on salaries, and the recruitment of new employees is challenging in some markets. Most of our long-term contracts within the Managed

Services Division have provisions for the annual indexation of salaries. Historically, we have seen an increased interest in the market for outsourcing in a recessionary environment. This is when companies traditionally are required to focus on operational efficiencies and cost reductions. The underlying fundamentals remain strong and Zalaris has a solid pipeline of potential new sales in all regions.

The Board of Directors of Zalaris ASA
Oslo, 25 October 2023

Interim Consolidated Financial Statements

Consolidated Statement of Profit and Loss

(NOK 1 000)	Notes	2023 Jul-Sep <i>unaudited</i>	2022 Jul-Sep <i>unaudited</i>	2023 Jan-Sep <i>unaudited</i>	2022 Jan-Sep <i>unaudited</i>	2022 Jan-Dec
Revenue	2	277 459	223 564	818 788	642 191	892 743
Operating expenses						
License costs		23 482	20 704	73 348	61 120	80 198
Personnel expenses	4	138 853	120 179	431 558	354 988	483 824
Other operating expenses		73 919	58 392	203 620	152 246	222 537
Depreciation and impairments		975	672	2 839	2 489	3 908
Depreciation right-of-use assets		5 880	4 768	16 906	13 343	18 535
Amortisation intangible assets		7 753	7 177	23 284	21 201	28 409
Amortisation implementation costs customer projects	3	8 959	7 316	23 850	22 807	31 638
Total operating expenses		259 821	219 208	775 406	628 193	869 049
Operating profit (EBIT)		17 638	4 356	43 383	13 998	23 694
Financial items						
Financial income	5	2 135	2 393	5 321	5 171	7 565
Financial expense	5	(13 660)	(7 875)	(65 516)	(22 370)	(32 106)
Unrealized foreign exchange gain/(loss)	5	12 638	(8 294)	1 554	(17 685)	(15 561)
Net financial items		1 113	(13 776)	(58 642)	(34 884)	(40 102)
Profit before tax from continuing operations		18 751	(9 420)	(15 259)	(20 886)	(16 408)
Tax expense		(3 192)	2 727	(974)	6 391	(6 295)
Profit for the period from continuing operations		15 559	(6 694)	(16 233)	(14 495)	(22 703)
Profit/(loss) after tax for the year from discontinued operations	9	(2 188)	(4 406)	(7 609)	(12 127)	(16 018)
Profit for the period		13 371	(11 100)	(23 842)	(26 622)	(38 721)
Profit attributable to:						
- Owners of the parent		13 590	(10 625)	(23 081)	(25 409)	(37 119)
- Non-controlling interests		(219)	(475)	(761)	(1 213)	(1 602)
Earnings per share:						
Basic earnings per share (NOK)		0,62	(0,95)	(1,10)	(1,23)	(1,79)
Diluted earnings per share (NOK)		0,62	(0,95)	(1,10)	(1,23)	(1,79)
Earnings per share for continuing operations:						
Basic earnings per share (NOK)		0,72	(0,29)	(0,75)	(0,67)	(1,05)
Diluted earnings per share (NOK)		0,72	(0,29)	(0,75)	(0,67)	(1,05)

Consolidated Statement of Comprehensive Income

(NOK 1 000)	Notes	2023	2022	2023	2022	2022
		Jul-Sep <i>unaudited</i>	Jul-Sep <i>unaudited</i>	Jan-Sep <i>unaudited</i>	Jan-Sep <i>unaudited</i>	Jan-Dec
Profit for the period		13 371	(11 100)	(23 842)	(26 622)	(38 721)
Other comprehensive income						
Items that will be reclassified to profit and loss in subsequent periods						
Currency translation differences		(15 167)	7 991	28 046	18 493	11 290
Total other comprehensive income		(15 167)	7 991	28 046	18 493	11 290
Total comprehensive income		(1 796)	(3 109)	4 204	(8 129)	(27 431)
Total comprehensive income attributable to:						
- Owners of the parent		(1 577)	(2 634)	4 965	(6 917)	(25 829)
- Non-controlling interests		(219)	(475)	(761)	(1 213)	(1 602)

Consolidated Statement of Financial Position

(NOK 1 000)	Notes	2023 30. Sept <i>unaudited</i>	2022 30. Sept <i>unaudited</i>	2022 31. Dec
ASSETS				
Non-current assets				
Intangible assets		111 908	121 110	119 141
Goodwill		210 962	196 504	195 834
Total intangible assets		322 870	317 613	314 975
Deferred tax asset		30 163	27 087	29 837
Fixed assets				
Right-of-use assets		51 045	52 914	48 363
Property, plant and equipment		35 594	32 506	33 088
Total fixed assets		86 639	85 420	81 451
Total non-current assets		439 672	430 120	426 263
Current assets				
Trade accounts receivable		241 011	178 080	191 715
Customer projects	3	187 688	131 478	135 359
Other short-term receivables		54 695	52 381	48 225
Cash and cash equivalents	6	120 728	94 843	91 796
Total current assets		604 123	456 782	467 095
Assets held for sale	9	10 354	11 759	12 384
TOTAL ASSETS		1 054 150	898 661	905 742

Consolidated Statement of Financial Position

(NOK 1 000)	Notes	2023	2022	2022
		30. Sept <i>unaudited</i>	30. Sept <i>unaudited</i>	31. Dec
EQUITY AND LIABILITIES				
Equity				
Paid-in capital				
Share capital		2 165	2 159	2 159
Other paid in equity		18 695	9 003	10 039
Share premium		143 045	160 616	141 898
Total paid-in capital		163 904	171 778	154 096
Other equity		14 519	(2 253)	14 519
Retained earnings		1 503	9 479	(3 417)
Equity attributable to equity holders of the parent		179 926	179 005	165 199
Non-controlling interest		-2 363	1 457	(1 602)
Total equity		177 564	180 462	163 597
Liabilities				
Non-current liabilities				
Deferred tax		22 615	25 300	23 899
Interest-bearing loans	7	452 505	10 200	10 891
Other long-term liabilities		-	660	659
Lease liabilities		33 189	35 750	32 328
Total long-term liabilities		508 309	71 911	67 777
Current liabilities				
Trade accounts payable		31 725	17 797	45 407
Customer projects liabilities	3	161 363	98 302	103 744
Interest-bearing loans	7	1 573	369 851	369 693
Lease liabilities		19 899	18 844	17 783
Income tax payable		4 862	(24)	3 270
Public duties payable		40 412	39 403	37 686
Other short-term liabilities		103 593	97 896	92 003
Total short-term liabilities		363 427	642 069	669 586
Liabilities directly associated with the assets held for sale	9	4 850	4 219	4 783
Total liabilities		876 587	718 199	742 146
TOTAL EQUITY AND LIABILITIES		1 054 150	898 661	905 742

Consolidated Statement of Cash Flow

(NOK 1 000)	Notes	2023	2022	2023	2022	2022
		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 from continued operation		18 751	(9 420)	(15 259)	(20 886)	(16 408)
Profit (Loss) before tax from discontinued operation		(2 805)	(5 649)	(9 755)	(15 547)	(20 536)
Net financial items	5	(1 113)	13 776	58 642	34 883	40 103
Share based program		2 601	2 520	8 789	6 225	8 706
Depreciation and impairments		975	671	2 839	2 488	3 907
Depreciation right-of-use assets		5 880	4 768	16 906	13 343	18 535
Amortisation intangible assets		7 753	7 177	23 284	21 200	28 409
Capitalisation implementation costs customer projects	3	(21 460)	(15 089)	(68 758)	(54 429)	(67 771)
Depreciation implementation costs customer projects	3	8 959	7 316	23 850	22 807	31 638
Customer project revenue deferred	3	25 309	12 842	73 371	48 989	62 134
Customer project revenue recognised	3	(6 554)	(4 234)	(19 556)	(13 176)	(20 807)
Taxes paid		(2 753)	-	(8 732)	(9 653)	(14 356)
Changes in accounts receivable		(9 655)	(19 826)	(49 296)	(36 683)	(50 318)
Changes in accounts payable		3 116	(4 409)	(13 682)	14 466	27 150
Changes in other items		(4 178)	3 723	17 544	(11 699)	(10 020)
Interest received		612	68	1 617	106	308
Interest paid		(10 183)	(4 851)	(27 385)	(14 436)	(20 252)
Net cash flow from operating activities		15 255	(10 615)	14 418	(12 001)	422
Cash flows to investing activities						
Investment in fixed and intangible assets		(4 229)	(8 014)	(13 688)	(18 031)	(27 845)
Investment in fixed and intangible assets business combinations		-	-	-	(1 214)	-
Acquisition of subsidiaries, net of cash acquired		-	-	-	(10 103)	(11 317)
Net cash flow from investing activities		(4 229)	(8 014)	(13 688)	(29 348)	(39 163)
Cash flows from financing activities						
Sale of own shares		881	-	881	-	-
Buyback of own shares		-	-	-	(17 768)	(17 768)
Contribution from minority shareholder		-	452	293	1 457	2 203
Payment of lease liabilities		(4 381)	(4 599)	(16 498)	(12 766)	(17 884)
Net proceeds from new EUR 40m bond loan		-	(531)	440 796	(531)	-
Repayment of loans		(170)	-	(400 346)	(3 501)	(2 901)
Dividend payments to owners of the parent		-	-	-	(7 558)	(7 558)
Net cash flow from financing activities		(3 670)	(4 679)	25 125	(40 667)	(43 909)
Net changes in cash and cash equivalents		7 356	(23 307)	25 854	(82 015)	(82 650)
Net foreign exchange difference		(199)	2 094	1 445	1 379	(120)
Cash and cash equivalents at the beginning of the period		113 592	116 801	93 451	176 224	176 224
Cash and cash equivalents at the end of the period		120 749	95 588	120 749	95 588	93 451

Consolidated Statement of Changes in Equity

(NOK 1000)	Share capital	Own shares	Share premium	Other paid in equity	Total paid-in equity	Other equity	Retained earnings	Currency revaluation reserve	Total	Non-controlling interests	Total equity
Equity at 01.01.2022	2 214	(29)	157 370	3 657	163 211	14 519	54 607	(23 328)	209 009	-	209 009
Profit of the year							(25 165)		(25 165)	(1 457)	(26 622)
Other comprehensive income							16 643	1 850	18 493		18 493
Purchase of own shares		(35)			(35)		(17 743)		(17 778)		(17 778)
Share based payments				6 225	6 225				6 225		6 225
Share based payments		10	2 271	(2 281)					-		-
Other changes				1 402	1 402	(5 108)	2 399		(1 307)		(1 307)
Dividend							(7 558)		(7 558)		(7 558)
Equity at 30.09.2022	2 214	(54)	159 641	9 003	170 803	9 411	23 183	(21 478)	181 919	(1 457)	180 462
Unaudited											
Equity at 01.01.2023	2 214	(54)	141 898	10 038	154 096	14 519	8 622	(12 038)	165 198	(1 602)	163 596
Profit/(loss) of the year							(23 081)		(23 081)	(761)	(23 842)
Other comprehensive income								28 046	28 046		28 046
Share based payments				8 789	8 789				8 789		8 789
Exercise of share based payments		1	131	(132)			(5)		(5)		(5)
Employee share purchase program		4	1 015		1 019		(139)		881		881
Other changes							99		99		99
Equity at 30.09.2023	2 214	(49)	143 044	18 695	163 904	14 519	(14 504)	16 008	179 926	(2 363)	177 564
Unaudited											

Notes to the condensed interim consolidated 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 Hoffsvæien 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 nine months ended 30 September 2023, 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 31 December, 2022.

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. In addition investment in new business in Asia is presented as it's own segment – APAC.

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 such 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-premises solutions. A large portion of these services are of recurring nature and many of the services are based on long-term customer relationships.

APAC includes the financial result from new businesses activities (e.g. the establishment of a new geographical region) are included as a separate column in the segment reporting, until the business is up and running at a normal level and included in one the two main segments. The objective is to provide information on the result of new business development activities that generally would generate a financial loss in an interim period, and to show the financial result of the existing business activities without the disturbance of these new business activities. This segment currently only consists of the new business in APAC (Australia and Singapore) established in the first quarter of 2022.

Group overhead and unallocated are the costs not allocated to business segments, and are mainly intercompany sales, interest-bearing loans and other associated expenses and assets related to administration of the Group.

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 the 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.

2023 Jul-Sep

(NOK 1 000)	Managed Services	Professional Services	APAC	Gr.Ovhd & Unallocated	Total
Revenue, external	200 005	73 076	4 379	-	277 459
Operating expenses	(157 455)	(64 665)	(6 188)	(7 980)	(236 287)
EBITDA	42 550	8 411	(1 809)	(7 980)	41 172
Depreciation and amortisation	(13 857)	(1 788)	(238)	(7 651)	(23 534)
EBIT	28 693	6 623	(2 047)	(15 631)	17 638
Net financial income/(expenses)				1 113	1 113
Income tax				(3 192)	(3 192)
Profit for the period from continuing operation	28 693	6 623	(2 047)	(17 709)	15 560
Cash flow from investing activities					(4 229)

2022 Jul-Sep

(NOK 1 000)	Managed Services	Professional Services	APAC	Gr.Ovhd & Unallocated	Total
Revenue, external	160 628	61 349	1 587	-	223 564
Operating expenses	(133 957)	(55 260)	(3 261)	(6 852)	(199 330)
EBITDA	26 671	6 089	(1 675)	(6 852)	24 234
Depreciation and amortisation	(10 214)	(2 276)	(21,9)	(7 366)	(19 878)
EBIT	16 458	3 812	(1 696)	(14 217)	4 356
Net financial income/(expenses)				- (13 776)	(13 776)
Income tax				- 2 727	2 727
Profit for the period from continuing operation	16 458	3 812	-	(25 267)	(6 694)
Cash flow from investing activities					(8 014)

2023 Jan-Sep

(NOK 1 000)	Managed Services	Professional Services	APAC	Gr.Ovhd & Unallocated	Total
Revenue, external	590 705	215 828	12 256	-	818 788
Operating expenses	(474 188)	(189 744)	(18 274)	(26 459)	(708 665)
EBITDA	116 517	26 084	(6 019)	(26 459)	110 123
Depreciation and amortisation	(36 556)	(6 210)	(716)	(23 259)	(66 741)
EBIT	79 961	19 874	(6 735)	(49 718)	43 382
Net financial income/(expenses)				- (58 642)	(58 642)
Income tax				- (974)	(974)
Profit for the period from continuing operation	79 961	19 874	(6 735)	(109 333)	(16 233)
Cash flow from investing activities					(13 688)

2022 Jan-Sep

(NOK 1 000)	Managed Services	Professional Services	APAC	Gr.Ovhd & Unallocated	Total
Revenue, external	458 842	181 192	2 157	-	642 191
Operating expenses	(385 561)	(158 813)	(7 163)	(17 234)	(568 772)
EBITDA	73 281	22 379	(5 007)	(17 234)	73 419
Depreciation and amortisation	(31 403)	(6 814)	(42)	(21 162)	(59 420)
EBIT	41 878	15 565	(5 049)	(38 396)	13 999
Net financial income/(expenses)	-	-	-	(34 884)	(34 884)
Income tax	-	-	-	6 390	6 390
Profit for the period from continuing operation	41 878	15 565	(5 049)	(66 889)	(14 495)
Cash flow from investing activities					(29 348)

2022 Jan-Dec

(NOK 1 000)	Managed Services	Professional Services	APAC	Gr.Ovhd & Unallocated	Total
Revenue, external	644 801	243 138	4 803		892 742
Operating expenses	(535 860)	(213 699)	(10 878)	(26 119)	(786 557)
EBITDA	108 941	29 439	(6 076)	(26 119)	106 185
Depreciation and amortisation	(43 994)	(9 281)	(63)	(29 151)	(82 489)
EBIT	64 947	20 158	(6 139)	(55 270)	23 695
Net financial income/(expenses)	-	-	-	(40 102)	(40 102)
Income tax	-	-	-	(6 295)	(6 295)
Profit for the period from continuing operation	64 947	20 158	-	(101 667)	(22 702)
Cash flow from investing activities					(39 163)

Geographic Information

The Group's operations are carried out in several countries, and information regarding revenue based on geography is provided below. Information is based on the 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:**Jul-Sep**

(NOK 1 000)	2023				2022			
	MS	PS	Total	as % of total	MS	PS	Total	as % of total
Norway	53 261	230	53 490	19%	50 869	157	51 026	23%
Northern Europe, excluding Norway	79 939	241	80 180	29%	68 171	1 225	69 396	31%
Central Europe	57 756	58 004	115 760	42%	36 385	53 042	89 427	40%
UK & Ireland	9 049	14 600	23 649	9%	5 203	6 926	12 129	5%
APAC	1 479	2 899	4 379	2%	613	974	1 587	1%
Total	201 484	75 975	277 459	100%	161 241	62 323	223 564	100%

Jan-Sep

(NOK 1 000)	2023				2022			
	MS	PS	Total	as % of total	MS	PS	Total	as % of total
Norway	166 887	781	167 668	20%	141 962	863	142 825	22%
Northern Europe, excluding Norway	236 432	1 299	237 731	29%	191 375	2 487	193 862	30%
Central Europe	162 239	177 235	339 474	41%	110 841	160 313	271 154	42%
UK & Ireland	25 166	36 495	61 661	8%	14 666	17 529	32 195	5%
APAC	5 357	6 897	12 254	1%	613	1 544	2 157	0%
Total	596 082	222 707	818 789	100%	459 455	182 736	642 192	100%

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)	2023	2022	2022
	30. Sep	30. Sep	31. Dec
Trade receivables	241 011	178 080	191 715
Customer project assets	187 688	131 478	135 359
Customer project liabilities	(161 363)	(98 302)	(103 744)
Prepayments from customers	(16 205)	(18 868)	(18 711)

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 the 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 comprise 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 becomes the property of Zalaris and is hence rendered as income by the Group.

Movements in customer project assets through the period:

(NOK 1 000)	2023	2022	2023	2022	2022
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	31. Dec
Opening balance in the period	179 112	119 917	135 360	94 799	94 799
Cost capitalised	21 460	15 088	68 758	54 428	67 771
Amortisation	(8 959)	(7 316)	(23 850)	(22 807)	(31 638)
Currency	(3 926)	3 790	7 419	5 059	4 427
Customer projects assets end of period	187 687	131 479	187 687	131 479	135 360

Movements in customer project liabilities through the period:

(NOK 1 000)	2023	2022	2023	2022	2022
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Opening balance in the period	(147 462)	(94 181)	(103 744)	(66 452)	(66 452)
Revenue deferred	(25 309)	(12 842)	(73 371)	(48 989)	(62 134)
Revenue recognised	6 554	4 234	19 556	13 176	20 807
Currency	4 854	4 488	(3 805)	3 964	4 035
Customer project liabilities end of period	(161 363)	(98 302)	(161 363)	(98 302)	(103 744)

Note 4 – Personnel expenses

(NOK 1 000)	2023	2022	2023	2022	2022
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Salary	121 719	102 689	377 599	302 710	416 264
Bonus	4 280	4 249	13 579	11 622	18 719
Social security tax	19 733	15 415	57 553	44 591	61 387
Pension costs	5 883	4 882	18 244	15 414	21 841
Share based payments	2 595	2 468	8 792	6 129	8 627
Other personnel expenses	3 839	4 400	12 092	11 663	14 992
Capitalised to internal development projects	(1 848)	(4 343)	(4 815)	(6 069)	(14 540)
Capitalised to customer project assets	(17 349)	(9 582)	(51 486)	(31 073)	(43 466)
Total personnel expenses	138 853	120 179	431 558	354 987	483 824

Note 5 – Finance income and finance expense

(NOK 1 000)	2023	2022	2023	2022	2022
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Interest income on bank accounts and receivables	598	66	1 480	104	304
Currency gain	1 524	2 311	3 635	4 733	6 028
Other financial income	13	16	207	335	1 232
Finance income	2 135	2 393	5 321	5 171	7 565
Interest exp. on financial liab. measured at amortised cost	10 183	4 458	27 385	12 958	18 522
Currency loss	1 722	50	32 121	3 134	5 518
Interest expense on leasing	(3 449)	611	(2 050)	1 621	2 237
Other financial expenses	5 203	2 756	8 060	4 655	5 829
Finance expenses	13 660	7 875	65 516	22 369	32 106
Unrealized foreign exchange profit/(loss)	12 638	(8 294)	1 554	(17 685)	(15 561)
Net financial items	1 113	(13 776)	(58 642)	(34 883)	(40 102)

Note 6 - Cash and cash equivalents and short-term deposits

(NOK 1 000)	2023	2022	2022
	30. Sep	30. Sep	31. Dec
Cash in hand and at bank - unrestricted funds	117 917	89 331	87 706
Deposit accounts - guarantee rent obligations - restricted funds		2 698	-
Employee withheld taxes - restricted funds	2 811	2 814	4 090
Cash and cash equivalents continuing operations	120 728	94 843	91 796
Cash discontinued operations	21	743	1 655
Total cash and cash equivalents	120 750	95 586	93 451

Note 7 – Interest-bearing loans and borrowings

(NOK 1 000)	Annual interest	Maturity	2023	2022	2022
			30. Sep	30. Sep	31. Dec
Bond loan	3 m Euribor + 5.25%	28.03.2028	441 761	368 416	368 208
Commerzbank - DE	1.3%	31.12.2031	11 241	11 437	11 108
De Lage Landen Finans	7,05%	31.01.2028	1 075	198	1 268
Total interest-bearing loans			454 077	380 051	380 584
Total long-term interest-bearing loans			452 503	10 200	10 891
Total short-term interest-bearing loans			1 574	369 851	369 693
Total interest-bearing loans			454 077	380 051	380 584

The Company's bond loan of EUR 40 million is listed on the Oslo Stock Exchange. The loan from Commerzbank DE relates to the office building in Leipzig, which is owned by the Company.

Note 8 – Equity

During Q3 2023, there were 120,000 new share options but no new RSUs granted to employees. As of 30 September 2023, there are 2,863,200 share options and 136,663 RSUs outstanding.

Note 9 – Discontinued operation

In June 2022, the Group decided to initiate a process to reduce its ownership in vyble GmbH ("vyble"), a subsidiary in which the Group has a 90 % ownership, and vyble was classified as a company held for sale and as a discontinued operation. An exit is expected to be completed in the fourth quarter 2023. The results of vyble for the period are presented below:

	2023	2022	2023	2022	2022
(NOK 1 000)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Revenue	831	293	2 170	2 800	3 378
Operating expenses	3 531	5 542	11 631	17 576	23 747
Operating loss	(2 700)	(5 248)	(9 461)	(14 776)	(20 369)
Finance costs	105	400	295	771	167
Profit/(loss) before tax from discontinued operation	(2 805)	(5 649)	(9 756)	(15 547)	(20 536)
Tax expense	617	1 242	2 147	3 420	4 763
Profit/(loss) for the year tax from discontinued operation	(2 188)	(4 406)	(7 609)	(12 127)	(16 018)

The major classes of assets and liabilities of vyble classified as held for sale as at 30 June are as follows:

	2023	2022	2022
(NOK 1 000)	30. Sep	30. Sep	31. Dec
Intangible assets	9 131	10 015	9 628
Property, plant and equipment	10	12	11
Other current assets	1 193	989	1 089
Cash and cash equivalents	21	743	1 655
Total assets held for sale	10 355	11 759	12 383
Creditors	784	3 384	1 500
Interest-bearing loans and borrowings	4 067	835	3 283
Liabilities directly associated with assets held for sale	4 851	4 219	4 783
Net assets directly associated with disposal group	5 504	7 540	7 600

The net cash flows incurred by vyble are as follows:

	2023	2022	2023	2022	2022
(NOK 1 000)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Operating	(2 039)	(5 354)	(7 115)	(13 197)	(18 828)
Investing	(130)	(1 332)	(190)	(11 317)	(11 592)
Net cash outflow	(2 169)	(6 686)	(7 305)	(24 514)	(30 420)

Note 10 – 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.

	2023	2022	2023	2022	2022
(NOK 1 000)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
EBITDA	41 205	24 290	110 262	73 838	106 184
Cost incurred in establishing AMS centre in Poland	-	-	-	1 906	1 906
Share-based payments	2 601	2 520	8 789	6 225	8 706
Depreciation right-of-use assets (IFRS 16 effect)	(5 880)	(4 768)	(16 906)	(13 343)	(18 535)
Adjusted EBITDA	37 926	22 041	102 145	68 626	98 261

	2023	2022	2023	2022	2022
(NOK 1 000)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
EBIT	17 638	4 356	43 383	13 998	23 695
Cost incurred in establishing AMS centre in Poland	-	-	-	1 906	1 906
Share-based payments	2 601	2 520	8 789	6 225	8 706
Amortization of excess values on acquisition	3 426	2 873	10 196	8 822	11 935
Adjusted EBIT	23 665	9 749	62 368	30 951	46 242

Adjusted EBIT per segment

	2023	2022	2023	2022	2022
(NOK 1 000)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Managed Services - EBIT	28 693	16 458	79 961	42 318	64 667
Cost incurred in establishing AMS centre in Poland			-	1 906	1 906
Share-based payments	637	1 073	3 868	2 334	2 881
Managed Services - adjusted EBIT	29 330	17 531	83 829	46 558	69 454

	2023	2022	2023	2022	2022
(NOK 1 000)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Professional Services - EBIT	6 623	3 812	19 874	15 565	19 992
Share-based payments	379	413	789	831	1 014
Professional Services - adjusted EBIT	7 002	4 226	20 663	16 396	21 006

*Relates mainly to redundancy costs/severance pay for employees

	2023	2022	2023	2022	2022
(NOK 1 000)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
New business (APAC) - EBIT	(2 047)	(1 696)	(6 735)	(5 489)	(6 139)
Share-based payments	69		128		-
New business (APAC) - adjusted EBIT	(1 978)	(1 696)	(6 607)	(5 489)	(6 139)

	2023	2022	2023	2022	2022
(NOK 1 000)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Group overhead/unallocated - EBIT	(15 631)	(14 217)	(49 718)	(38 396)	(54 826)
Restructuring costs*	-	-	-		
Mergers & Acquisitions	-	-	-		
Share-based payments	1 515	1 034	4 004	3 060	4 811
Amortization of excess values on acquisition	3 426	2 873	10 196	8 822	11 935
Group overhead/unallocated - adjusted EBIT	(10 689)	(10 311)	(35 518)	(26 514)	(38 079)

Annual recurring revenue (ARR)

ARR is defined as the annualised value of revenue the Company expects to receive from SaaS (software as a service) and BPaaS (business process as a service) contracts with customers, but excludes change orders that do not result in regular future revenue. The ARR is calculated by taking the revenue for Managed Services in the applicable quarter, adjusted for change orders and contracts that have not generated revenue for part of the quarter (revenue from customers that have exited during the quarter is deducted, and estimated revenue for new contracts that have gone live during the quarter is added), multiplied by four. Contracted ARR includes the ARR at the end of the quarter, plus the estimated ARR of new contracts yet to go live.

Net Retention

Net Retention is the percentage of revenue retained from Managed Services customers over a 12 months period. This figure takes into account any changes in revenue resulting from alterations in services, products and volumes, as well as any lost revenue from customer attrition. Net Retention at the end of a given quarter is calculated by starting with the Managed Services revenue from the same quarter prior year, but excluding revenue from customers who had not fully implemented our solutions or services in that quarter. The next step is to measure the revenue from the same customers in the current quarter, using a constant currency (ref. definition below). This amount is then divided by the revenue from the same quarter prior year to obtain the Net Retention rate.

Revenue growth constant currency

The following table reconciles the reported growth rates to a revenue growth rate adjusted for the impact of foreign currency. The impact of foreign currency is determined by calculating the current period's revenue using the foreign exchange rates consistent with the same period prior year.

	2023	2022	2023	2022	2022
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Revenue growth, as reported	24,1 %	14,4 %	27,5 %	12,0 %	15,2 %
Impact of foreign currency	-10,7 %	3,1 %	-10,8 %	2,5 %	1,3 %
Revenue growth, constant currency	13,4 %	17,5 %	16,7 %	14,5 %	16,5 %
Managed Services revenue growth, as reported	24,5 %	21,2 %	28,7 %	18,7 %	21,7 %
Impact of foreign currency	-9,2 %	3,0 %	-9,3 %	2,5 %	1,4 %
Managed Services revenue growth, constant currency	15,3 %	24,2 %	19,4 %	21,2 %	23,1 %
Professional Services revenue growth, as reported	19,1 %	-2,5 %	19,1 %	-3,1 %	-1,0 %
Impact of foreign currency	-15,0 %	3,5 %	-14,1 %	2,6 %	1,3 %
Professional Services revenue growth, constant currency	4,1 %	1,0 %	5,0 %	-0,5 %	0,3 %

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.

	2023	2022	2022
(NOK 1 000)	30. Sep	30. Sep	31. des
Cash and cash equivalents continuing operations	120 728	94 843	91 796
Cash and cash equivalents discontinuing operations	21	743	1 655
Interest-bearing loans and borrowings - long-term	452 503	10 200	10 891
Interest bearing loans and borrowings - short-term	1 574	369 851	369 693
Net interest-bearing debt (NIBD)	333 327	284 465	287 133

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)	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Revenues	195,4	201,7	208,4	210,2	223,6	250,6	260,8	280,5	277,5
Revenue growth (YoY)	3,0 %	-0,9 %	8,1 %	13,4 %	14,4 %	24,2 %	25,1 %	33,5 %	24,1 %
EBITDA adjusted	26,9	24,9	27,5	19,1	22,0	29,6	29,6	34,6	37,9
EBITDA margin adjusted	13,8 %	12,3 %	13,2 %	9,1 %	9,9 %	11,8 %	11,3 %	12,3 %	13,7 %
EBIT adjusted	14,1	10,2	14,4	6,8	9,7	15,3	18,5	20,2	23,7
EBIT margin adjusted	7,2 %	5,1 %	6,9 %	3,2 %	4,4 %	6,1 %	7,1 %	7,2 %	8,5 %
EBIT	7,7	1,5	4,7	1,2	4,4	13,3	12,8	12,7	17,6
EBIT margin	4,0 %	0,7 %	2,2 %	0,6 %	1,9 %	5,3 %	4,9 %	4,5 %	6,4 %
Profit Before Tax	1,0	1,7	14,7	(26,2)	(9,4)	4,9	(25,1)	(8,9)	18,8
Income Tax Expense	(0,4)	(0,3)	(1,5)	5,2	2,7	(12,7)	2,6	(0,4)	(3,2)
Net income	0,7	1,3	13,2	(21,0)	(6,7)	(8,2)	(22,5)	(9,3)	15,6
Profit margin	0,3 %	0,7 %	6,3 %	-10,0 %	-3,0 %	-3,3 %	-8,6 %	-3,3 %	5,6 %
Weighted # of shares outstanding (m)	21,1	21,3	21,5	21,6	21,6	21,6	21,6	21,6	21,6
Basic EPS (NOK)	0,03	0,06	0,44	(0,72)	(0,95)	(0,56)	(1,20)	(0,52)	0,62
Diluted EPS (NOK)	0,03	0,06	0,41	(0,72)	(0,95)	(0,56)	(1,20)	(0,52)	0,62
Cash flow items									
Cash from operating activities	13,4	23,2	(4,4)	3,0	(10,6)	12,4	(4,1)	3,3	15,3
Investments	(8,4)	(6,2)	(4,7)	(6,5)	(8,0)	(9,8)	(4,8)	(4,7)	(4,2)
Net changes in cash and cash equi.	(41,3)	7,5	(41,3)	(17,4)	(23,3)	(2,1)	27,1	(8,6)	7,4
Cash and cash equivalents end of period	168,8	176,2	134,7	116,8	95,6	93,5	124,1	113,6	120,8
Net interest-bearing debt	198,1	183,0	212,9	254,4	284,5	287,1	332,9	356,3	333,3
Total equity	208,4	207,3	189,7	182,4	180,5	163,6	168,9	176,7	177,6
Equity ratio	24,9 %	25,0 %	23,1 %	20,9 %	20,1 %	18,1 %	16,3 %	16,8 %	20,9 %
FTEs (quarter end)	781	795	838	884	915	963	983	987	1 004

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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.

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