

PeopleHub BY ZALARIS

Your one-stop HR platform

Q4 2023

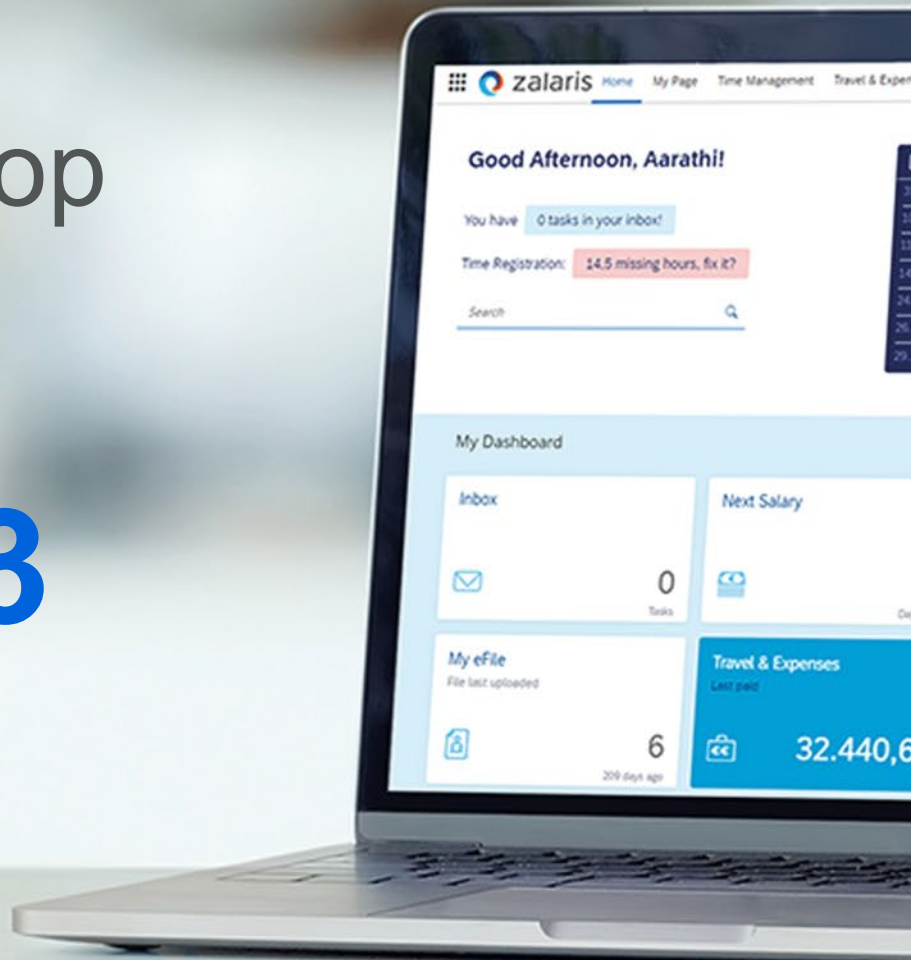


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**Simplify work life.
Achieve more.**



**Our mission is to
simplify HR and payroll
administration and
empower you with
useful information so
that you can invest
more in people.**



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-premises, 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 close to one and a half 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 1,131 mill 2023 Revenue	 17 Countries with service centers and local expertise	 150+ Countries partnered with Zalaris giving local expertise

Q4 Highlights

STRONG REVENUE GROWTH

Revenue of NOK 312.4 million (NOK 250.6 million), representing revenue growth of 24.7% YoY and 14.1% in constant currency

ALL TIME HIGH QUARTERLY ADJ. EBIT

Adj. EBIT NOK 33.4 million (15.3 million) and adj. EBIT margin 10.7% (6.1%).

NEW LONG-TERM CONTRACTS SIGNED

Contracts with annual contract value of ~NOK 30 million, for MS and PS combined, signed during the quarter

Other updates

- Revenue for the full-year of NOK 1,131.2 million (NOK 892.7 million), representing an organic growth of 26.7% (16.0% in constant currency)
- Adjusted EBIT for the full-year of NOK 95.8 million (NOK 46.2 million)
- Secured an agreement for another four years with an annual contract value of more than NOK 22 million with the state of North Rhine-Westphalia, Germany, for application maintenance of their payroll systems serving ~700,000 employees.
- New contract under master service agreement with leading global retailer, for implementation of payroll services in the UK and Ireland.
- A four-year agreement with a German state for implementing SAP HCM, with a total contract value of more than NOK 170 million, was signed after quarter-end.
- Operating cash flow of NOK 33.7 million (NOK 12.4 million), when adjusting for a positive NOK 10.4 million reclassification from customer projects to investments.
- Completed sale of Leipzig office building for EUR 3.7 million (~NOK 43 million), after year-end, with net cash proceeds of ~NOK 31 million after repayment of debt.



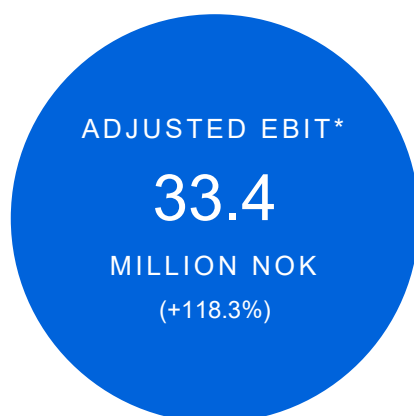
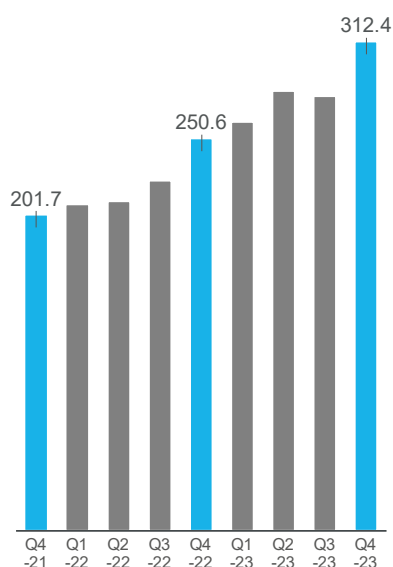
Key Figures



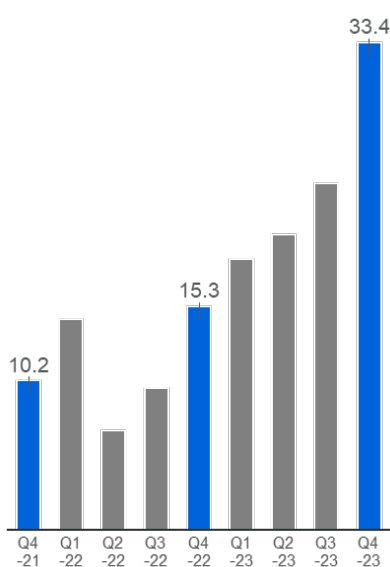
All time high quarterly revenue and adjusted EBIT



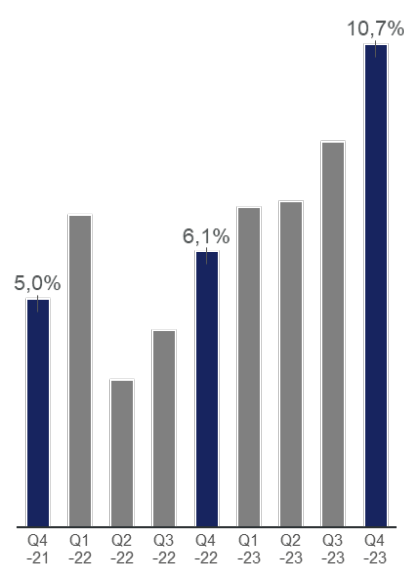
Revenue



Adjusted EBIT



Adjusted EBIT margin



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

Financial performance by business segment

(NOK 1 000)	2023 Oct-Dec	2022 Oct-Dec	2023 Jan-Dec	2022 Jan-Dec
Revenue				
Managed Services	228 870	185 958	819 575	644 801
Professional Services	75 342	61 946	291 170	243 138
New business (APAC)	8 209	2 646	20 465	4 803
Total revenue	312 421	250 551	1 131 210	892 742
Adjusted EBIT¹⁾				
Managed Services	30 569	23 616	114 399	69 734
Professional Services	10 740	4 776	31 404	21 172
HQ (unallocated costs)	(7 347)	(12 012)	(42 865)	(38 525)
Adj. EBIT (ex. APAC)	33 962	16 380	102 937	52 381
<i>Adj. EBIT margin (ex. APAC)</i>	<i>11,2 %</i>	<i>6,6 %</i>	<i>9,3 %</i>	<i>5,9 %</i>
New business (APAC)	(562)	(1 090)	(7 169)	(6 139)
Adj. EBIT	33 399	15 290	95 768	46 242
<i>EBIT margin (%)</i>	<i>10,7 %</i>	<i>6,1 %</i>	<i>8,5 %</i>	<i>5,2 %</i>
Share-based payments	(2 786)	(2 481)	(11 575)	(8 706)
Amortisation excess value on acquisitions	(3 494)	(3 114)	(13 690)	(11 935)
Other	-	-	-	(1 906)
EBIT	27 119	9 696	70 503	23 695
<i>EBIT margin</i>	<i>8,7 %</i>	<i>3,9 %</i>	<i>6,2 %</i>	<i>2,7 %</i>

Financial summary

(NOK 1 000)	2023 Oct-Dec	2022 Oct-Dec	2023 Jan-Dec	2022 Jan-Dec
Revenue	312 421	250 552	1 131 209	892 743
<i>Growth (YoY)</i>	<i>24,7 %</i>	<i>24,2 %</i>	<i>26,7 %</i>	<i>15,1 %</i>
Adjusted EBITDA ¹⁾	49 035	29 635	151 180	98 261
Adjusted EBITDA margin	15,7 %	11,8 %	13,4 %	11,0 %
Adjusted EBIT¹⁾	33 400	15 290	95 768	46 242
Adjusted EBIT margin	10,7 %	6,1 %	8,5 %	5,2 %
EBIT	27 120	9 695	70 503	23 695
Profit/(loss) for the period	20 879	(12 100)	(2 963)	(38 721)
Basic earnings per share (EPS)	0,96	(0,56)	(0,14)	(1,79)
Total comprehensive income	22 593	(19 302)	26 797	(27 431)
Net cash flow from operating activities	44 133	12 423	58 551	422
Net interest-bearing debt (NIBD) ¹⁾	314 751	287 133	314 751	287 133
NIBD/Adjusted EBITDA (LTM)	2,1	2,9	2,1	2,9

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

CEO Insights

In Q4 2023, #teamZalaris delivered on our communicated targets, resulting in the eighth consecutive quarter with all-time high revenues of NOK 312.4 million, up from NOK 250.6 million in Q4 last year. This represents 24.7% year-on-year growth in actual terms and 14.1% in constant currency. We are now a NOK 1.2 billion annualized revenue company well above our aspiration just a year ago.

Adjusted EBIT was 10.7% at NOK 33.4 million, up 118% from NOK 15.3 million in the same period last year. We continued delivering on our growth aspirations for 2023, ending the full year with revenue of NOK 1.13 billion, up 27% year-on-year, with an adjusted EBIT of NOK 96 million – an increase of 107% year-on-year.

Furthermore, we continued winning new contracts, confirming the strong international trends over the last years, positioning us well for continued growth in 2024.

Closing 2023 as Our Best Year of Sales to Date

During the quarter, we closed another EUR 2.2 million of Annual Contract Value (ACV) in Managed Services, including upsell to existing customers, finishing off the year with a record high sale of more than EUR 14 million of ACV – significantly above our sales budget needed to sustain a 10% growth rate.

The potential for expanding existing customer agreements to new geographies was proven by our agreement with a global retailer. It was expanded from our initial coverage of approximately 3,000 employees in a Nordic country to also cover 10,500+ employees in the UK and Ireland – now in total representing approximately 15% of their global workforce, with a corresponding upside for the remaining 85%. Similarly, we expanded our relationship with Santander in Norway, to full coverage of the Nordic region, during the quarter.

Professional Services sold approximately EUR 25 million of Total Contract Value (TCV) throughout the year, which is more than 25% above our budget.

Both business units finished the quarter with strong pipelines for both upsell and new clients. In Managed Services, we continue to see good demand for our Global Payroll value proposition, including the potential to increase geographic scope with existing customers. In Professional Services, demand remains strong for application maintenance services and project implementation services related to SAP HXM. After the quarter, we closed a landmark agreement as a subcontractor to one of Germany's largest System Integrators. The agreement involves implementing a new HCM solution covering Employee Data Management and Payroll for one of the most innovative and progressive German states, with our part of the contract valued at approximately EUR 15 million over the next four years. Positioning Zalaris as one of the leading providers of SAP based people services to the public sector in Germany.

“ With NOK 312 million in revenue and 10,8% adjusted EBIT we delivered on our communicated financial targets for the quarter



Margin Reserves through Continued Focus on Improvements and Scale

Our positive margin development continued throughout the quarter, and in certain areas, we are exceeding our targets. A key contributor to this success is the use of X-shoring and automation, which reduces resource costs as a percentage of revenue. As a result, the total resource costs for 2023 were approximately four percentage points lower compared to the previous year. We believe this relative trend will continue and be further strengthened as the effects of our strategic AI initiatives, ranging from increased use of productivity-enhancing tools in our operations to solutions for anomaly detection and improved customer service, take effect.

Our mature Nordics business remains at the forefront, setting the standard for other operating entities to follow. In 2024, our focus will be on consolidating our position in the Nordic region while enhancing customer service. Simultaneously, we will continue our transformation journey in other geographies, aiming to elevate them to the Nordic level. This strategic approach, combined with the scaling effects from additional revenue, positions us well to achieve our newly targeted EBIT levels of 12-15% over the next 36 months.

Sustainability and CSRD Creating Opportunities

The implementation of the EU Corporate Sustainability Reporting Directive (CSRD) in

2024 presents excellent opportunities for Zalaris to support our customers on their sustainability journey. We have since 2022 been working on a strategic project aimed at integrating sustainability thinking into all our processes and services. During 2023, we successfully implemented several new solutions, including tracking the CO2 footprint from business travel and commuting. Additionally, we enhanced our reporting capabilities for diversity.

Our forward-looking goal is to support our customers in reporting and driving all sustainability measures related to their employee base. We view this as a tremendous opportunity that will not only positively impact revenue and customer relationships but also contribute to building a more sustainable world.

Again, thank you #teamZalaris, customers, and stakeholders for making 2023 a record-breaking year.



Hans-Petter Mellerud,
CEO of Zalaris

Financial Review

Revenue

Revenue for the fourth quarter 2023 amounted to NOK 312.4 million (Q4 2022: NOK 250.6 million). The revenue increase was +24.7%. Measured in constant currency the increase was +14.1%*.

The increase in revenue compared to last year is mainly within Managed Services, and came from new customers, as well as increased volume of change orders and additional services from existing customers. Net Retention within Managed Services was approximately 104%, measured in constant currency.

In the second quarter, Zalaris signed a master services agreement for payroll services with a leading global retailer, and for delivery of payroll cloud services to their employees in Denmark. The agreement was expanded during the fourth quarter and will cover payroll cloud services to their 10,000+ employees in the UK, and managed payroll services to their 500+ employees in Ireland.

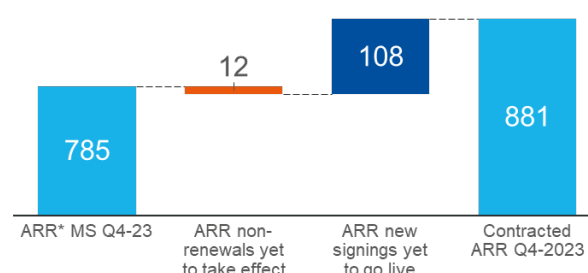


New contracts signed during the fourth quarter amount to annual recurring revenue (“ARR”) of approx. NOK 8 million, excluding any upsell to existing customers. New contracts signed during 2023 amount to ARR of approximately NOK 104 million.

The revenue impact of signed contracts that have not yet gone live as of 31 December 2023 is shown in the table below. The table shows the

ARR within Managed Services at the end of the fourth quarter, and how the Group’s ARR will increase, when these contracts are implemented.

CONTRACTED ARR* IN MS NOK MILLION

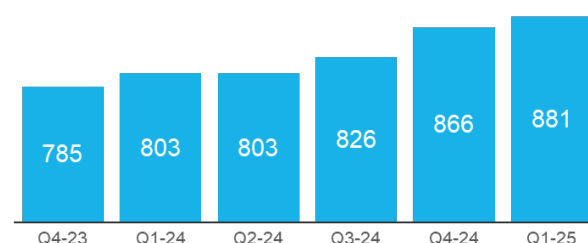


*See definitions and reconciliation of APM’s in a separate section of the interim report.

The additional net ARR of NOK 96 million that will come from new contracts represents an increase in annual revenue for Managed Services of +11.7% (compared to full-year revenue for 2023), and it includes NOK 20 million in extra sales to these new contracts since they were first reported.

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 NOK MILLION



Zalaris has also won the public tender for provision of SAP Payroll Application Maintenance Services for systems serving approximately 700,000 employees and

pensioners of the German State of North Rhein Westphalia. Zalaris has been serving the state for more than ten years. The new four-year agreement has an estimated value of more than EUR 2 million per annum.

Revenue for the full-year 2023 amounted to NOK 1,131.2 million, compared to NOK 892.7 million last year, an increase of +26.7%. Measured in constant currency the increase was +16.0%.

Nordics & Baltics

Revenue in the Nordic & Baltic region was NOK 151.0 million in the fourth quarter. Adjusted for positive currency effects, the revenue was 10.0% higher than the figure last year of NOK 129.7 million. This was explained by the implementation of new customers, and additional volumes and change orders from existing customers, within Managed Services.

Revenue in the Nordic & Baltic region for the full-year 2023 amounted to NOK 556.5 million, compared to NOK 466.3 million last year.

Central Europe

Revenue in the Central Europe region was NOK 127.9 million in the fourth quarter, compared to NOK 103.5 million last year. An increase of

+9.1%, when adjusted for positive currency effects.

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

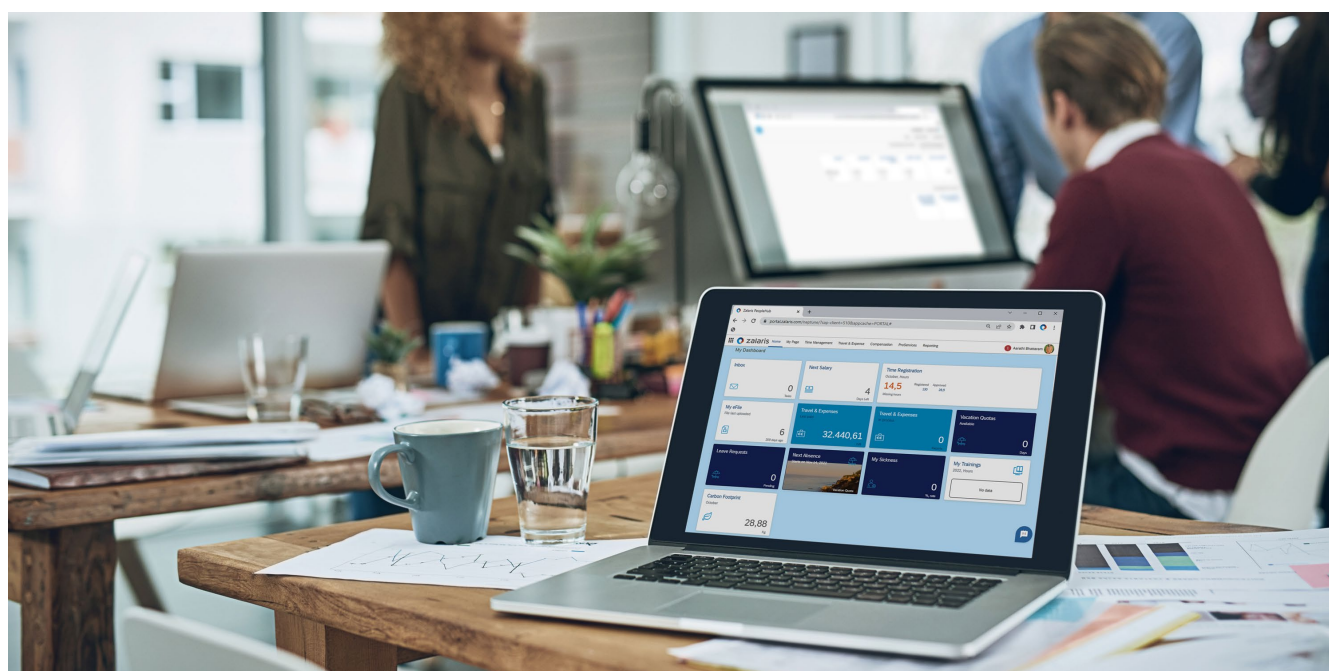
Managed Services in Germany grew by +23.0% in local currency, compared to last year. Within Professional Services, Germany and Poland showed a revenue growth of -0.6% and -14.5% respectively in local currency compared to last year.

Revenue in the Central Europe region for the full-year 2023 amounted to NOK 467.3 million, compared to NOK 374.7 million last year.

UK & Ireland

Revenue in the UK & Ireland region amounted to NOK 25.3 million in the fourth quarter, compared to NOK 14.7 million in the same quarter last year, an increase of +53.5% in local currency. A large contract within Professional Services, for the implementation of Employee Central Payroll in several European countries, was the main contributor to the increase.

Revenue in the UK & Ireland region for the full-year 2023 amounted to NOK 87.0 million, compared to NOK 46.9 million last year



Earnings

The adjusted EBIT, before EBIT from APAC region, was NOK 34.0 million for the fourth quarter (NOK 16.4 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 adjustments made to EBIT were the calculated costs of the Company's share-based payment plan (NOK 2.8 million) and amortisation of excess values on acquisitions (NOK 3.5 million).

Adj. EBIT, before EBIT from APAC, for the full-year amounted to NOK 102.9 million (NOK 52.4 million).

The EBIT from APAC was negative NOK 0.6 million in the fourth 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. 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 activities.

The APAC region is a greenfield establishment and had revenue of NOK 8.2 million in the fourth quarter, up from NOK 4.4 million in the previous quarter.

Consolidated EBIT for the quarter was NOK 27.1 million (NOK 9.7 million). The positive variance from last year is mainly due the factors noted above.

Consolidated EBIT for the full year amounted to NOK 70.5 million (NOK 23.7 million).

The Group had net financial expenses of NOK 15.6 million for the fourth quarter (net expense NOK 5.2 million). Including a net unrealised currency loss of NOK 1.5 million (gain NOK 2.1 million), mainly relating to the EUR 40 million bond loan.

Net financial expenses for the full-year was NOK 74.2 million (expense NOK 40.1 million), including a net currency loss of NOK 30.7 million (loss NOK 15.0 million), mainly relating to the EUR 40 million bond loan.

The net profit for the quarter was NOK 20.9 million (negative NOK 12.1 million), after a loss from discontinued operations (vyble GmbH) of NOK 0.8 million (loss NOK 3.9 million).

The net profit for the full-year was negative NOK 3.0 million (negative NOK 38.7 million), after a loss from discontinued operations of NOK 8.4 million (loss NOK 16.0 million).

Total comprehensive income amounted to NOK 22.6 million (negative NOK 19.3 million), after positive currency translation differences of NOK 1.7 million (negative NOK 7.2 million) relating to foreign subsidiaries.

Total comprehensive income for the full-year was NOK 26.8 million (negative NOK 27.4 million).

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 would 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. Our goal was to reach an adjusted EBIT margin of 10% by the end of 2023. The EBIT target was achieved in the fourth quarter with an adjusted EBIT margin of 10.8%, and the annual EBIT increased by NOK 55 million, when compared to the EBIT for the last 12 months in the third quarter 2022.

We aim for each region to have an internal EBIT margin of 15 – 20%, before any group charges. Well performing regions 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 during 2023. 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.

Germany has much lower margins than other countries, because it has traditionally delivered services based 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 consultant, 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. 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 gradually improve margins in Germany towards our Group target.

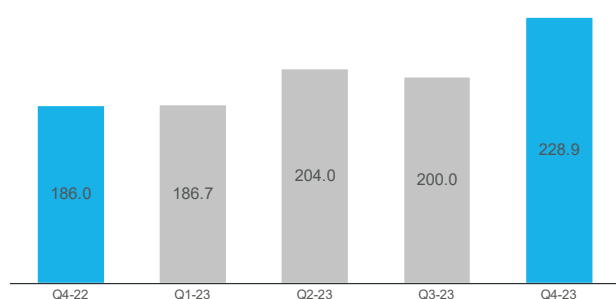


Business segment performance

Managed Services

The Managed Services (“MS”) segment had revenue of NOK 228.9 million (73% of total revenue) for the fourth quarter 2023, compared to NOK 186.0 million in the same quarter last year. The increase was +14.2% when adjusted for positive currency effects and was mainly driven by revenue from new customers that have gone live since the fourth quarter last year and increased change orders, combined with additional services from existing customers.

REVENUE MANAGED SERVICES NOK MILLION



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 fourth quarter was NOK 30.8 million, compared to NOK 13.1 million last year.

The adj. EBIT for MS for the fourth quarter was NOK 30.6 million (NOK 22.9 million), and adj. EBIT margin was 13.4% (12.3%). EBIT margin was positively impacted by the increased revenue.

The EBIT improvement of approximately NOK 55 million by the end of 2023, mainly relates to Managed Services.

The target is for Managed Services to operate on a standard platform across all regions. This model will secure that Managed Services continue to optimise and harmonise the operational processes, use digitalisation, leverage the flexibility and competence of

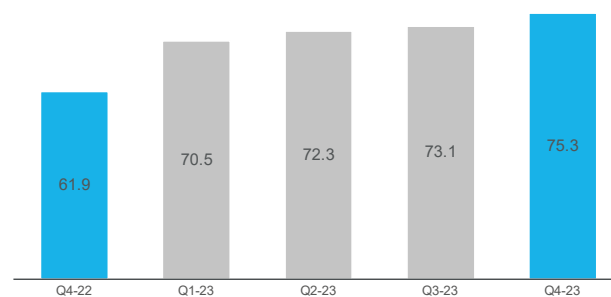
resources across all deliveries, both locally, nearshore (Latvia, Poland, Spain) and offshore (India).

Professional Services

Revenue in the Professional Services (“PS”) segment amounted to NOK 75.3 million for the fourth quarter 2023, compared to NOK 61.9 million last year. When adjusted for positive currency movements the increase was +7.2% year-on-year.

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

REVENUE PROFESSIONAL SERVICES NOK MILLION



The adj. EBIT for PS for the fourth quarter was NOK 10.7 million (NOK 4.6 million), and adj. EBIT margin was 14.2% (7.4%).

APAC

During the first quarter 2022, Zalaris established operations in Australia and Singapore, to expand its multi-country payroll capabilities to the Asia-Pacific region (“APAC”). The purpose was to better support European headquartered customers, with operations in APAC countries. APAC is one of the fastest growing regions for multi-country payroll. The new region is already offering a full suite of Professional and Managed Services. The new region is reported separately until it has reached a sustainable business level.

The new region is still an early-stage business, and recorded revenue and adj. EBIT of NOK 8.2 million and negative NOK 0.6 million respectively in the fourth 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 sales process for vyble, and a final solution is expected in the near future.

Financial position and cash flow

Zalaris had total assets of NOK 1,111.6 million as of 31 December 2023, compared to NOK 1,054.1 million on 30 September 2023.

Cash and cash equivalents were NOK 136.0 million (including cash in discontinued operations) as of 31 December 2023, an increase of NOK 15.2 million from the end of the previous quarter.

Total equity as of 31 December 2023 was NOK 203.0 million, compared to NOK 177.6 million as of 30 September 2023. This corresponds to an equity ratio of 18.3% (16.8%).

The Company holds 490,070 own shares (2.2% of total outstanding shares) at 31 December 2023.

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) decreased from NOK 333.3 million on 30 September 2023 to NOK 314.8 million on 31 December 2023.

The decrease in net interest-bearing debt is mainly due to a positive net cash flow during the fourth quarter.

Operating cash flow during the fourth quarter 2023 was NOK 44.1 million (NOK 12.4 million). This includes the positive impact of NOK 10.4 million from a reclassification of costs capitalised to customer projects during the year to investment in fixed and intangible assets (ref. comment below).

Net cash flow from investing activities for the fourth quarter was negative NOK 20.2 million (negative NOK 9.8 million). This includes a reclassification of a development projects, for a separate retail solution in PeopleHub, from costs capitalised to customer projects to intangible assets, NOK 10.4 million.

Net cash flow from financing activities for the fourth quarter was negative NOK 6.5 million (negative NOK 3.2 million).

Subsequent events

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

Outlook

Zalaris has a positive outlook for future revenue growth, as it has secured many large new, long-term BPaaS/SaaS contracts within the Managed Services Division in the past year. Several of which will become operational during 2024 and early-2025. The pipeline of new possible contracts remains strong, supporting Zalaris' target of an annual growth rate of minimum 10%.

Significant scale benefits from the revenue growth combined with continued cost optimization from X-shoring, automation and the use of AI will be the key drivers for improved profitability going forward. Key targets for 2024 include further automation of our delivery processes and improved use of our near- and offshore delivery centres in Latvia, Poland, and India, for our German operation.

Based on industry and market research reports, Zalaris' key markets, within multi-country payroll and HR outsourcing, are expected to experience continued growth in the foreseeable future. The company is well positioned to capture part of this growth through a competitive technology platform combined with a cost optimised skilled workforce, best demonstrated by the multi-country contracts with e.g. Metsä, Yunex Traffic and Innomatics. Growth will also come from expanding the services to existing customers, including increased geographic coverage, demonstrated by customers like Siemens, Tryg, and Ericsson, and our recent signing with a large global retailer.

Zalaris has been expanding its geographical coverage both in Europe and the Asia-Pacific region to strengthen its competitive position. Whilst the Company previously established its own subsidiaries in new countries, an important revised expansion strategy has been implemented using in-country partners, deploying Zalaris' PeopleHub solution. This secures low risk profitable global geographic expansion, even for 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 negatively. The strong pipeline of available opportunities indicate that this trend will continue.

However, we are experiencing upward pressure on salaries, and the recruitment of new skilled 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, 28 February 2024

Interim Consolidated Financial Statements

Consolidated Statement of Profit and Loss

(NOK 1 000)	Notes	2023	2022	2023	2022
		Oct-Dec <i>unaudited</i>	Oct-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>	Jan-Dec
Revenue	2	312 421	250 552	1 131 209	892 743
Operating expenses					
License costs		26 179	19 078	99 527	80 198
Personnel expenses	4	152 766	128 836	584 324	483 824
Other operating expenses		81 131	70 291	284 751	222 537
Depreciation and impairments		1 430	1 419	4 269	3 908
Depreciation right-of-use assets		6 096	5 192	23 002	18 535
Amortisation intangible assets		7 784	7 208	31 068	28 409
Amortisation implementation costs customer projects	3	9 915	8 832	33 765	31 638
Total operating expenses		285 301	240 857	1 060 707	869 049
Operating profit (EBIT)		27 120	9 695	70 503	23 694
Financial items					
Financial income	5	3 175	2 394	8 496	7 565
Financial expense	5	(17 265)	(9 736)	(82 781)	(32 106)
Unrealized foreign exchange gain/(loss)	5	(1 493)	2 124	61	(15 561)
Net financial items		(15 583)	(5 218)	(74 225)	(40 102)
Profit before tax from continuing operations		11 537	4 477	(3 722)	(16 408)
Tax expense		10 147	(12 686)	9 173	(6 295)
Profit for the period from continuing operations		21 684	(8 209)	5 451	(22 703)
Profit/(loss) after tax for the year from discontinued operations	9	(805)	(3 891)	(8 414)	(16 018)
Profit for the period		20 879	(12 100)	(2 963)	(38 721)
Profit attributable to:					
- Owners of the parent		20 960	(11 710)	(2 122)	(37 119)
- Non-controlling interests		(80)	(390)	(841)	(1 602)
Earnings per share:					
Basic earnings per share (NOK)		0,96	(0,56)	(0,14)	(1,79)
Diluted earnings per share (NOK)		0,96	(0,56)	(0,14)	(1,79)
Earnings per share for continuing operations:					
Basic earnings per share (NOK)		1,00	(0,38)	0,25	(1,05)
Diluted earnings per share (NOK)		1,00	(0,38)	0,25	(1,05)

Consolidated Statement of Comprehensive Income

(NOK 1 000)	Notes	2023	2022	2023	2022
		Oct-Dec <i>unaudited</i>	Oct-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>	Jan-Dec
Profit for the period		20 879	(12 100)	(2 963)	(38 721)
Other comprehensive income					
Items that will be reclassified to profit and loss in subsequent periods					
Currency translation differences		1 714	(7 203)	29 760	11 290
Total other comprehensive income		1 714	(7 203)	29 760	11 290
Total comprehensive income		22 593	(19 302)	26 797	(27 431)
Total comprehensive income attributable to:					
- Owners of the parent		22 674	(18 913)	27 638	(25 829)
- Non-controlling interests		(80)	(390)	(841)	(1 602)

Consolidated Statement of Financial Position

(NOK 1 000)	Notes	2023 31. Dec <i>unaudited</i>	2022 31. Dec
ASSETS			
Non-current assets			
Intangible assets		118 126	119 141
Goodwill		209 443	195 834
Total intangible assets		327 569	314 975
Deferred tax asset		52 065	29 837
Fixed assets			
Right-of-use assets		44 853	48 363
Property, plant and equipment		35 186	33 088
Total fixed assets		80 039	81 451
Total non-current assets		459 673	426 263
Current assets			
Trade accounts receivable		262 690	191 715
Customer projects	3	197 106	135 359
Other short-term receivables		46 083	48 225
Cash and cash equivalents	6	135 722	91 796
Total current assets		641 601	467 095
Assets held for sale	9	10 275	12 384
TOTAL ASSETS		1 111 549	905 742

Consolidated Statement of Financial Position

(NOK 1 000)	Notes	2023 31. Dec	2022 31. Dec
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital		2 165	2 159
Other paid in equity		21 481	10 039
Share premium		143 045	141 898
Total paid-in capital		166 691	154 096
Other equity		14 519	14 519
Retained earnings		24 190	(3 417)
Equity attributable to equity holders of the parent		205 400	165 199
Non-controlling interest		-2 443	(1 602)
Total equity		202 957	163 597
Liabilities			
Non-current liabilities			
Deferred tax		27 418	23 899
Interest-bearing loans	7	439 964	10 891
Other long-term liabilities		-	659
Lease liabilities		28 585	32 328
Total long-term liabilities		495 967	67 777
Current liabilities			
Trade accounts payable		38 159	45 407
Customer projects liabilities	3	182 588	103 744
Interest-bearing loans	7	10 757	369 693
Lease liabilities		18 469	17 783
Income tax payable		4 537	3 270
Public duties payable		44 621	37 686
Other short-term liabilities		108 815	92 003
Total short-term liabilities		407 946	669 586
Liabilities directly associated with the assets held for sale	9	4 679	4 783
Total liabilities		908 592	742 146
TOTAL EQUITY AND LIABILITIES		1 111 549	905 742

Consolidated Statement of Cash Flow

(NOK 1 000)	Notes	2023	2022	2023	2022
		Oct-Dec <i>unaudited</i>	Oct-Dec <i>unaudited</i>	Jan-Dec <i>unaudited</i>	Jan-Dec
Cash Flow from operating activities					
Profit (Loss) before tax from continued operation		11 537	4 478	(3 722)	(16 408)
Profit (Loss) before tax from discontinued operation		(1 032)	(4 989)	(10 787)	(20 536)
Net financial items	5	15 583	5 220	74 225	40 103
Share based program		2 786	2 481	11 575	8 706
Depreciation and impairments		1 430	1 419	4 269	3 907
Depreciation right-of-use assets		6 096	5 192	23 002	18 535
Amortisation intangible assets		7 784	7 209	31 068	28 409
Capitalisation implementation costs customer projects	3	(20 514)	(13 342)	(89 272)	(67 771)
Depreciation implementation costs customer projects	3	9 915	8 831	33 765	31 638
Customer project revenue deferred	3	30 768	13 145	104 139	62 134
Customer project revenue recognised	3	(9 852)	(7 631)	(29 408)	(20 807)
Taxes paid		(2 720)	(4 703)	(11 452)	(14 356)
Changes in accounts receivable		(21 679)	(13 635)	(70 975)	(50 318)
Changes in accounts payable		6 434	12 684	(7 248)	27 150
Changes in other items		17 560	1 679	35 104	(10 020)
Interest received		968	202	2 585	308
Interest paid		(10 932)	(5 817)	(38 317)	(20 252)
Net cash flow from operating activities		44 133	12 423	58 551	422
Cash flows to investing activities					
Investment in fixed and intangible assets		(20 180)	(9 815)	(33 868)	(27 845)
Investment in fixed and intangible assets business combinations		-	1 214	-	-
Acquisition of subsidiaries, net of cash acquired		-	(1 214)	-	(11 317)
Net cash flow from investing activities		(20 180)	(9 815)	(33 868)	(39 163)
Cash flows from financing activities					
Sale of own shares		-	-	881	-
Buyback of own shares		-	-	-	(17 768)
Contribution from minority shareholder		-	746	293	2 203
Capital increase (net proceeds)		-	-	-	-
Payment of lease liabilities		(6 292)	(5 118)	(22 790)	(17 884)
Net proceeds from new EUR 40m bond loan		-	531	440 796	-
Repayment of loans		(201)	599	(400 547)	(2 901)
Dividend payments to owners of the parent		-	(1)	-	(7 558)
Net cash flow from financing activities		(6 493)	(3 243)	18 633	(43 909)
Net changes in cash and cash equivalents		17 461	(636)	43 316	(82 650)
Net foreign exchange difference		(2 241)	(1 499)	(796)	(120)
Cash and cash equivalents at the beginning of the period		120 749	95 588	93 451	176 224
Cash and cash equivalents at the end of the period		135 968	93 454	135 970	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							(37 119)		(37 119)	(1 602)	(38 721)
Other comprehensive income								11 290	11 290		11 290
Purchase of own shares		(35)	(17 743)		(17 778)				(17 778)		(17 778)
Share based payments				8 662	8 662				8 662		8 662
Share based payments		10	2 271	(2 281)					-		-
Other changes							(1 309)		(1 309)		(1 309)
Dividend							(7 558)		(7 558)		(7 558)
Equity at 31.12.2022	2 214	(54)	141 898	10 038	154 095	14 519	8 622	(12 038)	165 198	(1 602)	163 596
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							(2 122)		(2 122)	(841)	(2 963)
Other comprehensive income								29 760	29 760		29 760
Share based payments				11 575	11 575				11 575		11 575
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							113		113		113
Equity at 31.12.2023	2 214	(49)	143 044	21 481	166 690	14 519	6 469	17 722	205 400	(2 443)	202 957

Unaudited

Notes to the 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 three months ended 31 December 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 the first quarter of 2022 Zalaris established HR & Payroll Tech Investments as a new segment, following the establishment of vyble GmbH "vyble", and subsequent acquisition of the assets of vyble AG. However, following the restructuring of vyble, the Company has decided to focus its resources entirely on the Managed Services and Professional Services segments, and a sales process has been initiated for vyble, and the asset reclassified to "assets held for sale".

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.

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.

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 ("APAC"), 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.

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 Oct-Dec

(NOK 1 000)	Managed Services	Professional Services	Gr.Ovhd & APAC	Unallocated	Total
Revenue, external	228 870	75 342	8 209	-	312 421
Operating expenses	(184 318)	(62 686)	(8 583)	(4 492)	(260 078)
EBITDA	44 552	12 656	(374)	(4 492)	52 343
Depreciation and amortisation	(14 955)	(2 216)	(258)	(7 794)	(25 223)
EBIT	29 597	10 441	(632)	(12 286)	27 120
Net financial income/(expenses)				(15 583)	(15 583)
Income tax				10 147	10 147
Profit for the period from continuing operations	29 597	10 441	(632)	(17 722)	21 684
Cash flow from investing activities					(20 180)

2022 Oct-Dec

(NOK 1 000)	Managed Services	Professional Services	APAC	Gr.Ovhd & Unallocated	Total
Revenue, external	185 958	61 946	2 646		250 551
Operating expenses	(151 019)	(55 052)	(3 275)	(8 860)	(218 206)
EBITDA	34 939	6 894	(629)	(8 860)	32 345
Depreciation and amortisation	(12 591)	(2 468)	(21)	(7 569)	(22 649)
EBIT	22 348	4 426	(650)	(16 429)	9 696
Net financial income/(expenses)				(5 218)	(5 218)
Income tax				(12 685)	(12 685)
Profit for the period from continuing operations	22 348	4 426	(650)	(34 333)	(8 208)
Cash flow from investing activities					(9 815)

2023 Jan-Dec

(NOK 1 000)	Managed Services	Professional Services	APAC	Gr.Ovhd & Unallocated	Total
Revenue, external	819 575	291 170	20 465		1 131 210
Operating expenses	(658 506)	(252 430)	(26 857)	(30 809)	(968 603)
EBITDA	161 069	38 740	(6 393)	(30 809)	162 607
Depreciation and amortisation	(51 511)	(8 426)	(974)	(31 193)	(92 104)
EBIT	109 558	30 315	(7 367)	(62 002)	70 503
Net financial income/(expenses)				(74 225)	(74 225)
Income tax				9 173	9 173
Profit for the period from continuing operations	109 558	30 315	(7 367)	(127 054)	5 451
Cash flow from investing activities					(33 868)

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	(536 580)	(213 865)	(10 438)	(25 675)	(786 558)
EBITDA	108 221	29 273	(5 635)	(25 675)	106 184
Depreciation and amortisation	(43 994)	(9 281)	(63)	(29 151)	(82 489)
EBIT	64 227	19 992	(5 698)	(54 826)	23 695
Net financial income/(expenses)				(40 102)	(40 102)
Income tax				(6 295)	(6 295)
Profit for the period from continuing operations	64 227	19 992	(5 698)	(101 223)	(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:

Oct-Dec

(NOK 1 000)	2023				2022			
	MS	PS	Total	as % of total	MS	PS	Total	as % of total
Norway	60 303	285	60 587	19%	56 874	204	57 078	23%
Northern Europe, excluding Norway	89 996	442	90 438	29%	71 939	702	72 641	29%
Central Europe	69 233	58 633	127 866	41%	49 891	53 637	103 529	41%
UK & Ireland	9 338	15 983	25 321	8%	7 286	7 372	14 658	6%
APAC	3 047	5 162	8 209	3%	1 385	1 261	2 647	1%
Total	231 917	80 504	312 421	100%	187 375	63 176	250 551	100%

Jan-Dec

(NOK 1 000)	2023				2022			
	MS	PS	Total	as % of total	MS	PS	Total	as % of total
Norway	227 252	1 066	228 318	20%	198 785	1 067	199 852	22%
Northern Europe, excluding Norway	326 416	1 741	328 156	29%	263 341	3 150	266 491	30%
Central Europe	231 544	235 745	467 289	41%	160 714	213 968	374 682	42%
UK & Ireland	34 505	52 478	86 982	8%	21 952	24 962	46 914	5%
APAC	8 406	12 059	20 465	2%	-	4 803	4 803	1%
Total	828 122	303 088	1 131 210	100%	644 792	247 950	892 742	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
	31. Dec	31. Dec
Trade receivables	262 690	191 715
Customer project assets	197 106	135 359
Customer project liabilities	(182 588)	(103 744)
Prepayments from customers	(15 993)	(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 fulfils 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
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec	31. Dec
Opening balance in the period	187 687	131 479	135 360	94 799	94 799
Cost capitalised	20 514	13 343	89 272	67 771	67 771
Amortisation	(9 915)	(8 831)	(33 765)	(31 638)	(31 638)
Currency	(1 179)	(632)	6 240	4 427	4 427
Customer projects assets end of period	197 106	135 359	197 106	135 359	135 360

MOVEMENTS IN CUSTOMER PROJECT LIABILITIES THROUGH THE PERIOD:

(NOK 1 000)	2023	2022	2023	2022	2022
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Opening balance in the period	(161 363)	(98 302)	(103 744)	(66 452)	(66 452)
Revenue deferred	(30 768)	(13 145)	(104 139)	(62 134)	(62 134)
Revenue recognised	9 851	7 631	29 408	20 807	20 807
Currency	(308)	72	(4 113)	4 035	4 035
Customer project liabilities end of period	(182 588)	(103 744)	(182 588)	(103 744)	(103 744)

Note 4 – Personnel expenses

(NOK 1 000)	2023	2022	2023	2022
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Salary	131 196	113 554	508 795	416 264
Bonus	9 780	7 097	23 359	18 719
Social security tax	21 776	16 796	79 329	61 387
Pension costs	6 538	6 427	24 782	21 841
Share based payments	2 797	2 498	11 589	8 627
Other personnel expenses	5 916	3 329	18 008	14 992
Capitalised to internal development projects	(2 032)	(8 471)	(6 847)	(14 540)
Capitalised to customer project assets	(23 205)	(12 393)	(74 691)	(43 466)
Total personnel expenses	152 766	128 837	584 324	483 824

Note 5 – Finance income and finance expense

(NOK 1 000)	2023	2022	2023	2022
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Interest income on bank accounts and receivables	968	200	2 448	304
Currency gain	2 267	1 296	5 902	6 028
Other financial income	(60)	898	147	1 232
Finance income	3 175	2 393	8 496	7 565
Interest exp. on financial liab. measured at amortised cost	10 932	5 564	38 317	18 522
Currency loss	4 569	2 384	36 690	5 518
Interest expense on leasing	4 727	616	2 677	2 237
Other financial expenses	(2 963)	1 174	5 097	5 829
Finance expenses	17 265	9 737	82 781	32 106
Unrealized foreign exchange profit/(loss)	(1 493)	2 124	61	(15 561)
Net financial items	(15 583)	(5 220)	(74 225)	(40 102)

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

(NOK 1 000)	2023	2022
	31. Dec	31. Dec
Cash in hand and at bank - unrestricted funds	131 630	87 706
Deposit accounts - guarantee rent obligations - restricted funds	-	-
Employee withheld taxes - restricted funds	4 092	4 090
Cash and cash equivalents continuing operations	135 722	91 796
Cash discontinued operations	248	1 655
Total cash and cash equivalents	135 970	93 451

Note 7 – Interest-bearing loans and borrowings

(NOK 1 000)	Annual interest	Maturity	2023	2022
			31. Dec	31. Dec
Bond loan	3 m Euribor + 5.25%	28.03.2028	439 205	368 208
Commerzbank - DE	1.3%	31.12.2031	10 506	11 108
De Lage Landen Finans	7,05%	31.01.2028	1 010	1 268
Total interest-bearing loans			450 721	380 584
Total long-term interest-bearing loans			439 964	10 891
Total short-term interest-bearing loans			10 757	369 693
Total interest-bearing loans			450 721	380 584

The Company's bond loan of EUR 40 million is to be 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 Q2 2023, there were no new share options or RSUs granted to employees. As of 31 December 2023, there are 2,732,000 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. A transaction is expected to be completed in the first quarter of 2024. The results of vyble for the period are presented below:

(NOK 1 000)	2023	2022	2023	2022
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Revenue	1 216	578	3 386	3 378
Operating expenses	1 690	6 416	13 769	23 747
Operating loss	(474)	(5 838)	(10 383)	(20 369)
Finance costs	109	(604)	404	167
Profit/(loss) before tax from discontinued operation	(583)	(5 234)	(10 787)	(20 536)
Tax expense	(222)	1 343	2 373	4 763
Profit/(loss) for the year tax from discontinued operation	(805)	(3 891)	(8 414)	(16 018)

The major classes of assets and liabilities of vyble classified as held for sale as at 31 December are as follows:

	2023	2022
(NOK 1 000)	31. Dec	31. Dec
Intangible assets	8 674	9 628
Property, plant and equipment	9	11
Other current assets	1 343	1 089
Cash and cash equivalents	248	1 655
Total assets held for sale	10 274	12 383
Creditors	544	1 500
Interest-bearing loans and borrowings	4 135	3 283
Liabilities directly associated with assets held for sale	4 679	4 783
Net assets directly associated with disposal group	5 595	7 600

The net cash flows incurred by vyble are as follows:

	2023	2022	2023	2022
(NOK 1 000)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Operating	(656)	(5 631)	(7 771)	(18 828)
Investing	83	(275)	(107)	(11 592)
Net cash outflow	(573)	(5 906)	(7 878)	(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.

(NOK 1 000)	2023	2022	2023	2022
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
EBITDA	52 345	32 346	162 607	106 185
Cost incurred in establishing AMS centre in Poland	-	-	-	1 906
Share-based payments	2 786	2 481	11 575	8 706
Depreciation right-of-use assets (IFRS 16 effect)	(6 096)	(5 192)	(23 002)	(18 535)
Adjusted EBITDA	49 035	29 635	151 180	98 261

(NOK 1 000)	2023	2022	2023	2022
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
EBIT	27 120	9 695	70 503	23 694
Cost incurred in establishing AMS centre in Poland	-	-	-	1 906
Share-based payments	2 786	2 481	11 575	8 706
Amortization of excess values on acquisition	3 494	3 113	13 690	11 935
Adjusted EBIT	33 400	15 290	95 768	46 241

Adjusted EBIT per segment

	2023	2022	2023	2022
(NOK 1 000)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Managed Services - EBIT	29 597	22 348	109 558	64 667
Cost incurred in establishing AMS centre in Poland		-	-	1 906
Share-based payments	972	547	4 840	2 881
Managed Services - adjusted EBIT	30 569	22 895	114 398	69 454

	2023	2022	2023	2022
(NOK 1 000)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Professional Services - EBIT	10 441	4 427	30 315	19 992
Share-based payments	300	183	1 089	1 014
Professional Services - adjusted EBIT	10 740	4 610	31 404	21 006

*Relates mainly to redundancy costs/severance pay for employees

	2023	2022	2023	2022
(NOK 1 000)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
New business (APAC) - EBIT	(632)	(650)	(7 367)	(6 139)
Share-based payments	70		198	
New business (APAC) - adjusted EBIT	(562)	(650)	(7 169)	(6 139)

	2023	2022	2023	2022
(NOK 1 000)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Group overhead/unallocated - EBIT	(12 286)	(16 429)	(62 002)	(54 826)
Restructuring costs*		-	-	
Mergers & Acquisitions			-	
Share-based payments	1 444	1 752	5 446	4 811
Amortization of excess values on acquisition	3 494	3 113	13 690	11 935
Group overhead/unallocated - adjusted EBIT	(7 347)	(11 564)	(42 866)	(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 year's revenue using foreign exchange rates consistent with the prior year.

	2023	2022	2023	2022
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Revenue growth, as reported	24,7 %	24,2 %	26,7 %	15,2 %
Impact of foreign currency	-10,6 %	-2,4 %	-10,7 %	1,3 %
Revenue growth, constant currency	14,1 %	21,8 %	16,0 %	16,5 %
Managed Services revenue growth, as reported	23,1 %	30,0 %	27,1 %	21,7 %
Impact of foreign currency	-8,9 %	-1,5 %	-9,3 %	1,4 %
Managed Services revenue growth, constant currency	14,2 %	28,5 %	17,8 %	23,1 %
Professional Services revenue growth, as reported	21,6 %	5,6 %	19,8 %	-1,0 %
Impact of foreign currency	-14,4 %	-3,4 %	-14,3 %	1,3 %
Professional Services revenue growth, constant currency	7,2 %	2,2 %	5,5 %	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
(NOK 1 000)	31. Dec	31. Dec
Cash and cash equivalents continuing operations	135 722	91 796
Cash and cash equivalents discontinuing operations	248	1 655
Interest-bearing loans and borrowings - long-term	439 964	10 891
Interest bearing loans and borrowings - short-term	10 757	369 693
Net interest-bearing debt (NIBD)	314 751	287 133

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.

	2023	2022	2023	2022
(NOK 1 000)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net cash flow from operating activities	44 133	12 423	58 551	422
Investment in fixed and intangible assets	(20 180)	(9 815)	(33 868)	(27 845)
Free cash flow	23 954	2 608	24 683	(27 423)

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)	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Revenues	201,7	208,4	210,2	223,6	250,6	260,8	280,5	277,5	312,4
Revenue growth (YoY)	-0,9 %	8,1 %	13,4 %	14,4 %	24,2 %	25,1 %	33,5 %	24,1 %	24,7 %
EBITDA adjusted	24,9	27,5	19,1	22,0	29,6	29,6	34,6	37,9	49,0
EBITDA margin adjusted	12,3 %	13,2 %	9,1 %	9,9 %	11,8 %	11,3 %	12,3 %	13,7 %	15,7 %
EBIT adjusted	10,2	14,4	6,8	9,7	15,3	18,5	20,2	23,7	33,4
EBIT margin adjusted	5,1 %	6,9 %	3,2 %	4,4 %	6,1 %	7,1 %	7,2 %	8,5 %	10,7 %
EBIT	1,5	4,7	1,2	4,4	13,3	12,8	12,7	17,6	27,1
EBIT margin	0,7 %	2,2 %	0,6 %	1,9 %	5,3 %	4,9 %	4,5 %	6,4 %	8,7 %
Profit Before Tax	1,7	14,7	(26,2)	(9,4)	4,9	(25,1)	(8,9)	18,8	11,5
Income Tax Expense	(0,3)	(1,5)	5,2	2,7	(12,7)	2,6	(0,4)	(3,2)	10,1
Net income	1,3	13,2	(21,0)	(6,7)	(8,2)	(22,5)	(9,3)	15,6	21,7
Profit margin	0,7 %	6,3 %	-10,0 %	-3,0 %	-3,3 %	-8,6 %	-3,3 %	5,6 %	6,9 %
Weighted # of shares outstanding (m)	21,3	21,5	21,6	21,6	21,6	21,6	21,6	21,6	21,6
Basic EPS (NOK)	0,06	0,44	(0,72)	(0,95)	(0,56)	(1,20)	(0,52)	0,62	0,96
Diluted EPS (NOK)	0,06	0,41	(0,72)	(0,95)	(0,56)	(1,20)	(0,52)	0,62	0,96
Cash flow items									
Cash from operating activities	23,2	(4,4)	3,0	(10,6)	12,4	(4,1)	3,3	15,3	44,1
Investments	(6,2)	(4,7)	(6,5)	(8,0)	(9,8)	(4,8)	(4,7)	(4,2)	(20,2)
Net changes in cash and cash equi.	7,5	(41,3)	(17,4)	(23,3)	(2,1)	27,1	(8,6)	7,4	17,5
Cash and cash equivalents end of per	176,2	134,7	116,8	95,6	93,5	124,1	113,6	120,7	136,0
Net interest-bearing debt	183,0	212,9	254,4	284,5	287,1	332,9	356,3	333,3	314,8
Total equity	207,3	189,7	182,4	180,5	163,6	168,9	176,7	177,6	203,0
Equity ratio	25,0 %	23,1 %	20,9 %	20,1 %	18,1 %	16,3 %	16,8 %	16,8 %	0,2
FTEs (quarter end)	795	838	884	915	963	983	987	1 004	1 007
Segment overview									
	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Revenues	201,7	209,7	210,2	223,6	250,6	260,8	280,5	277,5	312,4
Managed Services	143,0	146,5	151,7	160,6	186,0	186,7	204,0	200,0	228,9
Professional Services	58,7	61,9	57,9	61,3	61,9	70,5	72,3	73,1	75,3
APAC		1,2	0,6	1,6	1,4	3,6	4,3	4,4	8,2
EBIT	1,5	4,7	1,2	4,4	13,3	12,8	13,0	17,6	27,1
Managed Services	14,1	15,1	10,7	16,5	21,8	23,5	27,7	28,7	29,6
as % of revenue	9,9 %	10,3 %	7,1 %	10,2 %	12,0 %	12,6 %	13,6 %	14,3 %	12,9 %
Professional Services	4,8	6,8	4,9	3,8	4,4	10,3	2,9	6,6	10,4
as % of revenue	8,1 %	11,0 %	8,5 %	6,2 %	7,1 %	14,6 %	4,1 %	9,1 %	13,9 %
APAC		(3,8)	(3,3)	(1,7)	3,1	(2,5)	(2,2)	(2,0)	(0,6)
as % of revenue		-310,9 %	-579,1 %	-106,9 %	-24,6 %	-70,2 %	-50,5 %	-46,7 %	-7,7 %
Gr.ovhd & Unallocated	(17,4)	(13,5)	(11,1)	(14,2)	(15,9)	(18,5)	(15,5)	(15,6)	(12,3)

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Financial information

Q1 2024 to be published
on 25 April 2024

All financial information is
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zalaris.com/Investor-Relations/

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