

PeopleHub BY ZALARIS

Your one-stop HR platform

Q2 2024

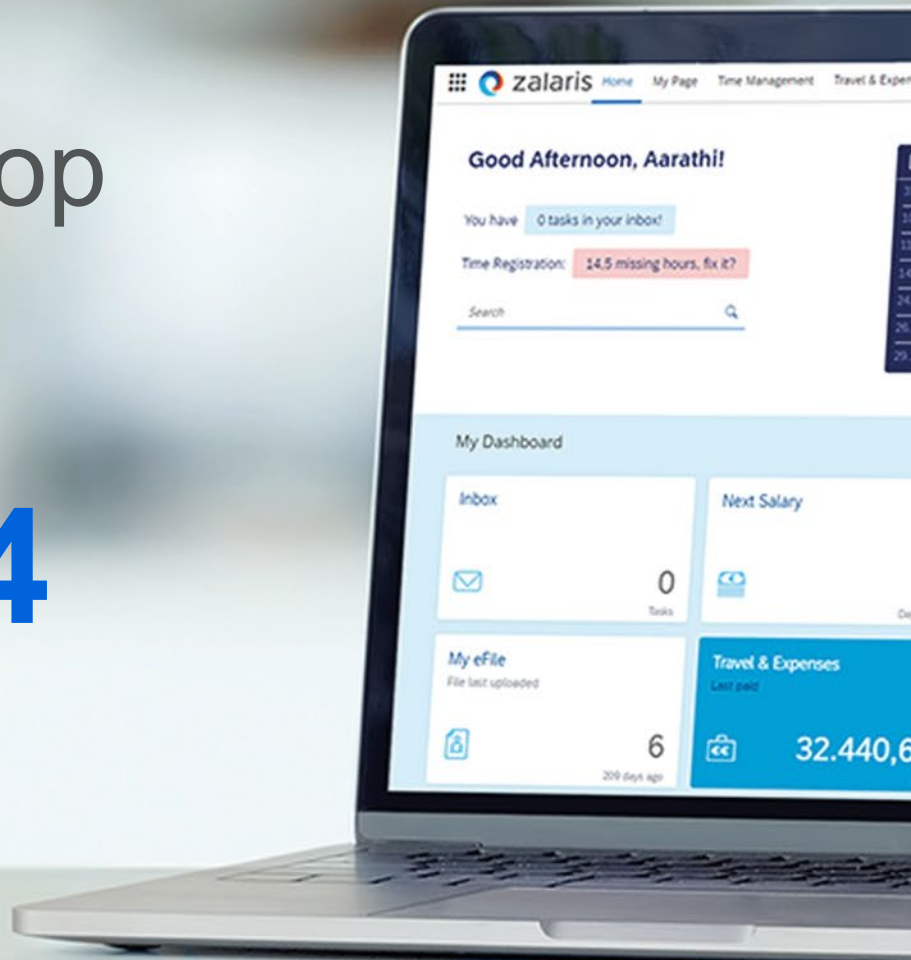


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**Simplify work life.
Achieve more.**



**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, the 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

Q2 Highlights

STRONG REVENUE GROWTH

Revenue of NOK 323.2 million (NOK 281.2 million), representing revenue growth of 14.9% YoY and 15.3% in constant currency

SIGNIFICANTLY HIGHER ADJ. EBIT

Adj. EBIT NOK 28.4 million (20.2 million) and adj. EBIT margin 8.8% (7.2%)

MAJOR CONTRACT EXPANSIONS

Expansion with existing customers for additional services and geographies with annual contract value of ~NOK 29 million to be implemented

Other updates

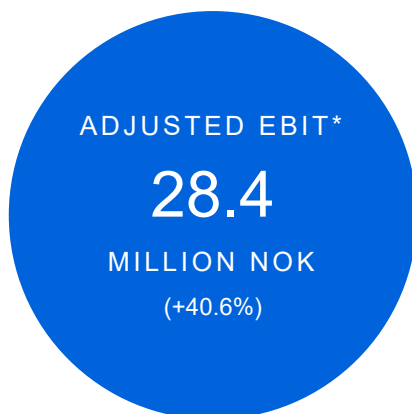
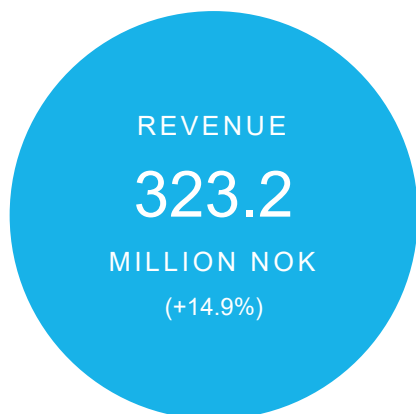
- Continued increase in sales to existing customers and net retention for Managed Services was 106% in the second quarter, in constant currency.
- Sales pipeline in Managed Services remain strong, including an annual contract value of approx. NOK 42 million, supported by signed letters of intent with new customers.
- Implemented detailed plans for annual EBIT improvements in DACH of approx. NOK 40 million within the next 12 – 18 months, in addition to approx. NOK 10 million from new customer contracts. Core focus is on improving free cashflow – particularly in the DACH region.
- Operating cash flow of NOK 18.4 million (Q2'23: NOK 3.3 million). Stronger operational cashflow compared to previous periods opens up for reintroducing dividend payments for 2024, subject to changes in external factors (currencies etc.) not having dramatic impact on our ratios.
- Following a planning period with focus on solid preparatory work, the strategic review process announced in April is well underway.



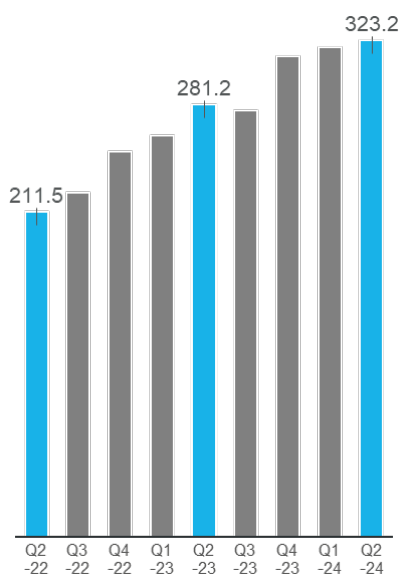
Key Figures



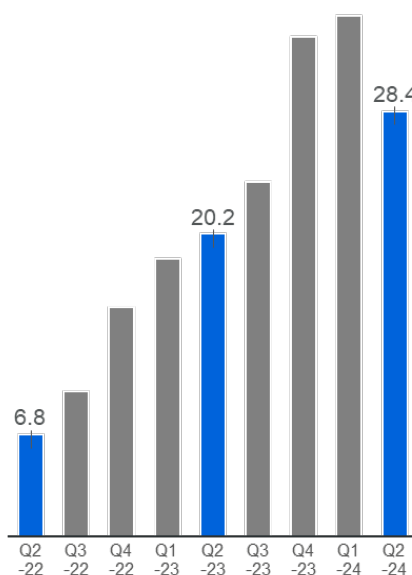
All time high quarterly revenue and strong EBIT improvement



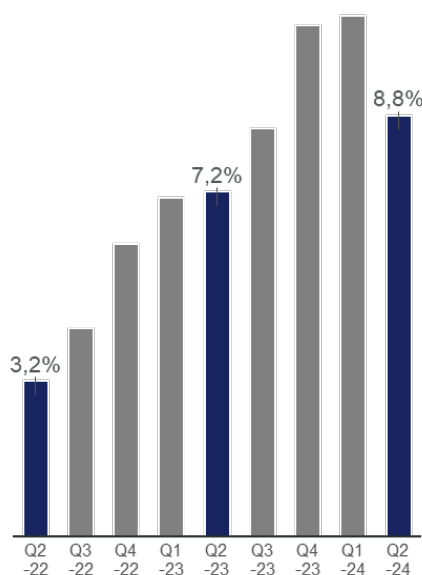
Revenue



Adjusted EBIT



Adjusted EBIT margin



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

Financial performance by business segment

(NOK 1 000)	2024 Apr-Jun	2023 Apr-Jun	2024 Jan-Jun	2023 Jan-Jun	2023 [*] Jan-Dec
Revenue					
Managed Services	242 325	203 970	475 003	390 700	819 575
Professional Services	69 655	72 294	146 474	142 752	291 170
New business (APAC)	10 784	4 266	19 596	7 877	20 465
Non-core (vyble)	442	688	651	1 275	2 762
Total revenue	323 206	281 218	641 725	542 604	1 133 972
Adjusted EBIT¹⁾					
Managed Services	33 366	29 713	66 045	54 499	114 399
Professional Services	2 349	3 228	12 199	13 662	31 404
New business (APAC)	478	(2 094)	(322)	(4 629)	(7 169)
HQ (unallocated costs)	(7 806)	(10 630)	(14 718)	(24 828)	(42 865)
Adj. EBIT	28 387	20 217	63 204	38 704	95 768
<i>Adj. EBIT margin (%)</i>	8,8 %	7,2 %	9,9 %	7,1 %	8,5 %
Non-core (vyble)	(1 293)	(2 921)	(1 716)	(7 209)	(10 381)
Share-based payments	(8 740)	(3 757)	(17 638)	(6 188)	(11 575)
Amortisation excess value on acquisitions	(3 434)	(3 490)	(6 868)	(6 770)	(13 691)
Strategic process costs	(2 573)	-	(2 573)	-	-
Gain on sale of assets	-	-	10 473	-	-
EBIT	12 347	10 048	44 883	18 536	60 121
<i>EBIT margin</i>	3,8 %	3,6 %	7,0 %	3,4 %	5,3 %

Financial summary

(NOK 1 000)	2024 Apr-Jun	2023 Apr-Jun	2024 Jan-Jun	2023 Jan-Jun	2023 [*] Jan-Dec
Revenue	323 206	281 219	641 724	542 604	1 133 971
<i>Growth (YoY)</i>	14,9 %	51,7 %	18,3 %	29,2 %	15,1 %
Adjusted EBITDA ¹⁾	44 968	35 160	96 268	65 012	152 781
Adjusted EBITDA margin	13,9 %	12,5 %	15,0 %	12,0 %	13,5 %
Adjusted EBIT¹⁾	28 386	20 217	63 204	38 702	95 769
Adjusted EBIT margin	8,8 %	7,2 %	9,9 %	7,1 %	8,5 %
EBIT	12 346	10 048	44 882	18 535	60 122
Profit/(loss) for the period	5 332	(11 275)	11 750	(37 213)	(2 962)
Basic earnings per share (EPS)	0,25	(0,52)	0,55	(1,72)	(0,14)
Total comprehensive income	(222)	4 053	21 773	6 008	26 798
Net cash flow from operating activities	18 437	3 299	25 673	(837)	58 549
Net interest-bearing debt (NIBD) ¹⁾	286 530	356 332	286 530	356 332	314 751
NIBD/Adjusted EBITDA (LTM)	1,6	3,0	1,6	3,0	2,1

* 2023 accounts are reclassified

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

CEO Insights

In Q2 2024, **#teamZalaris** continued its all-time high revenue streak, reporting revenues of **NOK 323.2 million**, an increase of **15%** from NOK 281.2 million in Q2 of the previous year. The total for the first half of the year was **NOK 641.7 million** – up **18.3%** from the same period last year.

Adjusted EBIT was **8.8%**, at **NOK 28.3 million**, which is up by **40%** from NOK 20.2 million in the same period last year. EBIT for H1 was **9.9%** at **NOK 63.2 million**.

When combining our communicated wins with new customers already under implementation based on Letter of Intent, and with contracting expected to be finalized in August, our backlog of project work is strong, taking us to the **next milestone of becoming a NOK 1.4 billion company** and securing continued growth that will continue in 2025 and beyond.

Our pipeline of new prospects, as well as the opportunity to expand with existing customers into new geographies, has continued to develop positively. Our strengthened brand visibility and leadership position in the Nordics and DACH region have enabled us to capture a significantly larger share of the relevant large enterprise multi-country opportunities originating out of Europe.

Initiatives to improve German margins is well underway

As communicated on our Capital Markets Day in September 2023, our key financial targets are 10% organic growth, 10% EBIT for 2024, increasing to 12-15% by the end of 2026, and a cash conversion of 70%. We continue to deliver well ahead of our targets for growth and are on our way to deliver on EBIT for the year.

A key element in reaching our EBIT target of 12-15% is to lift the profitability of our German operations to the level in the Nordic region. This involves a combination of specific measures for

customer projects and broader strategic initiatives. As an example; in Q2 our German Professional Service unit rehired an experienced seven-person team of SuccessFactors consultants who left the firm 18 months ago. While this increased the cost base in Q2 the team will start to generate revenues from July with expected full utilization from August.

In Q2, we formalized our new improvement activities as a program, targeting about NOK 40 million improvement in EBIT over the next 24-months, with about NOK 30 million to be realized over the next 12 months. Key elements of the improvement program are:

- Cost synergies from integrating Ba.se GmbH – now renamed to Zalaris Retail Solutions GmbH – into our German Managed Services operations from Q3 2024.
- Renegotiated terms in existing customer agreements, including migrating customers on legacy platforms to PeopleHub, with effect from Q3 2024 and Q1 2025.
- Implementing the Zalaris 4.0 operating model with a balanced onshore, nearshore, offshore, and digital workforce, to be implemented by Q1 2025. As of the end of Q2, this has resulted in a 4% increase in nearshore usage and a 2% increase in offshore usage from Q4 2023.
- Normalizing the use of external consultants to 15% of current produced hours, down from approximately 30%, targeting full implementation by Q4 2025.
- Streamlining of our organization and reducing administrative overhead through digitalization and AI.

In addition, we will see the incremental margin and scale from implementing new customers taking us towards Nordic levels over time.



“ With NOK 642 million in revenue and NOK 63 million of adjusted EBIT we delivered our best first half year ever growing revenue 18% and EBIT 63% from the same period last year

APAC delivered first quarter with positive EBIT

Our APAC operations, established in Q2 2022, have shown steady growth each quarter.

In Q2, revenue increased to NOK 10.8 million, with a corresponding EBIT of NOK 0.5 million.

This quarter, we achieved a new milestone by selling an unprecedented number of services, including securing a significant contract for Zalaris Peoplehub Cloud Payroll services with Yancoal Ltd.

With a robust pipeline of prospective deals, we anticipate APAC will continue to grow and serve as a prime example of how we can cost-effectively establish successful greenfield operations as we continue to attract the right talent.

Zalaris Board’s Strategic Review

The strategic review we announced on April 4th is in progress, and any further announcement will be made when the review has been concluded.



Hans-Petter Mellerud,
CEO of Zalaris

Financial Review

Revenue

Revenue for the second quarter 2024 amounted to NOK 323.2 million (Q2 2023: NOK 281.2 million). The revenue increase was +14.9%. Measured in constant currency the increase was +15.4%*.

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 106%, measured in constant currency.

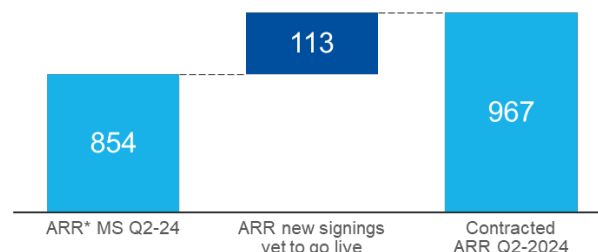
In the second quarter, Zalaris expanded agreements with existing customers, including a contracts to deliver payroll services to Circle K's 1,000+ employees in Germany.



New contracts signed during the second quarter, including expansion of contracts with existing customers, amounted to annual recurring revenue ("ARR") of approx. NOK 29 million.

The revenue impact of signed contracts that have not yet gone live as of 30 June 2024, is presented in the table below. The table shows the ARR within Managed Services at the end of the first quarter, and how the Group's ARR will increase, when these contracts are implemented.

CONTRACTED ARR* IN MS NOK MILLION

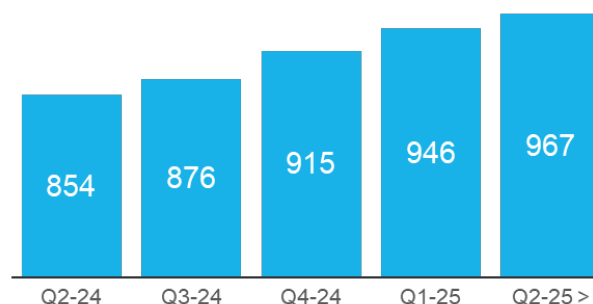


*See definitions and reconciliation of APM's in a separate section of the interim report.

The additional net ARR of NOK 113 million that will come from new contracts represents an increase in annual revenue for Managed Services of +12.5% (compared to revenue last 12 months).

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



Nordics & Baltics

Revenue in the Nordic & Baltic region was NOK 162.3 million in the second quarter. Adjusted for currency effects, the revenue was +14.8% higher than the figure last year of NOK 142.3 million. This was achieved through the implementation of new customer agreements,

and additional volumes and change orders from existing customers, within Managed Services.

Central Europe

Revenue in the Central Europe region was NOK 127.1 million in the second quarter, compared to NOK 113.1 million last year. An increase of +12.5% in local currency.

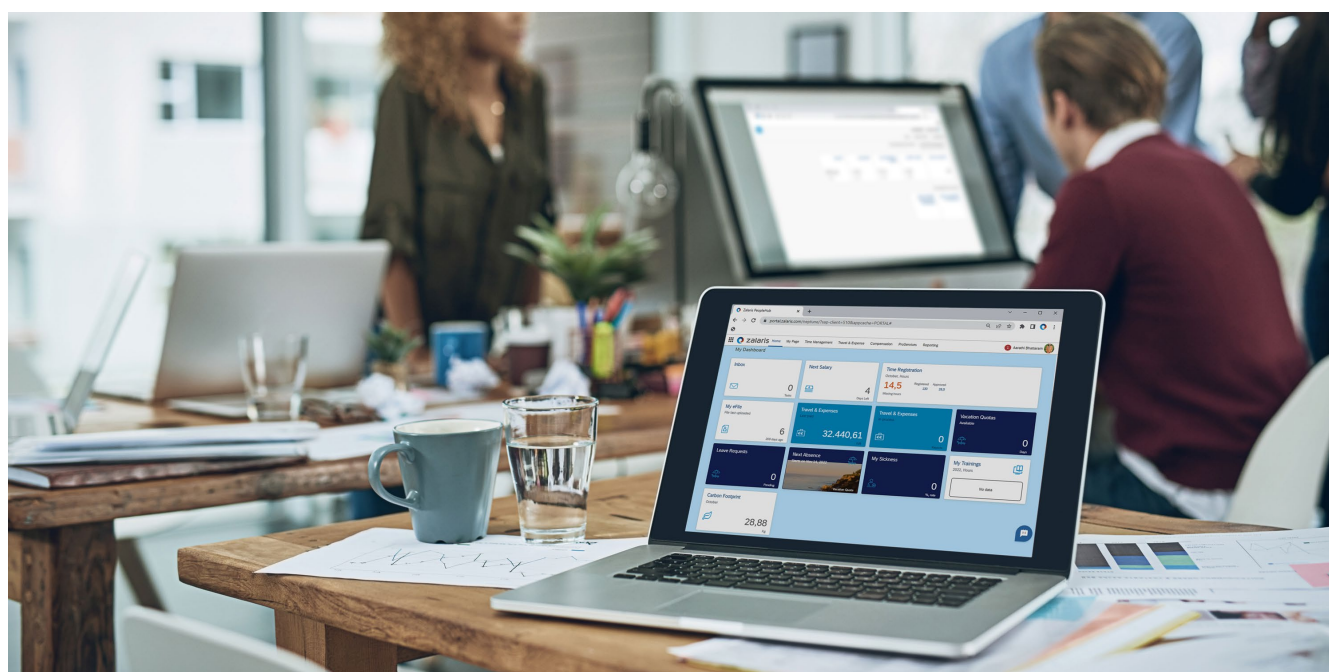
The organic growth came mainly from new customers in Managed Services in Germany.

Managed Services in Germany grew by +32.2% in local currency, compared to last year. Within

Professional Services, Germany and Poland showed a revenue growth of -0.1% and -14.5% respectively in local currency compared to last year.

UK & Ireland

Revenue in the UK & Ireland region amounted to NOK 22.5 million in the second quarter, compared to NOK 20.8 million in the same quarter last year, an increase of +6.7% in local currency.



Earnings

The adjusted EBIT was NOK 28.4 million for the second quarter (NOK 20.2 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, including estimated payroll tax

(NOK 8.7 million), costs related to the strategic process (NOK 2.6 million), negative EBIT for non-core business vyble (NOK 1.3 million) and amortisation of excess values on acquisitions (NOK 3.4 million). The estimated costs of the share-based payment plan has increased significantly due to provision for payroll taxes on the possible gain on the share options, following a substantial rise in Zalaris' share price over the past six months.

Consolidated EBIT for the quarter was NOK 12.3 million (NOK 10.0 million).

The Group had net financial expenses of NOK 6.2 million for the second quarter (net expense NOK 21.9 million). Including a net unrealised currency gain of NOK 6.6 million (loss NOK 8.6 million), mainly relating to the EUR 40 million bond loan.

The net profit for the quarter was NOK 5.3 million (negative NOK 11.3 million).

Total comprehensive income amounted to negative NOK 0.2 million (NOK 4.1 million), after negative currency translation differences of NOK 5.6 million (NOK 15.3 million) relating to foreign subsidiaries.

EBIT improvements

Zalaris has set a goal to achieve an adjusted EBIT margin of 12% – 15% by the end of 2026. Our ambition is that each region will have an internal EBIT margin of 15 – 20%, before any group charges. Regions that perform well have a high level of standardization, automation and customer deliveries based on the Zalaris PeopleHub platform and make use of more resources from near- and offshore locations when providing services. They also benefit from economies of scale, that enhance profitability.

The EBIT improvement projects in Managed Services initiated in 2022 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 the Nordic region.

Historically, Germany has delivered significantly lower margins compared to other countries and in the second quarter, we further formalized our activities in the form of a DACH improvement program, targeting an EBIT improvement for DACH of approximately NOK 40 million over the next 12 to 18 months, with approximately NOK 30 million to be realized over the next 12 months, in addition to approximately NOK 10 million that will come from new customer contracts. Key categories of our improvement program are:

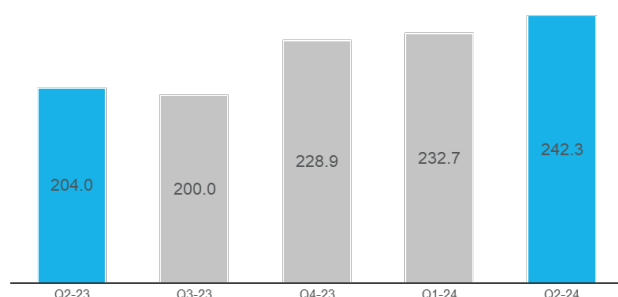
- Cost synergies from integrating Ba.se GmbH – now renamed to Zalaris Retail Solutions GmbH – into our German Managed Services operations from Q3 2024;
- Renegotiated terms in existing customer agreements, including migrating customers on legacy platforms to PeopleHub, with effect from Q3 2024 and Q1 2025;
- Implementing the Zalaris 4.0 operating model with a balanced onshore; nearshore, offshore, and digital workforce, to be implemented by Q1 2025;
- Normalizing the use of external SAP consultants to 15% of current produced hours, down from approximately 30%, targeting full implementation by Q4 2025; and
- Streamlining of organization reducing administrative overhead through digitalization.

Business segment performance

Managed Services

The Managed Services (“MS”) segment had revenue of NOK 242.3 million (75% of total revenue) for the second quarter 2024, compared to NOK 204.0 million in the same quarter last year. The increase was +19.4% when adjusted for currency effects and was mainly driven by revenue from new customers that have gone live since the first 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 second quarter was NOK 18.3 million, compared to NOK 26.4 million last year.

The adj. EBIT for MS for the second quarter was NOK 33.4 million (NOK 29.7 million), and adj. EBIT margin was 13.8% (14.6%).

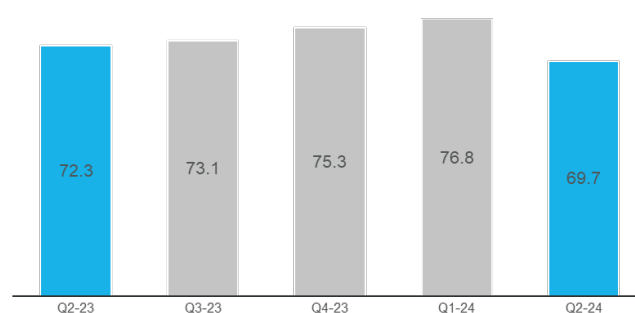
The target is for Managed Services to operate on a standardised platform across all regions. This model will secure that Managed Services continue to optimise and harmonise the operational processes, use digitalisation, leverage the flexibility and competence of resources across all deliveries, both locally, nearshore (Latvia, Poland, Spain) and offshore (India).

Professional Services

Revenue in the Professional Services (“PS”) segment amounted to NOK 69.7 million for the second quarter 2024, compared to NOK 72.3 million last year. When adjusted for currency movements the reduction was -4.2% year-on-year.

Lower revenue in Poland within application maintenance services was the main reason for the revenue reduction in PS compared to last year.

REVENUE PROFESSIONAL SERVICES NOK MILLION



Revenue in PS in the second quarter was lower compared to the first quarter mainly because there were four fewer working days in Germany in the second quarter, and in addition more annual leave was taken, resulting in less billable hours.

The adj. EBIT for PS for the second quarter was NOK 2.3 million (NOK 3.2 million), and adj. EBIT margin was 3.3% (4.4%). Lower revenue and lower utilisation of the SuccessFactors team contributed to the lower EBIT. In the second quarter our German Professional Service unit rehired an experienced seven-person team of SuccessFactors consultants who left the firm 18 months ago. While this increased the cost base in the second quarter the team will start to generate revenues from the third quarter.

New business - APAC

In 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. Zalaris' newest region is already offering a full suite of Professional Services and Managed Services. The new region is reported separately until it has reached a sustainable business 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 recorded revenue and adj. EBIT of NOK 10.8 million (NOK 4.3 million) and NOK 0.5 million (negative NOK 2.1 million) respectively in the second quarter.

vyble

In 2022, the Group started a process to reduce its ownership in vyble GmbH ("vyble"), a payroll and HR solution start-up located in Rostock and Hamburg, Germany. vyble has a complete suite of Payroll and HR solutions delivered as Software as a Service (SaaS) targeting the SME market in Germany, classifying it as held for sale and a discontinued operation. Despite discussions with potential buyers, no offers met Zalaris's expectations. During this period, the company has been restructured and operating expenses significantly reduced. Further cost reductions are expected for the remainder of 2024. The process is now on hold and the financial statements for the periods from the classification has been amended accordingly. vyble is a non-core business and is reported separately to the other business segments.

vyble had external revenue and EBIT of NOK 0.4 million (Q2'23: NOK 0.7 million) and negative NOK 1.3 million (negative NOK 2.9 million) respectively. The net asset value of vyble is NOK 4.4 million as of 30 June 2024.

Financial position and cash flow

Zalaris had total assets of NOK 1,183.8 million as of 30 June 2024, compared to NOK 1,207.7 million on 31 March 2024.

Cash and cash equivalents were NOK 163.2 million (including cash in discontinued operations) as of 30 June 2024, an increase of NOK 2.1 million from the end of the previous quarter.

Total equity as of 30 June 2024 was NOK 231.6 million, compared to NOK 229.4 million as of 31 March 2024. This corresponds to an equity ratio of 19.6% (19.0%).

The Company holds 449,213 own shares (2.0% of total outstanding shares) at 30 June 2024.

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) decreased from NOK 297.9 million on 31 March 2024 to NOK 286.5 million on 30 June 2024.

The decrease in net interest-bearing debt is mainly due to currency movements.

The leverage, measured by dividing the net interest-bearing debt at the end of the quarter by the adjusted EBITDA for the last twelve months, was reduced from 1.7 as of 31 March 2024 to 1.6 as of 30 June 2024.

Operating cash flow during the second quarter 2024 was NOK 18.5 million (Q2 2023: NOK 3.3 million).

Net cash flow from investing activities for the second quarter was negative NOK 6.8 million (negative NOK 4.7 million). This was all related to investment in fixed and intangible assets.

Net cash flow from financing activities for the second quarter was negative NOK 8.5 million (negative NOK 7.3 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 recently secured several large new, long-term BPaaS/SaaS contracts within the Managed Services division. Several of these have significant room for volume expansion into new countries or additional services. The majority of these contracts will be operational by early-2025. The pipeline of new possible contracts remains strong, supporting Zalaris' target of an annual growth rate in excess of 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 of 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.

We are experiencing upward pressure on salaries, and the recruitment of new skilled employees is challenging in some markets. However, most of our long-term contracts within the Managed Services Division have provisions for the annual indexation of salaries, and we have established trainee programs, to mitigate this effect.

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, 21 August 2024

Interim Consolidated Financial Statements

Consolidated Statement of Profit and Loss

(NOK 1 000)	Notes	2024	2023	2024	2023	2023 *
		Apr-Jun <i>unaudited</i>	Apr-Jun <i>unaudited</i>	Jan-Jun <i>unaudited</i>	Jan-Jun <i>unaudited</i>	Jan-Dec
Revenue	2	323 206	281 219	641 724	542 604	1 133 971
Operating expenses						
License costs		27 243	26 983	52 250	52 089	103 231
Personnel expenses	4	172 420	155 080	335 077	296 333	589 845
Other operating expenses		86 012	64 979	168 366	131 541	287 068
(Gain)/loss on sale of assets		-	-	(10 503)	-	-
Depreciation and impairments		1 205	973	2 497	1 865	4 272
Depreciation right-of-use assets		5 169	5 695	11 719	11 026	23 002
Amortisation intangible assets		7 972	8 403	16 066	16 323	32 666
Amortisation implementation costs customer projects	3	10 839	9 058	21 369	14 891	33 765
Operating profit (EBIT)		12 346	10 048	44 883	18 535	60 122
Financial items						
Financial income	5	1 949	1 845	4 327	3 186	8 496
Financial expense	5	(14 754)	(15 197)	(29 629)	(52 047)	(83 186)
Unrealized foreign exchange gain/(loss)	5	6 578	(8 562)	(4 815)	(11 085)	61
Net financial items		(6 227)	(21 914)	(30 117)	(59 945)	(74 630)
Profit before tax from continuing operations		6 119	(11 866)	14 766	(41 410)	(14 508)
Tax expense		(787)	591	(3 016)	4 197	11 546
Profit for the period		5 332	(11 275)	11 750	(37 213)	(2 962)
Profit attributable to:						
- Owners of the parent		5 442	(11 080)	11 901	(36 672)	(2 121)
- Non-controlling interests		(110)	(195)	(152)	(543)	(841)
Earnings per share:						
Basic earnings per share (NOK)		0,25	(0,52)	0,55	(1,72)	(0,14)
Diluted earnings per share (NOK)		0,21	(0,52)	0,47	(1,72)	(0,14)

* 2023 accounts are reclassified

Consolidated Statement of Comprehensive Income

(NOK 1 000)	Notes	2024	2023	2024	2023	2023 *
		Apr-Jun <i>unaudited</i>	Apr-Jun <i>unaudited</i>	Jan-Jun <i>unaudited</i>	Jan-Jun <i>unaudited</i>	Jan-Dec
Profit for the period		5 332	(11 275)	11 749	(37 213)	(2 962)
Other comprehensive income						
Items that will be reclassified to profit and loss in subsequent periods						
Currency translation differences		(5 554)	15 328	10 024	43 222	29 760
Total other comprehensive income		(5 554)	15 328	10 024	43 222	29 760
Total comprehensive income		(222)	4 053	21 773	6 008	26 798
Total comprehensive income attributable to:						
- Owners of the parent		(112)	4 248	21 925	6 551	27 639
- Non-controlling interests		(110)	(195)	(152)	(543)	(841)

* 2023 accounts are reclassified

Consolidated Statement of Financial Position

(NOK 1 000)	Notes	2024 30. Jun <i>unaudited</i>	2023 30. Jun <i>unaudited</i>	2023 * 31. Dec
ASSETS				
Non-current assets				
Intangible assets		121 579	128 849	126 799
Goodwill		214 534	218 657	209 443
Total intangible assets		336 113	347 506	336 242
Deferred tax asset		52 860	30 375	52 065
Fixed assets				
Right-of-use assets		54 086	54 256	44 853
Property, plant and equipment		8 434	36 664	35 195
Total fixed assets		62 520	90 920	80 048
Total non-current assets		451 493	468 801	468 355
Current assets				
Trade accounts receivable		264 117	231 930	263 649
Customer projects	3	239 680	179 112	197 106
Other short-term receivables		65 329	58 287	46 467
Cash and cash equivalents	6	163 155	113 592	135 970
Total current assets		732 281	582 920	643 192
TOTAL ASSETS		1 183 774	1 051 721	1 111 547

* 2023 accounts are reclassified

Consolidated Statement of Financial Position

(NOK 1 000)	Notes	2024 30. Jun <i>unaudited</i>	2023 30. Jun <i>unaudited</i>	2023 * 31. Dec
EQUITY AND LIABILITIES				
Equity				
Paid-in capital				
Share capital		2 169	2 164	2 165
Other paid in equity		27 148	16 226	21 481
Share premium		143 968	142 913	143 045
Total paid-in capital		173 285	161 304	166 691
Other equity		14 519	14 519	14 519
Retained earnings		43 746	843	21 744
Total equity		231 550	176 666	202 954
Liabilities				
Non-current liabilities				
Deferred tax		26 366	24 345	27 418
Interest-bearing loans	7	449 435	468 305	439 964
Other long-term liabilities		3 845	3 933	3 775
Lease liabilities		34 646	35 278	28 585
Total long-term liabilities		514 292	531 861	499 742
Current liabilities				
Trade accounts payable		30 229	29 068	38 444
Customer projects liabilities	3	209 054	147 463	182 588
Interest-bearing loans	7	251	1 619	10 757
Lease liabilities		22 116	20 882	18 469
Income tax payable		2 102	499	4 537
Public duties payable		54 920	40 916	44 716
Other short-term liabilities		119 260	102 749	109 340
Total short-term liabilities		437 932	343 194	408 851
Total liabilities		952 224	875 055	908 593
TOTAL EQUITY AND LIABILITIES		1 183 774	1 051 721	1 111 547

* 2023 accounts are reclassified

Consolidated Statement of Cash Flow

(NOK 1 000)	Notes	2024	2023	2024	2023	2023 *
		Apr-Jun <i>unaudited</i>	Apr-Jun <i>unaudited</i>	Jan-Jun <i>unaudited</i>	Jan-Jun <i>unaudited</i>	Jan-Dec
Cash Flow from operating activities						
Profit (Loss) before tax from continued operation		6 120	(11 866)	14 766	(41 410)	(14 508)
Net financial items	5	6 227	21 888	30 117	59 755	74 630
Share based program		3 862	4 772	7 556	7 202	11 575
Depreciation and impairments		1 205	972	2 497	1 863	4 272
Depreciation right-of-use assets		5 169	5 695	11 719	11 026	23 002
Amortisation intangible assets		7 972	7 869	16 066	15 531	32 666
Capitalisation implementation costs customer projects	3	(27 338)	(21 096)	(61 019)	(47 298)	(89 272)
Depreciation implementation costs customer projects	3	10 839	9 058	21 369	14 891	33 765
Customer project revenue deferred	3	18 307	26 388	40 465	48 062	104 139
Customer project revenue recognised	3	(8 767)	(8 738)	(16 947)	(13 002)	(29 408)
Taxes paid		(3 057)	(2 099)	(5 285)	(5 980)	(11 452)
Changes in accounts receivable		31 141	(5 738)	(1 427)	(39 641)	(71 934)
Changes in accounts payable		(2 669)	(7 739)	(7 930)	(16 798)	(6 963)
Changes in other items		(20 856)	(6 311)	(6 786)	21 157	34 136
Interest received		1 161	953	2 187	1 005	2 585
Interest paid		(10 879)	(10 709)	(21 675)	(17 201)	(38 684)
Net cash flow from operating activities		18 437	3 299	25 673	(837)	58 549
Cash flows to investing activities						
Investment in fixed and intangible assets		(6 755)	(4 663)	(13 244)	(9 460)	(33 868)
Proceedes from sale of property		-	-	41 899	-	-
Net cash flow from investing activities		(6 755)	(4 663)	28 655	(9 460)	(33 868)
Cash flows from financing activities						
Sale of own shares		-	-	2	-	881
Contribution from minority shareholder		-	(1 656)	-	293	293
Payment of lease liabilities		(8 412)	(6 267)	(14 797)	(12 118)	(22 790)
Net proceeds from new EUR 40m bond loan		-	-	-	440 796	440 796
Repayment of loans		(97)	646	(10 614)	(400 176)	(400 547)
Net cash flow from financing activities		(8 509)	(7 278)	(25 409)	28 795	18 633
Net changes in cash and cash equivalents		3 173	(8 642)	28 919	18 498	43 314
Net foreign exchange difference		(1 082)	(1 906)	(1 734)	1 638	(799)
Cash and cash equivalents at the beginning of the period		161 064	124 140	135 971	93 456	93 456
Cash and cash equivalents at the end of the period		163 155	113 592	163 156	113 592	135 971

* 2023 accounts are reclassified

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 equity
Equity at 01.01.2023	2 214	(54)	141 898	10 038	154 095	14 519	7 020	(12 038)	163 596 *
Profit of the year							(25 940)		(25 940)
Other comprehensive income								27 894	27 894
Share based payments				2 426	2 426				2 426
Employee share purchase		4	1 015		1 019		(139)		880
Equity at 30.06.2023	2 214	(50)	142 913	12 464	157 541	14 519	(19 059)	15 856	168 856
Unaudited									
Equity at 01.01.2024	2 214	(49)	143 044	21 481	166 690	14 519	4 026	17 722	202 957
Profit/(loss) of the year							11 750		11 750
Other comprehensive income								10 024	10 024
Share based payments				7 556	7 556			-	7 556
Exercise of share based payments				(1 889)	(1 889)				(1 889)
Employee share purchase program		4	924		928				928
Other changes							224		224
Equity at 30.06.2024	2 214	(45)	143 968	27 148	173 285	14 519	16 000	27 746	231 550

Unaudited

* 2023 accounts are reclassified

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 30 June 2024, 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 2023.

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. The company vyble GmbH "vyble" was acquired to develop products within the Tech Investments segment. 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).

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.

2024 Apr-Jun

(NOK 1 000)	Managed Services	Professional Services	APAC	vyble GmbH	Gr.Ovhd & Unallocated	Total
Revenue, external	242 325	69 655	10 784	442		323 206
Operating expenses	(196 186)	(65 948)	(10 346)	(1 332)	(15 952)	(289 764)
EBITDA	46 139	3 707	439	(890)	(15 952)	33 443
Depreciation and amortisation	(15 057)	(2 171)	(29)	(403)	(3 435)	(21 096)
EBIT	31 082	1 535	410	(1 293)	(19 387)	12 347
Net financial income/(expenses)					(6 227)	(6 227)
Income tax					(787)	(787)
Profit for the period from continuing operations	31 082	1 535	410	(1 293)	(26 401)	5 333
Cash flow from investing activities						(6 755)

2023 Apr-Jun

(NOK 1 000)	Managed Services	Professional Services	APAC	vyble GmbH	Gr.Ovhd & Unallocated	Total
Revenue, external	203 970	72 294	4 266	688	-	281 218 *
Operating expenses	(163 164)	(67 022)	(6 137)	(3 225)	(7 784)	(247 332)
EBITDA	40 805	5 273	(1 871)	(2 537)	(7 784)	33 886
Depreciation and amortisation	(13 081)	(2 330)	(282)	(384)	(7 761)	(23 838)
EBIT	27 724	2 943	(2 153)	(2 921)	(15 545)	10 048
Net financial income/(expenses)					(21 776)	(21 776)
Income tax					453	453
Profit for the period from continuing operations	27 724	2 943	(2 153)	(2 921)	(36 868)	(11 275)
Cash flow from investing activities						(4 663)

* 2023 accounts are reclassified

2024 Jan-Jun

(NOK 1 000)	Managed Services	Professional Services	APAC	vyble GmbH	Gr.Ovhd & Unallocated	Total
Revenue, external	475 003	146 474	19 596	651		641 724
Operating expenses	(382 230)	(130 638)	(19 993)	(1 561)	(21 271)	(555 693)
Sale of assets	-	-	-		10 503	10 503
EBITDA	92 773	15 836	(396)	(910)	(10 769)	96 534
Depreciation and amortisation	(31 294)	(5 254)	(62)	(806)	(14 235)	(51 651)
EBIT	61 479	10 582	(458)	(1 716)	(25 003)	44 883
Net financial income/(expenses)					(30 117)	(30 117)
Income tax					(3 016)	(3 016)
Profit for the period from continuing operations	61 479	10 582	(458)	(1 716)	(58 136)	11 750
Cash flow from investing activities						28 655

2023 Jan-Jun

(NOK 1 000)	Managed Services	Professional Services	APAC	vyble GmbH	Gr.Ovhd & Unallocated	Total
Revenue, external	390 700	142 752	7 877	1 275	-	542 604 *
Operating expenses	(316 733)	(125 079)	(12 087)	(7 716)	(18 510)	(480 125)
EBITDA	73 966	17 673	(4 210)	(6 441)	(18 510)	62 479
Depreciation and amortisation	(22 698)	(4 422)	(478)	(768)	(15 577)	(43 944)
EBIT	51 268	13 251	(4 688)	(7 209)	(34 087)	18 535
Net financial income/(expenses)					(59 944)	(59 944)
Income tax					4 196	4 196
Profit for the period from continuing operations	51 268	13 251	(4 688)	(7 209)	(89 835)	(37 213)
Cash flow from investing activities						(9 460)

* 2023 accounts are reclassified

2023 Jan-Dec

(NOK 1 000)	Managed Services	Professional Services	APAC	vyble GmbH	Gr.Ovhd & Unallocated	Total
Revenue, external	819 575	291 170	20 465	2 762		1 133 972 *
Operating expenses	(658 506)	(252 430)	(26 857)	(11 544)	(30 809)	(980 146)
EBITDA	161 069	38 740	(6 392)	(8 782)	(30 809)	153 826
Depreciation and amortisation	(51 511)	(8 426)	(974)	(1 599)	(31 194)	(93 704)
EBIT	109 558	30 314	(7 366)	(10 381)	(62 003)	60 122
Net financial income/(expenses)					(74 225)	(74 225)
Income tax					11 141	11 141
Profit for the period from continuing operations	109 558	30 314	(7 366)	(10 381)	(125 087)	(2 962)
Cash flow from investing activities						(33 868)

* 2023 accounts are reclassified

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:

Apr-Jun

(NOK 1 000)	2024				2023			
	MS	PS	Total	as % of total	MS	PS	Total	as % of total
Norway	61 692	284	61 976	19%	57 108	292	57 400	20% *
Northern Europe, excluding Norway	99 963	381	100 344	31%	84 105	764	84 868	30%
Central Europe	70 709	56 419	127 128	39%	54 703	58 443	113 146	40%
UK & Ireland	10 007	12 525	22 532	7%	8 053	12 796	20 849	7%
APAC	2 981	7 804	10 784	3%	2 120	2 146	4 266	2%
Non-core (vyble)	442	-	442	0%	688	-	688	0%
Total	245 794	77 412	323 206	100%	206 778	74 440	281 218	100%

* 2023 accounts are reclassified

Jan-Jun

(NOK 1 000)	2024				2023			
	MS	PS	Total	as % of total	MS	PS	Total	as % of total
Norway	124 200	593	124 793	20%	113 583	552	114 135	41% *
Northern Europe, excluding Norway	195 245	949	196 193	30%	156 500	1 057	157 558	56%
Central Europe	134 813	118 555	253 368	40%	104 496	119 247	223 742	80%
UK & Ireland	19 015	28 107	47 122	8%	16 121	21 897	38 017	14%
APAC	5 393	14 203	19 596	3%	3 878	3 998	7 877	3%
Non-core (vyble)	651	-	651	3%	1 275	-	1 275	0%
Total	479 318	162 406	641 724	100%	395 853	146 751	542 604	100%

* 2023 accounts are reclassified

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)	2024	2023	2023 *
	30. Jun	30. Jun	31. Dec
Trade receivables	264 117	231 930	263 649
Customer project assets	239 680	179 112	197 106
Customer project liabilities	(209 054)	(147 463)	(182 588)
Prepayments from customers	(18 222)	(15 716)	(15 993)

* 2023 accounts are reclassified

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)	2024	2023	2024	2023	2023
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	31. Dec
Opening balance in the period	226 945	163 951	197 106	135 359	135 359
Cost capitalised	27 338	21 096	61 019	47 298	89 272
Amortisation	(10 839)	(9 058)	(21 369)	(14 892)	(33 765)
Currency	(3 764)	3 122	2 924	11 346	6 240
Customer projects assets end of period	239 680	179 112	239 680	179 112	197 106

MOVEMENTS IN CUSTOMER PROJECT LIABILITIES THROUGH THE PERIOD:

(NOK 1 000)	2024	2023	2024	2023	2023
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Opening balance in the period	(202 938)	(127 679)	(182 589)	(103 744)	(103 745)
Revenue deferred	(18 308)	(26 388)	(40 466)	(48 062)	(104 139)
Revenue recognised	8 767	8 738	16 947	13 002	29 408
Currency	3 424	(2 133)	(2 947)	(8 658)	(4 113)
Customer project liabilities end of period	(209 055)	(147 462)	(209 055)	(147 462)	(182 589)

Note 4 – Personnel expenses

(NOK 1 000)	2024	2023	2024	2023	2023 *
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Salary	148 006	134 004	288 415	258 901	513 345
Bonus	4 602	5 008	11 346	9 298	23 359
Social security tax	26 220	19 667	53 111	38 392	80 252
Pension costs	6 974	6 239	13 456	12 361	24 782
Share based payments	3 603	3 771	6 838	6 197	11 589
Other personnel expenses	4 987	3 364	9 807	8 289	18 056
Capitalised to internal development projects	(3 270)	(1 926)	(6 526)	(2 967)	(6 847)
Capitalised to customer project assets	(18 702)	(15 048)	(41 370)	(34 137)	(74 691)
Total personnel expenses	172 420	155 080	335 077	296 333	589 845

* 2023 accounts are reclassified

Note 5 – Finance income and finance expense

(NOK 1 000)	2024	2023	2024	2023	2023 *
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Interest income on bank accounts and receivables	1 160	838	2 186	882	2 448
Currency gain	788	879	2 140	2 111	5 902
Other financial income	1	129	1	194	147
Finance income	1 949	1 845	4 327	3 186	8 496
Interest exp. on financial liab. measured at amortised cost	10 879	10 121	21 675	17 373	38 684
Currency loss	1 878	3 220	3 882	30 401	36 693
Interest expense on leasing	876	691	1 765	1 400	2 677
Other financial expenses	1 121	1 166	2 307	2 874	5 132
Finance expenses	14 754	15 197	29 629	52 047	83 186
Unrealized foreign exchange profit/(loss)	6 578	(8 562)	(4 815)	(11 085)	61
Net financial items	(6 227)	(21 913)	(30 117)	(59 945)	(74 630)

* 2023 accounts are reclassified

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

(NOK 1 000)	2024	2023	2023 *
	30. Jun	30. Jun	31. Dec
Cash in hand and at bank - unrestricted funds	160 167	110 794	131 878
Employee withheld taxes - restricted funds	2 988	2 798	4 092
Total cash and cash equivalents	163 155	113 592	135 970

* 2023 accounts are reclassified

Note 7 – Interest-bearing loans and borrowings

(NOK 1 000)	Annual interest	Maturity	2024	2023	2023
			30. Jun	30. Jun	31. Dec
Bond loan	3 m Euribor + 5.25%	28.03.2028	448 803	457 154	439 205
Commerzbank - DE	1.3%	31.12.2031	-	11 630	10 506
De Lage Landen Finans	7,05%	31.01.2028	882	1 140	1 010
Total interest-bearing loans			449 685	469 924	450 721
Total long-term interest-bearing loans			449 434	468 305	439 964
Total short-term interest-bearing loans			251	1 619	10 757
Total interest-bearing loans			449 685	469 924	450 721

The Company's bond loan of EUR 40 million is to be listed on the Oslo Stock Exchange.

Note 8 – Equity

During Q2 2024, there were no new share options or RSUs granted to employees. As of 30 June 2024, there are 2,600,700 share options and 183,361 RSUs outstanding.

Note 9 – Discontinued operation

In 2022, the Group started a process to reduce its ownership in vyble GmbH ("vyble"), a subsidiary in which the Group has a 90 % ownership, classifying it as held for sale and a discontinued operation. Despite discussions with potential buyers, no offers met Zalaris' expectations. During this period, the company has been restructured and operating expenses significantly reduced. The process is now on hold and the financial statements for the periods from the classification has been amended accordingly. Below are the financial results of vyble, reclassified to continuing operations for past periods:

(NOK 1 000)	2024	2023	2024	2023	2023
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Revenue	735	753	1 727	1 339	3 386
Operating expenses	2 031	3 672	3 445	8 548	13 769
Operating loss	(1 296)	(2 919)	(1 718)	(7 209)	(10 383)
Finance costs	118	(112)	230	190	404
Profit/(loss) before tax from discontinued operation	(1 414)	(2 807)	(1 948)	(7 399)	(10 787)
Tax expense	310	861	428	1 978	2 373
Profit/(loss) for the year tax from discontinued operation	(1 104)	(1 946)	(1 520)	(5 421)	(8 414)

The major classes of assets and liabilities of vyble reclassified are as follows:

	2024	2023	2023
	30. Jun	30. Jun	31. Dec
(NOK 1 000)			
Intangible assets	8 036	9 855	8 674
Property, plant and equipment	8	11	9
Other current assets	570	1 092	1 343
Cash and cash equivalents	27	1 064	248
Total assets held for sale	8 641	12 022	10 274
Creditors	362	617	544
Interest-bearing loans and borrowings	4 055	4 109	4 135
Liabilities directly associated with assets held for sale	4 417	4 726	4 679
Net assets directly associated with disposal group	4 224	7 296	5 595

Note 10 – Events after balance sheet date

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

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period from 1 January to 30 June 2024 has been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the Group’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties’ transactions.

Oslo, 21 August 2024

The Board of Directors of Zalaris ASA

Adele Norman Pran
sign.

Liselotte Hægertz Engstam
sign.

Erik Langaker
sign.

Kenth Eriksson
sign.

Jan Koivurinta
sign.

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 income and costs, costs relating to share based payments to employees, including related calculated payroll tax if it exceeds NOK 1.0 million in a quarter, 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.

	2024	2023	2024	2023	2023
(NOK 1 000)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
EBITDA	37 531	34 177	96 533	62 640	153 827
Gain on sale of assets	-	-	(10 473)	-	-
Share-based payments	8 740	3 757	17 638	6 188	11 575
Strategic process costs	2 573	-	2 573	-	-
Depreciation right-of-use assets (IFRS 16 effect)	(5 169)	(5 695)	(11 719)	(11 026)	(23 002)
Non-core (vyble)	1 293	2 921	1 716	7 209	10 381
Adjusted EBITDA	44 968	35 160	96 268	65 012	152 781

	2024	2023	2024	2023	2023
(NOK 1 000)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
EBIT	12 346	10 048	44 882	18 535	60 123
Gain on sale of assets	-	-	(10 473)	-	-
Share-based payments	8 740	3 757	17 638	6 188	11 575
Strategic process costs	2 573	-	2 573	-	-
Amortization of excess values on acquisition	3 434	3 490	6 868	6 770	13 691
Non-core (vyble)	1 293	2 921	1 716	7 209	10 381
Adjusted EBIT	28 386	20 217	63 204	38 702	95 769

Adjusted EBIT per segment

	2024	2023	2024	2023	2023
(NOK 1 000)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Managed Services - EBIT	31 082	27 724	61 479	51 268	109 558
Share-based payments	2 284	1 988	4 566	3 231	4 840
Managed Services - adjusted EBIT	33 366	29 713	66 045	54 499	114 398

	2024	2023	2024	2023	2023
(NOK 1 000)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Professional Services - EBIT	1 535	2 943	10 582	13 251	30 315
Share-based payments	814	285	1 617	410	1 089
Professional Services - adjusted EBIT	2 349	3 228	12 199	13 661	31 404

	2024	2023	2024	2023	2023
(NOK 1 000)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
New business (APAC) - EBIT	410	(2 153)	(458)	(4 688)	(7 367)
Share-based payments	68	59	136	59	198
New business (APAC) - adjusted EBIT	478	(2 094)	(322)	(4 629)	(7 169)

	2024	2023	2024	2023	2023
(NOK 1 000)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Group overhead/unallocated - EBIT	(19 387)	(15 545)	(25 003)	(34 087)	(62 002)
Gain on sale of assets	-	-	(10 473)	-	-
Share-based payments	5 575	1 425	11 473	2 488	5 446
Amortization of excess values on acquisition	3 434	3 490	6 714	6 770	13 690
Strategic process	2 573	-	2 573	-	-
Group overhead/unallocated - adjusted EBIT	(7 806)	(10 630)	(14 718)	(24 828)	(42 866)

Annual recurring revenue (ARR)

Annual recurring revenue (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 only 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.

Total Contract Value (TCV)

The total revenue that a customer contract is expected to generate is called total contract value (TCV). This metric is mainly used in Professional Services to assess the overall value of consulting projects that are contracted.

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.

	2024	2023	2024	2023	2023
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Revenue growth, as reported	14,9 %	33,5 %	18,3 %	29,3 %	26,7 %
Impact of foreign currency	0,5 %	-13,5 %	-1,8 %	-10,8 %	-10,7 %
Revenue growth, constant currency	15,4 %	20,0 %	16,5 %	18,5 %	16,0 %
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Managed Services revenue growth, as reported	18,8 %	34,5 %	21,6 %	31,0 %	27,1 %
Impact of foreign currency	0,6 %	-12,0 %	-1,5 %	-9,5 %	-9,3 %
Managed Services revenue growth, constant currency	19,4 %	22,5 %	20,1 %	21,5 %	17,8 %
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Professional Services revenue growth, as reported	-3,7 %	24,8 %	2,6 %	19,1 %	19,8 %
Impact of foreign currency	-0,5 %	-17,5 %	-3,3 %	-13,6 %	-14,3 %
Professional Services revenue growth, constant currency	-4,2 %	7,3 %	-0,7 %	5,5 %	5,5 %

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.

	2024	2023	2023
(NOK 1 000)	30. Jun	30. Jun	31.Dec
Cash and cash equivalents continuing operations	163 155	113 592	135 970
Interest-bearing loans and borrowings - long-term	449 434	468 305	439 964
Interest bearing loans and borrowings - short-term	251	1 619	10 757
Net interest-bearing debt (NIBD)	286 530	356 332	314 751

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.

	2024	2023	2024	2023	2023
(NOK 1 000)	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net cash flow from operating activities	18 437	3 056	25 673	(1 085)	58 552
Investment in fixed and intangible assets	(6 755)	(4 663)	28 655	(9 460)	(33 868)
Free cash flow	11 682	(1 606)	54 328	(10 545)	24 684

Full time equivalentents (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)	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Revenues	211,5	226,2	253,9	257,4	282,0	279,4	315,2	318,5	323,2
Revenue growth (YoY)	14,1 %	15,8 %	25,9 %	23,5 %	33,3 %	23,5 %	24,1 %	23,8 %	15,7 %
EBITDA adjusted	19,1	22,0	29,6	30,7	35,2	37,9	49,0	51,3	45,0
EBITDA margin adjusted	9,0 %	9,7 %	11,7 %	11,9 %	12,5 %	13,6 %	15,6 %	16,1 %	13,9 %
EBIT adjusted	6,8	9,7	15,3	18,5	20,2	23,7	33,4	34,8	28,4
EBIT margin adjusted	3,2 %	4,3 %	6,0 %	7,2 %	7,2 %	8,5 %	10,6 %	10,9 %	8,8 %
EBIT	(1,2)	4,4	(10,7)	12,8	13,0	17,6	16,7	32,5	12,3
EBIT margin	-0,6 %	1,9 %	-4,2 %	5,0 %	4,6 %	6,3 %	5,3 %	10,2 %	3,8 %
Profit Before Tax	(22,4)	(9,4)	(16,3)	(25,1)	(8,9)	18,8	0,8	8,6	6,1
Income Tax Expense	(2,5)	(1,7)	4,2	(0,8)	(2,4)	(5,4)	20,1	(2,2)	(0,8)
Net income	(25,0)	(11,1)	(12,1)	(25,9)	(11,3)	13,4	20,9	6,4	5,3
Profit margin	-11,8 %	-4,9 %	-4,8 %	-10,1 %	-4,0 %	4,8 %	6,6 %	2,0 %	1,6 %
Weighted # of shares outstanding (m)	21,6	21,6	21,6	21,6	21,6	21,6	21,6	21,7	21,7
Basic EPS (NOK)	(0,72)	(0,95)	(0,56)	(1,20)	(0,52)	0,62	0,96	0,30	0,25
Diluted EPS (NOK)	(0,72)	(0,95)	(0,56)	(1,20)	(0,52)	0,62	0,96	0,26	0,21
Cash flow items									
Cash from operating activities	3,0	(10,6)	12,4	(4,1)	3,3	15,3	44,1	7,2	18,4
Investments	(6,5)	(8,0)	(9,8)	(4,8)	(4,7)	(4,2)	(20,2)	(6,5)	(6,8)
Net changes in cash and cash equi.	(17,4)	(23,3)	(2,1)	27,1	(8,6)	7,4	17,5	25,8	3,2
Cash and cash equivalents end of period	116,8	95,6	93,5	124,1	113,6	120,7	136,0	161,1	163,2
Net interest-bearing debt	254,4	284,5	287,1	332,9	356,3	333,3	314,8	297,9	286,5
Total equity	182,4	180,5	163,6	168,9	176,7	177,6	203,0	229,4	231,6
Equity ratio	20,9 %	20,1 %	18,1 %	16,3 %	16,8 %	16,8 %	18,3 %	19,0 %	19,6 %
FTEs (quarter end)	884	915	963	983	987	1 004	1 007	1 052	1 065
Segment overview									
Revenues	211,5	226,2	253,9	257,4	282,0	279,4	315,2	318,3	323,2
Managed Services	151,7	160,6	186,0	186,7	204,0	200,0	228,9	232,7	242,3
Professional Services	57,9	61,3	61,9	70,5	72,3	73,1	75,3	76,8	69,7
APAC	0,6	1,6	1,4	3,6	4,3	4,4	8,2	8,8	10,8
Non-core (vyble)	1,3	2,6	4,6	(3,4)	1,4	2,0	2,8	(0,0)	0,4
EBIT	(1,2)	4,4	(10,7)	12,8	13,0	17,6	16,7	32,5	12,3
Managed Services	10,7	16,5	21,8	23,5	27,7	28,7	29,6	30,4	31,1
as % of revenue	7,1 %	10,2 %	12,0 %	12,6 %	13,6 %	14,3 %	12,9 %	13,1 %	12,8 %
Professional Services	4,9	3,8	4,4	10,3	2,9	6,6	10,4	9,0	1,5
as % of revenue	8,5 %	6,2 %	7,1 %	14,6 %	4,1 %	9,1 %	13,9 %	11,8 %	2,2 %
APAC	(3,3)	(1,7)	3,1	(2,5)	(2,2)	(2,0)	(0,6)	(0,9)	0,4
as % of revenue	-579,1 %	-106,9 %	-24,6 %	-70,2 %	-50,5 %	-46,7 %	-7,7 %	-9,9 %	3,8 %
Non-core (vyble)	(2,5)	(0,0)	(24,2)	0,0	(0,0)	(0,0)	(10,4)	(0,4)	(1,3)
as % of revenue	200,2 %	0,0 %	225,9 %	0,0 %	0,0 %	0,0 %	-62,0 %	-1,3 %	-10,5 %
Gr.ovhd & Unallocated	(11,1)	(14,2)	(15,9)	(18,5)	(15,5)	(15,6)	(12,3)	(5,6)	(19,4)

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Financial information

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Financial reports can also
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