]pexip[

2021
Annual Report

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About Pexip

Pexip is a global technology company that enables the world to realize the opportunities and outcomes that can be achieved through video communication. The Company's goal is to help the world embrace the full potential of video. Pexip's platform is secure and scalable and can be deployed as a self-hosted, hybrid or as-a-service option.

Pexip's customers are mainly large private and public organizations, including more than 15% of the Fortune 500. These are organizations for whom security, privacy and data sovereignty are paramount. The need to connect different platforms and devices is also of utmost importance, as is the possibility to integrate video into existing workflows and platforms to create customized and branded solutions.

The Pexip platform is sold through a global network of over 300 reseller partners located in 75 countries, serving users in 190 countries.

Powering the Video Economy

During 2021, organizations started to realize the full potential of video communication to make business more efficient and public services more easily accessible. The potential use cases of video now stretch far beyond traditional videoconferencing and Pexip is at the core of this, enabling organizations to make the most of these possibilities.

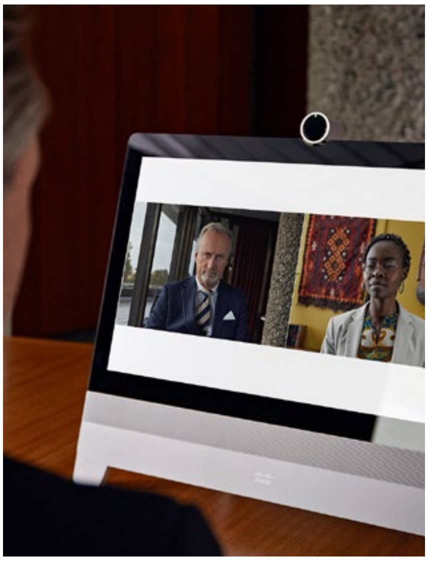
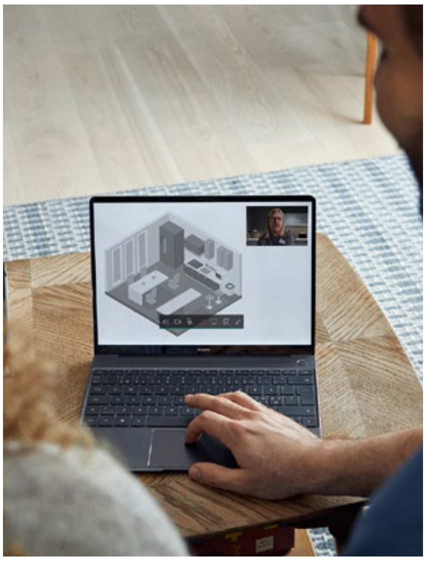
Video now plays a critical role in safely connecting patients with healthcare providers, making public services more accessible to citizens, providing better customer service, and facilitating business continuity by enabling both internal meetings and customer-facing interactions to securely happen from anywhere.

However, while video communication brings people closer together, geopolitical complexity and tension mean that nations need to think about how they can safely use video technology in areas such as defense, government, and public institutions, which is resulting in increased demands for communication tools that promote and facilitate privacy, trust, and data sovereignty.

In addition, today's organizations are increasingly exposed to cyber-attacks, from data breaches to denial-of-service. Organizations need to look carefully at who they are willing to share their data with and who controls the technology. With hybrid working having become engrained in companies' cultures, knowledge workers will continue to work from a variety of locations and are dependent on having a video communication platform that lets them do this in both a simple and secure way. Pexip's customers deal with these challenges every day, and Pexip has the solutions they need for critical and high-security meetings.

Meeting Customer Needs with a Focus on Three Business Sectors

With a background in the burgeoning video economy, Pexip realigned its strategic direction in the second half of 2021 to focus on three main business areas:

Video Infrastructure

Pexip believes that technology should fit into existing workflows and with installed systems. With Pexip, no matter the video system, platform, calendar or device, organizations can connect the tools and workflows already in use and utilize native integrations with Google Meet and Microsoft Teams.

Critical Video Meetings

Video meetings are a space where sensitive or even classified information is shared, and where reliability and continuity are absolute requirements. Pexip can be configured to meet the internal security requirements of each organization, ensuring business continuity, full transparency and control of meeting data.

Video Enablement

Video is now powering a range of both business-to-consumer and government-to-citizen applications. Pexip is enabling organizations to transform traditional client services with custom user experiences in sectors such as healthcare, financial services and retail.

Infrastructure

Pexip believes that technology should work with existing workflows and systems. With Pexip's interoperability solutions, users can securely join meetings with any device - laptops, smartphones and conference room systems - from any location, without the need for downloads or software installs. With Pexip, no matter the video system, productivity tool, platform, calendar or device, organizations can connect the tools and workflows already in use and utilize native integrations with Google Meet and Microsoft Teams. The result is an optimal user experience, ease of management for administrators, enhanced return on investment on existing infrastructure and a reduction in e-waste as organizations extend the lifetime of their video conferencing equipment and upgrade it in the most efficient and sustainable way possible.

Case Example: APG Group

APG is a Dutch pension provider and is one of the largest pension investors in the world. The institution manages over EUR 500 billion in total capital on behalf of eight pension funds and their members and beneficiaries. Approximately 3,000 APG employees work from the Netherlands, Hong Kong, and New York. The Company needed:

- A solution that could integrate Cisco hardware, Microsoft Teams, and virtual meeting rooms all in one. Pexip helped them create a seamless virtual meeting environment across Microsoft Teams and Cisco devices.
- New dial-in capabilities to replace previous video infrastructure. Pexip helped improve the employee experience, connectivity, and efficiency between office, remote, and overseas workers.
- To meet high compliance requirements and be a highly secure platform. Pexip ensured regulatory compliance without compromising on the user experience.

"Given the positive stories we had heard from other companies and the scalability, ease of use, and wide variety of capabilities available, we felt confident in choosing Pexip. Pexip's interoperability between Teams and Cisco met our needs better than other potential solutions. We also appreciated that robust dial-in and compliance capabilities are included so we could meet all our virtual meeting needs from a single, secure platform"

Patrick de Klerk
APG System Engineer

apg

Critical Meetings

With cyber-attacks on the rise, confidential business information, critical services and infrastructure are at risk. Industry analysts, Gartner, report that cyber-attacks are up a staggering 3,900% since 2013. For many organizations, especially those in the government, healthcare, and financial sectors, video meetings are a space where sensitive or even classified information is shared. Reliability and continuity are absolute requirements. In these cases, there is no room for error; call data cannot be leaked, meeting room security cannot be breached, and real-time connections cannot be lost. Organizations with the most stringent security and continuity requirements need a videoconferencing solution designed to support - and withstand - their most critical demands.

This is where Pexip's offering within the Critical Meetings space comes in to serve organizations that need to ensure business continuity, maintain full transparency and control of meeting data and rely on superior audio and video. No matter the size or location of the organization, Pexip can be configured to meet the internal security requirements of that organization. Thanks to the flexible architecture and deployment possibilities, organizations keep full control of all Call Detail Records (CDR) and meeting details, and patterns are never exposed to third parties, making it easy to comply with any regional data storage and transit requirements. In addition, it's essential for organizations to be prepared for disruptions in the service of their communication tools, or if internet and mobile network connections fail. Pexip can be deployed in ways that make it significantly less vulnerable than other third-party solutions. The solution can be hosted on-premises and be configured to operate without an internet connection. Hosting on-premises ensures organizations are able to communicate if a primary solution fails or if communication is lost due to network outages, natural disasters, or digital attacks.

Case Example: Charter Communications

Charter
COMMUNICATIONS

Charter Communications is an American telecommunications and mass media company. With over 26 million customers in 41 states, it is the second-largest cable operator and the fifth largest telephone provider in the United States, with 100,000 employees across North America. The company currently uses Pexip primarily as a disaster recovery communication platform, and their executive management relies heavily on video for their day-to-day business. Pexip was chosen for its ability to be deployed in Charter's many data centers across the US and made immediately available as a failover service. Charter Communications views Pexip as a mission-critical disaster recovery platform.

Video Enablement

Video is now powering a range of business-to-consumer (B2C) and government-to-citizen (G2C) applications and Pexip is enabling organizations to transform their businesses and reimagine their customers' experiences with the digitalization of traditional client services.

With Pexip, organizations can use application programming interfaces (APIs) to build custom branded experiences and integrate with their chosen technology and workflows to provide video-enabled consultations that are easy to join from any device or location. The APIs can integrate with "out of the box" workflows and can be extended to perform a range of tasks including adding an SMS invitation, providing access to a company directory, or building a fully-branded experience with custom apps and integration with external control systems for inbound call management.

This means that video powered by Pexip is playing a key role in a range of applications including:

- Providing remote patients with specialist care
- Helping couples get their first mortgage via video banking
- Enabling courts to conduct virtual hearings
- Helping families plan a new kitchen from the comfort of their home
- Delivering essential public services to citizens

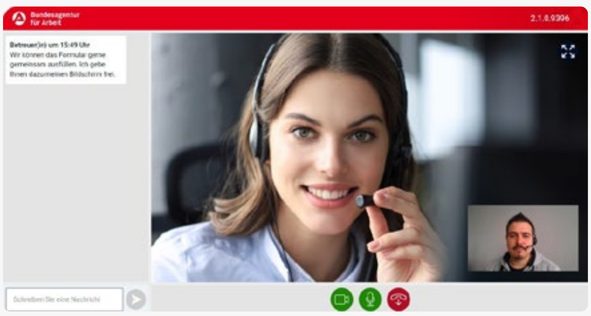
Case Example: The Federal Employment Agency (BA) in Germany

Bundesagentur für Arbeit

The Federal Employment Agency (Bundesagentur für Arbeit, BA) is responsible for job and training placement and is at the same time Germany’s largest service provider on the labor market. Every day, BA advises people on career-related issues and supports millions of citizens with applications for financial benefits such as unemployment and child benefits. Its stated mission is to be “close to the customer.” The Agency has 100,000 employees in 156 employment agencies with around 600 branches, 302 job centers and family welfare offices at around 100 locations. Approximately 14,000 counseling sessions take place every day. As part of their “Strategy 2025,” the Agency wanted people to easily access their advisory services from home or on the road. Currently, all employment services at 1,000 locations are running “My Video Appointment”, based on the Pexip platform, for online counseling.

The “My Video Appointment” solution is designed to achieve the following objectives:

- BA customers must be able to participate in counseling appointments online from home or on-the-go with just three clicks
- They must also be able to participate using any device without installing additional plug-ins
- Participants are offered secure exchanges via video, chat, audio and collaborative document editing, regardless of operating system
- The solution complies with the BA’s very high security and data protection requirements (GDPR/DSGVO-compliant use as well as hosting of data in accordance with European law)



“The employees report a relaxed atmosphere on the part of the customers through the use of ‘My Video Appointment’. Our solution eliminates the stress of commuting. Therefore, we will continue to rely on consultations via ‘My Video Appointment’ and continue to scale the solution”

Lucas Albracht
Product Manager „Mein Videotermin“
Bundesagentur für Arbeit

Unique Technology at the Core of Business Strategy

At the heart of the product offerings in these business areas is unique Pexip technology. This technology allows for interoperability, security, the flexibility for customers to brand and make the solution their own, and an outstanding audio and video experience for all meeting participants.

Network-based transcoding architecture

This enables Pexip to optimize the video and audio meeting experience for all participants, regardless of the type of equipment they have - old or new. There are also environmental benefits because, as the processing is done in the network and not on the device itself, the devices use less processing power and consume less energy. This also enables mixed and augmented reality applications to run at a low power consumption, extending battery life. In addition, old equipment can be easily upgraded, prolonging its lifetime. Transcoding is the reason Pexip is the leading interoperability vendor, and it also means Pexip can apply artificial intelligence to the entire conference, allowing the Company to create features that improve the user experience. Transcoding is important for all business areas but is especially key in the infrastructure area.

Agnostic infrastructure

This provides unrivaled deployment flexibility to customers, allowing them to run the Pexip platform on the cloud of their choice or self-hosted, and even avoid the internet altogether if desired. This capability is vital to customers who have specific requirements when it comes to privacy and data sovereignty. This is particularly important for critical meetings.

Built as-a-platform

This means that Pexip's technology platform and the actual applications or products have been decoupled. The advantage here is that it allows for a high level of customization of the technology by customers, which is especially important in the video enablement space.

Team Pexip At a Glance

The Pexip team is distributed across many countries. Development teams are located in Norway, the UK and Belgium. Other functions are spread throughout Europe, Asia and Pacific, and North America. The Company is headquartered in Oslo, and has offices in London, New York, Washington DC, Sydney, Singapore, Tokyo, Düsseldorf, Ghent, Utrecht, Stockholm, Copenhagen and Paris.

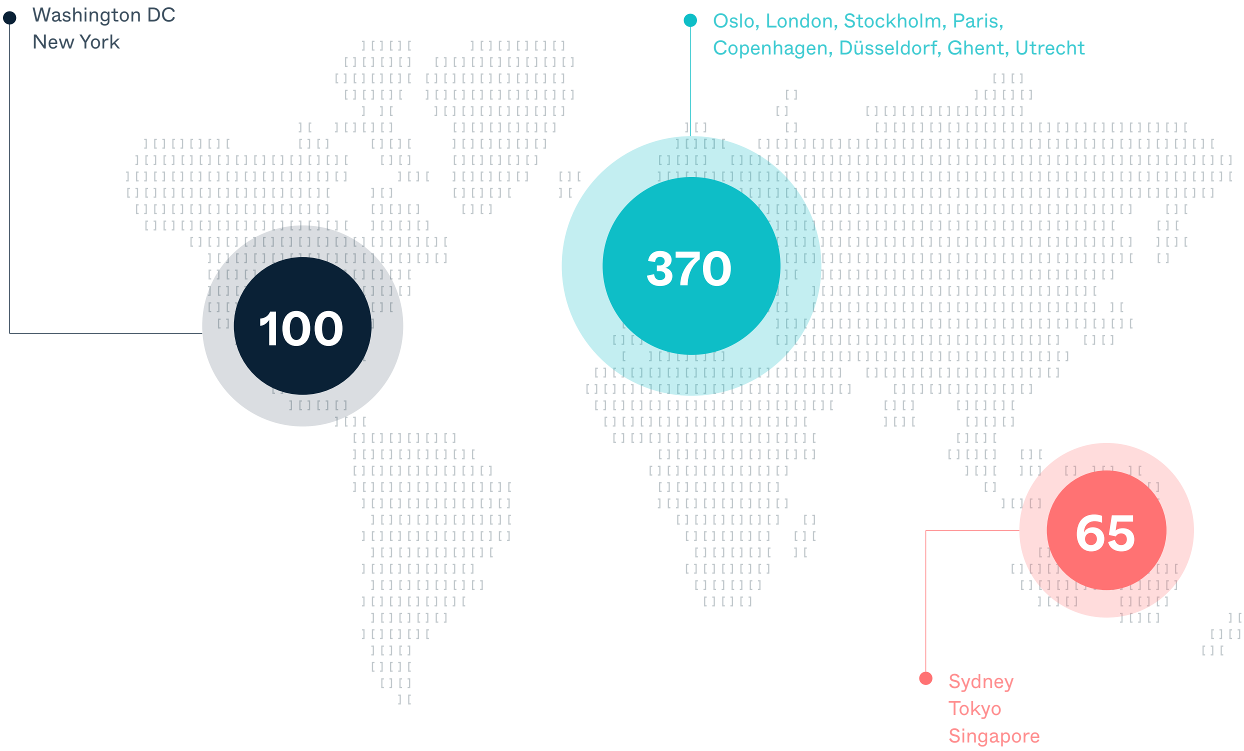
2011
Company founded

101%
Net customer retention rate

535
Employees in 34 countries

4,400+
Enterprise and public sector customers

300+
Partners in 75 countries



The Pexip Way

Professional & Fun
We are committed to our partners and customers
We are passionate and fun to work with
We strive for excellence

No Bullshit
We say it as it is
We do what needs to be done
We stand for honesty and integrity

Freedom & Responsibility
We encourage initiative and innovation
We are all leaders
We act like owners

One Team
We make each other better
We respect, support and care for each other
We appreciate diversity

“Pexip’s core values not only help drive the culture within an incredible organization, but they also resonate with our user base. That’s extremely important because it is a perfect example of the energy Pexipers project. Having the freedom and responsibility to do right by our customers, but also do right for ourselves as individuals”

Percy Pineda
Solutions Architect, LATAM

#WeArePexip

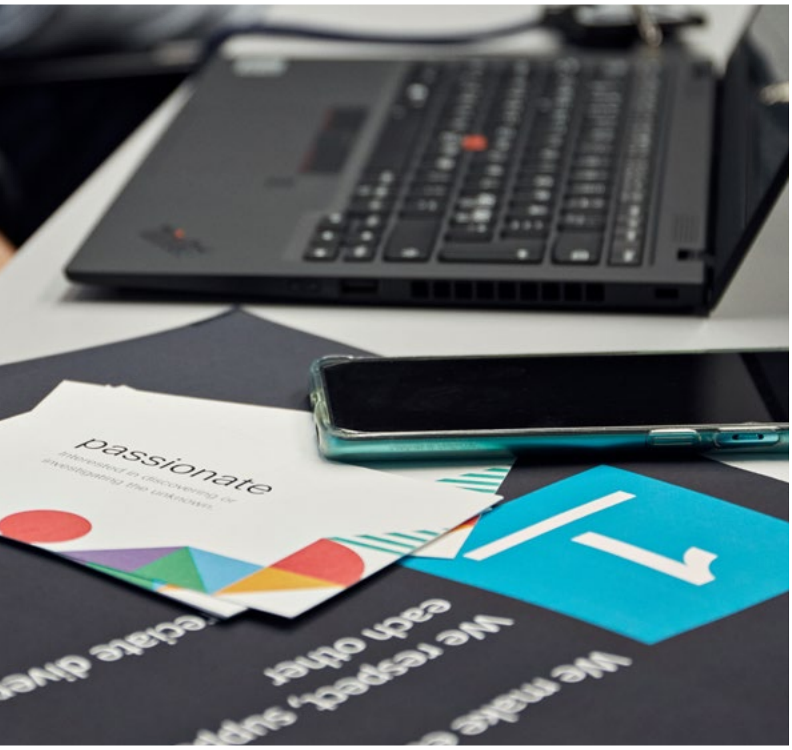
Pexip is founded on the three building blocks of Technology, Partner Ecosystem and Culture. These are interrelated and Pexip's culture is driven by people, technology, and possibilities.

We know that video communication has the power to improve workdays and impact lives, and our customer stories are what drive and inspire us every day. From the boardroom to the courtroom, and from doctor's office to the home office, we help organizations be more accessible and innovative in how they work and communicate.

Our company values are at the core of everything we do and they define how we interact with each other, our customers and our partners daily. They guide our business, our product development, and our brand. As our company continues to evolve and grow, scaling the Pexip Way as the company grows is critical to Pexip's success. Since day one, Pexip has had an open and inclusive work culture with equal opportunities for all. We are proud to represent a diverse workforce and we see diversity as a competitive advantage.

"At the core of Pexip lie its values, and it is the foundation on which everything is built. It is easy to assemble a team of people, but that team is not whole unless it is created with respect. The recruitment process at Pexip is fantastic because it includes everyone. Diversity is not a requirement; it is a fact and a result. It's the combination of people, culture, and values that makes magic happen"

Emma Larsen Al-Hashimi
Channel Sales Manager, Sweden


passionate
Interested in discovering or investigating the unknown.
each other

Pexip's Sustainability Report

Pexip's Environmental, Social and Governance (ESG) work is presented in its 2021 Sustainability Report. The report provides an overview of the Company's material ESG topics and its performance metrics for 2021. The report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards.

Sustainability at Pexip

Pexip aims to create sustainable value through a business strategy that fully integrates ESG at its core.

Video communication now plays a critical role in safely connecting patients with healthcare providers, making public services more accessible to citizens, providing better customer service, and facilitating business continuity by enabling both internal meetings and customer-facing interactions to securely happen from anywhere. This has consequences for all aspects of ESG and for Pexip's sustainability contributions.

For the environment, it means that organizations have seen that video communication provides a viable alternative to travel, whether that's for meetings or for other business processes or healthcare and government services. From a social aspect, a recent study conducted by the World Economic Forum and Ipsos found that 86% of people want to see a more equitable and sustainable world after the Covid-19 pandemic. Pexip believes video can contribute to that by creating a fundamental change in how organizations communicate, helping close the digital divide and increasing accessibility to a variety of services. Whether it's providing better healthcare to remote communities or bringing the classroom to sick children, video has a role to play in promoting equity. For governance, it means that the use of video technology in areas such as defense, government, and public institutions, is resulting in increased demands for communication tools that promote and facilitate privacy, trust, and data sovereignty. Pexip provides secure conferencing to companies looking for these secure spaces.

Strategic Focus Areas

The United Nations' Sustainable Development Goals (SDGs) were agreed upon by 193 UN member states in 2015, including all of the countries in which Pexip operates. A key component of the SDGs is the principle of collaboration for their achievement, including between Government, Civil Society and Business. Pexip has identified the following SDGs as ones the Company can contribute to: Goal 4 (quality education), Goal 5 (gender equality), Goal 9 (industry innovation and infrastructure), Goal 11 (sustainable cities and communities), Goal 12 (responsible consumption and production).

In addition, the Company has established baseline measures for the following material topics:

- **Data security and privacy**
- **Talent attraction and retention**
- **Greenhouse gas emissions and energy use**
- **Ethical business practices**
- **Diversity and equal opportunity**
- **Digital inclusion and positive industry impacts**
- **Health, safety and wellbeing**
- **Supply chain management**
- **Intellectual property rights**

The Company is actively addressing critical areas, such as diversity. With rapid company growth over the last two years, talent acquisition and retention are key material topics for Pexip. The Company realizes that, as for the IT sector as a whole, it still has considerable work to do to address gender diversity, inclusion and equal opportunity. Some improvements have been made and in 2021, 30% of new hires to Pexip were female. The Company's Diversity Taskforce continues to assess, plan and implement initiatives to ensure diversity in recruitment, succession planning and leadership.

For more information, the full ESG report can be downloaded at investor.pexip.com.

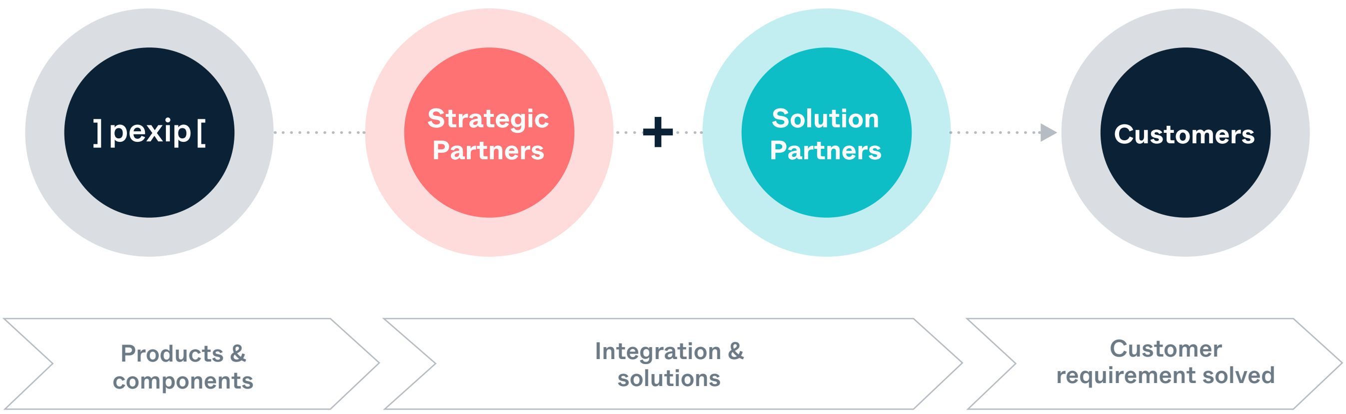
Business Model

Pexip has developed a strong and sustainable business by investing in research and development (R&D) and sales and marketing. The R&D team has built a leading end-to-end video-first communications platform, while the sales and marketing team have enabled a rapidly growing and highly scalable business model with presence in Europe, North America, and selected countries in the Asia-Pacific region.

Pexip has established and trained a global community of authorized channel partners and service providers, and currently has more than 300 authorized channel partners globally. Pexip's channel partners are supported by Pexip's high-touch sales organization, which provides expertise and focus on promoting and selling Pexip solutions. These channel partners, which include companies such as Orange, the global technology and business solution provider, ConvergeOne, the US IT service provider and Kinly, the audio video specialist integrator, provide Pexip solutions to their existing and new customers and possess the technical knowledge and relationships to manage those customers throughout the sales process, from IT business strategy development to trials to onboarding and support. This strategy also provides the most scalable in-country sales and support capability (i.e. local language, time zone coverage, etc.).

Pexip offers both a self-hosted software application and as-a-service deployment options to its customers. Both offerings are delivered as a recurring subscription-based model.

Approximately 97% of Pexip's revenues are generated from recurring subscription fees. Additional revenues are one-off revenues related to set-up and professional services.



Strategy

Product strategy

Pexip's product strategy is to further develop its position as a market leader within video software infrastructure, critical meetings and video enabled workflows. The Company will do this by developing a portfolio of products leveraging the top USPs in Pexip's technology (interoperability, lightweight client architecture, flexible end-user experience and total privacy) and positioning itself as a market leader in its target segments. Pexip will also seek to innovate on its core technology pillars, network based transcoding architecture and agnostic compute. The use cases are further described in the About Pexip section.

Go-to-market strategy

Pexip's go-to-market strategy is focused on:

1. Investing in developing its relationship with key Alliance partners (Microsoft, Google, Nvidia, others). These partnerships involve both cooperation on technology development and commercial activities.

2. Targeting large enterprises and public sector clients with complex business workflows and high security and privacy requirements. These customers are targeted through a distributed, regional operating model combining high-touch, channel-led sales with digital transaction platforms (e.g. Azure Marketplace, other).

3. Enabling channel and delivery partners to deliver high-value solutions based on Pexip technology. A channel network capable of initiating and driving sales as well implementing and supporting Pexip solutions, is key for Pexip's scaling and growth.

Targets

Pexip has started on the next phase of growth!

2011
Founded

Strong profitable growth

2020
Pexip listed on the Oslo Stock Exchange

Expand and innovate product offering

Supercharge sales and marketing

2024
Established leadership position within key business areas

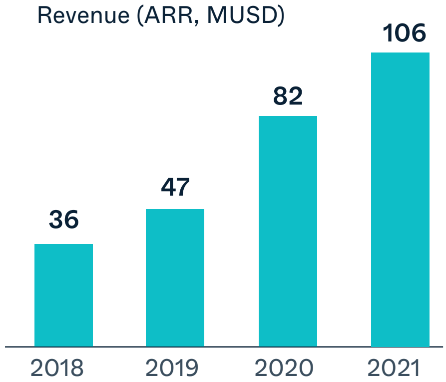
ARR target of USD 300m by 2024 with 25%+ EBITDA-margin from 2025

Pexip targeting to reach USD 300 million in ARR by end of 2024

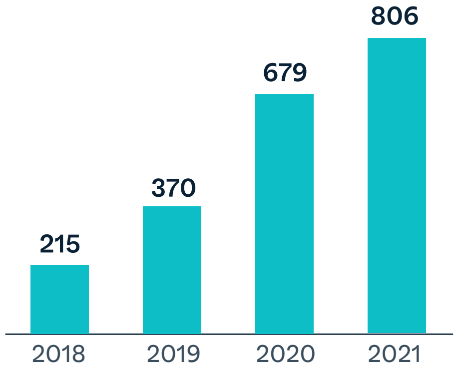
Revenue growth	ARR of 300 million by end of 2024
Long-term profitability	2025 EBITDA margin of 25% with 25% revenue growth. Plan for negative 25-35% EBITDA in 2021/2022, neutral to positive EBITDA in 2023
#1 in Pexip's three business areas	Established leadership position within key business areas

Key Numbers and Alternative Performance Measures

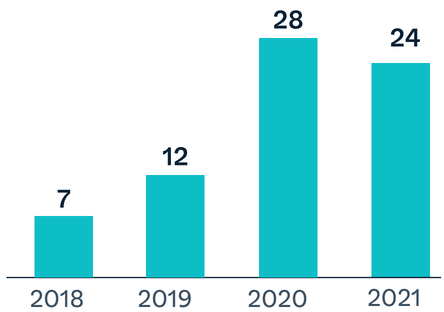
Contracted Annual Recurring Revenue (ARR, MUSD)



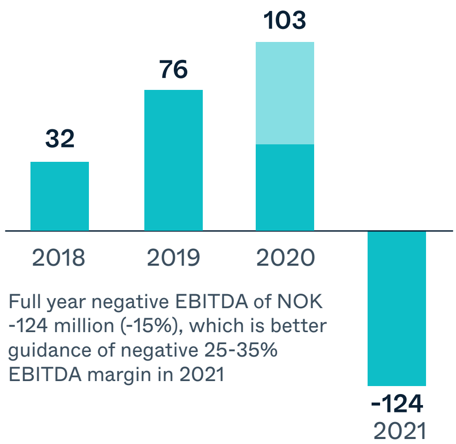
Revenue (MNOK)



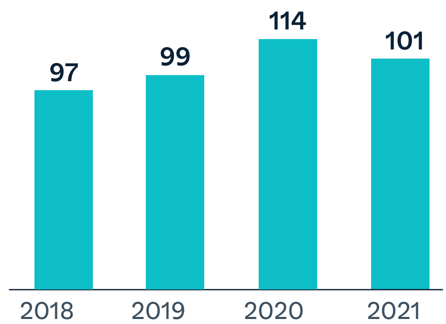
ARR from New Customers (MUSD)



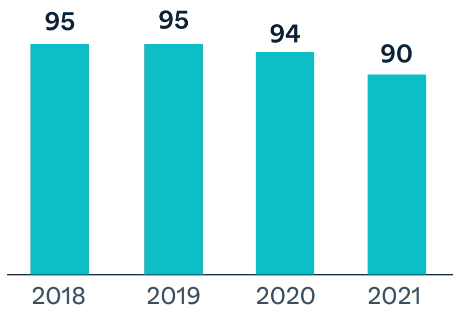
EBITDA adjusted (MNOK)
EBITDA



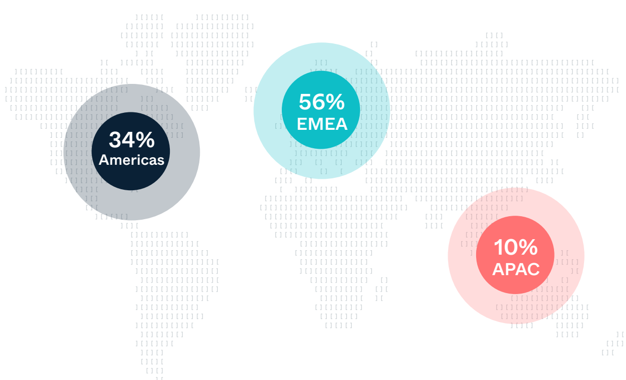
Customer Retention Rate (% of ARR)



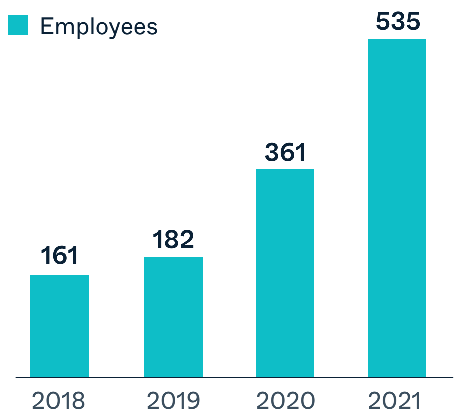
Gross Margin (% of revenue)



Geographical Distribution ARR 2021



Employees



Letter from the CEO

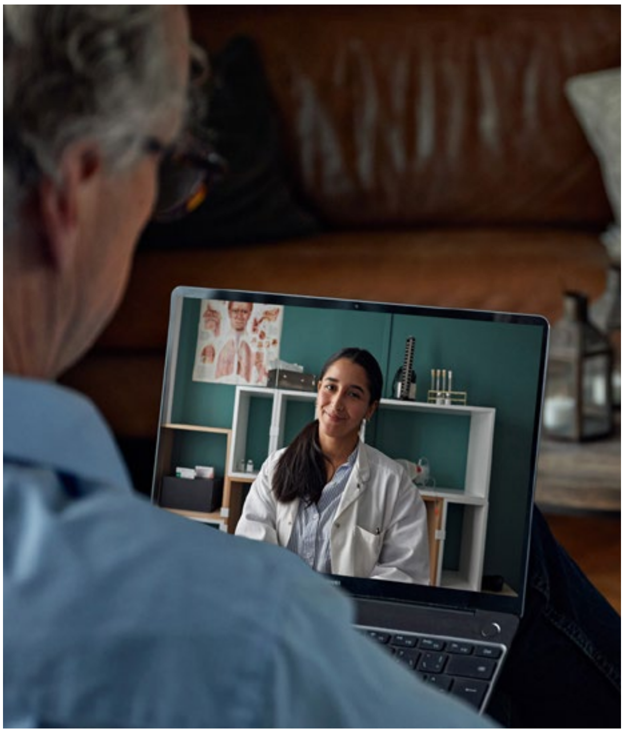
The Advent of the Video Economy

While 2020 was a year of explosive growth in the use of videoconferencing as a result of the Covid-19 pandemic, in 2021 we saw this new way of working consolidating into what we are deeming the Video Economy. By this, we mean that organizations across the globe have started to see the full potential of a video-enabled world, not just for inter-company communication but also for mission-critical high-security meetings, as well as a range of new applications, including healthcare, financial services, retail and virtual court hearings. Video now plays a key role in safely connecting patients with healthcare providers, making education and public services more accessible, and facilitating business continuity by enabling both internal meetings and customer-facing interactions to happen from anywhere. Video has become an integral part of most organizations' operations, strategies, and workflows.

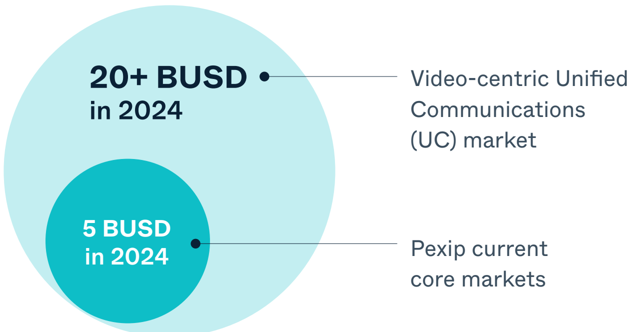
Rethink. Renew. Reimagine.

The potential use-cases powering the Video Economy shaped Pexip's strategy in 2021 as we worked to address the changing needs of our customers and reimagine the future of video communication. Rethink, renew and reimagine were at the forefront of our decision in mid-2021 to build on our key technology differentiators and focus on three main business areas: Infrastructure, Critical Meetings, and Video Enablement.

At the heart of each of these areas lies Pexip's highly differentiated core technology. Within Infrastructure, we are committed to interoperability, allowing people to easily connect to video meetings from any location, device, or platform, as well as ensuring that organizations can extend the life of their video infrastructure and in turn reduce e-waste. For Critical Meetings, Pexip provides security, data privacy, and business continuity, for public and private organizations. Within the Video Enablement space, our APIs allow customers to carry out deep workflow customization for business to consumer applications across a range of industries.



We see a massive five billion USD market opportunity across these pillars, with the possibility to expand in adjacent markets over time. By focusing on these three areas, I believe that we are building a strong foundation for the years to come, giving us a clearly differentiated position in the market that makes us the first choice for organizations that are looking to solve complex video communication needs.



2020 estimate
Source: McKinsey, Wainhouse, company estimates

Awards and Recognition for Technology and Execution

The awards and recognition we have received throughout the year also speak to the unique position Pexip holds in terms of our core technology and product portfolio.

We were delighted to move up to a Challenger position in Gartner's Magic Quadrant for Meeting Solutions in October. The Magic Quadrant is widely recognized as the world's most influential market analysis for IT buyers, and companies are evaluated on their ability to execute and completeness of vision. After two consecutive years as a Visionary, we believe that our new position as a Challenger validates the uniqueness of our product portfolio and extensive global customer base, and recognizes our growth plans and ability to execute on them.

In December, Pexip was awarded the 2021 Australia Video Conferencing Services in Healthcare Competitive Strategy Leadership Award by global research and consulting firm, Frost & Sullivan, for enhancing healthcare services for 13 million Australian residents. Security of information, interoperability and ease of use are essential requirements for videoconferencing solutions in the healthcare space. With Pexip, healthcare providers benefit from flexible videoconference hosting options and patients can join virtual clinics with a single click – regardless of the device or platform they use. NSW Health, Queensland Health and Telehealth Tasmania are all utilizing Pexip video technologies. Virtual healthcare represents one of the main use-cases within the Video Enablement space and it is exciting to see the growth potential in this space.

Pexip was also awarded Best Sustainability Newcomer by the Nordic investment bank, Carnegie, chosen among 360 listed companies in the Nordic markets. The award recognizes companies creating shareholder value through sustainable growth. The Pexip Board and Management Team see ESG measurement, management, and reporting as a long-term value creation strategy that helps us build resilience in all aspects of our business. More information can be found in our Sustainability report.

Figure 1. Magic Quadrant for Meeting Solutions

Source: Gartner (October 2021)

"Through its video conferencing services for the healthcare sector, Pexip addresses challenges facing healthcare providers to make video conferencing available to all patients seeking virtual visits. It enables patients to join virtual physician clinics with a single click using an application or a web browser on any device, democratizing healthcare service delivery"

Shailendra Soni
Principal Consultant of Information Communications and Technologies at Frost & Sullivan

FROST & SULLIVAN

Channel and Strategic Partnerships Essential to Success

We continue to sell exclusively through channel partners, and we work closely with our over 300 channel partners to scale our sales and marketing efforts and promote brand recognition globally. With our renewed strategic focus on the three business areas of infrastructure, critical meetings, and video enablement, we see that the competence needed from our partner community is increasing as the projects become more complex. We are working with our key go-to partners to ensure they have the knowledge needed to best support our customers and we are excited to continue to grow our revenue with them.

We have close commercial, go to market and development relationships with a range of strategic partners including Microsoft, Google and Nvidia.

Pexip has been the only Certified Video Interoperability Partner (CVI) for both Microsoft Teams and Skype for Business for several years.

The usage of Microsoft Teams has skyrocketed as a result of the Covid-19 pandemic and customers now see a greater need to connect their existing videoconferencing solutions with their Teams meetings. The Pexip Enterprise Room Connector (ERC) enables that integration, and, at the same time, provides a way for customers to consolidate their video meeting solutions to the cloud. At the end of 2021, we entered into an agreement with Microsoft, effective as of 2022, to make ERC available in the Microsoft Azure Marketplace, the most comprehensive online global software market, providing applications and services certified to run in the Microsoft Azure cloud. Being available in the Marketplace enables customers to simply and efficiently procure Pexip through their existing contracts with Microsoft, extending Pexip's reach to a broader customer base and making it easier for customers to both subscribe to and get started with Pexip. About 95% of Fortune 500 companies use Microsoft Azure and are able to procure their solutions via the Marketplace.

Strong Foundation for Profitable Growth

I am pleased to report that we are continuing to develop our subscription base. In 2021, Pexip experienced a solid increase in its customer base and revenue in all geographies. We grew our contracted Annual Recurring Revenues by 30%, to USD 106.4 million. We did this in a market environment where many of our customers are not using their offices, which has reduced demand for the Pexip solutions in video infrastructure. As we planned for, the investments we have made in strengthening our Sales and R&D team during the past two years led to a negative EBITDA for the year, with an EBITDA margin of -15%. This was significantly better than our guidance of -25% to -35%. We closed the year with a solid cash position of NOK 804 million, over five times our negative operating cash flow for 2021, which we expect to be more than sufficient to fund our growth plan until we return to profitability during 2023.

From an organizational perspective, it was an exciting, but also somewhat challenging year. We experienced rapid growth and we went from 361 employees at the end of 2020 to 535 employees at the end of 2021. The Pexip team still had to juggle the uncertainty created by Covid-19 restrictions, including canceled events, ever-changing travel rules and hybrid working. Virtual hiring and onboarding had to be dealt with at scale, utilizing our own technology to the full. I am impressed with how the team dealt with the situation and continued to work in the Pexip Way, demonstrating resilience and a One Team mentality. I do hope, however, that 2022 will make it easier for the team to meet in person; we use video to its full potential but sometimes it is important to meet.

We executed our first acquisition in November 2021, welcoming the Skedify team into Pexip. Many organizations are opening their eyes to the huge potential video communication has to improve customer service and interaction. The addition of the Skedify customer engagement platform to the Pexip portfolio enables Pexip to provide an end-to-end solution to meet the needs of customers in key verticals, such as financial services, high-involvement retail and HR & recruitment, making it easier and faster for our customers to deploy a video-enabled digital customer journey. The acquisition strengthens our position in the video enablement space and the response from the market has been overwhelmingly positive.

As we approach 2022, we are entering a new phase of our investment plan. Since the IPO in 2020, we have invested heavily in growth across sales and R&D to drive future growth. In 2022, we plan to have a more normalized investment level which, together with continued ARR growth, will help us return to profitable growth during 2023. We will put even more emphasis on learning and development to make sure that the resources we hired in 2021 are fully enabled to execute their jobs in the best possible way. We believe that this will in turn promote job satisfaction and performance, helping build a future-ready organization, and ensuring continued technology leadership.

In September 2021, Odd Sverre Østlie, who was CEO at the time, decided to part ways with Pexip and I was appointed as Interim CEO and CFO. It has been an honor to lead the Company during

this succession period, and I am extremely proud of what the team has achieved. I strongly believe that our combination of innovative core technology, partner ecosystem, and strong culture puts Pexip in a unique position to take full advantage of the opportunities opening up in the Video Economy. 2021 was a year of change - rethinking and reimaging. We are ready to meet 2022 with a renewed focus and I feel confident that capitalizing on the growth investments made in 2020 and 2021 will enable us to deliver on our ambitions to return to positive EBITDA during 2023 and reach USD 300 million in ARR by the end of 2024. Finally, I look forward to handing over the reigns as CEO to Trond K. Johannessen in May 2022 and supporting him and Pexip as CFO. Trond has significant experience in scaling technology companies globally, and with him on the team, Pexip will be strongly positioned for future success.

On behalf of the Pexip team,

Øystein Hem
Interim CEO and CFO

Statement of the Board of Directors

The statement from the Board of Directors (The Board) reflects the development of the Pexip group ("Pexip", "the Company") unless otherwise stated. For more information about Pexip, the nature of the business and where the business is conducted, please see the "About Pexip" section.

2021 has been an important year for Pexip as the Company continued to execute on its growth strategy, and completed its first full year as a listed company. During 2021 organizations continued to rely heavily on the power of videoconferencing, and we are starting to see the emergence of a new video economy. Pexip is well positioned to benefit from this, and has continued to grow strongly during 2021 and made significant investments for future growth. The new video economy is also creating new customer needs, and Pexip has introduced several innovative technologies during the year to help customers take advantage of the opportunities.

Pexip saw a solid increase in its customer base and its revenue throughout 2021. The contracted ARR at the end of 2021 was USD 106.4 million, up 30% from the end of 2020. The different geographies have all contributed to the overall growth, with Europe, Middle East and Africa (EMEA) growing 24% to USD 57 million, Americas growing 40% to USD 39 million, and Asia and Pacific (APAC) growing 32% to USD 10 million. Pexip has invested significantly for growth during 2021 in all geographies by scaling the local sales teams and will continue to do so in 2022, although at a more normalized level.

Another key driver supporting growth in 2021 has been net revenue retention from existing customers. Pexip delivered a net revenue retention of 101%, meaning that on average an existing Pexip customer generated 1% higher ARR at the end of 2021 compared to the start of the year. This is at a good level in a normal year, especially after a very strong 2020 where the pandemic outbreak resulted in record high growth in new customers. The main driver supporting net revenue retention is stronger upsell, mainly driven by existing customers scaling up their Pexip deployment, while churn was kept at 10%, similar to 2020.

In 2021 Pexip continued to significantly accelerate its growth plan. The IPO in 2020 saw Pexip increase its capital with NOK 1.1 billion, to be deployed in investments for growth. The two main focus areas for these investments are supercharging Pexip's sales and marketing capabilities as well as expanding and innovating Pexip's product offering. These investments are mainly in human capital, and Pexip increased the team from 361 employees at the start of 2021 to 535 employees at the end of the year, up 49%. Of the 535 employees, 147 work out of Pexip's headquarter in Oslo, 215 in other parts of EMEA, 108 in the USA and Canada and 65 in the Asia Pacific region. In total, Pexip has a presence in 34 countries. Following the two focus areas, the largest increase was in sales and marketing, growing from 197 to 304 employees, and R&D, growing from 130 to 184 employees. The Group's strategy is to continue to invest in 2022, although at a more normalized level, and to continue building a strong growth capacity for the years to come, enabling Pexip to reach its long-term ambition of USD 300 million in ARR by the end of 2024 and return to positive EBITDA during 2023.

The consolidated accounts include business activities in Pexip Holding ASA, Pexip AS, Pexip Inc., Pexip Ltd., Pexip Australia Pty Ltd, Skedify N.V., Pexip Netherlands B.V., Pexip Germany GmbH, Pexip France SAS, Pexip Singapore Pte Ltd, Pexip Japan GK and Videxio Asia Pacific Ltd.

Financial Review

(Figures in brackets = same period prior year or relevant balance sheet date).

For the full year (FY) of 2021, Pexip's revenue was NOK 805.5 million, up 19% from FY 2020. EBITDA was negative NOK 124.3 million, reflecting a negative 15% EBITDA margin.

Consolidated revenue for FY 2021 increased by 19% to NOK 805.5 million (NOK 678.5). Revenue in EMEA increased to NOK 439.1 million (NOK 378.6 million), Americas increased to NOK 299.9 million (NOK 234.5 million), and APAC increased to NOK 66.4 million (NOK 65.5 million).

Pexip operates with two main products areas. The Pexip self-hosted software product area, which mainly consists of sales from software license sales and related maintenance contracts, and the Pexip-as-a-Service area, which consists of sales from Pexip's public cloud service. Revenue from self-hosted software was NOK 491.0 million (NOK 465.8 million), up 5.4 %. Revenues from Pexip as-a-Service was NOK 314.6 million (NOK 212.7 million), up 48%.

Cost of sale amounted to NOK 76.9 million for FY 2021 (NOK 42.6 million), reflecting a gross margin of 90% (94%). Cost of sale has mainly increased due to a shift towards cloud compute compared to investing in own or renting hardware, which also reduces operating expenses. This is driven by an increase in service robustness and to ensure a better long-term cost structure. Higher revenues and related hosting and network cost from products requiring cloud compute is also a driver for higher cost of sale. In Q4 2021 Pexip started to see cost savings effects in line with expectations as the transformation period is coming to an end. Going forward this development is expected to continue, as some of the costs related to the platform modernization are fixed and not volume driven.

Operating expenses consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 634.4 million for FY 2021 (NOK 400.5 million), which is 79% of revenue in the period (59%). The increase is mainly due to high growth in employees over the last twelve months, in line with Pexip's growth strategy.

Other operating expenses amounted to NOK 218.6 million (NOK 180.0 million) for FY 2021, which reflects 27% of revenue (27%). Other operating expenses in the period increased in line with overall activity growth in the business, as well as investments in marketing to raise the awareness of Pexip amongst potential customers.

Earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to negative NOK 124.3 million for FY 2021 (positive NOK 55.6 million), reflecting a negative 15% EBITDA margin (positive 8%). The development in the EBITDA margin is better than expected in the guidance previously given between negative 25-35% for 2021 and 2022.

Pexip had depreciation and amortization costs of NOK 73.7 million for FY 2021 (NOK 47.3 million). Financial income was NOK 0.5 million (NOK 68.3 million). Financial expenses amounted to NOK 4.6 million (NOK 178.5 million). Financial income and expenses were mainly related to currency exchange gains and losses and the decrease in both income and expenses from prior period is due to large fluctuations in currencies for 2020 due to the Covid-19 pandemic. For financial expenses, NOK 24.0 million was related to realization of outstanding options on Pexip's own shares at fair value as part of the IPO. These options were settled in equity as part of the IPO transaction.

Profit before tax was negative NOK 195.2 for FY 2021 (negative NOK 102.0 million). Profit after tax was negative NOK 157.3 million (negative NOK 89.0 million).

Other comprehensive income consists of exchange income on translation of foreign operations of NOK 3.0 million (loss of NOK 5.5 million). The total comprehensive loss for the year was NOK 154.3 million (loss of NOK 94.5 million).

Financial Position

Pexip's total assets amounted to NOK 2,388 million at the end of FY 2021 (NOK 2,436 million).

Current assets amounted to NOK 1,067 (NOK 1,321 million). Cash equivalents decreased to NOK 804 million (NOK 1,101 million at the end of FY 2020), mainly as a result of investments in sales capacity and R&D, according to strategy. Cash and cash equivalents are held in a range of currencies matching the distribution of cash outflows to reduce currency risk. Trade and other receivables increased to NOK 218 million (NOK 193 million), due to higher sales. Contract assets increased to NOK 17.4 million (NOK 9.1 million) as previously non-invoiced revenue was invoiced. Other current assets increased to NOK 27.9 million (NOK 18.7 million).

Non-current assets increased to NOK 1,321 million (NOK 1,114 million). This is mainly explained by increase in deferred tax asset to NOK 109.1 million (NOK 54.6 million). Contract costs increased to NOK 262 million at the end of FY 2021 (NOK 211 million). Other intangible assets increased to NOK 138.9 million (NOK 133.7 million). The increase in Contract costs is related to growth in paid and periodized commissions in line with strong growth in sales staff and activity, and the increase in Other intangible assets is mostly related to the purchase price of acquired customer contracts. Property, plant and equipment increased to NOK 36.0 million (NOK 25.2 million), and right of use assets increased to NOK 103.4 million (NOK 87.8 million) due to increase in offices leased. Other items saw small changes over the period.

Pexip's total liabilities amounted to NOK 479 million at the end of FY 2021 (NOK 413 million).

Current liabilities amounted to NOK 375.6 million (NOK 326.6 million). Trade and other payables decreased to NOK 138.6 million (NOK 154.6 million). Contract liabilities increased to NOK 202.3 million (NOK 155.2 million), due to high increase in sales and deferred revenue. Lease liabilities increased to NOK 28.8 million (NOK 14.1 million).

Non-current liabilities amounted to NOK 103.8 million (NOK 86.8 million). Non-current borrowings decreased to 4.0 million from 6.0 million, due to scheduled repayments of borrowings. Lease liabilities increased to NOK 84.8 million (NOK 78.2 million), mainly due to repayment of lease obligations but is offset by some increase in offices rented. Deferred tax liabilities increased to NOK 12.3 million (NOK 0.0 million) due to incurred tax liabilities for specific legal entities. Other payables saw small movements and were at NOK 2.7 million (NOK 2.6 million).

Pexip had a total equity of NOK 1,908 million at the end of FY 2021 (NOK 2,022 million). The equity ratio was 80 % at the end of FY 2021, compared to 83 % at the end of 2020.

Cash Flow

Pexip had a **cash flow from operating activities** of negative NOK 155.3 million for FY 2021 (positive NOK 71.3 million). The operating cash flow was mainly impacted by a higher loss before income tax of NOK 195.2 million (102.0 million) as well as net negative of NOK 3.0 million in operating receivables and payables (positive NOK 66.2 million).

Cash flow from investing activities was negative NOK 98.8 million in FY 2021 (negative NOK 73,8 million). The increase in cash out flow is related to higher payment of software development cost of NOK 48.3 million (NOK 33.7 million) as well as payment for acquisition subsidiary, net cash acquired of NOK 15.2 million (NOK 0.0 million), related to Skedify acquisition.

Cash flow from financing activities was negative NOK 45,6 million for FY 2021 (positive NOK 1,099.2 million). In 2020, cash flow from financing activities reflects the listing on the Norwegian stock exchange May 14, 2020 with the issuance of new shares giving Pexip new funding of gross NOK 1,209.9 million. In 2021 Pexip had a positive cash flow from share issues related to employee incentive programs of NOK 94.5 million, and a negative cash flow related to the purchase of treasury shares of negative NOK 88.0 million. In aggregate this gave a net issuance of 1,914,646 shares and a net cash flow of NOK 6.5 million. In 2021 Pexip had a cash flow from borrowings of negative 34.7 million (negative 2.5 million), mainly related to repayments of debt related to the Skedify transaction. Pexip further had a negative cash flow from principal lease payments of negative NOK 13.7 million. The share capital of Pexip Holding ASA at the end of 2021 was 1,566,445.065, divided on 104,429,671 shares. Per December 31, 2021, Pexip held 719, 228 own shares in Pexip Holding ASA, by 0.7% of the total shares outstanding.

Debt Facilities

The Pexip Group has an interest-bearing loan from Innovation Norway (Innovasjon Norge) of NOK 6.0 million at the end of 2021, with maturity in 2024. The loan has pledged security against property, plant and equipment in addition to trade receivables. There are no covenants or other restrictions on the loan.

Other than the Innovasjon Norge loan, Pexip had no interest-bearing debt, credit lines (drawn or undrawn) or other borrowings requiring repayments on December 31, 2021. There are no restrictions or other covenants related to the cash or liquidity position for any company in Pexip. With the IPO listing and cash raised related to this in May 2020, the Pexip Group has a solid cash balance and a healthy liquidity position.

Outlook

In the long-term, Pexip believes that the market for enterprise-grade video communication will increase due to the explosive adoption and usage of video communication following Covid-19, and increased awareness of sustainability. Many enterprises plan to adopt hybrid working models as they return to the office, combining office and remote working, that will provide benefits far beyond the need for social distancing, such as reducing travel and related emissions, enabling work flexibility and increasing productivity. Furthermore, Pexip believes in increased use of video in organizations' workflows with their clients/customers, creating additional new and significant market opportunities. In the short term, renewed Covid-19 restrictions will cause limited use of offices and delays in roll-out of new video rooms. In addition, Pexip's customers have experienced delays in video hardware deliveries due to chip shortages.

To accelerate growth Pexip has invested in increasing the Company's sales and marketing presence as well as R&D capabilities since the IPO. During 2022 Pexip expect ARR growth to again overtake growth in employees and cost. This will support returning to a positive EBITDA during 2023. In the mid-term, the Company expects above 25% EBITDA-rate in 2025 together with revenue growth above 25%. The key enabler for all these initiatives is the robust strengthening of the Pexip team during 2020 and 2021.

In an environment that is adapting to a more decentralized working environment with focus on sustainability, Pexip believes that it is uniquely positioned to address the new technology needs of customers, with its ability to provide a great meeting experience regardless of the device or platform in use. This is reflected in Pexip's long-term ambition to reach an ARR of USD 300 million by 2024.

These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this section. Readers are cautioned not to put undue reliance on forward-looking statements.

Subsequent Events

On February 7, 2022, Pexip announced the appointment of Trond K. Johannessen as CEO, following an extensive international search process. Mr. Johannessen will join Pexip in May 2022. Øystein Hem will continue to lead the Company until Mr. Johannessen assumes the role as CEO and will thereafter continue with Pexip as CFO.

On February 10, 2022, Pexip announced that the Company has decided to initiate a buyback of its own shares in the market for a total of NOK 87.5 million. Pexip has an ongoing employee share-based compensation program with existing future commitments on delivery of shares. Due to a solid cash position, the Board believes that it is an attractive option to buy back shares to fulfil its obligations in future share option exercises. After this buyback program, Pexip will continue to have sufficient cash reserves to fund the communicated growth plan until the Company returns to cashflow positive operations.

Parent Company and Allocation of Net Profit

Pexip Holding ASA is a public limited liability company. It has 0 employees, and its activities are limited to being listed on Oslo Børs and being the parent company of Pexip AS. Pexip Holding ASA had a loss of NOK 11.4 million in 2021 (NOK 96.0 million), mainly related to fees for external services and operating expenses, but offset by financial income.

Pexip has a strategy for growth and has several attractive investment opportunities available to it. Pexip reinvests its growth in revenues to seize these opportunities and does not have a policy to distribute an annual dividend in the medium-term.

The loss for the year of the parent company, Pexip Holding ASA, of NOK 10.1 million has been allocated in its entirety to other equity.

Environmental, Social and Governance

Environmental, Social and Governance (ESG) means to run the business in a responsible and sustainable manner over time, and in a way that contributes to a positive, trust-based relationship between Pexip, Pexip's stakeholders and society as a whole. Material topics included in Pexip's Sustainability Report were identified in alignment with GRI's materiality principle. Pexip considers SASBs Software and IT Services Standard and the disclosures contained within it to represent material ESG topics for the Company. All disclosures from the Standard have been included in this report. The Sustainability Report can be found on Pexip's webpage under https://investor.pexip.com/ and includes the following material topics:

- Data security and privacy
- Talent attraction and retention
- Greenhouse gas emissions and energy use
- Ethical business practices
- Diversity and equal opportunity
- Digital inclusion and positive industry impacts
- Health, safety, and wellbeing
- Supply chain management
- Intellectual property rights

Reducing both Pexip's and the customers' impact on the environment is an important focus for Pexip and the Board, and it will become even more important in the future. The Board considers Pexip's operations to have an overall positive effect on the global environment. Pexip delivers videoconferencing services, which can be used to reduce business travel and commuting, thereby reducing carbon emission, and improving the environment. Pexip's software also allows enterprises to increase the lifetime of their technical equipment through interoperability, giving the opportunity to reduce e-waste. Pexip only produces software and software-as-a-service and does not use products or materials which are harmful to the natural environment in the production of its services. Pexip uses waste sorting and recycling schemes for supplies and materials.

The direct impact of climate change is not expected to have a material impact on Pexip's financial performance and accounts in the short term, as Pexip has a limited carbon footprint and limited physical infrastructure which can be impacted. In the mid-term Pexip expects climate change to have a positive effect on revenue due to the positive nature of videoconferencing when it comes to reducing travel and commuting, improving the environment as described above. Similarly, it may negatively impact the cost of operations, mainly related to data centers and compute due to increasing cost of electricity.

People and Organization

Pexip aims to be the leading People organization in the industry and focuses heavily on people and culture, inclusion, and diversity. Pexip works hard to ensure that equality is practiced across all aspects of business operations. Pexip's goal is to offer an equal opportunity, safe, and risk-free working environment fostering individual growth and enjoyment at work.

In 2021, Pexip had 535 employees, of which 114 were female and 421 male. The Company had six part-time employees, three female, and three male. The Company had 12 temporary employees of which nine men and three female. 10 employees enjoyed parental leave in 2021, where eight men took 50 weeks in total, and two women took 24 weeks. Sick leave amounted to 190 days. 68 men with 137 days leave in total, and 30 women with 53 days leave. The Board considers this to be satisfactory and no special measures have been taken. The working environment in Pexip is good, and during 2021 there have been no work-related accidents or injuries. At the end of the year, the parent company had no employees.

The Group's policies are deemed to be gender-neutral in all respects. Pexip appreciates diversity and believes in equal opportunity regardless of gender, age, language, ethnicity, sexual orientation, cultural affiliation, disability, religion, or faith. Any form of discrimination, harassment, bullying, or victimization is unacceptable in Pexip.

Almost 30% of the new hires in 2021 were women, a small improvement for the Company and well above the current ratio of 21%, reflecting that the Company operates in an industry that has traditionally been male-dominated. That said, the Company is committed to recruiting more women, and has engaged an internal team of volunteers to work on the topic of Equity, Diversity and Inclusion based on the company values, the Pexip Way. This initiative is designed to create awareness and build engagement around recruiting and developing a more diverse team.

The Group regularly conducts employee Net Promoter Score (NPS) surveys to monitor employee satisfaction and guide management actions, providing employees with an anonymous feedback channel in addition to other channels to raise what they like about Pexip and the areas of improvement. The response rate in 2021 was 62%. The result was a promoter score of 56, reflecting a high satisfaction rate among Pexip employees.

Pexip continuously monitors the effect Covid-19 has on employees. As the Company is founded on a video-way-of-life, employees are accustomed to remote working, but measures have been taken to promote a sense of belonging and reinforce the Pexip Way while people have been working largely from home. The Pexip Way is embedded in everything from recruitment, onboarding, learning, and development at Pexip.

As Pexip grew with almost 50% in 2021, the Company has increased both the size of the HR team and expanded the initiatives designed to help the Pexip team scale and grow the Pexip Way. Extra efforts have been made to secure communication flow and information availability, as well as enable remote learning. Through the Pexip Academy, the Company helps develop employees and complies with ISO-regulated training. Courses include the Pexip Way of Selling, Pexip Way of Coaching, and Pexip Way of Leadership programs, all delivered remotely to boost employee engagement and growth in sales and leadership. The Company has a 4-day virtual orientation program for new hires to secure successful onboarding. Finally, Pexip has implemented PexTalks, a systematic approach to personal development and growth.

Research and Development (R&D)

Pexip's core activity is R&D related to distributed software platforms for videoconferencing and collaboration. The continued momentum and the results achieved in this area have been excellent, as demonstrated with the innovations described elsewhere in this report. The product development strategy was assessed throughout the year.
The technology is developed with the aim to make the company a supplier of comprehensive collaboration software with focus on the needs of large international corporations and public sector organizations. Of the total R&D in 2021, Pexip capitalized NOK 48 million (NOK 34 million) and the remaining cost has been classified as operating expenses.

Risk and Risk Management

Risk management in Pexip is based on the principle that risk evaluation is an integral part of all business activities, and is a part of the annual strategy review. Pexip has developed its approach to risk assessment and risk mitigation within financial reporting, and within information security, where Pexip holds an ISO 27001 certification as an external recognition of its approach. Pexip's key commercial, technological, and operational risk factors are summarized here.

Operational and Market Activities

Pexip may be unable to retain or replace its founders, management and/or key IT-, sales- and marketing professionals. Retaining Pexip's strong talent and leadership is vital due to their extensive experience and skill sets within the videoconferencing and collaboration industry, which is required to support and develop Pexip's projects. It is also vital for Pexip's operations to retain or replace its IT professionals with expertise within information security and privacy, as well as certain IT professionals within R&D with skills required to sustain and develop Pexip's competitive differentiation. There is shortage of, and intense competition for, sales and marketing professionals with ability and expertise to sell product and services to large worldwide businesses and organizations with lengthy procurement cycles and severe evaluation and negotiation processes.

Pexip may not be able to respond to rapid technological changes, extend its platform or develop new services in a highly competitive market. The communications and collaboration technologies market is highly competitive and characterized by rapid technological change and frequent new product and service introductions. Pexip's future profitability depends heavily on its ability to enhance and improve the platform, introduce new features and products and interoperate across an increasing range of devices, operating systems and third-party applications. There can be no assurance that any attempts on enhancements to the platform or new product experiences, features or capabilities will be compelling to users or gain market acceptance in a timely and cost-effective manner.

Pexip is exposed to risk related to high upfront sales and marketing costs, lengthy sales cycles and unexpected deployment challenges due to its sales and marketing to large businesses and organizations. As Pexip's main focus is on large enterprise customers, a large proportion of the sales and marketing costs are related to such customers. These customers and potential customers have lengthy procurement cycles and severe evaluation and negotiation processes due to their leverage, size, organizational structure, and approval requirements, and often demand additional features, support services and pricing concessions or require additional security management or control features. Pexip spends substantial time, effort and funds on sales and marketing efforts to potential customers without any assurance that this will produce any sales.

Pexip is exposed to risk related to cyber-threats. As a technology group that delivers an end-to-end videoconferencing platform and digital infrastructure, Pexip and its customers are subject to cyber-attacks from cybercriminals. Rapid changes in attack vectors makes it difficult to stop attacks and adapt to new threats and the increased social hacking creates a cyber-threat risk for Pexip.

Pexip is exposed to risk relating to system failures, defects, or errors. Certain applications offered to customers are hosted on Pexip's own servers, running in co-located data centers. Pexip must maintain continuous data center operations (including network, storage, and server operations) to ensure adequate delivery of services. Pexip's data center operations may experience disruptions or outages as a result of human error, equipment error, cyberattacks, software failure or natural disasters. Pexip's platform and services are based on inherently complex software technology, which may have real or perceived defects, errors, failures, vulnerabilities, or bugs in the platform and Pexip's products could result in negative publicity or lead to data security, access, retention, or other performance issues.

Operational Activities Risk Mitigation

To retain and attract talent, Pexip continuously invests in strengthening the corporate culture, the Pexip Way, as well as making sure Pexip is taking advantage of all available talent through its diversity initiatives. Pexip is also investing in its sales and R&D capacity to stay ahead of competition. In order to mitigate risks within cyber security and system errors, Pexip invests in strengthening its system architecture, as well as investing in competence development and awareness training. Since the founding of the company Pexip has invested in automated software testing to ensure a robust, enterprise-grade product offering.

Customer Relationships and Third Parties

Pexip depends highly on existing customers renewing their subscriptions. Pexip's offerings are in a highly competitive communications and collaboration market, with fluctuating user satisfaction, demand for products and/or services, financial position of customers and acceptance and use of communications and collaboration technologies in general. Pexip's business operations depend highly on renewed subscription by its existing customer base.

Pexip is exposed to risk related to the interoperability of Pexip's platform across devices, operating systems, and third-party applications. Compared to its competitors' solutions, Pexip's platform is accessible irrespective of technology and device, and has integrations with traditional video equipment, via browser, collaboration tools, enterprise & internet streaming, and telephony. Pexip is highly dependent on the accessibility of its platform across these and other third-party operating systems and applications that it does not control. Third-party services and products are constantly evolving, and Pexip may not be able to modify its platform to assure compatibility with that of other third parties following development changes.

Customer Relationships and Third Parties Risk Mitigation

Pexip invests substantial resources into R&D to further develop its offering, and has also invested in strengthening the Customer Success team and data-driven methodology. In addition, Pexip has a dedicated alliance team working with its strategic partners to build joint customer value and explore new areas of cooperation with its alliance partners.

Laws Regulations and Compliance

Pexip is exposed to risk relating to data protection and data privacy regulations, licenses, etc. Pexip receives, stores and processes personal information and other user data through its business and operations in multiple jurisdictions. This makes Pexip exposed to data protection and data privacy laws and regulations it must comply with, which all impose stringent data protection requirements and provides possibly high penalties for non-compliance, in particular relating to storing, sharing, using, processing, disclosing and protecting personal information and other user data on its platforms.

Pexip is subject to laws and regulations in several jurisdictions, including governmental export and import controls. Pexip's platform and products are subject to governmental export and import controls that could impair Pexip's ability to compete in international and/or national markets due to specific licensing requirements. Any change in export or import laws and regulations could result in decreased use of the Pexip platform or decreased ability to export or sell subscriptions to the platform to existing and/or potential customers with international operations.

Pexip is exposed to risks of claims and legal proceedings, including intellectual property right disputes. Pexip may be party to various legal proceedings that arise in the ordinary course of its business, including intellectual property rights disputes. The value of intellectual property rights is of high importance for Pexip, as it operates in a highly competitive commercial environment where the strength of the intellectual property rights may be an important feature that distinguish Pexip from its competitors. It is therefore important for Pexip to ensure the value and commercial use of its intellectual property rights. There can be no assurance that third parties have not or may not infringed intellectual property rights owned by Pexip, who may have to challenge such parties' rights to continue to use or sell certain products and/or may seek damages from such parties. Moreover, there can be no assurance that Pexip may not infringe or be alleged to have infringed intellectual property rights owned by third parties who may challenge Pexip's right to continue to use or sell certain products and/or may seek damages from Pexip. Any infringement or other intellectual property claims made by or against Pexip could be time-consuming, result in costly litigation, cause product delays, divert its Management from its regular responsibilities or require Pexip to enter into royalty or licensing agreements.

Laws Regulations and Compliance Risk Mitigation

Pexip monitors the development of laws and regulations in the markets it operates in, especially within the data privacy area which has seen significant development in recent years. Industry standard insurance policies are also in place.

Financial and Market Risk

Pexip's profitability, operating results and working capital may fluctuate significantly. With a strong focus on long-term growth and significant investments in strengthening its growth capacity, Pexip's profitability, results of operations and working capital is expected to fluctuate significantly on a quarterly and annual basis. The main levers to invest in will be increased sales capacity and marketing spend as well as increased R&D capacity, both of which will increase operating costs. The long-term ambition is to have operating profitability, in EBITDA margin, of more than 25%. The subscription-based revenues may also fluctuate significantly, both in the short-term and long-term. Working capital may also fluctuate significantly on a quarterly and on an annual basis, which could have a material adverse effect on Pexip's business and financial performance. This may be caused by factors beyond Pexip's control, such as variations in the timing of orders and deliveries, new product introductions by Pexip and its competitors, variations in spending budgets of customers, shifts in market and industry emphasis and end user demands, and general economic conditions and economic conditions.

Pexip is exposed to foreign currency exchange risk. Because a significant part of Pexip's business is conducted in currencies other than its functional reporting currency (NOK, as defined below) and Pexip has its majority of ARR in contracts denominated in USD, Pexip will be exposed to volatility associated with foreign currency exchange rates. Exchange rate fluctuations may affect Pexip's financial results through translation of the profit and loss accounts and balance sheets of foreign subsidiaries into NOK. Currency risks may also arise when Group companies enter into transactions that are denominated in currencies other than their functional currency. Pexip itself is also invoiced in other currencies than its functional currency, thus resulting in currency exposure from both a customer and supplier position. Currency exposure is the result of purchases of goods and services in other currencies than Pexip's functional currency (transaction exposure) and of the conversion of the balance sheets and income statements in foreign currencies into NOK (translation exposure). Such translation exposure does not give rise to an immediate cash effect. Pexip does not use financial instruments to hedge its exposure to foreign exchange rate risks, and there is no guarantee that Pexip's financial results will not be adversely affected by currency exchange rate fluctuations or that any efforts by Pexip to engage in currency hedging activities will be effective.

Pexip is exposed to risk relating to impairment of intangible assets, including goodwill. The Company's audited consolidated financial statement for the year ended December 31, 2021 was prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. As of December 31, 2021, Pexip's non-current assets amounted to approximately NOK 1,321 million which constituted 55% of Pexip's total assets, most of which are intangible assets including NOK 663 million in goodwill. Goodwill acquired in a business combination is not amortized pursuant to IFRS, but is tested for impairment annually, or more often, if an event or circumstance indicates that an impairment loss may have been incurred. The key assumption affecting the present value of cash flows are the development of the net sales (expected growth rate), profitability, the discount rate and the growth rate. Changes in the development of the key assumptions could lead to impairment losses on goodwill, which could weaken Pexip's financial conditions, results of operations, equity and/or its ability to pay dividends or distributions.

Financial and Market Risk Mitigation

Pexip maintains a robust balance sheet with a significant cash position in order to fund its growth investments and working capital needs. In addition, the company has very limited interest-bearing debt. Pexip does not use hedging instruments, but holds its cash holdings in a range of currencies according to its main cash outflows. Pexip currently has significant headroom in its impairment tests.

Impact from Covid-19

Covid-19 has created disruption to the global economy. Pexip's business has continued to develop well in 2021, partly due to the fact that Pexip's products and services are within videoconferencing, an industry that has seen a significant increase in use-cases during the pandemic. Pexip's own operations have pivoted to an all-digital workflow where required, and most Pexip locations have been in some lockdown situations during 2021. Moreover, Pexip employees' expertise within videoconferencing and hybrid-working solutions has contributed to a smooth transition for the Pexip workforce to the required changes in ways of working that the pandemic has caused. The pandemic has required extraordinary efforts from the organization to support existing and new customers. This has enabled many of Pexip's customers to maintain business continuity and deliver vital services in industries such as healthcare, public services and pharmaceuticals. In the short term, renewed Covid-19 restrictions will cause limited use of offices and delays in roll-out of new video rooms.

War in Ukraine

The development in Ukraine, and the impact on business in the region is continuously changing and the following statements apply up to the date of the release of this report and may not be applicable after the date of release.

The war in Ukraine has impacted Pexip in several ways. Pexip has three remote employees based in the conflict area and several employees from the involved countries in other offices. Pexip's main concern has been to ensure their safety and offer support to them in the best way. The financial effect from this is minimal until this date.

In response to the attack on Ukraine, several extensive packages of sanctions towards Russia have been launched. The imposed sanctions are far-reaching. Norway has adhered to all EU sanctions and has transposition sanctions into Norwegian law. To ensure compliance with the abovementioned measures, Pexip continuously maps our exposures to Russia, Donetsk and Luhansk and Belarus. This includes, for example, systematic identification and assessment of current relationships with banks, Resellers and Customers based in Russia or wholly or partly owned by Russian interest. All such relations are thoroughly considered to ensure compliance with sanctions.

Pexip has ten end customers in Russia and three in Ukraine, of which all have purchased the self-hosted software, with around USD 0.3 million in annual recurring revenue from these customers. One third of this is scheduled for renewal in Q1, which will not happen due to the ongoing conflict and sanctions. As of this date, Pexip has around USD 65,000 in unpaid invoices, in which we see increased risk in getting paid. The war has affected Pexip as Pexip has stopped all new sales and renewals to companies in Russia. Further, many companies in the corresponding countries and regions are affected by the situation and some have postponed purchase decisions for video solutions. This will impact the growth in annual recurring revenue and revenue for Q1 2022.

Corporate Governance

Good corporate governance provides the foundation for long-term value creation, to the benefit of shareholders, employees and other stakeholders. The Board has established a set of governance principles in order to ensure a clear division of roles between the Board, the executive management and the shareholders. The principles are based on the Norwegian Code of Practice for Corporate Governance. Pexip is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on October 14, 2021, may be found at www.nues.no. The annual statement on corporate governance for 2021 has been approved by the Board and can be found on page 39 in this annual report.

An insurance policy is in place for members of the Board of Directors and the CEO for their potential liability towards the Company and third parties. The insurance covers the Board's and the CEO's legal personal liability for financial damage caused by the performance of their duties.

Share and Shareholder Matters

The Pexip share is listed on Oslo Børs under the ticker PEXIP. The company was listed on Oslo Børs on May 14, 2020 with a subscription price of NOK 63.00 per share.

Pexip has only one share class, and all shares have equal rights in the Company.

On December 31, 2021, the share capital of Pexip Holding ASA was NOK 1,566,445.065 divided into 104,429,671 ordinary shares with a par value of NOK 0.015. The share had a closing price on December 30, (last day the share was traded in 2021) of NOK 41.00 per share.

The turnover of shares is a measure of traded volumes. On average, 508,018 Pexip shares were traded on Oslo Børs every day in 2021.

As of December 31, 2021, Pexip had 6,938 shareholders registered in the Norwegian Central Securities Depository (VPS) The shareholders were from 61 different countries across the world, with 40% of holdings were held by shareholders outside Norway. The top 20 shareholders held 44.4% of the registered shares.

The shares are registered in the VPS. The company's registrar is DNB Markets. The shares carry the securities number ISIN NO 0010840507.
Pexip aims to have an open and transparent dialog with shareholders and investors. Pexip has a set of guidelines for investor relations. The purpose of the investor relations guidelines is to ensure that relevant, accurate and timely information is made available to the market as a basis for fair pricing and regular trading of the company's shares, and the company is perceived as a visible, accessible, reliable and professional company by the capital market, while at the same time always observing the rules and legislation for listed companies on Oslo Børs.

Pexip ensured that all relevant information required for external evaluation of the company was published in accordance with applicable rules and guidelines set by Oslo Børs. The company also conducted investor roadshows with investors across the globe in connection with the interim results and participated on a number of industry and investment seminars during the year.

Going Concern

The Board confirms that Pexip qualifies as a going concern and the financial statements have been prepared on this basis. The Board has confirmed that this assumption can be made on the basis of the Group's strategy, outlook and budgets.

Oslo, March 30, 2022
Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Board Member

Marianne Wergeland Jenssen
Board Member

Øystein Hem
CFO and Interim CEO

Statement of Corporate Governance (NUES)

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Corporate Governance

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Pexip is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on October 14, 2021, may be found at www.nues.no.

The annual statement on corporate governance for 2021 follows below. The statement was approved by the Board on March 30, 2022.

1. Implementation and Reporting on Corporate Governance

The Board is committed to building a sound and trust-based relationship between Pexip and the Company's shareholders, the capital market participants, and other stakeholders.

Pexip's overall principles for corporate governance are approved by the Board and can be found at https://investor.pexip.com/corporate-governance.

Pexip complies with the Norwegian Code of Practice for Corporate Governance (the code) issued by the Norwegian Corporate Governance Board, latest edition of October 14, 2021.

The Board's annual statement on how Pexip has implemented the code is set out below. The statement covers each section of the code, and deviations from the code, if any, are specified under the relevant section.

2. Business

Pexip's articles of association are available on Pexip's website.

Article 3 of these articles, Pexip's business objectives states: "The Company's objective is to operate, own and/or invest in businesses or development related to telecommunication services and telecommunication solutions, investment in other companies or development of other businesses, and anything related to the foregoing. Within the framework of its articles of association, Pexip has established goals and strategies for its business.

Pexip's objectives and strategies are presented in the annual report in section "About Pexip". The evaluation of Pexip's objectives and strategies as well as risk and risk management is described in the Board's report. The "Environmental, Social and Governance" section in the Board's report covers considerations on sustainable value creation.

When carrying out its work on defining objectives, strategies, and risk profiles to create value for shareholders in a sustainable manner, the Board takes into account financial, social and environmental considerations. The Board has guidelines for how it integrates considerations related to its stakeholders into its value creation. The Board evaluates these objectives, strategies and risk profiles at least yearly.

3. Equity and Dividends

Equity

As of December 31, 2021, Pexip had a consolidated equity of NOK 1,908.2 million, corresponding to an equity ratio of 79.9%.

The Board considers that Pexip has a capital structure that is appropriate for its objectives, strategy and risk profile.

Dividends

In deciding whether to propose a dividend and in determining the dividend amount, the Board will comply with the legal restrictions set out in the Norwegian Public Limited Liabilities Companies Act and take into account the Company's capital requirements, including capital expenditure requirements, the Company's financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintenance of appropriate financial flexibility.

The proposal to pay a dividend in any year is, in addition to any legal restrictions, further subject to any restrictions in the Company's borrowing arrangements or other contractual arrangements in place at the time.

The Company is focusing on pursuing growth through expanding its sales operations, moving into new customer segments and further devloping and enhancing its product offering (see section 8.3 "Strategy and objectives"), and does not anticipate paying any dividends for the next three to five years. The Company has not paid any dividends on its shares during the financial years ended December 31, 2021, 2020, 2019, 2018 and 2017.

Board Mandates to Increase the Share Capital

At the Annual General Meeting of the Company on May 20, 2021 the Board was authorized to increase the share capital of Pexip for general purposes by up to NOK 310,000 in one or more share capital increases through issuance of new shares. The authorization was only to be used in connection with (i) capital raisings for the financing of the Company's business; and (ii) in connection with acquisitions and mergers. The authorization can be used in situations described in the Norwegian Securities Trading Act section 6-17. The authorization was valid until the annual general meeting in 2022, however no longer than until June 30, 2022. The Board did not issue any shares in relation to this authorization.

At the Annual General Meeting of the Company on May 20, 2021 the Board was authorized to increase the share capital of Pexip by up to NOK 155,700 in one or more share capital increases through issuance of new shares. The authorization was only be used in connection with issuance of shares to the Group's employees or board members in relation with option and incentive programs, both individual and general. The authorization can be used in situations as described in the Norwegian Securities Trading Act section 6-17. The authorization is valid until the annual general meeting in 2022, however no longer than until June 30, 2022. In relation to this authorization, the Board issued 612,288 new shares and increased the share capital with NOK 9,184.32 since Annual General Meeting on May 20, 2021 and up to the date of this report.

4. Equal Treatment of Shareholders

The Company's share capital is NOK 1,566,445.065, divided into 104,429,671 shares, each with a nominal value of NOK 0.015.

The Board and the executive management are committed to ensuring equal treatment of all the Company's shareholders and that transactions with related parties take place on an arm's length basis. Note 27 to the consolidated financial statements provides details about transactions with related parties. Financial relationships related to the directors and executive personnel are described in note 4.

In June 2021, the Company purchased 1,182,950 of its own shares at an average price of NOK 74.39 per share through Oslo Børs. The share buyback program was publicly disclosed in a stock exchange announcement on May 31, 2021.

5. Shares and Negotiability

The Company's shares are freely negotiable. The articles of association do not impose any restriction on the negotiability of the shares. There are no general restrictions on the purchase or sale of shares by members of the Company's management as long as they comply with the regulations on insider trading and in the Market Abuse Regulation. Each share carries one vote.

6. General Meetings

All shareholders have the right to participate in the general meetings of the Company, which exercise the highest authority of the Company. The Board ensures that its shareholders can attend and participate in the general meeting. The annual general meeting will take place on April 21, 2022. The Group's financial calendar is published via Oslo Børs and in the investor relations section of Pexip's website.

Notice, Registration and Participation

The full notice for general meetings shall be sent to shareholders no later than 21 calendar days prior to the meeting. The notices for such meetings shall include documents providing the shareholders with sufficient detail in order for the shareholders to make an assessment of all the cases to be considered as well as all relevant information regarding procedures of attendance and voting. The notice and the documents may be sent to or made available for the shareholders by electronic communication, to the extent allowed in the Company's articles of association. The members of the Board and the Chair of the nomination committee are present at the general meeting. The Company's auditor shall normally be present at general meetings. The deadline for registering attendance is set as close to the meeting as possible, and, pursuant to the articles of association; no sooner than five days in advance of the general meeting. Shareholders who intend to attend a general meeting of the Company shall give the Company written notice of their intention within a time limit given in the notice of the general meeting, which cannot expire earlier than five days before the general meeting. Shareholders, who have failed to give such notice within the time limit, can be denied admission.

Proxy Form, Advance Voting and Voting Restrictions

Notices with documentation are made available on Pexip's website immediately after the documentation has been issued as a stock exchange announcement.

General-meeting notices provide information on the procedures for attendance and voting, including the use of proxies. Shareholders who cannot attend in person are encouraged to appoint a proxy.

A proxy form, where a proxy has been named, is framed in such a way that the shareholder can specify how the proxy should vote on each issue to be considered. The notices include information on the right to raise issues for consideration at the general meeting, including the relevant deadlines.

Shareholders may cast a written vote in advance in matters to be discussed at the general meetings of the Company. Such votes may also be cast through electronic communication.

The access to cast votes in advance is subject to the presence of a safe method of authenticating the sender. The Board decides whether such a method exists before each individual general meeting.

The notice of the general meeting states whether votes in advance are permitted and which guidelines, if any, that have been issued for such voting.

Chairing Meetings, Elections, etc.

General meetings will normally be chaired by the General Counsel. The Board will however evaluate whether it is appropriate to engage an external Chair to chair the meeting.

The Group's members of the Board and Chief Executive Officer (CEO) are required to attend, in accordance with the instructions for the Board.

The nomination committee is encouraged to attend those meetings where the election and remuneration of directors and members of the nomination committee are to be considered. The Board requires that the Chair of the nomination committee is present. The Group's auditor is normally present at the Annual General Meeting.

The general meeting is normally invited to vote for a complete shareholder-elected Board. As a result, no opportunity has been provided to vote in advance for individual candidates.

Minutes from general meetings are published as soon as practicable via the stock exchange's reporting system (www.newsweb.no, ticker code: PEXIP) and in the investor relations section of Pexip's website.

7. Nomination Committee

The nomination committee is laid down in article 8 of the Company's articles of association. The Company shall have a nomination committee, elected by the general meeting. The members of the nomination committee should be selected to take into account the interests of shareholders in general, and the majority of the nomination committee should be independent of the Board and the executive management team. No board member or member of the executive management team should serve on the nomination committee. Members of the executive management team should not be members of the nomination committee.

The nomination committee shall present proposals to the general meeting regarding (i) election of the Chair of the Board, board members and any deputy members, and (ii) election of members of the nomination committee. The nomination committee shall also present proposals to the general meeting for remuneration of the Board and the nomination committee, which is to be determined by the general meeting.

In its work, the nomination committee may contact shareholders, members of the Board, the management and external advisers. Shareholders should be given the opportunity to propose board member candidates to the Nomination Committee. The nomination committee shall give considerable weight to the wishes of the shareholders when making its recommendations.

Members of the nomination committee are elected for a term of two years but may be reelected. The members may be removed or replaced at any time by a resolution of the general meeting. In order to ensure continuity, a maximum of two members should be up for election at any time.

The annual general meeting stipulates the remuneration to be paid to the nomination committee. The nomination committee's expenses shall be covered by the Company.

The general meeting shall adopt instructions for the nomination committee.

The Annual General Meeting on March 20, 2020 elected Dag S. Kaada (Chair), Oddvar Fosse and Arild Resen as members of the nomination committee for a period up to the annual general meeting in 2021. The annual general meeting on May 20, 2021 made no changes to the composition of the committee. No directors or members of executive management are represented in the nomination committee.

8. Board of Directors: Composition and Independence

Pursuant to the articles of association, the Board shall consist of between 3 and 7 board members, as decided by the general meeting. The Board currently has five shareholder-elected directors.

Directors and the Chair of the Board are currently elected by the general meeting for a one-year term.

The composition of the Board is intended to secure the interests of the shareholders in general, while the directors also collectively possess a broad business and management background as well as in-depth sector understanding and expertise in investment, financing and capital markets. Weight is also given to the Board's ability to make independent judgements of the business in general and of the individual matters presented by the executive management. Consideration has also been given to gender representation and independence of directors from the Company and its management.

The Board does not include executive personnel.

All shareholder elected directors are independent of Pexip's executive management and commercial partners. The Chair of the Board has during 2021 worked as support to executive management in the initial phase as a listed company, and is currently doing this at a 60% engagement.

Details on background, experience and independence of directors are presented on Pexip's website.

13 board meetings were held in 2021, in addition to several Board workshops and committee meetings. Each board member's attendance at Board meetings is recorded by the Company.

Members of the Board are encouraged to own shares. The shareholding of each board member can be found in note 16 to the consolidated financial statements and in the biography of each board member on https://investor.pexip.com/corporate-governance-Board.

9. The Work of the Board

The Board shall prepare an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility shall be (i) participating in the development and approval of the Company's strategy, (ii) performing necessary monitoring functions and (iii) acting as an advisory body for the executive management team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the Company is compliant with the Company's values and ethical guidelines. The Chair of the Board is responsible for ensuring that the Board's work is performed in an effective and correct manner. The Board shall ensure that the Company has proper management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the Board and the executive management team. The CEO is responsible for the executive management of the Company. All members of the Board shall regularly receive information about the Company's operational and financial development. The Company's strategies shall regularly be subject to review and evaluation by the Board. The Board shall prepare an annual evaluation of its work.

The Role of the Board

The Board shall contribute with expertise and experience to management. It shall set the vision, values and long-term objectives of the Company.

The Duties of the Board

The duties of the Board are subject to the existing laws, the Company's articles of association, powers and instructions given by the general meeting, these instructions and the Company's Corporate Governance Policy. The main duties of the Board may be divided in:

- The Board's administration of the Company, cf. the Norwegian Public Limited Liability Companies Act (the Companies Act) Section 6-12
- The Board's supervisory responsibility, cf. the Companies Act Section 6-13

The Board shall in general get involved and consider all matters that are significant to the Company's financing, operational performance and long-term development.

The Board's Administration of the Company

The Board shall ensure an adequate organization of the business, including appointment and discharge of the CEO and issuing of instructions to him (the Companies Act Section 6-2) The Board is responsible for issuing any incentive programs for the management of the Company.

The Board shall approve the overall strategy, business plans and budgets for the Company. The strategy discussions shall be finalized well in time before the yearly budget process is started. The Board shall, when necessary, timely initiate discussions on strategic areas, especially within re-structuring and/or change of the administration and/or the management.

Through an adequate monthly reporting system, the Board members shall keep themselves fully updated on the Company's operational and financial development. The information shall be given in a meeting and/or in writing.

The annual report and the annual accounts shall be submitted to the Board for approval within relevant legal time frames. The Board shall submit its annual report, which shall include information about net profit or loss and prospects for the future (cf. the Accounting Act Section 3-3, cf. Section 3-8).

The Board shall, in cooperation with the executive management team, issue the Company's dividend policy and is responsible for submitting proposals (if any) for distribution of dividend to the general meeting.

The Board's Supervisory Responsibility

The Board shall supervise the management of the Company's business in general. The Board may issue instructions for the CEO.

Adequate Equity

The Board shall see to that the Company is at all times funded and financed adequately in terms of the risk and scope of the Company's business.

The Board's Duties in Relation to the General Meeting

The general meetings are convened by the Board (the Companies Act Section 5-8). The Board shall prepare all matters which shall be considered by the general meeting.

Directors of the Board and the CEO have the right to attend and speak at general meetings. The Chair of the Board and the CEO shall, save in case of legal absence, attend general meetings unless the general meeting in each case decides otherwise (the Companies Act Section 5-5).

The Board shall submit its proposal to profit and loss account and balance sheet, and its proposal to application of profit or coverage of loss to each shareholder (the Companies Act Section 5-6 third paragraph) preferably together with the notice to the general meetings, but not later than one week before the matter shall be considered by the general meeting.

Related Parties

Any transactions, agreements or arrangements between the Group and the Company's shareholders, members of the Board, members of the executive management team or close associates of any such parties may only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall where relevant comply with the procedures set out in the Norwegian Public Limited Liability Companies Act. The Board will arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question is considered to be immaterial. The Company's financial statements shall provide further information about transactions with related parties in accordance with applicable accounting principles. Board members shall immediately notify the Board and members of the executive management team shall immediately notify the CEO (who where relevant will notify the Board) if they have any material direct or indirect interest in any transaction entered into by the Group.

Other Responsibilities

The Board shall be responsible for all other duties which are attributed to the Board pursuant to laws or the articles of association, and the Board shall keep itself informed about or resolve matters which in the opinion of the administration or the Chair of the Board is natural or required.

10. Risk Management and Internal Control

As set out in the corporate governance guidelines of Pexip Holding ASA, the company's Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. This document sets out the routines for such internal control and risk management.

Objective of the risk management and internal control

The objective for the Company's risk management and internal control is to manage, rather than eliminate, exposure to risks related to the successful conduct of the Company's business and to support the quality of its financial reporting. Effective risk management and good internal control contribute to securing shareholders' investment in the Company and the Company's assets.

The Board's Responsibility for Risk Management and Internal Control

The Board shall ensure that the Company's internal control comprises guidelines, processes, duties, conduct and other matters that:

- facilitate targeted and effective operational arrangements for the Company and also make it possible to manage commercial risk, operational risk, the risk of breaching applicable legislation and regulations as well as all other forms of risk that may be material for achieving the Company's commercial objectives
- contribute to ensuring the quality of internal and external reporting
- contribute to ensuring that the Company operates in accordance with the relevant legislation and regulations as well as with its internal guidelines for its activities, including the Company's ethical guidelines and corporate values

The Board shall form its own opinion on the Company's internal controls, based on the information presented to the Board. Reporting by executive management to the Board shall be prepared in a format which gives a balanced presentation of all risks of material significance, and of how the internal control system handles these risks.

Internal Control and Risk Management System

The Board shall develop and assess the need for internal control systems which address the organization and execution of the Company's financial reporting. These systems shall be continuously developed in light of the Company's growth and situation.

The Board shall also focus on the need for developing ethical guidelines ensuring that employees can safely communicate to the Board matters related to illegal or unethical conduct by the Company. The Board shall ensure that the Company has the necessary routines and hired personnel to ensure that any outsourced functions are handled in a satisfactory manner.

Pexip's primary internal control routines related to financial reporting are as follows: The Finance department prepares a monthly financial report which also contains the most important operational KPIs and qualitative developments, comparing the results to previous period and to budget. This report is reviewed by the CEO, the management team and the Board. The Board Audit Committee reviews each quarterly financial statement with a particular focus on risk elements, such as special transactions and estimates, and the Board reviews and approves quarterly and annual reports.

Each year, the external auditor performs tests of the Company's internal control routines and presents the findings to the Board. On this basis, the Board reviews managements plan for further development of the Company's internal control system.

Annual Review by the Board

The Board shall carry out an annual review of the Company's most important areas of exposure to risk and of the Company's internal control systems. The Board's review shall cover all matters included in reports to the Board during the course of the year, together with any additional information that may be necessary to ensure that the Board has taken into account all matters related to the Company's internal control.

When conducting their review, the Board shall pay attention to:

- changes relative to previous years' reports in respect of the nature and extent of material risks and the Company's ability to cope with changes in its business and external changes
- the extent and quality of management's routine monitoring of risks and the internal control system and, where relevant, the work of the internal audit function
- the extent and frequency of management's reporting to the Board on the results of such monitoring, and whether this reporting makes it possible for the Board to carry out an overall evaluation of the internal control situation in the Company and how risks are being managed
- instances of material shortcomings or weaknesses in internal control that come to light during the course of the year which have had, could have had or may have had a significant effect on the Company's financial results or financial standing
- to which extent the Company's external reporting process functions

The Board shall provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

11. Remuneration of the Board of Directors

The general meeting determines the Board's remuneration annually, normally in advance, on the basis of recommendations from the nomination committee. Remuneration of Board members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The Board shall be informed if individual Board members perform tasks for the Company other than exercising their role as Board members. Work in sub-committees may be compensated in addition to the remuneration received for Board membership. This is further described in the Pexip's Remuneration Guidelines and Remuneration report for 2021.

With the exception of the Chair of the Board, none of the directors have undertaken any special assignments for Pexip other than their work on the Board and Board committees. Directors are unable to accept such assignments without approval from the Board in each case.

12. Salary and Other Remuneration of Executive Personnel

The Board has a remuneration committee. The main responsibilities of the committee are to evaluate and propose the remuneration guidelines and issue an annual report on the compensation of the executive management team, which shall be included in the Company's annual accounts pursuant to applicable rules and regulations, including accounting standards, promulgated from time to time. This is further described in Pexip's Remuneration Guidelines and Remuneration report for 2021.

Changes to the Executive Management and the Board

The annual general meeting on May 20, 2021 re-elected the following Board, in accordance with the Board's proposal:

(i) Michel Sagen, chair
(ii) Kjell Skappel, member
(iii) Per Kogstad, member
(iv) Irene Kristiansen, member
(v) Marianne Wergeland Jenssen, member

All of the above were elected for a term of one year. No new deputy members were elected.

On August 30, 2021 Nicolas Cormier assumed the position of Chief Technology Officer. He previously held the role as Chief Operating Officer, and is one of the founding engineers in Pexip. The role was previously held by Giles Chamberlin, who has assumed a part-time position as a software engineer.

13. Information and Communications

The Board has established guidelines for investor communication. Pexip's communication with the capital markets is based on the principles of transparency, full disclosure and equality. These guidelines are published on investor.pexip.com.

The CEO, CFO and Director of Investor Relations are responsible for the main dialogue with the investor community, hereunder the Company's shareholders.

Pexip follows the Norwegian corporate governance code. This includes the code's policy and principles for publication of relevant information. Therefore, information shall at all times be available on Pexip's investor website (investor.pexip.com).

English will be the primary language used for investor communication. Stock exchange notices and other formal communications will be published in English. Information to the stock market is published in the form of annual and interim reports, press releases, stock exchange announcements and investor presentations. All information considered relevant and significant for valuing the Company's shares will be distributed and published in English via Oslo Børs disclosure system, www.newsweb.no, and via Pexip's investor website (investor.pexip.com) simultaneously.

Pexip holds public presentations in connection with the announcement of quarterly and annual financial results as well as strategic updates. The presentations are also available as live presentations via the internet. Presentation material is made available via Oslo Børs' news site www.newsweb.no and investor.pexip.com.

Pexip gives weight to maintaining an open and ongoing dialogue with the investor community, hereunder frequent meetings with investors, fund managers, analysts and journalists. The Company is also present at relevant investor conferences and seminars. Presentations held at such events are made public via investor.pexip.com.

The guidelines for investor communication state that in the last three weeks prior to distribution and publication of company results, no meetings with shareholders, investors or analyst are to be held. Pexip also has the right to put into effect Silent Periods in connection with other corporate events. In Silent Periods, no comments will be given to other stakeholders, such as the press, on Pexip's results and future development.

Reporting of financial and other information shall be timely and accurate. The main purpose of this information presents a complete picture of Pexip's financial results and position as well as articulating Pexip's long-term goals and potential, including its strategy, value drivers and important risk factors.

The Group publishes a financial calendar every year with an overview of the dates of important events, including the general meeting, publication of interim reports and open presentations. This calendar is made available as a stock exchange announcement and on Pexip's website as soon as it has been approved by the Board.

14. Takeovers

The Board has established guiding principles for responding to possible takeover bids.

In a take-over process, should it occur, the Board and the executive management team each have an individual responsibility to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board has a particular responsibility in ensuring, to the extent possible, that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board shall ensure that:

- the Board will not seek to hinder or obstruct any takeover bid for the Company's operations or shares unless there are particular reasons for doing so;

- the Board will not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- the Board will not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the Board shall be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Norwegian Code of Practice for Corporate Governance unless there are particular reasons not to. This includes obtaining a valuation from an independent expert. On this basis, the Board will seek make a recommendation as to whether or not the shareholders should accept the bid.

15. Auditor

The external auditor, Deloitte, annually presents its overall plan for the audit of Pexip for the audit committee's consideration.

The external auditor's involvement with the Board during 2021 related to the following:

- Presented the main features of the audit work.
- Attended board meetings approving the financial statements, reviewing possible significant changes in accounting principles, assessing significant accounting estimates, and considering all possible disagreements between the external auditor and executive management.
- Reviewed Pexip's internal control procedures and systems, including the identification of weaknesses and proposals for improvements.
- Held a meeting with the Board without the presence of the executive management.
- Confirmed its independence, and provided an overview of non-audit services provided to Pexip.
- During 2021, the external auditor attended six meetings with the audit committee in addition to one meeting with the Board.
- Pursuant to the code, the Board has established guidelines for Pexip's management use of the external auditor for non-audit services.

The Board reports annually to the annual general meeting on the external auditor's total fees, split between audit and non-audit services. The annual general meeting approves the auditor's fees for the holding company.

Oslo, March 30, 2022
Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Board Member

Marianne Wergeland Jenssen
Board Member

Øystein Hem
CFO and Interim CEO

Executive Management

Executive Management

Øystein Hem
Interim CEO and
Chief Financial Officer

Nico Cormier
Chief Technology Officer

Ingrid Woodhouse
Chief People Officer

Tom-Erik Lia
Chief Strategy Officer

Patricia Auseth
Chief Marketing Officer

Åsmund O. Fodstad
Chief Revenue Officer

John Thorneycroft
SVP Business Management

Board of Directors

Board of Directors

Michel Sagen
Chair of the Board

Marianne Wergeland Jenssen
Board Member

Irene Kristiansen
Board Member

Per Kogstad
Board Member

Kjell Skappel
Board Member

Consolidated Accounts

Consolidated Statement of Profit or Loss

(NOK 1,000)	Note	Year ended December 31 2021	2020
Revenue	3	**805 518**	678 513
Cost of sale		**76 940**	42 583
Salary and personnel expenses	4,23,24	**634 422**	400 483
Other operating expenses	5	**218 615**	179 960
Other gains (losses)		**-161**	-141
EBITDA		**-124 297**	55 628
Depreciation and amortization	9,10,12	**73 726**	47 330
Operating profit or loss		**-198 023**	8 298
Financial income	6	**517**	141
Financial expenses	6	**-4 638**	-29 890
Net gain and loss on foreign exchange differences	6	**6 897**	-80 527
Financial income/(expenses) - net		**2 776**	-110 276
Profit or loss before income tax		**-195 247**	-101 978
Income tax expense	7	**-37 923**	-12 968
Profit or loss for the year	6	**-157 324**	-89 010
Profit or loss is attributable to:			
Owners of Pexip Holding ASA		**-157 324**	-89 010
Earnings per share			
Basic earnings per share	8	**-1.53**	-0.95
Diluted earnings per share	8	**-1.53**	-0.95

Consolidated Statement of Comprehensive Income

(NOK 1,000)	Year ended December 31 **2021**	 2020
Profit or loss for the year	**-157 324**	-89 010
Items that may be reclassified to profit or loss:		
Exchange difference on translation of foreign operations	**2 988**	-5 464
Total comprehensive income for the year	**-154 336**	-94 473
Total comprehensive income is attributable to:		
Owners of Pexip Holding ASA	**-154 336**	-94 473

Consolidated Statement of Financial Position

(NOK 1,000)	Note	12/31/2021	12/31/2020
ASSETS			
Non-current assets			
Property, plant and equipment	3,9	**36 033**	25 177
Right-of-use assets	3,10	**103 362**	87 765
Goodwill	11,30	**662 645**	598 998
Other intangible assets	3,12	**138 920**	133 709
Deferred tax asset	7	**109 096**	54 615
Contract costs	3,18	**262 076**	211 077
Receivables	4,13,19	**6 859**	2 919
Other assets		**1 522**	0
Total non-current assets		**1 320 512**	1 114 261
Current assets			
Trade and other receivables	4,13,19	**217 875**	192 916
Contract assets	18	**17 431**	9 069
Other current assets	14	**27 913**	18 680
Cash and cash equivalents	15,19	**803 852**	1 100 656
Total current assets		**1 067 071**	1 321 322
TOTAL ASSETS		**2 387 582**	2 435 582

(NOK 1,000)		12/31/2021	12/31/2020
EQUITY AND LIABILITIES			
Equity			
Total equity	16	**1 908 191**	2 022 125
Non-current liabilities			
Borrowings	17,19	**4 000**	6 000
Lease liabilities	10,19	**84 782**	78 220
Deferred tax liabilities	7	**12 338**	0
Other payables	19	**2 703**	2 622
Total non-current liabilities		**103 824**	86 842
Current liabilities			
Trade and other payables	19,21	**138 586**	154 595
Contract liabilities	18	**202 302**	155 180
Current tax liabilities	7	**3 935**	209
Borrowings	17,19	**2 000**	2 500
Lease liabilities	10,19	**28 745**	14 130
Total current liabilities		**375 567**	326 614
Total liabilities		**479 392**	413 456
TOTAL EQUITY AND LIABILITIES		**2 387 582**	2 435 582

Oslo, March 30, 2022
Board of Directors and CEO of Pexip Holding ASA

Michel Sagen Chair of the Board	**Per Kogstad** Board Member	**Irene Kristiansen** Board Member
Kjell Skappel Board Member	**Marianne Wergeland Jenssen** Board Member	**Øystein Hem** CFO and Interim CEO

Consolidated Statement of Changes in Equity

(NOK 1,000)	Note	Share capital	Share premium	Other reserves	Translation differences	Retained earnings	Total equity
Balance at January 1, 2020		1 198	860 073	9 321	-1 078	-45 437	824 077
Profit or loss for the year		0	0	0	0	-89 010	-89 010
Other comprehensive income for the year		0	0	0	-5 464	0	-5 464
Total comprehensive income for the year		**0**	**0**	**0**	**-5 464**	**-89 010**	**-94 473**
Contribution of equity net of transaction cost		325	1 167 133	101 175	0	0	1 268 634
Share-based payments	24	0	0	23 887	0	0	23 887
Balance at December 31, 2020		1 523	2 027 206	134 383	-6 541	-134 446	2 022 125
Balance at January 1, 2021		1 523	2 027 206	134 383	-6 541	-134 446	2 022 125
Profit or loss for the period		0	0	0	0	-157 324	-157 324
Other comprehensive income for the year		0	0	0	2 988	0	2 988
Total comprehensive income for the year		**0**	**0**	**0**	**2 988**	**- 157 324**	**-154 336**
Capital increase/share issue	16	43	88 732	255	0	0	89 030
By/sell treasury share	16	-10	0	-78 984	0	0	-78 994
Share-based payments	24	0	0	30 365	0	0	30 365
Balance at December 31, 2021		1 556	2 115 938	86 018	-3 553	-291 770	1 908 191

Consolidated Statement of Cash Flows

(NOK 1,000)	Note	Year ended December 31 12/31/2021	12/31/2020
Cash flow from operating activities			
Profit or loss before income tax		**-195 247**	-101 978
Adjustments for			
Depreciation, amortization and net impairment losses	9,10,12	**73 726**	47 330
Non-cash - share based payments	24	**30 365**	23 887
Fair value adjustment to derivatives		**0**	23 992
Interest income/expenses - net	6	**3 710**	1 801
Net exchange differences	6	**-2 962**	66 233
Transaction cost IPO		**0**	43 155
Change in operating assets and liabilities			
Change in trade, other receivables and other assets	4,13,19	**-90 655**	-230 526
Change in trade, other payables and contract liabilities	19,21	**26 701**	201 791
Interest received	6	**41**	119
Income taxes paid/refunded	7	**-1 001**	-4 458
Net cash inflow/outflow from operating activities		**-155 321**	71 346
Cash flow from investing activities			
Payment for property, plant and equipment	9	**-35 324**	-40 094
Payment of software development cost	12	**-48 308**	-33 661
Payment for acquisition of subsidiary, net of cash acquired	30	**-15 193**	0
Net cash inflow/outflow from investing activities		**-98 825**	-73 754
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	16,20	**94 486**	1 209 873
Repayment of borrowings	17,20	**-34 689**	-2 500
Principal element of lease payments	10,20	**-13 688**	-9 269
Interest paid	6	**-3 751**	-1 920
Transaction cost IPO		**0**	-97 020
Sale/(purchase) of treasury shares	16	**-87 995**	0
Net cash inflow/outflow from financing activities		**-45 637**	1 099 163
Net increase/(decrease) in cash and cash equivalents		**-299 784**	1 096 755
Cash and cash equivalents start of the period		**1 100 656**	75 515
Effects of exchange rate changes on cash and cash equivalents		**2 979**	-71 613
Cash and cash equivalents end of the period		**803 852**	1 100 656

Note 1 - General

Pexip Holding ASA is the parent company in the Pexip Group. The Group includes the parent company Pexip Holding and its wholly-owned subsidiary Pexip AS, which have the wholly-owned subsidiaries Pexip Inc, Pexip Ltd, Videxio Asia Pacific Ltd, Pexip Australia Pty Ltd, Pexip Singapore Pte Ltd, Pexip France SAS, Pexip Germany GmbH, Pexip Netherlands B.V, Skedify NV and Pexip Japan GK. The Group's head office is located at Lilleakerveien 2a, 0283 OSLO, Norway. Pexip Holding ASA is a public listed company on the Oslo Stock Exchange (Norway) under the ticker PEXIP.

Pexip is a global technology company that delivers a leading, end-to-end video conferencing platform and digital infrastructure. Pexip offers both the self-hosted software application and as-a-service deployment options for enterprise video conferencing, built on Pexip's proprietary Infinity technology. Both offerings are delivered as a recurring subscription-based model.

The consolidated financial statements of Pexip Holding ASA and its subsidiaries (collectively, the Group) for the year ended December 31, 2021 was authorized for issue by a resolution of the directors on March 30, 2022.

1.1 Adoption of New and Rrevised Accounting Standards

The Group has applied the following standards and amendments for the first time in for the annual report period commencing on the January 1, 2021:

- Interest rate benchmark Reform – amendments to IFRS 9 and IFRS 7 Phase 2
- Amendment to IFRS 16 Covid-19 related Rent Concessions

The amendments listed above did not have any material impact to the current financial statement presented in this report is not expected to affect future accounting periods.

1.1.2 New and Revised IFRS Standards in Issue but not yet Effective

The Group has not applied the following revised standards, which have been issued by the IASB and not yet been endorsed by the EU:

- Amendments to IFRS 3, 'Business combinations', IAS 16, 'Property, plant and equipment', and IAS 37 'Provisions, contingent liabilities and contingent assets'.
- Amendments to IFRS 17, 'Insurance contracts' (will not be relevant for the Group)
- Amendments to IAS 1, 'Presentation of financial statements', IFRS Practice statement 2 and IAS 8'Accounting policies, changes in accounting estimates and errors'.

The Group does not expect that the adoption of these Standards will have a material impact on the financial statements in future periods.

Note 2 - Accounting Principles

2.1 Basis for Preparation

The financial accounts for Pexip Holding ASA "the Parent company" together with its subsidiary Pexip AS, and its wholly-owned and controlled subsidiaries, together called "the Group", have been prepared following International Financial Reporting Standards as adopted by the EU(IFRS), relevant interpretations, and the Norwegian Accounting Act.

The consolidated financial statements have been prepared on a historical cost basis, except where IFRS explicitly requires the use of other values.

The Parent company has NOK as its functional currency; the financial accounts are presented in NOK, rounded to the nearest thousand if nothing else is noted. As a result of the rounding differences, it is possible that amounts and percentages do not add up to the total.

2.2 Basis of Consolidation

The consolidated financial statements comprise the consolidated financial statements including the Parent Company's financial statements and subsidiaries as of December 31, 2021.

Control is established when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power over the entity.

Consolidation is done using the acquisition method and begins when control over the subsidiary is obtained. The consolidation stops when the control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other equity components, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3 Summary of Significant Accounting Policies

2.3.1 Business Combinations and Goodwill

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred.
- liabilities incurred to the former owners of the acquired business.
- equity interests issued by the Group.
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

On the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for:

- Deferred tax assets or liabilities are recognized and measured under IAS 12 - Income taxes.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree, are measured per IFRS 2 at the acquisition date.
- the value of a reacquired right is recognized as an intangible asset based on the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals when measuring its fair value.

Acquisition-related costs are recognized in profit or loss as incurred.

Contingent consideration is classified either as equity or financial liability. Amounts classified as financial liabilities are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred over the fair value of the net of the acquisition date amounts of the identifiable assets acquired, and the liabilities assumed.

Goodwill arising in a business combination is not amortized. Initially, goodwill is recognized at cost. Thereafter, goodwill is measured at cost less accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The carrying amount of goodwill is tested for impairment at least annually. Impairment losses are recognized directly in profit for the year and are not subsequently reversed.

2.3.2 Foreign Currencies

Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Differences in settlement or translation of monetary items are generally recognized in profit or loss.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined.

Non-monetary items that are measured based on the historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively.)

Group companies
The Group's presentation currency is NOK. The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

2.3.4 Current Versus Non-current Classification

An asset is classified as current when it is expected to be realized or intended for sale or consumption in the Group's normal operating cycle. It is held primarily to be traded or expected/due to be realized or settled within twelve months after the reporting date. Other assets are classified as non-current.

A liability is classified as current when it is expected to be settled in the Group's normal operating cycle, is held primarily to be traded, the liability is due to be settled within twelve months after the reporting period or if the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.5 Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Revenue from the sale of software licenses
Infinity software licenses are classified as software licenses where the customer is provided with a right to use the software as it exists when made available to the customer. Revenue from distinct software licenses is recognized at the point in time when the software is made available to the customer and the right to use the software has commenced. Most of the Infinity license agreements with customers are annual contracts. Invoices are generated when the license key is made available to the customers (at a point in time), and most invoices are payable within 30 days.

Revenue from the sale of cloud services
Cloud service licenses, "software as a service", entitle the customers to use the Pexip software together with the Group's IP and production network over the contract period. Revenues from the sale of Cloud Services are recognized over time on a straight-line basis over the license period. Approximately 30% of the Cloud service license agreements with customers are ongoing monthly contracts; the rest are mainly yearly contracts. Invoices are generated monthly or yearly, and most invoices are payable within 30 days.

Partner fees
The Group has a partner program that provides the partner with the right to sell The Group's services. The partner receives support, training and access to the service, and the performance obligations related to partner fees are satisfied on an ongoing basis. Revenue related too partner fees is thus recognized linearly over time.

Most of the partner fees are invoiced, as are annual agreements. Invoices are generated at contract inception and payable within 30 days.

Revenue from the sale of support and maintenance
The Group offers support and maintenance services to its customers. For services related to the software licenses, the performance obligations related to support and maintenance are satisfied on an ongoing basis, and revenue related to the sales of services are thus recognized on a linear basis over time.

Most of the maintenance and support agreements are related to the license period. Proof of concept (POC) is a professional service offered for up to 6 months. Revenue from these contracts is recognized linearly throughout the contract period. The Group also has customers with service contracts of 1-3 months. Revenues related to the sale of services are recognized on a linear basis over time.

Transaction price
The Group determines the transaction price to be the amount of consideration which it expects to be entitled in exchange for transferring the promised goods and services to the customer, net of discounts and sales-related taxes. Sales related taxes are regarded as collected on behalf

of the authorities. When the contract includes a variable amount, the Group estimates the amount of consideration expected to receive from the customer using either the expected value method or the most likely method. The method is used consistently throughout the contract. The Group has few contracts with variable consideration.

The Group uses the practical expedient in IFRS 15 not adjust for a financing component. Where applicable, the variable consideration is estimated using the most likely amount method. The estimate is revised and updated every quarter.

The Group considers whether there are other promises in the contract that is separate performance obligations to which a portion of the transaction price needs to be allocated.

Contract balances

Contract balances consist of client-related assets and liabilities. Contract assets relate to consideration for work complete but not yet invoiced at the reporting date. The contract assets are transferred to trade receivables when the right to payment has become unconditional, usually when invoices are issued to the customers.

When a client pays consideration in advance, or an amount of consideration is due contractually before transferring of the license or service. The amount received in advance is presented as a liability. Contract liabilities rep¬resent mainly prepayments from clients for unsatisfied or partially satisfied performance obligations concerning licenses and services.

Contract assets are within the scope of impairment requirements in IFRS 9. For con¬tract assets, the simplified approach is applied, and the expected loss provision is measured at the estimate of the lifetime expected credit losses.

Costs of obtaining or fulfilling contracts with customers

The Group pays sales commission to its employees based on actual sales. Commissions that are incremental costs of obtaining a contract with a customer are recognized as an asset if the costs are expected to be recovered. Subsequently, the asset is amortized on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates. This is usually the expected total contract period and includes expected renewals. The expected contract period is seven and half years for software licenses and about five years for Cloud services. Further information regarding commission and salary is disclosed in note 4.

2.3.6 Government Grants

Government grants are recognized with reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an asset, it reduces its carrying amount. The grant is then recognized in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

2.3.7 Share-based Payment Transactions

The Group provides incentives to employees in the form of equity-settled share-based instruments. The Company has two incentive programs: share-based programs for employees and management and key employees.

Equity-settled share options are measured at fair value at the grant date and recognized in the income statement under salary and personnel expenses over the period—the final right of the options vest. The balancing item is recognized directly in equity.

The number of options expected to vest at expiry is estimated on the initial recognition of share options. Subsequently, the estimated number of vested options is revised for changes so that the total recognition is based on the actual number of vested options.

The fair value of the options granted is estimated using the Black-Scholes model with the parameters stated in *Note 24.*

The dilutive effect of outstanding options is reflected as additional share dilution in diluted earnings per share (further details are given in *Note 8*).

2.3.8 Other Intangible Assets

Intangible assets other than goodwill acquired separately are measured on initial recognition at cost. Other intangible assets include software, trademarks, and client contracts. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite useful lives are amortized straight-line over their estimated useful lives. The amortization expense is recognized in the statement of profit or loss. The estimated useful life and amortization method is reviewed at the end of each reporting period, with the effect of any changes on estimates being accounted for on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the asset's carrying amount. They are recognized in the statement of profit or loss when the asset is derecognized.

The estimated useful lives of intangible assets are as follows:

- Software: 5 years
- Client contracts: 5 years
- Trademarks: 5 years

Research and development costs
Development expenditures are capitalized only when the criterion for recognition is met, i.e., that it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, management has committed itself to complete the asset, the technical feasibility of completing the asset has been demonstrated, and the cost can be measured reliably. The assets are amortized over their expected useful life once the assets are available for use. During the period of development, the asset is tested for impairment annually. Development costs that do not meet the criteria for capitalization are expensed as incurred.

2.3.9 Property, Plant, and Equipment

Tangible assets are recorded at historical cost, less accumulated depreciation, and possible impairment. Depreciation is recorded on a straight-line basis over the estimated useful life of an asset, which is as follows:

- Land and buildings: 5 years
- Plant and machinery: 3 to 5 years
- Fittings and fixtures: 3 to 5 years

Gains or losses on the disposal of tangible assets are included in the statement of profit or loss. The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

2.3.10 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease at the contract's inception.

The Group recognizes a right-of-use asset and a corresponding lease liability concerning all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the lease term. The Group presents interest expense on lease liabilities under finance expenses and the depreciation charge on the right-of-use asset under depreciation and amortization in the profit and loss statement.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement dateless any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings: 2-10 years
- Equipment: 3-5 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section *2.3.11 Impairment of intangible assets and property, plant, and equipment.*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

At the commencement date, the Group assesses whether they are reasonably certain to exercise an option to extend the lease or purchase the underlying asset or not to exercise an option to terminate the lease. This assessment is reflected in the initial measurement of the lease contract.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

The lease liability and right-of-use asset are presented as separate lines in the consolidated statement of financial position.

2.3.11 Impairment of Intangible Assets and Property, Plant, and Equipment

Goodwill and intangible assets with an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher asset's fair value, lower disposal costs, and value in use. To assess impairment, assets are grouped at the lowest levels. There are separately identifiable cash inflows largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have historically been impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Disclosures relating to impairment testing are found in *Note 11.*

2.3.12 Taxes

The period's income tax expense or credit is the tax payable on the current period's taxable income, based on each jurisdiction's applicable income tax rate, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences, and unused tax losses.

Current income tax

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns regarding situations in which applicable tax regulation is subject to interpretation. Management establishes appropriate provisions based on amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between assets and liabilities' tax bases and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they emerge from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize the temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. The deferred tax balances relate to the same taxation authority. Existing tax assets and tax liabilities are offset. The entity has a legally enforceable right to offset and intends to settle on a net basis or realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in the income statement, except that it relates to items recognized in other comprehensive income or directly in equity.

2.3.13 Financial Instruments

Financial assets and financial liabilities are recognized in the Group's statement of financial position when The Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs in the case of a financial instrument not at fair value through profit or loss.

The Group has classified its financial instruments as either measured at amortized cost or fair value through profit or loss for subsequent measurement. The classification depends on the Group's business model for managing them and the contractual cash-flow characteristics of the instrument.

Financial liabilities subsequently measured at fair value through profit or loss include the line-item Derivative financial liability in the statement of financial position. Derivative financial liabilities are measured at fair value at the end of each reporting period. The gains or losses arising from the change in fair value are recognized in the statement of profit or loss.

At amortised cost, financial assets are held to collect the contractual cash-flow and where the cash-flows are solely payments of principal and interest on the outstanding principal. The category is included in the consolidated statement of financial position financial line items Trade and other receivables (current and non-current), Other assets, Other current assets and cash and cash equivalents. Non-current assets are measured at amortized cost using the effective interest method, reduced by any impairment loss. Due to their short-term nature, the carrying amounts of line items classified as current are assumed to be the same as their fair values. Short-term loans and receivables are for practical reasons not amortized unless the effect is material.

The category financial liabilities at amortized cost are included in the consolidated statement of financial position line items Borrowings (current and non-current), and Trade and other payables. Non-current financial liabilities are measured at amortized cost using the effective interest method. Effective interest is recognized in the income statement as financial expenses. Current items in the category are for practical reasons not amortized unless the effect is material.

Financial assets are derecognized when the contractual rights to the cash flow from the financial asset expire, and the Group has transferred substantially all the risks and rewards of ownership. If it is not apparent that the entity has transferred or retained all risks and rewards substantially, the Group evaluates by comparing the entity's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows on the transferred asset. In the securitization facility agreement to which the Group is a party, the receivables are derecognized (see note 13).

Financial liabilities are derecognized when the obligation is discharged, cancelled or expires. Any rights and obligations created or retained in such a transfer are recognized separately as assets or liabilities.

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL for trade receivables and contract assets. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past status in terms of the provision matrix.
Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and an intent to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The fair value of financial instruments
The fair value of financial instruments is based on quoted prices as at the balance sheet date in an active market if such markets exist. If an active market does not exist, fair value is established using valuation techniques that are expected to provide a reliable estimate of the fair value.

Financial instruments measured at fair value are classified according to the valuation method:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Valuation based on inputs other than quoted prices included within level 1 observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Valuation based on the asset or liability inputs that are unobservable market data.
If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

Changes in fair value are presented in profit or loss in the line-item Financial expenses.

2.3.14 Cash and Cash Equivalents
Cash and cash equivalents comprise cash at banks.

2.3.15 Cash Flow Statement
The Group presents the statement of cash flows using the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include cash and non-cash line items. Interest paid is classified as cash flows from financing activities and interest received as cash flows from operating activities.

2.3.16 Earnings per Share
Basic earnings per share
Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued and excluding treasury shares.

Diluted earnings per share
Diluted earnings per share adjust the figures used in the determination of basic earnings per share to consider:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.4 Significant Accounting Judgements, Estimates and Assumptions

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably sure to exercise the option to extend. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise or not to exercise the option.

The Group has not included the renewal period as part of the lease term for the office lease as the options are not reasonably certain to be exercised. Refer to note 10 for information on potential future rental payments relating to periods following the exercise date of the extension option that is not included in the lease term.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of assets

The Group has investments in intangible assets such as customer contracts and internally generated software, Goodwill, and Right-of-Use Assets (ROU assets). Before each quarterly report, all assets are assessed for any indication of impairment. If such movement exists, the Group estimates the asset's recoverable amount according to IAS 36.

Factors that indicate impairment include significant underperformance in revenue-generating operation relative to historical data and future projections, substantial changes in the use of the asset or any malfunctions, substantial changes in the market and economy, in general, affecting the future economic benefit of the asset and significant fall in market values.

Regardless of any indication of impairment, Goodwill and internally generated intangible assets not yet in use are tested for impairment in the fourth quarter of the year (Q4).

The recoverable amount of an asset is the higher its fair value, less cost of disposal, and its value in use. Value in use is the present value of the future cash flows expected from an asset. This valuation consists of different estimates that the Group makes, such as estimates of the future cash flows the entity expects to derive from the asset, expectations about possible variations in the amount or timing of those future amounts, time value of money and other relevant factors. All estimates are based on reasonable, relevant, and supportable information and represent the management's best estimate.

Deferred tax assets from tax losses

Deferred tax asset is recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilized. The Group has projected future taxable profits pr jurisdiction for which the tax losses can be utilized based on approved budgets and forecasts.

Refer to note 7 for further disclosures.

Note 3 - Revenue and Segment Information

(NOK 1,000)

The Group has one segment, sale of collaboration services.The market for Pexip's software and services is global. The chief decision maker will therefore follow up revenue and profitability on a global basis. This is consistent with the internal reporting submitted to the chief operating decision maker, defined as the Management Group. The Management Group is responsible for allocating resources and assessing performance as well as making strategic decisions.

Principles of revenue recognition are stated in accounting principles to consolidated financial statements, section *2.3.5 Revenue from contracts with customers.*

Disaggregation of revenue

In the following table, revenue is disaggregated by primary service line, geography and timing of revenue recognition. In presenting the geographic information, revenue has been based on the geographic location of customers.

Year to date 2021

	EMEA[1)]	**Americas**	**APAC[2]**	**Total**
Pexip as-a-Service	193 768	99 019	21 771	314 558
Self-hosted software	245 380	200 915	44 665	490 960
Total revenue	**439 148**	**299 934**	**66 436**	**805 518**

Year to date 2020

	EMEA[1)]	**Americas**	**APAC[2)]**	**Total**
Pexip as-a-Service	127 326	71 637	13 769	212 732
Self-hosted software	251 241	162 855	51 685	465 781
Total revenue	**378 567**	**234 492**	**65 454**	**678 513**

	Full year	Full year
Timing of revenue recognition	**2021**	**2020**
Products and services transferred at a point in time	394 559	392 941
Products and services transferred over time	410 959	285 572
Total revenue	**805 518**	**678 513**

[1)] Europe, Middle East and Africa

[2)] Asia Pacific (East and South Asia, Southeast Asia and Oceania)

Information about major customers

The Group conducts its sales through channel partners. No channel partner represent more than 10% of the Group's revenue. Of the Group's total channel partner base in 2021, the five largest represent approximately 21% of total revenue (28% in 2020), and the ten largest represent approximately 30% (42% in 2020).

Information about share of recurring revenue from own products

Recurring revenue from own products is defined as revenue from time-limited contracts where the purchase is recurring in nature. Revenue from time-limited software subscriptions and related mandatory maintenance contracts are considered recurring. Revenue from third-party software licences, perpetual software-licences and project-based professional services, such as a customer-specific proof-of-concept project or installation project, are considered non-recurring.

Non-current assets

The following geographic information of non-current assets is based on the geographic location of the assets.

	12/31/2021	12/31/2020
Norway	314 811	315 174
Europe (other than Norway)	113 990	56 555
Americas	108 085	80 573
APAC	20 429	5 426
Total non-current operating assets	**540 391**	**457 728**

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, other intangible assets and contract costs.

Note 4 - Salary and Personnel Expense and Management Remuneration

(NOK 1,000)

	2021	2020
Wages and salaries	444 554	294 263
Social security tax	58 535	29 160
Commission employees	59 273	27 766
Share-based payment expense (note 24)	14 652	34 258
Pension costs (note 23)	13 431	6 719
Other personnel cost	82 484	34 281
Salary cost capitalised	-38 506	-25 963
Total	**634 422**	**400 483**
Average number of labour-years employed during the year	467	278

Loan to employees

The Group provided unsecured loans to employees of NOK 554 thousand at December 31, 2021 (2020: NOK 254 thousand). The repayment schedule is 2 years and the interest rate is 2%.

Management remuneration

The remuneration to management is included in the management remuneration report for 2021.

Bonus agreements and severance pay

The bonus scheme and severance pay for Group management is included in the management remuneration report for 2021.

Remuneration to board of directors in the parent company

The remuneration to board of directors is included in the management remuneration report for 2021.

Share option plan

The Group has share-based payment programs to employees. The share option plan is further presented in note 24.

An overview of management share options is disclused in the management remuneration report for 2021.

Note 5 - Other Operating Expenses
(NOK 1,000)

	2021	**2020**
Sales and marketing	56 754	40 996
Computers and software	61 668	35 746
Fees for external services	58 890	45 557
IPO transaction cost	-	43 155
Travel expenses	9 243	6 220
Other operating expenses	32 056	8 285
Total	**218 615**	**179 960**

Auditor's fees

The remuneration breakdown (excl. VAT) paid to Deloitte AS and their associates are as follows:

	2021	2020
Statutory audit	4 920	4 593
Other certification services	80	222
Tax advisory services	-	-
Other services	-	-
Total	**5 000**	**4 815**

Note 6 - Financial Income and Expenses
(NOK 1,000)

	2021	**2020**
Interest income	517	141
Financial income	**517**	**141**
Interest expense	-1 878	-2 476
Interest expense on lease liabilities (note 10)	-2 110	-2 307
Other financial expenses	-650	-1 115
Fair value adjustments on derivative financial liabilities (note 19)	-	-23 992
Financial expenses	**-4 638**	**-29 890**
Net foreign currency gains and losses	6 897	-80 527
Net financial income(expense)	2 776	-110 276

Note 7 - Income Tax Expense

(NOK 1,000)

Specification of income tax expense:	**2021**	**2020**
Current tax on profits for the year	4 169	996
Changes in deferred tax	-41 992	-12 983
Adjustments for current tax of prior periods	-99	-
Effect of changes in tax rules and rates	-	-981
Tax on profit/(loss)	-37 923	-12 968

Reconciliation from nominal to effective income tax rate:	**2021**	**2020**
Profit/(loss) before tax	-195 246	-101 977
Estimated income tax according to nominal tax rate of 22%	-42 954	-22 435
Effect from different tax rate in other countries	-9	-1 013
Effect of changes in tax rules and rates	819	-981
The tax effect of the following items:		
Non-deductible expenses	9 421	5 763
Non-taxable income	-211	-159
Share-based payment expenses	-6 294	5 255
Adjustments for prior period tax	-62	
Other items	1 369	601
Income tax expense	-37 922	-12 968
Effective income tax rate	19%	13%

Changes in tax rate

There are no changes in tax rates in the Group for 2021

Amounts recognised directly in equity	**2021**	**2020**
Deferred tax: Tax on share issue costs	-	-11 850

Deferred tax balances:	**12/31/2021**	**12/31/2020**
Deferred tax assets:		
Tax losses	157 375	77 197
Tangible and intangible assets	5 239	20
Receivables	1 023	962
Contract liabilities	5 270	22 323
Current and non-current liabilities	28 890	32 436
Other	-157	-
Set-off tax	-70 836	-78 323
Net deferred tax assets after set-off	126 805	54 615
Unrecognised deferred tax assets	-17 709	-
Net deferred tax assets	109 096	54 615
Deferred tax liabilities:		
Tangible and intangible assets	83 174	64 026
Current assets	-	-
Contract liabilties	-	14 037
Other differences	-	261
Set-off tax	-70 836	-78 323
Net deferred tax liabilities	12 338	-

Deferred tax assets Movements	Tax losses	contract liabilities	current and non-current liabilities	Other	Total
At January 2021	**77 197**	**22 323**	**32 436**	**982**	**132 938**
(Charged)/credited					
- to profit or loss	66 701	-17 053	-3 546	-54	46 048
- to other comprehensive income					
- directly to equity					
- not recognized	13 477			5 178	18 655
At December 2021	**157 375**	**5 270**	**28 890**	**6 106**	**197 641**

Deferred tax liability Movements	Tabgible and intangible assets	Current assets	Contract liabilities	Other differences	Total
At January 2021	**64 026**	**-**	**14 037**	**261**	**78 324**
(Charged)/credited					
- to profit or loss	18 202	-	-14 037	-261	3 904
- to other comprehensive income					
- directly to equity					-
- not recognized	946				946
At December 2021	**83 174**	**-**	**0**	**0**	**83 174**

Utilisation of taxable temporary differences are assessed by taxation authority and by taxable entity if the temporary differences can't be utilised across different entities within the same taxation authority. As of December 31, 2021 and 2020 a deferred tax asset is recognised for all the individual taxation authorities where the Group conduct business.

The deferred tax asset is included in the balance sheet based on an assessment of the probability that sufficient taxable profit will be available in the future to allow the deferred tax asset to be utilised.

Deferred tax assets on tax losses arising in Norway, the US and UK, in total NOK 143.9 million as at December 31, 2021 (US and UK in 2020: NOK 77.2 million) have been recognised based on the same assessment of the probability for sufficient taxable profit in the future.

Temporary differences relating to the Skedify acquisition for which deferred tax assets have not been recognised was in the amount of NOK 17.7m.

Tax losses carried forward	12/31/2021	12/31/2020
Expire (2033 and forward)	61 011	59 027
Never expires	625 766	289 012
Total tax losses carried forward	686 777	348 039
Tax losses for which deferred tax asset is recognised	647 126	348 039
Tax losses for which no deferred tax asset is recognised	39 651	-
Potential tax benefit	13 477	-

Tax losses incurred in the US after January 1, 2018 do not expire, but are limited to 80% usage in one year. Tax losses carried forward from the US business with no expiration date amount to NOK 50.1 million at December 31, 2021 (December 31, 2020: NOK 11.0 million). The expiring tax losses have priority over the never-expiring losses and are used earliest-first. The main part of the losses carried forward is from Pexip Holding ASA (NOK 188 million) and Pexip AS (NOK 264.8 million).

Note 8 - Earnings per Share

(NOK 1,000)

Earnings	**2021**	**2020**
Earnings for the purpose of basic earnings per share being		
net profit attributable to the owners of the company	-157 324	-89 009
Effect of dilutive potential ordinary shares	0	0
Earnings for the purpose of diluted earnings per share	-157 324	-89 009
Number of shares		
Weighted average number of ordinary shares for the purpose		
of basic earnings per share	103 092 229	93 458 336
Effect of dilutive potential ordinary shares:		
Share options	1 458 102	3 391 553
Weighted average number of ordinary shares for the purpose of diluted earnings per share	104 550 331	96 849 889
Earnings per share		
Basic earnings per share	-1,53	-0,95
Diluted earnings per share	-1,53	-0,95

	12/31/2021	**12/31/2020**
Overview of outstanding share options		
Share-based payments awards (refer to note 24)	5 225 178	7 908 534
Option over own equity instruments (refer to note 21)		
Total options outstanding	**5 225 178**	**7 908 534**

Dilutive potential ordinary shares of 1,458,102 for 2021 (2020: 3,391,553) differs from total outstanding options at December 31, 2021 (and December 31, 2020). The main reasons for this is that potential ordinary shares used to calulated diluted earnings per share are a weighted average for the year, the use of the treasury method when calculating dilutive potential ordinary shares and that the options over own equity instruments are anti-dilutive.

Note 9 - Property, Plant & Equipment
(NOK 1,000)

	Plant and machinery	Fittings and fixtures	Total
Acquisition cost January 1, 2020	3 915	8 267	12 182
Additions	8 234	15 759	23 993
Disposals	-		-
Exchange differences	191	169	360
Acquisition cost December 31, 2020	12 339	24 195	36 535
Additions	5 625	17 522	23 244
Aquisitions	725	-	725
Exchange differences	65	74	139
Acquisition cost December 31, 2021	18 754	41 791	60 643
Accumulated depreciation and impairment losses January 1, 2020	1 29	3 689	4 981
Disposals	-		-
Depreciation for the period	3 193	3 054	6 246
Exchange differences	117	14	130
Accumulated depreciation and impairment losses December 31, 2020	4 601	6 756	11 358
Depreciation for the period	4 938	8 203	13 112
Exchange differences	-45	-21	-65
Accumulated depreciation and impairment losses December 31, 2021	9 494	14 939	24 404
Carrying value at December 31, 2020	7 738	17 439	25 177
Carrying value at December 31, 2021	9 260	26 852	36 033

Estimated useful life and depreciation plan is as follows:			
Useful life	3 - 5 years	3 - 5 years	
Depreciation plan	Linear	Linear	

Property, plant and equipment is pledged as security for liabilities, refer to note 17 - Borrowings.

Note 10 - Leases

(NOK 1,000)

Set out below are the carrying amount of right-of-use assets recognised and the movements during the period:

	Land and Buildings	Plant and machinery	Total
As at January 1, 2020	50 372	2 047	52 419
Additions (new leases)	42 957	5 741	48 699
Adjustments	-1 528	-252	-1 780
Depreciation expense	-9 717	-1 111	-10 828
Exchange differences	-745	-	-745
As at December 31, 2020	**81 339**	**6 426**	**87 765**
Additions (new leases)	30 058	2 903	32 961
Adjustments	1 792	-	1 792
Depreciation expense	-17 666	-1 746	-19 412
Exchange differences	461	-	461
As at December 31, 2021	95 779	7 583	103 362
Lower of remaining lease term or useful life	2-10 years	3-5 years	
Depreciation method	Linear	Linear	

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021	2020
As at January 1	92 349	55 488
Additions (new leases)	32 961	48 699
Adjustments	1 425	-1 600
Principal element of lease payments	-13 688	-9 589
Exchange differences	480	-648
As at December 31	**113 527**	**92 349**

Maturity analysis of lease liabilities	12/31/2021	12/31/2020
Less than 6 months	16 454	6 841
6-12 months	13 431	7 576
1-2 years	25 114	20 187
2-5 years	47 764	45 594
Over 5 years	22 080	22 532
Total face value	**124 844**	**102 729**
Carrying amount	**113 527**	**92 349**
Current	28 745	14 130
Non-current	84 782	78 220

The following are the amounts recognised in profit or loss and other comprehensive income:

	2021	2020
Depreciation expense for the right-of-use asset	19 412	10 828
Interest expense on lease liabilities	2 113	2 168
Exchange difference (included in OCI)	-69	-45
Exchange difference (included in financial income)	69	139
Expense related to short-term leases (included in other operating expenses)	925	1 227
Total amount recognised in profit or loss	**22 450**	**14 317**

The Group had total cash outflows for leases of NOK 16.6 million in 2021 (NOK 13.0 million in 2020).

An incremental borrowing rate (IBR) of 3M Nibor + 3% has been applied on all new leases during the 2021 accounting year. We have selected Nibor as the risk-free rate as a starting point to determine the IBR. We have also chosen to apply a constant financing spread adjustment of 3% to a portfolio of leases with reasonably similar characteristics (such as leases with a similar class of underlying assets). This approach will change if we observe the material differences in financing costs in the specific region we operate.

Refer to note 2.3.10 for a summary of significant accounting policies and note 2.4 for significant accounting judgements, estimates and assumptions for the Group leases.

Extension and purchase options

The Group's lease of lands and buildings have lease terms that vary from 16 months to 10 years, and some agreements involve a right of renewal which may be exercised during the last period of the lease term. The Group assesses whether it is reasonably certain to exercise the renewal right at the commencement date. The Group's potential future lease payments not included in the lease liabilities related to extension options is NOK 13.3 million (gross) on December 31, 2021 (NOK 8.3 million on December 31, 2020).

The Group leases plant and machinery with 3 to 5 years lease terms. These contracts include a right to purchase the asset at the end of the contract term. The Group assesses whether it is reasonably certain to exercise the purchase option at the commencement date. The Group has estimated that all the purchase options will be exercised. No potential future lease payments are included in the lease liabilities related to purchasing options on December 31 in 2021 and 2020.

Note 11 - Goodwill

(NOK 1,000)

	Goodwill
Acquisition cost December 31, 2020	598 998
Acquisition cost December 31, 2021	662 645

Recognised goodwill in the Group amounts to NOK 662.7 million as of December 31, 2021. Goodwill is derived from the acquisition of Videxio AS (599 million), which was completed in 2018, and the acquisition of Skedify (NOK 63.7 million), which was completed on November 8, 2021 (please refer to the Note 30. Business Combination for further details on Skedify acquisition Goodwill calculation). Goodwill is tested on an aggregate (Group) level since the synergies stemming from the business combination will materialize on the Group level.

The carrying amount of customer relations is also derived from the acquisition of Skedify and is an estimate of the value of acquired customer databases. The intangible assets attributable to customer relationships are expected to be amortised over a period of twenty years.

Although IFRS 3 (section 45 “measurement period”) allows undertaking the fair value measurement within one year from the date of acquisition, the Company engaged itself with an independent valuer to undertake the fair value assessment to include Skedify Goodwill purchase price allocation into the 2021 Annual Report. Notwithstanding these efforts, the Company wants to mark these numbers as preliminary as there might be further adjustments to the Goodwill amount, which may increase by approximately MNOK 3.8.

Goodwill is tested for impairment annually or more frequently if there are indications that goodwill might be impaired. Testing was most recently conducted in Q4 2021. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax, using a discount rate reflecting the timing of the cash flows and the expected risk.

Revenue development and operating profits are estimated based on past performance and management expectations for 2022 to 2026. The expectations for the overall economic conditions and market outlook are in line with industry analysts, expecting continued strong growth within the collaboration market. Capital investments and depreciation are estimated to align with historic values relative to revenues.

Cash flows were discounted to a weighted average cost of capital (WACC) corresponding to 8.22% (before tax). The asset beta is based on the average of peer companies in the segment with a small company premium. The risk-free interest rate applied is the average monthly interest rate for 10-year Norwegian government bonds from 2010 to 2020. The long-term optimal weight of equity of 95% is used in WACC calculation.

For Pexip the impairment test on goodwill has been based on an approved business plan, which includes management’s best estimate of cash flows for the next 5 years. Cash flows beyond the five-year forecast period have been extrapolated using a steady 5% per annum growth rate. The collaboration industry is expected to grow significantly faster than the terminal growth rate used in impairment testing. The industry is expected to grow by 15% annually over the forecast period.

Sensitivity analysis

The Group has prepared a sensitivity analysis of the impairment tests to key assumptions: terminal growth rate and discount rate. Any reasonably possible changes in the key assumptions would not cause the aggregate carrying amount to exceed the recoverable amount. A sensitivity analysis indicates that goodwill values would be justifiable even if the discount rate were to be raised by three percentage points or if the terminal growth rate fell to two per cent. Impairment testing has indicated no existing impairment requirements for goodwill.

Note 12 - Intangible Assets

(NOK 1,000)

	Software	Customer contracts	Patents	Re-aquired rights	Total
Acquisition cost January 1, 2020	134 935	30 115	238	5 354	170 642
of which internally generated	*64 309*	-	-	-	*64 309*
Additions (internally generated)	33 661	-	-	-	33 661
Additions	-	33 105	-		33 105
Government grants	-4 750	-	-	-	-4 750
Acquisition cost December 31, 2020	163 846	63 221	238	5 354	232 659
of which internally generated	*93 220*	-	-		*93 220*
Additions (internally generated)	39 042		-	-	39 042
Additions	9 265	1 952			11 217
Aquisitions	2 862	3785			6 647
Disposals	-	-5 744	-		-5 744
Government grants	-4 750	-	-	-	-4 750
Acquisition cost December 31, 2021	210 265	63 214	238	5 354	279 071
of which internally generated	*127 512*	-	-	-	*127 512*
Accumulated amortisation and impairment losses January 1, 2020	56 148	7 173	185	5 354	68 860
of which internally generated	*36 165*	-	-	-	*36 165*
Amortisation of internally generated assets	6 781	-	-	-	6 781
Amortisation of other assets	16 172	7 084	53		23 309
Accumulated amortisation and impairment losses December 31, 2020	79 101	14 257	238	5 354	98 950
of which internally generated	*42 946*				*42 946*
Amortisation of internally generated assets	9 649	-	-	-	9 649
Amortisation of other assets	18 778	10 821		-	29 599
Impairment		1 952			1 952
Accumulated amortisation and impairment losses December 31, 2021	107 528	27 030	238	5 354	140 151
of which internally generated	*52 595*	-	-	-	*52 595*
Carrying value as at January 1, 2020	78 787	22 942	53	0	101 783
of which internally generated	*28 144*	-	-	-	*28 144*
Carrying value as at December 31, 2020	84 745	48 964	-	0	133 709
of which internally generated	*50 274*	-	-	-	*50 274*
Carrying value as at December 31, 2021	102 737	36 184	-	0	138 920
of which internally generated	*74 917*	-	-	-	*74 917*
Estimated useful life and amortisation plan is as follows:					
Useful life	5 years	5 years	5 years	1 year	
Amortisation plan	straight-line	straight-line	straight-line	straight-line	

The development expenditures that do not meet the criteria for capitalisation are recognised as salary and personnel expenses and other operating expenses in profit and loss. The aggregate amount for 2021 is NOK 158,96 million (2020: NOK 109,12 million).

The Group has received government grants related to development of software of NOK 4,75 million in 2020 and NOK 4,75 million in 2021. The grants have been subtracted from the carrying amount of internally generated software.

The impairment of Customer Contracts is related to a reduction in purchase price for the Customer Contracts from Pexip. This reduction is due to performance criteria not being fully met.

Note 13 - Trade and Other Receivables

(NOK 1,000)

	12/31/2021	12/31/2020
Trade receivables	216 337	192 179
Provisions for bad debt	-4 684	-4 357
Public taxes and funds	4 839	4 839
Other current receivables	1 383	254
Total current trade and other receivables	**217 875**	**192 916**
Deposits	6 859	2 919
Public taxes and funds		
Total non-current trade and other receivables	**6 859**	**2 919**

Aging of trade receivables	12/31/2021	12/31/2020
Current and guaranteed[1)]	170 381	142 875
1-30 days past due	21 181	18 446
31-60 days past due	7 109	11 240
61-90 days past due	5 455	7 330
More than 90 days past due	12 212	12 288
Less provision for bad debt	-4 684	-4 357
Total	**211 653**	**187 822**

[1)] From January 1, 2021, the Securitization facility agreement with Sparebank 1 Factoring was terminated.

Movements in the provision for impairment of trade receivables	2021	2020
Opening balance provision for bad debt as at January 1	4 357	3 112
Change in provision for the year	1 828	2 252
Receivables written off during the year	-1 282	-1 183
Translation differences	-218	175
Closing balance provision for bad debt as at December 31	4 684	4 357

Note 14 - Other Current Assets
(NOK 1,000)

	12/31/2021	12/31/2020
Other prepayments	27 913	18 680
Other current assets	-	-
Total	**27 913**	**18 680**

Note 15 - Cash and Cash Equivalents
(NOK 1,000)

	12/31/2021	12/31/2020
Bank deposits	803 852	1 100 656
Total cash and cash equivalents	**803 852**	**1 100 656**

Restricted cash
These deposits are subject to regulatory restrictions and are therefore not available for general use.

	12/31/2021	12/31/2020
Taxes withheld	6 996	5 753
Total restricted cash	**6 996**	**5 753**

Of the total cash and cash equivalents as of December 31, 2021 NOK 5 498 is held as a bank guarantee at DNB bank for the lease contract with Mustad Eiendom AS regarding rental of offices in Lysaker.

Note 16 - Share Capital, Shareholder Information and Dividend
(NOK 1,000)

The Parent Company's registered share capital as at December 31, 2021 was NOK 1,566 divided into 104,429.671 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights. The parent company holds treasury shares of 719,228 making the presented share capital NOK 1,556.

The Parent Company's registered share capital as at December 31, 2020 was NOK 1,523 divided into 101,563,487 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights.

Development in the number of issued and outstanding shares

	Number of shares (1,000)	Share capital
Outstanding at January 1, 2021	101 563	1 523
Employee share scheme issue	2 866	43
Outstanding at December 31, 2021	**104 429**	**1 566**

Treasury shares

	Number of shares (1,000)
Outstanding at January 1, 2021	-
Shares bought back on-market	-1 183
Acquisition of subsidiary	87
Shares transferred with restrictions	189
Employee share scheme issue	188
Outstanding at December 31, 2021	**-719**

In June 2021 the company performed a share buyback of NOK 88,2 million, equal to the cash amount raised in employee share excersise in Q1 2021.

The shares acquired in this buyback program are expected to be used to fulfil the companys obligations in future share option excersises. Number of shares bought back from the market was 1 182 950.

On November 8, 2021, the company acquired Skedify, a Belgium based Software -as-a-Service customer engagement solution. Pexip acquired 100% of the shares in Skedify BV for an enterprise value of EUR 8 million on a cash and debt free basis and an equity value of EUR 3,95 million settled in 275 917 shares valued to NOK 85 and EUR 1,58 million in cash.

Ownership structure

The 20 largest shareholders as of December 31, 2021:

	Shares	Ownership
T.D. VEEN AS	4 832 764	4.63%
FOLKETRYGDFONDET	4 158 742	3.98%
BJØBERG EIENDOM AS	4 025 775	3.86%
Skandinaviska Enskilda Banken AB	3 614 343	3.46%
Avanza Bank AB	3 224 511	3.09%
Skandinaviska Enskilda Banken AB	2 976 755	2.85%
Euroclear Bank S.A./N.V.	2 368 976	2.27%
SYNESI AS	2 100 000	2.01%
VEEN EIENDOM AS	1 922 223	1.84%
STAVANGER VENTURE AS	1 822 018	1.74%
BNP Paribas Securities Services	1 807 824	1.73%
XFILE AS	1 781 107	1.71%
BARCLAYS CAPITAL SEC. LTD FIRM	1 712 056	1.64%
CARABACEL AS	1 563 064	1.50%
CHAMBERLIN	1 516 101	1.45%
The Bank of New York Mellon SA/NV	1 512 460	1.45%
The Bank of New York Mellon SA/NV	1 442 439	1.38%
LIA INVESTMENTS LIMITED	1 438 252	1.38%
Morgan Stanley & Co. Int. Plc.	1 293 398	1.24%
SIRIUS AS	1 255 000	1.20%
Total top 20 shareholders	46 367 808	44.40%
Others	58 061 863	55.60%
Total	104 429 671	100%

Number of shares owned or controlled directly or indirectly by the Management Group and Board of Directors at December 31, 2021:

	Shares	Ownership
Kjell Skappel (Board Member)	8 599 505	8.23%
Per Kogstad (Board Member)	4 059 775	3.89%
Michel Sagen (Chairman)	1 563 064	1.50%
Irene Kristiansen (Board Member)	150 000	0.14%
Marianne Wergeland Jenssen (Board Member)	3 000	0.00%
Tom Erik Lia (CSO)	1 438 252	1.38%
Giles Chamberlin	1 516 101	1.45%
Nicolas Cormier (CTO)	230 573	0.22%
Ingrid Woodhouse (CPO)	24 930	0.02%
Øystein Hem (CFO and interim CEO)	109 968	0.11%
Odd Sverre Østlie (Former CEO)	406 729	0.39%
Total	17 695 168	16.94%

Dividend paid and proposed

Proposed for approval at AGM for financial year 2021 is that no dividend will be paid. No dividend was paid for financial year 2020.

Note 17 - Borrowings

(NOK 1,000)

The Group's interest-bearing liabilities consists of:

	Interest rate	Year of maturity	12/31/2021	12/31/2020
Loan from Innovasjon Norge	3.95%	2021		
Loan from Innovasjon Norge	3.70%	2024	4 000	6 000
Total long-term debt			**4 000**	**6 000**
Loan from Innovasjon Norge	3.95%	2021		500
Loan from Innovasjon Norge	3.70%	2022	2 000	2 000
Total short-term debt			**2 000**	**2 500**

The leasing liabilities are presented separately in note 10 - Leases.
The fair value of external borrowings does not materially differ from the carrying amount since interest payable is close to current market rates.

Pledged as security

The Group's loans to Innovasjon Norge are secured borrowings. The carrying amount of assets pledged as collateral are as follows:

	12/31/2021	12/31/2020
Property, plant and equipment	36 033	25 177
Trade receivables	211 653	187 822
Total	**247 686**	**212 999**

Note 18 - Contract Costs, Contract Assets and Contract Liabilities

(NOK 1,000)

Contract assets	2021	2020
Balance at January 1	9 069	14 015
Additions	17 431	5 463
Reclassifications to accounts recievables	-9 069	-10 407
Balance at December 31	17 431	9 069

Contract assets are presented as other current assets. Refer to note 14.

Contract liabilities	2021	2020
Balance at January 1	155 180	47 880
New contract liabilities	187 489	151 798
Revenue recognised from liability opening balance	-140 366	-44 499
Balance at December 31	202 302	155 180

For impairment of contract assets the simplified approach is used and the expected loss provision is measured at the estimate of the lifetime expected credit losses. The provision matrix is disclosed in Note 21 - Financial risk. In accordance with the provision matrix no loss allowance or impairment is recognised for contract assets in 2021 or 2020.

Contract costs	2021	2020
Balance at January 1	211 077	74 235
Additions	101 630	160 898
Depreciated during the year	-50 630	-24 056
Balance at December 31	262 076	211 077

Contract assets and liabilities

Of the contract liabilities as of December 31, 2021, NOK million 140.4 has been recognised as revenue in 2021 (2020: NOK million 44.5) corresponding to 92% (2020: 93%) of the contract liability the preceding year end. The increase of the contract liability in 2020 and 2021 is mainly due to increase in sales.

Of the contract assets as of December 31, 2020, NOK million 9.1 is reclassified to accounts receivables in 2021 (2020: NOK million 10.4). The increase in contract asset to NOK million 17.4 in 2021 (2020: NOK million 9.1) is mainly due to increase in sales.

The definition of contract assets and contract liabilities, together with a description of the relevant accounting principles can be found under the headline Contract balances in the description of the group's accounting principles (section 2.3.5).

Contract costs

The definition of contract costs, together with a description of the relevant accounting principles can be found under the headline Costs of obtaining or fulfilling contracts with customers in the description of the Group's accounting principles (section 2.3.5).

In 2021, amortization of contract costs amounting to NOK million 48.8 was recognised as part of salary and personnel expenses and NOK million 1.9 as cost of sale. For 2020 the amounts were NOK million 22.8 and NOK million 1.2 respectively.

Note 19 - Categories of Financial Assets and Financial Liabilities

(NOK 1,000)

Financial assets	12/31/2021	12/31/2020
Financial assets at amortised cost:		
Cash & cash equivalents (note 15)	803 852	1 100 656
Trade and other receivables (note 13)	217 875	190 741
Total	**1 021 727**	**1 291 397**

Financial liabilities	12/31/2021	12/31/2020
Liabilities at amortised cost:		
Borrowings (note 17)	6 000	8 500
Trade and other payables	111 808	94 100
Lease liabilities (note 10)	113 527	92 349
Total	**231 335**	**194 949**

Non-financial assets and liabilities are excluded from the table.

Note 20 - Reconciliation for liabilities arising from financing activities

(NOK 1,000)

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

For the year ended December 31, 2021	1/1/2021	Net cash flows	New liabilities	12/31/2021
Borrowings (note 17)	8 500	-2 500		6 000
Lease liabilities (note 10)	92 349	-13 688	34 866	113 527
Total liabilities from financing activities	**100 849**	**-16 188**	**34 866**	**119 527**

Proceeds from issuance of ordinary shares of NOK 89 million is recognised in equity.

For the year ended December 31, 2020	1/1/2020	Net cash flows	New liabilities	12/31/2020
Borrowings (note 17)	11 000	-2 500		8 500
Lease liabilities (note 10)	55 488	-11 838	48 699	92 349
Total liabilities from financing activities	**66 488**	**-14 338**	**48 699**	**100 849**

Proceeds from issuance of ordinary shares of NOK 1 269 million is recognised in equity.

Note 21 - Financial Risk

The most significant financial risks which affect the group are credit risk, liquidity risk and market risk related to foreign exchange rate risk, described further below. Management performs continuous evaluations of these risks and related processes established to manage them within the group.

Credit risk

The group is exposed to credit risk from its operating activities, primarily trade receivables. The group does not have a specific procedure for assessing credit risks for its customers before transactions are entered, and mainly does business with large channel partner organizations. The group does not have significant credit risk associated with a single counterparty.

Most customer contracts are with channel partners, of which Pexip has multiple engagements. Such contracts are mainly invoiced yearly or monthly in advance with standard payment terms of 30 days. The group has a collection policy to ensure overdue invoices are taken action.

The group applies the IFRS 9 simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the days past to measure the expected credit losses. The historical loss rate has been adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The following table provided information about the exposure to credit risk and expected credit losses for trade receivables and contract assets as of December 31 in 2021 and 2020:

For the year ended December 31, 2021

Trade receivables and contract assets	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due
Loss rate	1.35%	1.80%	2.25%	3.00%	8.74%

For the year ended December 31, 2020

Trade receivables and contract assets	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due
Loss rate	1.35%	1.80%	2.70%	3.90%	8.74%

The Group has historically had little receivables loss and has not seen any more significant effect from the covid-19 virus. However, the Group has considered the uncertainty in the market and the time value of money from later payments.

In addition to using the simplified approach, the Group has made an individual assessment of trade receivables above a particular value and adjusted the provision with specific allowances for doubtful accounts. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Cash and cash equivalents: The counterparts for the group's cash deposits are large banks considered to be solid. The group assesses no material credit risks associated with these deposits.

Liquidity risk

The group monitors liquidity centrally across the group. It is the group's strategy to have sufficient cash and cash equivalents to at any time fund operations and investments according to the company's strategic plans. The group monitors its liquidity risk through a short-term and a long-term liquidity forecast to manage the target of a minimum position of cash imposed by the Board of Directors.

The group's financial liabilities are mainly traded payables. In addition, the group has a long-term loan to Innovation Norway and multi-year leases on offices and IT equipment.

Maturities of financial liabilities
The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity profile of the Group's leasing liabilities can be found in note 10.

For the year ended December 31, 2021

	Current		Non-current		
(NOK 1,000)	1-6 months	6-12 months	1-2 years	2-5 years	Later than 5 years
Borrowings	1 114	1 094	2 129	2 050	-
Trade and other payables	111 808	-	-	-	-
Total liabilities	112 921	1 094	2 129	2 050	-

For the year ended December 31, 2020

	Current		Non-current		
(NOK 1,000)	1-6 months	6-12 months	1-2 years	2-5 years	Later than 5 years
Borrowings	1 413	1 388	2 208	4 179	-
Trade and other payables	94 100	-	-	-	-
Total liabilities	95 512	1 388	2 208	4 179	-

Market risk
Foreign exchange rates
The group operates globally and is exposed to foreign exchange risk regarding trade receivables, payables, and cash and cash equivalent holdings. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the group and the value of cash holdings in other currencies than the functional currency, which is NOK.

The carrying NOK amounts of the Group's financial assets and liabilities at the reporting date are as follows (in 1,000 NOK):

Financial assets	**2021**	**% of total**	**2020**	**% of total**
NOK	348 513	34.11%	417 421	32.3 %
USD	451 233	44.2 %	517 283	40.1 %
GBP	169 391	16.6 %	208 457	16.1 %
Other currencies	52 657	5.2 %	148 236	11.5 %
Total	**1 021 727**	**100%**	**1 291 397**	**100%**

Financial liabilities	2021	% of total	2020	% of total
NOK	131 866	57.0 %	130 083	66.7 %
USD	27 426	11.9 %	27 517	14.1 %
GBP	29 854	12.9 %	27 040	13.9 %
Other currencies	42 241	18.3 %	10 310	5.3 %
Total	**231 335**	**100%**	**194 949**	**100%**

Sensitivity analysis
Based on the net exposure of the Group, the hypothetical impact of exchange rate fluctuations on the profit before tax for the year is as follows if all other variables are held constant:

		2021	2021	2020	2020
Foreign currency	Change in rate	Effect on profit before tax (in 1,000 NOK)	Effect on Equity (in 1,000 NOK)	Effect on profit before tax (in 1,000 NOK)	Effect on Equity (in 1,000 NOK)
USD	+/- 7%	29 666	25 894	34 284	29 924
GBP	+/- 7%	9 768	8 525	12 699	11 084

Note 22 - Capital Management

The Group's objectives for capital management are to ensure that it maintains sufficient free liquidity with regards to cash and cash equivalents to support its business and obligations and have enough flexibility to invest in attractive investment opportunities. The group manages its capital structure, considering changes in economic and actual conditions and the development of its underlying business.

No changes were made in the objectives, policies, or processes for managing capital during December 31, 2021, and 2020.

Note 23 - Pensions and Other Long-term Employee Benefits
(NOK 1,000)

The employees of the group are covered by different pension schemes that vary from country to country and between the different companies in accordance with local law. All the plans are assessed to be defined contribution plans. The period's contributions are recognised in the income statement as salary and personnel costs.

The Norwegian company in the group is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension arrangements fulfil the requirements of the law.

The pension plans in the group require that the company pays premiums to public or private administrative pension plans on a mandatory, contractual or voluntary basis. There are no further obligations once the annual premiums are paid. The premiums are accounted for as salary and personnel expenses as soon as they are incurred. Prepaid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

	2021	2020
Pension cost	13 431	6 719

Long-term employee benefits comprise loans to employees (refer to Note 4) and share-based payments (refer to Note 24).

Note 24 - Share-based Payments

Pexip has two share-based compensation programs offered to employees: stock options and restricted stock units (RSUs). Stock options vest over a period of four years and fully vest, at earliest, in 2023 and at latest during 2025. Options expire 5 years after grant date – at earliest in 2024 and latest in 2026. Exercise windows for stock options are currently offered twice, annually, to employees and are typically conditional upon active employment at the time of exercise. Stock options programs directed towards management have an exit event as a vesting condition and can be settled in either cash or equity. These options are, however, treated as equity settled due to historical practice and future intentions of only settling in equity. Exercises related to option programs for management are conditional upon active employment status at the time of exercise.

In 2021 Pexip introduced an RSU program for both new and existing employees. The share price at grant date is used as the basis for calculation of RSUs, and RSUs vest in the third year after grant date.

Options	**2021**	**2021**	**2020**	**2020**
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at January 1	41.03	7 908 534	27.49	6 740 432
Granted during the year	84.20	942 000	62.60	2 620 000
Forfeited during the year	46.65	-621 000	34.11	-351 917
Exercised during the year	30.50	-3 097 596	11.73	-1 095 223
Expired during the year	-	-	0.06	-4 758
Outstanding at December 31	**54.62**	**5 131 938**	**41.03**	**7 908 534**

RSUs	**2021**	**2021**	**2020**	**2020**
		Number		Number
Outstanding at January 1	-	-	-	-
Granted during the year	-	98 310	-	-
Forfeited during the year	-	-4 530	-	-
Exercised during the year	-	-	-	-
Expired during the year	-		-	-
Outstanding at December 31	**-**	**93 780**		**-**

The exercise price of options outstanding at December 31, 2021 ranged beetween NOK 14.5 and NOK 100 (2020: NOK 11.85 and NOK 90) and their weighted average contractual life was 3.2 years (2020: 3.3 years). Weighted average contractual life for RSUs outstanding at December 31, 2021 was 3.12 years.

Of the total number of options outstanding at December 31, 2021 325,438 (2020: 260,263) had vested and were excercisable. No RSUs were vested at December 31, 2021.

The weighted average fair value of each option granted during the year was 25.46 (2020: NOK 22.13). The weighted average fair value of each RSU granted during the year was NOK 64.06.

The total expense recognised for the period arising from equity-settled share-based payment transactions was NOK 30,4 million (2020: NOK 23,9 million).

The following information is relevant in the determination of the fair value of instruments granted during the year.

Options	2021	2020
Option pricing model used		Black-Scholes
Weighted average share price at grant date (in NOK)	83	68
Excercise price (in NOK)	84	63
Weighted average contractual life (in days)	1 827	1 827
Expected volatility	36.01%	33.90%
Risk-free interest rate	0.76%	0.58%

The expected volatility is based on the volatility for a selection of comparable listed peer companies.

As there are no expected dividend payments, the dividend parameter is not included in the calculations.

RSUs	2021	2020
Weighted average share price at grant date (in NOK)	64	-
Excercise price (in NOK)	-	-
Weighted average contractual life (in days)	1 230	-

Note 25 - Government Grants

(NOK 1,000)

The Group is eligible for government grants of NOK 4.8 million in 2021 (2020: NOK 4.8 million) which has been deducted from the carrying amount of other intangible assets (software).

In 2021 government grants relates to a SkatteFUNN project. Pexip aims to develop the next generation video conferencing system, lifting the experience to new levels for both users and administrators. This project aims to improve the usability compared to solutions on the market today.

All conditions and contingencies attached to the grants have been fulfilled.

Note 26 - List of Subsidiaries

The consolidated financial statements for 2021 include the following subsidiaries:

Company	Registered office	Voting share	Ownership share
Pexip AS	Oslo, Norway	100%	100%
Pexip Ltd.	Berkshire, England	100%	100%
Pexip Inc.	Virginia, USA	100%	100%
Pexip Australia Pty Ltd	Sydney, Australia	100%	100%
Pexip Singapore Pte Ptd	Singapore, Singapore	100%	100%
Pexip Japan GK	Tokyo, Japan	100%	100%
Videxio Asia Pacific Ltd.	Kuala Lumpur, Malaysia	100%	100%
Pexip France SAS	Neuilly-sur- Seine, France	100%	100%
Pexip Germany GbmH	Düsseldorf, Germany	100%	100%
Pexip Netherlands B.V	Utrecht, Netherlands	100%	100%
Skedify NV	Ghent, Belgium	100%	100%

The consolidated financial statements for 2020 include the following subsidiaries:

Company	Registered office	Voting share	Ownership share
Pexip AS	Oslo, Norway	100%	100%
Pexip Ltd.	Twyford, England	100%	100%
Pexip Inc	New York, USA	100%	100%
Videxio Asia Pacific Ltd.	Kuala Lumpur, Malaysia	100%	100%
Pexip Australia Pty Ltd	Sydney, Austrlia	100%	100%
Pexip Singapore Pte Ptd	Singapore, Singapore	100%	100%
Pexip Japan GK	Tokyo, Japan	100%	100%

Note 27 - Transactions with Related Parties

The Group's related parties include Parent Company and subsidiaries, as well as members of the Board, Management Group and their related parties. Related parties also include companies in which the individuals mentioned above have significant influence.

The Group is not part in any agreements, deals, or other transactions in which the Parent company's Board of Directors or Management Group had a financial interest, except for transactions following from the employment relationship. Remuneration to key personnel is disclosed in the remuneration report.

Transactions and balances between the parent company and its subsidiaries, and between the subsidiaries, have been eliminated on consolidation, and are not disclosed in this note. The Group does not have other transactions with related parties, except for remuneration for their role in the Group.

Note 28 - Events After the Balance Sheet Date

On February 7, 2022, Pexip announced the appointment of Trond K. Johannessen as CEO, following an extensive international search process. He will join Pexip in May 2022. Øystein Hem will continue to lead the Company until Mr Johannessen assumes the role as CEO and will continue with Pexip as CFO.

On February 8, 2022, Pexip completed the portfolio acquisition from Kinly. As part of the transaction, Pexip will assume the responsibility of the service delivery of several Video-as-a-Service customers across Video Infrastructure and Video Enablement, including the related IPR and a development and operations team of 9 people.

On February 10, 2022, Pexip announced that the company had decided to initiate a buyback of its shares in the market for a total of NOK 87.5 million. Pexip has an ongoing employee share-based compensation program with existing future commitments to deliver shares. Due to a solid cash position, the Board believes it is an attractive option to buy back shares to fulfil future share option exercises obligations. After this buyback program, Pexip will have sufficient cash reserves to fund the communicated growth plan until the company returns to cashflow positive operations.

Note 29 - Market Situation

Impact from Covid-19

Covid-19 has disrupted the global economy. Pexip's business has continued to develop well in 2021, partly because Pexip's products and services are within videoconferencing, an industry that has seen a significant increase in use-cases during the pandemic. Pexip's operations have pivoted to an all-digital workflow where required, and most Pexip locations have been in some lockdown situations during 2021. Moreover, Pexip employees' expertise in videoconferencing and hybrid-working solutions has contributed to a smooth transition for the Pexip workforce to the required changes in ways of working that the pandemic has caused. The pandemic has required extraordinary efforts from the organization to support existing and new customers. This has enabled many of Pexip's customers to maintain business continuity and deliver vital services in industries such as healthcare, public services and pharmaceuticals. In the short term, renewed Covid-19 restrictions will cause limited use of offices and delays in the roll-out of new video rooms.

War in Ukraine

The development in Ukraine, and the impact on business in the region is continuously changing and the following statements apply up to the date of the release of this report and may not be applicable after the date of release.

The war in Ukraine has impacted Pexip in several ways. Pexip has three remote employees based in the conflict area and several employees from the involved countries in other offices. Pexip's main concern has been to ensure their safety and offer support to them in the best way. The financial effect from this is minimal until this date.

In response to the attack on Ukraine, several extensive packages of sanctions towards Russia have been launched. The imposed sanctions are far-reaching. Norway has adhered to all EU sanctions and has transposition sanctions into Norwegian law. To ensure compliance with the abovementioned measures, Pexip continuously maps our exposures to Russia, Donetsk and Luhansk and Belarus. This includes, for example, systematic identification and assessment of current relationships with banks, Resellers and Customers based in Russia or wholly or partly owned by Russian interest. All such relations are thoroughly considered to ensure compliance with sanctions.

Pexip has ten end customers in Russia and three in Ukraine, of which all have purchased the self-hosted software, with around USD 0.3 million in annual recurring revenue from these customers. One third of this is scheduled for renewal in Q1, which will not happen due to the ongoing conflict and sanctions. As of this date, Pexip has around USD 65,000 in unpaid invoices, in which we see increased risk in getting paid. The war has affected Pexip as Pexip has stopped all new sales and renewals to companies in Russia. Further, many companies in the corresponding countries and regions are affected by the situation and some have postponed purchase decisions for video solutions. This will impact the growth in annual recurring revenue and revenue for Q1 2022.

Note 30 - Business Combinations

Acquisition of Skedify

On November 8, 2021, the Company acquired a 100% equity interest in Skedify NV for NOK 19.1 million. The transaction resulted in the Company obtaining control of Skedify. All shares were transferred from the previous owners of Skedify to Pexip AS on November 8, 2021, setting this to the acquisition date.

According to the Sales Purchase Agreement, Pexip shall transfer 275.917 shares to previous owners. As the shares are regularly traded on the Norwegian stock exchange, the stock price will be used to calculate fair value as of the acquisition date. On November 8, 2021, the share was traded at 39,94 NOK. One hundred nine thousand shares contributed to two previous owners have been preliminarily scoped out from IFRS 3 Business Combination and included into Pexip Group financials under IFRS 2 Share Option. The shares granted to these two shareholders will have a vesting period of 3 years, and they will need to stay on board (be employed by Skedify during those three years for the shares to vest). A clause in the agreement entitles these two owners to 50% of this consideration in any course of future events. The final assessment for scoping out this element from IFRS 3 Business Combination to IFRS 2 is pending. Therefore, the initial accounting for the business combination is preliminary and subject to further assessment.

Pexip acquired Skedify to accelerate the delivery of video-enabled business-to-consumer applications.

The Company accounts for acquisitions of subsidiaries using the acquisition method of accounting, including those acquisitions under common control, and having commercial substance, by IFRS 3 Business Combinations. This requires recognising the assets acquired and liabilities assumed at fair value as of the acquisition date. Consideration is the sum of the fair values, as of the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognized separately at the acquisition date at their fair value irrespective of any non-controlling interest, and goodwill is recognized to the extent the consideration exceeds identified net assets.

In a business combination, consideration, assets, and liabilities are recognized at estimated fair value, and any excess purchase price is included in goodwill. Estimating fair values requires using valuation models for acquired assets and liabilities. Such evaluations are subject to numerous assumptions and are thus uncertain.

Pexip has engaged an independent valuer to determine the fair values of the assets and liabilities of Skedify as part of the purchase price allocation.

The table below summarizes key figures for the Skedify acquisition. Fair value adjustments from Pexip's acquisition of Skedify are included. Intercompany transactions and balances are included and are not eliminated in the numbers below

Pexip has engaged an independent valuer to determine the fair values of the assets and liabilities of Skedify as part of the purchase price allocation. The preliminary fair values of the identifiable assets and liabilities are as follows:

Purchase Consideration	**in NOK**
Base Purchase Price - Cash payment	15 641
Treasury Shares consideration in NOK (non-cash transaction)	3 471
Consideration transferred	**19 113**

Recognized amounts of identifiable assets acquired and liabilities assumed	
Non Current Assets	**7 375**
Software (SaaS)	2 862
Customer Relationships	3 785
Intangibles	-
Investments in financial assets	3
Tangible Assets	725
Current Assets	**4 370**
Other assets	1 730
Trade and other receivables	2 192
Cash and cash equivalents	448
Non-Current Liabilities	**34 363**
Debt	34 363
Current Liabilities	**21 916**
Trade and other payables	16 035
Deferred Taxes	-
Deferred Income	6 121
Current taxes	-224
Short term debt	-15
Total Identifiable Net Assets at fair value	**-44 534**
Provisional Goodwill	**63 647**

Pre-existing transactions not included into Purchase Consideration	in NOK
Debt Cancellation to Shareholders (cash transaction)	5 868
Skedify bridge loan (cash transaction)	2 642
Pexip account receivable reclassified to intercompany loan (non cash transaction)	2 619

Purchase consideration in cash included 15.64 million cash payments (excluding Skedify cash balance at the acquisition date, NOK 0.448m). Other pre-existing transactions not included in purchase consideration were NOK 5.9 million as debt cancellation to previous shareholders, NOK 2.64 million as a pre-acquisition bridge loan to Skedify and NOK 2.6 million reclassification of Pexip receivable balance with Skedify to intercompany loan.

The provisional goodwill of NOK 63.647 million has been recognized for 2021 annual reporting.

We expect goodwill to include synergies from the transaction, representing the value chain capture through Skedify technology integration, marketing, sales, future customer relationships, and intangibles such as the acquired workforce. Goodwill has been provisionally allocated to Pexip, which is expected to benefit from the synergies of the acquisition.

The determination of the estimated market value of the client relationships and the (SaaS) software of Skedify were respectively conducted based on a MEEM (multi-period excess earnings method.

Following the acquisition of Skedify by Pexip, two intangible assets were identified for revaluation at fair value: (i) the customer contracts and related relationships and (ii) the (SaaS) software developed by Skedify.

Customer relationships were valued using a MEEM approach. They are estimated to amount to NOK 3.8m and to have 20 years remaining useful life. The long useful life is because the churn observed on the existing clients is very low (almost zero).

The main assumptions used for the valuation were:

- A churn rate of 2%
- A discount rate of 11.43%
- A 10% EBITDA margin
- Contributory Assets Charges for the (SaaS) software, net working capital and the assembled workforce.

The (SaaS) software was valued using a relief from royalty method. Its fair value is estimated to be NOK 2.8m, and its remaining useful life is estimated to be five years. The royalty rate used for the valuation is 2%. This rate has been selected because the software is not patented or protected, and the development is mainly front/interface related. It does not consist of the development of a core system or technology.

The trade name was not considered as having value given the young character of the company and given the B2B activities.

The remaining goodwill is estimated to be NOK 63.7m, but this amount might have to be adjusted during 2022, depending on further analysis of this transaction.

The acquisition-realted costs have been accounted for separately from the business combination.

Acquisition and transaction costs amounting to NOK 1.5m were expensed as general expenses in the Consolidated Income Statement.

Temporary differences relating to the Skedify acquisition for which deferred tax liabilities have not been recognised were NOK 0.9m. This deferred tax liability has not been recognised as the liability was offset against deferred tax assets generated due to Skedify's fair valuation process. Please refer to the tax Note 7. Income Tax Expense and to below table for further details on deferred tax balances resulting from this transaction.

Deferred tax balances as a result of Skedify transaction :

Deferred tax assets:	
Tax losses	
Tangible and intangible assets	5 178
Set-off tax	-946
Net deferred tax assets after set-off	4 232
Unrecognised deferred tax assets	4 232
Net deferred tax assets	-

Deferred tax liabilities:	
Tangible and intangible assets	946
Set-off tax	-946
Net deferred tax liabilities	-

Skedify contributed revenues of NOK 1.82 million and a net loss of 3.17 million to Pexip for November 8, 2021, to December 31, 2021. If the acquisition had occurred on January 1, 2021, management estimates that consolidated Pro-forma revenue and net loss for the year ended December 31 would have been NOK 9.59 million and 22.4 million, respectively.

Financial Statements

Pexip Holding ASA 2021

Profit and Loss Statement

(NOK 1,000)

NOTE	OPERATING REVENUE AND OPERATING EXPENSES	01/01/21- 31/12/21	01/01/20- 31/12/20
2, 8	Other operating expenses	22 544	57 109
	Total operating expenses	**22 544**	**57 109**
	Operating loss	**-22 544**	**-57 109**
	FINANCIAL INCOME AND FINANCIAL EXPENSES		
10	Other financial income	9 671	847
10	Other financial expenses	-176	-66 803
	Financial items, net	9 495	-65 956
	Loss before taxation	-13 049	-123 065
7	Income tax	-2 871	-27 074
	LOSS FOR THE FINANCIAL YEAR	**-10 178**	**-95 990**
	ALLOCATION OF NET LOSS AND EQUITY TRANSFERS		
6	Transferred to / from other equity	-10 178	-95 990
	Total allocations and equity transfers	-10 178	-95 990

Balance Sheet at December 31

(NOK 1,000)

NOTE	ASSETS	31/12/2021	31/12/2020
	Non-current assets		
	Financial non-current assets		
7	Deferred tax	41 795	38 925
3, 9	Investments in group companies	1 086 303	1 055 938
4	Receivables from Group company	245 765	
	Total financial non-current assets	1 373 864	1 094 863
	Total non-current assets	**1 373 864**	**1 094 863**
	Current assets		
	Receivables		
	Other current assets	1 147	1 353
4	Receivables from Group company	6 343	
	Total receivables	7 490	1 353
	Cash and cash equivalents	635 053	884 567
	Total current assets	**642 543**	**885 920**
	TOTAL ASSETS	**2 016 407**	**1 980 784**

Balance sheet at 31 December

(NOK 1,000)

NOTE	SHAREHOLDERS EQUITY AND LIABILITIES	31/12/2021	31/12/2020
	Shareholders equity		
	Paid-in equity		
5,6	Share capital	1 556	1 523
6, 9	Share premium	2 115 938	2 027 206
	Total paid-in equity	2 117 495	2 028 730
	Equity		
6	Other equity	-114 592	-55 795
	Equity	-114 592	-55 795
	Total shareholders equity	2 002 903	1 972 935
	Liabilities		
	Current liabilities		
	Trade and other payables	973	1 239
4	Debt to group Company	12 532	6 609
	Total current liabilities	13 505	7 848
	Total liabilities	**13 505**	**7 848**
	TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	**2 016 407**	**1 980 784**

Oslo, March 30, 2022

Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Board Member

Marianne Wergeland Jenssen
Board Member

Øystein Hem
Interim CEO

Cash Flow Statement

(NOK 1,000)

	2021	2020
CASH FLOW FROM OPERATIONS:		
Profit/(loss) before taxation	-13 049	-123 065
Taxes paid for the period		-3 787
Effect of currency rate changes	-6 350	61 303
Financial income/(expenes) - net	-286	
Transaction cost related to IPO		43 155
Interest received	461	
Change in trade receivables		3
Change in trade payables	-266	7 848
Changes in inter-company balances	3 050	
Changes in other current assets and other liabilities	-150	-1 281
Net cash flow from operations	**-16 589**	**-15 824**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Outflows due to investments in daughter company	-245 765	
Net cash flow from investment activities	**-245 765**	
CASH FLOW FROM FINANCING ACTIVITIES:		
Inflow from share exercise	94 486	1 209 547
Purchase of treasury shares	-87 996	
Transaction cost related to IPO		-97 020
Payments out due to group contribution		-154 337
Net cash flow from financing activities	**6 490**	**958 190**
Effects of currency rate changes on bank deposits, cash and equivalents	**6 350**	**-61 303**
Net change in bank deposits, cash and equivalents	-249 514	881 064
Bank deposits, cash and equivalents at January 1, 2021	884 567	3 503
Bank deposits, cash and equivalents at December 31	**635 053**	**884 567**

Note 1 - Accounting Policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway.

Valuation and classification of assets and liabilities

Assets intended for permanent ownership or use in the business are classified as non-current assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. The classification of current and non-current liabilities is based on the same criteria.

Current assets are valued at the lower of historical cost and fair value.

Fixed assets are carried at historical cost, but are written down to their recoverable amount if this is lower than the carrying amount and the decline is expected to be permanent. Fixed assets with a limited economic life are depreciated on a systematic basis in accordance with a reasonable depreciation schedule.

Other long-term liabilities, as well as short-term liabilities, are valued at nominal value.

Foreign currency

All balance sheet items denominated in foreign currencies are translated into NOK at the exchange rate prevailing at the balance sheet date.

Shares in subsidiaries and associates

Subsidiaries and investments in associates are carried at cost. A write-down to fair value will be performed if the impairment is not considered to be temporary, and an impairment charge is deemed necessary according to generally accepted acccounting principles. Received dividends and group contributions are recognised as other financial income. The same applies for investments in associates.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of the equity-settled transactions with employees at the grant date, the Group uses the Black-Scholes-Merton option pricing model.

Revenue

Revenue is recognised when it is earned, i.e. when the claim to remuneration arises. This occurs when the service is performed, as the work is being done. The revenue is recognised with the value of the remuneration at the time of transaction.

Receivables

Trade receivables and other receivables are recognised at nominal value, less the accrual for expected losses of receivables. The accrual for losses is based on an individual assessment of each receivable.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

Income taxes

Tax expenses are matched with operating income before tax. Tax related to equity transactions e.g. group contribution, is recognised directly in equity.

Tax expense consists of current income tax expense and change in net deferred tax. Deferred tax liabilities and deferred tax assets are presented net in the balance sheet.

Note 2 - Payroll Costs, Number of Employees, Benefits, Loans to Employees etc

(NOK 1,000)

Average number of employees during the year	0
Pexip Holding ASA has no employees.	

Chief Executive Officer is compensated from Pexip AS. The remuneration to CEO is disclused in the managment remuneration report for 2021.

Remuneration to board of directors in the parent company

The remuneration to board of directors is disclused in the management remuneration report for 2021.

Auditor

Remuneration to Deloitte AS and their associates is as follows:

	2021	2020
Statutory audit	1 740	1 013
Other certification services	80	222
Total	**1 820**	**1 235**

Amounts are excl. of VAT

Note 3 - Investments in Subsidiaries and Associated Companies

(NOK 1,000)

Company	Date of acquisition	Registered office	Voting share	Ownership share
Pexip AS	10/22/2018	Lysaker, Norway	100%	100%

Company	Equity latest financial statements	Profit/loss latest financial statements
Pexip AS	260 431	-383 662

Note 4 - Related Party Transactions and Balances

(NOK 1,000)

Related party transactions, profit and loss

Related party balance items

Counterpart	Relationship to the counterpart	Intercompany borrowings 2021	Intercompany borrowings 2020
Pexip AS	Subsidiary	12 532	6 609
Total		**12 532**	**6 609**

Counterpart	Relationship to the counterpart	Intercompany receivables 2021	Intercompany receivables 2020
Pexip AS	Subsidiary	252 108	
Total		**252 108**	

Note 5 - Share Capital, Shareholder Information and Dividend

(NOK 1,000)

The Parent Company's registered share capital as at December 31, 2021 was NOK 1,566 divided into 104,429.671 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights. The parent company holds treasury shares of 719,228 making the presented share capital NOK 1,556.

The Parent Company's registered share capital as at December 31, 2020 was NOK 1,523 divided into 101,563,487 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights.

Development in the number of issued and outstanding shares

	Number of shares (1,000)	**Share capital**
Outstanding at January 1, 2021	101 563	1 523
Employee share scheme issue	2 866	43
Outstanding at December 31, 2021	**104 429**	**1 566**

Treasury shares

	Number of shares (1,000)
Outstanding at January 1, 2021	-
Shares bought back on-market	-1 183
Acquisition of subsidiary	87
Shares transferred with restrictions	189
Employee share scheme issue	188
Outstanding at December 31, 2021	**-719**

In June 2021 the company performed a share buyback of NOK 88,2 million, equal to the cash amount raised in employee share excersise in Q1 2021.

The shares acquired in this buyback program are expected to be used to fulfil the companys obligations in future share option excersises. Number of shares bought back from the market was NOK 1 182 950.

On November 8, 2021, the company acquired Skedify, a Belgium based Software -as-a-Service customer engagement solution. Pexip acquired 100% of the shares in Skedify BV for an enterprise value of EUR 8 million on a cash and debt free basis and an equity value of EUR 3,95 million settled in 275 917 shares valued to NOK 85 and EUR 1,58 million in cash.

Ownership structure

The 20 largest shareholders as of December 31, 2021:

	Shares	Ownership
T.D. VEEN AS	4 832 764	4.63%
FOLKETRYGDFONDET	4 158 742	3.98%
BJØBERG EIENDOM AS	4 025 775	3.86%
Skandinaviska Enskilda Banken AB	3 614 343	3.46%
Avanza Bank AB	3 224 511	3.09%
Skandinaviska Enskilda Banken AB	2 976 755	2.85%
Euroclear Bank S.A./N.V.	2 368 976	2.27%
SYNESI AS	2 100 000	2.01%
VEEN EIENDOM AS	1 922 223	1.84%
STAVANGER VENTURE AS	1 822 018	1.74%
BNP Paribas Securities Services	1 807 824	1.73%
XFILE AS	1 781 107	1.71%
BARCLAYS CAPITAL SEC. LTD FIRM	1 712 056	1.64%
CARABACEL AS	1 563 064	1.50%
CHAMBERLIN	1 516 101	1.45%
The Bank of New York Mellon SA/NV	1 512 460	1.45%
The Bank of New York Mellon SA/NV	1 442 439	1.38%
LIA INVESTMENTS LIMITED	1 438 252	1.38%
Morgan Stanley & Co. Int. Plc.	1 293 398	1.24%
SIRIUS AS	1 255 000	1.20%
Total top 20 shareholders	46 367 808	44.40%
Others	58 061 863	55.60%
Total	104 429 671	100 %

Number of shares owned directly or indirectly by the Management Group and Board of Directors at December 31, 2021:

	Shares	Ownership
Kjell Skappel (Board Member)	8 599 505	8.23%
Per Kogstad (Board Member)	4 059 775	3.89%
Michel Sagen (Chairman)	1 563 064	1.50%
Irene Kristiansen (Board Member)	150 000	0.14%
Marianne Wergeland Jenssen (Board Member)	3 000	0.00%
Tom Erik Lia (CSO)	1 438 252	1.38%
Giles Chamberlin (CTO)	1 516 101	1.45%
Nicolas Cormier (CTO)	230 573	0.22%
Ingrid Woodhouse (CPO)	24 930	0.02%
Øystein Hem (CFO and interim CEO)	109 968	0.11%
Odd Sverre Østlie (Former CEO)	406 729	0.39%
Total	18 101 897	17.33%

Dividend paid and proposed

Proposed for approval at AGM for financial year 2021 is that no dividend will be paid. No dividend was paid for financial year 2020.

Note 6 - Equity

(NOK 1,000)

Paid-in equity	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
Equity at January 1, 2021	1 523	2 027 206	33 208	-89 003	1 972 935
Capital increase/share issue	43	88 732			88 775
Profit/(loss) of the year				-10 178	-10 178
Buy/sell treasury shares	-10		-78 984		-78 994
Share based payments			30 365		
Equity at December 31, 2021	**1 556**	**2 115 938**	**-15 411**	**-99 181**	**2 002 903**

Note 7 - Income Tax Expense

(NOK 1,000)

Specification of income tax expense:	2021	2020
Current income tax payable		
Changes in deferred tax	-2 871	-27 074
Tax on profit/(loss)	**-2 871**	**-27 074**

Allocation of income tax expense between Norway	2021	2020
Tax on profit/(loss)	**-2 871**	**-27 074**

Reconciliation from nominal to real income tax rate:

	2021	2020
Profit/(loss) before taxation	**-13 049**	**-123 065**
Estimated income tax according to nominal tax rate (22%)	-2 871	-27 074
Income tax expense	-2 871	-27 074
Effective income tax rate	**22%**	**22%**

The size of the current income tax payable and deferred tax related to items recorded directly against equity:

	2021	2020
Deferred tax: tax on share issue costs recognised directly in equity		-11 850
Total		**-11 850**

Specification for the tax effect of temporary differences and losses carried forward	2021 Asset	2020 Asset
Tax losses	41 795	38 925
Total	**41 795**	**38 925**

Deferred tax is determined based on the amount differences between the accounting principles and the taxation purposes, of assets and liabilities at the reporting date. Deferred tax assets are generally recognised for all deductable temporary differences to the extent that it is probable that they can be offset by future taxable income for the Pexip Group. The company has assesed that the tax losses will be recoverable in the future.

Note 8 - Operating Expenses

(NOK 1,000)

Other operating expenses	2021	2020
Operating expenses	12 532	6 842
IPO fee		43 155
Audit fees	1 820	1 235
Other professional fees	4 248	4 899
Other operating costs	3 945	977
Total	**22 544**	**57 109**

Note 9 - Share-based Payments

Pexip has two share-based compensation programs offered to employees: stock options and restricted stock units (RSUs). Stock options vest over a period of four years and fully vest, at earliest, in 2023 and at latest during 2025. Options expire 5 years after grant date – at earliest in 2024 and latest in 2026. Exercise windows for stock options are currently offered twice, annually, to employees and are typically conditional upon active employment at the time of exercise. Stock options programs directed towards management have an exit event as a vesting condition and can be settled in either cash or equity. These options are, however, treated as equity settled due to historical practice and future intentions of only settling in equity. Exercises related to option programs for management are conditional upon active employment status at the time of exercise.

In 2021 Pexip introduced an RSU program for both new and existing employees. The share price at grant date is used as the basis for calculation of RSUs, and RSUs vest in the third year after grant date.

Options	2021 Weighted average exercise price	2021 Number	2020 Weighted average exercise price	2020 Number
Outstanding at January 1	41,03	7 908 534	27,49	6 740 432
Granted during the year	84,20	942 000	62,60	2 620 000
Forfeited during the year	46,65	-621 000	34,11	-351 917
Exercised during the year	30,50	-3 097 596	11,73	-1 095 223
Expired during the year	-	-	0,06	-4 758
Outstanding at December 31	**54,62**	**5 131 938**	**41,03**	**7 908 534**

RSUs	2021	2021	2020	2020
		Number		Number
Outstanding at January 1	-	-	-	-
Granted during the year	-	98 310	-	-
Forfeited during the year	-	-4 530	-	-
Exercised during the year	-	-	-	-
Expired during the year	-		-	-
Outstanding at December 31	**-**	**93 780**		**-**

The exercise price of options outstanding at December 31, 2021 ranged beetween NOK 14,5 and NOK 100 (2020: NOK 11,85 and NOK 90) and their weighted average contractual life was 3,2 years (2020: 3,3 years). Weighted average contractual life for RSUs outstanding at December 31, 2021 was 3,12 years.

Of the total number of options outstanding at December 31, 2021 325.438 (2020: 260.263) had vested and were excercisable. No RSUs were vested at December 31, 2021.

The weighted average fair value of each option granted during the year was 25,46 (2020: NOK 22.13). The weighted average fair value of each RSU granted during the year was NOK 64,06.

The total expense recognised for the period arising from equity-settled share-based payment transactions was NOK 29,8 million (2020: NOK 23,9 million).

The following information is relevant in the determination of the fair value of instruments granted during the year.

Options	2021	2020
Option pricing model used		Black-Scholes
Weighted average share price at grant date (in NOK)	83	68
Excercise price (in NOK)	84	63
Weighted average contractual life (in days)	1 827	1 827
Expected volatility	36.01%	33.90%
Risk-free interest rate	0.76%	0.58%

The expected volatility is based on the volatility for a selection of comparable listed peer companies.

As there are no expected dividend payments, the dividend parameter is not included in the calculations.

RSUs	2021	2020
Weighted average share price at grant date (in NOK)	64	-
Excercise price (in NOK)	-	-
Weighted average contractual life (in days)	1 230	-

Note 10 - Financial Income and Expenses

(NOK 1,000)

	2021	2020
Interest income	461	847
Exchange gains	6 338	
Other financial income		
Interest income from Group company	2 872	
Financial income	9 671	847
Interest expense	-176	-93
Exchange losses		-66 682
Other financial expenses		-27
Financial expenses	-176	-66 803
Net financial income(expense)	**9 495**	**-65 956**

Of the Exchange gains and losses as of December 31, 2021, NOK 6 350 are related to currency changes (USD, EUR, GBP) for the bank accounts.

Note 11 - Events After the Balance Sheet Date

On February 7, 2022, Pexip announced the appointment of Trond K. Johannessen as CEO, following an extensive international search process. He will join Pexip in May 2022. Øystein Hem will continue to lead the Company until Mr Johannessen assumes the role as CEO and will continue with Pexip as CFO.

On February 8, 2022, Pexip completed the portfolio acquisition from Kinly. As part of the transaction, Pexip will assume the responsibility of the service delivery of several Video-as-a-Service customers across Video Infrastructure and Video Enablement, including the related IPR and a development and operations team of 9 people.

On February 10, 2022, Pexip announced that the company had decided to initiate a buyback of its shares in the market for a total of NOK 87.5 million. Pexip has an ongoing employee share-based compensation program with existing future commitments to deliver shares. Due to a solid cash position, the Board believes it is an attractive option to buy back shares to fulfil future share option exercises obligations. After this buyback program, Pexip will have sufficient cash reserves to fund the communicated growth plan until the company returns to cashflow positive operations.

Note 12- Market Situation

The impact from Covid-19 and war in Ukraine is disclosed in the Annual report and note 29.

Declaration in Accordance with 5-5 of the Securities Trading Act

We confirm that the financial statements for the period January 1 to December 31, 2021, have, to the best of our knowledge, been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Group.

We also hereby declare that the annual report provides a true and fair view of the financial performance and position of the company, as well as a description of the principal risks and uncertainties facing the company.

Oslo, March 30, 2022
Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Board Member

Marianne Wergeland Jenssen
Board Member

Øystein Hem
CFO and Interim CEO

Auditor's Report

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To the General Meeting of Pexip Holding ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pexip Holding ASA, which comprise:

- The financial statements of the parent company Pexip Holding ASA (the Company), which comprise the balance sheet as at 31 December 2021, the profit and loss statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Pexip Holding ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2021, the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

The company was listed in 2020. We have been the company's elected auditor since before the company was listed. We have been the company's elected auditor continuously for 2 years since the company was listed, including the listing year.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial

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statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amount of goodwill

Key audit matter	How the matter was addressed in the audit
As disclosed in note 2 and 11, the Group has recognized goodwill of NOK 662.645 thousand. Goodwill is tested for impairment annually, or more frequently if there is an indication of impairment. To assess recoverability of goodwill, management must make assumptions about future revenues, discount rates as well as future operating costs. Due to the inherent uncertainty involved in the forecasting and discounting of future cash flows, and the level of management judgment involved, this has been identified as a key audit matter.	We evaluated relevant controls associated with impairment testing. We obtained the valuation model and challenged management's key assumptions used in the impairment model. In particular; • the growth rate in revenues; • the future operating costs and margins; and • the discount rate used. We validated the mathematical accuracy of cash flow models. We used Deloitte valuation specialists in our audit of the impairment assessment, including for review of calculations and discount rate. We also assessed the adequacy of the disclosures provided by the Group in relation to the impairment testing.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with

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International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name PexipHoldingASA-2021-12-31-en have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 30 March 2022
Deloitte AS

Eivind Ungersness
State Authorised Public Accountant

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Appendix — Alternative Performance Measures (APMs)

The following terms are used by the Group in the definition of APMs in this Report:

EBITDA: Profit/(loss) for the period before net financial items, income tax expense, depreciation and amortization.

Adjusted EBITDA: EBITDA adjusted for IPO-related, non-recurring costs.

EBITDA-margin: EBITDA in percentage of revenue.

Share of recurring revenues: Recurring revenue from own products is defined as revenue from time-limited contracts where the purchase is recurring in nature. Revenue from time-limited software subscriptions and related mandatory maintenance contracts are considered recurring. Revenue from third-party software licences, perpetual software-licences and project-based professional services, such as a customer-specific proof-of-concept project or installation projects, are considered non-recurring.

Contracted Annual Recurring Revenue (ARR): Annualized sales from all active subscriptions/contracts and ordered subscriptions with a future start date where the subscription is time-limited and recurring in nature. This is corresponding to Pexip's order backlog.

Gross Margin: Revenue after cost of gods sold in percentage of revenue.

Delta Annual Recurring Revenue (DARR): The difference in ARR from one quarter to another.

Net Revenue Rentation (NRR) Rate is the percentage of annual recurring revenue retained from customers excisting in prior year, including upsell, downsell and full churn.

Adjusted EBITDA

(NOK 1,000)	2021	2020
EBITDA	**-124 297**	**55 629**
IPO transaction costs		43 155
Non recurring IPO related services		4 613
EBITDA adjusted	**-124 297**	**103 397**

The adjustment made in 2020 was related to the IPO process and is non-recurring. For detaljs regarding these cost, please refer to Note 5.

Gross Margin

(NOK 1,000)	2021	2020
Revenue	805 518	678 513
Cogs	76 940	42 513
Calculated Gross Margin	**90%**	**94%**

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