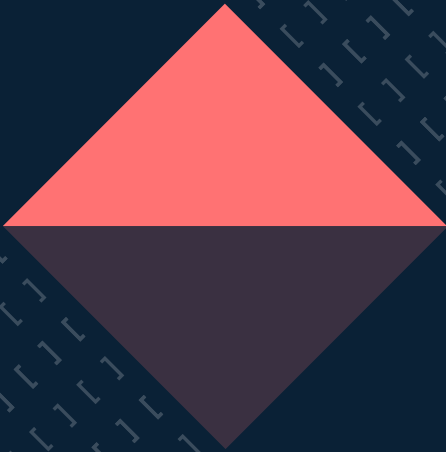
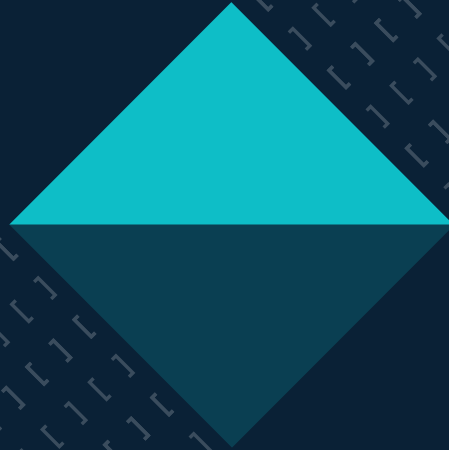


]pexip[

Q3 2022

Quarterly Report



Q3 Highlights

- Phase 1 of the cost-effectiveness program is completed with expected annual cost reductions of NOK 200 million, of which NOK 184 million realized in Q3. The previously announced phase 2 has been expanded and is in implementation, supporting the target of cash positive operations for 2023.
- Pexip's subscription base measured in ARR was USD 100.7 million in Q3 2022, reflecting a 1% year-on-year growth.
- Quarterly delta ARR of USD -5.4 million driven by one main contract loss, and a reduction in legacy areas.
- Video Innovation and Secure Spaces continue to drive good momentum. Video Innovation is up 18% year-on-year, with ARR growth of USD 3.3 million. ARR growth in Secure Spaces was reduced due to the termination of a large contract, resulting in a flat year-on-year growth of 1%. Excluding this, the underlying y-o-y growth in Secure Spaces was USD 4.4 million.
- Revenue for Q3 was NOK 189.2 million, and EBITDA excluding restructuring costs was negative NOK 56.2 million. Change in cash and cash equivalents was negative NOK 38.6 million.
- Pexip was awarded a strategic contract with global technology company to embed Pexip technology into the partner's product to extend their functionality. The contract is a multi-year Enterprise Agreement with the annual revenue from the contract starting at approx. USD 1.4 million.

Key Figures

		Q3 2022	Q3 2021	YTD 2022	YTD 2021
Revenue	NOK million	189.2	182.9	606.7	539.7
Cost of goods sold	NOK million	21.2	22.7	76.2	58.7
Salary and personnel expenses	NOK million	161.6	152.1	553.7	476.2
Other operating expenses	NOK million	6.7	48.6	182.6	139.2
EBITDA excl. restructuring costs	NOK million	-56.2	-40.5	-205.7	-134.4
Restructuring costs	NOK million	5.3	0.0	32.1	-0.2
EBITDA	NOK million	-61.5	-40.5	-237.8	-134.2
EBITDA margin	%	-33%	-22%	-39%	-25%
Profit or loss for the period	NOK million	-45.7	-31.8	-199.0	-124.3
Earnings per share	NOK per share	-0.45	-0.31	-1.96	-1.21
ARR	USD million	100.7	99.8	100.7	99.8
Number of employees end of period	#	451	492	451	492

“The third quarter, and 2022 in general, has been impacted by a shift in focus for Pexip, which has driven a need to reduce costs and restructuring of the organization. We have communicated a new strategy and a plan to accelerate our return to profitability, and I am pleased to present the results this has given already. We feel confident that executing on this renewed focus will allow us to reach our 2023 targets of positive EBITDA of NOK 100-150 million and cash positive operations.”



Trond K. Johannessen
Chief Executive Officer

Operational Review

Q3 Summary

In Q3, Pexip demonstrated a stable year-on-year development. Pexip's subscription base measured in Annual Recurring Revenue (ARR) reached USD 100.7 million in Q3 2022, representing a year-on-year growth of 1% from USD 99.8 million in Q3 2021. The limited growth was largely due a large US Government customer not renewing the contract as the program lost its funding. Excluding this customer, the underlying year-on-year growth was 5%.

Net revenue retention rate, reflecting the percent of retained revenue from existing customers, was 84% year-on-year, including churn of 11.5% year-on-year. The reduction in net revenue retention rate was driven by an increase in net downsell, which was at a negative 4.7% in Q3. Decline in legacy areas are driving both churn and the increased net downsell, however this is in line with expectation. ARR from Pexip as-a-Service was at USD 46 million in Q3 2022, up 7.0% year-on-year, while ARR from Pexip's Self-hosted Software ended at USD 54 million, down 3.8% year-on-year.

Pexip is executing on its revised business strategy focusing on the unique value propositions it can bring to large organizations in three core areas: Secure Spaces, Connected Spaces and Video Innovation. The Company has been undergoing a process of ensuring that its organization is fully aligned and enabled to execute on this strategy in the best possible way, as well as making sure that its partner network has the capabilities to meet the needs of customers in each of these areas. In Q2 an organizational restructuring and corresponding downsizing was initiated, as well as a cost-effectiveness program. The first phase of the cost reduction program is completed, and a second phase is in place supporting a more efficient organization going forward.

Going forward, Pexip targets growth of 20% in Secure Spaces and Video Innovation, while estimating a flat to positive revenue development

overall. Pexip targets an EBITDA of NOK 100 – 150 million for the whole year 2023 and positive cash flow run rate out of Q1 2023. We target cash positive operations in 2023, with EBITDA cash conversion of 40% from operating cash flow and investing activities excluding one-off items.

On the sales side, Pexip was awarded a strategic contract with a global technology company with an annual revenue from the contract starting at approx. USD 1.4 million. This contract is a reinforcement of the uniqueness of Pexip technology and its relevance in today's video enabled world.

Q3 Key Wins



ZuluCare

ZuluCare offers healthcare cloud solutions and services and represents a great partnership opportunity within health care for Pexip. ZuluCare utilizes Pexip as their native video interface, and has plugins that allow integration with Zoom, GoToMeeting, Webex, and PolyCom. Its zero-footprint capability means that patients can visit a web page or follow a link and begin a consult with no need to download any software to their device, whether it is a computer, tablet, or cellular phone.

Valtori

Valtori

Valtori is the provider of information and communications technology services for the Finnish government. Valtori selected Elisa Videra as their main integration partner with Pexip Secure Collaboration at the core of the service, for their secure collaboration solution to be used across large parts of the Finnish government

sector, a great example of how to build a secure on-premise video conferencing platform which will be used by many parties and by up to 80,000 users. Elisa Videra has been working with Pexip for a long time and has deep knowledge in the data privacy and security area.

Leading global technology company

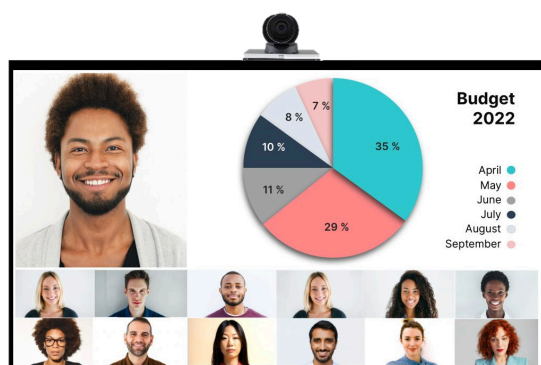
Pexip has secured a significant contract with a leading global technology company. Pexip will provide software that will be embedded into the partner's product in order to extend the functionality of this. Pexip was selected for its leading interoperability capabilities, and the ability to provide a customizable software platform. The contract is a multi-year Enterprise Agreement with the annual revenue from the contract starting at approx. USD 1.4 million.

Q3 Product Launches

Upgraded Version of Pexip Infinity with New Features and Enhancements

In Q3, Pexip launched a new version of its core Pexip Infinity software. The new changes and enhancements include:

- **Improved user experience** – When viewing presentation content as part of the layout mix, up to 12 other video participants can now be displayed in addition to the presenter and the presentation itself allowing for a more engaging meeting experience



- **Enhanced interoperability solutions** - Including greater control on guests and presenters on Cisco devices and “failed sharing” messages for Attendees if they do not have presenting permission
- **Improving Privacy & Security** – You can now select an authentication type of either Username & Password or Time-limited credentials (new option to support the new Direct Media / end-to-end encryption feature). There is also a new “System integrity is compromised” alarm which is raised if one or more of the Pexip Infinity system files have been modified by an external party/event

Other enhancements included improved Google Meet interoperability, voice activity detection and end-to-end encrypted calls.

Cost control program continued

In Q2 Pexip implemented a cost control program, which included an organizational restructuring and downsizing. The new organization is well aligned with Pexip's core strategy of driving sales and pursuing a market-leading position in the areas of Secure Spaces, Video Innovation and Connected Spaces, as well as enabling the Company to respond to customer needs and demands in a more agile way.

The new organization is operational and at the end of Q3 2022 the Company had 451 employees in permanent positions. The reduction in employees is due to both downsizing and natural departures. At the end of Q3 2021, Pexip had 492 employees, giving a year-on-year reduction of 8%.

Financial Review

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

Income statement

Q3 2022

Pexip operates with two main product areas. Pexip self-hosted software, which mainly consists of sales from software licenses and related maintenance contracts, and Pexip as-a-Service, which consists of sales from Pexip's public cloud service.

Consolidated revenue was NOK 189.2 million in Q3 2022 (NOK 182.9 million), representing a 3% increase from Q3 2021. The limited increase was driven by growth in revenue from the Pexip-as-a-Service product area, while there was a decline in the period from the Self-hosted software. Software revenue is mainly recognized at time of delivery, which leads to variations in revenue recognition across periods and drives seasonal variation of software revenue. Currency exchange differences between NOK, Pexip's reporting currency, and USD, Pexip's main invoicing currency, has had a positive impact on revenue compared to the same period last year. Europe, Middle East and Africa (EMEA) was the largest sales theatre, accounting for NOK 100.3 million (NOK 81.8 million) representing 53% of group revenue in Q3 (45%), followed by Americas, accounting for NOK 73.5 million (NOK 82.8 million) representing 39% (45%), and Asia-Pacific (APAC), accounting for NOK 15.4 million (NOK 18.3 million) representing 8% (10%).

Pexip as-a-Service was the largest revenue area in Q3 2022 with NOK 106.4 million (NOK 78.2 million). Revenue from Self-hosted software was NOK 82.8 million in Q3 2022 (NOK 104.7 million).

Cost of sale consists mainly of data center and hosting for the Pexip as-a-Service, network services, commissions and software licenses, and hardware and equipment. Cost of sale amounted to NOK 21.2 million in Q3 2022 (NOK 22.7 million),

reflecting a gross margin of 89% (88%). Cost of sale has decreased following the implementation of efficiency measures.

Operating expenses consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 161.6 million in Q3 2022 (NOK 152.1 million). Salary and personnel expenses are still at a higher level than Q3 last year, but with significant decline compared to Q2 at NOK 204 million. In Q3 2022 the cost related to employee options and related employer tax costs was NOK 9.1 million compared to NOK 2.9 million in Q3 2021. Pexip had 451 employees in permanent positions at the end of Q3 2022 (492 at the end of Q3 2021, and 571 mid-Q2 2022).

Other operating expenses amounted to NOK 62.7 million (NOK 48.6 million). The increase from the same period last year is mainly due to increased activity in the business, including an event with the whole company in July which were NOK 9 million in total event- and travel costs.

Other gains and losses related to restructuring amounted to NOK 5.3 million (NOK 0 million). The costs are related to the cost of the restructuring executed in Q2 2022, which reduced headcount from 474 at the end of Q2 2022 to 451 continued positions at the end of Q3 2022.

Earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to negative NOK 56.2 million in Q3 2022 (negative NOK 40.5 million) adjusted for restructuring costs, and negative NOK 61.5 million including restructuring costs.

Depreciation and amortization costs were NOK 23.2 million in Q3 2022 (NOK 18.2 million). The increase is due to increased activation of intangible assets and leasing contracts.

Net financial income was NOK 24.3 million (NOK 9.5 million), mainly related to currency gains.

Profit before tax was negative NOK 60.4 million (negative NOK 49.2 million). Profit after tax was negative NOK 45.7 million (negative NOK 31.8 million).

Year to date (as per 30.09)

Consolidated revenue was NOK 606.7 million for Q3 YTD in 2022 (NOK 539.7 million). The increase of 12% was driven by growth in revenue from Pexip as-a-Service. Europe, Middle East and Africa (EMEA) was the largest sales theatre, accounting for NOK 318.9 million (NOK 285.9 million) representing 53% of group revenue in Q3 (53%), followed by Americas, accounting for 223.9 million (NOK 204.4 million) representing 37% (38%), and Asia-Pacific (APAC), accounting for NOK 63.9 million (NOK 49.4 million) representing 11% (9%).

Cost of sale amounted to NOK 76.2 million (NOK 58.7 million), reflecting a gross margin of 87% (89%). Cost of sale increased due to higher hosting and network cost related to higher usage of Pexip as-a-Service, as well as a shift towards cloud compute from investing in own hardware. This is driven by a modernization of the Pexip as-a-Service platform, intended to increase service robustness and ensure a better long-term cost structure. Early results from this are seen in the cost of sale for Q3 2022.

Operating expenses consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 553.7 million for the year-to-date period (NOK 476.2 million), which is 91% of revenues in the period (88%). The increase is mainly due to growth in employees over the last twelve months, however, with significant reduction in percentage of revenues compared to the first half of 2022 at 110% of revenue.

Other operating expenses amounted to NOK 182.6 million (NOK 139.2 million) for Q3 YTD 2022, which reflects 30% of revenue (26%). The increase in the

period is related to overall activity growth in the business, in addition to marketing and travel costs being higher due to reopening of physical events.

Other gains and losses related to restructuring amounted to NOK 32.1 million (NOK 0 million). The costs are related to the cost of the restructuring executed in Q2 2022, which reduced headcount from 571 during mid Q2 2022 to 451 continued positions at the end of Q3 2022.

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to negative NOK 205.7 million in Q3 YTD in 2022 (negative NOK 134.2 million) adjusted for restructuring costs, reflecting a negative 34% EBITDA margin (negative 25%). EBITDA including restructuring costs was negative NOK 237.8 million, reflecting a negative 39% EBITDA margin.

Depreciation and amortization costs were NOK 70.9 million for Q3 YTD in 2022 (NOK 53.2 million).

Net financial income was NOK 51.2 million in Q3 YTD in 2022 (NOK 2.6 million) and was mainly related to currency gains.

Profit before tax was negative NOK 257.5 million in the Q3 YTD in 2022 (negative NOK 184.9 million). Profit after tax was negative NOK 199.0 million (negative NOK 124.3 million).

Financial position

Pexip continues to be well capitalized as the company has executed and initiated a set of activities to improve cash flow. Total assets amounted to NOK 2,155 million (NOK 2,388 million at the end of Q4 2021), and total equity amounted to NOK 1,677 million (NOK 1,908 million at the end of Q4 2021).

Current assets amounted to NOK 689 million (NOK 1,067 million at the end of Q4 2021). Trade and other receivables decreased to NOK 166 million (NOK 218 million at the end of Q4 2021). Cash and cash equivalents decreased to NOK 486 million (NOK 804 million at the end of Q4 2021).

Non-current assets increased to NOK 1,466 million (NOK 1,321 million at the end of Q4 2021). Contract costs increased to NOK 299 million (NOK 262 million at the end of Q4 2021).

Total liabilities were at NOK 478 million (NOK 479 million at the end of Q4 2021). Of this, NOK 4.5 million are borrowings (NOK 6.0 million at the end of Q4 2021).

Current liabilities decreased to NOK 370 million (NOK 376 million at the end of Q4 2021). Of this, NOK 225 million are contract liabilities (NOK 202 million at the end of Q4 2021).

Non-current liabilities amounted to NOK 108 million (NOK 104 million at the end of Q4 2021).

Cash flow

Q3 2022

Cash flow from operating activities was negative NOK 34.4 million for Q3 2022 (negative NOK 88.7 million for Q3 2021). The negative cash flow reflects the negative operating results. Pexip benefited from a positive development in working capital of NOK 2.6 million (negative NOK 62.1 million for Q3 2021).

Cash flow from investing activities was negative NOK 13.9 million for Q3 2022 (negative NOK 16.6 million for Q3 2021). The main driver is investments in software development.

Cash flow from financing activities was negative NOK 7.7 million for Q3 2022 (negative NOK 5.6 million for Q3 2021).

In total, Pexip had a negative net cash flow of NOK 56.1 million for Q3 2022 (negative NOK 110.9 million for Q3 2021). In addition, there was an exchange gain of NOK 17.5 million, resulting in a negative cash flow of NOK 38.6 million (negative NOK 106.6 million for Q3 2021).

Year to date (as per 30.09)

Cash flow from operating activities was negative NOK 130.9 million for Q3 YTD 2022 (negative NOK 110.8 million for Q3 YTD 2021).

Cash flow from investing activities was negative NOK 110.3 million for Q3 YTD 2022 (negative NOK 55.3 million for Q3 YTD 2021). The main driver is investments in a portfolio acquisition as well as own software development.

Cash flow from financing activities was negative NOK 112.7 million for Q3 YTD 2022 (negative NOK 14.6 million for Q3 YTD 2021).

In total, Pexip had a negative net cash flow of NOK 353.9 million for Q3 YTD 2022 (negative NOK 180.7 million for Q3 YTD 2021). The currency gain in the Q3 YTD 2022 period was NOK 36.5 million, resulting in a negative cash flow of NOK 317.5 million (negative 177.6 million for Q3 YTD 2021).

Subsequent events

There were no subsequent events after September 30, 2022.

Risk and uncertainty

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 is exposed to a number of risk factors related to operational and market activities, customer relationships and third parties, laws, regulations and compliance, financial and market, among others. The Risk and Risk Management section in the 2021 Annual Report contains detailed description and mitigating actions.

Covid-19 has created disruption to the global economy. Pexip's business has continued to operate well, 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 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.

The development in Ukraine, and the impact on business in the region is still developing. 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 limited 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. 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 is likely to impact the growth in annual recurring revenue and revenue.

The outlook for the global economy and growth rate in Pexip's key markets have deteriorated during 2022. This may impact purchasing decisions for new projects, impacting sales to new customers,

although it has not had a significant impact on 2022 so far. Pexip provides video technology that extend the lifetime of existing equipment and reduces the need for travel. Consequently, Pexip is less exposed to cut-back in spending amongst existing customers as it may lead to increased costs elsewhere.

Pexip has not identified any further significant risk exposures beyond the ones described in the 2021 Annual Report.

Outlook

In the long-term, Pexip believes that the market for enterprise-grade video communication will continue to increase due to the explosive adoption and usage of video communication following Covid-19, and increased awareness of sustainability. Pexip has unique video technology with capabilities within security, interoperability and for flexible deployments. This makes the company well-positioned as enterprises adopt hybrid working models as they return to the office. Furthermore, Pexip believes in increased use of video in organizations' workflows with their clients/customers, creating additional new and significant market opportunities. In particular, the use of video for mission critical, high security meetings has increased. This is the foundation of the more focused strategy we have been executing on since late 2021, pursuing market leading positions in Connected Spaces, Secure Spaces and Video Innovation.

Pexip's solutions can be categorized into both mature markets and growth stage markets, two markets with different structural demands and required strategies. From 2023 Pexip will rearrange its business areas and split its reporting into two main areas: one comprising of Connected Spaces including legacy areas, and the other comprising Video Innovation and Secure Meetings. The rationale behind the rearrangement of the business areas is that the needs are different in these two markets, which should be reflected in more tailored operations and goals. Pexip targets growth of 20% in Secure Spaces and Video Innovation, while

estimating a flat to positive revenue development overall.

With our current strategy Pexip seek to accelerate its return to profitability through growth and a reduced overall cost level, and the impact already realized in Q3 2022 provide support for this ambition. Pexip targets an EBITDA of NOK 100 – 150 million for the whole year 2023 and positive cash flow run rate out of Q1 2023. For full year 2023, we target, cash positive operations, with an EBITDA cash conversion of 40% from operating cash flow and investing activities excluding one-off items. Going forward beyond this, Pexip will balance growth and profitability, like the strategy prior to 2020.

We maintain a very solid balance sheet, and the adapted growth plan with an earlier return to profitability will imply lower investments than previously anticipated.

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.

Oslo, November 10, 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



Phil Austern
Board Member



Asta Ellingsen Stenhagen
Board Member



Trond K. Johannessen
CEO

Consolidated Statement of Profit or Loss

11

	Notes	Third Quarter		YTD	
(NOK 1.000)		Q3 2022	Q3 2021	YTD 2022	YTD 2021
Revenue	3	189 245	182 855	606 689	539 656
Cost of sale		21 246	22 719	76 167	58 672
Salary and personnel expenses		161 576	152 083	553 659	476 204
Other operating expenses		62 659	48 571	182 592	139 185
Other gains (losses)	4	5 294	-45	32 059	-168
EBITDA		-61 530	-40 473	-237 789	-134 236
Depreciation and amortization		23 202	18 188	70 854	53 198
Operating profit or loss		-84 733	-58 661	-308 643	-187 434
Financial income		2 933	6	4 156	54
Financial expenses		-1 684	-1 344	-3 736	-4 584
Net gain and loss on foreign exchange differences		23 070	10 826	50 716	7 087
Financial income/(expenses) - net		24 319	9 487	51 136	2 557
Profit or loss before income tax		-60 414	-49 174	-257 508	-184 877
Income tax expense		-14 687	-17 400	-58 467	-60 617
Profit or loss for the year		-45 727	-31 774	-199 041	-124 260
Profit or loss is attributable to:					
Owners of Pexip Holding ASA		-45 727	-31 774	-199 041	-124 260
Earnings per share					
Basic earnings per share		-0.45	-0.31	-1.96	-1.21
Diluted earnings per share		-0.45	-0.31	-1.96	-1.21

Consolidated Statement of Comprehensive Income

12

	Third Quarter		Year	
(NOK 1.000)	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Profit or loss for the year	-45 727	-31 774	-199 041	-124 260
<i>Items that may be reclassified to profit or loss:</i>				
Exchange difference on translation of foreign operations	24 869	1 328	27 389	2 520
Total comprehensive income for the year	-20 857	-30 446	-171 651	-121 740
Total comprehensive income is attributable to:				
Owners of Pexip Holding ASA	-20 857	-30 446	-171 651	-121 740

Consolidated Statement of Financial Position

13

(NOK 1.000)	9/30/2022	12/31/2021
ASSETS		
Non-current assets		
Property, plant and equipment	33 798	36 033
Right-of-use assets	80 122	103 362
Goodwill	719 094	662 645
Other intangible assets	139 477	138 920
Deferred tax asset	187 903	109 096
Contract costs	298 810	262 076
Receivables	6 173	6 859
Other assets	605	1 522
Total non-current assets	1 465 981	1 320 512
Current assets		
Trade and other receivables	165 860	217 875
Contract assets	10 462	17 431
Other current assets	26 535	27 913
Cash and cash equivalents	486 402	803 852
Total current assets	689 260	1 067 071
TOTAL ASSETS	2 155 240	2 387 582

(NOK 1.000)	9/30/2022	12/31/2021
EQUITY AND LIABILITIES		
Equity		
Total equity	1 677 187	1 908 191
Non-current liabilities		
Borrowings	3 000	4 000
Lease liabilities	60 479	84 782
Deferred tax liabilities	34 654	12 338
Derivative financial liability		
Other payables	9 824	2 703
Total non-current liabilities	107 956	103 824
Current liabilities		
Trade and other payables	114 148	138 586
Contract liabilities	225 385	202 302
Current tax liabilities	1 750	3 935
Borrowings	1 500	2 000
Lease liabilities	27 170	28 745
Total current liabilities	369 952	375 567
Total liabilities	477 909	479 392
TOTAL EQUITY AND LIABILITIES	2 155 095	2 387 582

Consolidated Statement of Changes in Equity

14

(NOK 1.000)	Share capital	Share premium	Other reserves	Translation differences	Retained earnings	Total equity
Balance at January 1, 2021	1 523	2 027 206	134 383	-6 541	-134 446	2 022 125
Profit or loss for the year					-157 324	-157 324
Other comprehensive income for the year				2 988		2 988
Total comprehensive income for the year				2 988	-157 324	-154 336
Capital increase/share issue	43	88 732	255			
By/sell treasury share	-10		-78 984			-78 994
Share-based payments			30 365			30 365
Balance at December 31, 2021	1 556	2 115 938	86 018	-3 553	-291 770	1 908 191
Balance at January 1, 2022	1 556	2 115 938	86 018	-3 553	-291 770	1 908 189
Profit or loss for the period					-199 041	-199 041
Other comprehensive income for the year				27 389		27 389
Total comprehensive income for the year				27 389	-199 041	-171 651
Capital increase/share issue			-258			-258
By/sell treasury share	-35		-87 404			-87 439
Share-based payments			28 348			28 348
Balance at September 30, 2022	1 521	2 115 938	26 704	23 836	-490 811	1 677 188
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					-124 260	-124 260
Other comprehensive income for the year				2 520		2 520
Total comprehensive income for the year				2 520	-124 260	-121 740
Capital increase/share issue	43	88 732				88 775
By/sell treasury share	-18	-88 159				-88 177
Share-based payments			23 986			23 986
Balance at September 30, 2021	1 548	2 027 779	158 369	-4 021	-258 706	1 924 969

Consolidated Statement of Cash Flows

15

	Third quarter		YTD	
(NOK 1.000)	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Cash flow from operating activities				
Profit or loss before income tax	-60 414	-49 174	-257 508	-184 877
<i>Adjustments for</i>				
Taxes paid				
Income tax				
Depreciation, amortization and net impairment losses	23 202	18 188	70 854	53 198
Non-cash - share based payments	8 992	6 111	28 348	23 986
Fair value adjustment to derivatives				
Interest income/expenses - net	586	1 266	2 197	3 767
Net exchange differences	-6 367	-2 976	-6 169	-493
IPO cost adjustment				
<i>Change in operating assets and liabilities</i>				
Change in trade, other receivables and other assets	22 357	-47 961	25 230	12 801
Change in trade, other payables and contract liabilities	-19 711	-14 167	9 690	-19 216
Interest received	193	3	298	15
Income taxes paid/refunded	-3 246		-3 843	
Net cash inflow/outflow from operating activities	-34 408	-88 711	-130 903	-110 820
Cash flow from investing activities				
Payment for property, plant and equipment	-1 786	-3 084	-69 216	-22 074
Payment of software development cost	-12 136	-13 500	-41 066	-33 250
Payment for acquisition of subsidiary, net of cash acquired				
Net cash inflow/outflow from investing activities	-13 922	-16 584	-110 282	-55 324
Cash flow from financing activities				
Proceeds from issuance of ordinary shares				88 775
Repayment of borrowings	-500	-625	-1 500	-1 875
Principal element of lease payments	-6 445	-3 749	-21 059	-9 501
Interest paid	-779	-1 269	-2 495	-3 782
Sale/(purchase) of treasury shares			-87 674	-88 177
Net cash inflow/outflow from financing activities	-7 725	-5 643	-112 728	-14 560
Net increase/(decrease) in cash and cash equivalents	-56 054	-110 937	-353 914	-180 704
Cash and cash equivalents start of the period	524 998	1 029 636	803 852	1 100 656
Effects of exchange rate changes on cash and cash equivalents	17 458	4 316	36 464	3 063
Cash and cash equivalents end of the period	486 402	923 015	486 402	923 015

Note 1 - General

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

The consolidated condensed interim financial statements comprise the financial statements of the Parent Company and its subsidiaries as of September 30, 2022, authorised for issue by the board of directors on November 11, 2022.

The condensed interim financial statements are unaudited.

Note 2 - Basis of preparation

The condensed interim financial statements for the three months ending on September 30, 2022 have been prepared according to IAS 34 Interim Financial reporting. This quarterly report does not include the complete set of accounting principles and disclosures and should be read in conjunction with the Annual Financial Statement for 2021. All accounting principles applied in preparing this interim financial statement are consistent with the annual report as of 2021. The Group has not early adopted any new standards, interpretations or amendments issued but not yet effective.

Rounding differences may occur.

Note 3 - Segment reporting

(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.

Third quarter 2022

	EMEA ⁽¹⁾	Americas	APAC ⁽²⁾	Total
Pexip as-a-Service	58 833	41 143	6 431	106 406
Self-hosted software	41 480	32 388	8 973	82 841
Total revenue	100 313	73 530	15 404	189 245

Third quarter 2021

	EMEA ⁽¹⁾	Americas	APAC ⁽²⁾	Total
Pexip as-a-Service	48 463	24 159	5 532	78 154
Self-hosted software	33 355	58 605	12 741	104 701
Total revenue	81 818	82 764	18 273	182 855

Year to date 2022

	EMEA¹⁾	Americas	APAC²⁾	Total
Pexip as-a-Service	175 955	104 453	19 684	300 092
Self-hosted Software	142 933	119 455	44 209	306 597
Total revenue	318 888	223 908	63 892	606 689

Year to date 2021

	EMEA¹⁾	Americas	APAC²⁾	Total
Pexip as-a-Service	139 264	71 029	15 074	225 367
Self-hosted Software	146 614	133 380	34 295	314 289
Total revenue	285 878	204 409	49 369	539 656

	Third quarter 2022	Third quarter 2021
Timing of revenue recognition		
Products and services transferred at a point in time	68 485	79 856
Products and services transferred over time	120 762	102 999
Total revenue	189 245	182 855

	Year to date 2022	Year to date 2021
Timing of revenue recognition		
Products and services transferred at a point in time	239 230	241 419
Products and services transferred over time	367 459	298 237
Total revenue	606 689	539 656

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 as of September 2022. In Q3 2022 the 5 largest represent approximately 26% (32% in Q3 2021) of total revenue, while the 10 largest represent 36% (42% in Q3 2021). Of the Group's total channel partner base per Q3 2022, the five largest represent approximately 25% of total revenue (24% per Q3 2021), and the ten largest represent approximately 38% (35% per Q3 2021).

Non-current assets

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

	9/30/2022	9/30/2021
Norway	310 951	306 284
Europe (other than Norway)	77 535	78 611
Americas	130 069	107 295
APAC	33 652	7 685
Total non-current operating assets	552 207	499 875

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

The restructuring costs from the reorganization undertaken in Q3 2022 is recognized through profit and loss on line item 'Other gains and losses'. The cost recognized is mainly related to the reduction of employees and sums up to NOK 5.3 million.

Appendix — Alternative Performance Measures (APMs)

The Group uses the following terms 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 cost that are not related to the ordinary business and that are non-recurring costs.

EBITDA-margin: EBITDA in the 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. 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 customer-specific proof-of-concept projects 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 corresponds to Pexip's order backlog.

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

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

Net Revenue Retention (NRR) Rate is the percentage of annual recurring revenue retained from customers' existing in the prior year, including upsell, downsell and total churn.

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