]pexip[

2022
Annual Report

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Key figures

About Pexip

Use of video has exploded in recent years, as organizations have become accustomed to collaborating digitally and capturing the benefits of hybrid work. Pexip delivers video conferencing software platforms that are secure, customizable and interoperable, which are designed to meet the demanding requirements of large public sector organizations and enterprises.

Founded in Norway in 2011 to help the world embrace the full potential of video, we have grown into becoming a global video technology company. We have 330 employees across 26 countries. In 2022 Pexip reported revenues of NOK 867 million and ARR of USD 100 million.

100 MUSD
ARR 2022

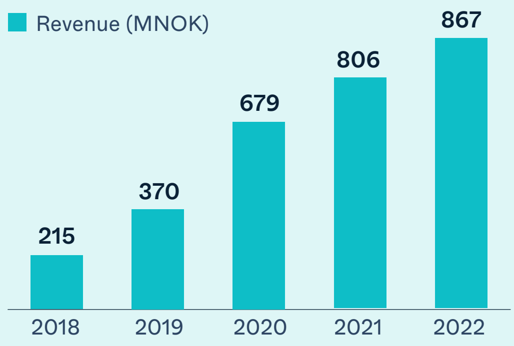
867 MNOK
revenue 2022

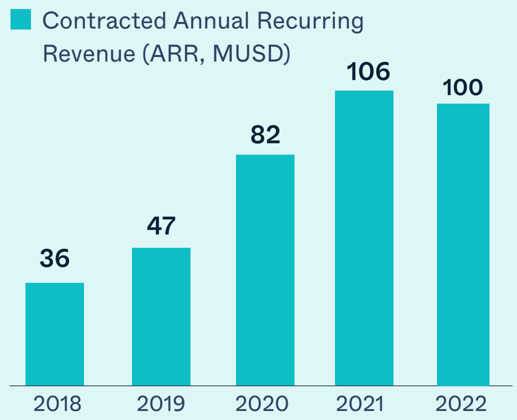
89%
gross margin

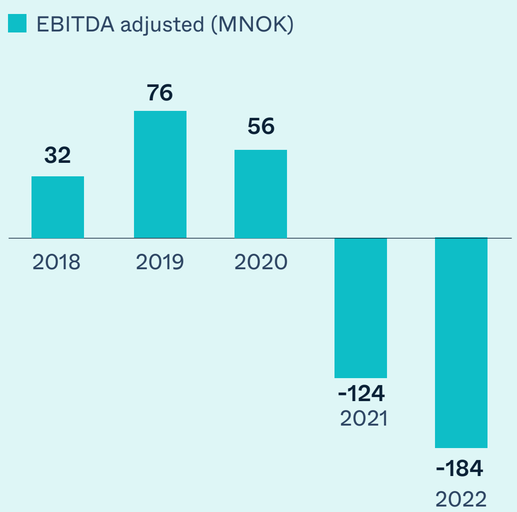
869,856
automated test cases

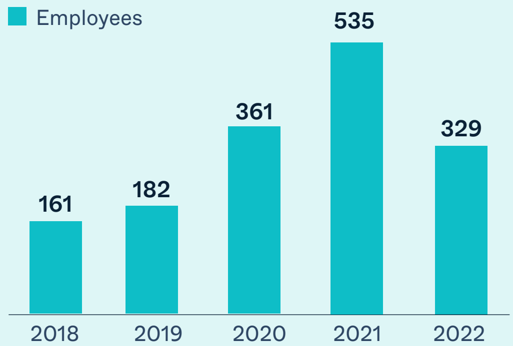
99.969%
technology uptime

99.9%
satisfaction on 7300 support tickets

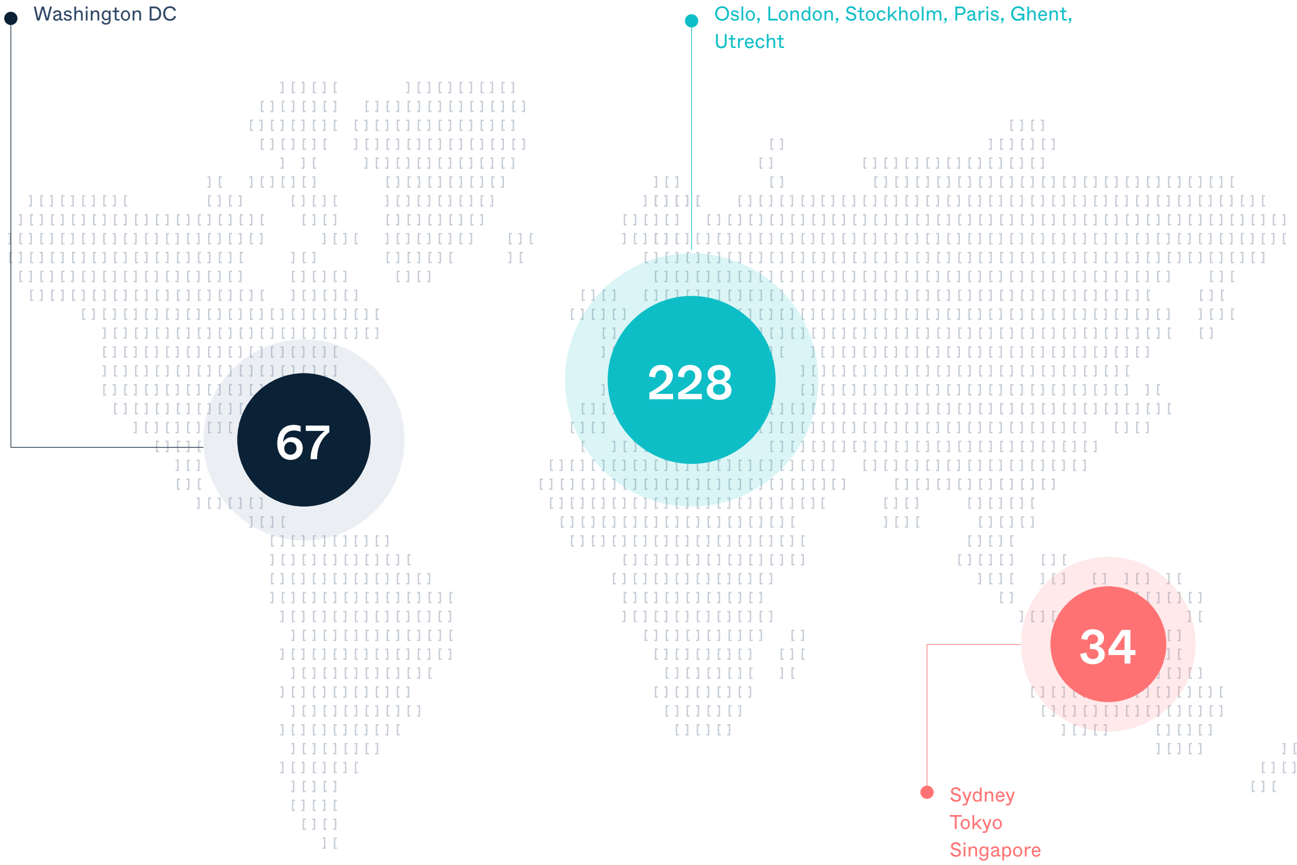








Global presence



329
employees across 26 countries

300
partners

4,000
customers enterprise and public sector

CEO letter

2022 was a year of transition and learning for Pexip. We sharpened our focus and made strides towards returning to a healthy operating model. During the year, we underwent significant change processes to get back to growth, and I am incredibly impressed and grateful for the willingness of our teams to adapt and evolve. In parallel, we also strengthened the relevance of our core product offerings, and maintained our strong market position. We enter 2023 with a robust platform, thanks to our technology and our talented teams, and with a positive outlook for the future.

As we look back on 2022, we see a year of macroeconomic and geopolitical uncertainty and concerns, largely driven by the Covid-19 pandemic, the war in Ukraine, and a global economy in transition to a “new normal”. Despite the challenging environment, digitalization continues to reshape industries and drive competitive advantages for companies. Video has emerged as an increasingly important part of digital transformation journeys – as a powerful tool that makes workflows more efficient, creates learning opportunities, and improves how we connect and relate to each other. From corporate video meetings to doctor appointments to courtroom appearances, video is an integral part of our daily lives.

For Pexip, this is what our technology was made for. And it is why we are dedicated to creating solutions that are highly relevant for our customers, whether you are a healthcare provider or a national judicial system. Our unique capabilities within interoperability, security and customization possibilities make ‘video everywhere’ a reality no matter the industry, the device or the connecting technologies. This past year, we released several new products and features to empower and support our customers on their digitalization journeys, always prioritizing their data security.

At Pexip, we take pride in our culture, our people, and our organization. I am proud of how we came together to face our challenges head on throughout 2022. To be able to successfully navigate such significant organizational transformation in such a short period of time says something about the culture and the quality of our people, and I am deeply impressed and grateful for their willingness and ability to change.

Although the second half of 2022 was naturally impacted by the operational changes we underwent, we ended the year in a better position than ever. This gives us a solid starting point for 2023, as we continue to improve our market position and our performance.

Thank you to our partners, customers, shareholders, and teammates. Our mission to power video everywhere is not one we can achieve alone. We rely on an ecosystem of technology, strategic and sales partners to innovate with us and serve customers with the video technology they need to improve and advance into the digital future. I look forward to embarking on the next chapter in Pexip’s journey along with all of you.

Trond K. Johannessen, CEO

Pexip as an investment

1

Proven and scalable business model with unique technology

Pexip is a certified video communication platform that offers a combination of unique technology and industry partnerships to serve a broad range of companies and governments around the world. The platform's distinctive technology sets it apart from its competitors, as it offers a level of quality, flexibility and security that is unmatched in the industry. This makes Pexip an attractive option for companies and governments looking for a robust and reliable video communication platform.

2

Growing markets

Pexip is present in large, structurally high-growth markets with a unique position towards the lucrative enterprise segment. The company has positioned itself to take advantage of the rapid growth in these markets, especially within secure, customized solutions. Pexip's focus on the enterprise segment gives it a unique advantage, as this segment typically has a greater need for robust and reliable communication solutions. Pexip's strategy is to continue expanding its presence in these markets, leveraging its unique position to drive growth and increase its market share.

3

Strong organization with value-driven culture

Pexip is led by an experienced management and technical team with a history of industry defining innovation and key competence to propel our continued growth. Pexip also has a unique company culture that values inclusivity and diversity. The company has an open and inclusive work environment, where all employees are given equal opportunities to succeed. This diverse and inclusive culture is seen as a competitive advantage, as it allows Pexip to tap into the full potential of its workforce and better serve its clients.

4

Solid positioning for further growth

Pexip has a solid base of USD 100 million in annual recurring revenues (ARR) and a clear path to profitable operations. Moving forward, Pexip has set targets for its future performance, targeting EBITDA of NOK 100-150 million for 2023. This target is a significant step for the company and represents its commitment to delivering strong financial results to its shareholders. In addition to its EBITDA target, Pexip aims to achieve an EBITDA cash conversion rate of 40% in 2023, which demonstrates its ability to generate significant cash flow from its operations. This strong financial performance, combined with the company's position in high-growth markets and focus on the lucrative enterprise segment, makes Pexip an attractive investment opportunity for those looking to invest in the video communication industry.

About Pexip

Creating accessible and meaningful connections between people & technologies to advance a safer, greener and more connected world.

Pexip in brief

Pexip is a global video technology company founded in Norway in 2011. In a world driven by digitalization everywhere, we believe that video has the power to create trusted connections, reinvent brands and bring transformational ideas to life. Today our video platform powers everything from ultra-secure government meetings to personalized banking to efficient hands-free work for many of the world's largest organizations.

Digital transformation and the broader technology trends shape our roadmap and drive our industry forward. When video is how work is done, security and customization become essential. Pexip's unique and differentiated technology supports customers on their journey to advance safer, greener, and to more connected organizations. Pexip's customers are mainly large private and public organizations. 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.

Our mission is significant; we are here to power video everywhere and we need the best talents, hearts, and minds to do so. Our culture builds on the solid foundation of The Pexip Way. We are passionate and curious people, loving what we do. Work is not a place, but a meaningful part of our lives, and something we look forward to every single day. The Pexip HQ is in Oslo, Norway, and we have offices in America, Europe, and Asia Pacific, with a robust global partner network that supports more than 4,000 customers worldwide.

Our journey

Powering video everywhere

As the world moves towards the digitalization of everything, we envision a future powered by video everywhere. And we have built our technology accordingly, step by step.

Step 1: Make it interoperable

Since day one, we have made video work on just about everything, ensuring that people and technology can connect anytime, anywhere, from the device of their choice.

Step 2: Safeguard everything

We have long understood that what happens on video is important, often critical. This information must be safeguarded, which is why, for us, security is not just a feature. It is what we do. Our technology has been tried and tested for more than a decade in the strictest and toughest security environments, meeting the world's toughest requirements for privacy and data control.

Step 3: Never stop innovating

Video technology has the power to disrupt industries, reinvent brands, and reimagine how companies engage. We are committed to giving companies and people a new way to interact. A virtual court appearance. A remote doctor-patient consultation in an ambulance on the move. An online mortgage consultation. An extended reality maintenance inspection.

Video technology is what puts the human touch back into our increasingly digital lives. We have always been at the forefront of the video evolution. We keep our eyes on 'what's next' and we are obsessed with staying a few steps ahead, because that's just who we are. Now we are unleashing the potential of a secure video experience across industries, environments, and customized to individual workflows. All to ensure that the human touch is not lost in a sea of digitalization.

2011

Videxio AS (pre-merger entity) founded

2012

Pexip AS (pre-merger entity) founded

Launch of the Videxio video communication service

Business established in the United States through Pexip Inc. (2012) and Videxio Inc (2013)

2013

Launch of the Pexip Infinity software platform

2017

Video interoperability solution for Microsoft Teams and Skype for Business Server launched, as well as interoperability for Google Hangouts Meet

2018

Merger between Pexip AS and Videxio AS approved

2019

New company HQ in Oslo opened

2020

Pexip listed on Oslo Stock Exchange in the world's first virtual IPO

2021

Pexip acquires Skedify to accelerate the delivery of video enabled business-to-consumer application

2022

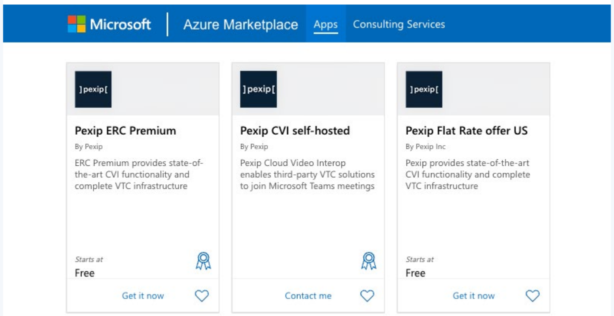
Pexip appoints Trond Johannessen as CEO

#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. The highlights of Pexip in 2022 are:

Q1

- Pexip launches Enhanced Room Management (ERM)
- Pexip launches Infinity release V.27 with far-end camera control, background blur, and authentication integration
- Pexip hosts INSIGHTS Partner events in Europe
- Pexip is listed on Microsoft Azure Marketplace



Q2

- Trond K. Johannessen takes the helm as Pexip's new CEO
- Pexip launches Virtual Courts – a true-to-life digital courtroom
- Pexip launches Engage – for high-quality customer engagement
- Pexip launches Secure Collaboration, a Pexip + Rocket. Chat solution
- Pexip launches Infinity release V.28 with layout switching and pre-meeting content sharing

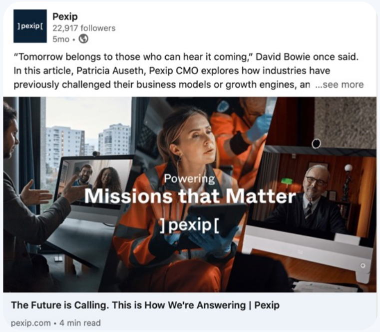
Q3

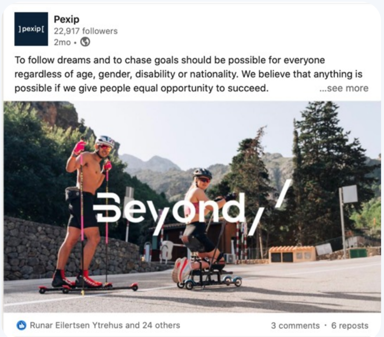
- Pexip launches The Experience Center for onsite and remote customer briefings
- Pexip is selected to license its core technology to one of the world's biggest SW applications
- Pexip launches Infinity release V.29 with Citrix support and optimized layouts for content-sharing

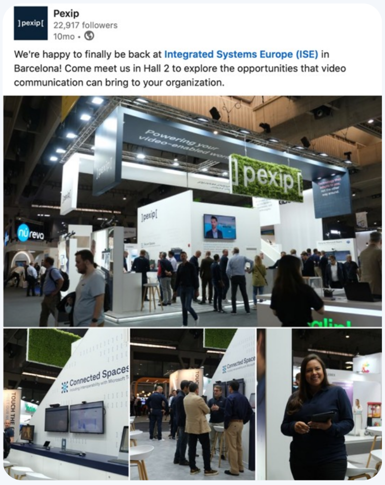
Q4

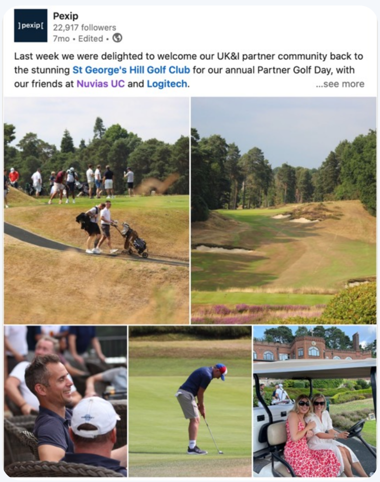
- Microsoft recognizes Pexip as SaaS partner of the year
- Pexip launches Infinity release V.30 for Teams-like experience from meeting room hardware
- Pexip launches Enhanced Guest Join for Google Meet
- Pexip launches collaboration with Team Aker Dæhlie's BEYOND team to promote equal opportunity and a world championship mindset

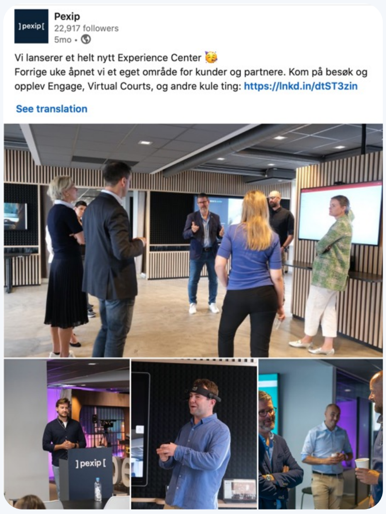
Social media highlights 2022











The Pexip Way

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 is critical to our 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.

Professional & Fun

We are committed to our partners and customers; we are passionate and fun to work with; we strive for excellence. We believe in what we do, and we let that shine through in our interactions with colleagues, partners, and customers.

One Team

We make each other better by respecting, supporting and caring for each other. We appreciate diversity and with more than 300 employees in 26 countries, diversity is in our DNA.

No Bullshit

We say it as it is, with no hidden agenda. We always speak our minds in a considerate and constructive manner. We do what needs to be done to help our colleagues, partners, and customers. We stand for honesty and integrity.

Freedom & Responsibility

We encourage initiative and innovation; we are all leaders; we act like owners, and make decisions that are best for Pexip. In other words, we hire great people and empower them with the trust and autonomy to do what they do best.

Market

Overview

2022 marked a year of change for our customers and partners. The game-changing pandemic that accelerated digitalization, the inflation impacted buyer behavior, and geopolitical uncertainty that changed customer needs have all fundamentally transformed how organizations think, act, and run their businesses. The evolving market conditions present Pexip with growth opportunities in the areas of interoperability, security, and customization. They also provide opportunities to adapt our business model.

Customers continue to explore digitalization to expand and accelerate growth. Anything that can be digitalized will be digitalized, and anything that can be done remotely will be done remotely. As the trend of hybrid working situations continue, the need to connect people working from home with people in meeting rooms grows, as well as connecting frontline workers' wearable devices with meeting rooms or meeting applications. And everyone is seeking uncomplicated experiences with the tools of their choice. The complexity in this market is driven by different vendors requiring interoperability between technology solutions for optimal user experiences.

Customers demand trusted digital connections. The geopolitical situation has caused the market to become more aware of where critical data is stored and who has access to it. With cyberattacks on the rise and stricter market regulations for privacy and data control, organizations are evaluating the risks of their communications solutions to provide users with the safety they demand.

The way businesses access and acquire software is evolving rapidly with buyers demanding simplicity and empowerment to transact on digital marketplaces like Azure Marketplace, Google Market, Amazon Business, and more. A market in flux requires Pexip to also innovate its business model to secure scale, profitability and future readiness.

Interoperability solutions

Interoperability is the ability of applications, devices, and services from different technology vendors to seamlessly communicate and process data.

The videoconferencing market consists of players such as Cisco Webex, Zoom, Google Meet and Microsoft Teams. Today, the players with significant reach are lacking the ability to seamlessly interoperate with one another. If a meeting is held on Microsoft Teams, the participants join the meeting using the Teams application. Joining a Teams meeting from a meeting room, however, is not always possible, it may be difficult or provide a reduced user experience.

With Pexip, users can join meetings from any device and any location without downloading or installing software. Regardless of video meeting technology, productivity tool, platform, calendar, or device, users can connect the tools and workflows they choose and experience native integrations with Google Meet and Microsoft Teams.

Pexip addresses the market for interoperability with unique solutions sold via our business partners as well as through the licensing of Pexip technology to other vendors to enhance their customer offering.

Secure, customized solutions

Security and customization are paramount when video is how work is done. Organizations need to build protected and resilient solutions that can withstand threats and that can handle situations when failure is not an option. With cyberattacks on the rise, confidential business information, critical services, and infrastructure are all at risk. The market is now experiencing:

- Regulations for privacy and data control increasing severely, especially in Europe
- The demand for zero-trust architectures
- Robust business continuity planning

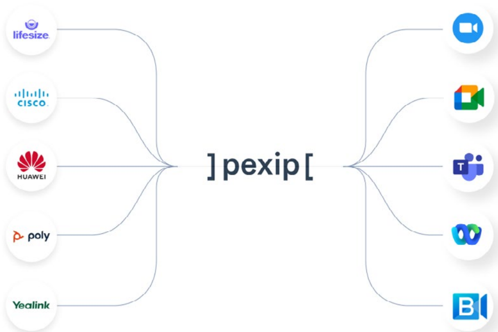
For industries such as healthcare, finance, judicial and government, video meetings are a space for sharing sensitive or classified information. Trust is an absolute requirement. There is no room for error; call data records cannot be shared, meeting room security cannot be breached, and real-time connections cannot be lost.

The Pexip offering

Pexip's offering covers different market demands

Connected Spaces:
Pexip solutions for interoperability

Today there is a wide range of different video solution providers, as well as a great deal of different hardware used in meeting rooms. Pexip is the only independent software provider that can seamlessly bridge between the different video meeting platforms and the meeting room devices, allowing flexibility and provide customers with the user experience of their choice.



With Pexip, users can join meetings from any device - laptops, smartphones, and conference room systems - from any location without downloading or installing software. Regardless of video technology, 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 results are:

- High quality user experiences
- Ease of management
- Enhanced return on investment in existing infrastructure
- Reduction in e-waste as organizations extend the lifetime of their video equipment

Secure, customized solutions

Secure Spaces and Video Innovation make up Pexip's solutions for enabling secure and custom solutions. We offer several solutions to enable privacy, data sovereignty and business continuity. The solution is modern, on-premises collaboration solutions that put your organization back in control of all of your data, including its location. And we offer meeting options that work no matter if other solutions are down, ensuring business continuity. Use the cloud of your choice or deploy on self-hosted solutions to ensure complete data sovereignty.

Pexip offers solutions that are created for your workflow, built as a platform to fit your need, with the ability to embed video directly into your apps to create a seamless, frictionless experience, and with no downloads or plugins needed. Alternatively, customers can build their own video platform, and connect with existing incompatible equipment, protocols, and integrations.

Pexip technology advantage is based on:

1 - Core transcoding

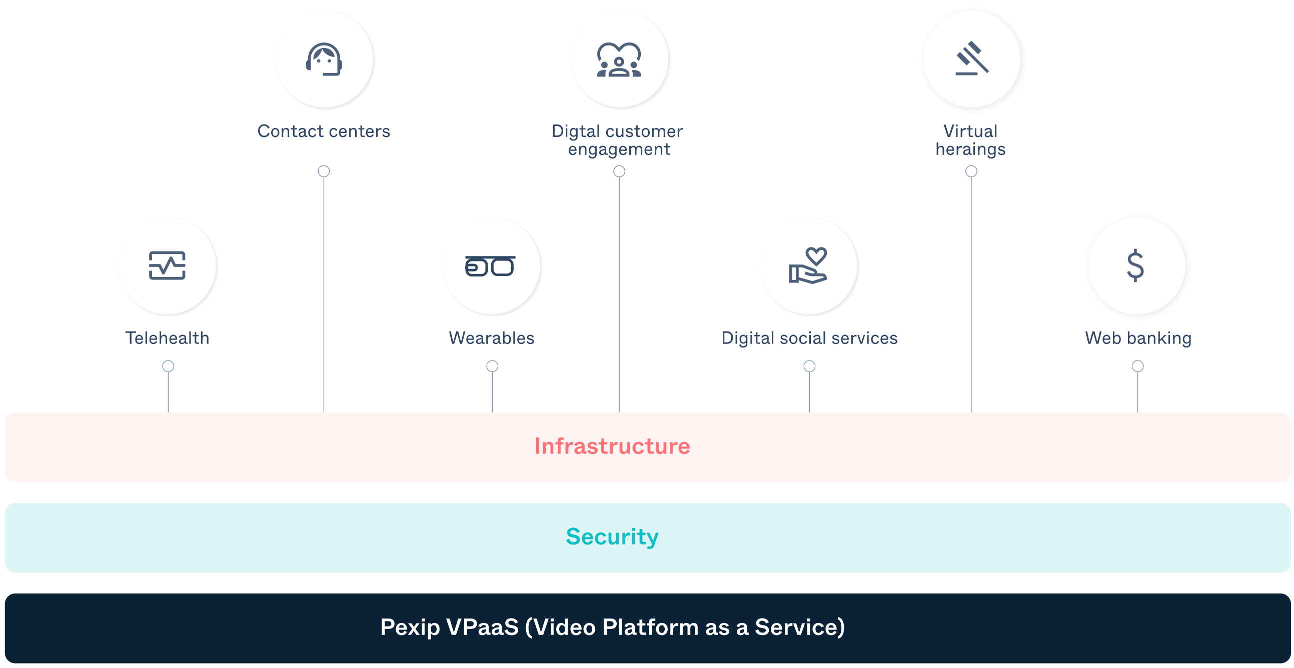
- Processing happens in the network and not on the device
- Facilitates interoperability across platforms and devices
- Works well with devices that run on batteries or have limited processing capacity (thin clients, such as wearables)

2 - Infrastructure agnostic

- Enables complete control of data & business continuity
- Perfect for organizations with a need to bypass the internet or operate with a sovereign cloud

3 - Built as a platform (not as an application)

- Enables complete customization
- Ideal for new applications of video in sectors such as healthcare, video banking and virtual courts



Customers

In a world driven by digitalization everywhere, video can create trusted connections, reinvent brands, and bring transformational ideas to life. Pexip video technology is here to build resilient, future-proof communication solutions that help organizations accelerate their digitalization goals.

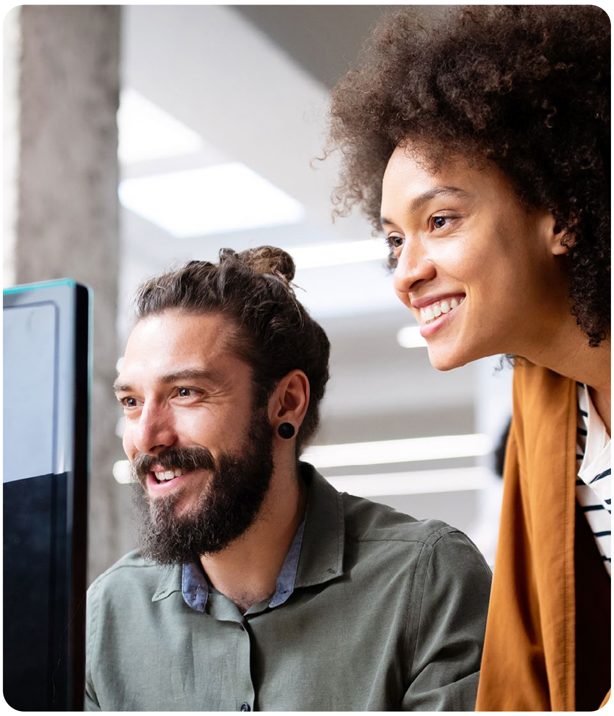
To provide customers with the absolute best solutions, we work with a worldwide ecosystem of channel partners, technology partners, and direct sales teams to co-create customer solutions at scale.

Pexip technology allows customers to enhance and elevate their current communication solutions to perform better, and to meet the growing needs of their users, or their industry's requirements. Pexip also enables customers to design secure and fully custom solutions specific to their business. Workflows designed by Pexip allow customers to choose their preferred user experience or workflow tools. We simply embed Pexip inside and make what they use work better. User satisfaction increases when customers can use what they like, know, and prefer.

Pexip Customers

Large organizations are ready to embed video into business workflows to become more efficient. As a result, video is becoming a mission-critical part of business operations, reaching outside traditional office walls to remote workers and, in some cases, completely replacing former working methods. For example, online banking, digital courtrooms, virtual care, and meeting with public office agents are digital services. And users expect a delightful, trusted, and seamless experience. So where does an organization start to become that effective? Enter Pexip.

We aim to maintain a leading, global position as a video technology platform vendor, supporting customers with secure and customized solutions. The market is vast, and our partnerships are strengthening. As a result, our addressable market



is growing. We are reaching more customers and creating stronger business outcomes.

Large organizations in the public sector and enterprise

We sell to large government, healthcare, judicial, finance, retail, manufacturing, and defense customers. For judicial, Pexip offers a unique solution. What sets Pexip apart is the true-to-life user experience. Large organizations in the public sector and enterprise select vendors that are leaders in their industry and have high quality, security, and regulatory compliance standards. They seek global delivery capacity with total service responsibility. In addition, these organizations seek excellent user experience, documentation, and support.

Technology Service Providers

Pexip works closely with some of the world's largest service providers to create fully customized solutions for large public sector organizations. In the United States over 50% of virtual care calls run on Pexip through our close work with the Veterans Affairs and several US service providers. We also serve smaller technology developers looking to create solutions that are enhanced by adding a high-quality video capability.

Strategy and targets

Pexip's mission is to power video everywhere. We do that through developing software technologies within video communications and in selling this technology to partners and end-customers. Due to the capabilities of Pexip's technology, we serve several distinct markets with our solutions.

Within the **video infrastructure and interoperability market**, Pexip has a clear leadership in interoperability between different video platforms. As the only independent provider in this segment, we are well positioned to create and develop partnerships with other industry players, such as Microsoft and Google. Pexip is serving this market through system integrator partners that often serve the customers' full collaboration needs. This is a mature market with clearly defined customer needs, and we are focusing on developing our leadership in this space and maintaining a healthy and profitable business.

Within the **market for secure and customized video solutions**, Pexip is well positioned for growth with our unique capabilities to deliver a self-hosted video platform which is easy to integrate and is interoperable with a range of video technologies. This is a fast-growing market with mostly public sector customers, and we are investing in strengthening our technology leadership and focusing our go-to-market activities towards public sector customers and system integrator partners that operate in this market.

Overall, we target a +20% ARR growth within secure and customized video solutions, with a flat to positive development in total revenues. We target NOK 100-150 million EBITDA with NOK 40-60 million in free cash flow in 2023.

Revenue

ARR growth within secure and customized video solutions, with a flat to positive development in total revenues

Profitability

NOK 100-150 million EBITDA with NOK 40-60 million in free cash flow in 2023

Leading market position

Technology leader in core markets

Business model

The software is developed by Pexip's own employees, and the Intellectual Property is protected by a set of patents and proprietary know-how.

The software is delivered both as a software product for customers to run and operate themselves, and as a Software-as-a-Service (SaaS) offering operated by Pexip. Both offerings are delivered as a recurring subscription-based model, and the vast majority of Pexip's revenue is recurring revenue from subscriptions.

Pexip serves a global market and has customers across the world with its main focus in Europe, North America and the Asia Pacific region. Pexip is serving its customers through its own high-touch sales and technology experts as well as a global community of authorized channel partners and service providers. 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 such as local language, time zone coverage, and so on.

#WEAREPEXIP

Pexip's Sustainability Report

Pexip's Environmental, Social and Governance (ESG) work is presented in the 2022 Sustainability Report. The report provides an overview of Pexip's material ESG topics and its performance metrics for 2022. The report has been prepared in reference to 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 has become a crucial tool 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.

Pexip's mission is to power video everywhere. Organizations have seen that video communication provides a viable alternative to travel, whether that is for meetings or for other business processes or healthcare and government services. Organizations need to look carefully at who they are willing to share their data with and who controls the technology. With hybrid working becoming ingrained 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.

Strategic Focus Areas

The Sustainable Development Goals (SDGs) are a collection of 17 interlinked objectives designed to serve as a "shared blueprint for peace and prosperity for people and the planet now and into the future". The SDGs were adopted by all UN member states in 2015 and represent an urgent call for action by all countries in a global partnership to make the world a better place by 2030. A key component of the SDGs is the principle of collaboration for their achievement, including between Government, Civil Society and Business.

We have identified the following SDGs as ones Pexip can contribute to:

In addition, we have 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

Pexip is actively addressing critical areas, such as diversity. We realize that, as for the IT sector as a whole, we have considerable work to do to address gender diversity, inclusion and equal opportunity. Pexip's Diversity Taskforce continues to assess, plan, and implement initiatives to ensure diversity in recruitment, succession planning and leadership.

We have conducted a human rights due diligence assessment for its suppliers in compliance with the Norwegian Transparency Act. The account of this can be found in the sustainability report.

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

Statement from the Board of Directors

2022 has been a transition year for Pexip. During the year, Pexip has been through a successful organizational restructure and downsizing as a part of the implemented cost reduction program. Pexip has transitioned back to being a dedicated technology company, with focus on the unique technology and offering Pexip delivers to the market.

We continue to see huge opportunities in Pexip's markets, with increased awareness of security and sustainability among large organizations. Companies and public sector organizations continue to increase their investments to improve and secure digital communication and interaction both with their customers and internally, and Pexip is in a good position to support it's customers with this. The overall video technology market is large and growing, and we see the emergence of several niche markets where we believe Pexip really has an edge and the technology to be a key player.

Market environment

Pexip's ambition is to be the industry leader within its core markets, which for Pexip is the market for video infrastructure and interoperability, and the market for secure and customized communication solutions.

Within video infrastructure and interoperability, Pexip believes that technology should work with existing workflows and systems. With Pexip's solutions, users can securely join meetings with any device and from any location, without the need for expensive hardware upgrades, downloads or software installations. With Pexip, organizations can connect the tools and workflows already in use and utilize native integrations with Google Meet and Microsoft Teams, as well as SIP interoperability to a large range of other platforms. 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.

Within secure and customized solutions, the potential use cases of video 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 critical communication inside organizations, safely connecting patients with healthcare providers, making public services more accessible to citizens and facilitating business continuity by enabling both internal meetings and customer-facing interactions to securely happen from anywhere. Organizations are impacted by the heightened global security focus, driven by both increased geopolitical complexity and cyber vulnerability, and increasing awareness around topics such as data security and data sovereignty. It is becoming more important to have control over your own data, in addition to the ability to be compliant with new laws and regulations. Pexip can deliver solutions that allow organizations to maintain full data control with an integrated chat, video and file-sharing solution to ensure secure communications. In addition, 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, and that remain secure.

Organization and management

During the year, the Board of Directors had the pleasure of welcoming Trond K. Johannessen as Pexip's new CEO, succeeding Øystein Hem, the interim CEO since September 2021, and who returned to his role as the CFO in May 2022. In July, Ian Mortimer succeeded Nico Cormier as the CTO. In November, Helge Hoff Hansen joined the executive management team as SVP Strategy.

In Q2, a cost reduction program was implemented as part of an accelerated plan to return to profitability. Based on this, Pexip had to perform a resizing of the organization during the year, which was executed efficiently and successfully. The current team is down ~40% from the peak in mid-Q2. The current organization is designed to further execute on Pexip's revenue strategy going into 2023 and deliver on the company's updated profitability targets. Pexip is entering 2023 with a robust platform, reflecting the technology and team, and with a positive outlook for the future.

Financial review

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

For the full year (FY) of 2022, Pexip's revenue was NOK 867.1 million, up 8% from FY 2021. EBITDA adjusted for restructuring costs was negative NOK 184.0 million, reflecting a negative 21% EBITDA margin.

Consolidated revenue was NOK 867.1 million for full year 2022 (NOK 805.5 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. Revenues from Pexip as-a-Service was NOK 408.2 million (NOK 314.6 million), up 30%. Revenue from self-hosted software was NOK 458.9 million (NOK 491.0 million), down 7 %.

Europe, Middle East and Africa (EMEA) was the largest sales theater, accounting for NOK 471.9 million (NOK 439.1 million) representing 54% of group revenue in 2022 (55%), followed by Americas, accounting for 316.9 million (NOK 299.9 million) representing 37% (37%), and Asia-Pacific (APAC), accounting for NOK 78.2 million (NOK 66.4 million) representing 9% (8%).

Cost of sale amounted to NOK 93.8 million (NOK 76.9 million), reflecting a gross margin of 89% (90%). 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.

Operating expenses consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 719.7 million in 2022 (NOK 634.4 million), which is 83% of revenues in the period (79%). 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 and 91% of revenue in YTD Q3 2022 with lower headcount towards the end of the year.

Other operating expenses amounted to NOK 237.5 million (NOK 218.6 million) for 2022, which reflects 27% of revenue (27%). The increase in the period is related to overall activity growth in the business, in addition the reopening of physical events leading to higher marketing and travel costs.

Other gains and losses related to restructuring amounted to NOK 61.3 million (NOK 0 million). The costs are related to the cost of the restructuring executed in Q2 and Q4 2022, which reduced headcount from 571 during mid Q2 2022 to 329 continued positions at the end of Q4 2022.

Adjusted earnings before interest, tax, depreciation and amortization (Adj. EBITDA) amounted to negative NOK 184.0 million for 2022 (negative NOK 124.3 million), reflecting a negative 21% adj. EBITDA margin (negative 15%). The adjustment relates to the restructuring costs. EBITDA including restructuring costs was negative NOK 245.3 million, reflecting a negative 28% EBITDA margin.

Depreciation, amortization and impairment costs were NOK 115.1 million for 2022 (NOK 73.7 million).

Net financial income was NOK 43.6 million in 2022 (NOK 2.8 million) and was mainly related to currency gains.

Profit before tax was negative NOK 316.8 million in 2022 (negative NOK 195.2 million). Profit after tax was negative NOK 262.2 million (negative NOK 157.3 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 2,087 million (NOK 2,388 million at the end of 2021), and **total equity** amounted to NOK 1,597 million (NOK 1,908 million).

Current assets amounted to NOK 679 million (NOK 1,067 million). **Trade and other receivables** decreased to NOK 199 million (NOK 218 million). **Cash and cash equivalents** decreased to NOK 419 million (NOK 804 million), driven by a negative operating cash flow, M&A and buy-back of shares.

Non-current assets increased to NOK 1,408 million (NOK 1,321 million). **Contract costs** increased to NOK 286 million (NOK 262 million).

Total liabilities were at NOK 490 million (NOK 479 million). Of this, NOK 4 million are borrowings (NOK 6 million).

Current liabilities increased to NOK 415 million (NOK 376 million). Of this, NOK 231 million are contract liabilities (NOK 202 million)

Non-current liabilities amounted to NOK 75 million (NOK 104 million), the reduction was mainly driven by lower lease liabilities.

Cash flow

Pexip had a **cash flow from operating** activities was negative NOK 182.5 million for 2022 (negative NOK 155.3 million for 2021). The negative operating cash flow was mainly impacted by a higher loss before income tax of NOK 316.8 million (negative NOK 195.2million). The difference between operating profit and cash flow from operating activities is mainly due to depreciation, amortization, impairment, net exchange differences, share-based payments without cash effects and positive change in the net working capital.

Cash flow from investing activities was negative NOK 110.3 million for 2022 (negative NOK 98.8 million). The main driver is the purchase of a service provider portfolio which was completed in Q1 2022, as well as own software development.

Cash flow from financing activities was negative NOK 121.0 million for 2022 (negative NOK 45.6 million).

In total, Pexip had a negative net cash flow of NOK 413.8 million for 2022 (negative NOK 299.8 million). The currency gain in 2022 was NOK 29.2 million, resulting in a negative cash flow of NOK 384.5 million (negative 296.8 million).

Outlook

In the long-term, Pexip believes that the market for enterprise-grade video communication will continue to increase due to widespread adoption and usage of video communication and hybrid work, and increased awareness of security and sustainability. Pexip has unique video technology with capabilities within security, interoperability and for self-hosted deployments. This makes the company well-positioned to win in its focused markets of video infrastructure and interoperability , and secure and customized communication solutions. This is the foundation of the more focused strategy Pexip has been executing on since late 2021, pursuing market-leading positions through the Connected Spaces, Secure Spaces and Video Innovation offerings.

The two main markets Pexip addresses have different maturities and growth outlooks, and require different execution strategies. From 2023 Pexip will focus its business areas into two main areas: one comprising Connected Spaces including legacy areas, and the other comprising Video Innovation and Secure Meetings. The rearrangement of the business areas allows the operation and goals to be more focused on the different needs in these two markets and enables Pexip to maximize the potential of each. Pexip targets growth of 20% in Secure Spaces and Video Innovation, while estimating a stable development in Connected Spaces.

With the current strategy Pexip has accelerated the return to profitability through growth and a reduced overall cost level, and the impact already realized in Q4 2022 provides support for this ambition. Pexip's targets has been revised during the year, based on the performance during the year and the uncertain macroeconomic situation. In 2023, Pexip targets flat to positive development in total revenues, with an EBITDA of NOK 100 – 150 million for the whole year 2023 and positive cash flow run rate out of Q1 2023. Going forward beyond this, Pexip will balance growth and profitability.

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

There were no subsequent events after December 31, 2022.

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 383.1 million in 2022 (NOK -10.2 million), which is mainly related to a write down of the investment in daughter company Pexip AS of NOK 404 million.

For 2022 Pexip had a negative net profit, however, the company has taken steps to improve its cash flow into 2023. The Company maintains a strong balance sheet, and the Board will going forward continuously assess cash distribution to the owners against other available investment opportunities.

The loss for the year of the parent company, Pexip Holding ASA, of NOK 383.1 million has been allocated in its entirety to other equity.

Environmental, Social and Governance

Pexip's ambition within Environmental, Social and Governance (ESG) is 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 uses 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 when using Pexip's products and services is an important focus for Pexip and the Board, and it will become even more important in the future. We consider 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 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 awareness 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 a leading people-focused organization in the industry and focuses heavily on people and a culture of accountability and performance. We rely on a diverse workforce to succeed, and the goal is to offer an equal opportunity, safe, and risk-free working environment fostering individual growth and enjoyment at work. There is a Diversity, Equity and Inclusion (DEI) team working actively to promote and improve topics within equality, diversity, and inclusion within Pexip. The team comprises six employees in Pexip, two male and four female, across different positions and departments.

Pexip is an equal opportunity employer that evaluates applicants and treats employees equally regardless of an individual's age, race, color, gender, religion, national origin, sexual orientation, disability, or veteran status. Pexip is committed to create a diverse and inclusive environment at work and is proud to be an equal-opportunity employer. All qualified applicants receive the same level of consideration for employment, and are made by a hiring board including peers, HR and management to challenge biases and provide a fair evaluation. Promotion-processes and pay reviews includes involvement from HR to ensure equal opportunities for all. All employees are offered flexibility in work locations, and the frequent use of video meetings allow for the ability to work from home for increased job flexibility that further facilitates a good work-life balance.

Pexip has a leadership training program consisting of 5 sessions, of which one is dedicated to the topic One Team, where diversity and inclusion is a key part. 25 people have participated in this training in 2022. There are forums discussing gender, neurodiversity and LGBTQ related topics, and a discussion channel on slack for DEI related topics or questions.

Employees and gender balance

At year end, the number of employees in Pexip in permanent positions amounted to 329 (2021: 535), of which 262 were male and 67 were female. The employees are located in 26 different countries. Pexip has offices in Norway, Sweden, Belgium, Spain, France, Italia, Netherlands, Germany, UK, Australia, USA, Singapore and Japan.

Employees 2022*	Male	Female
# of total employees	262	67
# of full-time employees at end of year	260	64
# of part-time employees at end of year	2	3
# of temporary employees at end of year	0	0
# of involuntary part-time employees at end of year	0	0

** in non-terminated positions*

Employees 2021	Male	Female
# of total employees	421	114
# of full-time employees at end of year	418	111
# of part-time employees at end of year	3	3
# of temporary employees at end of year	0	0
# of involuntary part-time employees at end of year	0	0

At the end of 2022, the percentage of female employees was 20.4%, compared to 21.3% at the end of 2021. Pexip has a long-term ambition to increase the share of women, aligned to the gender balance in the industry as a whole. In Norway, women working in the private sector represent around 37%** of the workforce, but only around 29%*** of employees and 33% of leaders in IT companies are women.

	Gender distribution at different job levels/groups		Wage differences: Females share of men's compensation in %
	Female	Male	Total compensation
Total	20%	80%	82%
Senior leadership team	29%	71%	57%
Employees in leadership roles	21%	79%	87%
Other employees	20%	80%	80%

*** Statistics Norway, Last updated 2019*

**** KANTAR / ODA-Nettverk 2022*

There is a broad range of different roles and responsibilities within the different categories, which impacts the gender distribution and wage differences, especially within the senior leadership team. The senior leadership team comprises seven employees, of which two are female. The Board currently has seven members, of which three are female.

In 2022, Pexip executed two rounds of downsizing processes. The first process was initiated in May, and the second in November. For Pexip and all of Pexip's employees, this has been a challenging year, where the company has focused on staying true to our values and in treating everyone with respect and integrity. Equality and diversity have been an important topic while conducting these processes, and there have been a focus on retaining the share of females through the processes. It has been a top priority to provide a fair process to all parties involved.

Going forward, the focus remains on diversity and equality. Pexip's goal is to be a diverse company, offering equal opportunities, and a safe and risk-free working environment for all employees. We recognize there is still work to do, but Pexip is committed to create more opportunities for a more balanced representation and to dedicated DEI-team work committed towards this. Pexip works actively in each recruitment process to ensure to create equal opportunities for all and to increase female representation.

The work for equality is underpinned with several policies. Pexip's code of conduct includes the company's commitment to creating an equal opportunity workplace, free from discrimination, harassment, and victimization. Pexip's human capital policy outlines our principle of gender pay equality, and our belief in equal pay for equal work. Ensuring work-life balance is also strongly embedded in Pexip's culture, and meetings and events shall be held virtually where this is appropriate and possible.

During the year, we welcomed our new CEO, Trond K. Johannessen. It was important for the board to conduct the hiring process in a good manner, give equal opportunities to all potential candidates and the process included both female and male candidates.

In the end of 2022, Pexip entered a collaboration with Team Aker Dæhlie to support BEYOND. Team Aker Dæhlie is the first professional athletic team to include athletes from long-distance running, FIS/allround, talents and para-crossing. The venture is called BEYOND and is also about performing beyond going fast on the cross-country track. Pexip is proud to have joined this collaboration, and the joint ambition and action for equality, equal pay and equal opportunities.

Flexible working and healthy working conditions

Pexip works to offer a safe and risk-free working environment that promotes a healthy workplace and facilitates work-life balance. The company offers flexible working hours and flexible workplace schemes to facilitate work-life balance and better conditions for, for example, combining work and parenting. In 2022, the average sick-leave was 0.8% (2021: 0.3%). During the year, 6 male and 5 female employees were on parental leave, where the male employees took 84 weeks in total, while the female employees took 125 weeks.

Parental leave 2021	Male	Female
Employees entitled to parental leave	421	114
Employees that took parental leave of more than one month	3	2
Weeks of maternity leave during the year	51.2	24.0

Parental leave 2022	Male	Female
Employees entitled to parental leave	262	67
Employees that took parental leave of more than one month	6	5
Weeks of maternity leave during the year	83.8	124.6

Sick leave 2021	Male	Female
# of employees on sick leave during the year	75	29
# of days of sick leave during the year	282	109

Sick leave 2022	Male	Female
# of employees on sick leave during the year	113	40
# of days of sick leave during the year	601	233

Research and Development (R&D)

A core activity for Pexip is R&D related to distributed software platforms for videoconferencing and collaboration. During 2022 Pexip has delivered several important innovations, as described elsewhere in this report. The product development strategy was assessed throughout the year. The technology is developed with the aim of making the company the industry leader within video infrastructure and interoperability as well as secure and customer communication solutions for large international corporations and public sector organizations. Of the total R&D in 2022, Pexip capitalized NOK 41 million (NOK 48 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 ISO 27001 and 27701 certifications 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 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 has developed a strong sales and R&D capacity to stay ahead of competition. 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 methodology. In addition, Pexip has a dedicated alliance team working with 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 distinguishes 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 their 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. Operating in a global, fast-changing market, Pexip's profitability, results of operations and working capital may fluctuate significantly on a quarterly and annual basis. In 2023 the company is targeting an EBITDA of NOK 100-150 million. 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 31 December 2022 was prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. As of 31 December 2022, Pexip's non-current assets amounted to approximately NOK 1,408 million which constituted 67% 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. At the end of 2022 there is limited headroom giving a risk of impairment in the case of an adverse development in the key assumptions. This is further described in the notes to the Annual Accounts for 2022.

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 positive headroom in its impairment tests, but this is sensitive to both changes in cost of capital as well as future cash flow estimates.

Impact of Russia's Invasion of Ukraine

The development in Ukraine, and the impact on business in the region is still ongoing. The war in Ukraine has impacted Pexip in several ways. Pexip has two 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 due to a modest market presence in the region, with the main impact being in accounts receivables with customers in Russia now under sanction as well as a negative impact on future revenues in the region. 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.

Impact from the market situation

The global economic situation has faced increasing challenges during 2022, with slowing growth and higher inflation in Pexip's key markets. This impacts Pexip's customers, as several large enterprise companies have announced cost reduction programs. This has also had a negative impact on the financial markets with an increasing cost of capital. Pexip has taken action through its cost reduction program to reduce its cost base, which has contributed to mitigate cost increases on key cost categories such as employee benefit expenses and cost of cloud computing. Pexip targets a positive free cash flow in 2023 and has very limited interest-bearing debt and a strong balance sheet. As such, the company is less exposed to the increasing cost of capital.

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 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. Pexip is subject to the Norwegian Transparency Act, and the assessment can be found in the sustainability report. The annual statement on corporate governance for 2022 has been approved by the Board and can be found on page 32 in this annual report.

A Directors and Officers Liability Insurance 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. The insurance additionally covers any employee acting in a managerial capacity and includes subsidiaries owned with more than 50%. The insurance policy is issued by a reputable, specialized insurer with appropriate rating.

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, 2022, the share capital of Pexip Holding ASA was NOK 1,566,445 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 2022) of NOK 12.80 per share.

The turnover of shares is a measure of traded volumes. On average, 662,407 Pexip shares were traded on Oslo Børs every day in 2022.

As of December 31, 2022, Pexip had 6,664 shareholders registered in the VPS. The shareholders were from 29 different countries across the world, with 23.7% 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 Norwegian Central Securities Depository (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.

SIGNATURE PAGE

Board of Directors

Oslo, March 28, 2023

Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Haug Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Vice-Chair of the Board

Marianne Wergeland Jenssen
Board Member

Phillip Austern
Board Member

Asta Ellingsen Stenhagen
Board Member

Trond K. Johannessen
CEO

Corporate governance

Good corporate governance provides the basis for long-term value creation, to the benefit of shareholders, employees and other stakeholders. The Board of Pexip 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 2022 follows below. The statement was approved by the Board on March 28, 2023.

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 are 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, 2022, Pexip had a consolidated equity of NOK 1,597 million, corresponding to an equity ratio of 76.5%.

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 operating in both mature markets and in markets with strong growth opportunities. Through 2022 Pexip has improved its profitability, however, did not make a profit for 2022, hence will not pay a dividend for 2022. Future dividend decisions will be based on the operating cashflow development as well as the available investment opportunities available to the company. The company has not paid any dividends on its Shares during the financial years ended December 31, 2022, 2021, 2020, 2019, 2018 and 2017.

Board Mandates to Increase the Share Capital

At the Annual General Meeting of the company on April 21, 2022 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 is valid until the annual general meeting in 2023, however no longer than until June 30, 2023. The Board did not issue any shares in relation to this authorization since the Annual General Meeting on April 21, 2022 and up to the date of this report.

At the Annual General Meeting of the company on April 21, 2022 the Board was authorized to increase the share capital of Pexip by up to NOK 156,000 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 2023, however no longer than until June 30, 2023. No new shares have been issued by the Board since the Annual General Meeting on April 21, 2022 and up to the date of this report.

4. Equal Treatment of Shareholders

The company's share capital is NOK 1,566,445 divided into 104,429,671 shares, each with a nominal value of NOK 0.015.

The company holds 3,048,038 own shares at the end of 2022 and on date of this report.

The Board and the executive management are committed to ensure 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.

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 20, 2023. 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 evaluate prior to each General Meeting 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. Shareholders will be able to vote on each individual candidate nominated for election.

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 one year but may be re-elected. 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 May 21, 2021 re-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 2022. The annual general meeting on April 21, 2022 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 seven 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 2022 worked as support to executive management in the initial phase as a listed company. He was doing this at a 60% engagement until 1 June 2022, at which the engagement was reduced to 20%, and on 30 September 2022 this engagement ended.

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

15 board meetings were held in 2022, 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 management's 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 2022.

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 2022.

Changes to the Executive Management and the Board

The annual general meeting on April 21, 2022 re-elected the following Board, in accordance with the Board's proposal:

i. Michel Sagen, chair
ii. Kjell Skappel, vice-chair
iii. Per Haug Kogstad, member
iv. Irene Kristiansen, member
v. Marianne Wergeland Jenssen, member
vi. Phillip Austern (new)
vii. Asta Ellingsen Stenhagen (new).

Michel Sagen, Per Haug Kogstad and Irene Kristiansen are elected for a term of one year. Kjell Skappel, Marianne Wergeland Jenssen, Phillip Austern and Asta Ellingsen Stenhagen are elected for a term of two years. No new deputy members were elected.

On July 1, 2022, Ian Mortimer became a part of the management team as the SVP Technology, and on December 1, 2022, assumed the position of Chief Technology Officer. The role was previously held by Nico Cormier, who left Pexip on September 30, 2022. On November 7, 2022, Helge Hansen assumed the role of SVP Strategy as part of the management team.

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 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 2022 related to the following:

- Presented the main features of the audit work.
- Attended all audit committee 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 2022, the external auditor attended 6 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.

SIGNATURE PAGE

Board of Directors

Oslo, March 28, 2023
Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Haug Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Vice-Chair of the Board

Marianne Wergeland Jenssen
Board Member

Phillip Austern
Board Member

Asta Ellingsen Stenhagen
Board Member

Trond K. Johannessen
CEO

Executive Management

Trond K. Johannessen
Chief Executive Officer

Øystein Hem
Chief Financial Officer

Åsmund O. Fodstad
Chief Revenue Officer

Ingrid Woodhouse
Chief People Officer

Patricia Auseth
Chief Marketing Officer

Ian Mortimer
Chief Technology Officer

Helge Hoff Hansen
SVP Strategy

Board of Directors

Michel Sagen
Chair of the Board

Kjell Skappel
Vice-Chair of the Board

Irene Kristiansen
Board Member

Per Haug Kogstad
Board Member

Marianne Wergeland Jenssen
Board Member

Phillip Austern
Board Member

Asta Ellingsen Stenhagen
Board Member

Financials

Consolidated Statement of Profit or Loss

	Note	Year ended December 31	
(NOK 1,000)		**2022**	2021
Revenue	3	**867 056**	805 518
Cost of sale		**93 820**	76 940
Salary and personnel expenses	4,23,24	**719 687**	634 422
Other operating expenses	5	**237 544**	218 615
Other gains/losses	31	**61 290**	-161
EBITDA		**-245 285**	-124 297
Depreciation and amortization and impairment	9,10,12	**115 120**	73 726
Operating profit or loss		**-360 405**	-198 023
Financial income	6	**7 959**	517
Financial expenses	6	**-4 604**	-4 638
Net gain and loss on foreign exchange differences	6	**40 264**	6 897
Financial income/(expenses) - net		**43 619**	2 776
Profit or loss before income tax		**-316 786**	-195 247
Income tax expense	7	**-54 538**	-37 923
Profit or loss for the year		**-262 248**	-157 324
Profit or loss is attributable to:			
Owners of Pexip Holding ASA		**-262 248**	-157 324
Earnings per share			
Basic earnings per share	8	**-2.58**	-1.53
Diluted earnings per share	8	**-2.58**	-1.53

Consolidated Statement of Comprehensive Income

	Year ended December 31	
(NOK 1,000)	**2022**	2021
Profit or loss for the year	**-262 248**	-157 324
Items that may be reclassified to profit or loss:		
Exchange difference on translation of foreign operations	**11 417**	2 988
Total comprehensive income for the year	**-250 831**	-154 336
Total comprehensive income is attributable to:		
Owners of Pexip Holding ASA	**-250 831**	-154 336

Consolidated Statement of Financial Position

(NOK 1,000)	Note	12/31/2022	12/31/2021
ASSETS			
Non-current assets			
Property, plant and equipment	3,9	**29 039**	36 033
Right-of-use assets	3,10	**77 154**	103 362
Goodwill	11	**662 645**	662 645
Other intangible assets	3,12	**178 606**	138 920
Deferred tax asset	7	**169 279**	109 096
Contract costs	3,18	**285 779**	262 076
Receivables	4,13,19	**1 602**	6 859
Other assets		**4 041**	1 522
Total non-current assets		**1 408 145**	1 320 512
Current assets			
Trade and other receivables	4,13,19	**198 727**	217 875
Contract assets	18	**37 233**	17 431
Other current assets	14	**23 326**	27 913
Cash and cash equivalents	15,19	**419 306**	803 852
Total current assets		**678 592**	1 067 071
TOTAL ASSETS		**2 086 736**	2 387 582

(NOK 1,000)		12/31/2022	12/31/2021
EQUITY AND LIABILITIES			
Equity			
Total equity	16	**1 596 571**	1 908 191
Non-current liabilities			
Borrowings	17,19	**16**	4 000
Lease liabilities	10,19	**57 560**	84 782
Deferred tax liabilities	7	**15 388**	12 338
Other payables	19	**2 526**	2 703
Total non-current liabilities		**75 490**	103 824
Current liabilities			
Trade and other payables	19,21	**148 153**	138 586
Contract liabilities	18	**231 004**	202 302
Current tax liabilities	7	**5 002**	3 935
Borrowings	17,19	**4 077**	2 000
Lease liabilities	10,19	**26 439**	28 745
Total current liabilities		**414 675**	375 567
Total liabilities		**490 166**	479 392
TOTAL EQUITY AND LIABILITIES		**2 086 736**	2 387 582

Oslo, March 28, 2023

Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Haug Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Vice-Chair of the Board

Marianne Wergeland Jenssen
Board Member

Phillip Austern
Board Member

Asta Ellingsen Stenhagen
Board Member

Trond K. Johannessen
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, 2021		1 523	2 027 206	134 383	-6 541	-134 446	2 022 125
Profit or loss for the year		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**	**-157 323**	**-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
Balance at January 1, 2022		1 556	2 115 938	86 018	-3 553	-291 770	1 908 191
Profit or loss for the period		0	0	0	0	-262 248	-262 248
Other comprehensive income for the year		0	0	0	11 416	0	11 416
Total comprehensive income for the year		**0**	**0**	**0**	**11 416**	**-262 248**	**-250 831**
Capital increase/share issue	16	0	0	-270	0	0	-270
By/sell treasury share	16	-35	0	-87 404	0	0	-87 439
Share-based payments	24	0	0	26 920	0	0	26 920
Balance at December 31, 2022		1 521	2 115 938	25 265	7 863	-554 018	1 596 571

Consolidated Statement of Cash Flows

(NOK 1,000)	Note	Year ended December 31 12/31/2022	12/31/2021
Cash flow from operating activities			
Profit or loss before income tax		**-316 786**	-195 247
Adjustments for			
Depreciation, amortization and net impairment losses	9,10,12	**115 120**	73 726
Non-cash - share based payments	24	**25 130**	30 365
Interest income/expenses - net	6	**-3 952**	3 710
Net exchange differences	6	**-18 656**	-2 962
Change in operating assets and liabilities			
Change in trade, other receivables and other assets	4,13,19	**-19 134**	-90 655
Change in trade, other payables and contract liabilities	19,21	**31 688**	26 701
Interest received	6	**7 958**	41
Income taxes paid/refunded	7	**-3 843**	-1 001
Net cash inflow/outflow from operating activities		**-182 475**	-155 321
Cash flow from investing activities			
Payment for property, plant and equipment	9	**-21 965**	-35 324
Payment of software development cost	12	**-32 318**	-48 308
Payment for acquisition of subsidiary, net of cash acquired	30	**-56 009**	-15 193
Net cash inflow/outflow from investing activities		**-110 292**	-98 825
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	16,20	**0**	94 486
Repayment of borrowings	17,20	**-1 919**	-34 689
Principal element of lease payments	10,20	**-27 399**	-13 688
Interest paid	6	**-4 006**	-3 751
Sale/(purchase) of treasury shares	16	**-87 674**	-87 995
Net cash inflow/outflow from financing activities		**-120 998**	-45 637
Net increase/(decrease) in cash and cash equivalents		**-413 765**	-299 784
Cash and cash equivalents start of the period		**803 852**	1 100 656
Effects of exchange rate changes on cash and cash equivalents		**29 219**	2 979
Cash and cash equivalents end of the period		**419 306**	803 852

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, Pexip Belgium 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, 2022 was authorized for issue by a resolution of the directors on March 28, 2023.

1.1 Adoption of new and revised accounting standards

The Group has applied the following standards and amendments for the first time in the annual report period commencing on January 1, 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts - Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3

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

1.1.2 New and revised IFRS standards are issued but not yet effective

The Group has not early adopted new and revised IFRS standards published but not mandatory for December 31, 2022 reporting periods.

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 Parent Company's financial statements and subsidiaries as of December 31, 2022.

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 overtime 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 to 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 are 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 completed 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 represent 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 contract 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 Employee benefits

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).

Termination benefits
Termination benefits are payable when employment is terminated by the group before normal retirement date, or when the employee accepts voluntary redundancy in exchange for these benefits.
The group recognized termination benefits at the earliest of a) when the group no longer can withdraw the offer of termination benefits and b) when the Group recognizes a restructuring cost according to IAS 37 that involves termination benefits. In the case where not all employees have signed a termination contract as of reporting period, Pexip will measure the remaining termination benefits based on expected number of employees that will accept the offer.

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 date less 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 that have 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 amortized 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. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan. Borrowings and trade and other payables are removed from the balance sheet when the obligation in the contract is discharged. 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.

2.3.17 Contributed Equity

Equity is presented as a single line item in the balance sheet and is disclosed in the statement of changes in Equity showing the reconciliation of changes for each component of contributed Equity. The components presented are the Group's share capital and premium, other reserves, translation differences and retained earnings. Other reserves include transactions related to shares such as treasury shares, share based payments and similar transactions. The Group has chosen to present share capital as only the external owned 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 have 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.

2022

	EMEA[1)]	Americas	APAC[2)]	Total
Pexip as-a-Service	235 619	146 790	25 773	408 181
Self-hosted software	236 286	170 156	52 433	458 875
Total revenue	**471 905**	**316 946**	**78 206**	**867 056**

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**

	Full year	
Timing of revenue recognition	**2022**	**2021**
Products and services transferred at a point in time	368 629	394 559
Products and services transferred over time	498 427	410 959
Total revenue	**867 056**	**805 518**

[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. Of the Group's total channel partner base per 2022, the five largest represent approximately 28% of total revenue (21% per 2021), and the ten largest represent approximately 40% (30% per 2021). No channel partner represent more than 10% of the Group's revenue.

Information about share of recurring revenue from own products

Recurrring 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.

	31/12/2022	31/12/2021
Norway	328 338	322 350
Europe (other than Norway)	95 155	89 588
Americas	116 276	108 027
APAC	30 808	20 425
Total non-current operating assets	**570 578**	**540 390**

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)

	2022	2021
Wages and salaries	515 401	467 682
Social security tax	71 581	78 922
Commission employees	86 766	59 273
Share-based payment expense (note 24)	25 130	14 652
Pension costs (note 23)	45 639	38 762
Other personnel cost	15 255	13 638
Salary cost capitalised	-40 084	-38 506
Total	**719 687**	**634 422**

2021 numbers for line item wages and salaries, social security tax, pension costs and other personnel cost have been reclassified in 2022 in order for the 2021 and 2022 numbers to be comparable. Total salary and personnel expenses for year 2021 is unchanged.

Average number of labour-years employed during the year	516	467

Commission employees

Commission cost has increased due to change of accounting and cost principle.

Loan to employees

The Group provided unsecured loans to employees of NOK 192 thousand at December 31, 2022 (2021: NOK 554 thousand). The repayment schedule is 2 years and the interest rate is 2%.

Management remuneration

The remuneration to management is disclosed in the management remuneration report for 2022.

Bonus agreements and severance pay

The bonus scheme and severance pay for Group management is disclosed in the management remuneration report for 2022.

Remuneration to board of directors in the parent company

The remuneration to board of directors is disclused in the management remuneration report for 2022.

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 2022.

Note 5 - Other Operating Expenses

(NOK 1,000)

	2022	**2021**
Sales and marketing	55 891	56 754
Computers and software	53 243	61 668
Fees for external services	62 901	58 890
Travel expenses	23 820	9 243
Other operating expenses	41 047	32 056
Other lease expense	642	-
Total	**237 544**	**218 615**

Auditor's fees

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

	2022	2021
Statutory audit	4 506	4 920
Other certification services	121	80
Tax advisory services		-
Other services	-	-
Total	**4 627**	**5 000**

Note 6 - Financial Income and expenses

(NOK 1,000)

	2022	**2021**
Interest income	7 958	517
Other financial income	1	
Financial income	**7 959**	**517**
Interest expense	-900	-1 878
Interest expense on lease liabilities (note 10)	-3 106	-2 110
Other financial expenses	-598	-650
Financial expenses	**-4 604**	**-4 638**
Net foreign currency gains and losses	40 264	6 897
Net financial income(expense)	43 619	2 776

Note 7 - Income tax expense

(NOK 1,000)

Specification of income tax expense:	**2022**	**2021**
Current tax on profits for the year	4 992	4 169
Changes in deferred tax	-59 590	-41 992
Adjustments for current tax of prior periods	61	-99
Effect of changes in tax rules and rates		-
Tax on profit/(loss)	-54 538	-37 923

Reconciliation from nominal to effective income tax rate:	**2022**	**2021**
Profit/(loss) before tax	-316 786	-195 246
Estimated income tax according to nominal tax rate of 22 %	-69 693	-42 954
Effect from different tax rate in other countries	-1 054	-9
Effect of changes in tax rules and rates	-184	819
The tax effect of the following items:	-	
Non-deductible expenses	-19 803	9 421
Non-taxable income	24 852	-211
Share-based payment expenses	-	-6 294
Adjustments for prior period tax	-	-62
Other items	2 629	1 369
Income tax expense	-54 538	-37 923
Effective income tax rate	17%	19%

Changes in tax rate

There are no material changes in tax rates in the Group for 2022

Amounts recognised directly in equity	**2022**	**2021**
Deferred tax: Tax on share issue costs		-

Deferred tax balances:	**12/31/2022**	**12/31/2021**
Deferred tax assets:		
Tax losses	211 324	157 375
Tangible and intangible assets	-11 651	5 239
Receivables	1 193	1 023
Contract liabilities	26 947	5 270
Current and non-current liabilities	13 457	28 890
Other	-	-157
Set-off tax	-47 630	-70 836
Net deferred tax assets after set-off	193 640	126 805
Unrecognised deferred tax assets	-24 361	-17 709
Net deferred tax assets	169 279	109 096

Deferred tax liabilities:		
Tangible and intangible assets	63 018	83 174
Current assets	-	-
Contract liabilties	-	-
Other differences	-	-
Set-off tax	-47 630	-70 836
Net deferred tax liabilities	15 388	12 338

Deferred tax assets Movements	Tax losses	Contract liabilities	Current and non-current liabilities	Other	Total
At January 2022	**157 375**	**5 270**	**28 890**	**6 106**	**197 641**
(Charged)/credited					
- to profit or loss	47 297	21 677	-15 433	-16 564	36 977
- to other comprehensive income					
- directly to equity					
- not recognized	6 652				6 652
At December 2022	**211 324**	**26 947**	**13 457**	**-10 458**	**241 270**

Deferred tax liability Movements	Tangible & intangible assets	Current assets	Contract liabilities	Other differences	Total
At January 2022	**83 174**	**-**			**83 174**
(Charged)/credited					
- to profit or loss	-20 156	-	-	-	-20 156
- to other comprehensive income					
- directly to equity					-
- not recognized					-
At December 2022	**63 018**	**-**	**-**	**-**	**63 018**

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, 2022 and 2021 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 191.2 million as at December 31, 2022 (2021: NOK 143.9 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 24.3m in 2022 (2021: 17.7m).

Tax losses carried forward	**12/31/2022**	**12/31/2021**
Expire (2035 and forward)	20 354	61 011
Never expires	885 170	625 766
Total tax losses carried forward	905 525	686 777
Tax losses for which deferred tax asset is recognised	801 691	647 126
Tax losses for which no deferred tax asset is recognised	80 516	39 651
Potential tax benefit	20 129	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 43.8 million at December 31, 2022 (December 31, 2021: NOK 50.1 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 161 million) and Pexip AS (NOK 583 million).

Note 8 - Earnings per share

(NOK 1,000)

Earnings	**2022**	**2021**
Earnings for the purpose of basic earnings per share being		
net profit attributable to the owners of the company	-262 248	-157 324
Effect of dilutive potential ordinary shares		
Earnings for the purpose of diluted earnings per share	-262 248	-157 324
Number of shares		
Weighted average number of ordinary shares for the purpose		
of basic earnings per share	101 495 376	103 092 229
Effect of dilutive potential ordinary shares:		
Share options	122 044	1 458 102
Weighted average number of ordinary shares for the purpose of diluted earnings per share	101 617 420	104 550 331
Earnings per share		
Basic earnings per share	-2.58	-1.53
Diluted earnings per share	-2.58	-1.53

	12/31/2022	**12/31/2021**
Overview of outstanding share options		
Share-based payments awards (refer to note 24)	5 252 950	5 225 178
Option over own equity instruments (refer to note 21)		
Total options and RSUs outstanding	**5 252 950**	**5 225 178**

Dilutive potential ordinary shares of 122.044 for 2022 (2021: 1.458.102) differs from total outstanding options at December 31, 2022 (and December 31, 2021). 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, 2021	12 339	24 195	36 534
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
Additions	2 545	6 755	9 300
Aquisitions	-	-	-
Exchange differences	1	0	2
Acquisition cost December 31, 2022	21 300	48 547	69 945
Accumulated depreciation andimpairment losses January 1, 2021	4 601	6 756	11 358
Disposals	-		-
Depreciation for the period	4 938	8 203	13 112
Exchange differences	-45	-21	-65
Accumulated depreciation and impairment losses December 31, 2021	9 493	14 939	24 404
Depreciation for the period	6 089	10 207	16 295
Exchange differences	1	-1	1
Accumulated depreciation and impairment losses December 31, 2022	15 583	25 145	40 700
Carrying value at December 31, 2021	9 260	26 852	36 033
Carrying value at December 31, 2022	5 717	23 402	29 039

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, 2021	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**
Additions (new leases)	2 757	438	3 195
Adjustments	-6 852	-	-6 852
Depreciation expense	-21 543	-2 418	-23 961
Exchange differences	1 273	138	1 411
As at December 31, 2022	**71 413**	**5 741**	**77 154**

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:

	2022	2021
As at January 1	113 527	92 349
Additions (new leases)	3 195	32 961
Adjustments	-6 859	1 425
Principal element of lease payments	-27 399	-13 688
Exchange differences	1 536	480
As at December 31	**83 999**	**113 527**

Maturity analysis of lease liabilities	12/31/2022	12/31/2021
Less than 6 months	12 525	16 454
6-12 months	12 717	13 431
1-2 years	20 725	25 114
2-5 years	32 273	47 764
Over 5 years	10 199	22 080
Total face value	**88 440**	**124 844**
Carrying amount	**83 999**	**113 527**
Current	26 439	28 745
Non-current	57 560	84 782

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

	2022	2021
Depreciation expense for the right-of-use asset	23 942	19 412
Interest expense on lease liabilities	2 896	2 113
Exchange difference (included in OCI)	66	-69
Exchange difference (included in financial income)	1 536	69
Expense related to short-term leases (included in other operating expenses)	625	925
Total amount recognised in profit or loss	**29 065**	**22 450**

The Group had total cash outflows for leases of NOK 30.9 million in 2022 (NOK 16.6 million in 2021).

An incremental borrowing rate (IBR) of Nowa + 3% has been applied on all new leases during the 2022 accounting year. We have selected Nowa 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 14.8 million (gross) on December 31, 2022 (NOK 13.3 million on December 31, 2021).

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 2022 and 2021.

Note 11 - Goodwill

(NOK 1,000)

	Goodwill
Carrying amount of Goodwill December 31, 2021	662 645
Carrying amount of Goodwill December 31, 2022	662 645

The carrying amount of goodwill in the Group amounts to NOK 662.7 million as of December 31, 2022. 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 8th November 2021.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.

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 2022 based on the updated business plan for the company at this time. 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.

Assumptions

Future cash flows
Revenue development and operating profits are estimated based on past performance and management expectations for 2023 to 2027. The expectations for the overall economic conditions and market outlook are in line with industry analysts, expecting continued strong growth within the collaboration market. The revenue assumptions have been adjusted downwards from the impairment test in 2021, as has the cost estimates. This is in line with the stated strategy and current financial targets of the company. Capital investments and depreciation are estimated to align with historic values relative to revenues.

Pre-tax discount rate
Cash flows were discounted to a weighted average cost of capital (WACC) corresponding to 11.27% (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 the daily observable rate for the 10-year Norwegian government bonds, dated 15th December, i.e. the day of accepting the 2023 budget by the Board. The long-term optimal weight of equity of 95% is used in WACC calculation.

Growth rate
The expected growth in revenue is based on historical performance as well as the expected future development in line with the Company's approved business plan. This 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 2.934% per annum growth rate, in line with the risk-free rate.

Sensitivity analysis

Review for the CGU indicated that the recoverable amount exceeds carrying value by NOK 71 million. The Group has prepared a sensitivity analysis of the impairment test for key assumptions: terminal growth rate, discount rate and EBITDA change.

The following changes in key assumptions, in isolation, would result in recoverable amount being close to equal to the carrying amount of goodwill. Change in one of the key assumptions may impact the development of others, however, due to

the significant uncertainties and judgement in determining such dependency, this has not been done.
The sensitivities, which result in the recoverable amount being equal to the carrying value, are summarised below:
- an absolute increase of 0.51 percentage points in the discount rate, from 11.27% to 11.78%, or
- an absolute reduction of 0.69 percentage points in the perpetual growth rate, from growth of 2.93% to growth of 2.25%, or
- a reduction of 3.75% in the forecasted EBITDA.
Changes beyond those described may thus lead to a impairment situation.

An alternative way to assess the sensitivity of key assumptions is to assess the potential impairment need from a negative development in the key assumptions.

The following changes in key assumptions, in isolation, would result in the carrying amount of goodwill exceeding the recoverable amounts, which will lead to an impairment need. These sensitivities are summarised below:
- an absolute increase of 2 percentage points in the discount rate, from 11.27% to 13.27% would lead to an impairment need of approx. NOK 170 million
- an absolute reduction of 2 percentage points in the perpetual growth rate, from growth of 2.93% to growth of 0.93% would lead to an impairment need of approx. NOK 110 million
- a reduction of 10% in the forecasted EBITDA would lead to an impairment need of approx. NOK 119 million.

Note 12 - Intangible assets

(NOK 1,000)

	Software	Customer contracts	Patents	Re-aquired rights	Total
Acquisition cost January 1, 2021	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	3 785			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*
Additions *(internally generated)*	37 068	-	-	-	37 068
Additions	82 629	-	-	-	82 629
Disposals	-		-		-
Government grants	-4 750	-	-	-	-4 750
Acquisition cost December 31, 2022	325 212	63 214	238	5 354	394 018
of which internally generated	*159 830*	-	-	-	*159 830*
Accumulated amortisation and impairment losses January 1, 2021	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*

Amortisation of internally generated assets	35 732	-	-	-	35 732
Amortisation of other assets	23 582	15 947		-	39 529
Impairment		-377			-377
Accumulated amortisation and impairment losses December 31, 2022	166 842	42 600	238	5 354	215 034
of which internally generated	*88 327*	-	-	-	*88 327*
Carrying value as at January 1, 2021	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*
Carrying value as at December 31, 2022	157 993	20 614	-	0	178 606
of which internally generated	*71 503*	-	-	-	*71 503*
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 2022 is NOK 165,43 million (2021: NOK 158,96 million).

The Group has received government grants related to development of software of NOK 4,75 million in 2021 and NOK 4,75 million in 2022. The grants have been subtracted from the carrying amount of internally generated software.

Note 13 - Trade and other receivables

(NOK 1,000)

	12/31/2022	**12/31/2021**
Trade receivables	195 764	216 337
Provisions for bad debt	-5 413	-4 684
Public taxes and funds	7 353	4 839
Other current receivables	1 022	1 383
Total current trade and other receivables	**198 727**	**217 875**
Deposits	1 680	6 859
Total non-current trade and other receivables	**1 680**	**6 859**

Aging of trade receivables	12/31/2022	12/31/2021
Current	131 610	170 381
1-30 days past due	28 793	21 181
31-60 days past due	11 169	7 109
61-90 days past due	9 477	5 455
More than 90 days past due	14 716	12 212
Less provision for bad debt	-5 413	-4 684
Total	**190 351**	**211 653**

Movements in the provision for impairment of trade receivables	2022	2021
Opening balance provision for bad debt as at January 1	4 684	4 357
Change in provision for the year	6 083	1 828
Receivables written off during the year	-5 479	-1 282
Translation differences	125	-218
Closing balance provision for bad debt as at December 31	5 413	4 684

Note 14 - Other current assets

(NOK 1,000)

	31/12/2022	31/12/2021
Other prepayments	23 326	27 913
Other current assets	-	-
Total	**23 326**	**27 913**

Note 15 - Cash and cash equivalents

(NOK 1,000)

	31/12/2022	31/12/2021
Bank deposits	419 306	803 852
Total cash and cash equivalents	**419 306**	**803 852**

Restricted cash

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

	31/12/2022	31/12/2021
Taxes withheld	9 119	6 996
Total restricted cash	**9 119**	**6 996**

Of the total cash and cash equivalents as of December 31, 2022 NOK 6 853 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

The Parent Company's registered share capital as at December 31, 2022 was NOK 1,566,445 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 3,032,968 making the presented share capital NOK 1,520,950.

The Parent Company's registered share capital as at December 31, 2021 was NOK 1,566,445 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 1,556,255.

Development in the number of issued and outstanding shares

	Number of shares (1,000)	Share capital (1,000)
Outstanding at January 1, 2022	104 429	1 566
Outstanding at December 31, 2022	**104 429**	**1 566**

Treasury shares

	Number of shares
Outstanding at January 1, 2022	-719
Shares bought back on-market	-2 370
Employee share scheme issue	56
Outstanding at December 31, 2022	**-3 033**

In February and March 2022 (initiated on February 11) the company performed a share buyback of NOK 87,7 million in accordance with the share buyback program. The buyback program has been completed on March 10, 2022. The shares acquired in this buyback program are expected to be used to fulfil the company's obligations in future share option excersises. Number of shares bought back from the market was 2 369 788.

Ownership structure

The 20 largest shareholders as of December 31, 2022:

	Shares	Ownership
T.D. VEEN AS	6 146 946	5.89%
HOLMEN SPESIALFOND	5 009 796	4.80%
BJØBERG EIENDOM AS	4 025 775	3.86%
PEXIP HOLDING ASA	3 032 968	2.90%
Avanza Bank AB	2 829 785	2.71%
J.P. Morgan SE	2 498 677	2.39%
VEEN EIENDOM AS	2 133 496	2.04%
SYNESI AS	2 100 000	2.01%
STAVANGER VENTURE AS	2 061 063	1.97%

A HOLDINGS AS	2 010 000	1.92%
The Bank of New York Mellon SA/NV	1 921 547	1.84%
XFILE AS	1 850 000	1.77%
CARABACEL AS	1 563 064	1.50%
CHAMBERLIN	1 516 101	1.45%
LIA INVESTMENTS LIMITED	1 451 252	1.39%
SIRIUS AS	1 300 000	1.24%
PROJECT X INVESTCO AS	1 296 262	1.24%
Skandinaviska Enskilda Banken AB	1 292 691	1.24%
PEBRIGA AS	1 207 730	1.16%
Tamorer ltd ATF Wylie Family Trust	1 118 748	1.07%
Total top 20 shareholders	46 365 901	44.40%
Others	58 063 770	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, 2022:

	Shares	**Ownership**
Kjell Skappel (Vice-Chairman)	10 341 505	9.90%
Per Haug 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%
Phillip Austern (Board member)	100 000	0.10%
Ian Mortimer (CTO)	54 667	0.05%
Patricia Auseth (CMO)	10 068	0.01%
Åsmund Fodstad (CRO)	776 275	0.74%
Ingrid Woodhouse (CPO)	39 080	0.04%
Øystein Hem (CFO)	130 968	0.13%
Trond Johannessen (CEO)	75 000	0.07%
Total	17 303 402	16.57%

Dividend paid and proposed

Proposed for approval at AGM for financial year 2022 is that no dividend will be paid. No dividend was paid for financial year 2021.

Note 17 - Borrowings

(NOK 1,000)

The Group's interest-bearing liabilities consists of:

	Interest rate	Year of maturity	12/31/2022	12/31/2021
Loan from Innovasjon Norge	3.70%	2024	-	4 000
Other borrowings			16	
Total long-term debt			16	4 000
Loan from Innovasjon Norge	3.70%	2023	4 000	2 000
Other borrowings			77	
Total short-term debt			4 077	2 000

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:

	12/31/2022	12/31/2021
Property, plant and equipment	29 039	36 033
Trade receivables	190 351	211 653
Total	**219 390**	**247 686**

Note 18 - Contract costs, contract assets and contract liabilities

(NOK 1,000)

Contract assets	2022	2021
Balance at January 1	17 431	9 069
Additions	37 252	17 431
Reclassifications to accounts recievables	-17 450	-9 069
Balance at December 31	37 233	17 431

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

Contract liabilities	2022	2021
Balance at January 1	202 302	155 180
New contract liabilities	203 747	187 489
Revenue recognised from liability opening balance	-175 045	-140 366
Balance at December 31	231 004	202 302

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 2022 or 2021.

Contract costs	2022	2021
Balance at January 1	262 076	211 077
Additions	93 286	101 630
Depreciated during the year	-69 583	-50 630
Balance at December 31	285 779	262 076

Contract assets and liabilities

Of the contract liabilities as of December 31, 2022, NOK million 175 has been recognised as revenue in 2022 (2021: NOK million 140.4) corresponding to 87% (2021: 90%) of the contract liability the preceding year end. The increase of the contract liability in 2021 and 2022 is mainly due to increase in sales.

Of the contract assets as of December 31, 2022, NOK million 17.45 is reclassified to accounts receivables in 2022 (2021: NOK million 9.1). The increase in contract asset to NOK million 37.2 in 2022 (2021: NOK million 17.4) 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 2022, amortization of contract costs amounting to NOK million 67.6 was recognised as part of salary and personnel expenses and NOK million 2 as cost of sale. For 2021 the amounts were NOK million 48.8 and NOK million 1.9 respectively.

Note 19 - Categories of financial assets and financial liabilities

(NOK 1,000)

Financial assets	12/31/2022	12/31/2021
Financial assets at amortised cost:		
Cash & cash equivalents (note 15)	419 306	803 852
Trade and other receivables (note 13)	198 727	217 875
Total	**618 033**	**1 021 727**

Financial liabilities	12/31/2022	12/31/2021
Liabilities at amortised cost:		
Borrowings (note 17)	4 093	6 000
Trade and other payables	119 665	111 808
Lease liabilities (note 10)	83 999	113 527
Total	**207 757**	**231 335**

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, 2022	1/1/2022	Net cash flows	New liabilities	12/31/2022
Borrowings (note 17)	6 000	-1 907		4 093
Lease liabilities (note 10)	113 527	-27 399	-2 129	83 999
Total liabilities from financing activities	119 527	-29 306	-2 129	88 092

Proceeds from issuance of ordinary shares of NOK 0 million is recognised in equity.

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 94,5 million is recognised in equity.

Note 21 - Financial risk

(NOK 1,000)

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 provides information about the exposure to credit risk and expected credit losses for trade receivables and contract assets as of December 31 in 2022 and 2021:

For the year ended December 31, 2022

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, 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%

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, 2022

	Current		Non-current		
(NOK 1,000)	1-6 months	6-12 months	1-2 years	2-5 years	Later than 5 years
Borrowings	1 074	1 055	2 050	-	-
Trade and other payables	119 665	-	-	-	-
Total liabilities	120 740	1 055	2 050	-	-

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	-

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	2022	% of total	2021	% of total
NOK	255 239	41,3 %	348 513	34,1 %
USD	233 553	37,8 %	451 233	44,2 %
GBP	60 474	9,8 %	169 391	16,6 %
Other currencies	68 766	11,1 %	52 657	5,2 %
Total	618 033	100%	1 021 727	100%

Financial liabilities	2022	% of total	2021	% of total
NOK	124 064	59,7 %	131 866	57,0 %
USD	19 140	9,2 %	27 426	11,9 %
GBP	27 228	13,1 %	29 854	12,9 %
Other currencies	37 326	18,0 %	42 241	18,3 %
Total	207 757	100%	231 335	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:

		2022	2022	2021	2021
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%	15 009	13 100	29 666	25 894
GBP	+/- 7%	2 327	2 031	9 768	8 525

Note 22 - Capital management

(NOK 1,000)

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.

We have established an international cash pool for the Pexip Group to improve the capital management.

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.

	2022	2021
Pension cost	45 639	13 431

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

(NOK 1,000)

Pexip has two share-based compensation programs offered to employees: stock options and restricted stock units (RSUs). In 2022, Pexip provided an extraordinary grant to key employees and management, which vest on 31.12.2024. Vesting criteria for grants to Management include certain performance criteria, whereas grants to key employees include no other performance obligations than continued employment. Legacy stock option programs (granted prior to 2022) 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 once, 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.

For RSUs granted in 2022, 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	**2022**	**2022**	**2021**	**2021**
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at January 1	54,81	5 131 938	41,03	7 908 534
Granted during the year	17,28	3 940 000	84,20	942 000
Converted during the year	N/A	-2 012 725	N/A	N/A
Forfeited during the year	38,32	-1 784 188	46,65	-621 000
Exercised during the year	14,50	-16 200	30,50	-3 097 596
Expired during the year	14,50	-5 875		
Outstanding at December 31	**26,14**	**5 252 950**	**54,62**	**5 131 938**

RSUs	**2022**	**2022** Number	**2021**	**2021** Number
Outstanding at January 1	-	93 780	-	-
Granted during the year	-	973 725	-	98 310
Converted	-	811 490		
Forfeited during the year	-	-644 463	-	-4 530
Exercised during the year	-		-	-
Expired during the year	-		-	
Outstanding at December 31	**-**	**1 234 532**		**93 780**

The exercise price of options outstanding at December 31, 2022 ranged beetween NOK 14.5 and NOK 100 (2021: NOK 14.5 and NOK 100) and their weighted average contractual life was 3.1 years (2021: 3.2 years). Weighted average contractual life for RSUs outstanding at December 31, 2022 was 1.99 years (2021: 3.12 years).

Of the total number of options outstanding at December 31, 2022 1 131 175 (2021: 325 438) had vested and were excercisable. No RSUs were vested at December 31, 2022.

The weighted average fair value of each option granted during the year was NOK 4.69 (2021: NOK 25.46). The weighted average fair value of each RSU granted during the year was NOK 31.57 (2021: NOK 64.06).

The total expense recognised for the period arising from equity-settled share-based payment transactions was NOK 25.1 million (2021: NOK 30.4 million).

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

Options	**2022**	**2021**
Option pricing model used	Black-Scholes/ Monte Carlo	Black-Scholes
Weighted average share price at grant date (in NOK)	16	83
Excercise price (in NOK)	17	84
Weighted average contractual life (in days)	1 675	1 827
Expected volatility	41.69%	36.01%
Risk-free interest rate	2.57%	0.76%

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	**2022**	**2021**
Weighted average share price at grant date (in NOK)	37	64
Excercise price (in NOK)		-
Weighted average contractual life (in days)	986	1 230
Expected volatility		-
Risk-free interest rate		-

Note 25 - Government grants

(NOK 1,000)

The Group is eligible for government grants of NOK 7.3 million in 2022 (2021: NOK 4.8 million). Of the total amount 4.8 million has been deducted from the carrying amount of other intangible assets (software), while the remaining amount of NOK 2,5 million has been deducted from salary cost for the R&D department in Pexip Ltd.

In 2022 government grants relate to a SkatteFUNN project in Pexip AS, and an R&D project in Pexip Ltd. In the 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. The R&D project in Pexip Ltd relates to Infinity configuration management enhancement and Epic Healthcare integration.

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

Note 26 - List of subsidiaries

(NOK 1,000)

The consolidated financial statements for 2022 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 Ltd	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 GmbH	Düsseldorf, Germany	100%	100%
Pexip Netherlands B.V.	Utrecht, Netherlands	100%	100%
Pexip Belgium NV	Ghent, Belgium	100%	100%

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 Ltd	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 GmbH	Düsseldorf, Germany	100%	100%
Pexip Netherlands B.V	Utrecht, Netherlands	100%	100%
Skedify NV	Ghent, Belgium	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

No events that have significantly affected or may significantly affect the operations of the Group have occurred after December 31, 2022.

Note 29 - Market situation

Impact of Russia's Invasion of Ukraine

The development in Ukraine, and the impact on business in the region is still ongoing. The war in Ukraine has impacted Pexip in several ways. Pexip has two 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 was limited in 2022 due to a modest market presence in the region, with the main impact being in accounts receivables with customers in Russia now under sanction as well as a negative impact on future revenues in the region. 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.

Impact from the market situation

The global economic situation has faced increasing challenges during 2022, with slowing growth and higher inflation is Pexip's key markets. This impacts Pexip customers, as several large enterprise companies have announced cost reduction programs. This has also had a negative impact on the financial markets with an increasing cost of capital. Pexip has taken action through its cost reduction program to reduce its cost base, which has contributed to mitigate cost increases on key cost categories such as employee benefit expenses and cost of cloud computing. Pexip targets a positive free cash flow in 2023 and has very limited interest-bearing debt and a strong balance sheet. As such, the company is less exposed to the increasing cost of capital.

Note 30 - Business combinations

Acquisition of Kinly Video Saas Business

On the 8th of February 2022, Pexip acquired the portfolio of Kinly-operated video services. The acquisition included 10 people, as well as all relevant documents, processes and codes related to the acquired products. At the same time, an agreement of continued sale to existing customers through Kinly was concluded.

According to IFRS 3, this transaction constitutes a business combination and Pexip has assessed the fair values of the acquired assets and liabilities accordingly.

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.

The fair value of the consideration paid calculates to NOK 66 million, solely in cash payments. NOK 10 million of these were contingent considerations, as was not paid out at closing date. The total cashflow related to this purchase in 2022 was NOK 56 million. These are presented under the line item 'Payment for acquisition of subsidiary, net of cash acquired' in the cash flow statement. Pexip has performed a purchase price analysis and allocated the value solely to the technology acquisition. The acquired technology is activated on the balance sheet and depreciated over a period of three years.

No goodwill is recognized from the transaction.

Note 31 - Restructuring costs

The restructuring costs from the reorganization undertaken in 2022 is recognized through profit and loss on line item other gains and losses. The cost recognized mainly relates to remaining salary obligations after release date for terminated employees and legal costs directly related to restructuring activities. Total restructuring costs amounted to NOK 61,3 million.

	2022	**2021**
Salary obligations	59 838	
Legal costs	1 452	
Total	**61 290**	

Financials Statements

Pexip Holding ASA 2022

Profit and Loss Statement

(NOK 1,000)

NOTE	OPERATING REVENUE AND OPERATING EXPENSES	2022	2021
2	Depreciation, amortisation and impairment losses	404 000	0
3, 4	Other operating expenses	20 314	22 544
	Total operating expenses	**424 314**	**22 544**
	Operating loss	**-424 314**	**-22 544**
	FINANCIAL INCOME AND FINANCIAL EXPENSES		
5	Other financial income	49 673	9 671
5	Other financial expenses	-2 600	-176
	Financial items, net	47 074	9 495
	Profit/Loss before taxation	**-377 240**	**-13 049**
6	**Income tax**	**5 887**	**-2 871**
	PROFIT/LOSS FOR THE FINANCIAL YEAR	**-383 126**	**-10 178**
	ALLOCATION OF NET LOSS AND EQUITY TRANSFERS		
7	Transferred to / from other equity	-383 126	-10 178
	Total allocations and equity transfers	**-383 126**	**-10 178**

Balance Sheet at December 31

(NOK 1,000)

NOTE	ASSETS	31/12/2022	31/12/2021
	Non-current assets		
	Financial non-current assets		
6	Deferred tax	35 908	41 795
2	Investments in group companies	1 059 223	1 086 303
8	Receivables from Group company	250 533	245 765
	Total financial non-current assets	1 345 664	1 373 864
	Total non-current assets	**1 345 664**	**1 373 864**
	Current assets		
	Receivables		
	Other current assets	1 055	1 147
8	Receivables from Group company	20 428	6 343
	Total receivables	21 483	7 490
	Cash and cash equivalents	399 074	635 053
	Total current assets	**420 558**	**642 543**
	TOTAL ASSETS	**1 766 221**	**2 016 407**

(NOK 1,000)

NOTE	SHAREHOLDERS EQUITY AND LIABILITIES	31/12/2022	31/12/2021
	Shareholders equity		
	Paid-in equity		
7,9	Share capital	1 521	1 556
7, 10	Share premium	2 115 938	2 115 938
	Total paid-in equity	2 117 460	2 117 495
	Equity		
7	Other equity	-558 203	-114 592
	Equity	-558 203	-114 592
	Total shareholders equity	**1 559 256**	**2 002 903**

	Liabilities		
	Current liabilities		
	Trade and other payables	417	973
8	Debt to group Company	206 548	12 532
	Total current liabilities	206 965	13 505
	Total liabilities	**206 965**	**13 505**
	TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	**1 766 221**	**2 016 407**

Oslo, March 28, 2023
Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Haug Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Vice-Chair of the Board

Marianne Wergeland Jenssen
Board Member

Phillip Austern
Board Member

Asta Ellingsen Stenhagen
Board Member

Trond K. Johannessen
CEO

Cash Flow Statement

(NOK 1,000)

	2022	2021
CASH FLOW FROM OPERATIONS:		
Profit/(loss) before taxation	-377 240	-13 049
Taxes paid for the period	0	0
Depreciation and amortisation	0	0
Impairment of investment in Pexip AS	404 000	0
Pension expenses without cash effect	0	0
Effect of currency rate changes	-25 734	-6 350
Gain/(loss) on sale of fixed assets and intangibles	0	0
Financial income/(expenes) - net	-4 383	-286
Items classified as investment or financing activities	0	0
Interest received	4 742	461
Change in trade receivables	0	0
Change in trade payables	-675	-266
Changes in inter-company balances	179 931	3 050
Changes in other current assets and other liabilities	92	-150
Net cash flow from operations	**180 733**	**-16 589**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Outflows due to investments in daughter company	-354 413	-245 765
Net cash flow from investment activities	**-354 413**	**-245 765**
CASH FLOW FROM FINANCING ACTIVITIES:		
Inflow from share exercise	0	94 486
Inflow due to new current liabilities	0	0
Net change in equity	0	0
Equity repayment	0	0
Issuance of ordinary shares	0	0
Purchase of treasury shares	-87 674	-87 996
Interest paid	-359	0
Payments in due to group contribution	0	0
Payments out due to group contribution	0	0
Net cash flow from financing activities	**-88 033**	**6 490**
Effects of currency rate changes on bank deposits, cash and equivalents	**25 734**	**6 350**
Net change in bank deposits, cash and equivalents	-235 979	-249 514
Bank deposits, cash and equivalents at 1. january 2021	635 053	884 567
Bank deposits, cash and equivalents at 31 December	**399 074**	**635 053**

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 - 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	247 057	-389 756

Investment in daughter company Pexip AS is written down with NOK 404 million in 2022 as a result of the valuation performed for the companies of the Pexip Group. In December 2022 there was a capital increase in Pexip AS performed by conversion of receivables.

The capital increase amounted to NOK 350 million.

Note 3 - 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 disclosed in the managment remuneration report for 2022.

Remuneration to board of directors in the parent company

The remuneration to board of directors is disclused in the management remuneration report for 2022.

Auditor

Remuneration to Deloitte AS and their associates is as follows:

	2022	2021
Statutory audit	2 454	1 740
Other certification services	81	80
Total	**2 535**	**1 820**

Amounts are excl. of VAT

Note 4 - Operating expenses

(NOK 1,000)

Other operating expenses	2022	2021
Operating expenses	10 743	12 532
Audit fees	2 535	1 820
Other professional fees	2 085	4 248
Other operating costs	4 950	3 945
Total	20 314	22 544

Note 5 - Financial Income and expenses

(NOK 1,000)

	2022	2021
Interest income	6 983	461
Exchange gains	25 734	6 338
Other financial income	-1	
Interest income from Group company	16 957	2 872
Financial income	**49 673**	**9 671**
Interest expense	-2 600	-176
Exchange losses		
Other financial expenses		
Financial expenses	**-2 600**	**-176**
Net financial income (expense)	**47 074**	**9 495**

Of the Exchange gains and losses as of 31 December 2022, NOK 25 732 are related to currency changes (AUD, DKK, EUR, GBP, SEK, SGD, USD) for the bank accounts.

Note 6 - Income tax expense

(NOK 1,000)

Specification of income tax expense:	2022	2021
Current income tax payable		
Changes in deferred tax	5 887	-2 871
Tax on profit/(loss)	5 887	-2 871

Allocation of income tax expense between Norway	2022	2021
Tax on profit/(loss)	5 887	-2 871

Reconciliation from nominal to real income tax rate:	2022	2021
Profit/(loss) before taxation	-377 240	-13 049
Estimated income tax according to nominal tax rate (22%)	-82 993	-2 871
Tax effect of non deductible expenses	88 880	
Income tax expense	5 887	-2 871
Effective income tax rate	**-2 %**	**22%**

Due to impairment of investment in Pexip AS, the effective tax rate significantly differs from the nominal tax rate of the company. This cost is treated as a non deductible expense.

Specification for the tax effect of temporary differences and losses carried forward	2022 Asset	2021 Asset
Tax losses	35 908	41 795
Total	**35 908**	**41 795**

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 7 - Equity

(NOK 1,000)

Paid-in equity	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
Equity at January 1, 2022	1 556	2 115 938	-15 411	-99 181	2 002 902
Capital increase/share issue					-
Profit/(loss) of the year				-383 126	-383 126
Buy/sell treasury shares	-35		-87 404		-87 439
Share based payments			26 920		26 920
Equity at December 31, 2022	**1 521**	**2 115 938**	**-75 895**	**-482 307**	**1 559 256**

Note 8 - 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 2022	Intercompany borrowings 2021
Pexip AS	Subsidiary	206 548	12 532
Total		**206 548**	**12 532**

Counterpart	Relationship to the counterpart	Intercompany receivables 2022	Intercompany receivables 2021
Pexip AS	Subsidiary	270 961	252 108
Total		**270 961**	**252 108**

Intercompany borrowings amounted to NOK 206 548 of which NOK 193 412 is related to the established cash pool for the Pexip Group.

Total cash amount within the cash pool for the Group per year end 2022 is booked in Pexip Holding ASA as the legal owner of the cash.

Note 9 - Share capital and shareholder information

The Parent Company's registered share capital as at December 31, 2022 was NOK 1,566,445 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 3,032,968 making the presented share capital NOK 1,520,950.

The Parent Company's registered share capital as at December 31, 2021 was NOK 1,566,445 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 1,556,255.

Development in the number of issued and outstanding shares

	Number of shares (1,000)	Share capital (1,000)
Outstanding at January 1, 2022	104 429	1 566
Outstanding at December 31, 2022	**104 429**	**1 566**

Treasury shares

	Number of shares
Outstanding at January 1, 2022	-719
Shares bought back on-market	-2 370
Employee share scheme issue	56
Outstanding at December 31, 2022	-3 033

In February and March 2022 (initiated on February 11) the company performed a share buyback of NOK 87,7 million in accordance with the share buyback program.

The buyback program has been completed on March 10, 2022.

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 2 369 788.

Ownership structure

The 20 largest shareholders as of December 31, 2022:

	Shares	Ownership
T.D. VEEN AS	6 146 946	5.89%
HOLMEN SPESIALFOND	5 009 796	4.80%
BJØBERG EIENDOM AS	4 025 775	3.86%
PEXIP HOLDING ASA	3 032 968	2.90%
Avanza Bank AB	2 829 785	2.71%
J.P. Morgan SE	2 498 677	2.39%
VEEN EIENDOM AS	2 133 496	2.04%
SYNESI AS	2 100 000	2.01%
STAVANGER VENTURE AS	2 061 063	1.97%
A HOLDINGS AS	2 010 000	1.92%
The Bank of New York Mellon SA/NV	1 921 547	1.84%
XFILE AS	1 850 000	1.77%
CARABACEL AS	1 563 064	1.50%
CHAMBERLIN	1 516 101	1.45%
LIA INVESTMENTS LIMITED	1 451 252	1.39%
SIRIUS AS	1 300 000	1.24%
PROJECT X INVESTCO AS	1 296 262	1.24%
Skandinaviska Enskilda Banken AB	1 292 691	1.24%
PEBRIGA AS	1 207 730	1.16%
Tamorer ltd ATF Wylie Family Trust	1 118 748	1.07%
Total top 20 shareholders	46 365 901	44.40%
Others	58 063 770	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, 2022:

	Shares	Ownership
Kjell Skappel (Vice-Chairman)	10 341 505	9.90%
Per Haug 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%
Phillip Austern (Board Member)	100 000	0.10%
Ian Mortimer (CTO)	54 667	0.05%
Patricia Auseth (CMO)	10 068	0.01%
Åsmund Fodstad (CRO)	776 275	0.74%
Ingrid Woodhouse (CPO)	39 080	0.04%
Øystein Hem (CFO)	130 968	0.13%
Trond Johannessen (CEO)	75 000	0.07%
Total	17 303 402	16.57%

Dividend paid and proposed

Proposed for approval at AGM for financial year 2022 is that no dividend will be paid. No dividend was paid for financial year 2021.

Note 10- Share-based payments

(NOK 1,000)

Pexip has two share-based compensation programs offered to employees: stock options and restricted stock units (RSUs). In 2022, Pexip provided an extraordinary grant to key employees and management, which vest on 31.12.2024. Vesting criteria for grants to Management include certain performance criteria, whereas grants to key employees include no other performance obligations than continued employment. Legacy stock option programs (granted prior to 2022) 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 once, 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.

For RSUs granted in 2022, 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	**2022**	**2022**	**2021**	**2021**
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at January 1	54,81	5 131 938	41,03	7 908 534
Granted during the year	17,28	3 940 000	84,20	942 000
Converted during the year	N/A	-2 012 725	N/A	N/A
Forfeited during the year	47,35	-1 784 188	46,65	-621 000
Exercised during the year	14,50	-16 200	30,50	-3 097 596
Expired during the year	14,50	-5 875	-	-
Outstanding at December 31	**26,14**	**5 252 950**	**54,62**	**5 131 938**

RSUs	**2022**	**2022**	**2021**	**2021**
		Number		Number
Outstanding at January 1	-	93 780	-	-
Granted during the year	-	973 725	-	98 310
Converted	-	811 490		
Forfeited during the year	-	-644 463	-	-4 530
Exercised during the year	-		-	-
Expired during the year	-		-	
Outstanding at December 31		**1 234 532**		**93 780**

The exercise price of options outstanding at December 31, 2022 ranged beetween NOK 14.5 and NOK 100 (2021: NOK 14.5 and NOK 100) and their weighted average contractual life was 3.1 years (2021: 3.2 years). Weighted average contractual life for RSUs outstanding at December 31, 2022 was 1,99 years (2021: 3.12 years).

Of the total number of options outstanding at December 31, 2022 1,131,175 (2021: 325,438) had vested and were excercisable. No RSUs were vested at December 31, 2022.

The weighted average fair value of each option granted during the year was NOK 4.69 (2021: NOK 25.46). The weighted average fair value of each RSU granted during the year was NOK 31.57 (2021: NOK 64.06).

The total expense recognised for the period arising from equity-settled share-based payment transactions was NOK 25.1 million (2021: NOK 30.4 million).

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

Options	**2022**	**2021**
Option pricing model used	Black-Scholes/ Monte Carlo	Black-Scholes
Weighted average share price at grant date (in NOK)	16	83
Excercise price (in NOK)	17	84
Weighted average contractual life (in days)	1 675	1 827
Expected volatility	41.69%	36.01%
Risk-free interest rate	2.57%	0.76%

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	**2022**	**2021**
Weighted average share price at grant date (in NOK)	18	64
Excercise price (in NOK)		-
Weighted average contractual life (in days)	986	1 230
Expected volatility		-
Risk-free interest rate		-

Note 11 - Events after the balance sheet date

No events that have significantly affected or may significantly affect the operations of Pexip Holding ASA have occurred after 31 December 2022.

Note 12 - Market situation

The impact from the market situation 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, 2022, 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 28, 2023
Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Haug Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Vice-Chair of the Board

Marianne Wergeland Jenssen
Board Member

Phillip Austern
Board Member

Asta Ellingsen Stenhagen
Board Member

Trond K. Johannessen
CEO

Auditor's Report

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To the General Meeting of Pexip Holding ASA

INDEPENDENT AUDITOR'S REPORT

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 2022, the income 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 2022, the statement of profit or 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 2022, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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 relevant laws and regulations in Norway 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 3 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 statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Carrying amount of goodwill

Key audit matter	How the matter was addressed in the audit
As disclosed in note 2.4 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 appear 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 statutory requirements.

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

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 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 and using 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 and 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.

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.

Deloitte.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Pexip Holding ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "PexipHoldingASA-2022-12-31-en.zip", have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance 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 about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data 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, 28 March 2023
Deloitte AS

Eivind Ungersness
State Authorised Public Accountant

This document is electronically signed

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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