]pexip[

Annual Report 2020

A year of growth

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About Pexip

Our Mission

Empower people to be seen and to engage with each other in a better way

Our Vision

To make virtual meetings better than meeting in-person

Our Promise

Meet the World with video communications as it should be

Empowering the Modern Workplace Through Enhanced Video Collaboration Experiences

Pexip is a global technology company that delivers a video-first meeting platform. The Pexip platform is sold through a global network of over 300 reseller partners located in 75 countries, serving users in 190 countries. Pexip's goal is to make virtual meetings even better than meeting in-person, by empowering people to see and engage with each other in a better way. This vision became even more relevant in 2020, as the Covid-19 pandemic made videoconferencing a business-critical tool across the globe.

The increased use of videoconferencing in 2020 means that organizations have become more aware of what they really need from a videoconferencing platform in order to enable remote work at scale, prepare for hybrid working and maintain business continuity. With many using videoconferencing from home offices and remote locations, organizations are looking for a platform that provides security and privacy, the best possible meeting experience, and the possibility to connect different platforms and devices.

Pexip's customers are mainly large private and public organizations, including more than **15%** of the Fortune 500. These organizations choose Pexip because they are looking for a security-first, enterprise-grade videoconferencing solution that is easy to use and manage and which offers them the possibility to:

- **Securely join with any device**
  Users can join from laptops, smartphones and conference rooms from any location, without the need for downloads or software installs, and with the confidence that their data is secure and private.

- **Easily integrate videoconferencing with existing tools and systems**
  With Pexip, no matter the video system, productivity tool, platform, calendar or device, organizations are able to connect the tools and workflows already in use, and utilize native integrations with Google Meet and Microsoft Teams.

- **Customize the user experience through APIs and branding**
  Through custom branding options and Application Programming Interfaces (APIs) for deep integrations, organizations can make Pexip meetings their own.

- **Provide the best possible user experience**
  High bandwidth audio and video reduces meeting fatigue and improves comprehension, and artificial intelligence (AI) makes video meetings as close to in-person meetings as possible by reducing distractions and creating a natural experience, bringing meetings to life.

- **Deploy in the location of choice**
  Flexible deployment models mean a cloud-native platform provided as a service, deployed as a self-hosted solution either on-premises or in any cloud environment, or as a hybrid solution in a private cloud - all built on Pexip's proprietary Infinity technology and delivered as a recurring subscription-based model.

> " Pexip leads with the notion that users should not have to settle for 'good enough' video meetings and less than optimal experiences. The company is constantly pushing the boundaries of technology to stay on the leading edge "

Roopam Jain
Senior Director, ICT, Frost & Sullivan

FROST & SULLIVAN

A Burgeoning Increase in Business-to-Consumer Applications

2020 also saw an explosion in the use of videoconferencing for specialized business-to-consumer applications. With the APIs that Pexip offers for deep integration and flexible applications, the company is at the forefront of this transformation.

The Pexip solution can be adapted to specific uses in most industry sectors. From a strategic perspective, Pexip focuses mainly on three main vertical markets - healthcare, government, and financial services - and the company has seen a tremendous growth in customers and applications within each of these sectors.

Healthcare

According to industry analysts, Gartner, 30% of patient interactions are expected to be virtual by 2022 and digital health products and services are demonstrating strong results within the quadruple aim of enhancing patient experience, improving population health, reducing costs, and improving the work life of healthcare clinicians and staff. Hospitals and health systems have found new ways to use video to connect patients with families when they cannot visit, conduct virtual health screenings, treat acute illness and chronic diseases. Telehealth has become more widely accepted by both providers and patients. A telehealth platform that makes an impact in patient care is one that is easy to use, integrates with provider workflows, can scale based on demand, and keeps data secure. Pexip meets all these criteria, including having introduced a native integration with Epic, the world's largest provider of patient records services.

The Pexip platform is already powering more than 600,000 virtual visits a week for leading hospitals and health systems in North America alone and has a growing number of Pexip customers within the sector, including Queensland Health, Helsinki University Hospital, The U.S. Department of Veterans Affairs, and the U.S. Defense Health Agency. In addition to hospitals and health systems, Pexip is the backbone powering telehealth for service providers including Amwell, Visuwell, and Caregility.

"With Pexip, not only could we maximize the potential of our existing solutions, but we also could avoid potential technology barriers between Queensland Health and people's homes. We can now scale to coordinate and manage hundreds of patients via video conference outside of our network. The user experience is seamless"

Queensland Health
Australia

Queensland Government
Queensland Government Queensland Health

Government

Government organizations around the world rely on Pexip's secure video conferencing platform for their most sensitive communications. Pexip's platform is designed to meet the strictest US Federal requirements and uses industry-standard encryption and security protocols to control access and to prevent unwanted audiences from listening in, giving organizations control over their own environment. The lockdowns of 2020, a result of the Covid-19 pandemic, saw an increase in videoconferencing applications designed to facilitate government-citizen interaction, including virtual court meetings.

Financial Services

Covid-19 has rapidly increased the need for financial institutions to innovate and make video a natural part of their customer interaction. Data security and privacy has never been as relevant as it is now and financial institutions are under pressure to offer videoconferencing services that build customer trust and loyalty through an easy-to-use videoconferencing solution for consumers.

Pexip is in a unique position to meet the requirements of these institutions through:

- **Branding** - Customizable user interface extends customers' branding across the customer experience
- **Data Sovereignty** - Customers maintain full data control and privacy
- **Browser Based** – No downloads ensuring the ultimate ease of use
- **Flexibility** - Multiple deployment options (private cloud, self-hosted, or as-a-service)
- **Interoperability** - use in conjunction with existing workflows, devices and platforms
- **Integration** - Comprehensive set of APIs for further integrations into Financial Services technologies

"Pexip has been an opportunity to expand the way justice is offered to a variety of populations throughout our state. The ease that outside participants can connect to the video conference has been a major benefit as very little support has been requested by those outside participants. Pexip has allowed us to include all outside participants easily"

State Supreme New Mexico Court
USA

"Pexip's interoperability between Teams and Cisco met our needs better than other potential solutions. We also appreciated that robust dial-in and compliance capabilities are included so we could meet all our virtual meeting needs from a single, secure platform"

Patrick de Klerk
System Engineer at APG

Team Pexip - A Year of Growth and Development

The Pexip team is distributed across many countries. Development teams are located in Norway and the UK. Other functions are spread throughout Europe, Asia and Pacific, and North America.

The company is headquartered in Oslo, and has offices in London, New York, Washington DC, Sydney, Singapore, Stockholm, Copenhagen and Paris.

2020
Pexip at a glance

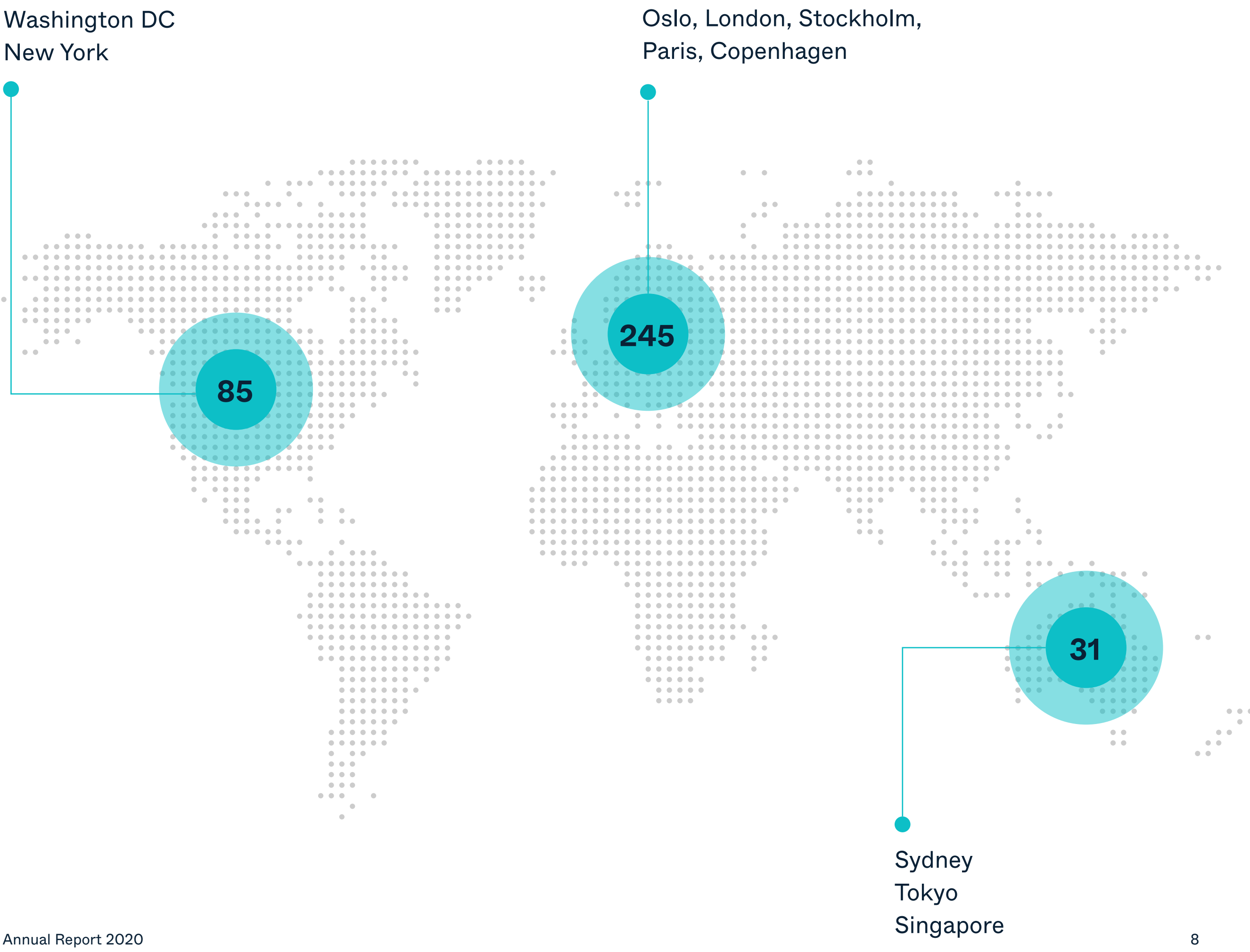
2011
Company founded

190
Countries with users

361
Employees in 23 countries

114%
Net customer retention rate

300
Partners in 75 countries



The Pexip Way

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

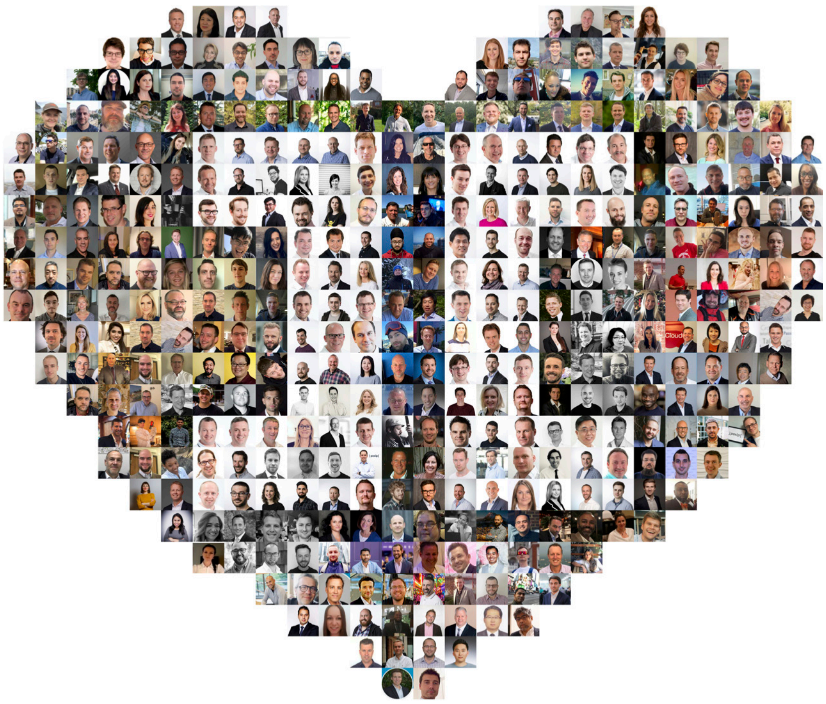
No Bullshit
We say it as it is
We do what needs to be done
We stand for honesty and integrity

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

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

“In challenging times, Team Pexip really demonstrates how several of its values are heralded in its daily tasks. The values that we hold so dearly and that we all adhere to and use in our regular jobs are vital to how we’re holding up during Covid-19. Not to mention how we perform. Our company values are with us in these days of crisis. We have freedom & responsibility in our jobs. We are professional but we also seek to have fun to keep morale up. And we stand together as one team. Finally, we do what is needed, and we say it as it is in a constructive manner. Or, as we like to put it, No Bullshit”

Anders Løkke
Senior Director Strategic Alliances
Pexip, Norway



#WeArePexip

Pexip aims to be the leading People organization in the industry. Developing and nurturing employees as the company grows is a key strategic pillar; a strong team and business culture is at the core of the company, and culture and strategy go hand in hand. Pexip believes that company values that are communicated and experienced through company-wide learning & development initiatives, shared experiences and everyday interactions create a strong foundation for further growth. The values were defined by the company's employees to secure a common foundation for how employees work, learn, and treat each other, for who is hired, how Pexip engages with partners and customers, and for how the company handles conflict and change. The Pexip Way, both values and mindset, has become a true part of Pexip's DNA. Every month the company celebrates a PexChampion who is nominated by co-workers for having demonstrated the values in action.

In 2020 Pexip experienced tremendous growth. Scaling the Pexip Way as the company grows is critical to Pexip's success. People are onboarded through a New Hire Program that introduces strategy, priorities, purpose, and values. The program is hosted by the Leadership Team. The goal of the onboarding process is to reduce time to learning and success, build trust and confidence, and establish community.

] pexip [academy

In addition, in 2020, the Pexip Academy was launched to promote learning and offer a variety of training programs. The company also introduced development programs for leaders and sellers, built on the Pexip Way principles. Pexip believes that fostering curiosity, creativity, learning, and innovation secures technology leadership and competitive advantage.

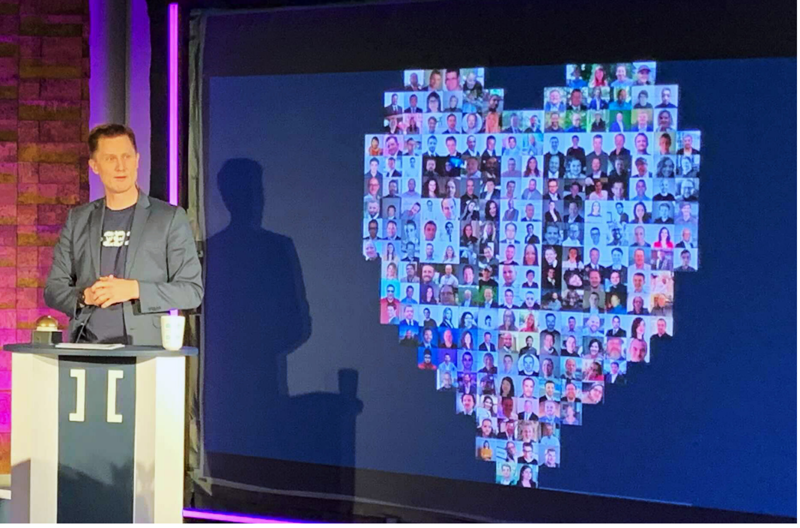
Since day one, Pexip has had an open and inclusive work culture with equal opportunities for all. The company is proud to represent a diverse workforce and sees diversity as a competitive advantage. The company is rolling out a series of initiatives to further increase focus on diversity across the company. More details can be found in the 2020 Sustainability Report.

"I was attracted to the "company's voice" throughout my interview process, and I remain "rah-rah!" about Pexip after my onboarding as I see examples of how the company values are demonstrated by employees at all levels of the organization every day"

David Riley
Business Development Representative
Pexip, USA

"Even if each of us is vastly different and has diverse needs and wants in our work environments, we can still share the same core values. And if those shared values support diversity, and if they are demonstrated, talked about, and celebrated on a regular basis, and actively searched for when recruiting, then that will create a workplace where everyone is comfortable and further diversity can flourish"

Juliet Durdle
Technical Author
Pexip, UK

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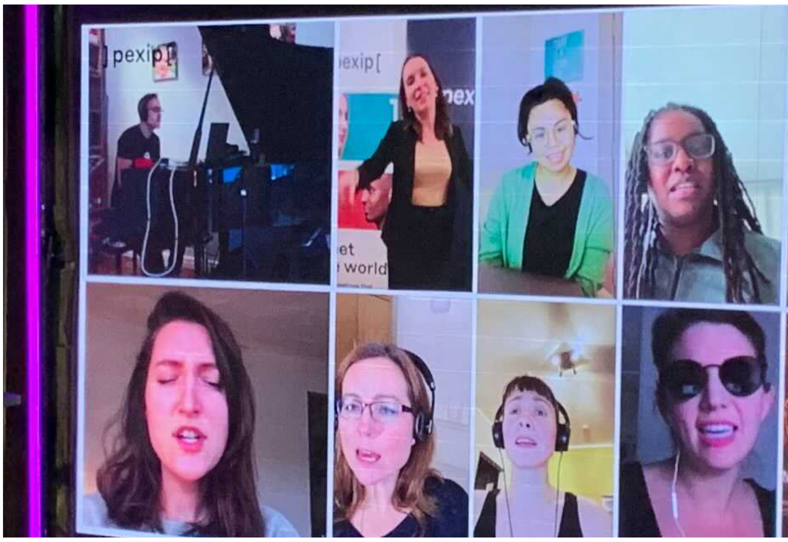
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Business Model

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

Pexip has established and trained a global community of authorized channel partners and service providers, and currently has more than 300 authorized channel partners globally. Pexip's channel partners are supported by Pexip's high-touch sales organization, which provides expertise and focus on promoting and selling Pexip solutions. These channel partners include the likes of Orange, a global system integrator and telecom network operator, NTT, a leading, global technology services company, ConvergeOne, a leading US-based IT services provider of collaboration and technology solutions and Kinly, a leading global video and AV specialist integrator. They provide Pexip solutions to their existing customers and possess the technical knowledge and relationships to manage those customers throughout the sales process, from trials to onboarding to support. This strategy also provides the most scalable in-country sales- and support capability (i.e. local language, time zone coverage, etc.), creating an attractive return from the investment in sales and marketing of 5.7x for 2020 measured in expected customer lifetime revenues to customer acquisition cost.

Pexip offers both a self-hosted software application and as-a-service deployment options for enterprise videoconferencing, built on the core Infinity technology. Both offerings are delivered as a recurring subscription-based model.

Approximately 98% of Pexip's revenues are generated from recurring subscription fees. Additional revenues are one-off revenues related to set-up and professional services.

Strategy

Pexip's strategy for 2020 – 2024 is to build upon the current business model and accelerate growth by supercharging the existing sales model and expanding the current product offering.

Supercharging the existing sales model means:

A. Pexip believes that current sales coverage in Europe, North America and Asia Pacific can be substantially increased.

B. Pexip has strong brand recognition within the video industry, however, the company can benefit from more recognition among end users. To facilitate this, spend on marketing will continue to increase.

C. Pexip has an opportunity to create more business together with Pexip's alliance partners such as Microsoft and Google, through more co-selling and marketing activities.

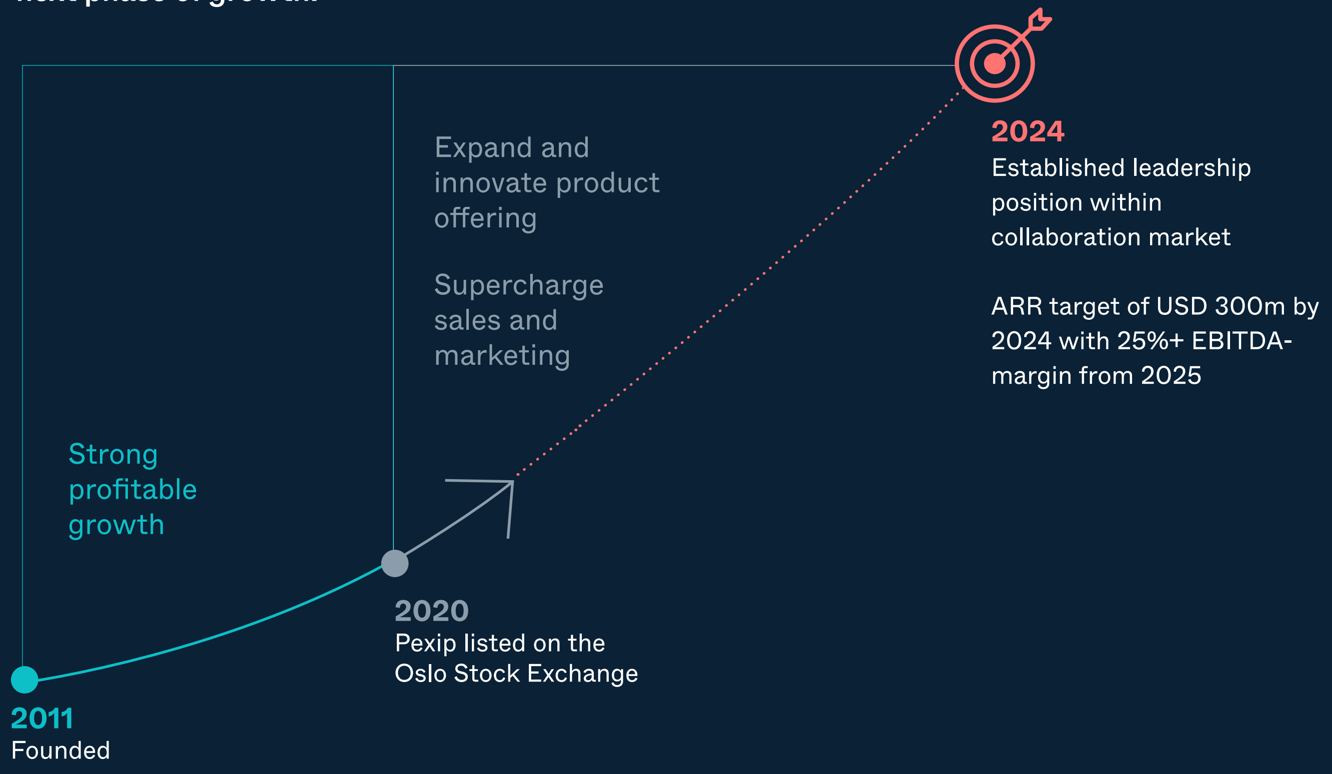
D. Pexip intends to increase investment in customer success. Installation and support are critical components of this drive. Pexip will build more dedicated professional service practices, to further help partners in building their own professional services, as well as doing proof-of-concepts on a larger scale. In addition, Pexip intends to refine and invest in product capabilities from end user "training-on-demand" to deeper analytics to better understand and support customers and partners. Furthermore, Pexip intends to expand its follow-up of larger customers with consultative usage and adoption support and identification of up- and cross-sell opportunities.

Improving and expanding the product offering means:

Pexip aims to have the leading end user experience before, during and after the meeting, across apps and rooms, and to expand the use of AI for video (e.g. Adaptive Composition), audio (e.g. noise suppression, translation, transcription), and facility management (e.g. heatmaps on room usage patterns). Investments would include areas such as additional R&D engineers to develop these capabilities further, as well as strengthening design capabilities.

Targets

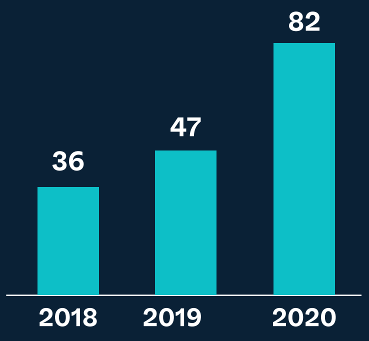
Pexip has started on the next phase of growth!



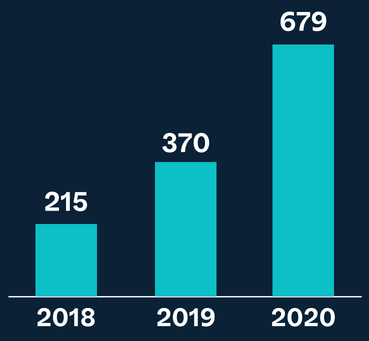
Pexip targeting to reach USD 300 million in ARR by end of 2024

Revenue growth	ARR of 300 million by end-of-2024
Long-term profitability	2025 EBITDA of +25% revenue growth Plan for negative 25-35% EBITDA in 2021/2022, neutral to positive EBITDA in 2023
Market recognition	Recognized leader position in Meeting Solutions market within 3-4 years

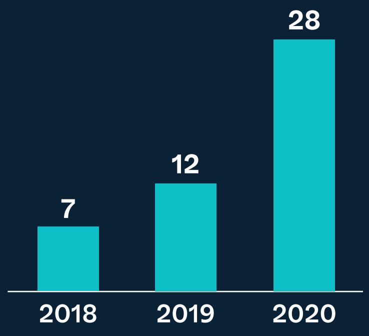
Key Figures



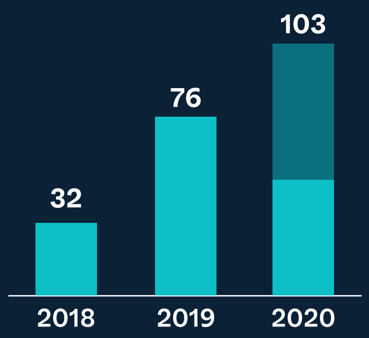
Contracted Annual Recurring Revenue (ARR, MUSD)



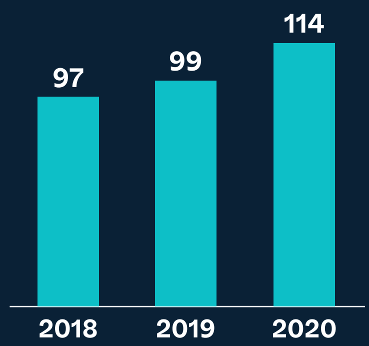
Revenue (MNOK)



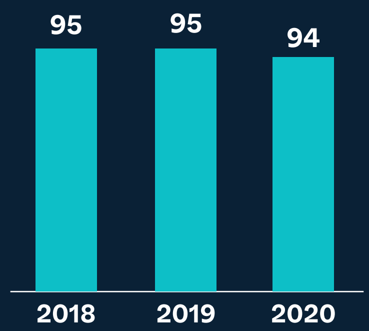
ARR from New Customers (MUSD)



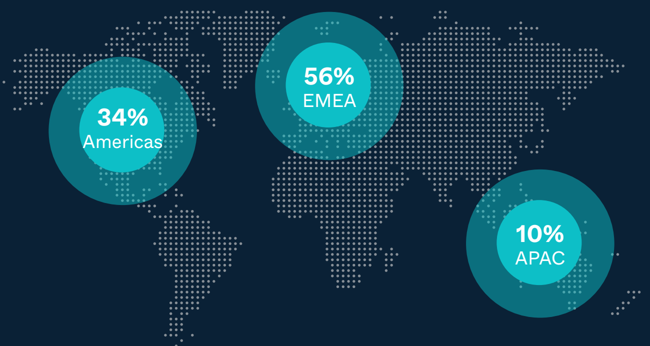
EBITDA adjusted (MNOK)
EBITDA



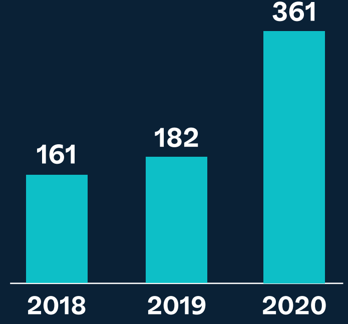
ARR Net Retention Rate (% of ARR)



Gross margin (% of revenue)



Geographical Distribution ARR 2020



Employees

Letter from the CEO

A Year of Immense Global Change

2020 was a year of immense change dictated by the Covid-19 pandemic. Organizations were forced to rethink strategies and workflows to deal with travel bans and lockdowns. As a result, we saw rapid digitalization in all sectors, leading to the mass adoption of videoconferencing. 2020 was the year that finally revealed the full power and promise of video communication, making it a business-critical tool to help organizations maintain business continuity.

When office workers were sent home in March 2020, organizations adapted and scaled their videoconferencing platforms to support unprecedented growth in demand. Many teams shifted from an audio-first culture to video-first, to foster human connection during a time of isolation. We also saw many new and innovative uses of videoconferencing, such as an explosive use of video in telehealth and virtual care. For instance, the U.S. Department of Veterans Affairs (VA)'s Video Connect app, built on Pexip, reached 170,000 weekly video visits at the peak of usage in 2020, and demand scaled 1000% in response to the pandemic.

A Year of Unprecedented Growth for Pexip

The explosive increase in the usage of videoconferencing fueled Pexip's own growth, combined with the investments following our listing on the Oslo Stock Exchange in May 2020. We had already started planning an IPO prior to the pandemic and to make sure the listing went ahead as planned, we used videoconferencing to conduct almost the entire IPO process. We demonstrated that not only was this possible, but that it actually significantly increased the productivity and reach of the team and helped shift the mindset of the financial community when it comes to virtual meetings. Investor meetings were conducted with over 15 cities worldwide and working on video allowed for last minute changes and flexibility in a packed agenda. The fact that all of the one-on-one investor meetings led to subscriptions to the IPO also demonstrates that virtual meetings can be just as impactful, even when they involve complex negotiations. Our calculations showed that we saved over 1,700 hours -- more than 70 days -- of travel time alone, and over 80 tons of CO_2 -- roughly the amount that ten people use in an entire year. In conclusion, conducting the process on video saved time and emissions and made the process more efficient.

Through the IPO, Pexip raised over USD 100 million, attracting investors from across Europe and the United States. The decision to pursue a listing forms part of our long-term growth strategy and has enabled us to accelerate the growth of our Pexip team, both to drive sales and marketing as well as product development. The additional capital, in conjunction with the immense growth in the use of videoconferencing across the globe, means that we are on track to deliver on our long-term plan of reaching USD 300 million in annual recurring revenue (ARR) by the end of 2024.

In 2020, Pexip experienced a solid increase in its customer base and its revenue in all quarters and geographies. The contracted ARR at the end of 2020 was USD 81.9 million, up 73% from the end of 2019. Pexip did not only grow significantly, but we grew profitably as well. Adjusted for IPO expenses, EBITDA margin was 15%, in a year with significant investments in all geographies, scaling the local sales teams for future growth. We focused on expanding sales and R&D capacity, and finished 2020 with a total of 361 employees, up 98% from the end of 2019. We will continue on the growth path in 2021.

It was of course also a year of huge change for our employees. Being a videoconferencing company, virtual meetings were already a natural part of our everyday workflows, so we were able to adapt quicker than many other companies to remote working. That said, we also see the value of meeting in-person. Our development teams, for example, normally work in-person in the UK or Norway office, and we thrive on getting together for internal as well as customer and partner events. In addition, we went through a year of tremendous growth during 2020, adding 179 new employees, with most of the hiring and onboarding being done on video. All of this meant that we also had to be more innovative in our use of video to ensure that existing and new employees felt connected to each other and part of our company culture, The Pexip Way, while working remotely. At Pexip we aim to be the leading People organization in the industry. The Pexip Way defines how we interact with each other, customers, and partners on a daily basis. Developing and nurturing employees as we grow is critical as we believe that culture and strategy go hand in hand. In 2021, we will continue to focus on work culture, people development, equal opportunity and recruiting top talent, shaping a future-ready organization, and ensuring continued technology leadership.

Technology Leadership Fuels Sales Success

Our main target market is large enterprise customers, and we are delighted to have more than 15% of the Global 500 companies as our customers, including the likes of Accenture, Vodafone, and General Electric. In addition, we have attracted a range of public sector customers such as NASA and The US Defense Health Agency.

Over the past year, Pexip has introduced several market-shifting innovations to help customers improve their video communication experience:

AI Driven Meeting Experience

As organizations prepare for the future of work, delivering an outstanding user experience is more important than ever. Pexip is already using AI to improve the user experience in video calls and Adaptive Composition is one example of this.

Adaptive Composition is the name of our AI-driven meeting experience that puts all participants in a call on equal footing and reduces potential video fatigue with a more natural, engaging layout. Unlike other videoconferencing solutions, Pexip can transcode live media during meetings to give each and every participant the best possible audio and video experience on the device they're using by analyzing the media in real time using machine learning. Our unique real-time media technology enables this for all participants in the call. Adaptive Composition is one step towards fulfilling our Vision of "making virtual meetings better than meeting in person".

In addition, with the introduction of a feature called **One Touch Join**, users are able to join all meetings with a single touch, across all devices and platforms.

Deployment Flexibility

Pexip is unique in being able to offer a total solution that allows customers to deploy our solution as they choose, whether that be a cloud-native platform provided as a service or deployed as a self-hosted solution on-premises or in any cloud environment.

At the end of 2020, we launched an additional deployment method, the **Pexip Private Cloud.** This new deployment option provides the missing rung between self-hosted and shared cloud services, giving customers the ease and scalability of a public cloud with the control, security and privacy of a self-hosted solution, mission critical to industries with strict regulatory compliance including finance, healthcare and government services. In essence, “the best of both worlds”.

We saw a growing need for a solution that guarantees customers control over their data without the complexity of expanding and managing virtual machines and compute capacity. Pexip Private Cloud gives them the possibility to turn on expanded videoconferencing services the same day, not weeks down the road. At the same time, it expands Pexip’s potential to target new customer segments and use cases. This is a unique offering in the market and not available on any other videoconferencing solution.

Extension of Business-to-Consumer Use Cases

We are seeing an explosion in the number of use cases within various vertical sector applications. With our set of APIs, customers are able to carry out deep workflow customization for business to consumer applications within remote healthcare, financial services, legal services and other industries.

One such example is a new initiative, Pexip Health, and the patient record integration, Epic. Pexip Health is a solution that allows healthcare providers to extend the reach of their practice by providing secure, easy-to-join telehealth visits for patients from any device or location. Roughly 30% of patient interactions are expected to be virtual by 2022. With telehealth products from Pexip Health, customers can adapt to the changing landscape and give their patients the care they need, when they need it.

Awards and Recognition

The awards and recognition we have received from industry analyst firms throughout the year also speak to the unique position Pexip holds in the market in terms of our product portfolio and the combined efforts of the Pexip team and our channel partners.

In September, we were delighted to be named for the second year in a row as a Visionary in Gartner's Magic Quadrant for Meeting Solutions. Gartner's Magic Quadrant is widely recognized as the world's most influential market analysis for IT buyers, and companies are evaluated on their ability to execute and completeness of vision. We believe our inclusion in the Magic Quadrant is a testament to Pexip's unique product offering, broad customer base, and established growth record.

In addition, Frost & Sullivan recognized Pexip with the 2020 Global Business Video Conferencing Entrepreneurial Company of the year award for technology innovation, strong business growth, and outstanding customer experience.

Channel- and Strategic Partnerships Enabled Growth and Scale

We continue to sell exclusively through channel partners, and we work closely with our 300 channel partners to scale our sales and marketing efforts and promote brand recognition globally. We focused heavily on channel enablement in 2020, holding two partner summits and building out our Pexip Academy training and certification courses as an online offering.

We also continued to succeed in co-marketing and selling with ecosystem-partners like Microsoft and Google. As one of four certified vendors to offer a Microsoft Teams video interoperability solution, we have brought the capability to market and worked in close partnership with Microsoft to break down the barriers in organizations where they were challenged by the migration from Skype for Business to Teams, or when the customer had a deployment of traditional videoconferencing devices that they wanted to provide access to the Teams experience. Pexip works closely with Microsoft to engage with Microsoft customers through sales calls, joint webinars, and digital campaigns.

Gartner

Magic Quadrant for Meeting Solutions 2020

FROST & SULLIVAN

2020 Entrepreunial Company of the Year Award

Similarly, for customers who have standardized on the Google Meet ecosystem, we offer a Google Meet gateway solution. Pexip was the first to offer this and is currently the only vendor with a solution for this use case.

A new strategic relationship was announced early in 2021 with Logitech, with whom we partnered to deliver a seamless, secure videoconferencing experience for meeting rooms. Pexip natively integrates with Logitech's new generation portfolio of videoconferencing solutions to provide a consistent end-to-end user experience from any location. With its new Rally Bar and Rally Bar Mini, as well as the Logitech RoomMate compute appliance, Logitech has created smart, high-quality video-room hardware that enables Pexip, for the first time ever, to bring our AI and video stack to meeting rooms of all sizes for a fully native Pexip experience.

Looking Ahead to 2021

Based on experience from 2020, it's always difficult to predict the future. What I can say is that videoconferencing has become ubiquitous and organizations across the board have incorporated video as a business-critical tool. I don't think that will change. What will change is that organizations will be looking for a solution that fits their long-term needs and doesn't just provide a quick fix. To address video meeting fatigue, users are looking for vendors that offer more natural, engaging meetings. The next normal will be hybrid working, from the office as well as home. Thus, many meetings will be video meetings to make sure people stay connected where they are. The office space and meeting rooms of the future will need to cater for different meeting types and meeting spaces, from individual offices, to huddle rooms, all the way up to boardrooms, in combination with home offices. Users will want meetings to work as well from the browser as they do from high-end video systems. They are also seeking more open, interoperable solutions that allow them to join any meeting using the same workflow. In addition, concerns over security and privacy mean organizations are seeking out vendors that provide secure systems that maintain data sovereignty. Pexip is in an ideal position to address all of these demands and help organizations balance their continued need to combine office re-openings with remote work.

I am extremely proud of the dedication demonstrated by the Pexip team throughout 2020 as the pressure to scale meant long hours and strict deadlines. Driven by our core values, we look forward to continuing to work hard to meet the needs of our customers and partners across the globe. We will continue to execute on our growth plan and increase investments in future growth by adding additional talent in sales and marketing as well as R&D, targeting 550-600 employees by the end of 2021. By continuing balancing growth and equity efficiency, we aim for increased shareholder value - for employees and our broader investor base.

According to Frost & Sullivan, by the year 2025, 75% of the workforce is expected to be filled with digital natives, whose preferred communication mode is video. With the digital transformation that occurred in the past year, we are likely to see new ways of working accelerate further as a new generation influences the workforce. We are ready.

On behalf of the Pexip team,
Odd Sverre Østlie
CEO

Statement from the Board of Directors

The statement from the board of directors (The Board) reflects the development of the Pexip group ("Pexip", "the company") unless otherwise stated. For more information about Pexip, the nature of the business and where the business is conducted, please see the "About Pexip" section. The company is headquartered in Oslo, and has offices in London, New York, Washington DC, Sydney, Singapore, Stockholm, Copenhagen and Paris.

2020 marked several important milestones for Pexip and introduced the next phase for Pexip as a company. At the start of 2020, Covid-19 and the demands placed on organizations globally moved videoconferencing to the center of attention for both IT departments and end users. Pexip has seized the opportunity and has strongly increased its growth and has also introduced several innovative technologies during the year. In 2020 Pexip became a listed company through its IPO on Oslo Børs on May 14, 2020. The IPO increased the company's equity and cash position and has enabled it to execute on its long-term growth strategy.

Pexip saw a solid increase in its customer base and its revenue throughout 2020. The contracted ARR at the end of 2020 was USD 81.9 million, up 73% from the end of 2019. The different geographies have all contributed to the overall growth, with Europe, Middle East and Africa (EMEA) growing 77% to USD 46 million, Americas growing 79% to USD 28 million, and Asia and Pacific (APAC) growing 42% to USD 8 million. Pexip has invested significantly for growth during 2020 in all geographies by scaling the local sales teams and will continue to do so in 2021.

Another key contributor to the strong growth in 2020 has been net revenue retention from existing customers. Pexip delivered a net revenue retention of 114%, meaning that on average an existing Pexip customer generated 14% higher ARR at the end of 2020 compared to the start of the year. This is up from 99% in 2019. The main driver for the increase in net revenue retention is stronger upsell, mainly driven by existing customers scaling up their Pexip deployment as Covid-19 required them to change how they were using video. Churn increased slightly in 2020, from 8% to 10%, but the increase in upsell from 7% to 24% more than outweighed this.

Pexip's key technology differentiators are its end user experience, the ability to connect with a wide range of systems, its data and IT security capabilities, and its wide range of integration and customization capabilities. These all combine to organizations to easily integrate the solution into their workflow. In 2020 Pexip delivered several new innovations in the videoconferencing market strengthening these differentiators further. Pexip introduced Adaptive Composition, which uses AI to compose an optimal video conference and to frame each participant. Pexip also introduced Pexip Private Cloud, which allows customers to combine the ease of operations of a public cloud service with the security and privacy capabilities of a self-hosted software. Pexip's technology platform is increasingly getting recognition among customers and industry analysts. In 2020 Pexip confirmed its position in the Gartner Magic Quadrant for Meeting Solutions as a Visionary, and in Q1 2021 got a prominent position in Frost and Sullivan's Radar™.

During 2020 Pexip significantly accelerated its growth plan. The IPO on May 14, 2020 saw Pexip increase its capital with NOK 1.1 billion, which will be deployed in investments for growth. The two main focus areas for these investments are supercharging Pexip's sales and marketing capabilities as well as expanding and innovating Pexip's product offering. These investments are mainly in human capital, and Pexip increased the team from 182 employees at the start of 2020 to 361 employees at the end of the year, up 98%. Of the 361 employees, 115 are working out of Pexip's headquarter in Oslo, 130 in other parts of EMEA, 85 in the USA and Canada and 31 in the Asia Pacific region. In total, Pexip has a presence in 23 countries. Following the two focus areas, the largest increase was in sales and marketing, growing from 97 to 197 employees, and R&D, growing from 72 to 130 employees. The Group's strategy is to continue to invest heavily in 2021 and to build a strong growth capacity for the years to come, enabling Pexip to reach its long-term ambition of USD 300 million in ARR by the end of 2024.

Looking ahead, the Board believes that the outlook for the videoconferencing market and the relevance of Pexip's differentiators is positive. As large organizations return to the office during 2021, they will bring with them a different attitude and familiarity of using videoconferencing as Covid-19 has required them to change how they work. The Board also believes that most large organizations will want to bring with them some of the advantages video has enabled in 2020, to reduce unnecessary travel and allow employees to be more flexible. To do this they need to enable hybrid working and enabling employees to seamlessly communicate both in the office and outside of it. It is in this complex technology environment Pexip's capabilities are uniquely positioned.

The consolidated accounts include business activities in Pexip AS, Pexip Inc., Pexip Ltd., Pexip Australia Pty Ltd, Pexip Singapore Pte Ltd, Pexip Japan GK and Videxio Asia Pacific Ltd.

Financial Review

For the full year (FY) of 2020, Pexip's revenue was NOK 678.5 million, up 83% from NOK 370.0 million in FY 2019. EBITDA for FY 2020 was NOK 55.6 million and EBITDA adjusted for IPO transaction costs was NOK 103.4 million, compared to NOK 76.3 million in FY 2019.

Group revenue for FY 2020 was NOK 678.5 million, compared to NOK 370.0 million for FY 2019, representing an 83 % growth resulting from strong sales to new and existing customers during 2020. Revenue in EMEA was NOK 378.6 million in FY 2020, compared to NOK 189.3 million for FY 2019, with revenue in Americas increasing to NOK 234.5 million for FY 2020 from NOK 124.1 million in FY 2019. Revenue from APAC increased to NOK 65.5 million for 2020, up from NOK 56.5 million for FY 2019.

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. Growth has been strong across Pexip's two main product areas. Revenue from self-hosted software was NOK 465.8 million for FY 2020, up 74 % from NOK 268.2 million for FY 2019. Revenues from Pexip as-a-Service was NOK 212.7 million for FY 2020, up 109 % from NOK 101.7 million for FY 2019.

Gross margin was 94 % for FY 2020 with cost of sale amounting to NOK 42.6 million, up from NOK 18.8 million for FY 2019 and a gross margin of 95 %. The increase in cost of sale is in full related to increased sales and usage of Pexip's products, and in particular the Pexip-as-a-Service offering which has somewhat higher cost of sales.

Salary and personnel expenses for FY 2020 were NOK 400.5 million, compared to NOK 190.2 million for FY 2019, a 111% increase. This is due to a 98% increase in employees to increase capacity, with strong growth in both R&D and sales to accelerate growth, with a large portion of experienced hires. Other operating expenses for FY 2020 was NOK 180.0 million, compared to NOK 84.6 million for FY 2019 giving an 113 % increase. Of this, NOK 47.8 million were IPO transaction costs. The remaining increase is mainly due to a strong growth and higher activity in the company.

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to NOK 55.6 million for FY 2020 (8% EBITDA margin), compared to NOK 76.3 million for FY 2019 (21 % margin). Adjusted for transaction costs of NOK 47.8 million related to the IPO in Q1 and Q2, the EBITDA amounts to NOK 103.4 million for FY 2020 (15% margin).

Pexip had **depreciation and amortization** costs of NOK 47.3 million for FY 2020, compared to NOK 44.5 million for FY 2019. Financial income was NOK 0.1 million for FY 2020, compared to NOK 0.5 million for FY 2019. Financial expenses amounted to NOK 29.9. million for FY 2020, compared to NOK 20.5 million for FY 2019. NOK 24.0 million was related to realization of outstanding options on Pexip's own shares at fair value as part of the IPO. These options were settled in equity as part of the IPO transaction. Net foreign currency gains and losses was negative NOK 80.5 million for FY 2020, compared to positive NOK 4.8 million for 2019, mainly related to currency fluctuations on USD.

Profit before tax was negative NOK 102.0 million for FY 2020, compared to positive NOK 16.7 million for FY 2019. Profit after tax was negative NOK 89.0 million for FY 2020, compared to positive NOK 12.2 million for FY 2019.

Other comprehensive income consists of exchange loss on translation of foreign operations of NOK 5.5 million for FY 2020 compared to NOK 0.0 million in 2019. The total comprehensive income for the year was negative NOK 94.5 million compared to an income of NOK 12.3 million in 2019.

Financial Position

Pexip's total assets at the end of FY 2020 were NOK 2,435.6 million, up from NOK 1,070.1 million at the end of FY 2019.

Current assets amounted to NOK 1,321.3 million, compared to NOK 206.2 million at the end of FY 2019. Cash and cash equivalents amounted to NOK 1,100.7 million, up from NOK 75.5 million at the end of FY 2019, mainly as a result of the capital raise in May 2020. Cash and cash equivalents are held in a range of currencies matching the distribution of cash outflows to reduce currency risk.

Trade and other receivables increased to NOK 192.9 million at the end of FY 2020 from NOK 105.6 million at the end of FY 2019. The increase is due to high sales in 2020, and particularly in Q4. Contract assets declined to NOK 9.1 million at the end of FY 2020 from NOK 14.0 million at the end of FY 2019 as previously non-invoiced revenue was invoiced. Other current assets increased to NOK 18.7 million at the end of FY 2020 from NOK 11.1 million at the end of FY 2019.

Non-current assets amounted to NOK 1,114.3 million at the end of FY 2020, up from NOK 863.9 million at the end of FY 2019. This is mainly explained by the increase in contract costs to NOK 211.1 million at the end of FY 2020 from NOK 74.2 million at the end of FY 2019, and an increase in Other intangible assets to NOK 133.7 million at the end of FY 2020 from NOK 101.8 million at the end of FY 2019. The increase in Contract costs is related to growth in paid and periodized commissions in line with strong growth in sales staff and activity in 2020, and the increase in Other intangible assets is mostly related to the purchase price of acquired customer contracts. Property, plant and equipment increased to NOK 25.2 million at the end of FY 2020 from NOK 7.2 million at the end of FY 2019, and right of use assets increased to NOK 87.8 million in FY 2020 from NOK 52.4 million at the end of FY 2019 due to increase in offices leased. Deferred tax assets increased to NOK 54.6 million at the end of FY 2020 from NOK 27.6 million at the end of FY 2019. Other items saw small changes over the period.

Pexip had total liabilities of NOK 413.5 million at the end of FY 2020, compared to NOK 246.0 million at the end of FY 2019.

Current liabilities amounted to NOK 326.6 million at the end of FY 2020, compared to NOK 192.0 million at the end of FY 2019. Trade and other payables increased to NOK 154.6 million at the end of FY 2020 from NOK 51.1 million at the end of FY 2019. Contract liabilities increased to NOK 155.2 million at the end of FY 2020, compared to NOK 47.9 million at the end of FY 2019 due to high increase in sales and deferred revenue. Lease liabilities increased to NOK 14.1 million at the end of FY 2020, compared to NOK 10.0 million at the end of FY 2019. The Derivative financial liabilities related to outstanding options on Pexip's own shares were settled as part of the IPO transaction, and is NOK 0 million at the end of FY 2020, compared to NOK 76.8 million at the end of FY 2019. Other items saw small changes over the period.

Non-current liabilities amounted to NOK 86.8 million at the end of FY 2020, compared to NOK 54.0 million at the end of FY 2019. Lease liabilities amounted to NOK 78.2 million at the end of FY 2020, compared to NOK 45.5 million at the end of FY 2019 mainly due to increase in offices rented. Non-current borrowings decreased to NOK 6.0 million at the end of FY 2020, compared to NOK 8.5 million at the end of FY 2019. Other payables increased to NOK 2.6 million at the end of FY 2020, compared to NOK 0 million at the end of 2019, which is related to long term payables of the purchased customer contracts in Q3 2020. This payable has been transferred from non-current to current liabilities from Q3 to Q4 2020.

Pexip had a total equity of NOK 2,022.1 million at the end of FY 2020, compared to NOK 824.1 million at the end of 2019, mainly due to IPO and capital raise in May. The equity ratio was 83 % at the end of FY 2020, compared to 77 % at the end of 2019.

Cash flow

Pexip had a positive cash flow from operating activities of NOK 71.3 million for FY 2020, compared to NOK 57.5 million for FY 2019. The operating cash flow was impacted by non-cash transaction adjusting the profit before tax, mainly related to depreciations (NOK 47.3 million), share based payments (NOK 23.9 million), fair value adjustment of derivative (NOK 24.0 million) and net exchange differences (NOK 66.2 million). IPO transaction fee recognized in profit or loss (NOK 43.2 million) is classified as cash outflow in the financial activities and hence adjusted as other adjustments from the profit before tax. Change in operating assets and liabilities had a net change of negative NOK 28.7 million and impacting the cash flow from operating activities negatively.

Cash flow from investing activities was negative NOK 73.8 million in FY 2020, compared to negative NOK 35.1 million in FY 2019. The increase in cash out flow is related to higher payments for property, plant and equipment in FY 2020 compared to FY 2019, customer base acquisition announced July 2020 and investments in software development.

Cash flow from financing activities was NOK 1,099.2 million for FY 2020, compared to negative NOK 6.6 million for FY 2019. The increase in cash flow is mainly related to the listing on the Norwegian stock exchange May 14, 2020 with the issuance of new shares giving Pexip new funding of gross NOK 1,209.9 million. Further, transaction costs related to the issuance gives a cash outflow of NOK 97.0 million. Pexip also had a share issue related to vested employee options giving net proceeds of NOK 8.8 million in Q3 2020, giving Pexip net proceeds of NOK 1,112.9 million from share issues. The share capital of Pexip Holding ASA at the end of 2020 was 1,523,452.305, divided on 101,563,487 shares. Other effects are limited.

Debt Facilities

Pexip has an interest-bearing loan from Innovation Norway of NOK 6.0 million at the end of 2020, with maturity in 2024. The loan has pledged security against property, plant and equipment in addition to trade receivables. There are no covenants or other restrictions on the loan. On December 31, 2020, Pexip also had a securitization facility agreement with Sparebank 1 Factoring, where Sparebank 1 financed part of Pexip's trade receivables with an interest-bearing credit limit of up to NOK 25.0 million. This agreement was terminated January 1, 2021.

Other than the Innovation Norway loan and Sparebank 1 Factoring agreement, Pexip had no interest- bearing debt, credit lines (drawn or undrawn) or other borrowings requiring repayments on December 31, 2020. There are no restrictions or other covenants related to the cash or liquidity position for any company in Pexip. With the IPO listing and cash raised related to this in May 2020, Pexip has a solid cash balance and a healthy liquidity position.

Outlook

In the long-term, Pexip believes that the growth of enterprise-grade video communication will increase due to the explosive adoption and usage of video communication during 2020. Many enterprises plan to adopt hybrid working models going forward, combining office and remote working, that will provide benefits far beyond the need for social distancing, such as reducing travel and related emissions, enabling work flexibility and increasing productivity. Furthermore, Pexip believes in increased use of video in organizations' workflows with their clients/ customers, creating additional new and significant market opportunities.

To accelerate growth Pexip intends to invest in increasing the company's sales and marketing presence as well as R&D capabilities. Pexip intends to deploy up to 70% of the net proceeds from the IPO over the next three years. This implies returning to a neutral EBITDA in 2023, and an estimated negative EBITDA-rate in 2021 and 2022 in the range of negative 25-35%. As Pexip exits the investment period, we expect above 25% EBITDA-rate in 2025 together with revenue growth above 25%. The key enabler for all these initiatives is strengthening the Pexip team, and Pexip is targeting 550-600 employees by the end of 2021.

We believe Pexip is uniquely positioned to address the new customer needs, with our technology's capabilities in providing a great meeting experience regardless of the device or platform in use. This is reflected in Pexip's long-term ambition to reach an ARR of USD 300 million by 2024. Due to an accelerated adoption in use of videoconferencing affecting both 2020 and the years ahead, driven in part by the Covid-19 outbreak, Pexip announced an acceleration of the USD 300 million long-term ARR target from 2025 to 2024. This is one year earlier than its previous target.

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

Subsequent Events

On March 18, 2021, following vesting and exercise of previously issued employee options, the Board resolved, based on authorization granted by the company's general meeting held on March 20, 2020, to issue 2,253,896 new shares for an aggregate subscription price of NOK 72,320,810. The shares have been subscribed for by various employee option holders. Following the issuance of the new shares, Pexip has 103,817,383 shares outstanding, each with a nominal value of NOK 0.015.

Parent Company and Allocation of Net Profit

Pexip Holding ASA was converted to a public limited liability company in preparation of the listing on Oslo Børs. Pexip Holding ASA activities are limited to being listed on Oslo Børs and being the parent company of Pexip, and has 0 employees. Pexip Holding ASA had a loss of NOK 96.0 in 2020, mainly related to the IPO fee of NOK 43 million as well as currency exchange losses on foreign exchange cash holdings of NOK 66 million, and a shareholder equity of NOK 1,973 million at the end of 2020.

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

The loss for the year of the parent company, Pexip Holding ASA, of NOK 96.0 million has been allocated in its entirety to other equity.

Environmental, Social and Governance

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

- Data security and privacy
- Talent attraction and retention
- Greenhouse gas emissions and energy use
- Ethical business practices
- Diversity and equal opportunity

- Digital inclusion and positive industry impacts
- Health, safety, and wellbeing
- Supply chain management
- Intellectual property rights

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

People and organization

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

In 2020 Pexip had 361 employees, of which 58 female and 303 male. The company had 4 part-time employees, 3 female, and 1 male. The company had 2 female temporary employees. 3 men and 1 woman enjoyed parental leave in 2020, where 3 men took 36 weeks in total, and the woman 2 weeks in 2020.

The Group's policies are deemed to be gender-neutral in all respects. About a quarter of the new hires in 2020 was female, a small but positive improvement for the company, considering an industry in general skewed towards men. That said, the company has a potential to recruit more women, and has established a group, Pexip Diversity, to build initiatives and practices towards a neutral gender balance in recruitment, succession planning, and leadership. The Pexip Diversity Team also discusses and influences key initiatives like anti-gender bias training, recruitment advertising, improved employer branding in collaboration with HR and the Executive Management team.

Pexip appreciates diversity and believes in equal opportunity regardless of gender, age, language, ethnicity, sexual orientation, cultural affiliation, disability, religion, or faith. Any form of discrimination, harassment, bullying, or victimization is unacceptable in Pexip. The company works actively to promote a healthy, diverse, inclusive, and discrimination-free working environment underlined in the Pexip Way (the company's values on which the leadership program is also built). The Pexip Way is embedded in everything from recruitment, onboarding, learning, and development at Pexip to secure the foundational beliefs that are practiced in all aspects of business operation and people leadership.

The Group regularly conducts employee Net Promoter Score (NPS) surveys to monitor employee satisfaction and guide management actions, providing employees with an anonymous feedback channel. The response rate in 2020 was 83%. The result was a promoter score of 77. The biggest promoter score is given to People and Culture. There was only one comment on diversity, requesting more female leadership.

Sick leave amounted to 258 days. 30 men with 97 days leave in total, and 12 women with 161 days leave. The Board considers this to be satisfactory. Thus, no special measures are taken. The working environment in Pexip is good, and during 2020 there have been no accidents or injuries related to the operations. At the end of the year, the parent company had no employees.

Pexip continuously monitors the effect Covid-19 has on employees. As the company is founded on a video-way-of-life, employees are accustomed to remote working. However, the concern is on employee wellness, performance, culture, innovation, and productivity. Pexip has established a Wellness initiative to build community and strengthen well-being.

As Pexip grew rapidly and nearly doubled the number of employees in 2020, the company has increased both the people team and the initiatives designed to scale and grow the Pexip Way. Extra efforts have been made to secure communication and information availability, as well as remote learning. Strengthening the Pexip Academy, a series of training programs were launched in 2020 to help develop employees and comply with ISO-regulated training. This includes Pexip Way of Selling, Pexip Way of Coaching, and Pexip Way of Leadership programs, all delivered remotely to boost employee engagement and growth in sales and leadership. The company has a 3-day virtual orientation program for new hires to secure successful onboarding. Finally, Pexip has launched PexTalk, a systematic approach to personal development and growth. To be competitive in the short-term as well as ready for the future, the company aspires to be the leading People organization in the industry. To achieve this, Pexip will continue to focus on culture, development, leadership, diversity, and equality.

Research and Development (R&D)

Pexip's core activity is R&D related to distributed software platforms for videoconferencing and collaboration. The continued momentum and the results achieved in this area have been excellent, as demonstrated with the innovations described elsewhere in this report. The product development strategy was assessed throughout the year. The technology is developed with the aim to make the company a supplier of comprehensive collaboration software with focus on the needs of large international corporations and public sector organizations. Of the total R&D in 2020, Pexip capitalized NOK 34 million and the remaining cost has been classified as operating expenses.

Risk and Risk Management

Risk management in Pexip is based on the principle that risk evaluation is an integral part of all business activities, and is a part of the annual strategy review. In 2020, Pexip has especially developed its approach to risk assessment and risk mitigation within financial reporting in preparation for the listing, and within information security, where Pexip holds an ISO 27001 certification as an external recognition of its approach. Pexip's key commercial, technological, and operational risk factors summarized here.

Operational and Market activities

Pexip may be unable to retain or replace its founders, management and/or key IT-, sales- and marketing professionals. Retaining the 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 money on sales and marketing efforts to potential customers without any assurance that this will produce any sales.

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

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

Operational Activities Risk Mitigation

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

Customer Relationships and Third Parties

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

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

Customer Relationships and Third Parties Risk Mitigation

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

Laws Regulations and Compliance

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

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

Pexip is exposed to risks of claims and legal proceedings, including intellectual property right disputes. Pexip may be party to various legal proceedings that arise in the ordinary course of its business, including intellectual property rights disputes. The value of intellectual property rights is of high importance for Pexip, as it operates in a highly competitive commercial environment where the strength of the intellectual property rights may be an important feature that distinguish Pexip from its competitors. It is therefore important for Pexip to ensure the value and commercial use of its intellectual property rights. There can be no assurance that third parties have not or may not infringed intellectual property rights owned by Pexip, who may have to challenge such parties' rights to continue to use or sell certain products and/or may seek damages from such parties. Moreover, there can be no assurance that Pexip may not infringe or be alleged to have infringed intellectual property rights owned by third parties who may challenge Pexip's right to continue to use or sell certain products and/or may seek damages from Pexip. Any infringement or other intellectual property claims made by or against Pexip could be time consuming, result in costly litigation, cause product delays, divert its Management from 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. With a strong focus on long-term growth and large investments in strengthening its growth capacity, Pexip's profitability, results of operations and working capital is expected to fluctuate significantly on a quarterly basis and on an annual basis. The main levers to invest in will be increased sales capacity and marketing spend as well as increased R&D capacity, both of which will increase operating costs. Long-term ambition is to have an operating profitability, in EBITDA margin, of more than 25%. The subscription-based revenues may also fluctuate significantly, both in the short-term and long-term. Working capital may also fluctuate significantly on a quarterly and on an annual basis, which could have a material adverse effect on Pexip's business and financial performance. This may be caused by factors beyond Pexip's control, such as variations in the timing of orders and deliveries, new product introductions by Pexip and its competitors, variations in spending budgets of customers, shifts in market and industry emphasis and end user demands, and general economic conditions and economic conditions.

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

Pexip is exposed to risk relating to impairment of intangible assets, including goodwill. The company's audited consolidated financial statement for the year ended December 31, 2020 was prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. As of December 31, 2020, Pexip's non-current assets amounted to approximately NOK 1,114,261 million which constituted 46% of Pexip's total assets, most of which are intangible assets including NOK 599 million in goodwill. Goodwill acquired in a business combination is not amortized pursuant to IFRS, but is tested for impairment annually, or more often, if an event or circumstance indicates that an impairment loss may have been incurred. The key assumption affecting the present value of cash flows are the development of the net sales (expected growth rate), profitability, the discount rate and the growth rate. Changes in the development of the key assumptions could lead to impairment losses on goodwill, which could weaken Pexip's financial conditions, results of operations, equity and/or its ability to pay dividends or distributions.

Financial and Market Risk mitigation

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

Impact from Covid-19

Covid-19 has created disruption to the global economy. Pexip's business has developed strongly in 2020, partly due to the fact that Pexip's products and services are within videoconferencing, an industry that has seen a significant increase in use-cases in 2020. Pexip's own operations have pivoted to an all-digital workflow, and most Pexip locations have been in various lockdown situations during 2020. Moreover, Pexip employees' expertise within videoconferencing and hybrid-working solutions has contributed to a smooth transition for the Pexip workforce to the required changes in ways of working that the pandemic has caused. The pandemic has required extraordinary efforts from the organization to support existing and new customers as demand and usage of videoconferencing spiked. This has enabled many of Pexip's customers to maintain business continuity and deliver vital services in industries such as healthcare, public services and pharmaceuticals.

Corporate Governance

Good corporate governance provides the foundation for long-term value creation, to the benefit of shareholders, employees and other stakeholders. The Board has established a set of governance principles in order to ensure a clear division of roles between the Board, the executive management and the shareholders. The principles are based on the Norwegian Code of Practice for Corporate Governance. Pexip is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on October 17, 2018, may be found at www.nues.no. The annual statement on corporate governance for 2020 has been approved by the Board and can be found on page 31 in this annual report.

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, 2020, the share capital of Pexip Holding ASA was NOK 1,523,452.305 divided into 101,563,487 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 2020) of NOK 65.70.

The turnover of shares is a measure of traded volumes. On average, 681,002 Pexip shares were traded on Oslo Børs every day in 2020.

The IPO allowed Pexip to substantially broaden its shareholder base, both in number of investors and in reaching more international investors. As of December 31, 2020, Pexip had 4,646 shareholders registered in the VPS. The shareholders were from 55 different countries across the world, with 45% of holdings were held by shareholders outside Norway. The top 20 shareholders held 49.1% 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.

Oslo, April 28, 2021
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
Board Member

Marianne Wergeland Jenssen
Board Member

Odd Sverre Østlie
CEO

Statement of Corporate Governance (NUES)

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Corporate Governance

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The annual statement on corporate governance for 2020 follows below. The statement was approved by the Board on April 28, 2021.

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 17, 2018.

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

2. Business

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

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

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

3. Equity and Dividends

Equity

As of December 31, 2020, Pexip had a consolidated equity of NOK 2,022.1 million, corresponding to an equity ratio of 83%.

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

Dividends

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

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

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

Board Mandates to Increase the Share Capital

At the Annual General Meeting of the company on March 20, 2020 the Board was authorized to increase the share capital of Pexip by up to NOK 570,000 in one or more share capital increases through issuance of new shares, provided that the combined maximum amount of increase pursuant to this authorization and those granted under items 10 and 11, in the protocol of the meeting, shall not exceed NOK 584,335. The authorization was only to be used for and in connection with an offer to subscribe for the company’s shares (including any potential overallotment) in advance of or in connection with a potential listing of the company’s shares on an exchange or other regulated market. The authorization was valid until December 31, 2020. The Board decided to issue 19,000,000 shares (including exercise of greenshoe option) and increase the share capital with NOK 285,000 in relation to the IPO on May 14, 2020.

At the Annual General Meeting of the company on March 20, 2020 the Board was authorized to increase the share capital of Pexip by up to NOK 119,867 in one or more share capital increases through issuance of new shares, provided that the combined maximum amount of increase pursuant to this authorization and those granted under items 10 and 11, in the protocol of the meeting, shall not exceed NOK 584,335. This authorization may only 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 as described in the Norwegian Securities Trading Act section 6-17. The authorization is valid until the annual general meeting in 2021, however no longer than until June 30, 2021. The Board has not used the authorization in 2020 and in the period up to the date of this report.

At the Annual General Meeting of the company on March 20, 2020 the Board was authorized to increase the share capital of Pexip by up to NOK 127,500 in one or more share capital increases through issuance of new shares, provided that the combined maximum amount of increase pursuant to this authorization and those granted under items 10 and 11, in the protocol of the meeting, shall not exceed NOK 584,335. The authorization may only be used in connection with issuance of shares to Pexip’s employees or Board members or other representatives in relation with option agreements and incentive programs, both individual and general, as well as to honor other option arrangements. 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 2021, however no longer than until June 30, 2021. The Board has issued 4,905,996 shares and increased the share capital with NOK 73,589.94 since the Annual General Meeting on March 20, 2020 and up to the date of this report, of which 1,600,002 were allocated to fulfil a commitment of share options released by the IPO to some of the founders of the company.

4. Equal Treatment of Shareholders and Transactions with Close Associates

At the date of this report, Tthe company’s share capital is NOK 1,557,260.745, divided into 103,817,383 shares, each with a nominal value of NOK 0.015.

On May 14, 2020 Pexip executed a successful Initial Public Offering and listed the Pexip share on Oslo Børs. In line with the Board authorization decided in the General Meeting on March 20, 2020, the Board deemed it necessary to waive existing shareholders pre-emptive right in connection with the IPO. Pexip also executed a share issue in September 2020 to meet its obligations from the employee share incentive program, where existing shareholders’ pre-emptive rights were waived.

Pursuant to the code, the reasons for waiving the pre-emptive right in connection with a share capital increase must be published in a stock exchange announcement. The Board will endeavour to comply with this recommendation if such circumstances should arise.

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. In relation to the IPO, the members of the company's management, as well as the majority of the board members have undertaken a lock-up commitment until May 14, 2021. 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 May 20, 2021. 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 Chair of the Board. The Board will however evaluate whether it is appropriate to engage an external Chair to chair the meeting.

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

The nomination committee is encouraged to attend those meetings where the election and remuneration of directors and members of the nomination committee are to be considered. The Board requires that the Chair of the nomination committee is present. The Group's auditor is normally present at the Annual General Meeting. The general meeting is normally invited to vote for a complete shareholder-elected Board. As a result, no opportunity has been provided to vote in advance for individual candidates.

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

7. Nomination Committee

The nomination committee is laid down in article 8 of the company's articles of association. The company shall have a nomination committee, elected by the general meeting. The members of the nomination committee should be selected to take into account the interests of shareholders in general, and the majority of the nomination committee should be independent of the Board and the executive management team. No more than one board member should serve on the nomination committee and only if such board member is not a candidate for re-election to the Board. Members of the executive management team should not be members of the nomination committee.

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

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

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

The annual general meeting stipulates the remuneration to be paid to the nomination committee. The nomination committee's expenses shall be covered by the company.
The general meeting shall adopt instructions for the nomination committee.

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

8. Board of Directors: Composition and Independence

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

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

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

The Board does not include executive personnel.

All shareholder elected directors are independent of Pexip's executive management and commercial partners. The Chair of the Board has during 2020 worked as support to executive management in preparation to the IPO and in the initial phase as a listed company as a 100% engagement.

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

11 board meetings were held in 2020, 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.

Other Responsibilities

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

10. Risk Management and Internal Control

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

Objective of the risk management and internal control

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

The Board's Responsibility for Risk Management and Internal Control

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

- facilitate targeted and effective operational arrangements for the company and also make it possible to manage commercial risk, operational risk, the risk of breaching applicable legislation and regulations as well as all other forms of risk that may be material for achieving the company's commercial objectives

- contribute to ensuring the quality of internal and external reporting

- contribute to ensuring that the company operates in accordance with the relevant legislation and regulations as well as with its internal guidelines for its activities, including the company's ethical guidelines and corporate values

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

Internal Control and Risk Management System

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

The Board shall also focus on the need for developing ethical guidelines ensuring that employees can safely communicate to the Board matters related to illegal or unethical conduct by the company. The Board shall ensure that the company has the necessary routines and hired personnel to ensure that any outsourced functions are handled in a satisfactory manner.
Pexip's primary internal control routines related to financial reporting are as follows: The Finance department prepares a monthly financial report which also contains the most important operational KPIs and qualitative developments, comparing the results to previous period and to budget. This report is reviewed by the CEO, the management team and the Board. The Board Audit Committee reviews each quarterly financial statement with a particular focus on risk elements, such as special transactions and estimates, and the Board reviews and approves quarterly and annual reports.

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

Annual Review by the Board

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

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

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

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

11. Remuneration of the Board of Directors

The remuneration to the Board is described in note 4 to the financial statements.

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. The directors have not been awarded share options or any other form of incentive-based remuneration for the fiscal year 2020.

The Chair of the Board has served as the Chair in a 100% capacity during 2020 in order to support the company through and after the listing of Pexip in May 2020 and has received remuneration for this assignment. None of the other 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. Remuneration of Executive Personnel

The Board has a remuneration committee. The main responsibilities of the committee are to evaluate and propose the compensation of the company's Chief Executive Officer and other members of the executive management team 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.

The Board decides the salary and other compensation to the CEO. The CEO's salary and bonus shall be determined on the basis of an evaluation by the Board, with emphasis on the CEO's and the company's overall performance. Any fringe benefits shall be in line with market practice and should not be substantial in relation to the CEO's basic salary. The Board shall annually carry out an assessment of the salary and other remuneration to the CEO.

The CEO determines the remuneration of executive employees within the guidelines and instructions provided by the Board. The Board shall, based on proposal from the remuneration committee, issue guidelines for the remuneration of the executive management team. The guidelines shall lay down the main principles for the company's management remuneration policy. The salary level should not be of a size that could harm the company's reputation or above the norm in comparable companies. The salary level should, however, ensure that the company is able to attract and retain executive employees with the desired expertise and experience.

Note 4 to the consolidated financial statements describes Pexip's guidelines for the remuneration of senior executives. This note also provides further details about remuneration in 2020 for Group executive management. Presentation of the guidelines takes place at the general meeting in connection with the presentation of the annual report. The guidelines specify the main principles for Pexip's executive compensation policy. They aim to ensure alignment of the interests of shareholders and Group executive management as far as possible.

Total remuneration to the executive management team consists of a base salary and a variable performance-based salary, a share purchase program, plus pension and insurance arrangements.

Base Salary

Base salary is reviewed once a year per January 1, along with the annual salary review for all employees in Pexip. The development of base salary is based on a benchmark of executive management salaries in peer companies.

Variable Performance-Based Salary
Pexip has defined a set of long-term targets, which form the basis for the annual business plan for Pexip. The main quantitative long-term ambitions for Pexip is reaching USD 300 million by the end-of-2024, as well as a long-term profitability of 25%+ by 2025. These form the basis of the variable performance-based salary for Pexip's executive management, as set by the Board remuneration committee and reviewed annually as part of the annual budget process.

- Growth in Annual Recurring Revenue, where achieving zero growth yields 0% achievement and achieving the annual target yields 100% achievement.

- Development in Operating Expenses including capitalized R&D, where spend of 130% of plan yields 0% achievement, and spend according to the annual target yields 100% achievement.

For both elements under- and over-performance is rewarded on a linear scale. The plan is capped upwards at 200% of plan. For the CEO, the on-target variable performance-based salary is 43% of base salary and 25-42% for other executives. For 2019 and 2020 the CEO achieved 36% and 94% of base salary, and other executives achieved from 16%-97% in 2019 and 2020. The Board has the ability to adjust targets during the year as well as introduce additional KPIs should it deem it necessary due to changes in market conditions or company performance.

Long-Term Share-Based Incentives
The purpose of the long-term share-based incentives (SBI) is to support the alignment between executive management and shareholder

interest, as well as ensure retention of key talent in Pexip. The CEO and the other members of executive management have an option-based SBI which was issued prior to 2020. Details on outstanding options by December 31, 2020 is included in note 4.

For 2021 the Board proposes a new scheme for SBI. The SBI has two parts. Part one of the SBI provides a cash amount to eligible executives, who are required to invest the net amount after tax in Pexip shares within a period of one month after the grant, and to retain the shares for minimum 3 years. After the lock-up, executives are free to keep or sell the shares at their discretion. The conditions for the cash amount are equal to the variable performance-based salary. For the CEO, 100% achievement yields 700,000 NOK (30% of base salary) before tax, and for other members of executive management 100% achievement yields 400,000 NOK (22-33% of base salary) before tax.

Part two of the SBI is based on share options. The share options will have a strike equal to the volume-weighted average of the past 7 days prior to award. Vesting of the share options will be on December 31, 2024 based on the following performance criteria:

- One third of the share options will be released for vesting assuming that Pexip achieves its long-term ambition of USD 300 million in ARR

- One third of the share options will be released for vesting assuming that the Pexip stock out-performs the OSEBX stock index from award to December 31, 2024.

- One third of the share options does not have additional performance criteria.

After vesting the share options may be exercised by December 31, 2026.

Vesting is contingent on continued employment in the company. In case of a change of control event in the company, the company has the right but not the obligation to trigger immediate vesting and exercise upon the event. In case of extraordinary share price development, there is a brake of 50%

Pension and Other Incentives
Pexip has a pension scheme according to local standards for all employees, also covering the CEO and other executives. Pexip has a pension contribution of 5% of base salary between NOK 101,351 and NOK 1,216,212 in Norway, and 5% of base salary in UK. Pexip also has a Group life- and disability insurance policy and health insurance in place for all employees, including management. Executives are granted include fringe benefits such as mobile and fixed internet. The CEO is entitled to a severance pay equal to six months base salary on certain conditions. The severance pay is calculated from the end of the notice period.

Changes to the Executive Management and the Board

The annual general meeting on March 20, 2020 appointed the following new Board, in accordance with the Board's proposal:

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

All of the above were elected for a term of two years.

No new deputy members were elected.
On January 1, 2020 Nicolas Cormier assumed the position of Chief Operating Officer. He previously held the role as VP of Technology, and is one of the founding engineers in Pexip. The role was previously held by Michel Sagen, who in December 2019 assumed the role of Chair of the Board.

On January 1, 2021 Ingrid Woodhouse assumed the position of Chief People Officer. She previously held the role as VP of People and Development, which she had held since she joined the company in 2018.

13. Information and Communication

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.

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

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

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

Pexip holds public presentations in connection with the announcement of quarterly and annual financial results as well as strategic updates. The presentations are also available as live presentations via the internet. Presentation material is made available via Oslo Børs' news site www.newsweb.no and investor.pexip.com. Pexip gives weight to maintaining an open and ongoing dialogue with the investor community, hereunder frequent meetings with investors, fund managers, analysts and journalists. The company is also present at relevant investor conferences and seminars. Presentations held at such events are made public via investor.pexip.com.

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

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

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

14. Takeovers

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

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

- the Board will not seek to hinder or obstruct any takeover bid for the company's operations or shares unless there are particular reasons for doing so;
- the Board will not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the company;
- the Board will not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the Board shall be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

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

15. Auditor

The external auditor, Deloitte, annually presents its overall plan for the audit of Pexip for the audit committee's consideration.
The external auditor's involvement with the Board during 2020 related to the following:

- Presented the main features of the audit work.
- Attended board meetings approving the financial statements, reviewing possible significant changes in accounting principles, assessing significant accounting estimates, and considering all possible disagreements between the external auditor and executive management.
- Conducted a review of 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 2020, the external auditor attended three meetings with the audit committee in addition to one meeting with the Board.

Pursuant to the code, the Board has established guidelines for Pexip's management use of the external auditor for non-audit services.

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

Oslo, April 28, 2021
Board of Directors and CEO of Pexip Holding ASA

Michel Sagen
Chair of the Board

Per Haug Kogstad
Board Member

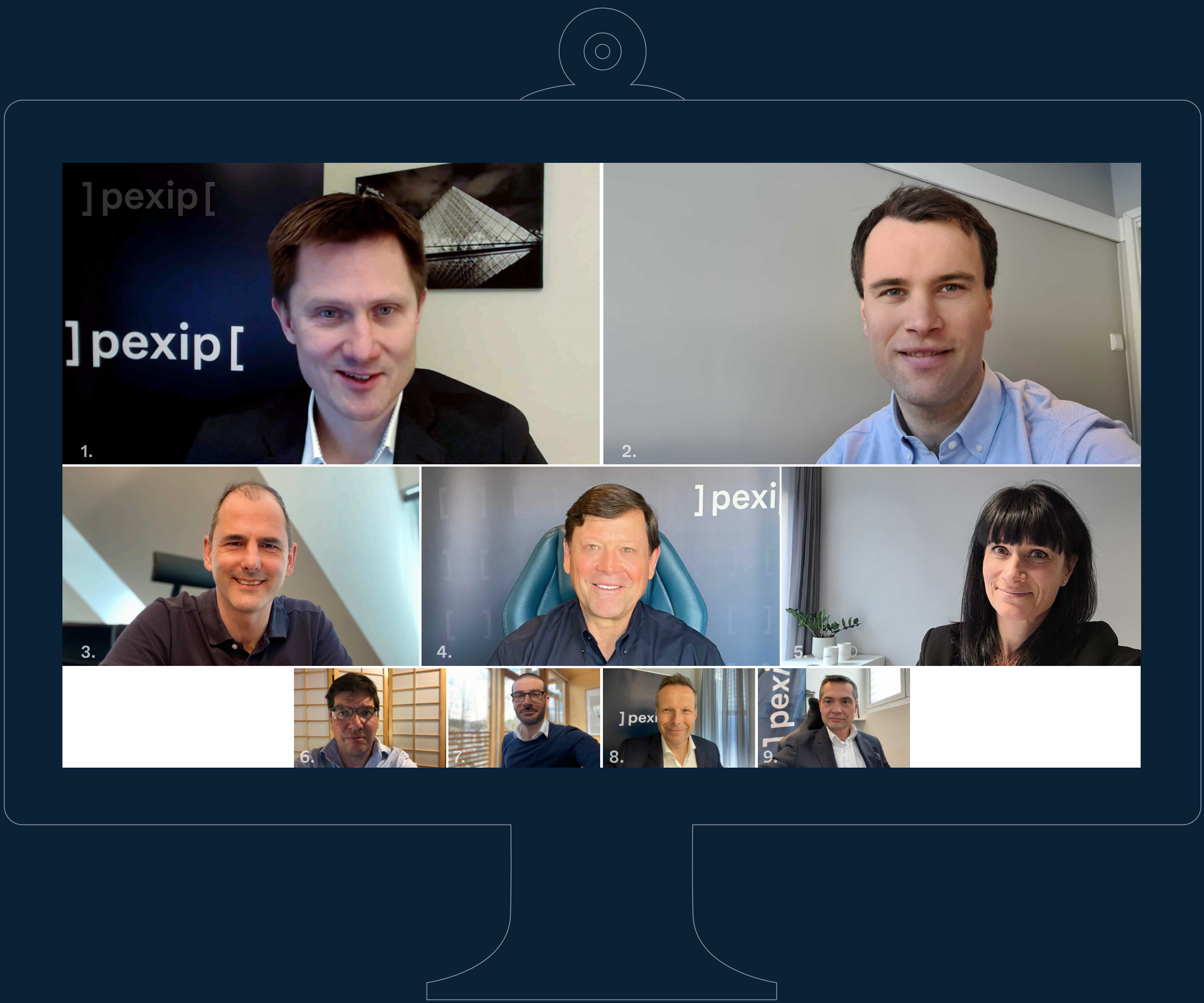
Irene Kristiansen
Board Member

Kjell Skappel
Board Member

Marianne Wergeland Jenssen
Board Member

Odd Sverre Østlie
CEO

Executive Management



1. **Odd Sverre Østlie**
   Chief Executive Officer
2. **Øystein Hem**
   Chief Financial Officer
3. **Tom-Erik Lia**
   Chief Commercial Officer
4. **Karl Hantho**
   President of Sales Americas
5. **Ingrid Woodhouse**
   Chief People Officer
6. **Giles Chamberlin**
   Chief Technology Officer
7. **Nico Cormier**
   Chief Operating Officer
8. **Åsmund O. Fodstad**
   President Global Sales & APAC
9. **John Harald Grønningen**
   President of Sales EMEA

Board of Directors

1. **Michel Sagen**
   Chair of the Board
2. **Kjell Skappel**
   Board Member
3. **Irene Kristiansen**
   Board Member
4. **Per Haug Kogstad**
   Board Member
5. **Marianne Wergeland Jenssen**
   Board Member

Consolidated Accounts

Consolidated statement of profit or loss

(NOK 1.000)	Note	Year ended December 31 2020	2019
Revenue	3	**678 513**	369 954
Cost of sale		**42 583**	18 779
Salary and personnel expenses	4,23,24	**400 483**	190 234
Other operating expenses	5	**179 960**	84 611
Other gains and losses - net		**-141**	-
EBITDA		**55 629**	76 330
Depreciation and amortization	9,10,12	**47 330**	44 470
Operating profit or loss		**8 299**	31 860
Financial income	6	**141**	466
Financial expenses	6	**-29 890**	-20 451
Net foreign currency gains and losses	6	**-80 527**	4 789
Financial income/(expenses) - net		**-110 276**	-15 196
Profit or loss before income tax		**-101 977**	16 664
Income tax expense	7	**-12 968**	4 427
Profit or loss for the year		**-89 009**	12 237
Profit or loss is attributable to:			
Owners of Pexip Holding ASA		**-89 009**	12 237
Earnings per share			
Basic earnings per share	8	**-0,95**	0,15
Diluted earnings per share	8	**-0,95**	0,15

Consolidated statement of comprehensive income

(NOK 1.000)	Note	Year ended December 31 2020	2019
Profit or loss for the year		**-89 009**	12 237
Items that may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations		**-5 464**	35
Total comprehensive income for the year		**-94 473**	12 273
Total comprehensive income is attributable to:			
Owners of Pexip Holding ASA		**-94 473**	12 273

Consolidated statement of financial position

(NOK 1.000)	Note	12/31/2020	12/31/2019
ASSETS			
Property, plant and equipment	3,9	**25 177**	7 201
Right-of-use assets	3,10	**87 765**	52 419
Goodwill	11	**598 998**	598 998
Other intangible assets	3,12	**133 709**	101 783
Deferred tax asset	7	**54 615**	27 553
Contract costs	3,18	**211 077**	74 235
Receivables	4,13,19	**2 919**	1 715
Total non-current assets		**1 114 261**	**863 905**
Current assets			
Trade and other receivables	4,13,19	**192 916**	105 552
Contract assets	18	**9 069**	14 015
Other current assets	14	**18 680**	11 098
Cash and cash equivalents	15,19	**1 100 656**	75 515
Total current assets		**1 321 322**	206 179
TOTAL ASSETS		**2 435 582**	1 070 085

(NOK 1.000)		12/31/2020	12/31/2019
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**1 523**	799
Share capital increase not registered	16	**-**	399
Share premium	24	**2 027 206**	860 073
Other reserves	5,16	**100 776**	-
Other equity	24	**-107 380**	-37 194
Total equity		**2 022 125**	824 077
Non-current liabilities			
Borrowings	17,19	**6 000**	8 500
Lease liabilities	10,19	**78 220**	45 464
Other payables	19	**2 622**	-
Total non-current liabilities		**86 842**	53 964
Current liabilities			
Trade and other payables	19,21	**154 595**	51 075
Contract liabilities	18	**155 180**	47 880
Current tax liabilities	7	**209**	3 781
Borrowings	17,19	**2 500**	2 500
Derivative financial liability	19,21,29	**-**	76 784
Lease liabilities	10,19	**14 130**	10 024
Total current liabilities		**326 614**	192 044
Total liabilities		**413 456**	246 008
TOTAL EQUITY AND LIABILITIES		**2 435 582**	1 070 085

Consolidated statement of changes in equity

(NOK 1.000)	Note	Share capital	Share premium	Other reserves	Translation differences	Other Equity	Total equity
Balance at January 1, 2019		795	856 568	-	-1 114	-57 275	798 975
Profit or loss for the year						12 237	12 237
Other comprehensive income for the year					35		35
Total comprehensive income for the year		**-**	**-**	**-**	**35**	**12 237**	**12 272**
Contribution of equity net of							
transaction costs		4	3 504				3 508
Increase in par value of shares not registred		399				-399	-
Share-based payments	24					9 321	9 321
Balance at December 31, 2019		1 198	860 073	-	-1 078	-36 116	824 077
Balance at January 1, 2020		1 198	860 073	-	-1 078	-36 116	824 077
Profit or loss for the period						-89 009	-89 009
Other comprehensive income for the year					-5 463		-5 463
Total comprehensive income for the year		**-**	**-**	**-**	**-5 463**	**-89 009**	**-94 472**
Contribution of equity net of							-
transaction costs		325	1 167 133	100 776		399	1 268 634
Registration of share capital							
Share-based payments	24					23 887	23 887
Balance at December 31, 2020		**1 523**	**2 027 206**	**100 776**	**-6 541**	**-100 839**	**2 022 125**

*Other reserves consists of translation differences

Consolidated statement of cash flows

(NOK 1.000)	Note	Year ended December 31 2020	2019
Cash flow from operating activities			
Profit or loss before income tax		**-101 977**	16 664
Adjustments for			
Income tax			
Depreciation, amortization and net impairment losses	9,10,12	**47 330**	44 469
Non-cash - share based payments	24	**23 887**	9 321
Fair value adjustment to derivatives		**23 992**	16 000
Interest income/expenses - net	6	**1 801**	2 821
Net exchange differences	6	**66 233**	-1 510
Transaction cost IPO	5	**43 155**	-
Change in operating assets and liabilities			
Change in trade, other receivables and other assets	4,13,19	**-230 526**	-65 010
Change in trade, other payables and contract liabilities	19, 21	**201 791**	34 537
Interest received	6	**119**	466
Income taxes paid	7	**-4 458**	-279
Net cash inflow/outflow from operating activities		**71 347**	57 480
Cash flow from investing activities			
Payment for property, plant and equipment	9	**-40 094**	-6 369
Payment of software development cost	12	**-33 661**	-28 729
Net cash inflow/outflow from investing activities		**-73 754**	-35 098
Cash flow from financing activities			
Proceeds from issuance of ordinary shares		**1 209 873**	3 508
Proceeds from borrowings	17,20		5 000
Repayment of borrowings	17,20	**-2 500**	-6 500
Principal element of lease payments	10,20	**-9 269**	-5 334
Interest paid	6	**-1 920**	-3 286
Transaction cost IPO	5	**-97 020**	-
Net cash inflow/outflow from financing activities		**1 099 163**	-6 612
Net increase/(decrease) in cash and cash equivalents		**1 096 756**	15 770
Cash and cash equivalents start of the period	15	**75 515**	59 421
Effects of exchange rate changes on cash and cash equivalents	15	**-71 613**	324
Cash and cash equivalents end of the period		**1 100 657**	**75 515**

Note 1. General

Pexip got listed on the stock exchange in May and changed name from Pexip Holding AS to Pexip Holding ASA. 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 and Pexip Japan GK. The Group`s head office is located at Lilleakerveien 2a, 0283 OSLO, Norway.

Pexip is a global technology company that delivers a leading, end-to-end video conferencing platform and digital infrastructure. Pexip offers both 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, 2020 were authorized for issue in accordance with a resolution of the directors on April 28, 2021.

1.1 Adoption of new and revised accounting standards

The Group has applied the following standards and amendments for the first time in for the annual report period commencing on the 1st of January 2020:

- Definition on materiality – amendments in IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies to match the definition of the framework.
- Definition of a business – amendments to IFRS 3
- Interest rate benchmark Reform – amendments to IFRS 9 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Amendment to IFRS 16 Covid-19 related Rent Concessions

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

1.1.2 New and revised IFRS standards in issue but not yet effective

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19

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 in accordance with 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 use of other values:

As the Parent company has NOK as its functional currency, the financial accounts are presented in NOK, rounded off 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 financial statements of the Parent Company and its subsidiaries as of December 31, 2020.

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 components of equity, 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 in accordance with 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 into to replace share-based payment arrangements of the acquiree, are measured in accordance with IFRS 2 at the acquisition date.
- the value of a reacquired right is recognized as an intangible asset based in 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 a 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 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. Subsequently, 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 arising on settlement or translation of monetary items are generally recognized in profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on 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 is intended for sale or consumption in the Group's normal operating cycle, it is held primarily for the purpose of being traded, or it is 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 for the purpose of being 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 contract 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 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. The majority 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 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 sale of Cloud Services are recognized over time on a straight-line basis over the license period. Approximately 30% of the Cloud service license agreements with customers are monthly ongoing contracts, the rest are mainly yearly contracts. Invoices are generated on a monthly or yearly basis 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 are thus recognized on a linear basis over time.

The majority of the partner fees are invoices 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.

The majority of maintenance and support agreements are related to the license period. Proof of concept (POC) is a professional service offered with a duration up to 6 months. Revenue from these contracts is recognized on a linear basis 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 by 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 to adjust for a financing component. Where applicable, the variable consideration is estimated using the most likely amount method. The estimate is revised and updated on a quarterly basis.

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 complete, but not yet invoiced at the reporting date. The contract assets are transferred to trade receivables when the right to payment has become unconditional, which usually occurs when invoices are issued to the customers.

When a client pays consideration in advance, or an amount of consideration is due contrac-tually before transferring of the license or service, then the amount received in advance presented as a liability. Contract liabilities represent mainly prepayments from clients for unsatisfied or partially satisfied performance obligations in relation to 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 that is 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 approximately 8 years for software licenses and approximately 5 years for Cloud services.

2.3.6 Government grants
Government grants are recognized where there is 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 the carrying amount of the asset. The grant is then recognized in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

2.3.7 Share-based payment transactions
The Group provides incentives to employees in the form of equity-settled share-based instruments. The Company has two kinds of incentive programs which are share-based programs for employees and for management and key employees.

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

On initial recognition of share options, the number of options expected to vest at expiry is estimated. 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 the computation of diluted earnings per share (further details are given in Note 8).

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

Intangible assets with finite useful lives are amortized on a straight-line basis 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 derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and 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 are as follows:

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

Gains or losses on 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 inception of the contract.

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to 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 term of the lease. 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 statement of profit and loss.

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 to 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 by 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 of an asset's fair value less costs of disposal, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are 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 income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences, and for 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, with respect to situations in which applicable tax regulation is subject to interpretation. Management establishes provisions where appropriate, 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 the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise 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, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in the income statement, except to the extent 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, in the case of a financial instrument not at fair value through profit or loss, transaction costs.

For purpose of subsequent measurement, the Group has classified its financial instruments as either measured at amortized cost or at fair value through profit or loss. 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 and the gains or losses arising from the change in fair value are recognized in the statement of profit or loss.

Financial assets at amortized cost are financial assets held to collect the contractual cash-flow and where the cash-flows are solely payment 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. The carrying amounts of line items classified as current are assumed to be the same as their fair values, due to their short-term nature. Short-term loans and receivables are for practical reasons not amortized unless the effect is material.

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire and the Group has transferred substantially all the risks and rewards of ownership. If it is not obvious that the entity has transferred or retained substantially all risks and rewards, 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 for which the group is a party to, 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.

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. 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 due 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 current 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.

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 by 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 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Valuation based on inputs for the asset or liability that are unobservable market data.
If one or more of the 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 both 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 is 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 during the year and excluding treasury shares.

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

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

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

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

The Group applies judgement in evaluating whether it is reasonably certain whether to exercise the option to extend. That is, 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 is 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 lease of the office as the options is 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. Existing circumstances and assumptions about future developments, however, 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 indication exists, the Group estimates the recoverable amount of the asset according to IAS 36.

Factors that indicate impairment include significant underperformance in revenue generating operation relative to historical data and future projections, significant changes in the use of the asset or any malfunctions, significant 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 of 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 to be derived from an asset. This valuation consists of different estimates that the Group makes, such as estimate 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 made based on reasonable, relevant, and supportable information and represents the managements 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.

Full Year 2020

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

Full Year 2019

	EMEA ¹)	Americas	APAC ²)	Total
Pexip as-a-Service	68 010	27 628	6 086	101 724
Self-hosted software	121 333	96 484	50 413	268 230
Total revenue	**189 343**	**124 112**	**56 499**	**369 954**

	Year to date	
Timing of revenue recognition	**2020**	**2019**
Products and services transferred at a point in time	392 941	225 756
Products and services transferred over time	285 572	144 198
Total revenue	**678 513**	**369 954**

¹) EMEA — Europe, Middle East and Africa
²) APAC — Asia Pacific (East and South Asia, Southeast Asia and Oceania)

Information about major customers

The Group conducts its sales through channel partners. No channel partner represent more than 10% of the Group's revenue. Of the Group's total channel partner base as of December 31, 2020, the five largest represent approximately 28% of total revenue (29% per 2019), and the ten largest represent approximately 42% (44% per 2019).

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.

	31/12/2020	31/12/2019
Norway	315 174	183 760
Europe (other than Norway)	56 555	12 182
Americas	80 573	39 589
APAC	5 426	108
Total revenue	**457 728**	**235 638**

The following geographic information of non-current assets is based on the geographic location of the assets. Total non-current operating assets as of December 31, 2020 NOK 457 728 million has changed from NOK 459 976 million stated in the Q4 Report 2020.

Note 4 - Salary and personnel expense and management remuneration
(NOK 1.000)

	2020	2019
Wages and salaries	294 263	152 899
Social security tax	29 160	20 027
Commission employees	27 766	8 606
Share-based payment expense (note 24)	34 258	9 321
Pension costs (note 23)	6 719	4 703
Other personnel cost	34 281	14 725
Salary cost capitalised	-25 963	-20 047
Total	**400 483**	**190 234**

Average number of labour-years employed during the year	278	176

Loan to employees
The Group provided unsecured loans to employees of NOK 254 thousand at December 31, 2020 (2019: NOK 268 thousand). The repayment schedule is 2 years and the interest rate is 2%.

Management remuneration
The Group Management consists of members of the Board, CEO and the rest of C-level management.

Year ended December 31, 2020

	Salary	Bonus and other remuneration	Pension cost	Share-based payments[1]	Total remuneration	Number of options
Odd Sverre Østlie (CEO)	1 977	1 577	56	2 214	5 824	840 000
Tom Erik Lia (CCO)[2]	1 459	1 301	56	527	3 344	240 000
Giles Chamberlin (CTO)	1 793	824	192	527	3 336	240 000
Øystein Hem (CFO)	1 396	985	56	1 602	4 039	332 500
Nicolas Cormier (COO)[3]	1 196	499	56	527	2 279	240 000
Ingrid Woodhouse (CPO)[4]	966	372	43	439	1 820	50 000
Total remuneration	**8 787**	**5 558**	**458**	**5 837**	**20 641**	**1 942 500**

Year ended December 31, 2019

	Salary	Bonus and other remuneration	Pension cost	Share-based payments[1]	Total remuneration	Number of options
Odd Sverre Østlie (CEO)	1 843	539	55	914	3 351	890 000
Linda Christin Hoff (CFO)[5]	1 435	103	55	160	1 753	125 000
Michel Sagen (COO and member of the Board)[6]	1 396	310	55	-	1 761	-
Tom Erik Lia (CCO and member of the Board)	1 305	440	55	193	1 994	240 000
Giles Chamberlin (CTO)	1 634	221	175	193	2 223	240 000
Øystein Hem (CFO)[7]	1 123	390	55	321	1 889	270 000
Total remuneration	**8 736**	**2 004**	**449**	**1 781**	**12 970**	**1 765 000**

1) Share-based payment refers to the expense recognised in the financial statement.
2) Tom Erik Lia resigned as a member of the board during March 2020.
3) Nicolas Cormier changed role from VP of Technology to COO from January 1, 2020.
4) Ingrid Woodhouse changed role from VP people and development to CPO from January 1, 2021.
5) Linda Christin Hoff changed role from CFO to financial advisor during June 2019.
6) Michel Sagen changed role from COO to Chair of the Board from January 1, 2020.
7) Øystein Hem changed role from VP Strategy to CFO during June 2019.

The guidelines for remuneration to management is disclused as a part of the statement of corporate governance (NUES) section 12.

Bonus agreements and severance pay
There is a a bonus scheme for Group Management based on development in annual recurring revenue (ARR) and cash flow. The bonuses to management are based on Group performance. Group Management are comprised by the ordinary pension schemes of the group (refer to note 23) and no additional pension scheme for management is in place. There has been no severance payments in 2020.

Remuneration to board of directors in the parent company
The annual board remuneration paid in 2020 amounted to NOK 3 272 thousand. (NOK 0 in 2019). Payment cycle is every quarter, one month after end quarter.

The annual board remuneration for the period March 2020 up to the annual general meeting in 2021 amounted to:

NOK 500 per annum for Chair of the Board
NOK 300 per annum for board members

Year ended December 31, 2020

	Salary	Bonus	Board remuneration	Pension cost	Total remuneration
Michel Sagen, Chair of the board[1]	1 756	119	375	56	2 306
Kjell Skappel	-	-	225	-	225
Per Haug Kogstad	-	-	225	-	225
Irene Kristiansen	-	-	159	-	159
Marianne Wergeland Jenssen	-	-	159	-	159
Håkon Dahle[2]	-	-	66	-	66
Aril Resen[3]	-	-	66	-	66
Tom Erik Lia[4]	-	-	66	-	66
Total remuneration	**1 756**	**119**	**1 341**	**56**	**3 272**

1) Bonus paid in 2020 was earned in 2019 when Michel Sagen was COO, amounted to 119.
Michel Sagen is also a consultant for the company with an allowance of NOK 1 756 for the year 2020.
No bonus applicable for 2020.
2) Remuneration for the period Jan to March 2020.
3) Remuneration for the period Jan to March 2020.
4) Remuneration for the period Jan to March 2020.

There were no remuneration to board of directors for the year ended December 31, 2019.

Share option plan

The Group has share-based payment programs to employees. The share option plan is further presented in note 24. Below is an overview of management share options:

	2020 Weighted average exercise price	2020 Number	2019 Weighted average exercise price	2019 Number
Outstanding January 1	31,40	1 687 500	21,46	855 000
Oustanding January 1 New members management team 2020	36,56	270 000	0,00	-
Granted	32,00	97 500	38,00	960 000
Forfeited	-	-	14,50	-62 500
Exercised	15,90	-112 500	14,50	-65 000
Oustanding December 31	**33,04**	**1 942 500**	**31,40**	**1 687 500**

Management options outstanding December 31, 2020 expiry date:

Year	**2021**	**2022**	**2023**	**2024**	**2025**
Number of options	1 400 000	150 000	295 000	0	97 500

Note 5 - Other operating expenses

(NOK 1.000)

	2020	2019
Sales and marketing	40 996	28 591
Computers and software	35 746	18 691
Fees for external services	45 557	17 845
IPO transaction cost	43 155	-
Travel expenses	6 220	16 919
Other operating expenses	8 285	2 566
Total	**179 960**	**84 611**

On May 14, 2020, Pexip became listed on the Oslo Stock Exchange. As a part of the listing, Pexip issued 21 100 002 new shares giving the company new funding of NOK 1 201 million. The total cost attributable to the listing is estimated to be NOK 103 million.

NOK 53,8 million is incremental cost related to issuing the new equity instruments and is hence booked against equity net of tax (NOK 42 million). The transaction fee related to the secondary transactions (NOK 43 million) is booked against other operating expenses. Approximately NOK 4,6 million is cost related to professional services and introduction fees that are deemed non-recurring, of which NOK 3,15 occurred in Q2 2020 and NOK 1,45 in Q1 2020.

Auditor's fees

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

	2020	2019
Statutory audit	4 593	1 022
Other certification services	222	72
Tax advisory services	-	98
Other services	-	417
Total	**4 815**	**1 608**

Note 6 - Financial Income and expenses

(NOK 1.000)

	2020	2019
Interest income	141	466
Financial income	**141**	**466**
Interest expense	-2 476	-1 323
Interest expense on lease liabilities (note 10)	-2 307	-1 963
Other financial expenses	-1 115	-1 165
Fair value adjustments on derivative financial liabilities (note 19)	-23 992	-16 000
Financial expenses	**-29 890**	**-20 451**
Net foreign currency gains and losses	-80 527	4 789
Net financial income(expense)	-110 276	-15 196

Note 7 - Income tax expense

(NOK 1.000)

Specification of income tax expense:	**2020**	**2019**
Current tax on profits for the year	996	3 827
Changes in deferred tax	-12 983	2 775
Adjustments for current tax of prior periods	-	222
Effect of changes in tax rules and rates	-981	-2 396
Tax on profit/(loss)	**-12 968**	**4 427**

Reconciliation from nominal to effective income tax rate:	**2020**	**2019**
Profit/(loss) before tax	-101 977	16 664
Estimated income tax according to nominal tax rate of 22 %	-22 435	3 666
Effect from different tax rate in other countries	-1 013	-148
Effect of changes in tax rules and rates	-981	-2 396
The tax effect of the following items:		
Non-deductible expenses	5 763	4 737
Non-taxable income	-159	-934
Share-based payment expenses	5 255	2 051
Adjustments for prior period tax	-	-1 750
Other items	601	-798
Income tax expense	**-12 968**	**4 427**
Effective income tax rate	13%	27%

Changes in tax rate

The tax rate for the US business changed in 2019 due to a merger between two subsidiaries. The tax rate changed in both 2020 and 2019 due to changes in state tax in the US, due to additional states being filed. The tax rate for the US business is 26.45% in 2020 (2019: 26,35 %). The net deferred tax asset was revalued at January 1 and NOK 0.2 million was recognised as a negative tax expense in 2020 (2019: NOK 2.4 million).

The UK Government has announced that the Corporation Tax main rate will be reduced from 19% in 2019 to 17% effective for the year starting April 1, 2020. Due to the uncertainty at the reporting date for the 2019 financial statements, the Management Group has used the tax rate of 18% at December 31, 2019 for calculation of deferred tax. The UK Government announced March 11, 2020 that the tax rate for the financial year beginning April 1, 2020 was set at 19 %, rather then reducing it to 17%. According to the announcement the tax rate will also be set at 19 % for the financial year beginning April 1, 2021. As a consequence of this the tax rate used for the UK business has increased by 1 percent unit. The net deferred tax asset was revalued at January 1, 2020 and NOK 0.8 million was recognised as an negative tax expense in 2020.

Amounts recognised directly in equity	2020	2019
Deferred tax: Tax on share issue costs	-11 850	-

Deferred tax balances:	12/31/2020	12/31/2019
Deferred tax assets:		
Tax losses	77 197	31 815
Tangible and intangible assets	20	8 314
Receivables	962	613
Contract liabilities	22 323	29 654
Current and non-current liabilities	32 436	11 587
Other	-	366
Set-off tax	-78 323	-54 796
Net deferred tax assets after set-off	54 615	27 553
Unrecognised deferred tax assets	-	-
Net deferred tax assets	54 615	27 553
Deferred tax liabilities:		
Tangible and intangible assets	64 026	4 121
Current assets	-	16 284
Contract liabilties	14 037	34 391
Other differences	261	-
Set-off tax	-78 323	-54 796
Net deferred tax liabilities	-	-

Deferred tax assets Movements	Tax losses	Contract liabilities	Current and non-current liabilities	Other	Total
At January 2020	**31 815**	**29 654**	**11 587**	**9 293**	**82 349**
(Charged)/credited					
- to profit or loss	45 382	-7 330	20 849	-8 311	**50 589**
- to other comprehensive income					
- directly to equity					
At December 2020	**77 197**	**22 323**	**32 436**	**982**	**132 938**

Deferred tax liabilities	Tangible and intangible assets	Current assets	Contract liabilties	Other differences	Total
At January 2020	**4 121**	**16 284**	**34 391**	**-**	**54 796**
(Charged)/credited					
- to profit or loss	48 055	-16 284	-20 354	261	**11 677**
- to other comprehensive income					
- directly to equity	11 850				**11 850**
At December 2020	**64 026**	**-**	**14 037**	**261**	**78 323**

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, 2020 and 2019 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 77.2 million as at December 31, 2020 (US and UK in 2019: NOK 31.8 million) have been recognised based on the same assessment of the probability for sufficient taxable profit in the future.

Tax losses carried forward	**12/31/2020**	**12/31/2019**
Expire (2033 and forward)	59 027	60 741
Never expires	289 012	86 752
Total tax losses carried forward	348 039	147 493
Tax losses for which deferred tax asset is recognised	348 039	147 493
Tax losses for which no deferred tax asset is recognised	-	-
Potential tax benefit	-	-

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 11.0 million at December 31, 2020 (December 31, 2019: NOK 2.3 million). The expiring tax losses have priority over the never-expiring losses and are used earliest-first.

Note 8 - Earnings per share

(NOK 1.000)

Earnings	2020	2019
Earnings for the purpose of basic earnings per share being		
net profit attributable to the owners of the company	-89 009	12 237
Effect of dilutive potential ordinary shares	0	0
Earnings for the purpose of diluted earnings per share	**-89 009**	**12 237**
Number of shares		
Weighted average number of ordinary shares for the purpose		
of basic earnings per share	93 458 336	79 614 472
Effect of dilutive potential ordinary shares:		
Share options	3 391 553	1 124520
Weighted average number of ordinary shares for the purpose		
of diluted earnings per share	**96 849 889**	**80 738 992**
Earnings per share		
Basic earnings per share	-0,95	0,15
Diluted earnings per share	-0,95	0,15

	12/31/2020	12/31/2019
Overview of outstanding share options		
Share-based payments awards (refer to note 24)	7 908534	6 740 432
Option over own equity instruments (refer to note 21)	-	1 600 002
Total options outstanding	**7 908 534**	**8 340 434**

Dilutive potential ordinary shares of 3.391.553 for 2020 (2019: 1.124.520) differs from total outstanding options at December 31, 2020 (and December 31, 2019). 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, 2019	1 734	4 028	5 762
Additions	2 167	4 202	6 369
Disposals	-	-73	-73
Exchange differences	14	111	124
Acquisition cost December 31, 2019	3 915	8 267	12 182
Additions	8 234	15 759	23 993
Exchange differences	191	169	360
Acquisition cost December 31, 2020	**12 339**	**24 195**	**36 535**
Accumulated depreciation and impairment losses January 1, 2019	441	2 004	2 445
Disposals	-	-73	-73
Depreciation for the period	842	1 698	2 540
Exchange differences	9	60	69
Accumulated depreciation and impairment losses December 31, 2019	1 292	3 689	4 981
Depreciation for the period	3 193	3 054	6 246
Exchange differences	117	14	130
Accumulated depreciation and impairment losses December 31, 2020	4 601	6 756	11 358
Carrying value at December 31, 2019	2 623	4 578	7 201
Carrying value at December 31, 2020	7 738	17 439	25 177

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

The right-of-use asset is presented separately in note 10 - Leases.

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, 2019	7 822	2 248	10 070
Additions (new leases)	50 196	101	50 297
Depreciation expense	-7 962	-302	-8 263
Exchange differences	315	-	315
As at December 31, 2019	**50 372**	**2 047**	**52 419**
Additions (new leases)	42 957	5 741	48 699
Adjustments	-1 528	-252	-1 780
Depreciation expense	-9 717	-1 111	-10 828
Exchange differences	-745	-	-745
As at December 31, 2020	**81 339**	**6 426**	**87 765**

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:

	2020	2019
As at January 1	55 488	10 525
Additions (new leases)	48 699	50 297
Adjustments	-1 600	-
Principal element of lease payments	-9 589	-5 334
Exchange differences	-648	-0
As at December 31	**92 349**	**55 488**

Maturity analysis of lease liabilities	12/31/2020	12/31/2019
Less than 6 months	6 841	5 091
6-12 months	7 576	5 134
1-2 years	20 187	9 964
2-5 years	45 594	21 607
Over 5 years	22 532	21 193
Total face value	**102 729**	**62 990**

Carrying amount	**92 349**	**55 488**
Current	14 130	10 024
Non-current	78 220	45 464

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

	2020	2019
Depreciation expense for the right-of-use asset	10 828	8 263
Interest expense on lease liabilities	2 168	1 963
Exchange difference (included in OCI)	-45	-142
Exchange difference (included in financial income)	139	-173
Expense related to short-term leases (included in other operating expenses)	1 227	381
Total amount recognised in profit or loss	**14 317**	**10 291**

The Group had total cash outflows for leases of NOK 13.0 million in 2020 (NOK 7.8 million in 2019).

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 at the commencement date whether it is reasonably certain to exercise the renewal right. The Group's potential future lease payments not included in the lease liabilities related to extension options is NOK 8.3 million (gross) on December 31, 2020 (NOK 1 million on December 31, 2019).

The Group leases plant and machinery with lease terms of 3 to 5 years. Some of these contracts includes a right to purchase the asset at the end of the contract term. The Group assesses at the commencement date whether it is reasonably certain to exercise the purchase option. The Group has assessed that all the purchase options will be exerise and there are no potential future lease payments not included in the lease liabilities related to purchase options on December 31 in 2020 and 2019.

Note 11 - Goodwill

(NOK 1.000)

	Goodwill
Acquisition cost December 31, 2019	598 998
Acquisition cost December 31, 2020	598 998

Recognised goodwill in the Group amounts to NOK 599 million as of December 31, 2020. Goodwill is derived from the acquisition of Videxio AS which was completed in 2018. Goodwill is tested for impairment based on cash flow from the highest level which is the group. Goodwill is tested on the highest level since the synergies stemming from the business combination willl materialize on the group level.

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 2020. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax, using a discount rate reflecting the timing of the cash flows and the expected risk.

Revenue development and operating profits is estimated based on past performance, as well as managements expectations for the years 2021 to 2025. The expectations for the overall economic conditions and market outlook are in line with industry analysts, expecting continued strong growth within the collaboration market. Capital investments and depreciation are estimated to be in line with historic values relative to revenues.

Cash flows were discounted to a weighted average cost of capital (WACC) corresponding to 10.45. Cost of capital before tax of 10.51 would result in the same outcome of the test. The asset beta is based on average of peer companies in the segment with a small company premium. Risk-free interest rate appplied is the average monthly interest rate for 10-year Norwegian government bonds from 2010 to 2020. The long-term optimal weight of equity of 95% is applied in the calculation of WACC.

Cash flows beyond the five-year forecast period have been extrapolated using a steady 5% per annum growth rate. The collaboration industry are expected to grow significantly faster than the terminal growth rate used in impairment testing. The industry is expected to grow by 15% anually over the forecast period.

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

Note 12 - Intangible assets
(NOK 1.000)

	Software	Customer contracts	Patents	Re-aquired rights	Total
Acquisition cost January 1, 2019	109 841	30 115	238	5 354	145 549
of which internally generated	*39 215*	-	-	-	*39 215*
Additions *(internally generated)*	28 729	-	-	-	28 729
Government grants	-3 635	-	-	-	-3 635
Acquisition cost December 31, 2019	**134 935**	**30 115**	**238**	**5 354**	**170 643**
of which internally generated	*64 309*	-	-		*64 309*
Additions *(internally generated)*	33 661		-	-	33 661
Additions		33 105			33 105
Government grants	-4 750	-	-	-	-4 750
Acquisition cost December 31, 2020	**163 846**	**63 221**	**238**	**5 354**	**232 659**
of which internally generated	*93 220*	-	-	-	*93 220*
Accumulated amortisation and impairment losses January 1, 2019	32 860	1 150	76	1 108	35 194
of which internally generated	*30 527*	-	-	-	30 527
Amortisation of internally generated assets	5 638	-	-	-	5 638
Amortisation of other assets	17 650	6 023	109	4 246	28 028
Accumulated amortisation and impairment losses December 31, 2019	**56 148**	**7 173**	**185**	**5 354**	**68 860**
of which internally generated	*36 165*				*36 165*
Amortisation of internally generated assets	6 781	-	-	-	6 781
Amortisation of other assets	16 172	7 084	53	-	23 309
Accumulated amortisation and impairment losses December 31, 2020	**79 101**	**14 257**	**238**	**5 354**	**98 950**
of which internally generated	*42 946*	-	-	-	*42 946*
Carrying value as at January 1, 2019	**76 981**	**28 966**	**162**	**4 246**	**110 356**
of which internally generated	*8 688*	-	-	-	*8 688*
Carrying value as at December 31, 2019	**78 787**	**22 942**	**53**	**0**	**101 783**
of which internally generated	*28 144*	-	-	-	*28 144*
Carrying value as at December 31, 2020	**84 745**	**48 964**	**-0**	**0**	**133 709**
of which internally generated	*50 274*	-	-	-	*50 274*

Estimated useful life and amortisation plan is as follows:				
Useful life amortisation plan	5 years straight-line	5 years straight-line	5 years straight-line	1 year 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 2020 is NOK 109,12 million (2019: NOK 53,2 million).

The Group has received government grants related to development of software of NOK 3,6 million in 2019 and NOK 4,75 million in 2020. The grants have been subtracted from the carrying amount of internally generated software.

The customer contracts purchased in 2020 has an estimated lifetime of 5.8 years and will hence be deprechiated over 70 months. The final cash outflow from this purchase will be settled in first half year of 2022.

Note 13 - Trade and other receivables

(NOK 1.000)

	12/31/2020	12/31/2019
Trade receivables	192 179	104 669
Provisions for bad debt	-4 357	-3 112
Public taxes and funds	4 839	3 724
Other current receivables	254	271
Total current trade and other receivables	**192 916**	**105 552**
Deposits	2 919	1 715
Public taxes and funds	-	-
Total non-current trade and other receivables	**2 919**	**1 715**

Aging of trade receivables	**12/31/2020**	**12/31/2019**
Current and guaranteed [1]	142 875	66 303
1-30 days past due	18 446	9 008
31-60 days past due	11 240	5 048
61-90 days past due	7 330	10 224
More than 90 days past due	12 288	14 086
Less provision for bad debt	-4 357	-3 112
Total	**187 822**	**101 557**

1) The Group had a Securitization Facility agreement with Sparebank 1 Factoring. The agreement is related to sale of the Infinity products. The amount of receivables covered by the guarantee is NOK 31.3 milllion at December 31, 2020 (December 31, 2019: NOK 18 million). Sparebank 1 Factoring covers 90% of the credit loss for the guaranteed receivables, which amounts to NOK 28.1 million at December 31, 2020 (December 31, 2019: NOK 16.2 million). The Group retains the credit risk for the remaining 10%. Sparebank 1 Factoring finances up to 80% of the accounts receivables which have been accepted as guaranteed. The financing covers NOK 7.3 million (December 31, 2019: NOK 8.8 million) which is recognised as a reduction in the carrying amount of receivables. The amount of non-financed receivables where Sparebank 1 Factoring retains the credit risk (December 31, 2020: NOK 20.9 million, December 31, 2019: NOK 7.5 million) is presented as a current receivable in the table above. The 10% of guaranteed receivables where Pexip retains the credit risk are included in the aging table above together with the non-guaranteed receivables. The Securitization facility has an interest rate based on the 3 months interest rate in the individual currency with the additional margin of 2.95%. In addition Pexip pays a commission on the limit of 0.060% of the granted credit limit per month. The credit limit is NOK 25 million.

From January 1, 2021, this agreement is terminated for new issued invoices on this date and forward. There are no effect for invoices issued before January 1, 2021.

Movements in the provision for impairment of trade receivables	2020	2019
Opening balance provision for bad debt as at January 1	3 112	2 609
Change in provision for the year	2 252	2 213
Receivables written off during the year	-1 183	-1 735
Translation differences	175	26
Closing balance provision for bad debt as at December 31	**4 357**	**3 112**

Note 14 - Other current assets

(NOK 1.000)

	12/31/2020	12/31/2019
Other prepayments	18 680	11 098
Other current assets	-	-
Total	**18 680**	**11 098**

Note 15 - Cash and cash equivalents

(NOK 1.000)

	12/31/2020	12/31/2019
Bank deposits	1 100 656	75 515
Total cash and cash equivalents	**1 100 656**	**75 515**

Restricted cash

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

	12/31/2020	12/31/2019
Taxes withheld	5 753	3 159
Total restricted cash	**5 753**	**3 159**

Of the total cash and cash equivalents as of December 31, 2020 NOK 5 498 is held as a bank guarantee at DNB bank for the lease contract with Mustad Eiendom AS regarding rental of offices in Lysaker.

Note 16 - Share capital, shareholder information and dividend

(NOK 1.000)

The Parent Company's registered share capital as at December 31, 2020 was NOK 1,523,452.305 divided into 101,563,487 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights.

The par value of shares was increased to NOK 0.015 at December 12, 2019 as decided by the general meeting. The increase in share capital of NOK 0.4 million was not registrered as at December 31, 2019 and is reclassified from other equity to share capital increase not registered in the statement of financial position.

Development in the number of issued and outstanding shares

	Number of shares (1.000)	Share capital
Outstanding at January 1, 2020	79 868	799
Share capital increase not registered as of December 31, 2019		399
Issued during the year	21 695	325
Outstanding at December 31, 2020	**101 563**	**1 523**

Ownership structure

The 20 largest shareholders as of December 31, 2020:

	Shares	Ownership
STATE STREET BANK AND TRUST COMP	10 556 031	10,39%
T.D. VEEN AS	5 388 773	5,31%
BJØBERG EIENDOM AS	4 025 775	3,96%
TAMORER LTD WYLIE FAMILY TRUST	3 118 748	3,07%
SKANDINAVISKA ENSKILDA BANKEN AS TIN NY TEKNIK	2 476 755	2,44%
SKANDINAVISKA ENSKILDA BANKEN AS DIDNER AND GERGE SMABOLAG	2 363 180	2,33%
SYNESI AS	1 873 369	1,84%
VEEN EIENDOM AS	1 872 223	1,84%
HAMACHI AS	1 833 399	1,81%
STAVANGER VENTURE	1 800 018	1,77%
PLATAA VENTURE	1 800 000	1,77%
XFILE	1 753 273	1,73%
LIA INVESTMENTS LIMITED	1 583 523	1,56%
SAGEN TELECOM	1 551 564	1,53%
VERDIPAPIRFONDET DNB NORDEN	1 530 558	1,51%
VERDIPAPIRFONDET NORGE SELEKTIV	1 467 751	1,45%
CHAMBERLIN, GILES RUSSELL	1 427 994	1,41%
PEBRIGA	1 237 730	1,22%
SIRIUS	1 090 000	1,07%
VERDIPAPIRFONDET GRØNT NORDEN	1 080 949	1,06%
Total top 20 shareholders	49 831 613	49,06%
Others	51 731 874	50,94%
Total	101 563 487	100%

Number of shares owned directly or indirectly by the Management Group and Board of Directors at December 31, 2020:

	Shares	Ownership
Kjell Skappel (Board Member)	9 061 014	8,92%
Per Haug Kogstad (Board Member)	4 025 775	3,96%
Michel Sagen (Chair of the Board)	1 551 564	1,53%
Irene Kristiansen (Board Member)	150 000	0,15%
Marianne Wergeland Jenssen (Board Member)	3 000	0,00%
Tom Erik Lia (CCO)	1 583 523	1,56%
Giles Chamberlin (CTO)	1 427 994	1,41%
Odd Sverre Østlie (CEO)	162 500	0,16%
Nicolas Cormier (COO)	208 375	0,21%
Ingrid Woodhouse (CPO)	7 500	0,01%
Øystein Hem (CFO)	17 500	0,02%
Total	17 965 370	17,69%

Dividend paid and proposed
Proposal for approval at AGM for financial year 2020 is that no dividend will be paid. No dividend was paid for financial year 2019.

Treasury shares
Pexip holds 15,070 shares.

Note 17 - Borrowings

(NOK 1.000)

The Group's interest-bearing liabilities consists of:

	Interest rate	Year of maturity	12/31/2020	12/31/2019
Loan from Innovation Norway	3.95%	2021		500
Loan from Innovation Norway	3.70%	2024	6 000	8 000
Total long-term debt			**6 000**	**8 500**
Loan from Innovation Norway	3,95 %	2021	500	500
Loan from Innovation Norway	3.70%	2021	2000	2 000
Total short-term debt			**2 500**	**2 500**

The leasing liabilities are presented separately in note 10 - Leases.

The fair value of external borrowings does not materially differ from the carrying amount since interest payable is close to current market rates.

Pledged as security

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

	12/31/2020	12/31/2019
Property, plant and equipment	25 177	7 201
Trade receivables	187 822	101 557
Total	**212 999**	**108 758**

Factoring agreement

The Group has a Securitization Facility agreement with Sparebank 1 Factoring where Sparebank 1 finances parts of the Group's trade receiveables. Refer to note 13 for more information about the agreement.

Note 18 - Contract costs, contract assets and contract liabilities

(NOK 1.000)

Contract assets	**2020**	**2019**
Balance at January 1	14 015	8 164
Additions	5 463	11 238
Reclassifications to accounts recievables	-10 407	-5 385
Balance at December 31	9 069	14 015

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

Contract liabilities	**2020**	**2019**
Balance at January 1	47 880	28 133
New contract liabilities	151 798	44 193
Revenue recognised from liability opening balance	-44 499	-24 446
Balance at December 31	155 180	47 880

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 2020 or 2019.

Contract costs	**2020**	**2019**
Balance at January 1	74 235	41 433
Additions	160 898	41 134
Depreciated during the year	-24 056	-8 332
Balance at December 31	211 077	74 235

Contract assets and liabilities

Of the contract liabilities as of December 31, 2019, NOK million 44.5 has been recognised as revenue in 2020 (2019: NOK million 24.4) corresponding to 93% (2019: 87%) of the contract liability the preceding year end. The increase of the contract liability in 2019 and 2020 is mainly due to increase in sales.

Of the contract assets as of December 31, 2019, NOK million 10.4 is reclassified to accounts receivables in 2020 (2019: NOK million 5.4). The reduction of the contract asset in 2020 is mainly due to a change in invoicing routines.

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 2020, amortization of contract costs amounting to NOK million 22.8 was recognised as part of salary and personnel expenses and NOK million 1.2 as cost of sale. For 2019 the amounts were NOK million 7.2 and NOK million 0.9 respectively.

Note 19 - Categories of financial assets and financial liabilities
(NOK 1.000)

Financial assets	12/31/2020	12/31/2019
Financial assets at amortised cost:		
Cash & cash equivalents (note 15)	1 100 656	75 515
Trade and other receivables (note 13)	190 741	103 272
	1 291 397	**178 787**

Financial liabilities	12/31/2020	12/31/2019
Liabilities at amortised cost:		
Borrowings (note 17)	8 500	11 000
Trade and other payables	94 100	34 824
Lease liabilities (note 10)	92 349	55 488
Derivative financial liabilities at fair value through profit or loss	-	76 784
	194 949	**178 096**

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

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

For the year ended December 31, 2019	1/1/2019	Net cash flows	New liabilities	12/31/2019
Borrowings (note 17)	12 500	-1 500		11 000
Lease liabilities (note 10)	10 525	-5 334	50 297	55 488
Total liabilities from financing activities	**23 025**	**-6 834**	**50 297**	**66 488**

Proceeds from issuance of ordinary shares of NOK 3.5 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 by a single counterparty.

The group has during 2020 a Securitization Facility agreement with Sparebank 1 Factoring, where Sparebank 1 covers 90% of the credit loss for guaranteed receivables. This agreement was cancelled by the group for all new invoices issued after January 1, 2021 to allow for more efficient processing and collection of receivables. Refer to note 13 for more information about this agreement.

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

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, and 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 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 2020 and 2019:

For the year ended December 31, 2020

Trade receivables and contract assets	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due
Loss rate	1,35%	1,80%	2,70%	3,90%	8,74%

For the year ended December 31, 2019

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	0,00%	0,00%	0,02%	1,51%	7,68%

The Group has historically had little loss on receivables and have not seen any larger effect from the covid-19 virus. However, the Group has taken into acccount the uncertainty in the market and 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 certain 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 into 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 groups cash deposits are large banks which are considered to be solid. The group assesses that there is 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. During 2020 the Group raised NOK 1.1 billion net of transaction costs to accellerate investments in line with these 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 groups financial liabilities are mainly trade payables. In addition, the group has a long-term loan to Innovation Norway, as well as 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, 2020

	Current		Non-current		
(NOK 1.000)	1-6 months	6-12 months	1-2 years	2-5 years	Later than 5 years
Borrowings	1 413	1 388	2 208	4 179	-
Trade and other payables	94 100	-	-	-	-
Total liabilities	95 512	1 388	2 208	4 179	-

For the year ended December 31, 2019

	Current		Non-current		
(NOK 1.000)	1-6 months	6-12 months	1-2 years	2-5 years	Later than 5 years
Borrowings	1 529	1 497	2 895	6 508	-
Trade and other payables	34 824	-	-	-	-
Derivative financial liability	76 784				
Total liabilities	113 137	1 497	2 895	6 508	-

Market risk

Foreign exchange rates

The group operates globally and is exposed to foreign exchange risk, both with regards to trade receivables and trade payables as well as 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, as well as 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	**2020**	**% of total**	**2019**	**% of total**
NOK	417 421	32,3 %	25 218	14,1 %
USD	517 283	40,1 %	119 120	66,5 %
GBP	208 457	16,1 %	23 757	13,3 %
Other currencies	148 236	11,5 %	10 963	6,1 %
Total	**1 291 397**	**100%**	**179 058**	**100%**

Financial liabilities	**2020**	**% of total**	**2019**	**% of total**
NOK	130 083	66,7 %	152 416	85,6 %
USD	27 517	14,1 %	17 178	9,6 %
GBP	27 040	13,9 %	5 522	3,1 %
Other currencies	10 310	5,3 %	2 981	1,7 %
Total	**194 949**	**100%**	**178 097**	**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:

		2020	**2020**	**2019**	**2019**
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%	34 284	29 924	7 136	6 229
GBP	+/- 7%	12 699	11 084	1 276	1 114

Note 22 - Capital management

(NOK 1.000)

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

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

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

	2020	**2019**
Pension cost	6 719	4 703

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

There are several active option programmes in Pexip. Some programs are directed towards employees while others are directed towards management. The first program is a legacy program for Pexip employees from the time before the merger. The options vest over 4 years from grant date and the program expires in 2023. The employees are allowed to exercise vested options in the first exercise window after the potential termination of employment. The second option program for existing employees also vest over 4 years from grant date and expires between 2024 and 2025. The exercise of the share options is conditioned of beeing employed at the time of exercise.The last program for new employees vest over 4 years from grant date and expires between 2024 and 2026. The exercise of the share options is conditioned of beeing employed at the time of exercise. Programs directed towards management have an exit event as a vesting condition. For some of the management programs Pexip has an option to settle in either cash or equity. These options are however treated as equity settled since Pexip has the intention and a past history of only settling in equity. Option programs for management are dependent upon beeing employed at the time of exercise.

	2020 Weighted average exercise price	**2020** Number	**2019** Weighted average exercise price	**2019** Number
Outstanding at January 1	27,49	6 740 432	15,32	3 471 384
Granted during the year	62,60	2 620 000	35,26	3 980 000
Forfeited during the year	34,11	-351 917	14,55	-313 418
Exercised during the year	11,73	-1 095 223	9,70	-375 034
Expired during the year	0,06	-4 758	0,01	-22 500
Outstanding at December 31	**41,03**	**7 908 534**	**27,49**	**6 740 432**

The exercise price of options outstanding at December 31, 2020 ranged beetween NOK 11.85 and NOK 90 (2019: NOK 0.01 and NOK 38) and their weighted average contractual life was 3.3 years (2019: 3.6 years).

Of the total number of options outstanding at December 31, 2020, 260.263 (2019: 451.447) had vested and were excercisable.

The weighted average fair value of each option granted during the year was NOK 22.13 (2019: NOK 7.92).

The total expense recognised for the period airising from equity-settled share-based payment transactions was NOK 23.9 million (2019: NOK 9.3 million).

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

	2020		**2019**
Option pricing model used		Black-Scholes	
Weighted average share price at grantdate (in NOK)	68		32
Excercise price (in NOK)	63		35
Weighted average contractual life (in days)	1 827		1 827
Expected volatility	33,90%		30,18%
Risk-free interest rate	0,58%		1,57%

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

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

Note 25 - Government grants

The Group is eligible for government grants of NOK 4.8 million in 2020 (2019: NOK 3.6 million) which has been deducted from the carrying amount of other intangible assets (software).

In 2020 government grants have been received for two SkatteFUNN projects. Pexip aims to develop the next generation video conferencing system, lifting the experience to new level for both users and administrators. This project aims to improve usability compared to solutions on the market today. Leveraging recent technological achievement, Pexip will develop new machine learning models and signal processing algorithms to adaptively compose a virtual meeting room, support meetings with hundreds of participants, improve both audio and video quality, and optimize layout and physical meeting rooms by analysing video streams. To achieve this , Pexip will also develop a new node distribution model giving much more flexible deployment of a complete solution. This includes new methods for distributing computing power across nodes on premises and the cloud new methods for reducing bandwidth usage between nodes.

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

Note 26 - List of subsidiaries

The consolidated financial statements for 2020 include the following subsidiaries:

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

The consolidated financial statements for 2019 include the following subsidiaries:

Company	Registered office	Voting share	Ownership share
Pexip AS	Oslo, Norway	100%	100%
Pexip Ltd.	Twyford, England	100%	100%
Pexip Inc. (1)	New York, USA	100%	100%
Videxio Asia Pacific Ltd.	Kuala Lumpur, Malaysia	100%	100%

1) Videxio Inc was merged into Pexip Inc as from November 1, 2019.

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 note 4.

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

In March 2021 Pexip had shares issued directed towards key employees and management, and raised net NOK 72 320 810 in capital with issuance of 2 253 896 new shares.

Note 29 - Fair value of financial instruments

As of year end 2020, the Group no longer had any financial instruments measured at fair value. The derivative financial liability that comprised the line item derivative financial liability in 2019 was settled in May 2020 at the day of the listing on the Norwegian stock exchange. The liabilities are derivatives over own equity categorised within level 3 of the fair value hierarchy. Fair value is determined as the difference between the excercise price of the derivative (NOK 0.015) and the estimated share price at each reporting date (At December 31, 2019: NOK 48, at May 14, 2020: NOK 63). At settlement date Management used the share price in the public offering as the best estimate of the fair value of the derivative. The loss was recognised as a financial expense (2020: NOK 19, in 2019: NOK 16). The derivative liability was settled and recognized against equity as a part of other share premium. A sensitivity analysis for the estimate is disclosed in Note 21 - Financial risk.

Note 30 - Covid-19

Covid-19 has impacted Pexip in several ways during 2020. Covid-19 resulted in a strong peak in demand, being an important factor behind the strong increase in revenue growth compared to 2019. This has also resulted in increased Cost of Sales, especially as the usage of Pexip as-a-Service offering increased significantly, and higher accruals of Contract Costs from sales-related commissions. Covid-19 has not had a significant impact on collections of accounts receivables, nor impacted expected future losses on outstanding account receivables. Through 2020 and up to the date of this report most locations with Pexip presence continues to be in some form of lock-down. This has not impacted lease payments or existing lease contracts. Pexip has not received any Covid-19 related government financial support in any of its locations.

Financial Statements

Pexip Holding ASA
2020

Profit and loss statement

(NOK 1.000)

NOTE	OPERATING REVENUE AND OPERATING EXPENSES	1/1/20- 31/12/20	1/1/19- 31/12/19
	Revenue	-	-
	Total operating revenue	**-**	**-**
2, 8	Other operating expenses	57 109	238
	Total operating expenses	**57 109**	**238**
	Operating loss	**-57 109**	**-238**
	FINANCIAL INCOME AND FINANCIAL EXPENSES		
10	Other financial income	847	0
10	Other financial expenses	-66 803	0
	Financial items, net	**-65 956**	**0**
	Loss before taxation	**-123 065**	**-238**
7	Income tax	-27 074	-52
	LOSS FOR THE FINANCIAL YEAR	**-95 990**	**-185**
	ALLOCATION OF NET LOSS AND EQUITY TRANSFERS		
6	Transferred to / from other equity	-95 990	-185
	Total allocations and equity transfers	**-95 990**	**-185**

Balance sheet at December 31

(NOK 1.000)

NOTE	ASSETS	31/12/2020	31/12/2019
	Non-current assets		
	Financial non-current assets		
7	Deferred tax	38 925	0
3, 9	Investments in group companies	1 055 938	1 032 052
	Total financial non-current assets	1 094 863	1 032 052
	Total non-current assets	**1 094 863**	**1 032 052**
	Current assets		
	Receivables		
	Trade and other receivables	0	3
	Other current assets	1 353	0
	Total receivables	**1 353**	**3**
	Cash and cash equivalents	**884 567**	**3 503**
	Total current assets	**885 920**	**3 506**
	TOTAL ASSETS	**1 980 784**	**1 035 558**

NOTE	SHAREHOLDERS EQUITY AND LIABILITIES	31/12/2020	31/12/2019
	Shareholders equity		
	Paid-in equity		
5,6	Share capital	1 523	799
5,6	Share capital, increase not registered	0	399
6, 9	Share premium	2 027 206	860 073
	Total paid-in equity	2 028 730	861 271
	Equity		
6	Other equity	-55 795	15 910
	Equity	**-55 795**	**15 910**
	Total shareholders equity	**1 972 935**	**877 181**
	Liabilities		
	Current liabilities		
	Trade and other payables	1 239	0
4	Debt to group Company	6 609	154 618
7	Current tax liabilities	0	3 759
	Total current liabilities	7 848	158 377
	Total liabilities	**7 848**	**158 377**
	TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	**1 980 784**	**1 035 558**

Oslo, April 28, 2021
For the Board of Pexip Holding ASA:

Michel Sagen Chair of the Board	**Per Haug Kogstad** Board Member	**Irene Kristiansen** Board Member
Kjell Skappel Board Member	**Marianne Wergeland Jenssen** Board Member	**Odd Sverre Østlie** CEO

Cash flow statement

(NOK 1.000)

	2020	2019
CASH FLOW FROM OPERATIONS:		
Profit/(loss) before taxation	-123 065	-238
Taxes paid for the period	-3 787	0
Effect of currency rate changes	61 303	0
Transaction cost related to IPO	43 155	-58
Change in trade receivables	3	-3
Change in trade payables	7 848	0
Changes in other current assets and other liabilities	-1 281	0
Net cash flow from operations	**-15 824**	**-299**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Net cash flow from investment activities	**-**	**-**
CASH FLOW FROM FINANCING ACTIVITIES:		
Inflow from share exercise	1 209 547	3 508
Inflow due to loan from Pexip AS	0	281
Transaction cost related to IPO	-97 020	0
Payments out due to group contribution	-154 337	0
Net cash flow from financing activities	**958 191**	**3 789**
Effects of currency rate changes on bank deposits, cash and equivalents	-61 303	**0**
Net change in bank deposits, cash and equivalents	881 064	3 490
Bank deposits, cash and equivalents at January 1, 2020	3 503	13
Bank deposits, cash and equivalents at December 31	**884 567**	**3 503**

Notes to the accounts, year ended December 31, 2020

Note 1 - Accounting policies

Pexip got listed on the stock exchange in May and changed name from Pexip Holding AS to Pexip Holding ASA.

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 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
For the measurement of the fair value of the equity-settled transactions with employees at the grant date, the Group financial income. The same applies for investments in associates.

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

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

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

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

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

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

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

Note 2 - Payroll costs, number of employees, benefits, loans to employees etc

(NOK 1.000)

Average number of employees during the year	0

Pexip Holding ASA has no employees.

Directors' remuneration	Salaries, fees	Pensions	Other benefits
Chief Executive Officer	1 977	56	3 792

Chief Executive Officer is compensated from Pexip AS.

Board of directors' remuneration

The annual board remuneration paid in 2020 amounted to NOK 3 272. (NOK 0 in 2019).

Payment cycle is every quarter, one month after end quarter.

Board of directors are compensated from Pexip AS.

Year ended December 31, 2020

	Salary	Bonus	Board remuneration	Pension cost	Total remuneration
Michel Sagen, Chair of the board[1]	1 756	119	375	56	2 306
Kjell Skappel	-	-	225	-	225
Per Haug Kogstad	-	-	225	-	225
Irene Kristiansen	-	-	159	-	159
Marianne Wergeland Jenssen	-	-	159	-	159
Håkon Dahle[2]	-	-	66	-	66
Aril Resen[3]	-	-	66	-	66
Tom Erik Lia[4]	-	-	66	-	66
Total remuneration	**1 756**	**119**	**1 341**	**56**	**3 272**

1) Bonus paid in 2020 was earned in 2019 when Michel Sagen was COO, amounted to 119.
Michel Sagen is also a consultant for the company with an allowance of NOK 1 756 for the year 2020.
No bonus applicable for 2020.
2) Remuneration for the period Jan to March 2020.
3) Remuneration for the period Jan to March 2020.
4) Remuneration for the period Jan to March 2020.

There were no remuneration to board of directors for the year ended December 31, 2019.

Auditor

Remuneration to Deloitte AS and their associates is as follows:

	2020	2 019
Statutory audit	1 013	48
Other certification services	222	-
Total	**1 235**	**48**

Amounts are excl. of VAT

Note 3 - Investments in subsidiaries and associated companies

(NOK 1.000)

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

Company	Equity latest financial statements	Profit/loss latest financial statements
Pexip AS	613 728	-242 114

Note 4 - Related party transactions and balances (NOK 1.000)

Related party transactions, profit and loss

Related party balance items

	Relationship to the counterpart	Intercompany borrowings 2020	Intercompany borrowings 2019
Counterpart		2 020	2 019
Pexip AS	Subsidiary	6 609	154 618
Total		**6 609**	**156 637**

Note 5 - Share capital and shareholder information

(NOK 1.000)

The Parent Company's registered share capital as at December 31, 2020 was NOK 1,523,452.305 divided into 101,563,487 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights.

The par value of shares was increased to NOK 0.015 at December 12, 2019 as decided by the general meeting. The increase in share capital of NOK 0.4 million was not registrered as at December 31, 2019 and is reclassified from other equity to share capital increase not registered in the statement of financial position.

Development in the number of issued and outstanding shares

	Number of shares (1.000)	Share capital
Outstanding at January 1, 2020	79 868	799
Share capital increase not registered as of 31/12/2019		399
Issued during the year	21 695	325
Outstanding at December 31, 2020	101 563	1 523

The share capital in the company at December 31, 2019 consists of the following classes:

	Number	Nominal amount	Carrying value
Ordinary shares	101 563 487	0,015	1 523 452
Total	**101 563 487**		**1 523 452**

Ownership structure

The 20 largest shareholders as of December 31, 2020:

	Shares	Ownership
STATE STREET BANK AND TRUST COMP	10 556 031	10,39%
T.D. VEEN AS	5 388 773	5,31%
BJØBERG EIENDOM AS	4 025 775	3,96%
TAMORER LTD WYLIE FAMILY TRUST	3 118 748	3,07%
SKANDINAVISKA ENSKILDA BANKEN AS TIN NY TEKNIK	2 476 755	2,44%
SKANDINAVISKA ENSKILDA BANKEN AS DIDNER AND GERGE SMABOLAG	2 363 180	2,33%
SYNESI AS	1 873 369	1,84%
VEEN EIENDOM AS	1 872 223	1,84%
HAMACHI AS	1 833 399	1,81%
STAVANGER VENTURE	1 800 018	1,77%
PLATAA VENTURE	1 800 000	1,77%
XFILE	1 753 273	1,73%
LIA INVESTMENTS LIMITED	1 583 523	1,56%
SAGEN TELECOM	1 551 564	1,53%
VERDIPAPIRFONDET DNB NORDEN	1 530 558	1,51%
VERDIPAPIRFONDET NORGE SELEKTIV	1 467 751	1,45%

CHAMBERLIN, GILES RUSSELL	1 427 994	1,41%
PEBRIGA	1 237 730	1,22%
SIRIUS	1 090 000	1,07%
VERDIPAPIRFONDET GRØNT NORDEN	1 080 949	1,06%
Total top 20 shareholders	49 831 613	49,06%
Others	51 731 874	50,94%
Total	101 563 487	100%

Number of shares owned directly or indirectly by the Management Group and Board of Directors at December 31, 2020:

	Shares	Ownership
Kjell Skappel (Board Member)	9 061 014	8,92%
Per Haug Kogstad (Board Member)	4 025 775	3,96%
Michel Sagen (Chair of the Board)	1 551 564	1,53%
Irene Kristiansen (Board Member)	150 000	0,15%
Marianne Wergeland Jenssen (Board Member)	3 000	0,00%
Tom Erik Lia (CCO)	1 583 523	1,56%
Giles Chamberlin (CTO)	1 427 994	1,41%
Odd Sverre Østlie (CEO)	162 500	0,16%
Nicolas Cormier (COO)	208 375	0,21%
Ingrid Woodhouse (CPO)	7 500	0,01%
Øystein Hem (CFO)	17 500	0,02%
Total	17 965 370	17,69%

Dividend paid and proposed
Proposed for approval at AGM for financial year 2020 is that no dividend will be paid. No dividend was paid for financial year 2019.

Treasury shares
Pexip holds 15,070 shares.

Note 6 - Equity

(NOK 1.000)

Paid-in equity	Share capital	Share capital not registered	Share premium	Other Equity	Total Equity
Equity at January 1, 2020	799	399	860 073	15 910	877 180
Capital increase	325		1 209 547		1 209 873
Transaction cost*			-42 015		-42 015
Profit/(loss) of the year				-95 990	-95 990
This year's change in equity:					-
Increase in par value of shares	399	-399			-
Reclassification share premium **			-399	399	-
Share based payments				23 887	23 887
Equity at December 31, 2020	**1 523**	**0**	**2 027 206**	**-55 795**	**1 972 935**

Paid-in equity	Share capital	Share capital not registered	Share premium	Other Equity	Total Equity
Equity at January 1, 2019	795		856 568	7 173	864 537
Capital increase	4		3 504		3 508
Profit/(loss) of the year				-185	-185
This year's change in equity:					-
Increase in par value of shares		399		-399	-
Share based payments				9 321	9 321
Equity at December 31, 2019	**799**	**399**	**860 073**	**15 910**	**877 181**

* Transaction costs related to issuance of new shares has been recognised directly in equity.

** Reclassification from other equity to share premium. In 2019 increase in par value of shares was categorized as other equity. Correct classification is Share premium.

Note 7 - Income tax expense

(NOK 1.000)

Specification of income tax expense:	2020	2019
Current income tax payable	-	3 759
Changes in deferred tax	-27 074	-158 149
Tax on given group contribution	-	154 337
Effect of changes in tax rules	-	-
Tax on profit/(loss)	**-27 074**	**-51**

Allocation of income tax expense between Norway	2020	2019
Tax on profit/(loss)	**-27 074**	**-51**

Specification of current income tax payable:	2020	2019
This year's payable income tax expense	-	3 759
Current income tax payable in the balance sheet	-	3 759

Reconciliation from nominal to real income tax rate:

	2020	2019
Profit/(loss) before taxation	**-123 065**	**-238**
Estimated income tax according to nominal tax rate (22%22%)	-27 074	-52
Income tax expense	-27 074	-52
Effective income tax rate	**22%**	**22%**

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

	2020	2019
Deferred tax: tax on share issue costs recognised directly in equity	-11 850	-
Total	-11 850	-

Specification for the tax effect of temporary differences and losses carried forward	2020 Asset	2019 Liability
Tax losses	38 925	-
Total	38 925	-

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

Note 8 - Operating expenses
(NOK 1.000)

Other operating expenses	2020	2019
Operating expenses	6 842	-
IPO fee	43 155	-
Audit fees	1 235	-
Other professional fees	4 899	
Other operating costs	977	238
Total	**57 109**	**238**

Note 9 - Share-based payments

There are several valid option programmes in Pexip. Some programs are directed towards employees while others are directed towards management. The first program is a legacy program for Pexip employees from the time before the merger. The options vest over 4 years from grant date and the program expires in 2023. The employees are allowed to exercise vested options in the first exercise window after the potential termination of employment. The second option program for existing employees also vest over 4 years from grant date and expires between 2024 and 2025. The exercise of the share options is conditioned of beeing employed at the time of exercise.The last program for new employees vest over 4 years from grant date and expires between 2024 and 2026. The exercise of the share options is conditioned of beeing employed at the time of exercise. Programs directed towards management have an exit event as a vesting condition. For some of the management programs Pexip has an option to settle in either cash or equity. These options are however treated as equity settled since Pexip has the intention and a past history of only settling in equity. Option programs for management are dependent upon beeing employed at the time of exercise.

	2020	2020	2019	2019
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at January 1	27,49	6 740 432	15,32	3 471 384
Granted during the year	62,60	2 620 000	35,26	3 980 000
Forfeited during the year	34,11	-351 917	14,55	-313 418
Exercised during the year	11,73	-1 095 223	9,70	-375 034
Expired during the year	0,06	-4 758	0,01	-22 500
Outstanding at December 31	**41,03**	**7 908 534**	**27,49**	**6 740 432**

The exercise price of options outstanding at December 31, 2020 ranged beetween NOK 11.85 and NOK 90 (2019: NOK 0.01 and NOK 38) and their weighted average contractual life was 3.3 years (2019: 3.6 years).

Of the total number of options outstanding at December 31, 2020, 260.263 (2019: 451.447) had vested and were excercisable.

The weighted average fair value of each option granted during the year was NOK 22.13 (2019: NOK 7.92).

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

	2020	2019
Option pricing model used	Black-Scholes	
Weighted average share price at grant date (in NOK)	68	32
Excercise price (in NOK)	63	35
Weighted average contractual life (in days)	1 827	1 827
Expected volatility	33,90%	30,18%
Risk-free interest rate	0,58%	1,57%

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

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

Note 10 - Financial Income and expenses

(NOK 1.000)

	2020	2019
Interest income	847	0
Exchange gains	-	-
Other financial income	-	-
Financial income	847	0
Interest expense	93	-
Exchange losses	66 682	-
Other financial expenses	27	-
Financial expenses	66 803	
Net financial income(expense)	**-65 956**	**0**

Of the Exchange gains and losses as of December 31, 2020, NOK 61 304 are related to currency changes (USD, EUR, GBP) for the bank accounts.

Note 11 - Events after the balance sheet date

In March 2021 Pexip had shares issued directed towards key employees and management, and raised net NOK 72 320 810 in capital with issuance of 2 253 896 new shares.

No other events that have significantly affected or may significantly affect the operations of the Group have occurred after December 31, 2020.

Declaration In Accordance With § 5-5 Of The Securities Trading Act

We confirm that the financial statements for 2020 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 as a whole. The board of directors' report includes a fair review of the development and performance of the business and the position of the company and the group as a whole, together with a description of the principal risks and uncertainties that they face.

Oslo, April 28, 2021
For the Board of Pexip Holding ASA:

Michel Sagen
Chair of the Board

Per Haug Kogstad
Board Member

Irene Kristiansen
Board Member

Kjell Skappel
Board Member

Marianne Wergeland Jenssen
Board Member

Odd Sverre Østlie
CEO

Auditor’s Report

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To the General Meeting of Pexip Holding ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Pexip Holding ASA (the Company), which comprise the balance sheet as at 31 December 2020, statement of profit or loss and statement of cash flows 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 2020, 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 are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and 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.

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.

The key audit matter identified in our audit are:

- Carrying amount of goodwill

Carrying amount of goodwill

Key audit matter	How the matter was addressed in the audit
As disclosed in note 2 and 11, the Group has recognized goodwill of NOK 598,998 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

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28 April 2021
Deloitte AS

Eivind Ungersness
State Authorised Public Accountant (Norway)

Appendix — Alternative Performance Measures (APMs)

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

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

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

EBITDA-margin: EBITDA in percentage of revenue.

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

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

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

*Adjusted EBITDA
(NOK 1.000)

(NOK 1.000)	**2020**	**2019**
EBITDA	**55 629**	**76 330**
IPO transaction costs	43 155	-
Non recurring IPO related services	4 613	-
EBITDA adjusted	**103 397**	**76 330**

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

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