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Q3 2023

Quarterly Report

Highlights

- Q3 2023 revenue of 215 million, up 14% y-o-y. Pexip's subscription base measured in ARR was USD 99.8 million in Q3 2023, up 1% since Q2 2023. EBITDA excluding other gains and losses amounted to NOK 10.6 million, up NOK 67 million from Q3 2022.
- Cash flow of negative NOK 13 million in the quarter, with a cash position of NOK 494 million and no material interest-bearing debt.
- Benefit realization of the first phase of the Company transformation in place – continue to drive operational improvement across the business and with a continued focus on our core markets to enhance technology leadership.
- Continued good start of the Poly partnership, with high joint sales and marketing activity across regions. Through Q3 we saw the first major sales closed, and we continue to see an increased pipeline.
- BlueJeans by Verizon, one of two key competitors in the Connected Spaces segment, announced that they would sunset the business in Q3. This has generated a material pipeline and contributed positively to sales in Q3.

“We are pleased to have two quarters in a row with positive ARR growth and four quarters in a row with positive EBITDA. Our focus remains on generating profitable growth through our market leading position in our two target markets, and we are seeing the results of that focus in our Q3 performance.”



Trond K. Johannessen
Chief Executive Officer

Key Figures

		Q3 2023	Q2 2022	YTD 2023	YTD 2022
Revenue	NOK million	214.9	189.2	708.4	606.7
Cost of Sale	NOK million	25.2	21.2	70.9	76.2
Salary and personnel expenses	NOK million	143.6	161.6	460.2	553.7
Other operating expenses	NOK million	35.4	62.7	123.2	182.6
Other gains/losses	NOK million	(5.7)	(5.3)	(6.4)	(32.1)
EBITDA	NOK million	4.9	(61.5)	47.7	(237.8)
EBITDA margin	%	2%	-33%	7%	-39%
Reported profit for the period	NOK million	(24.2)	(45.7)	(21.2)	(199.0)
Earnings per share	NOK per share	(0.2)	(0.5)	(0.2)	(2.0)
ARR	USD million	99.8	100.7		
Number of employees end of period	#	315	451		

Operational Review

Q3 Summary

Pexip's subscription base measured in Annual Recurring Revenue (ARR) amounted to USD 99.8 million in Q3 2023, representing a year-on-year decline of 1% from USD 100.7 million in Q3 2022. Pexip grew its overall ARR base with USD 1.1 million from Q2 2023, and have grown its ARR in two consecutive quarters.

Connected spaces ARR amounted to USD 60.4 million at the end of Q3 2023, up USD 0.8 million from Q2 2023. The net revenue retention rate, reflecting the percentage of retained revenue from existing customers, was 98% in Q3 2023. Secure and Custom ARR amounted to USD 35.5 million at the end of Q3 2023, up USD 1.0 million from Q2 2023. The net revenue retention rate was 102% in Q3 2023. ARR from Pexip as-a-Service was at USD 47.4 million in Q4 2023, up 2% year-on-year, while ARR from Pexip's Self-hosted Software ended at USD 52.3 million, down 4% year-on-year.

In August, BlueJeans by Verizon announced that they would retire all BlueJeans products and services during the first half of 2024. BlueJeans was a video conferencing company offering cloud-based video meetings as well as a digital event platform and Cloud Video Interop to Microsoft Teams. As a consequence, Pexip has seen an increase in pipeline and sales from BlueJeans customers needing to transition to other solutions for Microsoft Teams interoperability. With BlueJeans exiting the market, and HP|Poly's having changed their CVI offering to Poly CloudConnect powered by Pexip, there are only two certified CVI solutions sold at the end of Q3 2023.

The development so far in 2023 continues to provide momentum to reach the financial targets set for 2023; delivering flat to positive development in ARR, delivering NOK 100-150 million in EBITDA and delivering NOK 85-100 million in free cash flow. Our secure solutions are increasingly relevant and awareness around sovereignty and privacy for government data is increasing, with more countries issuing specific recommendations and regulations. Within interoperability and infrastructure solutions, we continue to capture new accounts, and saw quarter-on-quarter growth in this segment in Q3.

The development in the strategic partnerships with both Microsoft and Poly continues to show that Pexip's focused approach to our key markets makes us an attractive partner in our industry.

Following the successful change in strategy, the Board of Directors is recommending a new capital distribution policy. Going forward, Pexip will seek to distribute 50-100% of free cash flow generated to shareholders as a dividend. In addition, the Board has concluded that the Company has excess capital following the change in strategy and that Pexip should repay some of the capital raised in 2020 to the owners. The Board will recommend an extraordinary capital repayment to the AGM in 2024 of NOK 0.5 per share in addition to the ordinary capital distribution.

Q3 Key Wins

A Global Fortune 500 pharmaceutical company

AstraZeneca chose Pexip to provide SIP dial capabilities to their Microsoft Teams Rooms, which Pexip is currently the only global provider of. They chose Pexip in order to enable their Microsoft Teams Rooms to seamlessly interoperate with other video systems and platforms.

One of the world's largest media and entertainment companies

A Fortune 500 company recently chose Pexip to provide video infrastructure for the video systems. They chose Pexip for our ability to integrate with their current environment and Pexip's leading capabilities in ensuring seamless connectivity with all major meeting platforms.

One of Europe's largest energy companies

A major European energy company with over 60,000 employees needed an on-premises video solution to deliver a great video experience while at the same time operating within their security and privacy policies. The customer has been a HP|Poly video infrastructure customer, and have chosen the Poly Private Connect powered by Pexip offering and signed a three-year contract.

A large US Federal Agency

Pexip has won a large US Federal Agency with more than 50,000 employees. The agency chose Pexip's FedRamp Authorized platform to provide Microsoft Teams Cloud Video Interop for their SIP video endpoints.

Financial review

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

Income statement

Q3 2023

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

Consolidated revenue amounted to NOK 214.9 million in Q3 2023 (NOK 189.2 million in Q3 2022), representing a 14% increase from Q3 2022. The increase is a result of the ARR increase in Q3 2023 as well as some currency impact, although the positive currency impact on revenues is less in Q3 2023 than in H1 2023. Europe, Middle East, and Africa (EMEA) was the largest sales theatre, accounting for NOK 105.0 million (NOK 100.3 million) representing 49% of group revenue in Q3 (53%), followed by Americas, accounting for NOK 97.5 million (NOK 73.5 million) representing 45% (39%), and Asia-Pacific (APAC), accounting for NOK 12.3 million (NOK 15.4 million) representing 6% (8%).

Self-hosted software revenue accounted for NOK 101.2 million in Q3 2023 (NOK 82.8). Revenue from Pexip as-a-Service was NOK 113.7 million in Q3 2023 (NOK 106.4 million). Software revenue is mainly recognized at the time of delivery, which leads to variations in revenue recognition across periods and drives seasonal variations of software revenue.

Cost of sale consists mainly of network, data center and hosting for the Pexip as-a-Service, as well as some 3rd party commissions and software licenses. Cost of sale amounted to NOK 25.2 million in Q3 2023 (NOK 21.3 million), reflecting a gross margin of 88% (89%).

Operating expenses consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 143.6 million in Q3 2023 (NOK 161.6 million), which is 67% of the quarterly revenue (85%). In Q3 2023 Pexip had a positive impact from holiday pay periodization of NOK 10 million (NOK 14 million), which is expected seasonality. Pexip had 315 employees employed at the end of Q3 2023 (451 at the end of Q3 2022).

Other operating expenses amounted to NOK 35.4 million (NOK 62.7 million), which reflects a level of 16% of the quarterly revenue (33%). The reduction is due to the cost-cutting initiatives and the effects

were realized across multiple cost categories, including a reduction in spending on sales and marketing, travel, and other professional fees such as R&D, licensing, and HR.

Other gains and losses amounted to a loss of NOK 5.7 million (NOK 5.3 million). The costs in Q3 2023 are mainly related to the termination of employees in order to secure long-term cost reductions, as in Q3 2022.

Earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to NOK 4.9 million in Q3 2023 (negative NOK 61.5 million), reflecting a 2% EBITDA margin (-33%).

Depreciation and amortization costs were NOK 27.1 million in Q3 2023 (NOK 23.2 million). The increase is due to the increased depreciation in intangible assets and leasing contracts.

Net financial expenses were NOK 3.2 million (income of NOK 24.3 million). Pexip had financial income of NOK 4.7 million related to interest on cash holdings (NOK 2.9 million), while the net impact of foreign exchange differences gave a loss of NOK 7.3 million (gain of 23.1 million).

Profit before tax was negative NOK 25.4 million (negative NOK 60.4 million). Profit after tax was negative NOK 24.2 million (negative NOK 45.7 million).

Year to date 2023

Consolidated revenue was NOK 708.4 million year to date 2023 (NOK 606.7 million). The increase was driven by currency effects as well as underlying sales growth. Europe, Middle East, and Africa (EMEA) was the largest sales theatre, accounting for NOK 340.7 million (NOK 318.9 million) representing 48% of group revenue in the period (45%), followed by Americas, accounting for 309.0 million (NOK 223.9 million) representing 44% (37%), and Asia-Pacific (APAC), accounting for NOK 58.8 million (NOK 63.9 million) representing 8% (11%).

Cost of sale amounted to NOK 70.9 million (NOK 76.2 million), reflecting a gross margin of 90% (87%). Cost of sales decreased due to lower hosting and network costs, as well as lower costs of hardware and equipment.

Operating expenses consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 460.2 million year to date (NOK 553.7 million), which is 65% of revenues in the period (91%). The reduction is mainly due to the reduction in employees over the last twelve months.

Other operating expenses amounted to NOK 123.2 million (NOK 182.6 million) for the first half of 2023, which reflects 17% of revenue (30%). The reduction is due to the cost-cutting initiatives and the effects were realized across multiple cost categories.

Other gains and losses amounted to a loss of NOK 6.4 million (NOK 32.1 million) and is related to restructuring.

Earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to NOK 47.7 million year to date in 2023 (negative NOK 237.8 million), reflecting a 7% EBITDA margin (negative 39%).

Depreciation and amortization costs were NOK 99.1 million for the period (NOK 70.9 million).

Net financial income was NOK 32.8 million for the period (NOK 51.1 million) and was mainly related to currency gains as well as interest income.

Profit before tax was negative NOK 18.6 million year to date in 2023 (negative NOK 257.5 million). Profit after tax was negative NOK 21.2 million (negative NOK 199.0 million).

Financial position

Pexip continues to have a very robust financial position as the company has a solid cash buffer, no material interest bearing debt as of Q3 2023 and a positive cash flow year to date. **Total assets** amounted to NOK 2,043 million (NOK 2,087 million at the end of Q4 2022), and **total equity** amounted to NOK 1,612 million (NOK 1,597 million at the end of Q4 2022).

Current assets amounted to NOK 676 million (NOK 679 million at the end of Q4 2022). **Trade and other receivables** decreased to NOK 141 million (NOK 199 million at the end of Q4 2022). **Cash and cash equivalents** decreased somewhat to NOK 494 million in Q3, while up for the year (NOK 419 million at the end of Q4 2022).

Non-current assets amounted to NOK 1,367 million (NOK 1,408 million at the end of Q4 2022). **Contract costs** decreased in Q3 to NOK 296 million (NOK 286 million at the end of Q4 2022).

Total liabilities were at NOK 431 million (NOK 490 million at the end of Q4 2022). Of this, NOK 2 million are borrowings (NOK 4 million at the end of Q4 2022).

Current liabilities decreased to NOK 356 million (NOK 415 million at the end of Q4 2022). Of this, NOK 231 million are contract liabilities (NOK 231 million at the end of Q4 2022).

Non-current liabilities amounted to NOK 75 million (NOK 75 million at the end of Q4 2022).

Cash flow

Q3 2023

Net cash flow from operating activities was negative NOK 1.7 million in Q3 2023 (negative NOK 34.4 million) compared to an EBITDA of NOK 4.9 million.

Cash flow from investing activities was negative NOK 3.4 million for Q3 2023 (negative NOK 13.9 million). The main driver is investments in software development. In Q3, investment cash flow benefited from received investment grants of NOK 4.7 million.

Cash flow from financing activities was negative NOK 6.4 million for Q3 2023 (negative NOK 8.0 million), mainly related to leasing.

In total, Pexip had a net cash flow of negative NOK 11.5 million for Q3 2023 (negative NOK 56.1 million). In addition, there was an exchange loss of NOK 1.9 million (NOK 17.5), resulting in a negative cash flow of NOK 13.4 million (negative NOK 38.6 million)

Year to date 2023

Cash flow from operating activities was NOK 127.2 million year to date (negative NOK 130.9 million year to date in 2022). The positive cash flow reflects the positive operating EBITDA as well as a positive development in working capital.

Cash flow from investing activities was negative NOK 38.7 million year to date (negative NOK 110.3 million). The main driver was investments in software development as well as a acquisition of a service provider customer base.

Cash flow from financing activities was negative NOK 21.2 million year to date (negative NOK 112.7 million).

In total, Pexip had a net cash flow of NOK 67.3 million year to date (negative NOK 353.9 million). In addition, there was an exchange gain of NOK 7.7 million, resulting in a positive cash flow of NOK 75.0 million (negative NOK 317.5 million)

Subsequent events

There were no subsequent events after September 30, 2023.

Risk and uncertainty

Risk management in Pexip is based on the principle that risk evaluation is an integral part of all business

activities and is a part of the annual strategy review. Pexip has developed its approach to risk assessment and risk mitigation within financial reporting and information security, where Pexip holds ISO 27001 and 27701 certifications as external recognition of its approach.

Pexip is exposed to several risk factors related to operational and market activities, customer relationships and third parties, laws, regulations, and compliance, financial and market, among others. The Risk and Risk Management section in the 2022 Annual Report contains detailed descriptions and mitigating actions.

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

Pexip has not identified any further significant risk exposures beyond the ones described in the 2022 Annual Report.

Outlook

In the long-term, Pexip believes that the market for enterprise-grade video communication will continue

to increase due to the increased adoption and usage of video communication, and increased awareness of sustainability. Pexip has unique video technology with capabilities within security, interoperability, and flexible deployments. This makes the company well-positioned as enterprises and public sector organizations continue to adopt hybrid working models. Furthermore, Pexip believes in the increased use of video in organizations' workflows with their clients/customers, creating additional new and significant market opportunities. In particular, the use of video for mission-critical, high-security meetings has increased. This is the foundation of the focused strategy Pexip is executing, pursuing market-leading positions in Secure and Custom Video and Connected Spaces.

Pexip focuses its business areas into two main areas: Interoperability and infrastructure solutions - comprising Connected Spaces including legacy areas, and secure, custom solutions - comprising Video Innovation and Secure Meetings. Pexip targets growth of 20% in Secure Spaces and Video Innovation while estimating a stable development in Connected Spaces.

For 2023, Pexip is targeting an EBITDA of NOK 100 – 150 million and NOK 85 to 100 million in free cash flow. Going forward, Pexip will balance growth and profitability to create top-line and bottom-line growth.

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

Oslo, November 2, 2023

Board of Directors and CEO of Pexip Holding ASA



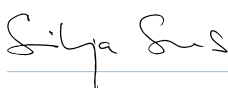
Kjell Skappel
Chair of the Board



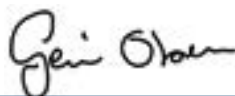
Irene Kristiansen
Board Member



Phillip Austern
Board Member



Silvija Seres
Board Member



Geir Langfeldt Olsen
Board Member



Trond K. Johannessen
CEO

Consolidated Statement of Profit or Loss

	Notes	Third Quarter		YTD	
(NOK 1.000)		Q3 2023	Q3 2022	YTD 2023	YTD 2022
Revenue	3	214 858	189 245	708 425	606 689
Cost of sale		25 185	21 246	70 885	76 167
Salary and personnel expenses		143 647	161 576	460 233	553 659
Other operating expenses		35 443	62 659	123 223	182 592
Other gains and losses		5 711	5 294	6 376	32 059
EBITDA		4 872	-61 530	47 708	-237 789
Depreciation and amortization		27 127	23 202	99 113	70 854
Operating profit or loss		-22 255	-84 733	-51 405	-308 643
Financial income		4 739	2 933	11 772	4 156
Financial expenses		-600	-1 684	-1 994	-3 736
Net gain and loss on foreign exchange differences		-7 317	23 070	23 054	50 716
Financial income/(expenses) - net		-3 178	24 319	32 832	51 136
Profit or loss before income tax		-25 433	-60 414	-18 573	-257 508
Income tax expense		-1 247	-14 687	2 657	-58 467
Profit or loss for the year		-24 186	-45 727	-21 230	-199 041
Profit or loss is attributable to:					
Owners of Pexip Holding ASA		-24 186	-45 727	-21 230	-199 041
Earnings per share					
Basic earnings per share		-0.24	-0.45	-0.21	-1.96
Diluted earnings per share		-0.24	-0.45	-0.21	-1.96

Consolidated Statement of Comprehensive Income

(NOK 1.000)	Third Quarter		Year	
	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Profit or loss for the year	-24 186	-45 727	-21 230	-199 041
Items that may be reclassified to profit or loss:				
Exchange difference on translation of foreign operations	12 580	24 869	12 580	27 389
Total comprehensive income for the year	-11 606	-20 857	-8 650	-171 651
Total comprehensive income is attributable to:				
Owners of Pexip Holding ASA	-11 606	-20 857	-8 650	-171 651

Consolidated Statement of Financial Position

(NOK 1.000)	09/30/2023	12/31/2022
ASSETS		
Non-current assets		
Property, plant and equipment	21 279	29 039
Right-of-use assets	50 685	77 154
Goodwill	662 645	662 645
Other intangible assets	138 051	178 606
Deferred tax asset	194 311	169 279
Contract costs	296 019	285 779
Receivables	1 179	1 602
Other assets	3 186	4 041
Total non-current assets	1 367 354	1 408 145
Current assets		
Trade and other receivables	140 737	198 727
Contract assets	22 180	37 233
Other current assets	18 364	23 326
Cash and cash equivalents	494 349	419 306
Total current assets	675 630	678 592
TOTAL ASSETS	2 042 984	2 086 736
(NOK 1.000)	09/30/2023	12/31/2022
EQUITY AND LIABILITIES		
Equity		
Total equity	1 612 117	1 596 571
Non-current liabilities		
Borrowings	1 643	16
Lease liabilities	33 674	57 560
Deferred tax liabilities	39 824	15 388
Other payables	61	2 526
Total non-current liabilities	75 201	75 490
Current liabilities		
Trade and other payables	102 423	148 153
Contract liabilities	230 511	231 004
Current tax liabilities	1 638	5 002
Borrowings	178	4 077
Lease liabilities	20 917	26 439
Total current liabilities	355 667	414 675
Total liabilities	430 867	490 166
TOTAL EQUITY AND LIABILITIES	2 042 984	2 086 736

Consolidated Statement of Changes in Equity

(NOK 1.000)	Share capital	Share premium	Other reserves	Translation differences	Retained earnings	Total equity
Balance at January 1, 2022	1 556	2 115 938	86 018	-3 553	-291 770	1 908 191
Profit or loss for the year					-262 248	-262 248
Other comprehensive income for the year				11 416		11 416
Total comprehensive income for the year				11 416	-262 248	-250 831
Capital increase/share issue			-270			-270
By/sell treasury share	-35		-87 404			-87 439
Share-based payments			26 920			26 920
Balance at December 31, 2022	1 521	2 115 938	25 265	7 863	-554 018	1 596 571
Balance at January 1, 2023	1 521	2 115 938	25 265	7 863	-554 018	1 596 571
Profit or loss for the period					-21 230	-21 230
Other comprehensive income for the year				12 580		12 580
Total comprehensive income for the year				12 580	-21 230	-8 650
Capital increase/share issue	-3		111			109
By/sell treasury share						
Share-based payments			24 087			24 087
Balance at September 30, 2023	1 518	2 115 938	49 464	20 443	-575 248	1 612 117
Balance at January 1, 2022	1 556	2 115 938	86 018	-3 553	-291 770	1 908 189
Profit or loss for the period					-199 041	-199 041
Other comprehensive income for the year				27 389		27 389
Total comprehensive income for the year				27 389	-199 041	-171 651
Capital increase/share issue			-258			-258
By/sell treasury share	-35		-87 404			-87 439
Share-based payments			28 348			28 348
Balance at September 30, 2022	1 521	2 115 938	26 704	23 836	-490 811	1 677 188

Consolidated Statement of Cash Flows

(NOK 1.000)	Third Quarter		YTD	
	Q3 2023	Q3 2022	09/30/2023	09/30/2022
Cash flow from operating activities				
Profit or loss before income tax	-25 433	-60 414	-18 573	-257 508
<i>Adjustments for</i>				
Depreciation, amortization and net impairment losses	27 127	23 202	99 113	70 854
Non-cash - share based payments	7 606	8 992	25 615	28 348
Interest income/expenses - net	-3 976		-9 634	
Net exchange differences	-8 080	586	-4 038	2 197
Other adjustments	-35	-6 367	-791	-6 169
<i>Change in operating assets and liabilities</i>				
Change in trade, other receivables and other assets	7 155	22 357	68 619	25 230
Change in trade, other payables and contract liabilities	-9 741	-19 711	-38 169	9 690
Interest received	4 553	193	11 586	298
Income taxes paid/refunded	-897	-3 246	-6 501	-3 843
Net cash inflow/outflow from operating activities	-1 720	-34 408	127 227	-130 903
Cash flow from investing activities				
Payment for property, plant and equipment	-349	-1 786	-15 044	-69 216
Payment of software development cost	-3 035	-12 136	-23 667	-41 066
Payment for acquisition of subsidiary, net of cash acquired				
Net cash inflow/outflow from investing activities	-3 384	-13 922	-38 711	-110 282
Cash flow from financing activities				
Proceeds from issuance of ordinary shares				
Repayment of borrowings	-631	-500	-2 272	-1 500
Principal element of lease payments	-5 160	-6 445	-16 972	-21 059
Interest paid	-577	-779	-1 952	-2 495
Sale/(purchase) of treasury shares				-87 674
Net cash inflow/outflow from financing activities	-6 368	-7 725	-21 196	-112 728
Net increase/(decrease) in cash and cash equivalents	-11 471	-56 054	67 321	-353 914
Cash and cash equivalents start of the period	507 706	524 998	419 306	803 852
Effects of exchange rate changes on cash and cash equivalents	-1 886	17 458	7 723	36 464
Cash and cash equivalents end of the period	494 349	486 402	494 349	486 402

Note 1 - General

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

The consolidated condensed interim financial statements comprise the financial statements of the Parent Company and its subsidiaries as of September 30, 2023, authorised for issue by the board of directors on November 1, 2023.

The condensed interim financial statements are unaudited.

Note 2 - Basis of preparation

The condensed interim financial statements for the three months ending on September 30, 2023, have been prepared according to IAS 34 Interim Financial reporting. This quarterly report does not include the complete set of accounting principles and disclosures and should be read in conjunction with the Annual Financial Statement for 2022. All accounting principles applied in preparing this interim financial statement are consistent with the annual report as of 2022. The Group has not early adopted any new standards, interpretations or amendments issued but not yet effective.

Rounding differences may occur.

Note 3 - Segment reporting

(NOK 1,000)

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

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

Disaggregation of revenue

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

Third quarter 2023

	EMEA ¹⁾	Americas	APAC ²⁾	Total
Pexip as-a-Service	61 992	46 621	5 092	113 705
Self-hosted Software	42 975	50 923	7 254	101 152
Total revenue	104 967	97 544	12 346	214 857

Third quarter 2022

	EMEA ¹⁾	Americas	APAC ²⁾	Total
Pexip as-a-Service	58 833	41 143	6 431	106 406
Self-hosted Software	41 480	32 388	8 973	82 841
Total revenue	100 313	73 530	15 404	189 247

Year to date 2023

	EMEA ¹⁾	Americas	APAC ²⁾	Total
Pexip as-a-Service	188 152	131 793	20 884	340 829
Self-hosted Software	152 528	177 186	37 882	367 596
Total revenue	340 681	308 979	58 766	708 425

Year to date 2022

	EMEA ¹⁾	Americas	APAC ²⁾	Total
Pexip as-a-Service	175 955	104 453	19 684	300 092
Self-hosted Software	142 933	119 455	44 209	306 597
Total revenue	318 888	223 908	63 892	606 689

	Third quarter 2023	Third quarter 2022
Timing of revenue recognition		
Products and services transferred at a point in time	73 590	68 485
Products and services transferred over time	141 267	120 762
Total revenue	214 857	189 247

	Year to date 2023	Year to date 2022
Timing of revenue recognition		
Products and services transferred at a point in time	279 081	239 230
Products and services transferred over time	429 344	367 459
Total revenue	708 425	606 689

¹⁾Europe, Middle East and Africa

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

Information about major customers

The Group conducts its sales through channel partners. No channel partner represent more than 10% of the Group's revenue as of September 2023. In Q3 2023 the 5 largest represent approximately 30% (26% in Q3 2022) of total revenue, while the 10 largest represent 44% (36% in Q3 2021). Of the Group's total channel partner base per Q3 2023, the five largest represent approximately 24% of total revenue (25% per Q3 2022), and the ten largest represent approximately 36% (38% per Q3 2022).

Non-current assets

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

	9/30/2023	9/30/2022
Norway	234 553	310 951
Europe (other than Norway)	117 001	77 535
Americas	123 687	130 069
APAC	30 791	33 652
Total non-current operating assets	506 032	552 207

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

Appendix — Alternative Performance Measures (APMs)

The Group uses the following terms in the definition of APMs in this Report:

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

Adjusted EBITDA: EBITDA adjusted for cost that are not related to the ordinary business and that are non-recurring costs.

EBITDA-margin: EBITDA in the percentage of revenue.

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

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

This corresponds to Pexip's order backlog.

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

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

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

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