

# Quarterly Report



Q1 2020

] pexip [

# Index

<b>A Message from the CEO</b>	<b>04</b>
<b>Financial Review</b>	<b>08</b>
<b>Statement of profit or loss</b>	<b>14</b>
<b>Statement of comprehensive income</b>	<b>15</b>
<b>Statement of financial position</b>	<b>16</b>
<b>Statement of changes in equity</b>	<b>18</b>
<b>Statement of cash flow</b>	<b>19</b>
<b>Notes</b>	<b>20</b>
<b>Appendix</b>	<b>23</b>

# A message from the CEO



As Pexip announced earlier this year, the board of directors decided that Pexip should work towards a public listing of the company, and as we release this Q1 report, I'm proud to announce that we successfully listed the company on Oslo Stock Exchange on May 14th under the ticker PEXIP and secured funding of NOK 1.1 billion.

With turbulent economic markets and travel restrictions that introduce logistical hurdles, many companies have deterred launching IPOs at this time. Pexip overcame this barrier by using its own solution to run a virtual IPO process, investor roadshows, meetings, and book building. Meetings were conducted with investors in over 15 cities worldwide and using video allowed for increased productivity, flexibility and reach of the team.

The IPO was successfully executed with 100% of the meetings during the roadshow being done on Pexip's video platform. This demonstrates that virtual meetings can be just as impactful as in-person meetings. Furthermore, our calculations show that we saved over 1700 hours -- more than 70 days -- of travel time alone, and over 80 tons of CO2.

On results, Q1 2020 finished with a significant increase in annual recurring revenue (ARR) of 9.5 MUSD, giving a total contracted ARR of 56.7 MUSD at the end of the quarter. This is a 50% year-on-year growth from Q1 2019. Americas grew from 33% to 35% share of the ARR, while 54% of ARR originated from EMEA and 11% from APAC. The growth in sales led to Q1 2020 revenues of NOK 150 million, up 67% from Q1 2019, and an EBITDA margin of 24%.

The sales results reflect a good momentum coming into the year from 2019, which was further spurred by the Covid-19 situation as more and more companies turn to video communication to enable business continuity. We saw the main effect of organizations working from home the last 2-3 weeks of the quarter. For Pexip the increase in sales came primarily from existing customers, while we in addition received significantly more inbound requests from new customers adding to our pipeline. In particular, there has been an increased demand from health care providers and governments globally who have the need for secure video communication.

## “We want to make virtual meetings better than in-person meetings”

Our ARR Net Retention Rate - ultimately a proof point on customer satisfaction - continued to improve in Q1 to 113% (based on ARR development over the last 12 months), up from 99% Q4 2019. To a large extent this was driven by Covid-19, as existing customers needed to scale their video deployment.

We believe that the current change in working behavior with more use of home offices, remote consultations and conferences will continue to drive usage and adoption of video beyond the Covid-19 crisis.

We want to make virtual meetings better than in-person meetings. With the technical preview of Adaptive Composition that we for the first time were showcasing in Q1, we are giving an example of how we create a unique user experience where everyone is seen and that automatically adapts from individuals to larger groups of people in the call. This combines Pexip's unique strengths in media-processing and transcoding with Artificial Intelligence and machine learning. We continue to invest in expanding sales and marketing as well as development, and have significantly grown our team from 186 at the end of 2019 to close to 230 employees at the time of writing.

To keep you up-to-date with all relevant information, please opt in for company and investor news through our website <http://investor.pexip.com>.



With Adaptive Composition, Pexip is the first to bring AI-powered auto-framing and intelligent layout to any meeting participant

## Customer Net Retention Rate (% of ARR)

99% ↗ 113%

2019

2020

## Employees



44 new employees (230 total)



Pexip Infinity Connect Application

# Financial review

**Pexip's (Pexip or the Group) total revenue was NOK 150.1 million in Q1 2020, compared with NOK 89.9 million in Q1 2019. Revenue in Q1 2020 was 67% higher than revenue in Q1 2019. An estimated 73% of the y-o-y growth comes from new end-customers. The Group has also seen a positive impact of foreign currency, as the USD/NOK exchange rate has increased ~11% compared to the level in Q1 2019. EBITDA amounted to NOK 35.8 million (24% of revenue) in Q1 2020, up from NOK 19.8 million (22% of revenue) in Q1 2019.**

Infinity, which is the Pexip's self-hosted software offering, was the largest revenue area in Q1 2020 with NOK 111.7 million, up from NOK 66.8 million in Q1 2019. Revenue from cloud services was NOK 38.3 million in Q1 2020, up from NOK 23.1 million in Q1 2019. The increase in revenue of both product areas was positively influenced by the Covid-19 situation and the increased demand and usage for video communication technology. EMEA continues to be the largest sales theatre, accounting for NOK 82.5 million (55% of total) of the revenue in Q1, followed by Americas accounting for NOK 50.1 million (33% of total) and APAC accounting for NOK 17.5 million (12% of total).

The Group's gross margin increased slightly to 97% in Q1 2020 versus 94% in Q1 2019. Gross margin for 2019 was 95%. The slight increase in gross margin for Q1 can be attributed to the higher Infinity revenues in the quarter from deliveries of software licences in Q1. Cost of sale amounted to NOK 4.9 million in Q1 2020, which was slightly down from Q1 2019 of NOK 5.5 million.

Employee benefit expenses amounted to NOK 72.6 million in Q1 2020 (48% of revenue), compared to NOK 43 million in Q1 2019 (48% of revenue). The increase is mainly due to a higher number of employees. Pexip had 215 employees at the end of Q1 2020, up from 158 at the end of Q1 2019.

Other Operating Expenses amounted to NOK 36.8 million (25% of revenue) in Q1 2020 compared to NOK 21.5 million in Q1 2019 (24% of revenue). The increase is mainly attributable to an increase in marketing expenses as well as professional services related to the company's preparations for the listing on the Oslo Stock Exchange, in addition to overall higher activity level.

Earnings before interest, tax, depreciation and amortization (EBITDA) was NOK 35.8 million in Q1 2020 (24% of revenue), compared to NOK 19.8 million in Q1 2019 (22% of Revenue). EBITDA was NOK 76.3 million in 2019 (21% of revenue).

The Group had depreciation and amortization costs of NOK 10.7 million in Q1 2020, compared to NOK 11.8 million in Q1 2019. Financial income was NOK 38.4 million in Q1 compared to NOK 0.6 million in Q1 2019. Financial expenses amounted to NOK 13.7 million in Q1 2020 compared to NOK 1.8 million in Q1 2019. Financial income was mainly related to exchange gains of NOK 38.4 million as the NOK currency depreciated in Q1 2020. Financial expenses was mainly related to exchange losses of NOK 6.9 million and a fair value adjustment of outstanding options on Pexip's own shares of NOK 5.2 million in Q1 2020.

Profit before tax was NOK 49.9 million for Q1 2020, up from NOK 6.7 million in Q1 2019. Profit after tax was NOK 37.7 million, compared to NOK 5.5 million in Q1 2019.

## Financial Position

The Group's total assets at the end of Q1 2020 was NOK 1,200 million, up from NOK 1,070 million at the end of Q4 2019.

Current assets amounted to NOK 303 million, compared to NOK 206 million at the end of Q4 2019. Cash and cash equivalents amounted to NOK 92 million, up from NOK 76 million at the end of Q4 2019.

Trade and other receivables increased to NOK 188 million at the end of Q1 2020 from NOK 106 million at the end of Q4 2019. The strong increase is due to high sales in Q1 2020, especially towards the end of the financial period when the majority of customers were affected by Covid-19 lockdowns. Contract assets declined to NOK 6 million at the end of Q1 2020 from NOK 14 million at the end of Q4 2019 as previously non-invoiced revenue was invoiced. Other current assets increased to NOK 17 million from NOK 11 million at the end of Q4 2019.

Non-current assets amounted to NOK 897 million at the end of Q1 2020, up from NOK 864 million at the end of Q4 2019. This was mainly attributable to the increase in contract costs to NOK 110 million at the end of Q1 2020 from NOK 74 million at the end of Q4 2019. Goodwill was NOK 599 million at the end of Q1 2020 and was unchanged from end of Q4 2019. Right-of-use assets increased to NOK 53 million at the end of Q1 2020 from NOK 52 million at the end of Q4 2019. Other intangible assets was NOK 101 million at the end of Q1 2020 compared to NOK 102 million at the end of Q4 2019. Property, plant and equipment increased to NOK 9 million at the end of Q1 2020 from NOK 7 million at the end of 2019. Deferred tax assets declined to NOK 23 million from NOK 28 million at the end of Q4 2019, while Receivables was NOK 2 million at the end of Q1 2020 from NOK 2 million at the end of Q4 2019.

The Group had total liabilities of NOK 334 million at the end of Q1 2020 compared to NOK 246 million at the end of Q4 2019.

Current liabilities amounted to NOK 276 million at the end of Q1 2020 compared to NOK 192 million at the end of Q4 2019. Trade and other payables increased to NOK 89 million at the end of Q1 2020 from NOK 51 million at the end of Q4 2019. Contract liabilities increased to NOK 88 at the end of Q1 2020 compared to NOK 48 million at the end of Q4 2019. Current lease liabilities amounted to NOK 11 million at the end of Q1 2020 compared to NOK 10 million at the end of Q4 2019. Current tax liabilities amounted to NOK 4 million at the end of Q1 2020 compared to NOK 4 million at the end of Q4 2019. Current borrowings remain unchanged at NOK 3 million at the end of Q1 2020 compared to the end of Q4 2019.

Non-current liabilities amounted to NOK 58 million at the end of Q1 2020 compared to NOK 54 million at the end of Q4 2019. Lease liabilities amounted to NOK 46 million at the end of Q1 2020 compared to NOK 45 million at the end of Q4 2019. Non-current borrowings decreased to NOK 8 million at the end of Q1 2020 compared to NOK 9 million at the end of Q4 2019. Deferred tax liabilities increased to NOK 4 million at the end of Q1 2020 from NOK 0 million at the end of Q4 2019.

The Group had a total equity of NOK 867 million at the end of Q1 2020, compared to NOK 824 million at the end of 2019. The equity ratio was 72% at the end of Q1 2020, compared to 77% at the end of 2019.

## Total revenue <sup>(MNOK)</sup>

**89.9**  
Q1 2019

**150.1**  
Q1 2020

## EBITDA <sup>(% of revenue)</sup>

**22%**  
Q1 2019

**24%**  
Q1 2020

## Equity ratio

**72%**  
Q1 2020

## Total equity <sup>(MNOK)</sup>

**867**  
Q1 2020

## Cash Flow

The Group had a positive cash flow from operating activities of NOK 19.6 million in Q1 2020, compared to NOK 30.4 million in Q1 2019. The operating cash flow was positively impacted by profits before tax of NOK 49.9 million, while the increase of net working capital of NOK 38.8 million had a negative impact.

Cash flow from investing activities was NOK -9.3 million in Q1 2020, compared to NOK -10.3 million in Q1 2019. The increase in cash flow is related to lower payments for property, plant and equipment in Q1 2020 compared to Q1 2019.

Cash flow from financing activities was NOK -3.3 million in Q1 2020 compared to NOK -1.7 million in Q1 2019. The decrease in cash flow is related to higher repayment of borrowings as well as higher lease payments in Q1 2020 compared to Q1 2019.

In total the Group had a net increase in cash and cash equivalents of NOK 7.1 million in Q1 2020 compared to NOK 18.3 million in Q1 2019. In Q1 2020 the Group had effects of exchange rate changes on NOK 9.1 million, taking the cash and cash equivalents to NOK 91.7 million at the end of Q1 2020.

## Outlook and events after end of Q1 2020

As part of Pexip's strategy to accelerate growth, the Group executed a successful listing on the Oslo Stock Exchange on the 14th of May 2020. The transaction has given the Group gross proceeds of NOK 1,197 million, while related transaction-dependent costs are estimated to NOK 97 million. The transaction also triggered the release of 2,100,002 share options, raising additional NOK 4 million. The new share capital of Pexip Holding ASA is 1,515,171.84, divided on 101,011,389 shares. As part of the process, Pexip received significant media attention across Europe and North America for its ability to run the IPO process using Pexip video meetings. The capital raise will enable Pexip to increase the pace of investment in both sales, marketing and R&D OPEX in order to meet its long-term ambition to have USD 300 million in annual recurring revenue by the end of 2025. Short-term these investments are expected to decrease EBITDA and cash flow.

Pexip saw a significant increase in sales in Q1 2020 as the Covid-19 situation has increased demand for video communication and the related social distancing measures. The company is seeing signs that the situation is normalizing and that companies have met their emergency needs when it comes to video conferencing. Due to this we expect lower quarter-over-quarter growth in Annual Recurring Revenue in Q2 2020 compared to Q1 2020. Pexip also experienced a significant increase in usage towards the end of Q1 2020 and so far in Q2 2020 with a more than 7X increase in peak usage. This increase is expected to impact gross margin negatively to some extent as well as increase investments in IT equipment used to host Pexip's Software-as-a-service offering. 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 the past months, and that Pexip is well positioned to benefit from that.

Oslo, 26th May 2020



**Michel Sagen**  
Chairman of the Board



**Odd Sverre Østlie**  
CEO



**Per Haug Kogstad**  
Board Member



**Irene Kristiansen**  
Board Member



**Marianne Wergeland Jenssen**  
Board Member



**Kjell Skappel**  
Board Member

## Consolidated statement of profit and loss

	First quarter	First quarter	Year
(NOK 1.000)	2020	2019	2019
Revenue (note 3)	150 052	89 865	369 954
Cost of sale	4 880	5 538	18 779
Salary and personnel expenses	72 553	43 007	190 234
Other operating expenses	36 826	21 508	84 611
EBITDA	35 793	19 811	76 330
Depreciation and amortization	10 675	11 830	44 470
<b>Operating profit and loss</b>	<b>25 118</b>	<b>7 981</b>	<b>31 860</b>
Financial income	38 446	562	14 897
Financial expenses	-13 689	-1 831	-30 093
<b>Financial income/(expenses) - net</b>	<b>24 757</b>	<b>-1 269</b>	<b>-15 196</b>
<b>Profit and loss before income tax</b>	<b>49 875</b>	<b>6 711</b>	<b>16 664</b>
Income tax expense	12 161	1 257	4 427
<b>Profit and loss for the year</b>	<b>37 714</b>	<b>5 454</b>	<b>12 237</b>
<b>Profit and loss is attributable to:</b>			
Owners of Pexip Holding ASA	37 714	5 454	12 237
<b>Earnings per share</b>			
Basic earnings per share	0,47	0,07	0,15
Diluted earnings per share	0,46	0,07	0,15

## Consolidated statement of comprehensive income

	First quarter	First quarter	Year
(NOK 1.000)	2020	2019	2019
Profit and loss for the year	37 714	5 454	12 237
<i>Items that may be reclassified to profit and loss:</i>			
Exchange difference on translation of foreign operations	1 426	-68	35
<b>Total comprehensive income for the year</b>	<b>39 140</b>	<b>5 386</b>	<b>12 272</b>
<b>Total comprehensive income is attributable to:</b>			
Owners of Pexip Holding ASA	39 140	5 386	12 272

**Consolidated statement of financial position**

(NOK 1.000)	31/03/2020	31/12/2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8 676	7 201
Right-of-use assets	53 254	52 419
Goodwill	598 998	598 998
Other intangible assets	101 176	101 783
Deferred tax asset	23 249	27 553
Contract costs	109 665	74 235
Receivables	1 978	1 715
Other assets	-	-
<b>Total non-current assets</b>	<b>896 996</b>	<b>863 905</b>
<b>Current assets</b>		
Trade and other receivables	188 515	105 552
Contract assets	6 108	14 015
Other current assets	17 175	11 098
Cash and cash equivalents	91 723	75 515
<b>Total current assets</b>	<b>303 521</b>	<b>206 179</b>
<b>TOTAL ASSETS</b>	<b>1 200 517</b>	<b>1 070 085</b>

(NOK 1.000)	31/03/2020	31/12/2019
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1 199	799
Share capital increase not registered	-	399
Share premium	859 673	860 073
Other equity	5 888	-37 194
<b>Total equity</b>	<b>866 761</b>	<b>824 077</b>
<b>Non-current liabilities</b>		
Borrowings	7 875	8 500
Lease liabilities	45 822	45 464
Deferred tax liabilities	3 911	-
<b>Total non-current liabilities</b>	<b>57 608</b>	<b>53 964</b>
<b>Current liabilities</b>		
Trade and other payables	88 814	51 075
Contract liabilities	88 216	47 880
Current tax liabilities	3 785	3 781
Borrowings	2 500	2 500
Derivative financial liability	81 984	76 784
Lease liabilities	10 850	10 024
<b>Total current liabilities</b>	<b>276 149</b>	<b>192 044</b>
<b>Total liabilities</b>	<b>333 757</b>	<b>246 008</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 200 517</b>	<b>1 070 085</b>

## Consolidated statement of changes in equity

(NOK 1.000)	Share capital	Share capital not registered	Share premium	Translation differences	Retained Earnings	Total equity
<b>Balance at 1 January 2019</b>	795	-	856 568	-1 114	-57 275	798 975
Profit or loss for the year					12 237	12 237
Currency translation differences				35		35
Contribution of equity net of- transaction costs	4		3 504			3 508
Increase in par value of shares		399			-399	-
Share-based payments					9 321	9 321
<b>Balance at 31 December 2019</b>	<b>799</b>	<b>399</b>	<b>860 073</b>	<b>-1 078</b>	<b>-36 116</b>	<b>824 077</b>
<b>Balance at 1 January 2020</b>	<b>799</b>	<b>399</b>	<b>860 073</b>	<b>-1 078</b>	<b>-36 116</b>	<b>824 077</b>
Profit or loss for the period					37 714	37 714
Currency translation differences				1 426		1 426
Contribution of equity net of- transaction costs	1					1
Registration of share capital	399	-399				-
Share-based payments					3 544	3 544
<b>Balance at 31 March 2020</b>	<b>1 199</b>	<b>-</b>	<b>860 073</b>	<b>348</b>	<b>5 142</b>	<b>866 761</b>
<b>Balance at 1 January 2019</b>	<b>795</b>	<b>-</b>	<b>856 568</b>	<b>-1 114</b>	<b>-57 275</b>	<b>798 975</b>
Profit or loss for the period					5 454	5 454
Currency translation differences				-68		-68
Share-based payments					2 053	2 053
<b>Balance at 31 March 2019</b>	<b>795</b>	<b>-</b>	<b>856 568</b>	<b>-1 182</b>	<b>-49 768</b>	<b>806 414</b>

## Consolidated statement of cash flow

(NOK 1.000)	First quarter 31.03.2020	First quarter 31.03.2019
<b>Cash flow from operating activities</b>		
Profit or loss before income tax	49 875	6 711
<i>Adjustments for</i>		
Depreciation, amortization and net impairment losses	10 676	11 830
Non-cash - share based payments	3 544	2 053
Fair value adjustment to derivatives	5 200	-
Interest income/expenses - net	895	648
Net exchange differences	-11 864	946
<i>Change in operating assets and liabilities</i>		
Change in trade, other receivables and other assets	-116 827	3 954
Change in trade, other payables and contract liabilities	78 074	4 391
Interest received	25	70
Income taxes paid	-	-216
<b>Net cash inflow/outflow from operating activities</b>	<b>19 598</b>	<b>30 388</b>
<b>Cash flow from investing activities</b>		
Payment for property, plant and equipment	-1 788	-2 748
Payment of software development cost	-7 500	-7 593
<b>Net cash inflow/outflow from investing activities</b>	<b>-9 288</b>	<b>-10 341</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of ordinary shares	1	-
Proceeds from borrowings	-	-
Repayment of borrowings	-625	-125
Principal element of lease payments	-1 705	-897
Interest paid	-920	-718
<b>Net cash inflow/outflow from financing activities</b>	<b>-3 250</b>	<b>-1 740</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7 060</b>	<b>18 308</b>
Cash and cash equivalents 1 January	75 515	18 308
Effects of exchange rate changes on cash and cash equivalents	9 148	-383
<b>Cash and cash equivalents 31 December</b>	<b>91 723</b>	<b>77 346</b>

### Note 1. General

Pexip Holding ASA is the parent company in the Pexip Group. The Group includes the parent company Pexip Holding and its wholly owned subsidiary Pexip AS, which have the wholly owned subsidiaries Pexip Inc, Pexip Ltd 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 31 March 2020, authorised for issue by the board of directors on 26 May 2020.

The condensed interim financial statements are unaudited.

### Note 2. Basis of preparation

The condensed interim financial statements for the three months period ending on the 31st of March has been prepared in accordance with IAS 34 Interim Financial reporting. This quarterly report does not include the complete set of accounting principles and disclosures and should hence be read in conjunction with the Annual Financial Statement for 2019. All accounting principles applied in preparing this interim financial statement are consistent with the annual report as of 2019. The Group has not early adopted any new standards, interpretations or amendments issued but not yet effective.

Rounding differences may occur.

### Note 3. Revenue and segment information

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 2019, 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.

### First quarter 2020

	EMEA	Americas	APAC	Total
Cloud services	22 795	13 187	2 364	38 346
Infinity	59 656	36 952	15 098	111 706
<b>Total revenue</b>	<b>82 451</b>	<b>50 139</b>	<b>17 463</b>	<b>150 052</b>

### First quarter 2019

	EMEA	Americas	APAC	Total
Cloud services	15 480	6 174	1 428	23 082
Infinity	23 872	23 308	19 604	66 783
<b>Total revenue</b>	<b>39 351</b>	<b>29 482</b>	<b>21 032</b>	<b>89 865</b>

### 2019

	EMEA	Americas	APAC	Total
Cloud services	68 010	27 628	6 086	101 724
Infinity	121 333	96 484	50 413	268 230
<b>Total revenue</b>	<b>189 343</b>	<b>124 112</b>	<b>56 499</b>	<b>369 954</b>

Timing of revenue recognition	Q1 2020	Q1 2019	2019
Products and services transferred at a point in time	89 264	58 592	225 756
Products and services transferred over time	60 788	31 273	144 198
<b>Total revenue</b>	<b>150 052</b>	<b>89 865</b>	<b>369 954</b>

EMEA — Europe, Middle East and Africa

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 at 31 March 2020, the five largest represent approximately 30% (42% in Q1 2019) of total revenue in Q1 2020, and the ten largest represent approximately 45% (57% in Q1 2019) of total revenue.

**Information about share of recurring revenue from own products**

Recurring revenue from own products is defined as revenue from time-limited contracts where the purchase is recurring in nature. Revenue from time-limited software subscriptions and related mandatory maintenance contracts are considered recurring. Revenue from third-party software licences, perpetual software-licences and project-based professional services, such as a customer-specific proof-of-concept project or installation project, are considered non-recurring. For Q1 2020, 97% of revenue was recurring revenue from own products vs 96% in Q1 2019.

**Non-current assets**

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

	31/03/2020	31/12/2019
Norway	209 574	183 760
Europe (other than Norway)	16 997	12 182
Americas	53 256	39 589
APAC	-	108
<b>Total non-current operating assets</b>	<b>279 827</b>	<b>235 639</b>

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

**Note 4. Events after the balance sheet period**

On the 14th of May 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 105 million, included fees and professional services.

**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.

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.

] pexip [