

Quarterly Report



Q3 2020

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Q3 in brief

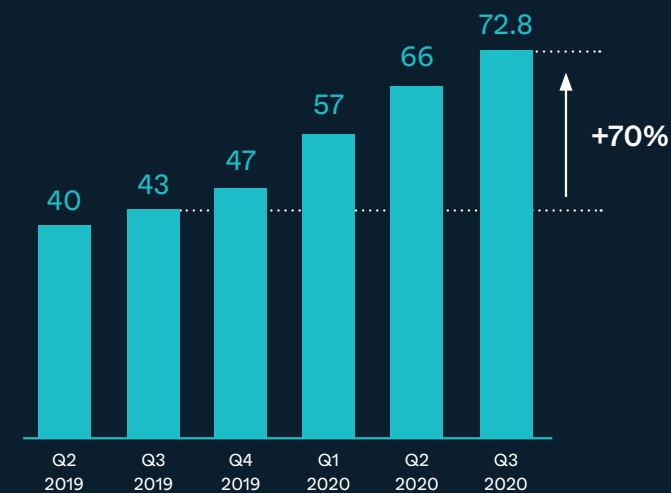
Strong topline growth

- Added a range of high-profile Fortune 1000 companies and large public sector organizations as customers
- Outstanding quarter especially in the Americas
- Continued strong ARR growth with USD 7 million in ARR growth in Q3
- 68% year-on-year growth in revenue for the quarter

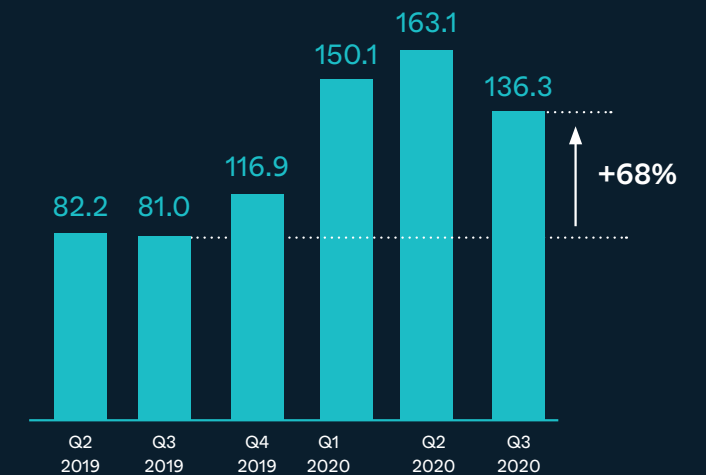
Executing on the acceleration plan

- Continued to build sales and R&D capacity for the future with a quarterly growth of 57 people and 80% year-on-year
- Named an Innovator in the Gartner Magic Quadrant for Meeting Solutions for the second year in a row
- Customer base acquisition in Q3 expected to positively impact Q4 ARR
- EBITDA-rate of -17% mainly due to higher headcount and is in line with the acceleration plan
- Solid cash position to invest in further growth

Annual recurring revenue
USD millions



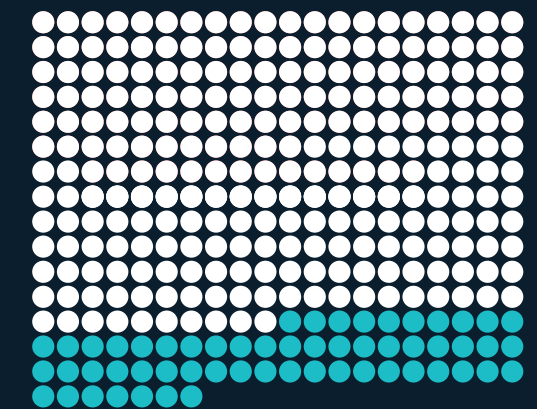
Quarterly revenue
NOK millions



Quarterly adjusted EBITDA
NOK millions



Number of employees



57 new employees (307 total)

Operational review

Pexip continued its strong performance in the third quarter of 2020 with impressive net new sales. As a result of Covid-19 and the increased use of videoconferencing, more and more organizations are seeing the benefits of a best-in-class meeting experience and the need for a secure, high-quality video platform. In Q3, Pexip delivered a year-on-year growth in Annual Recurring Revenue (ARR) of 70%, growing ARR to USD 72.8 million. The company enjoyed key customer wins including the National Aeronautics and

Space Administration (NASA) and one of the world's leading mobility and logistics companies, Deutsche Bahn. For the second year in a row, Pexip was named a Visionary in the 2020 Gartner Magic Quadrant for Meeting Solutions, a trusted report for IT executives which evaluates companies based on completeness of vision and ability to execute. The report identified and included the top 15 vendors in the meeting solutions market and Pexip was one of only two European vendors named.

A Visionary in the 2020 Gartner Magic Quadrant for Meeting Solutions

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The Pexip Meeting Experience Creates Better Business Outcomes

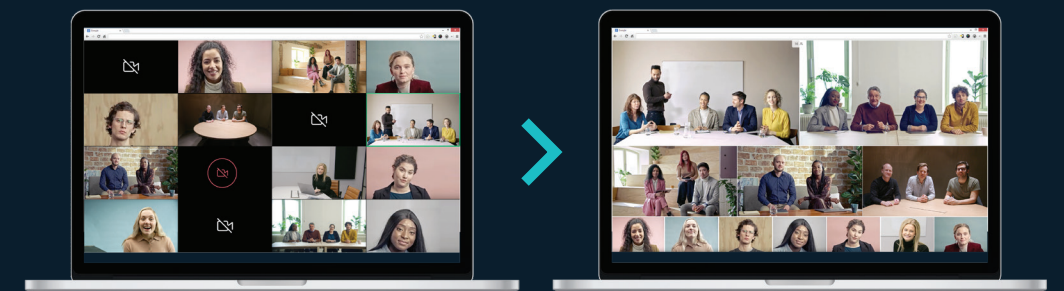
Pexip brings meetings to life with high performance audio and video, allowing users to securely join from anywhere across multiple technologies. Video quality and data security are at the heart of the video meeting experience Pexip delivers, as defined in the company tagline, “video

communications as it should be".
A high quality experience encourages more engagement among participants, in turn creating better meetings and ultimately resulting in better decisions. This quarter the company launched several new innovations on its meeting platform.

Adaptive composition

Brings meetings to life by reducing on-screen distractions and providing a more natural, relaxed meeting experience through layout optimization technology, putting all participants in a call on equal footing. Utilizing Pexip's unique transcoding capabilities, the innovative AI component

uses machine learning to continuously optimize how each video feed is displayed, as well as the arrangement of the overall on-screen display. Whether participants join a Pexip meeting through the app, a browser or a video system, everyone gets the same engaging and immersive experience.



Customer branding on the Pexip service:

Whether the customer chooses to deploy Pexip as-a-service or prefers to host it themselves, there are many options for customizing the meeting experience. For customers using the self-hosted platform, Pexip has enabled a customized meeting experience with branding and workflows

as well as a suite of APIs that makes the platform suitable for integration into B2B and B2C services. The launch of customized branding options for Pexip as-a-service means customers will be able to greet their meeting guests using their organization's brand, making Pexip meetings their own.



Premium quality video experience

High quality video and audio ensures that meeting participants see and hear every nuance in the meeting, reducing video fatigue and improving comprehension. The new premium video quality option of full HD (1080p) and the ability to transcode and adapt media in real-time, ensures that

everyone in a Pexip meeting receives the best possible audio and video experience, from conference rooms receiving full HD (1080p) and super-wideband audio, to PCs or smartphones receiving HD (720p) or even lower quality to save network, CPU or battery.

One-Touch-Join from Poly conference rooms

Many organizations deploy multiple technologies for video communications. When users are scheduling meetings and entering physical conference rooms to join, it often leads to confusion and frustration. Pexip One-Touch-Join (OTJ) integrates with

organizations' calendars such as Microsoft Exchange, Office 365 or Google Calendar, making joining meetings from Cisco and Poly systems simple through a single, seamless workflow.

Launch of Private Cloud Opens New Customer Segments

Pexip has always had a focus on flexibility and believes that each customer should be able to choose how they use or host our platform. The company already provides a variety of deployment options from customer-hosted to a full SaaS solution. Some customers prefer the ease of Pexip's cloud-based conferencing service (SaaS), while others need the privacy, control and granular management options available in the self-hosted software platform.

With the soon to be launched Pexip Private Cloud, customers will have an additional deployment option, combining the control and privacy of a self-hosted solution with the ease and scalability of a shared cloud. Organizations can automatically deploy the solution in the locations of their choice, utilizing the global footprint of the Google Cloud Platform, while ensuring privacy and ownership of their data. This is a unique option that is expected to open up new opportunities for Pexip in the mid-sized enterprise market, as well as further increasing our competitiveness in the large enterprise segment and creating new opportunities in industry sectors such as healthcare and financial services, where video services are expected to see significant growth.

“Iron Bow has been both a Pexip Service and Pexip self-hosted reseller since Pexip entered the US market. Pexip’s new Private Cloud offering will allow IronBow to provide our customers with the simplicity of a public cloud service with the controls and customizability of a private hosted environment”

Dan Klanderman, Director of UC & Collaboration, IronBow

“The launch of the Pexip Private Cloud comes at an ideal time to address a real market demand that Frost & Sullivan has been tracking. There has been a resistance among large organizations to move to the cloud due to data privacy and control concerns. The new Pexip Private Cloud meets this heads-on. It will be interesting to monitor the effect this unique video conferencing solution has on accelerating cloud migrations”

Rob Arnold, Program Manager & Analyst, Frost & Sullivan

Continued Strong Sales Momentum in the Public and Private Sectors

Building on Pexip's unique selling points and strong technology leadership, the company continued to achieve outstanding sales success in Q3 with key wins within both the enterprise segment and in the public sector.

New customers signed in Q3 include no less than ten Fortune 1000 companies. These organizations are spread across the globe and include the likes of:

- **Deutsche Börse** - the German stock exchange
- **Deutsche Bahn** - the second-largest transport company in the world and the largest railway operator and infrastructure owner in Europe
- **The US Northern Command (NORTHCOM)** - a U.S. governmental agency that provides command and control of Department of Defense (DOD) homeland defense efforts
- **The Government of the Northwest Territories** - the ruling body of the second-largest and most populous of the territories in Northern Canada
- **The Canadian Pension Plan Investment Board** - the Canadian Crown corporation established to oversee and invest the funds from the Canada Pension Plan
- **The National Aeronautics and Space Administration (NASA)** - NASA chose Pexip to provide video meeting capabilities to its nearly 17,000 employees. The solution will be hosted and managed by the Pexip partner YorkTel, and rolled out in a phased approach including support for video conferencing systems and mobile devices and connectivity to external meeting platforms such as Microsoft Teams.



Pexip's subscription base measured in ARR reached USD 72.8 million in Q3 2020, 70% up from USD 42.8 million in Q3 2019. The company experienced an increase in ARR of USD 7.0 million during Q3 2020, compared with USD 2.7 million in Q3 2019. In addition, the customer base acquisition announced in July is expected to have an overall impact on ARR of USD 2 to 3 million. Most of the bookings are expected to happen in Q4 2020, with USD 0.4 million booked in Q3 2020.

Net revenue retention rate, showing the percent of retained revenue from existing customers, was 115% year-on-year, including churn of -10% year-on-year. Net new sales accounted for 55% of the year-on-year growth. ARR from Infinity, Pexip's software platform, grew 55% year-on-year, and ARR from Pexip's Cloud Service grew 101% year-on-year.

Increased Focus on Sustainability

Environmental, Social, and Corporate Governance refer to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. ESG measurements are becoming increasingly important for large organizations when they evaluate vendors. In addition, ESG measurements are being used by many for investors when choosing which companies to invest in.

ESG considerations have always been important for Pexip and the company is increasing its focus on making its sustainability reporting as transparent and standardized as possible. Pexip will release its first ESG report at the same time as the 2020 Annual Report.

Building a Strong Organization

A key enabler to deliver on Pexip's long-term ambitions and the acceleration plan is growing the team. In Q3, the company passed the 300 employee milestone and at the end of the quarter had 307 employees. Sales and Marketing account for 160 of these employees, up from 87 at the end of Q3 2019, reflecting the strong focus on increasing sales capacity. Pexip is also continuing to add software engineers to deliver on its product roadmap, as well as strengthening corporate functions within HR, Accounting and Operations.

Focus on building and strengthening the company culture as defined by the Pexip Way remains a top priority, as well as training and enablement for employees and partners. Pexip has introduced new online training modules for internal and external training to facilitate the process during the Covid-19 lockdown.

Financial review

Quarterly highlights

(NOK 1.000)	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Operating revenue	136 283	80 972	449 467	253 039
Gross Margin	125 251	76 663	423 429	238 669
EBITDA	-23 796	12 979	6083	44 341
Adjusted EBITDA	-23 796	12 979	49 238	44 341
EBIT (Operating Profit)	-34 709	1 626	-26 539	10 276
Cash flow from operating activities	-48 493	-12 674	35 755	27 564
Cash and cash equivalents end of period	1 159 297	54 805	1 159 297	54 805
Gross margin (%)	92%	95%	94%	94%
EBITDA (%)	-17%	16%	1%	18%
Adjusted EBITDA (%)	-17%	16%	11%	18%

Pexip's (Pexip or the Group) consolidated revenue was NOK 136.3 million in Q3 2020, compared to NOK 81.0 million in Q3 2019. The increase of 68 % was mainly driven by stronger sales to new customers, but also with a strong growth to existing customers. About 55 % of the year-on-year growth comes from new customers. In line with our strategy to invest in further growth, EBITDA amounted to a negative of NOK -23.8 million (-17% of revenue) in Q3 2020 according to our acceleration plan, down from a positive of NOK 13.0 million (16 % of revenue) in Q3 2019.

The software area, which consists mainly of sales of Pexip's self-hosted software platform (Infinity), was the largest revenue area in Q3 2020 with NOK 76.3 million, up from NOK 55.2 million in Q3 2019. Revenue from cloud services was NOK 60 million in Q3 2020, up from NOK 25.8 million in Q3 2019. The enterprise and public sector customer segments continue to show increased demand for video communication services, and Pexip's flexible deployment options combined with high quality and strong security benefit from this. EMEA continues to be the largest sales theatre, accounting for NOK 67.1 million (49 % of total) of the revenue in Q3, followed by Americas, accounting for NOK 60.9 million (45 % of total) and APAC, accounting for NOK 8.3 million (6 % of total).

Pexip's gross margin was 92 % in Q3 2020, compared to 95 % in Q3 2019. Cost of Sales increased in the quarter due to higher hosting and network cost related to higher usage of Pexip's cloud service offering, as well as seasonality effects on software sales in Q3. Cost of sale amounted to NOK 11.0 million in Q3 2020, up from NOK 4.3 million in Q3 2019 and slightly up from Q2 2020 of NOK 10.1 million.

Salary and personnel expenses amounted to NOK 117.3 million in Q3 2020 (86 % of revenue), compared to NOK 45.8 million in Q3 2019 (57 % of revenue). The increase is mainly due to high growth in employees in Q2 and Q3 2020 to deliver on Pexip's growth strategy. The quarter-on-quarter

growth is also impacted by accrual effects of holiday pay lowering Q2 2020 employee benefit expenses. Pexip had 307 employees at the end of Q3 2020, up from 171 at the end of Q3 2019 and 250 at the end of Q2 2020.

Other Operating Expenses amounted to NOK 31.7 million (23 % of revenue) in Q3 2020, compared to NOK 17.8 million in Q3 2019 (22 % of revenue). The increase is mainly due to normal growth in operating cost in line with overall activity growth in the business.

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to a negative NOK of -23.8 million in Q3 2020 (-17 % of revenue), compared to a positive NOK of 13.0 million in Q3 2019 (16 % of revenue).

Pexip had depreciation and amortization costs of NOK 10.9 million in Q3 2020, compared to NOK 11.4 million in Q3 2019. Financial income was NOK 48.5 million in Q3 2020, compared to NOK 5.8 million in Q3 2019. Financial expenses amounted to NOK 56.4 million in Q3 2020, compared to NOK 4.5 million in Q3 2019. Financial income and expenses were mainly related to realized exchange gains.

Profit before tax was NOK -42.6 million for Q3 2020, compared to NOK 2.9 million in Q3 2019. Profit after tax was NOK -35.6 million, compared to NOK 1.1 million in Q3 2019.

Year to date

Total revenue for Q3 YTD in 2020 was NOK 449.5 million, compared to NOK 253.0 million for Q3 YTD in 2019, representing a 78 % growth resulting from strong sales to new and existing customers during 2020. Revenue in EMEA was NOK 247.4 million for Q3 YTD in 2020, compared to NOK 126.9 million for Q3 YTD in 2019, with revenue in Americas increasing to NOK 162.2 million for Q3 YTD in 2020 from NOK 83.3 million in the corresponding period for 2019. Revenue from APAC was NOK 39.9 million for Q3 YTD in 2020, slightly down from NOK 42.9 million Q3 YTD in 2019. The decrease in APAC is in full due to an approximately 8 MNOK contract renewal being transferred into Q4 2020.

Growth has been evenly distributed across Pexip's two main product lines. Revenues from Cloud services was NOK 142.9 million for Q3 YTD in 2020, up 93 % from NOK 74.4 million for Q3 YTD in 2019. Revenue from the Software area was NOK 306.6 million for Q3 YTD in 2020, up 71 % from NOK 178.7 million for Q3 YTD in 2019.

Gross margin was 94 % in Q3 YTD for 2020 with cost of sales amounting to NOK 26.0 million, up from NOK 14.4 million for Q3 YTD in 2019 and a gross margin of 94 %. The increase in cost of sales is in full related to increased sales and usage of Pexip's products, and in particular the cloud service offering which has somewhat higher cost of sales.

Salary and personnel expenses Q3 YTD in 2020 was NOK 269.7 million, compared to NOK 131.0 million Q3 YTD in 2019 giving an 106 % increase. This is due to an 80 % increase in employees to increase capacity in both R&D and sales to accelerate growth , with a large portion of experienced hires.

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to NOK 6.1 million in Q3 YTD for 2020 (1 % of revenue), compared to NOK 44.3 million in Q3 YTD for 2019 (18 % of revenue). Adjusted for one-time direct transaction cost of NOK 43.2 million related to the IPO in Q1 and Q2, the EBITDA amounts to NOK 49.3 million in Q3 YTD for 2020 (11 % of revenue).

Pexip had depreciation and amortization costs of NOK 32.6 million for Q3 YTD in 2020, compared to NOK 34.1 million for Q3 YTD in 2019. Financial income was NOK 92.1 million for Q3 YTD in 2020, compared to NOK 7.9 million for Q3 YTD in 2019. Financial expenses amounted to NOK 136.9 million for Q3 YTD in 2020, compared to NOK 7.9 million for Q3 YTD in 2019. Financial income and expenses were mainly related to exchange gains and losses.

Profit before tax was NOK -71.3 million for Q3 YTD in 2020, compared to NOK 10.3 million for Q3 YTD in 2019. Profit after tax was NOK - 61.5 million for Q3 YTD in 2020, compared to NOK 6.8 million for Q3 YTD in 2019.

Financial position

Pexip's total assets at the end of Q3 2020 was NOK 2,401.1 million, up from NOK 1,070.1 million at the end of Q4 2019.

Current assets amounted to NOK 1,335.7 million, compared to NOK 206.2 million at the end of Q4 2019. Cash and cash equivalents amounted to NOK 1,159.3 million, up from NOK 75.5 million at the end of Q4 2019, as a result of the capital raise in May 2020. The cash and cash equivalents are held in a range of currencies matching the distribution of cash outflows to minimize currency risk.

Trade and other receivables increased to NOK 145.5 million at the end of Q3 2020 from NOK 105.6 million at the end of Q4 2019. The increase is due to high sales in 2020. Contract assets declined to NOK 10.8 million at the end of Q3 2020 from NOK 14.0 million at the end of Q4 2019 as previously non-invoiced revenue was invoiced. Other current assets increased to NOK 20.1 million at the end of Q3 2020 from NOK 11.1 million at the end of Q4 2019.

Non-current assets amounted to NOK 1,065.4 million at the end of Q3 2020, up from NOK 863.9 million at the end of Q4 2019. This is mainly explained by the increase in contract costs to NOK 177.9 million at the end of Q3 2020 from NOK 74.2 million at the end of Q4 2019, and an increase in Other intangible assets to NOK 154.3 million at the end of Q3 2020 from NOK 101.8 million at the end of Q4 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 14.7 million at the end of Q3 2020 from NOK 7.2 million at the end of Q4 2019, and right of use assets increased to NOK 58.8 million in Q3 2020 from NOK

52.4 million at the end of Q4 2019. Deferred tax assets increased to NOK 51.6 million at the end of Q3 2020 from NOK 27.6 million at the end of Q4 2019. Other items saw small changes over the period.

Pexip had total liabilities of NOK 353.1 million at the end of Q3 2020, compared to NOK 246.0 million at the end of Q4 2019.

Current liabilities amounted to NOK 265.1 million at the end of Q3 2020, compared to NOK 192.0 million at the end of Q4 2019. Trade and other payables increased to NOK 125.3 million at the end of Q3 2020 from NOK 51.1 million at the end of Q4 2019. Contract liabilities increased to NOK 120.3 million at the end of Q3 2020, compared to NOK 47.9 million at the end of Q4 2019. Lease liabilities increased to NOK 13.2 million at the end of Q3 2020, compared to NOK 10.0 million at the end of Q4 2019. The Derivative financial liabilities related to outstanding options on Pexip's own shares was settled as part of the IPO transaction, and is NOK 0 million at the end of Q3 2020, compared to NOK 76.8 million at the end of Q4 2019. Other items saw small changes over the period.

Non-current liabilities amounted to NOK 87.9 million at the end of Q3 2020, compared to NOK 54.0 million at the end of Q4 2019. Lease liabilities amounted to NOK 49.2 million at the end of Q3 2020, compared to NOK 45.5 million at the end of Q4 2019. Non-current borrowings decreased to NOK 6.6 million at the end of Q3 2020, compared to NOK 8.5 million at the end of Q4 2019. Trade and other payables increased to NOK 32.1 million at the end of Q3 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.

Pexip had a total equity of NOK 2,048.0 million at the end of Q3 2020, compared to NOK 824.1 million at the end of 2019. The equity ratio was 88 % at the end of Q3 2020, compared to 77 % at the end of 2019.

Cash flow

Pexip had a positive cash flow from operating activities of NOK 35.6 million for Q3 YTD in 2020, compared to NOK 27.6 million for Q3 YTD in 2019. The operating cash flow was impacted by non-cash transaction adjusting the profit before tax, mainly related to depreciations (NOK 32.6 million), share based payments (NOK 16.8 million), fair value adjustment of derivative (NOK 24.0 million) and net exchange differences (NOK 7.8 million). IPO transaction cost recognised 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 NOK -29.5 million and impacting the cash flow from operating activities negatively.

Cash flow from investing activities was NOK -34.7 million in Q3 YTD for 2020, compared to NOK -26.8 million in the same period in 2019. The increase in cash out flow is related to higher payments for property, plant and equipment in YTD 2020 compared to YTD 2019.

Cash flow from financing activities was NOK 1,102.3 million for Q3 YTD in 2020, compared to NOK -7.1 million for Q3 YTD in 2019. The increase in cash flow is mainly related to the listing on the Norwegian stock exchange 14th May 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 out flow of NOK 97.0 million, giving Pexip net proceeds of NOK 1,112.9 million. Pexip also had a share issue related to vested employee options giving net proceeds of NOK 8.85 million in Q3 2020. The new share capital of Pexip Holding ASA is 1,523,047.305, divided on 101,536,487 shares. Other effects are limited.

In total Pexip had a net increase in cash and cash equivalents of NOK 1,102.3 million for Q3 YTD in 2020, compared to a net outflow of NOK 7.1 million for Q3 YTD in 2019. For Q3 YTD in 2020 Pexip had effects of exchange rate changes on NOK -19.5 million, taking the cash and cash equivalents to NOK 1,159.3 million at the end of Q3 2020.

Outlook and events after end of Q3 2020

As part of the strategy to accelerate growth, Pexip executed a successful listing on the Oslo Stock Exchange on the 14th May 2020 and raised net NOK 1.1 billion in capital for growth investments. To accelerate growth Pexip intends to invest the proceeds into increasing the company's sales and marketing presence as well as Research and Development capabilities. Pexip intends to deploy up to 70% of the net proceeds 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 investments will be focused on delivering on the near-term growth plan, which has three main initiatives. The first is that Pexip will supercharge the existing sales model, increasing the company's sales and marketing footprint in existing geographies and expanding strategic partnerships. Secondly, Pexip will expand in high-impact, high-growth segments such as telehealth and other verticals such as Finance and Public Sectors, where video will be an integral part of their future services, as well as into new customer segments looking for a private service combining the benefits of SaaS and dedicated deployments. Thirdly, Pexip will strengthen its product offering across existing and new products. The key enabler for all these initiatives is strengthening the Pexip team, and Pexip is targeting 350-400 FTEs by the end of 2020.

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.

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. Pexip has had a long-term ambition to reach an Annual Recurring Revenue of USD 300 million by 2025, which we have been tracking ahead of so far in 2020 both in revenue growth and in securing additional talent to drive future growth. We are now announcing that we accelerate our long-term target of USD 300 million in ARR from 2025 to 2024. This is one year earlier than its previous target.

Oslo, 10th November 2020



Michel Sagen
Chairman of the Board



Per Haug Kogstad
Board Member



Kjell Skappel
Board Member



Odd Sverre Østlie
CEO



Irene Kristiansen
Board Member



Marianne Wergeland Jenssen
Board Member

Consolidated statement of profit and loss

	Third quarter		Year	
(NOK 1.000)	2020	2019	2020	2019
Revenue	136 283	80 972	449 467	253 039
Cost of sale	11 032	4 309	26 038	14 371
Salary and personnel expenses	117 341	45 822	269 742	131 083
Other operating expenses	31 707	17 862	147 618	63 245
Other gains and losses - net	-	-	-15	-
EBITDA	-23 796	12 979	6 083	44 341
Depreciation and amortization	10 912	11 353	32 623	34 064
Operating profit or loss	-34 709	1 626	-26 539	10 276
Financial income	48 505	5 815	92 087	7 948
Financial expenses	-56 443	-4 535	-136 854	-7 964
Financial income/(expenses) - net	-7 938	1 280	-44 768	-16
Profit or loss before income tax	-42 647	2 906	-71 307	10 260
Income tax expense	-7 084	1 794	-9 844	3 415
Profit or loss for the year	-35 563	1 113	-61 463	6 845
Profit or loss is attributable to:				
Owners of Pexip Holding ASA	-35 563	1 113	-61 463	6 845
Earnings per share				
Basic earnings per share	-0,35	0,01	-0,68	0,09
Diluted earnings per share	-0,34	0,01	-0,66	0,08

Consolidated statement of comprehensive income

	Third quarter		Year	
(NOK 1.000)	2020	2019	2020	2019
Profit or loss for the year	-35 563	1 113	-61 463	6 845
<i>Items that may be reclassified to profit or loss:</i>				
Exchange difference on translation of foreign operations	-878	162	-30	-168
Total comprehensive income for the year	-36 442	1 275	-61 492	6 677
Total comprehensive income is attributable to:				
Owners of Pexip Holding ASA	-36 442	1 275	-61 492	6 677

Consolidated statement of financial position

(NOK 1.000)	30/09/2020	31/12/2019
ASSETS		
Non-current assets		
Property, plant and equipment	14 698	7 201
Right-of-use assets	58 793	52 419
Goodwill	598 998	598 998
Other intangible assets	154 338	101 783
Deferred tax asset	51 561	27 553
Contract costs	177 850	74 235
Receivable	2 745	1 715
Other assets	6 431	–
Total non-current assets	1 065 414	863 905
Current assets		
Trade and other receivables	145 471	105 552
Contract assets	10 786	14 015
Other current assets	20 149	11 098
Cash and cash equivalents	1 159 298	75 515
Total current assets	1 335 704	206 179
TOTAL ASSETS	2 401 118	1 070 085

(NOK 1.000)	30/09/2020	31/12/2019
EQUITY AND LIABILITIES		
Equity		
Paid in equity	2 028 730	861 271
Other equity	19 248	-37 194
Total equity	2 047 978	824 077
Non-current liabilities		
Borrowings	6 625	8 500
Lease liabilities	49 190	45 464
Deferred tax liabilities	–	–
Derivative financial liability	–	–
Other payables	32 154	–
Total non-current liabilities	87 989	53 964
Current liabilities		
Trade and other payables	125 351	51 075
Contract liabilities	120 335	47 880
Current tax liabilities	3 782	3 781
Borrowings	2 500	2 500
Derivative financial liability	–	76 784
Lease liabilities	13 203	10 024
Total current liabilities	265 171	192 044
Total liabilities	353 140	246 008
TOTAL EQUITY AND LIABILITIES	2 401 118	1 070 085

Consolidated statement of changes in equity

(NOK 1.000)	Total Share capital	Share premium	Other Share premium	Translation differences	Other Equity	Total equity
Balance at 1 January 2019	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 not registered	399				-399	-
Share-based payments					9 321	9 321
Balance at 31 December 2019	1 198	860 073	-	-1 078	-36 116	824 077
Balance at 1 January 2020	1 198	860 073	-	-1 078	-36 116	824 077
Profit or loss for the period					-61 463	-61 463
Currency translation differences				-30		-30
Contribution of equity net of- transaction costs	325	1 167 133	100 776		399	1 268 633
Registration of share capital						
Share-based payments					16 760	16 760
Balance at 30 September 2020	1 523	2 027 206	100 776	-1 108	-80 420	2 047 978
Balance at 1 January 2019	795	856 568	-	-1 114	-57 275	798 975
Profit or loss for the period					6 845	6 845
Currency translation differences				-168		-168
Contribution of equity net of- transaction costs		3 510				3 510
Share-based payments					9 128	9 128
Balance at 30 September 2019	795	860 078	-	-1 282	-41 302	818 290

Consolidated statement of cash flow

(NOK 1.000)	Third quarter		Year	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Cash flow from operating activities				
Profit or loss before income tax	-42 647	2 906	-71 307	10 260
<i>Adjustments for</i>				
Income tax			9 844	-3 415
Depreciation, amortization and net impairment losses	10 912	11 353	32 623	34 064
Non-cash - share based payments	8 916	5 365	16 760	9 128
Fair value adjustment to derivatives	-	-	23 992	
Interest income/expenses - net	837	527	2 433	2 301
Net exchange differences	-6 274	-2 300	7 772	-553
IPO cost adjustment	-		43 155	-
<i>Change in operating assets and liabilities</i>				
Change in trade, other receivables and other assets	-48 990	-24 646	-144 114	-27 016
Change in trade, other payables and contract liabilities	18 907	-2 466	114 569	2 616
Interest received	0	-	28	466
Income taxes paid	-		-	-287
Transaction cost	-			
Net cash inflow/outflow from operating activities	-48 493	-12 674	35 755	27 564
Cash flow from investing activities				
Payment for property, plant and equipment	-3 193	-2 253	-12 169	-5 332
Payment of software development cost	-7 500	-6 273	-22 500	-21 459
Net cash inflow/outflow from investing activities	-10 693	-8 526	-34 669	-26 790
Cash flow from financing activities				
Proceeds from issuance of ordinary shares	8 848	3 510	1 209 873	3 510
Proceeds from borrowings	-	-		
Repayment of borrowings	-625	-6 125	-1 875	-6 375
Principal element of lease payments	-5 543	-841	-7 763	-2 958
Interest paid	687	916	-936	-1 323
Transaction cost IPO	-		-97 020	
Net cash inflow/outflow from financing activities	3 367	-2 540	1 102 279	-7 147
Net increase/(decrease) in cash and cash equivalents	-55 819	-23 740	1 103 365	-6 372
Cash and cash equivalents start of the period	1 217 460	75 983	75 515	59 421
Effects of exchange rate changes on cash and- cash equivalents	-2 344	2 562	-19 583	1 756
Cash and cash equivalents end of the period	1 159 297	54 805	1 159 297	54 805

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 30 September 2020, authorised for issue by the board of directors on November 10th 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 30th of September 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

(1000 NOK)

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 2020

	EMEA ¹⁾	Americas	APAC ²⁾	Total
Cloud services	34 269	21 188	4 523	59 980
Infinity	32 808	39 730	3 765	76 303
Total revenue	67 077	60 918	8 287	136 283

Third quarter 2019

	EMEA ¹⁾	Americas	APAC ²⁾	Total
Cloud services	17 976	6 247	1 570	25 793
Infinity	25 143	19 943	10 093	55 179
Total revenue	43 119	26 190	11 663	80 972

Year to date 2020

	EMEA ¹⁾	Americas	APAC ²⁾	Total
Cloud services	86 055	47 161	9 664	142 880
Infinity	161 316	115 031	30 240	306 587
Total revenue	247 371	162 192	39 904	449 467

Year to date 2019

	EMEA ¹⁾	Americas	APAC ²⁾	Total
Cloud services	49 973	19 924	4 476	74 375
Infinity	76 908	63 330	38 427	178 664
Total revenue	126 880	83 254	42 905	253 039

Timing of revenue recognition	Q3 2020	Q3 2019
Products and services transferred at a point in time	55 682	43 683
Products and services transferred over time	80 601	37 289
Total revenue	136 283	80 972

Timing of revenue recognition	YTD 2020	YTD 2019
Products and services transferred at a point in time	243 561	147 490
Products and services transferred over time	205 906	105 549
Total revenue	449 467	253 039

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. In Q3 2020 the 5 largest represent approximately 27% (29% in Q3 2019) of total revenue, while the 10 largest represent 38% (41% in Q3 2019). Of the Group's total channel partner base per Q3 2020, the five largest represent approximately 26% of total revenue (31% per Q3 2019), and the ten largest represent approximately 41% (44% per Q3 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.

	30/09/2020	31/12/2019
Norway	295 195	183 760
Europe (other than Norway)	27 679	12 182
Americas	77 992	39 589
APAC	4 813	108
Total non-current operating assets	405 679	235 639

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 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.

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