

Quarterly Report



Q2 2020

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Q2 in brief

Delivering on the acceleration plan

- Strengthened differentiators across technology and sales
- Released innovations related to scaling, security and product features, as well as customer pilots of a new dedicated service.
- 59% year-on-year growth in people to support medium-term growth
- Solid cash position of NOK 1,207 million to invest in further growth

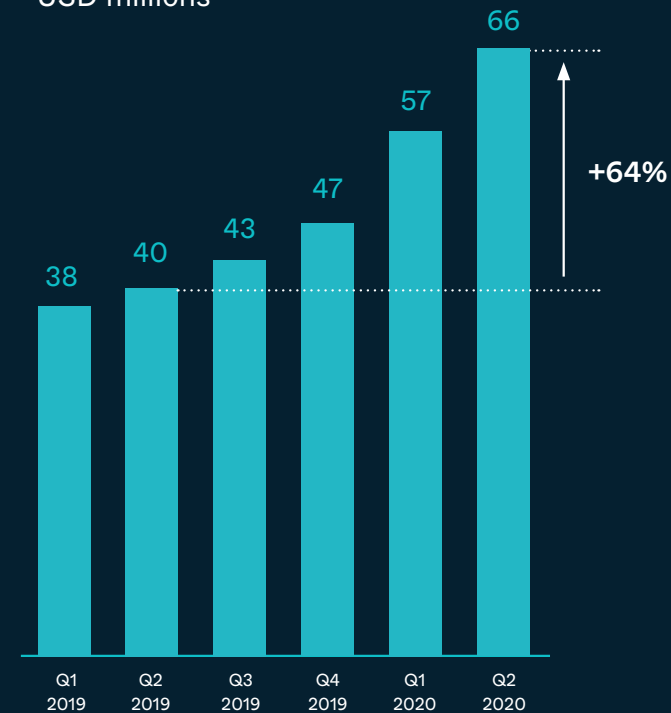
Converting demand to strong topline growth

- 64% year-on-year growth in the subscription base measured in Annual Recurring Revenue (ARR)
- 98% year-on-year growth in quarterly revenue
- Adjusted EBITDA-rate of 25%

The Pexip Way Culture has proven itself through the crisis

- Solid team effort to continue to support existing and new customers and deliver tech innovations despite Covid 19 restrictions

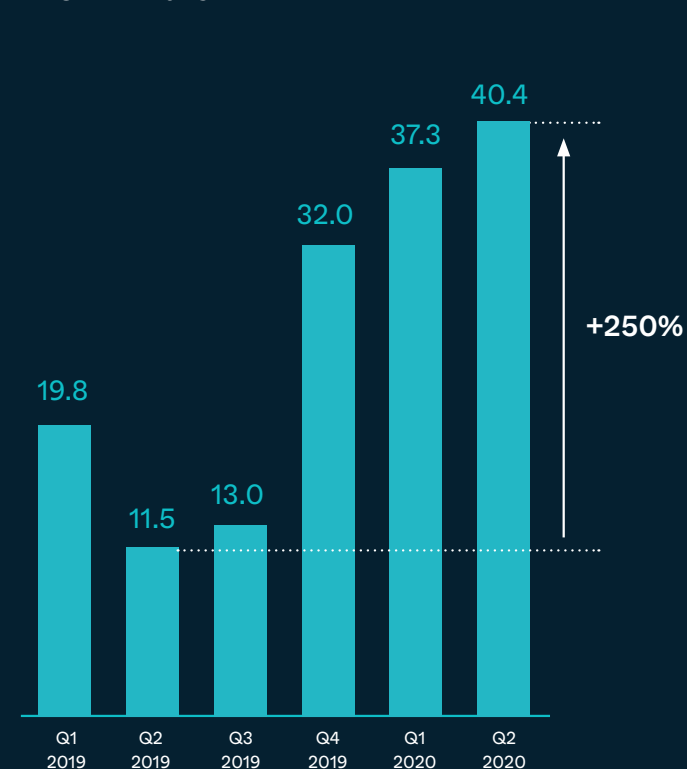
Annual recurring revenue
USD millions



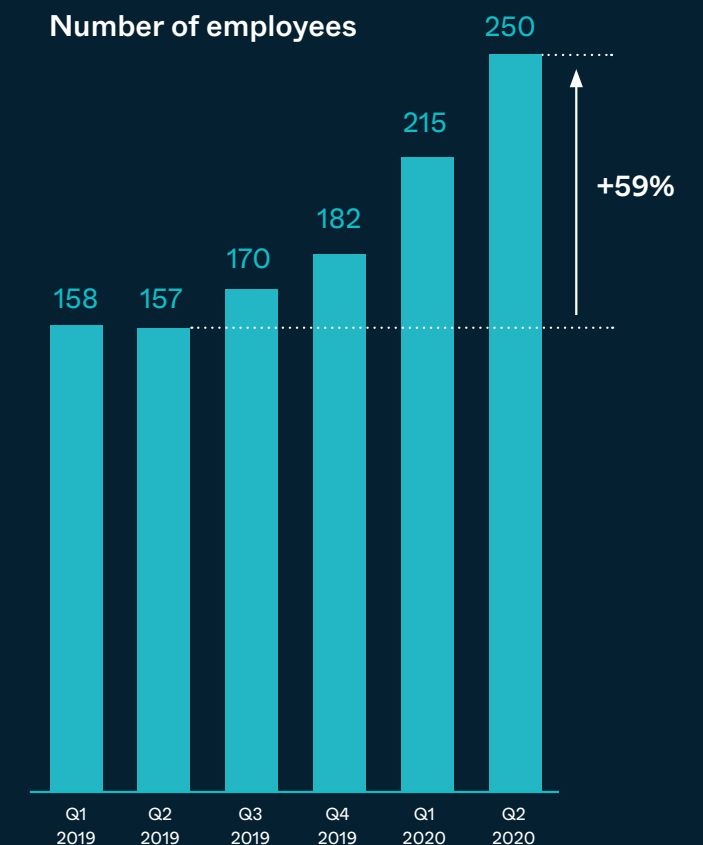
Quarterly revenue
NOK millions



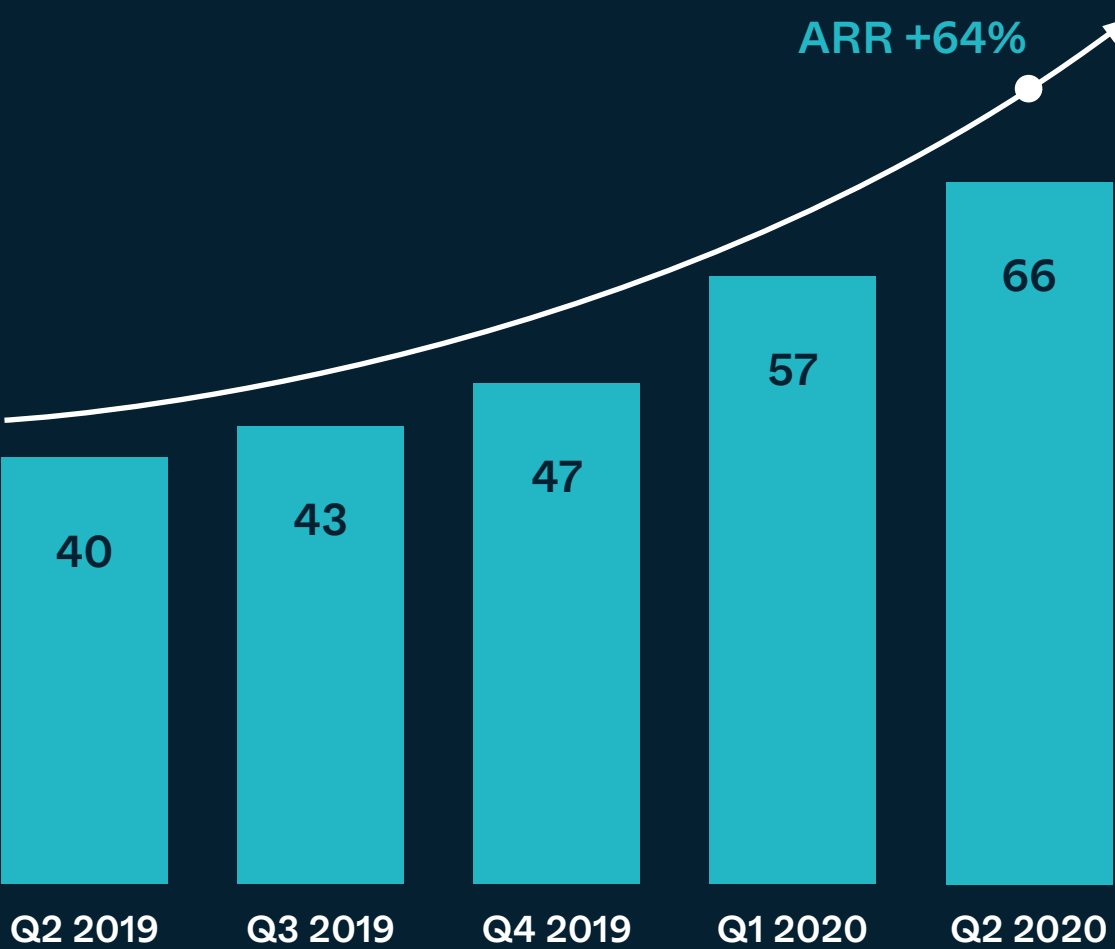
Quarterly Adjusted EBITDA
NOK millions



Number of employees



Operational review



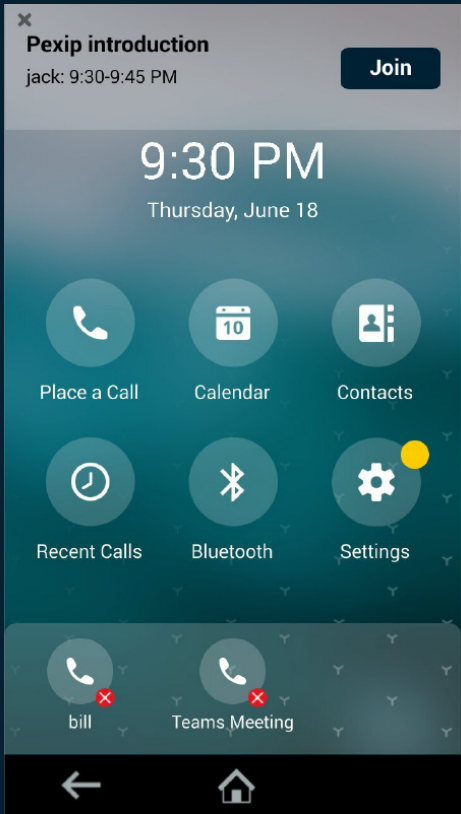
ARR development Q2 2019 – Q2 2020, USD millions

The second quarter of 2020 was a highly eventful and positive quarter for Pexip, with continued strong growth. As Covid 19 curtailed traveling, and video conferencing became the new normal for enterprise collaboration, Pexip experienced a significant increase in sales from existing and new customers. In Q2, Pexip delivered a year-on-year growth in Annual Recurring Revenue (ARR) of 64 %, growing ARR to USD 65.8 million.

Continuing to deliver industry innovation

Pexip released a new version of its self-hosted software platform, Pexip Infinity, during Q2 2020, with updates focusing on quality, scalability and security. This includes enhanced algorithms allowing higher video quality using less computing resources, enabling better clarity and smoother video. It also includes integration with Microsoft Stream and Live Event, enabling live and on-demand events and large meetings using Pexip and Microsoft 365. Privacy and security are key in video meetings, and by default all Pexip meetings are encrypted by the highest security standards. This release also enhanced the security and encryption algorithm using 256-bit AES for encrypting media as default.

In Q2, Pexip released the second version of its One Touch Join (OTJ) product, allowing users with Poly conference rooms to easily join meetings hosted by Pexip, Microsoft, Google and others. With OTJ support of both Cisco and Poly, Pexip is now able to address the majority of the video conferencing rooms deployed giving end-users a consistent workflow across various video endpoints.



Successful IPO and capital raise

On 14 May 2020, Pexip was listed on the Oslo Stock Exchange raising net proceeds of NOK 1.1 billion in addition to facilitating an equally sized secondary transaction. The company succeeded in significantly increasing its investor base, both in the number of institutional and retail investors as well as in their geographical distribution. With the IPO, Pexip has secured a strong cash balance for further growth and development.



Strong sales momentum

In Q2 2020 Pexip increased ARR by USD 9.1 million, which is 3.8X the corresponding figure in Q2 2019 making Q2 2020 the best second quarter in the company's history. This resulted in a contract base measured in Annual Recurring Revenue (ARR) of USD 65.8 million, giving a year-on-year growth in ARR of 64%.

Pexip experienced a stronger momentum in net new sales in Q2 2020 with approximately 3/4 of the year-on-year growth originating from net new customers, giving a year-on-year growth of 46% ARR growth from net new customers. The remaining 1/4 originated from increased sales to existing customers, giving a Net Retention Rate in Q2 of 118% (based on ARR) for the previous 12 months, up from 113% in the previous quarter. The churn rate remains stable at 8% per year.

The ARR growth was evenly distributed across Pexip's geographical focus areas of EMEA and the Americas, which grew year-on-year 70% and 68% respectively. The growth in APAC was 29%. Infinity is the largest software offering is the largest product area with an ARR of USD 42 million at the end of Q2 2020, up 52% compared to the end of Q2 2019. The Cloud Service area continues to contribute strongly to the ARR growth, with an ARR base of USD 24 million at the end of Q2 2020, up 92% compared to Q2 2019.

Building brand awareness

In Q2, we continued to strengthen our brand and generate inbound leads with a mix of digital marketing, events and PR and analyst outreach.

We saw a strong increase in our web traffic and leads, with traffic to our website more than doubling compared with Q1. We hosted and co-hosted several webinars and virtual events with industry analyst firms and channel and strategic partners as part of our increased focus on online events, creating new leads and strengthening our position as a thought leader. Industry analyst relations with companies such as Gartner, Frost & Sullivan and Forrester form an important part of our brand awareness strategy. We hosted our first industry analyst briefing summit, over video, with more than 40 analysts in attendance.

The listing of Pexip on the Oslo Stock Exchange generated extensive media interest and earned media coverage including articles in major news publications such as The Times and The Financial Times in the UK, Handelsblatt in Germany and articles across Europe via Reuters. To build on the momentum from the IPO and raise awareness of our solution, we partnered with the New York Times to launch a digital campaign that resulted in over 28 million impressions and thousands of new visitors to pexip.com.

Supporting our customers to improve their way of working

The reduction in mobility related to Covid-19 has significantly accelerated adoption of video technology and new forms of working. Gartner Group estimates that in-person meetings will make up only 25% of enterprise meetings by 2024, down from 60% prior to the pandemic. We believe this will have a material and lasting impact on enterprise work routines, travel and the related environmental footprint as well as work-life balance. Video collaboration being an environmental-friendly solution not only helps reduce the carbon footprint, but also increases productivity. According to a survey from Global Workplace Analytics, a half-time telecommuter in the US (an employee who works remotely half the time and in the office half the time) saves the equivalent of 11 workdays per year in time they would have otherwise spent commuting.

Video has also been a key enabler for business continuity. Pexip's video offering has enabled healthcare providers to scale up virtual visits saving the need for people to travel and visit doctors' offices and hospitals. This has contributed to reducing the spread of Covid-19, as well as protecting healthcare personnel and reducing the need for protective gear.



"We are tracking ahead of our plan to reach USD 300 million in ARR by 2025"

Odd Sverre Østlie, Pexip CEO



"We see a significant shift in the way people and organizations perceive and use video communication tools. We believe that Covid 19 has set in motion a move to a hybrid solution where many people will combine a mix of remote and office work, utilizing video communication solutions in both locations"

Michel Sagen, Co-founder and Pexip Chairman



"Our customers expect us to meet the highest standards of privacy and security. From the very beginning, we have developed security-first, enterprise-grade video conferencing solutions using industry-standard encryption and security protocols to maintain privacy and security."

Giles Chamberlin, Co-founder and Chief Technology Officer



"In Q2 we successfully scaled up our platform, helping our existing customers to meet the challenges of remote collaboration. We also closed deals faster and received an increased amount of leads generating sales to new customers"

Tom Erik Lia, Co-founder and Chief Commercial Officer

Building an organizational foundation for further growth

A key enabler to deliver on Pexip's long-term ambitions and the acceleration plan is to add more members to the team. During Q2 we have accelerated hiring in line with the growth plan underpinning the IPO, and we had 250 employees at the end of Q2 2020. This is up 59% year-on-year from 157 at the end of Q2 2019.

It is equally important to enable and develop the talent we bring onboard to succeed. In Q2 we have strengthened our onboarding and learning capabilities by building a dedicated learning and enablement team. While Covid-19 has changed how we practically run our internal onboarding and training, we still executed two successful global new hire training events using video.

In addition to training, Covid-19 has had an impact on the wider Pexip operation as well, with the vast majority of employees working from home in Q2 and the workload especially on support and operations growing significantly. The team has worked intensely to meet the needs of customers and partners, and we are proud of the way they have managed this crisis. Towards the end of the quarter, the Oslo office began a controlled re-opening in line with public recommendations.

Financial review

Quarterly highlights

(NOK 1.000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Operating revenue	163 132	82 202	313 184	172 067
Gross Margin	153 006	77 679	298 178	162 006
EBITDA	(5 914)	11 550	29 880	31 361
Adjusted EBITDA	40 393	11 550	77 648	31 361
EBIT (Operating Profit)	-16 949	669	8 170	8 650
Cash flow from operating activities	64 650	9 635	84 249	40 239
Cash and cash equivalents end of period	1 217 460	75 983	1 217 460	75 983
Gross margin (%)	94%	94%	95%	94%
EBITDA (%)	-4%	14%	10%	18%
Adjusted EBITDA (%)	25%	14%	25%	18%

Pexip's consolidated revenue was NOK 163.1 million in Q2 2020, compared to NOK 82.2 million in Q2 2019. The increase of 98 % was driven by higher sales to new and existing customers. Pexip has also seen a positive impact from foreign currency, as the USD/NOK exchange rate has increased compared to the level in Q2 2019. Adjusted EBITDA before transaction-related costs in connection with the IPO amounted to NOK 40.4 million (25% of revenue) in Q2 2020, up from NOK 11.6 million (14% of revenue) in Q2 2019.

Infinity, Pexip's self-hosted software platform, was the largest revenue area in Q2 2020 with NOK 118.6 million, up from NOK 56.7 million in Q2 2019. Revenue from the revenue area Cloud Service was NOK 44.6 million in Q2 2020, up from NOK 25.5 million in Q2 2019. The increase in revenue of both product areas was positively influenced by the increased demand and usage for video communication technology across deployment options. EMEA continues to be the largest sales theatre, accounting for NOK 97.8 million (60 % of total) of the revenue in Q2, followed by Americas accounting for NOK 51.1 million (31% of total) and APAC accounting for NOK 14.1 million (9% of total).

Pexip's gross margin was 94% in Q2 2020 compared to 94% in Q2 2019. Gross margin for 2019 was 95%. Cost of Sales increased in the quarter due to higher hosting and network cost related to higher usage of Pexip's Cloud Service offering. Cost of sale amounted to NOK 10.1 million in Q2 2020, up from NOK 4.5 million in Q2 2019.

Employee benefit expenses amounted to NOK 79.8 million in Q2 2020 (49% of revenue), compared to NOK 42 million in Q2 2019 (51% of revenue). The increase is mainly due to a higher number of employees. Pexip had 250 employees at the end of Q2 2020, up from 157 at the end of Q2 2019 and 215 at the end of Q1 2020.

Other Operating Expenses amounted to NOK 79.1 million (48% of revenue) in Q2 2020 compared to NOK 23.9 million in Q2 2019 (29% of revenue). The increase is mainly attributable to one-time costs related to Pexip's listing on the Oslo Stock Exchange, in addition to overall higher activity level. Direct transaction costs amounted to NOK 97 million, of which NOK 43.2 million related to the secondary offering, is accounted for in Other Operating Expenses and the remainder related to the primary offering is accounted for as a deduction of equity. Pexip further had NOK 4.6 million in costs YTD 2020 related to professional advisors and other related fees during the IPO process (NOK 3.1 million in Q2 and NOK 1.5 million in Q1), which is also recognized as Other OPEX.

Earnings before interest, tax, depreciation and amortization (EBITDA) adjusted for transaction-related costs amounted to NOK 40.4 million in Q2 2020 (25% of revenue), compared to NOK 11.6 million in Q2 2019 (14% of revenue). EBITDA including transaction-related costs amounted to NOK -5.9 million in Q2 2020.

Pexip had depreciation and amortization costs of NOK 11.0 million in Q2 2020, compared to NOK 10.9 million in Q2 2019. Financial income was NOK 5.1 million in Q2 2020 compared to NOK 1.6 million in Q2 2019. Financial expenses amounted to NOK 59.4 million in Q2 2020 compared to NOK -1.6 million in Q2 2019.

Financial income was mainly related to realized currency exchange gains. Financial expenses were mainly related to currency exchange losses and a fair value adjustment of outstanding options on Pexip's own shares of NOK 19 million in Q2 2020. These options were settled in equity as part of the IPO transaction.

Profit before tax was NOK -78.5 million for Q2 2020, from NOK 0.6 million in Q2 2019. Profit after tax was NOK -63.6 million, compared to NOK 0.3 million in Q2 2019.

First half

Total revenue in the first half of 2020 was NOK 313 million, compared to NOK 172 million for the first half of 2019 representing an 82% growth, resulting from strong sales to both new and existing customers in the first half of the year. Revenue in EMEA was NOK 180 million in the first half of 2020, compared to NOK 84 million in the first half of 2019, with revenue in Americas increasing to NOK 101 million in the first half of 2020 from NOK 57 million in the corresponding period in 2019. Revenues from APAC was NOK 32 million in the first half of 2020, slightly up from NOK 31 million in the first half of 2019.

Growth has been distributed across Pexip's two main product lines. Revenue from Cloud services was NOK 82.9 million in the first half of 2020, up 71% from NOK 49 million in the first half of 2019. Revenue from Infinity was NOK 230 million in the first half of 2020, up 86% from NOK 123 million in the first half of 2019.

Gross margin was 95% in the first half of 2020 with cost of sale amounting to NOK 15 million, up from NOK 10 million in the first half of 2019 and a gross margin of 94%. The increase in cost of sales is mainly related to increased sales and usage of Pexip's products, and in particular the Cloud Service offering.

Earnings before interest, tax, depreciation and amortization (EBITDA) adjusted for transaction-related costs amounted to NOK 77.6 million in the first half of 2020 (25% of revenue), compared to NOK 31 million in the first half of 2019 (18% of revenue). EBITDA including transaction-related costs amounted to NOK 29.9 million in the first half of 2020. Operating profit for the first half of 2020 amounted to NOK 8 million, slightly down from NOK 9 million in the first half of 2019.

Financial position

Pexip's total assets at the end of Q2 2020 was NOK 2,330 million, up from NOK 1,070 million at the end of Q4 2019.

Current assets amounted to NOK 1,374 million, compared to NOK 206 million at the end of Q4 2019. Cash and cash equivalents amounted to NOK 1,217 million, up from NOK 76 million at the end of Q4 2019. The IPO on May 14th 2020 gave the Company gross proceeds of NOK 1,197 million and net proceeds of NOK 1,100 million. The cash and cash equivalents are held in a range of currencies matching the distribution of cash outflows in order to minimize currency risk.

Trade and other receivables increased to NOK 131 million at the end of Q2 2020 from NOK 106 million at the end of Q4 2019. The increase is due to high sales in the first half of 2020. Contract assets declined to NOK 9 million at the end of Q2 2020 from NOK 14 million at the end of Q4 2019 as previously non-invoiced revenue was invoiced. Other current assets increased to NOK 15.8 million at the end of Q2 2020 from NOK 11 million at the end of Q4 2019.

Non-current assets amounted to NOK 957 million at the end of Q2 2020, up from NOK 864 million at the end of Q4 2019. This was mainly attributable to the increase

in contract costs, resulting from capitalized commission costs, to NOK 144 million at the end of Q2 2020 from NOK 74 million at the end of Q4 2019. Property, plant and equipment increased to NOK 14 million at the end of Q2 2020 from NOK 7 million at the end of 2019. Deferred tax assets increased to NOK 44 million from NOK 28 million at the end of Q4 2019. Other items saw small changes over the period.

Pexip had total liabilities of NOK 263 million at the end of Q2 2020 compared to NOK 246 million at the end of Q4 2019.

Current liabilities amounted to NOK 212 million at the end of Q2 2020 compared to NOK 192 million at the end of Q4 2019. Trade and other payables increased to NOK 87 million at the end of Q2 2020 from NOK 51 million at the end of Q4 2019. Contract liabilities increased to NOK 108 at the end of Q2 2020 compared to NOK 48 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 Q2 2020 compared to NOK 77 million at the end of Q4 2019. Other items saw small changes over the period.

Non-current liabilities amounted to NOK 52 million at the end of Q2 2020 compared to NOK 54 million at the end of Q4 2019. Lease liabilities amounted to NOK 44 million at the end of Q2 2020 compared to NOK 45 million at the end of Q4 2019. Non-current borrowings decreased to NOK 7 million at the end of Q2 2020 compared to NOK 9 million at the end of Q4 2019.

Pexip had a total equity of NOK 2,067 million at the end of Q2 2020, compared to NOK 824 million at the end of 2019. The equity ratio was 89% at the end of Q2 2020, compared to 77% at the end of 2019.

Cash flow

Pexip had a positive cash flow from operating activities of NOK 84 million in the first half of 2020, compared to NOK 40 million in the first half of 2019. The operating cash flow was impacted by non-cash transaction adjusting the profit before tax, mainly related to depreciations (NOK 21.7 million), fair value adjustment of derivative (NOK 23.9 million). IPO transaction fee recognised in profit or loss (NOK 43.2 million) is classified as cash outflow in the financial activities and hence adjusted from the profit before tax.

Cash flow from investing activities was NOK -23.9 million YTD 2020, compared to NOK -18.3 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 1,099 million in YTD 2020 compared to NOK -4.6 million in YTD 2019. The increase in cash flow is 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 1,201 million. Further, transaction costs related to the issuance gives a cash out flow of NOK 97 million, giving Pexip net proceeds of NOK 1,100 million. The new share capital of Pexip Holding ASA is 1,515,171.835, divided on 101,011,389 shares.

In total Pexip had a net increase in cash and cash equivalents of NOK 1,159 million in the first half of 2020 compared to NOK 17 million in the first half of 2019. In the first half of 2020 Pexip had effects of exchange rate changes on NOK -17 million, taking the cash and cash equivalents to NOK 1,217 million at the end of Q2 2020.

Outlook and events after end of Q2 2020

As part of the strategy to accelerate growth, Pexip executed a successful listing on the Oslo Stock Exchange on the 14th May 2020. In order to accelerate growth Pexip intends to invest the proceeds into increasing the company’s sales and marketing presence as well as R&D capabilities. Pexip intends to deploy up to 70% of the net proceeds over the next three years.

The investments will be focused to deliver on the near-term growth plan, which has three main initiatives. Firstly, Pexip will supercharge the existing sales model, increasing our sales and marketing footprint in existing geographies and expanding our strategic partnerships. Secondly, Pexip will expand into high-impact segments, such as verticals like telehealth and video banking, customers looking for a private service combining the benefits of cloud services and dedicated deployments. Thirdly, Pexip will strengthen its product offering across existing and new products.

The key enabler for all of these initiatives is strengthening the Pexip team, and Pexip is targeting 350-400 full time employees by the end of 2020.

For 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 the past months. Many enterprises plan to adopt hybrid workforce models going forward, combining offices 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 various video endpoints in use. Pexip has a long-term ambition to reach an Annual Recurring Revenue of USD 300 million by 2025, and Pexip are tracking above that plan so far in 2020.

Oslo, 11th August 2020



Michel Sagen
Chairman of the Board



Per Haug Kogstad
Board Member



Irene Kristiansen
Board Member



Odd Sverre Østlie
CEO



Marianne Wergeland Jenssen
Board Member



Kjell Skappel
Board Member

Consolidated statement of profit and loss

(NOK 1.000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Revenue (note 3)	163 132	82 202	313 184	172 067
Cost of sale	10 126	4 523	15 006	10 061
Salary and personnel expenses	79 848	42 254	152 401	85 261
Other operating expenses	79 085	23 875	115 911	45 384
Other gains and losses - net	-14	0	-15	0
EBITDA (note 4)	-5 914	11 550	29 880	31 361
Depreciation and amortization	11 035	10 881	21 710	22 711
Operating profit and loss	-16 949	699	8 170	8 650
Financial income	5 136	1 571	43 582	2 133
Financial expenses	-66 722	-1 598	-80 411	-3 429
Financial income/(expenses) - net	-61 586	-27	-36 829	-1 296
Profit and loss before income tax	-78 535	642	-28 660	7 354
Income tax expense	-14 922	364	-2 761	1 621
Profit and loss for the year	-63 613	278	-25 899	5 733
Profit and loss is attributable to:				
Owners of Pexip Holding ASA	-63 613	278	-25 899	5 733
Earnings per share				
Basic earnings per share	-0,68	0,00	-0,30	0,07
Diluted earnings per share	-0,67	0,00	-0,29	0,07

Consolidated statement of comprehensive income

(NOK 1.000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Profit or loss for the year	-63 613	278	-25 899	5 733
<i>Items that may be reclassified to profit and loss:</i>				
Exchange difference on translation of foreign operations	-577	-262	849	-330
Total comprehensive income for the year	-64 190	16	-25 050	5 403
Total comprehensive income is attributable to:				
Owners of Pexip Holding ASA	-64 190	16	-25 050	5 403

Consolidated statement of financial position

(NOK 1.000)	6/30/2020	12/31/2019
ASSETS		
Non-current assets		
Property, plant and equipment	14 457	7 201
Right-of-use assets	51 879	52 419
Goodwill	598 998	598 998
Other intangible assets	101 386	101 783
Deferred tax asset	44 212	27 553
Contract costs	143 851	74 235
Receivables	1 839	1 715
Total non-current assets	956 622	863 905
Current assets		
Trade and other receivables	131 390	105 552
Contract assets	8 871	14 015
Other current assets	15 790	11 098
Cash and cash equivalents	1 217 460	75 515
Total current assets	1 373 511	206 179
TOTAL ASSETS	2 330 133	1 070 085

(NOK 1.000)	6/30/2020	12/31/2019
EQUITY AND LIABILITIES		
Equity		
Paid in equity	2 019 881	861 271
Other equity	46 775	-37 194
Total equity	2 066 656	824 077
Non-current liabilities		
Borrowings	7 250	8 500
Lease liabilities	44 334	45 464
Total non-current liabilities	51 584	53 964
Current liabilities		
Trade and other payables	86 531	51 075
Contract liabilities	108 086	47 880
Current tax liabilities	3 783	3 781
Borrowings	2 500	2 500
Derivative financial liability	-0	76 784
Lease liabilities	10 994	10 024
Total current liabilities	211 893	192 044
Total liabilities	263 477	246 008
TOTAL EQUITY AND LIABILITIES	2 330 133	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	0	-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	0
Share-based payments					9 321	9 321
Balance at 31 December 2019	1 198	860 073	0	-1 078	-36 116	824 077
Balance at 1 January 2020	1 198	860 073	0	-1 078	-36 116	824 077
Profit or loss for the period					-25 899	-25 899
Currency translation differences				849		849
Contribution of equity net of- transaction costs	317	1 158 293	100 776			1 259 386
Registration of share capital						0
Share-based payments					7 844	7 844
Balance at 30 June 2020	1 515	2 018 366	100 776	-229	-54 171	2 066 256
Balance at 1 January 2019	795	856 568	0	-1 114	-57 275	798 975
Profit or loss for the period					5 733	5 733
Currency translation differences				-330		-330
Share-based payments					3 763	3 763
Balance at 30 June 2019	795	856 568	0	-1 444	-47 779	808 140

Consolidated statement of cash flows

(NOK 1.000)	Q2 30.06.2020	Q2 30.06.2019	YTD Q2 30.06.2020	YTD Q2 30.06.2019
Cash flow from operating activities				
Profit or loss before income tax	-78 535	642	-28 660	7 354
<i>Adjustments for</i>				
Depreciation, amortization and net impairment losses	11 035	10 881	21 710	22 711
Non-cash - share based payments	4 300	1 710	7 844	3 763
Fair value adjustment to derivatives	18 792	0	23 992	
Interest income/expenses - net	700	1 126	1 596	1 774
Net exchange differences	25 909	800	14 045	1 747
IPO cost adjustment	43 155	0	43 155	0
<i>Change in operating assets and liabilities</i>				
Change in trade, other receivables and other assets	21 703	-6 325	-95 124	-2 371
Change in trade, other payables and contract liabilities	17 588	691	95 662	5 082
Interest received	2	396	27	466
Income taxes paid	0	-287	0	-287
Net cash inflow/outflow from operating activities	64 650	9 635	84 249	40 239
Cash flow from investing activities				
Payment for property, plant and equipment	-7 188	-331	-8 976	-3 079
Payment of software development cost	-7 500	-7 593	-15 000	-15 185
Net cash inflow/outflow from investing activities	-14 688	-7 924	-23 976	-18 264
Cash flow from financing activities				
Proceeds from issuance of ordinary shares	1 201 024	0	1 201 025	0
Repayment of borrowings	-625	-125	-1 250	-250
Principal element of lease payments	-514	-1 220	2 219	-2 117
Interest paid	-703	-1 522	1 623	-2 240
Transaction cost IPO	-97 020	0	-97 020	0
Net cash inflow/outflow from financing activities	1 102 162	-2 867	1 098 912	-4 607
Net increase/(decrease) in cash and cash equivalents	1 152 124	-1 156	1 159 184	17 368
Cash and cash equivalents start of the period	91 723	77 346	75 515	59 421
Effects of exchange rate changes on cash and cash equivalents	-26 387	-207	-17 239	-805
Cash and cash equivalents end of the period	1 217 460	75 983	1 217 460	75 983

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 June 2020, authorised for issue by the board of directors on 11 august 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 June 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, 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.

Q2 2020

	EMEA	Americas	APAC	Total
Cloud services	28 991	12 786	2 777	44 554
Infinity	68 852	38 349	11 377	118 578
Total revenue	97 843	51 135	14 154	163 132

Q2 2019

	EMEA	Americas	APAC	Total
Cloud services	16 517	7 503	1 480	25 500
Infinity	27 893	20 079	8 730	56 702
Total revenue	44 410	27 582	10 210	82 202

YTD 2020

	EMEA	Americas	APAC	Total
Cloud services	51 786	25 973	5 141	82 900
Infinity	128 508	75 301	26 475	230 284
Total revenue	180 294	101 274	31 617	313 184

YTD 2019

	EMEA	Americas	APAC	Total
Cloud services	31 997	13 677	2 908	48 582
Infinity	51 765	43 387	28 334	123 485
Total revenue	83 761	57 064	31 242	172 067

Timing of revenue recognition	Q2 2020	Q1 2019
Products and services transferred at one point in time	100 427	44 859
Products and services transferred over time	62 705	37 343
Total revenue	163 132	82 202

Timing of revenue recognition	YTD 2020	YTD 2019
Products and services transferred at one point in time	186 626	100 480
Products and services transferred over time	126 558	71 587
Total revenue	313 184	172 067

EMEA — Europe, Middle East and Africa

APAC — Asia Pacific (East and South Asia, Southeast Asia and Oceania)

Americas — North America and South America

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 Q2 2020 the 5 largest represent approximately 30% (29% in Q2 2019) of total revenue, while the 10 largest represent 44% (44% in Q2 2019). Of the Group's total channel partner base per Q2 2020, the five largest represent approximately 30% of total revenue (34% per Q2 2019), and the ten largest represent approximately 43% (48% per Q2 2019).

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.

	6/30/2020	12/31/2019
Norway	224 630	183 760
Europe (other than Norway)	23 821	12 182
Americas	63 122	39 589
APAC	0	108
Total non-current operating assets	311 573	235 639

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

Note 4. IPO Transactions costs

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 103 million.

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

(NOK 1.000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
EBITDA	-5 914	11 550	29 880	31 361
IPO transaction costs	43 155	0	43 155	0
Non recurring IPO related	3 152	0	4 613	0
EBITDA adjusted	40 393	11 550	77 648	31 361

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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