Annual Report









2023

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Key figures

About Pexip

The new hybrid way of working has led to growth in video communication and collaboration. As more and more organizations demand secure communication, there is a need for private and compliant meeting solutions. Pexip is an ideal solution provider in this scenario as it offers seamless and secure communication to organizations of all sizes, irrespective of their technology platform or security requirements.

Pexip is a global video technology company that offers flexible video technology to meet the demanding requirements of government organizations and large enterprises worldwide. Pexip was founded in Norway in 2011 with a vision to create a safer, greener, and more connected world. With powerful technology partnerships with Microsoft, Nvidia, Google, and HP/Poly, Pexip has grown into a global company with over 300 employees across Europe, North America, Asia, and Australia.

994 MNOK
Revenue 2023

103 MUSD
ARR end of 2023

304
Employees end of 2023

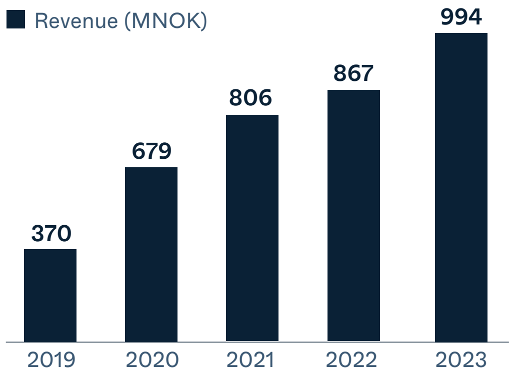
90%
Gross Margin 2023

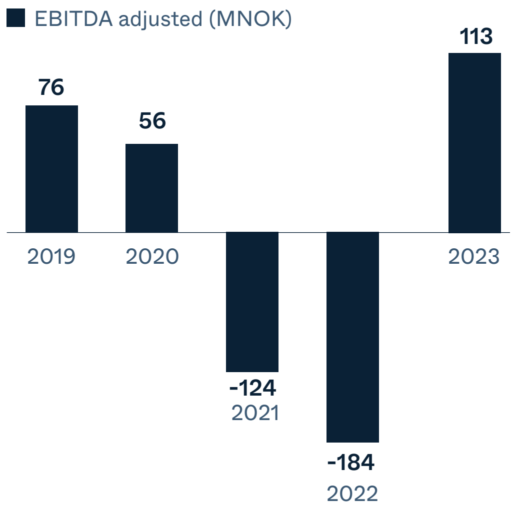
11%
EBITDA margin excl. other gains and losses 2023

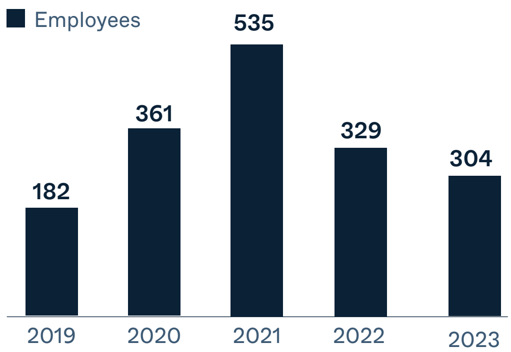
113 MNOK
EBITDA adjusted 2023

105 MNOK
Free cash flow 2023

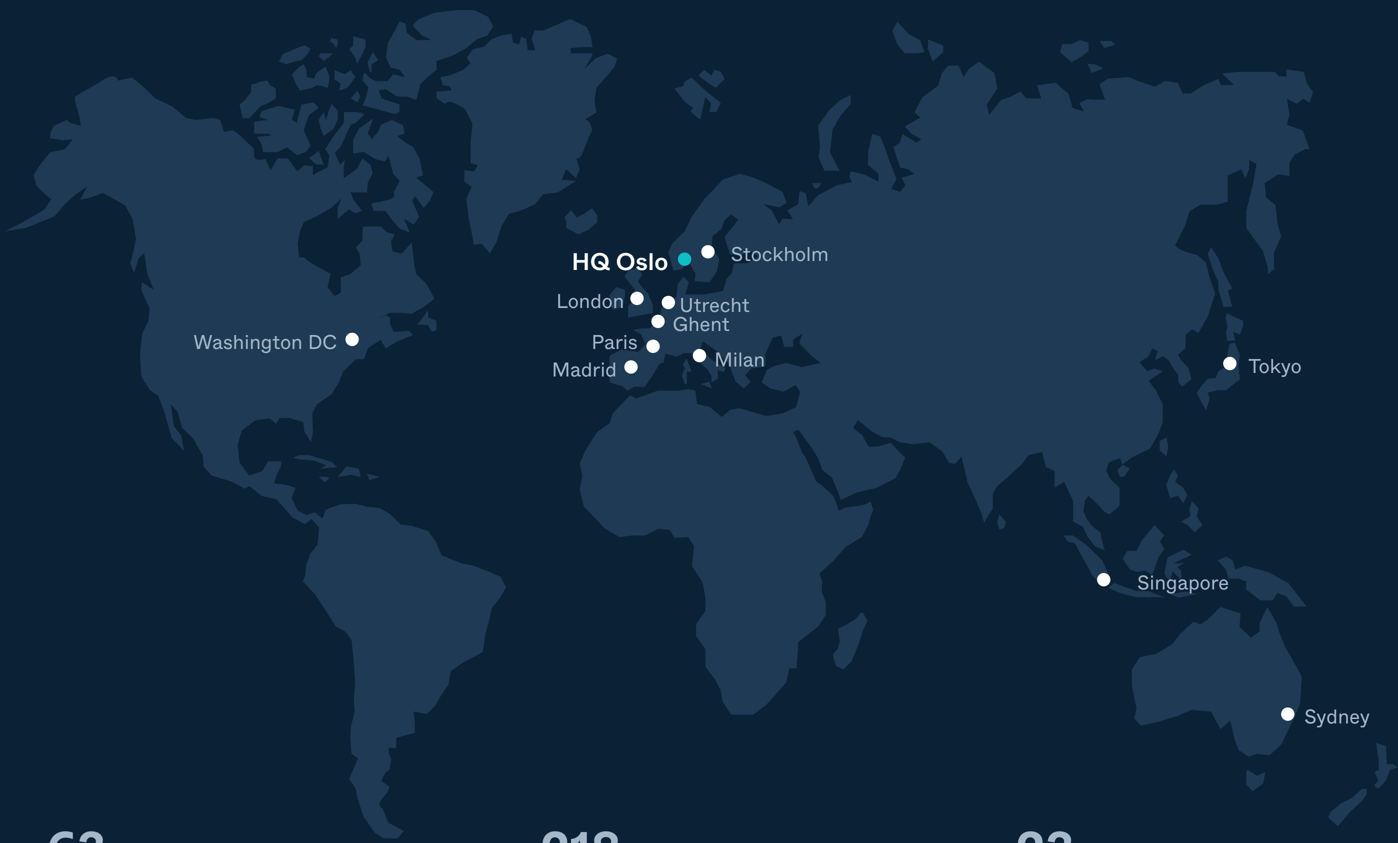
Definition of free cash flow: Cash flow from operating and investing activities excluding acquisitions, including principal lease payments







Global presence



63
employees in the US

218
employees in Europe

23
employees in APAC

304
employees across 25 countries

300+
partners

3,000+
customers enterprise and public sector

Microsoft
Google
NVIDIA
hp | poly

Technology partners

CEO LETTER

Sharpening our focus and returning to profitability

"Our focus for 2023 was to streamline our operations, work more strategically with partners, and accelerate innovation. The result was a return to profitability and a company set for accelerated growth "

The stage is now set for growth.

In 2023, we united the global Pexip organization behind a clear mission to make ***seamless*** video communication available to all organizations ***regardless*** of technology platforms and security requirements. I am proud of the hard work, dedication, and willingness of our team to streamline operations and sharpen our focus on areas where we can create the most value for our partners and customers. This enabled us to improve our performance and achieve profitable growth during the year.

Our differentiated market position has helped strengthen the relationship we have with our technology alliances, the world's leading meeting providers. Pexip is seen as a video technology provider that solves some of the industry's most persistent challenges, benefiting everyone. In 2023, we co-developed innovative solutions that now place Pexip as the world leader in meeting room interoperability.

Our operational turnaround began in the second half of 2022, at which time we began the work to uncover inefficiencies, reduce costs, and strengthen our core business. This gave us a strong foundation from which to build on in 2023, giving us more room to focus on collaborating with key partners, improving sales, innovating more on the product side, and further streamlining of our structure and way of work during the year.

Interoperability in demand

The demand for video system interoperability remains steadfast in the industry, a trend in line with the growing video endpoint market. Our customers employ a variety of solutions and meeting room systems across their organizations, and interoperability serves as the bridge between them all.

Pexip's unique multiplatform capability enables organizations to overcome technology barriers and seamlessly collaborate using their meeting solutions of choice. During the year, we focused on close collaboration with the world's leading technology providers to bring interoperability to their solutions – such as delivering a Teams-like experience in SIP-based rooms/devices.

In 2023, we witnessed a growing market for service-based endpoints like Teams and Zoom Rooms. We saw this as an opportunity to innovate our offering and develop direct dialing functionality for these types of rooms. In doing so, Pexip technology now enables these rooms to join any meeting, no matter the video solution. This approach has helped strengthen our position as the global leader in video interoperability across all endpoints and technology – connecting any room to any meeting.

Compliance requirements drive the need for secure communication.

With the rapid escalation in cyber threats around the world, we see growing compliance requirements across many organizations and nations. This has boosted the demand for secure communication and collaboration solutions that meet data sovereignty and other data privacy and protection requirements. The global private cloud market is expected to grow 30 percent from 2023 to 2029, and Pexip's unique secure meeting technology is well-suited for deployment in self-hosted environments, such as private cloud or air-gapped.

In 2023, Pexip further innovated its secure and custom meeting solution by enabling easier integration and access for users. We launched our Pexip Secure Meeting button for Outlook, which makes it simple for users to select a more secure meeting option directly from their email application – ensuring greater compliance with current and emerging regulations within the organization.

We also made significant strides in the development of our Video Platform as a Service (VPaaS), launching the beta version at the end of 2023. Pexip VPaaS provides the tools and APIs needed to easily integrate video in any app or service – and it's specifically designed for regulated industries that demand privacy and control of data. Currently, select users are testing out this "on-demand" cloud service, enabling these potential customers to integrate a custom, secure, and compliant video experience with minimal effort. We aim for a full launch of Pexip VPaaS in 2024.

FedRAMP®-authorized in 2023.

The launch of Pexip Government Cloud was another significant milestone for us in 2023. This is a video conferencing SaaS designed for US federal, state, and local government organizations. With 60 percent of federal employees now working in a hybrid environment, Pexip's FedRAMP®-authorized solution for Microsoft Teams Cloud Video Interop (CVI) enables civilian agencies in the US to securely join Teams calls from their existing video infrastructure, such as meeting equipment from Cisco or HP/Poly. Agencies retain full ownership over their call data, as Pexip Government Cloud can be an extension of the agency's on-premises environment.

Innovation, AI, and Nvidia

AI was propelled into the mainstream in 2023, and there's no doubt that it promises to alter the world of video conferencing as we know it. At Pexip, we have a close partnership with Nvidia, and now we are working with them to bring secure AI-driven translation into video conferencing. Together, we aim to deliver AI capabilities into secure meetings – always ensuring that data remains private, and under full control and ownership of the client, as we innovate and take advantage of all AI has to offer.

Collaboration is at the core of who we are

At Pexip, we play an integral role in a large ecosystem of players, and as such, collaboration is critical to our future. In 2023, we announced a strategic partnership with HP/Poly, bringing Pexip's technology into HP/Poly's solutions for a seamless video experience. We also continue to engage in a strong collaboration with Microsoft as a certified CVI partner. Together, we work closely to ensure a superior Teams experience from any room or any device.

Through our open and collaborative partnership approach, we believe we are uniquely positioned as the top video interoperability provider for all endpoints and technologies, and we have built a solid foundation for growth in the increasingly important secure and customer meetings segment.

The power of our people

While Pexip's video technology is second to none, we know that we are nothing without our talented people. They are our greatest asset, and together we are a team driven by our core values.

In 2023, we created "success formula" to guide our company into the future – in a way that truly reflects who we are, who we want to be, and the mission we are on. As part of this success formula, we aim to "think like world champions", fostering grit and curiosity across Pexip. We draw inspiration from the work we do with Team Aker Dæhlie, taking a page out of their playbook by promoting performance and equal opportunity to help everyone at Pexip succeed. We believe that diversity and inclusion among our workforce is essential to innovate and to continue advancing our company.

The second element of our success formula asks us to have "all eyes on the customer". We strive to identify the real challenges our customers face and maintain the highest level of customer satisfaction. To achieve this, we take all possible measures to connect and engage with customers and develop relevant solutions. It's this type of thinking that led us to develop our solution for enhancing Teams Rooms capabilities with direct dialing from Pexip.

The third and final element of our success formula is to "stay healthy", which emphasizes the importance of building a healthy business and culture. This requires us to closely monitor our financial and organizational health metrics, and to measure and take steps to always ensure the well-being of our people.

Going the extra mile

This past year was a good one for Pexip. We overcame challenges and we uncovered new possibilities. As a result of our willingness to embrace new opportunities, sharpen our focus, and streamline our organization, we were able to boost sales, innovate more, and work even more closely with our strategic partners. These achievements are a testament to the quality of the Pexip team and the strength of our culture. It's because of our people and their belief in Pexip that we are on track for growth in 2024.

On behalf of the entire Pexip team, I would like to express our gratitude to our partners, customers, shareholders, and teammates. Our success and bright future depend on an ecosystem of great partners – from technology, to strategic to sales – who work alongside us to drive innovation and create more value for our customers. We are thankful for your support and collaboration, and we're thrilled to be on this journey with you.

Trond K. Johannessen, CEO

Pexip as an investment

Proven and scalable business model with unique technology

Pexip is a certified video communication platform that offers a combination of unique technology and industry partnerships to serve a broad range of companies and governments around the world. The platform's distinctive technology sets it apart from its competitors, as it offers a level of quality and security that is unmatched in the industry. This makes Pexip an attractive option for companies and governments looking for a robust and reliable video communication platform.

Strong position in growing niche markets

Pexip uses its unique technology in two niche markets, video interoperability and secure and custom video meetings. Pexip has a strong position in both of these markets in terms of product differentiation, a distinguished large enterprise and government customer list and strong industry partnerships with others in the industry, such as Microsoft, Google and HP/Poly. Pexip has a clear focus on large organizations and has focused its product development and its go-to-market to meet this segment's needs. Pexip's strategy is to continue expanding its presence in these markets, leveraging its unique position to drive growth and increase its market share.

Strong organization with value-driven culture

Pexip is led by an experienced management and technical team with a history of industry-defining innovation and key competence to propel our continued growth. Pexip also has a strong company culture that values performance and sets the customer first. The company has an open and inclusive work environment, where all employees are given equal opportunities to succeed.

Solid positioning for further growth

Pexip has a solid base of over USD 100 million in annual recurring revenues (ARR) and a clear path to profitable operations. Moving forward, Pexip has set mid-term targets for its future performance, targeting double-digit growth in revenue and above 20% EBITDA margin. Pexip is committed to deliver strong financial results to its shareholders. In addition to its EBITDA target, Pexip aims to achieve a strong cash conversion rate and generate significant cash flow from its operations. This strong financial performance, combined with the company's position in high-growth markets and focus on the lucrative enterprise segment, makes Pexip an attractive investment opportunity for those looking to invest in the video communication industry.

OUR MISSION

Providing ***seamless*** video communication available to all organizations ***regardless*** of technology platform and security requirements.

Pexip is a global video technology company founded in Norway in 2011. Our mission is to provide seamless communication to all organizations regardless of technology platform and security requirements.

Pexip powers everything from business communication to ultra-secure government meetings, medical appointments, and legal proceedings for many of the world's largest organizations.

As an interoperability provider, Pexip is a leader in the Connected Spaces solutions area, enabling any meeting room device (like Cisco Webex, HP/Poly, or Microsoft Teams Rooms) to connect to any meeting technology (like Meet, Teams, or Zoom).

The Pexip technology platform is developed with server-side processing, also known as transcoding. Transcoding is essential for compatibility and efficient delivery of content across different platforms and devices. This technology architecture offers a unique value proposition by:

- Optimizing resource utilization and scalability
- Enhancing video quality, security, and functionality
- Providing greater flexibility and cost-effectiveness

The benefits of the platform have attracted partnerships with top-tier technology companies like Microsoft and Google, which has helped position Pexip as a world leader in this market category.

Secondly, Pexip provides complete video meeting solutions that can be self-hosted or placed in a private cloud, catering to organizations that require secure and custom meeting solutions like Health, Defense, Justice, and Government.

Pexip also offers a complementary secure meetings solution to organizations that use public cloud-based solutions as their default meetings platform and require a more private, data-controlled solution for classified or sensitive meetings. For this, Pexip offers a simple Outlook plugin, enabling users to easily swap between solutions that demand different levels of privacy. Recently, Pexip also launched a video platform-as-a-service for regulated industries that demand geo-fenced solutions with no personally identifiable information (PII) access.

Pexip has a strategic partnership in the 'Secure and Custom' market with NVIDIA to facilitate private AI solutions, such as AI-powered translation for security-conscious organizations, as well as a growing technology partnership with HP/Poly.

Pexip provides unique and innovative technology to support customers on their journey toward securely building more connected organizations. Pexip works closely with technology partners and a global ecosystem of business partners to provide customers with valuable solutions.

Pexip is known for its strong people culture which is built on values, attitudes, and mindsets that are reflected in The Pexip Way, and which guide people in their focus, behaviors, and how they deliver on company ambitions.

Our journey

In a world where video is a fundamental part of work, secure and seamless communication is critical. We have spent a decade creating the world's most flexible and universal video technology. Making it seamless is our priority. Making it private is our default. And making it secure is by design. In doing so, we give customers the ultimate level of control over their data. This is our journey.

Step 1: Make it interoperable

Since day one, we have made video work on just about everything, ensuring that people and technology can connect anytime, anywhere, from the device of their choice.

Step 2: Safeguard everything

We have long understood that what happens on video is important, and often critical. This information must be safeguarded, which is why, for us, security is not just a feature. It is what we do. Our technology has been tried and tested for more than a decade in the strictest and toughest security environments, meeting the world's toughest requirements for privacy and data control.

Step 3: Never stop innovating

Video technology has the power to disrupt industries, reinvent brands, and reimagine how companies engage. We are committed to giving companies and people a better way to interact. A virtual court proceeding. A remote doctor-patient consultation in an ambulance on the move. An online mortgage consultation. An extended reality utility maintenance inspection.

Video technology puts the human touch back into our increasingly digital lives

We have always been at the forefront of video evolution. We keep our eyes on 'what's next' and we are obsessed with staying a few steps ahead because that's just who we are. Now we are unleashing the potential of a secure video experience across industries, and environments, and customized to individual workflows. All to ensure that the human touch is not lost in a sea of digitalization.

2011

Videxio AS (pre-merger entity) founded

2012

Pexip AS (pre-merger entity) founded

Launch of the Videxio video communication service

Business established in the United States through Pexip Inc. (2012) and Videxio Inc (2013)

2013

Launch of the Pexip Infinity software platform

2017

Video interoperability solution for Microsoft Teams and Skype for Business Server launched, as well as interoperability for Google Hangouts Meet

2018

Merger between Pexip AS and Videxio AS approved

2019

New company HQ in Oslo opened

2020

Pexip listed on Oslo Stock Exchange in the world's first virtual IPO

2021

Pexip acquires Skedify to accelerate the delivery of video enabled business-to-consumer application

2022

Pexip appoints Trond Johannessen as CEO

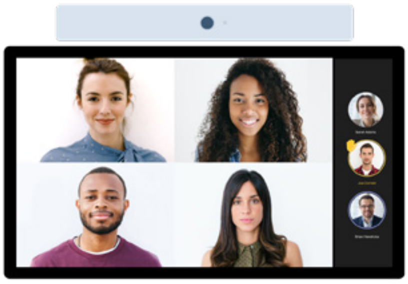
2023

Pexip partners with HP/Poly and launches Video Platform-as-a-Service

2023 Highlights

Pexip introduces a Teams-like experience across video meeting rooms.

With Pexip's Teams-like experience, any standards-based video conferencing system that connects via Pexip Connect can now use the familiar and intuitive look and feel of Microsoft Teams.



Pexip strengthens and extends its security management

Pexip renewed the ISMS standard, ISO/IEC 27001:2013, and the appendices to this standard, ISO/IEC 27017:2015 and ISO/IEC 27018:2019. Pexip is granted certification for ISO/IEC 27701:2019.

Pexip is awarded best solution for digitizing justice

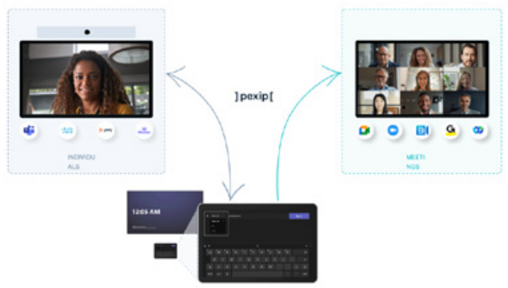
Pexip's "Secure Meetings for Justice" has received the "Best Global Video Collaboration Solution for Judiciaries" award at Frost & Sullivan's 2023 Best Practice Awards.

Pexip joins forces with technology giant HP/Poly

Pexip and HP/Poly partner to offer Pexip's communications solutions to HP/Poly's privacy-conscious customers globally, replacing HP/Poly's infrastructure with Pexip's video technology.

Pexip powers new interop capability for Microsoft Teams Rooms

Pexip enables direct 1:1 calling from Teams Rooms to all other room devices, enabling the most basic use case for Teams Rooms and SIP/H323: calling someone without knowing the other party's system.



Pexip is setting a new standard for secure AI

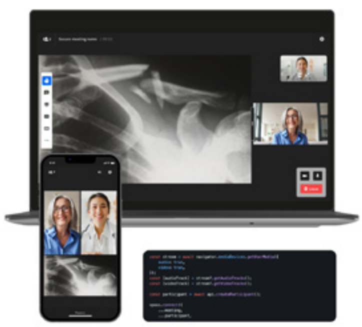
Pexip collaborates with Nvidia to provide secure AI-powered live captioning, speech-to-speech translation, and video quality enhancements for security-conscious customers.

Pexip meets the gold security and data protection standard in the US

Pexip Connect for Government Cloud is now authorized by FedRAMP® and StateRAMP, allowing Pexip to provide secure and compliant solutions to the US government and public sector customers.

Pexip launches programmable video - a new video platform.

Pexip announce the beta of VPaaS (Video Platform as a Service), for highly regulated industries such as Health, Finance, and Government for compliance, customization, privacy, and easy integration purposes.



The Pexip Way

Our company values are the foundation of everything we do. They guide our interactions with each other, our customers, and our partners daily. These values steer our business decisions, our product development, and our brand. As Pexip continues to grow and evolve, following the Pexip Way is crucial to achieving success. From the very beginning, Pexip has maintained an inclusive and transparent work culture that provides equal opportunities to all. We take pride in representing a diverse workforce and believe that diversity is a competitive advantage.

1

One Team

We work together across functions, roles, geographies, and product lines. We are all on the same team, working together and contributing our talents towards the same goal. We are non-hierarchical.

We understand that we are all human, and we all make mistakes. We take care of each other and treat each other as we would like to be treated. We offer each other help and support where it's needed.

We are a diverse team that are all highly skilled and knowledgeable in our areas. We appreciate and respect that we all have different backgrounds and points of view.

Professional & Fun

We are highly committed to ensuring the success of our partners and customers. They are the key to our success.

We are professional without being boring. We have and spread fun while behaving responsibly. We believe in what we do and let that shine through in our interactions with colleagues, partners, and customers.

We really care for what we do and achieve – we stay hungry!

No Bullshit

We say and do what we think is right, with no hidden agenda, and own up to it. We speak our minds in a considered and constructive manner.

We do what needs to be done to help our colleagues, partners, and customers. We take on tedious or difficult work if it is the right thing to do for Pexip, our team, our customers, or our partners. We balance progress and perfection, delivering high-quality and well-tested products.

We tell the truth and deliver on our promises. We are authentic when dealing with each other and our customers. We work and communicate in a transparent and non-corporate way.

Freedom & Responsibility

We hire great people and empower them with the trust and autonomy to do what they do best. We are free to use our initiative and make decisions to work where, how, and when we want because we take responsibility for doing what is right. We understand our common goals and need for innovation.

We are all leaders and take ownership of staying excited, remaining distinctive in our area/function, and doing what is holistically right. We are brave and take the initiative to find a solution rather than complaining.

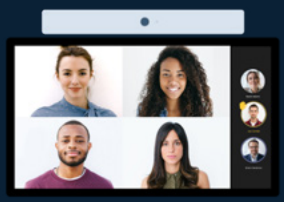
We act like owners, making decisions that are best for Pexip. We spend our money wisely.

Market

In today's increasingly digital and interconnected landscape, we see that the demand for privacy and control of data is increasing across organizations around the world. Pexip is well-positioned to meet these evolving needs, delivering a flexible solution for seamless meeting room interoperability, as well as secure and custom meeting solutions to satisfy growing privacy and compliance requirements.

Pexip Connected Spaces

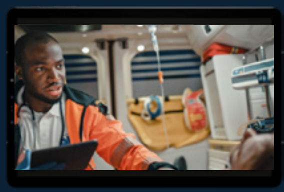
Video meeting-room interoperability



When several video technologies need to work seamlessly together

Pexip Secure & Custom Spaces

Video meetings for self-hosting or private clouds



When complete privacy and control over data is required.

Market Overview

Global workplace trends show that collaboration tools continue to gain popularity. Although remote-only work has slightly decreased over the past year, hybrid work arrangements still constitute a considerable portion of the global workforce. As organizations work towards creating sustainable hybrid work models, they are also rethinking their entire operations to meet the challenges and opportunities of a constantly changing and increasingly digital world.

Realizing the value of digitalization requires relevant, valuable, and engaging customer engagement practices. Patients expect remote medical visits; citizens expect remote access to public offices; and clients expect remote engagement with their advisors. Entire industries are seeking to transform their operations to become fully digital, as we see with virtual justice and virtual banking.

With the growth of virtual engagement, user expectations for seamless and secure experiences are also rising. Users want immediate access to their meetings (without downloads) and seamless interoperability across their meeting platforms and devices. They also demand increased privacy in terms of safeguarding all personally identifiable information (PII) and meeting data. This scenario presents Pexip with continued opportunities in the areas of interoperability, security, and workflow customization.

Governments are also introducing stricter privacy and data control regulations and are increasingly focused on business continuity/disaster recovery. The introduction of generative AI has awakened the world to new risks to our meetings and collaboration, with attack methods such as deep fake. With cyberattacks rising, confidential business information, critical services, and infrastructure are all at a heightened risk. Organizations must implement robust and resilient communications solutions that can reduce or withstand threats and can be counted on when failure is simply not an option. Among our customer landscape, we see that enabling zero-trust policies and hosting technology solutions in a geo-fenced or sovereign location is required in more and more situations.

A strong partnership approach

Our collaboration and close partnerships with the world's leading meeting technology providers have secured Pexip's solid market position as the preferred video engine that solves some of the issues users face today.

In 2023, HP/Poly chose to sunset their video infrastructure offering and enter a strategic collaboration with Pexip. In this partnership, Pexip provides a suite of on-premises and cloud-based communications solutions for Poly's customers. Pexip's solutions are a replacement for Poly's Clariti and RealConnect offerings.

Pexip continues its long-time collaboration with Microsoft, working together to create features that offer similar functionalities to Teams across SIP-based meeting room solutions, such as older Cisco Webex and Poly systems. With the increased focus on sustainability, organizations are choosing to update their existing infrastructure/meeting room hardware. This combination of HP/Poly replacement and infrastructure modernization has boosted Pexip's growth potential in a market that is otherwise declining.

At the same time, we see many organizations transitioning to a Teams-based operating model, In this scenario, they still rely on Pexip to enable smooth connections between Teams Rooms and Zoom Rooms. The market for interoperability between service-based devices (Teams Rooms and Zoom Rooms) is expanding rapidly, and Pexip predicts this will mark the second wave of interoperability with significant growth potential for our company.

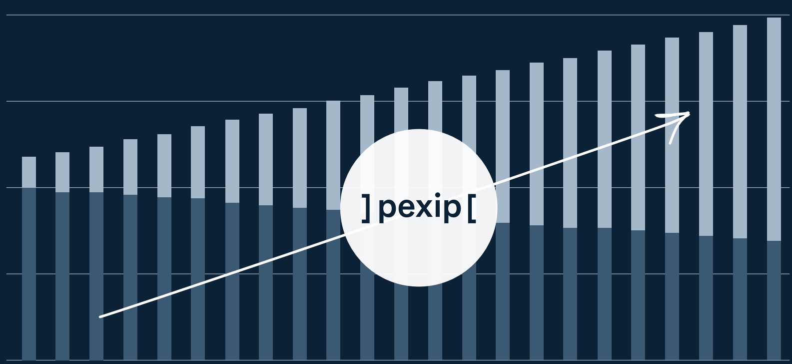
The Connected Spaces market

The need to connect any room to any meeting is growing, and it's in fulfilling this need that Pexip stands out from the pack, taking a leading role in the any-to-any market. As more meeting solutions enter the market, Pexip is well positioned for growth due to its unique technology and historical strengths that enable any meeting solution to connect to any room or device.

Our connected spaces position is grounded in these market developments and Pexip attributes:

- We believe that interoperability will continue to be relevant as users require easy ways to connect to all types of digital meetings from physical meeting rooms - regardless of the equipment in the room.
- Pexip has very strong capabilities for applications requiring SIP-based interoperability, and strong industry partnerships that drive customer awareness and growth.
- For any-room-to-any-meeting interoperability, Pexip is positioned as the technology leader and works to collaborate closely with world-leading meeting providers to build ultimate user experiences across rooms and meetings everywhere.

Expect 15% p.a. growth in video endpoint sales next five years



Sip endpoints

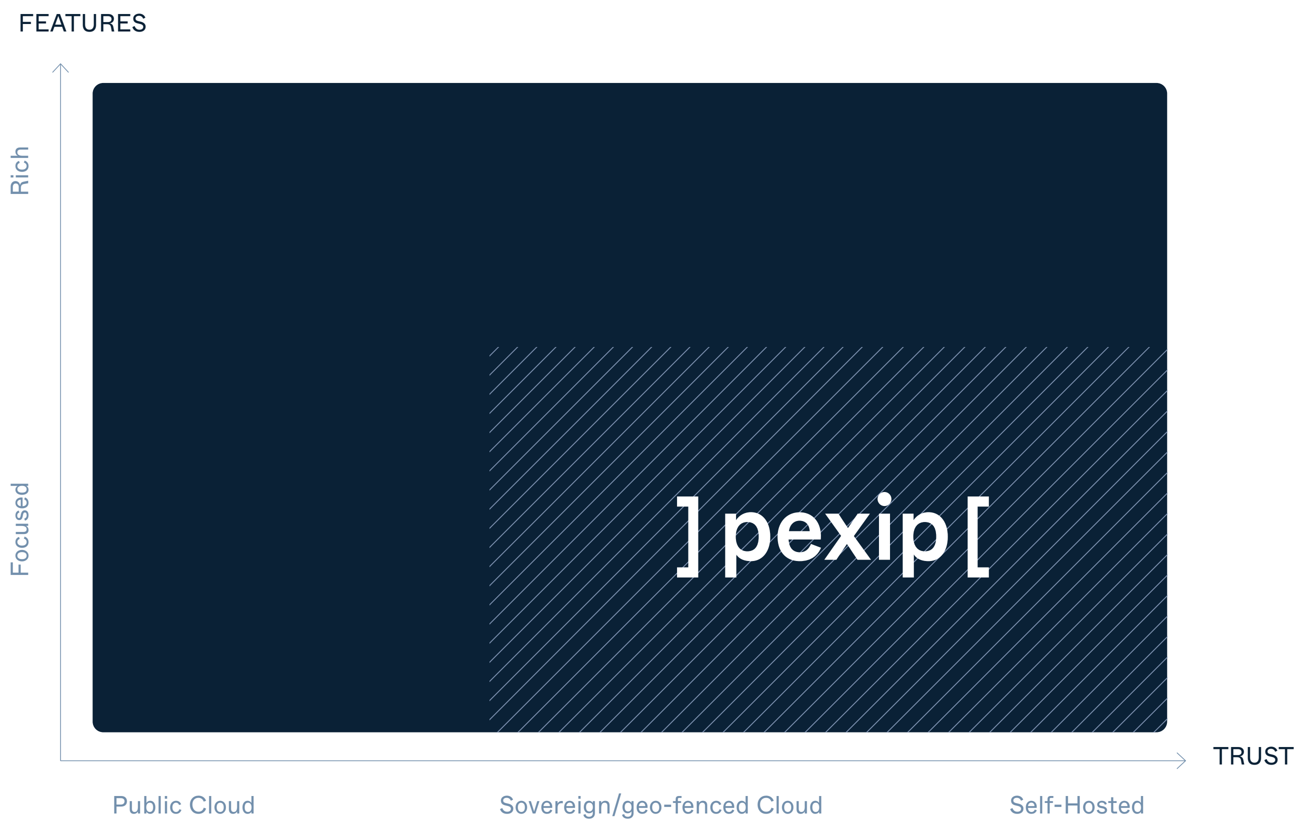
Service-attached endpoints (Teams Rooms, Zoom Rooms, etc)

The Secure and Custom Spaces market

The private cloud market is expected to grow by approximately 30% annually in the years to come. Pexip provides a complete virtual meeting solution for deployments in all self-hosted or sovereign-based systems. Pexip also integrates with complementary solutions, such as secure chat providers, to offer a full collaboration service suite. Pexip is the leading provider in this solutions area and has built a reputation as a trusted partner to deliver secure meetings to regulated industries.

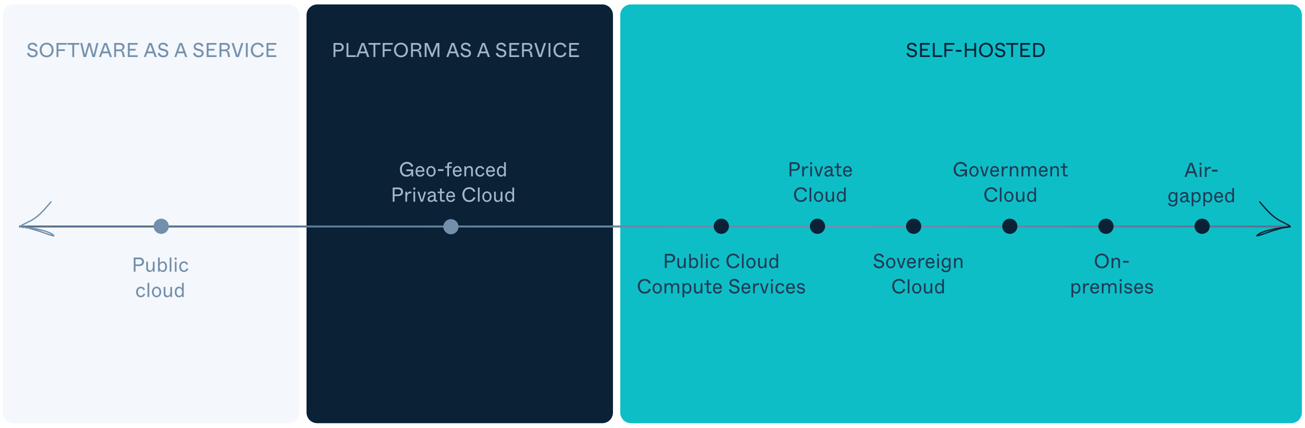
Our secure and custom spaces position is grounded in these market developments and Pexip attributes:

- Increasing compliance requirements drive the need for self-hosted meeting solutions with sovereign data management. Pexip's technology is uniquely suited for self-hosted deployments from private cloud to sovereign cloud, to on-premises, and even air-gapped.
- The Pexip Video Platform is a leading solution for self-hosted meetings. Pexip has a clear technological advantage by being a modern, easy-to-manage solution with unique customization capabilities.
- Programmable video (Video Platform as a Service) enables organizations to build custom video workflows based on available software components. Pexip can securely deliver the building blocks for rapid development. The solution can be hosted in private deployments and offer several innovations in this developing market.
- Pexip works closely with Nvidia to enable private AI in the Secure Video Meetings segment. Secure provisioning of AI features such as voice-to-voice translation is in demand across governments and the public sector.



Customers and offering

The Pexip experience is easy, private, compliant, and customizable. In a world where video is how we work, technology must adapt to the ever-changing needs of both users and organizations. Pexip has built a technology that is flexible and universal, addressing all the needs of a modern organization.



To provide customers with the best solutions possible, Pexip works with technology alliances and a global ecosystem of channel partners and service providers to create powerful customer solutions. The various routes to market help customers purchase and implement Pexip technology in a way that meets their needs for service, support, operation, and procurement.

Many customers choose to enable Pexip as a service while others demand complete control of their solution. Pexip offers customers full flexibility in how they deploy and host software. What makes Pexip unique is the modern and advanced self-hosted platform that can be deployed on-premises, in a private or sovereign cloud, or an air-gapped environment, all while being easy to install, run, and manage.

A unique aspect of the solutions is customization capability. Pexip lets customers design fully customized solutions specific to their business needs. Workflows designed by Pexip help organizations meet the demands of their clients expecting personalized, branded, private and seamless experiences.

Government and large enterprise organizations

Pexip is a leading vendor in the government, public sector, healthcare, judicial, finance, military, and defense sectors. These organizations seek vendors who are industry leaders and have high standards for quality, security, and regulatory compliance. They require global delivery capacity with complete service responsibility and prioritize excellent user experience, documentation, and support.

There has been an increase in demand for regulatory compliance, particularly in government and regulated industries such as healthcare. Pexip is experiencing an increase in demand as a result of its compliance and technical capabilities, outstanding documentation, and exceptional service and support.

Technology Service Providers

Pexip collaborates with some of the biggest service providers worldwide to develop customized solutions for large public sector organizations. We also support smaller technology developers looking to enhance their solutions by incorporating high-quality video capabilities.

Pexip Connect Product Portfolio

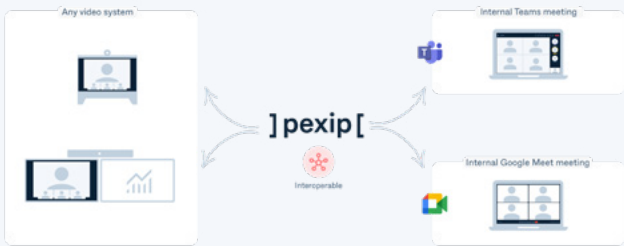
Join any meeting from any meeting room. The Pexip Connect portfolio provides interoperability between meeting rooms and meeting technologies.

Pexip Connect Standard

Pexip Connect Standard offers best-in-class interoperability combined with modern software-based infrastructure. Complete management and analytics. All in one.

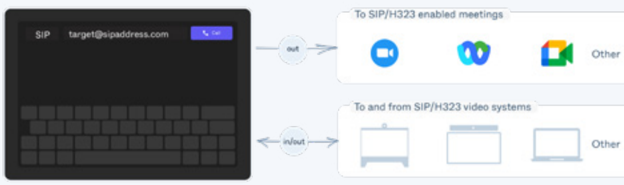
Pexip Connect Essentials

Use SIP/H323 systems to join Microsoft Teams or Google Meet meetings.



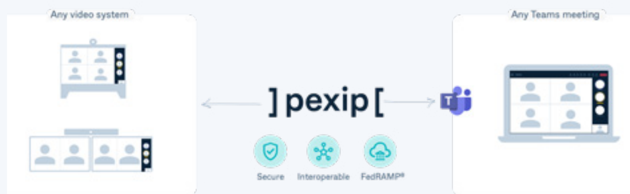
Pexip Connect for Teams

Teams Rooms. Join any meeting, or place and receive calls to and from anyone.



Pexip for Government

FedRAMP® and StateRAMP® Authorized Interop for Microsoft Teams, employing IL2 security.

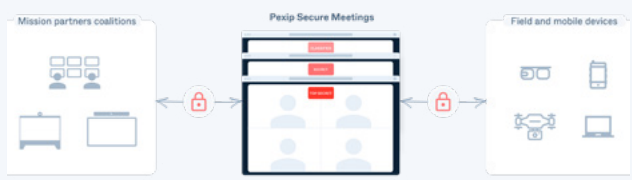


Pexip Secure Meetings Product Portfolio

Pexip Secure Meetings are a self-hosted and complete, high-quality virtual meeting, that meets both industry and government demands for privacy, data sovereignty, certification, and business continuity. Pexip offers several industry-specific solutions.

Pexip Secure Meetings for Defense

Collaboration you can rely on for Defense. Unified communications for secret and above.

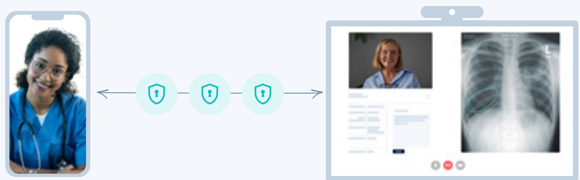


Pexip Secure Meetings for Government

Sovereign and compliant video meeting solution providing secure and private communication for government officials, agencies, and citizens.

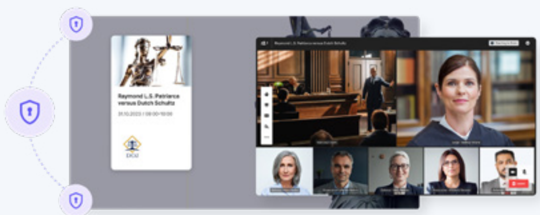
Pexip Secure Meetings for Health

Secure, reliable video visits for healthcare providers and patients.



Pexip Secure Meetings for Justice

Enable remote justice procedures with a secure, private, and tailored solution to solve the unique challenges of the court system.



Pexip Video Platform

The Pexip Video Platforms offer a modern solution for industry-leading flexibility and customization, with full ownership and control of users, deployment, and data.

Pexip Video Platform Self-Hosted

The only customizable, high quality and secure video platform designed for complete control and flexibility

Pexip Video Platform as a Service

Programmable video hosted by Pexip. An easy-to-use video engine designed for regulated industries. A highly customizable, integrator-friendly video platform as a service, with top-tier privacy and compliance.

Strategy and targets

Pexip's mission is to provide seamless video communication to all organizations regardless of technology platforms and security requirements. We do that through developing software technologies within video communications and in selling this technology to partners and end-customers. Due to the capabilities of Pexip's technology, we serve two main markets with our solutions.

Within the video infrastructure and interop market, Pexip has a clear leadership in interoperability between different video platforms. As one of two main players and the only independent provider in this segment, we are well positioned to create and develop partnerships with other industry players, such as Microsoft, Google, HP and others. Pexip is serving this market through system integrator partners that often serve the customers' full collaboration needs. This is a mature market with clearly defined customer needs, and we are focusing on developing our leadership in this space and maintaining a healthy and profitable business.

Within the market for secure and customized video solutions, Pexip is well positioned for growth with our unique capabilities to deliver a self-hosted video platform which is easy to integrate and is interoperable with a range of video technologies. This is a fast-growing market with mostly public sector customers, and we are investing in strengthening our technology leadership and focusing our go-to-market activities towards public sector customers and system integrator partners that operate in this market.

Pexip's medium term financial targets are to consistently deliver above 10% growth in annual recurring revenues and have an EBITDA margin above 20% with a high cash conversion. The company aims to do this by focusing on niches where Pexip has a unique competitive advantage and a path to become the clear market leader.

REVENUE

+10%

growth in annual recurring revenues

PROFITABILITY

+20%

EBITDA margin with a high cash conversion

Clear market leader

Technology leader in core markets

Business model

The software is developed by Pexip's own employees, and the Intellectual Property is protected by a set of patents and proprietary know-how. The software is delivered both as a software product for customers to run and operate themselves, and as a Software-as-a-Service (SaaS) offering operated by Pexip. Both offerings are delivered as a recurring subscription-based model, and the vast majority of Pexip's revenue is recurring revenue from subscriptions.

Pexip serves a global market and has customers across the world with its main focus in Europe, North America and the Asia Pacific region. Pexip is serving its customers through its own high-touch sales and technology experts as well as a global community of authorized channel partners and service providers. These channel partners, which include companies such as Orange Business Services, the global technology and business solution provider, ConvergeOne, the US IT service provider and Kinly, the audio-video specialist integrator, provide Pexip solutions to their existing and new customers and possess the technical knowledge and relationships to manage those customers throughout the sales process, from IT business strategy development to trials to onboarding and support. This strategy also provides the most scalable in-country sales and support capability such as local language, time zone coverage, and so on.

Products & components:]pexip[→ Integration & solutions: Strategic & solution partners → Customer requirement solved: Customers

Pexip's Sustainability Report

Pexip's Environmental, Social, and Governance (ESG) work is presented in the 2023 Sustainability Report. The report provides an overview of Pexip's material ESG topics and its performance metrics for 2023. The report has been prepared in reference to the Global Reporting Initiative (GRI) Standards.

Sustainability at Pexip

Pexip aims to create sustainable value through a business strategy that fully integrates ESG at its core.

Video communication is the way organizations run their operations. Pexip's mission is to provide seamless communication to all organizations regardless of technology platforms and security requirements. Today, Pexip video technology connects everything from business meetings to ultra-secure government meetings, medical appointments, and court proceedings.

In a world of video everywhere, organizations need to look carefully at who they are willing to share their data with, and who controls the technology. With hybrid working becoming ingrained in companies' cultures, knowledge workers will continue to work from a variety of locations and are dependent on having a video communication platform that lets them do this in both a simple and secure way.

Strategic Focus Areas

The Sustainable Development Goals (SDGs) are a collection of 17 interlinked objectives designed to serve as a “shared blueprint for peace and prosperity for people and the planet now and into the future”. The SDGs were adopted by all UN member states in 2015, and represent an urgent call for action by all countries in a global partnership to make the world a better place by 2030. A key component of the SDGs is the principle of collaboration for their achievement, including between Government, Civil Society, and Business.

We have identified the following SDGs as ones Pexip can contribute to:

These are Pexip baseline measures for the following material topics:

- Data security and privacy
- Talent attraction and retention
- Greenhouse gas emissions and energy use
- Ethical business practices
- Diversity and equal opportunity
- Digital inclusion and positive industry impacts
- Health, safety and wellbeing
- Supply chain management
- Intellectual property rights

Pexip is actively addressing critical areas, such as diversity. We realize that, as for the IT sector as a whole, we have considerable work to do to address gender diversity, inclusion, and equal opportunity. Pexip learns from its partnership with Team Aker Dæhlie how to deliver equal opportunity to perform, and has several ongoing practices and forums to assess, plan, and improve initiatives that ensure diversity in recruitment, succession planning, and leadership.

Pexip’s commitment to secure communication through privacy and control of data is unrivalled. The collaboration with Nvidia further positions Pexip as a leader in providing secure AI in self-hosted and private-cloud environments. The growing political tension worldwide has increased the need for sovereign solutions where organizations own and control all data.

Pexip has conducted a human rights due diligence assessment for its suppliers in compliance with the Norwegian Transparency Act. The account of this can be found in the sustainability report.

For more information, the full sustainability report can be downloaded at [investor.pexip.com.](investor.pexip.com)

Statement from the Board of Directors

In 2023 Pexip has delivered a significant transformation resulting in a return to growth and going from a clear negative cash flow to being an EBITDA profitable, cash-flow positive company. The company has doubled down on its key target markets in Connected Spaces and Secure & Custom video meetings. Increased technology differentiation as well as the addition of a major new strategic partnership with HP|Poly has enabled the company to improve its ARR growth throughout 2023 and we exit the year with a much better momentum than we entered 2023 with.

The Board sees a strong market opportunity for Pexip, with increased awareness of security and sustainability among large organizations. Companies and public sector organizations continue to increase their investments to improve and secure digital communication and interaction both with their customers and between employees, and Pexip is in a good position to support our customers with this. We continue to see the emergence of several niche markets adjacent to the global video and collaboration market where we believe Pexip really has an edge and the technology to be a key player.

Market environment

Pexip's ambition is to be the industry leader within its core markets, which for Pexip is the market for video infrastructure and interoperability, and the market for secure and customized communication solutions.

Within video infrastructure and interoperability, Pexip believes that technology should work with existing workflows and systems. With Pexip's solutions, users can securely join meetings with any device and from any location, without the need for expensive hardware upgrades, downloads or software installations. With Pexip, organizations can connect the tools and workflows already in use and utilize native integrations with Google Meet and Microsoft Teams, as well as SIP interoperability to a large range of other platforms. The result is an optimal user experience, ease of management for administrators, enhanced return on investment on existing infrastructure and a reduction in e-waste as organizations extend the lifetime of their video conferencing equipment and upgrade it in the most efficient and sustainable way possible.

Within secure and customized solutions, the potential use cases of video stretch far beyond traditional videoconferencing and Pexip is at the core of this, enabling organizations to make the most of these possibilities. Video now plays a vital role in critical communication inside organizations, safely connecting patients with healthcare providers, making public services more accessible to citizens and facilitating business continuity by enabling both internal meetings and customer-facing interactions to securely happen from anywhere. Organizations are impacted by the heightened global security focus, driven by both increased geopolitical complexity and cyber vulnerability, and increasing awareness around topics such as data security and data sovereignty. It is becoming more important to have control over your own data, in addition to the ability to be compliant with new laws and regulations. Pexip can deliver solutions that allow organizations to maintain full data control with an integrated chat, video and file-sharing solution to ensure secure communications. In addition, with Pexip, organizations can use application programming interfaces (APIs) to build custom branded experiences and integrate with their chosen technology and workflows to provide video-enabled consultations that are easy to join from any device or location, and that remain secure.

In total Pexip grew its subscription base in 2023 to USD 102.8 million dollars at the end of 2023, up from USD 99.6 million at the end of 2022.

Organization and management

There have been no changes to senior management during 2023. The company's two main teams are the commercial team responsible for sales and customer success in Pexip's target markets, and the engineering team responsible for software development, service operations, support and product development. In addition the company has a small headquarter team responsible for people and development, finance and marketing.

Pexip has worked to continuously optimize its operations during 2023 by consolidating roles and removing support functions. This has led to a modest reduction in staff from 329 at the start of 2023 to 304 at the end of the year. The current organization is designed to further execute on Pexip's revenue strategy going into 2024 and deliver on the company's strategic and financial targets.

Financial review

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

Consolidated revenue was NOK 993.6 million for the full year 2023 (NOK 867.1 million). The revenues stem from both software and software as a service sales, contributing NOK 534.9 million (NOK 458.9 million) and NOK 458.7 million (NOK 408.2 million) respectively. The product area Connected Spaces make out the majority of the Software as a Service revenues as well as some software revenue, while the Secure and Custom product area mainly contribute to software revenues. The increase was driven by currency effects as well as underlying sales growth. Europe, Middle East, and Africa (EMEA) was the largest sales theatre, accounting for NOK 501.5 million (NOK 471.9 million) representing 50% of group revenue in the period (54%), followed by Americas, accounting for 416.5 million (NOK 316.9 million) representing 42% (37%), and Asia-Pacific (APAC), accounting for NOK 75.6 million (NOK 78.2 million) representing 8% (9%).

Cost of sale amounted to NOK 99.0 million (NOK 93.8 million), reflecting a gross margin of 90% (89%). Cost of sales increased due to higher hosting and network costs driven by increased traffic and usage of the Pexip as-a-Service offering.

Operating expenses consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 621.4 million (NOK 719.7 million), which is 63% of revenues in the period (83%). The reduction is mainly due to the reduction in employees over the last twelve months.

Other operating expenses amounted to NOK 159.9 million (NOK 237.5 million), which reflects 16% of revenue (27%). The reduction is due to the cost-cutting initiatives and the effects were realized across multiple cost categories.

Other gains and losses related to restructuring amounted to a loss of NOK 10.9 million (NOK 61.3 million) and is related to restructuring.

Earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to NOK 102.4 million in 2023 (negative NOK 245.3 million), reflecting a 10% EBITDA margin (negative 28%).

Depreciation, amortization and impairment costs were NOK 199.1 million for the period (NOK 115.1 million). The main difference compared to 2022 is the impairment of goodwill related to the acquisition of Skedify B.V in 2021 of NOK 63.6 million. Further information is available in the notes to the annual accounts.

Net financial income was NOK 33.2 million (NOK 43.6 million) and was mainly related to interest income and exchange differences.

Profit before tax was negative NOK 63.5 million in 2023 (negative NOK 316.8 million). Profit after tax was negative NOK 79.8 million (negative NOK 262.2 million).

Financial position

Pexip continues to have a very robust financial position as the company has a solid cash buffer, no material interest bearing debt as of Q4 2023 and a positive cash flow. Total assets amounted to NOK 2,021 million (NOK 2,087 million at the end of Q4 2022), and total equity amounted to NOK 1,555 million (NOK 1,597 million at the end of Q4 2022).

Current assets amounted to NOK 769 million (NOK 679 million at the end of 2022). The increase is mostly related to the increase in **Cash and cash equivalents** to NOK 523 million (NOK 419 million at the end of 2022). **Trade and other receivables** decreased to NOK 184 million (NOK 199 million at the end of 2022).

Non-current assets amounted to NOK 1,252 million (NOK 1,408 million at the end of 2022). The main change is the reduction in goodwill to NOK 599 million (NOK 663 million) related to the acquisition of Skedify B.V, as well as a reduction in right-of-use assets and other intangible assets.

Contract costs increased to NOK 299 million (NOK 286 million at the end of 2022).

Total liabilities were at NOK 466 million (NOK 490 million at the end of 2022). The reduction is mostly due to a decrease in Trade and other payables as well as lower lease liabilities and despite an increase in contract liabilities. Of this, NOK 2 million are borrowings (NOK 4 million at the end of 2022).

Current liabilities decreased to NOK 405 million (NOK 415 million at the end of 2022). Of this, NOK 255 million are contract liabilities (NOK 231 million at the end of 2022).

Non-current liabilities amounted to NOK 61 million (NOK 75 million at the end of 2022).

Cash flow

Cash flow from operating activities was NOK 177.6 million for 2023 (negative NOK 182.5 million for 2022). The positive cash flow reflects the positive operating EBITDA as well as a positive development in working capital, as well as a positive adjustment from non-cash share based costs in the P&L.

Cash flow from investing activities was negative NOK 51.2 million for 2023 (negative NOK 110.3 million). The main driver was investments in software development as well as a final payment from an acquisition of a service provider customer base.

Cash flow from financing activities was negative NOK 28.2 million for 2023 (negative NOK 121.0 million) primarily related to lease payments of NOK 21.7 million.

In total, Pexip had a net cash flow of NOK 98.1 for 2023 (negative NOK 413.8 million). In addition, there was an exchange gain of NOK 5.2 million, resulting in a positive change in cash position of NOK 103.4 million (negative NOK 384.5 million).

As a result of the positive cash flow for the year and the strong liquidity position of the Company, the Board of Directors will propose a dividend of NOK 1.1 per share for 2023 to the Annual General Meeting in April 2024. At the date of this report, the Company has 104,429,671 shares outstanding, of which 2,842,867 are held by the Company itself.

Outlook

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

Pexip's medium term financial targets are to consistently deliver above 10% growth in annual recurring revenues and have an EBITDA margin above 20% with a high cash conversion. The company aims to do this by focusing on niches where Pexip has a unique competitive advantage and a path to become the clear market leader.

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

Subsequent Events

There were no subsequent events after December 31, 2023.

Parent Company and Allocation of Net Profit

Pexip Holding ASA is a public limited liability company. It has 0 employees, and its activities are limited to being listed on Oslo Børs and being the parent company of Pexip AS. Pexip Holding ASA had a profit of NOK 10.4 million in 2023 (Loss of NOK 383.1 million in 2022), mainly related to fees for external services and operating expenses as well as financial income.

For 2023 the Pexip Group had a negative net profit resulting from a positive EBITDA and a negative EBIT from high depreciation and amortization costs. The company had a positive change in cash of NOK 103 million from a positive operating cash flow. As a result, and due to the strong balance sheet, the Board will recommend a dividend of NOK 1.1 per share for 2023 to be paid in Q2 2024, for a total of NOK 111.7 million.

The gain for the year of the parent company, Pexip Holding ASA, of NOK 10.4 million has been allocated in its entirety to dividend. The remaining dividend will be allocated from equity.

Environmental, Social and Governance

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

- Data security and privacy
- Talent attraction and retention
- Greenhouse gas emissions and energy use
- Ethical business practices
- Diversity and equal opportunity
- Digital inclusion and positive industry impacts
- Health, safety, and wellbeing
- Supply chain management
- Intellectual property rights

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

The direct impact of climate change is not expected to have a material impact on Pexip's financial performance and accounts in the short term, as Pexip has a limited carbon footprint and limited physical infrastructure which can be impacted. In the mid-term Pexip expects climate change awareness to have a positive effect on revenue due to the positive nature of videoconferencing when it comes to reducing travel and commuting, improving the environment as described above. Similarly, it may negatively impact the cost of operations, mainly related to data centers and compute due to increasing cost of electricity.

People and organization

Pexip aims to be a leading People organization in the industry and focuses heavily on people and a culture of accountability and performance. We rely on a diverse workforce to succeed, and our goal is to offer an equal opportunity, safe, and risk-free working environment fostering individual growth and enjoyment at work. In Pexip, we have a Diversity, Equity and Inclusion (DEI) team working actively to promote and improve topics within equality, diversity, and inclusion within Pexip. The team comprises seven employees in Pexip, three male and four female, across different positions and departments.

Pexip is an equal opportunity employer that evaluates applicants and treats employees equally regardless of an individual's age, race, color, gender, religion, national origin, sexual orientation, disability, or veteran status. We are committed to creating a diverse and inclusive environment at work and are proud to be an equal-opportunity employer. All qualified applicants will receive the same level of consideration for employment; everyone we hire will receive the same ability for training, compensation, and promotion. Promotion-processes includes involvement from HR to ensure equal opportunities for all. We have a leadership training program, where one of the sessions is dedicated to the theme One Team, where diversity and inclusion is a key part. We have forums discussing gender, neurodiversity and LGBTQ related topics.

Employees and gender balance

At year end, the number of employees in Pexip in permanent positions amounted to 304 (2022: 329), of which 240 were male and 64 were female. The employees are located in 25 countries. Pexip has offices in Norway, Sweden, Belgium, Spain, France, Italy, Netherlands, Germany, UK, Australia, USA, Singapore and Japan.

At the end of 2023, the percentage of female employees was 21.1%, compared to 20.4% at the end of 2022. Pexip has a long-term ambition to increase the share of women, aligned to the gender balance in the industry as a whole. In Norway, women working in the private sector represent around 37%** of the workforce, but only around 29%*** of employees and 33% of leaders in IT companies are women.

*** Statistics Norway, Last updated 2023*

**** KANTAR / ODA-Nettverk 2019*

The senior leadership team comprises seven employees, of which two are female. The Board currently has five members, of which two are female.

Employees	2023		2022 *	
	Male	**Female**	Male	Female
# of total employees	**240**	**64**	262	67
# of full-time employees at end of year	**237**	**61**	260	64
# of part-time employees at end of year	**3**	**3**	2	3
# of temporary employees at end of year	**0**	**0**	0	0
# of involuntary part-time employees at end of year	**0**	**0**	0	0

* in non-terminated positions

Going forward, our goal is to be a diverse company, offering equal opportunities, and a good working environment for all employees. We recognize there is still work to do, but we are committed to creating more opportunities for a more balanced representation and our dedicated DEI-team works toward this. We work actively in each recruitment process to ensure we create equal opportunities for all and to increase female representation.
Our work for equality is underpinned with several policies. Our code of conduct includes our commitment to creating an equal opportunity workplace, free from discrimination, harassment, and victimization. Our human capital policy outlines our principle of gender pay equality, and our belief in equal pay for equal work. Ensuring work-life balance is also strongly embedded in our culture, and meetings and events shall be held virtually where this is appropriate and possible.

Through 2023, Pexip has collaborated with Team Aker Dæhlie to support BEYOND. Team Aker Dæhlie is the first professional athletic team to include athletes from both genders across long-distance running, FIS/allround, talents and para-crossing. The venture is called BEYOND and is also about performing beyond going fast on the cross-country track. Pexip is proud to have joined this collaboration, and the joint ambition and action for equal opportunities.

Flexible working and healthy working conditions

Pexip works to offer a safe and risk-free working environment that promotes a healthy workplace and facilitates work-life balance. The company offers flexible working hours and flexible workplace schemes to facilitate work-life balance and better conditions for, for example, combining work and parenting. In 2023, the average sick-leave was 0.94% (2022: 0.8%). During the year, 6 male and 7 female employees were on parental leave, where the male employees took 37 weeks in total, while the female employees took 122 weeks.

Parental leave	2023		2022	
	Male	Female	Male	Female
Employees entitled to parental leave	240	64	262	67
Employees that took parental leave of more than one month	2	7	6	5
Weeks of parental leave during the year	37	122	83.8	124.6

Sick leave	2023		2022	
	Male	Female	Male	Female
# of employees on sick leave during the year	68	39	113	40
# of days of sick leave during the year	470	315	601	233

Research and Development (R&D)

A core activity for Pexip is R&D related to distributed software platforms for videoconferencing and collaboration. During 2023 Pexip has delivered several important innovations, as described elsewhere in this report. The product development strategy was assessed throughout the year. The technology is developed with the aim of making the company the industry leader within video infrastructure and interoperability as well as secure and custom video solutions for large international corporations and public sector organizations. Of the total R&D in 2023, Pexip capitalized NOK 35 million (NOK 41 million) and the remaining cost has been classified as operating expenses.

Risk and Risk Management

Risk management in Pexip is based on the principle that risk evaluation is an integral part of all business activities, and is a part of the annual strategy review. Pexip has developed its approach to risk assessment and risk mitigation within financial reporting, and within information security, where Pexip holds ISO 27001 and 27701 certifications as an external recognition of its approach. Pexip's key commercial, technological, and operational risk factors are summarized here.

Operational and Market activities

Pexip may be unable to retain or replace its management and/or key IT, sales and marketing professionals. Retaining Pexip's strong talent and leadership is vital due to their extensive experience and skill sets within the videoconferencing and collaboration industry, which is required to support and develop Pexip's projects. It is also vital for Pexip's operations to retain or replace its IT professionals with expertise within information security and privacy, as well as certain IT professionals within R&D with skills required to sustain and develop Pexip's competitive differentiation. There is shortage of, and intense competition for, sales and marketing professionals with ability and expertise to sell product and services to large worldwide businesses and organizations with lengthy procurement cycles and severe evaluation and negotiation processes.

Pexip may not be able to respond to rapid technological changes, extend its platform or develop new services in a highly competitive market. The communications and collaboration technologies market is highly competitive and characterized by rapid technological change and frequent new product and service introductions. Pexip's future profitability depends heavily on its ability to enhance and improve the platform, introduce new features and products and interoperate across an increasing range of devices, operating systems and third-party applications. There can be no assurance that any attempts on enhancements to the platform or new product experiences, features or capabilities will be compelling to users or gain market acceptance in a timely and cost-effective manner.

Pexip is exposed to risk related to high upfront sales and marketing costs, lengthy sales cycles and unexpected deployment challenges due to its sales and marketing to large businesses and organizations. As Pexip's main focus is on large enterprise customers, a large proportion of the sales and marketing costs are related to such customers. These customers and potential customers have lengthy procurement cycles and severe evaluation and negotiation processes due to their leverage, size, organizational structure, and approval requirements, and often demand additional features, support services and pricing concessions or require additional security management or control features. Pexip spends substantial time, effort and funds on sales and marketing efforts to potential customers without any assurance that this will produce any sales.

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

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

Operational Activities Risk Mitigation

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

Customer Relationships and Third Parties

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

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

Customer Relationships and Third Parties Risk Mitigation

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

Laws Regulations and Compliance

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

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

Pexip is exposed to risks of claims and legal proceedings, including intellectual property right disputes. Pexip may be party to various legal proceedings that arise in the ordinary course of its business, including intellectual property rights disputes. The value of intellectual property rights is of high importance for Pexip, as it operates in a highly competitive commercial environment where the strength of the intellectual property rights may be an important feature that distinguishes Pexip from its competitors. It is therefore important for Pexip to ensure the value and commercial use of its intellectual property rights. There can be no assurance that third parties have not or may not infringed intellectual property rights owned by Pexip, who may have to challenge such parties' rights to continue to use or sell certain products and/or may seek damages from such parties. Moreover, there can be no assurance that Pexip may not infringe or be alleged to have infringed intellectual property rights owned by third parties who may challenge Pexip's right to continue to use or sell certain products and/or may seek damages from Pexip. Any infringement or other intellectual property claims made by or against Pexip could be time-consuming, result in costly litigation, cause product delays, divert its management from their regular responsibilities or require Pexip to enter into royalty or licensing agreements.

Laws Regulations and Compliance Risk Mitigation

Pexip monitors the development of laws and regulations in the markets it operates in, especially within the data privacy area which has seen significant development in recent years. Industry standard insurance policies are also in place.

Financial and Market Risk

Pexip's profitability, operating results and working capital may fluctuate significantly. Operating in a global, fast-changing market, Pexip's profitability, results of operations and working capital may fluctuate significantly on a quarterly and annual basis. The subscription-based revenues may also fluctuate significantly, both in the short-term and long-term. Working capital may also fluctuate significantly on a quarterly and on an annual basis, which could have a material adverse effect on Pexip's business and financial performance. This may be caused by factors beyond Pexip's control, such as variations in the timing of orders and deliveries, new product introductions by Pexip and its competitors, variations in spending budgets of customers, shifts in market and industry emphasis and end user demands, and general economic conditions and economic conditions.

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

Pexip is exposed to risk relating to impairment of intangible assets, including goodwill. The company's audited consolidated financial statement for the year ended December 31, 2023 was prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. As of December 31, 2023, Pexip's non-current assets amounted to approximately NOK 1,252 million, most of which are intangible assets including NOK 599 million in goodwill. In 2023 Pexip impaired NOK 64 million related to the acquisition of Skedify B.V in 2021. Goodwill acquired in a business combination is not amortized pursuant to IFRS, but is tested for impairment annually, or more often, if an event or circumstance indicates that an impairment loss may have been incurred. The key assumptions affecting the present value of cash flows are the development of the net sales (expected growth rate), profitability, the discount rate and the growth rate. Changes in the development of the key assumptions could lead to impairment losses on goodwill, which could weaken Pexip's financial conditions, results of operations, equity and/or its ability to pay dividends or distributions. At the end of 2023 there is solid headroom giving a moderate risk of impairment in the case of an adverse development in the key assumptions. This is further described in the notes to the Annual Accounts for 2023.

Financial and Market Risk mitigation

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

Impact of Russia's Invasion of Ukraine

The development in Ukraine, and the impact on business in the region is still ongoing. The war in Ukraine has impacted Pexip in several ways. Pexip has two remote employees based in the conflict area and several employees from the involved countries in other offices. Pexip's main concern has been to ensure their safety and offer support to them in the best way. The financial effect from this is limited until this date due to a modest market presence in the region, with the main impact being in accounts receivables with customers in Russia now under sanction as well as a negative impact on future revenues in the region. In response to the attack on Ukraine, several extensive packages of sanctions towards Russia have been launched. The imposed sanctions are far-reaching. Norway has adhered to all EU sanctions and has transposition sanctions into Norwegian law. To ensure compliance with the above mentioned measures, Pexip continuously maps our exposures to Russia, Donetsk and Luhansk and Belarus. This includes, for example, systematic identification and assessment of current relationships with banks, Resellers and Customers based in Russia or wholly or partly owned by Russian interest. All such relations are thoroughly considered to ensure compliance with sanctions.

Impact from the market situation

The global economic situation has faced challenges during 2023 and to some extent so far in 2024, with uncertain growth and high inflation is Pexip's key markets. This impacts Pexip customers, as several large enterprise companies have announced cost reduction programs. This has also had a negative impact on the financial markets with an increasing cost of capital. Pexip has taken action through its cost reduction program to reduce its cost base, which has contributed to mitigate cost increases on key cost categories such as employee benefit expenses and cost of cloud computing. Pexip targets a positive free cash flow in 2024 and has very limited interest-bearing debt and a strong balance sheet. As such, the company is less exposed to the increasing cost of capital.

Corporate Governance

Good corporate governance provides the foundation Good corporate governance provides the foundation for long-term value creation, to the benefit of shareholders, employees and other stakeholders. The Board has established a set of governance principles to ensure a clear division of roles between the Board, the executive management and the shareholders. The principles are based on the Norwegian Code of Practice for Corporate Governance. Pexip is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on October 14, 2021, may be found at www.nues.no. Pexip is subject to the Norwegian Transparency Act, and the assessment can be found together with the other financial reports at www.pexip.com/investor. The annual statement on corporate governance for 2023 has been approved by the Board and can be found in this annual report.

A Directors and Officers Liability Insurance is in place for members of the Board of Directors and the CEO for their potential liability towards the Company and third parties. The insurance covers the Board's and the CEO's legal personal liability for financial damage caused by the performance of their duties. The insurance additionally covers any employee acting in a managerial capacity and includes subsidiaries owned with more than 50%. The insurance policy is issued by a reputable, specialized insurer with appropriate rating.

Share and Shareholder Matters

The Pexip share is listed on Oslo Børs under the ticker PEXIP. The company was listed on Oslo Børs on May 14, 2020 with a subscription price of NOK 63.00 per share.

Pexip has only one share class, and all shares have equal rights in the company.

On December 31, 2023, the share capital of Pexip Holding ASA was NOK 1,566,445.065 divided into 104,429,671 ordinary shares with a par value of NOK 0.015. The share had a closing price on December 29, (last day the share was traded in 2023) of NOK 25.9 per share.

The turnover of shares is a measure of traded volumes. On average, 215,080 Pexip shares were traded on Oslo Børs every trading day in 2023.

As of December 31, 2023, Pexip had 5,385 shareholders registered in the VPS. The shareholders were from 58 different countries across the world, with 26.3% of holdings were held by shareholders outside Norway. The top 20 shareholders held 47.5 of the registered shares excluding shares held by the company.
The shares are registered in the Norwegian Central Securities Depository (VPS). The company's registrar is DNB Markets. The shares carry the securities number ISIN NO 0010840507.

Pexip aims to have an open and transparent dialogue with shareholders and investors. Pexip has a set of guidelines for investor relations. The purpose of the investor relations guidelines is to ensure that relevant, accurate and timely information is made available to the market as a basis for fair pricing and regular trading of the company's shares, and the company is perceived as a visible, accessible, reliable and professional company by the capital market, while at the same time always observing the rules and legislation for listed companies on Oslo Børs.

Pexip ensured that all relevant information required for external evaluation of the company was published in accordance with applicable rules and guidelines set by Oslo Børs. The company also conducted investor roadshows with investors across the globe in connection with the interim results and participated on a number of industry and investment seminars during the year.

Going Concern

The Board confirms that Pexip qualifies as a going concern and the financial statements have been prepared on this basis. The Board has confirmed that this assumption can be made on the basis of the group's strategy, outlook and budgets.

SIGNATURE PAGE

Board of Directors

Oslo, March 20, 2024

Board of Directors and CEO of Pexip Holding ASA

Kjell Skappel
Chair of the Board

Irene Kristiansen
Board Member

Phillip Austern
Board Member

Silvija Seres
Board Member

Geir Langfeldt Olsen
Board Member

Trond K. Johannessen
CEO

Corporate governance

Good corporate governance provides the basis for long-term value creation, to the benefit of shareholders, employees and other stakeholders. The Board of Pexip has established a set of governance principles in order to ensure a clear division of roles between the Board, the executive management and the shareholders. The principles are based on the Norwegian Code of Practice for Corporate Governance.

Pexip is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on October 14, 2021, may be found at www.nues.no.

The annual statement on corporate governance for 2023 follows below. The statement was approved by the Board on March 20, 2024.

1. Implementation and Reporting on Corporate Governance

The Board is committed to building a sound and trust-based relationship between Pexip and the company's shareholders, the capital market participants, and other stakeholders.

Pexip's overall principles for corporate governance are approved by the Board and can be found at https://investor.pexip.com/corporate-governance.

Pexip complies with the Norwegian Code of Practice for Corporate Governance (the code) issued by the Norwegian Corporate Governance Board, latest edition of October 14, 2021.

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

2. Business

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

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

When carrying out its work on defining objectives, strategies, and risk profiles to create value for shareholders in a sustainable manner, the Board takes into account financial, social and environmental considerations. The Board has guidelines for how it integrates considerations related to its stakeholders into its value creation. The Board evaluates these objectives, strategies and risk profiles at least yearly.

3. Equity and Dividends

Equity

As of December 31, 2023, Pexip had a consolidated equity of NOK 1,555 million, corresponding to an equity ratio of 77%.

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

Dividends

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

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

The company introduced a policy in 2023 to distribute 50-100% of the free cash flow generated in the previous calendar year. In addition, the Board has recommended an extraordinary dividend of NOK 0.5 per share as the board recognizes that the company has excess liquidity. In total, the Board will recommend to the annual general meeting that the company pay a dividend of NOK 1.1 per share for 2023. The company has not paid any dividends on its Shares during the financial years ended December 31, 2022, 2021, 2020, 2019 and 2018.

Board Mandates to Increase the Share Capital

At the Annual General Meeting of the company on April 20, 2023 the Board was authorized to increase the share capital of Pexip for general purposes by up to NOK 156,000 in one or more share capital increases through issuance of new shares. The authorization was only to be used in connection with (i) capital raisings for the financing of the company's business; and (ii) in connection with acquisitions and mergers. The authorization can be used in situations described in the Norwegian Securities Trading Act section 6-17. The authorization is valid until the annual general meeting in 2024, however no longer than until June 30, 2024. The Board did not issue any shares in relation to this authorization since the Annual General Meeting on April 20, 2023 and up to the date of this report.

At the Annual General Meeting of the company on April 20, 2023 the Board was authorized to increase the share capital of Pexip by up to NOK 156,000 in one or more share capital increases through issuance of new shares. The authorization was only be used in connection with issuance of shares to the group's employees or board members in relation with option and incentive programs, both individual and general. The authorization can be used in situations as described in the Norwegian Securities Trading Act section 6-17. The authorization is valid until the annual general meeting in 2024, however no longer than until June 30, 2024. No new shares have been issued by the Board in relation to this authorization since the Annual General Meeting on April 20, 2023 and up to the date of this report.

4. Equal Treatment of Shareholders

The company's share capital is NOK 1,566,445.065, divided into 104,429,671 shares, each with a nominal value of NOK 0.015.

The company held 2,842,867 own shares at the end of 2023.

The Board and the executive management are committed to ensure equal treatment of all the company's shareholders and that transactions with related parties take place on an arm's length basis. The notes to the consolidated financial statements for 2023 provides details about transactions with related parties as well as financial relationships related to the directors and executive personnel.

5. Shares and Negotiability

The company's shares are freely negotiable. The articles of association do not impose any restriction on the negotiability of the shares. There are no general restrictions on the purchase or sale of shares by members of the company's management as long as they comply with the regulations on insider trading and in the Market Abuse Regulation. Each share carries one vote.

6. General Meetings

All shareholders have the right to participate in the general meetings of the company, which exercise the highest authority of the company. The Board ensures that its shareholders can attend and participate in the general meeting. The annual general meeting will take place on April 12, 2024. The Group's financial calendar is published via Oslo Børs and in the investor relations section of investor.pexip.com.

Notice, Registration and Participation

The full notice for general meetings shall be sent to shareholders no later than 21 calendar days prior to the meeting. The notices for such meetings shall include documents providing the shareholders with sufficient detail in order for the shareholders to make an assessment of all the cases to be considered as well as all relevant information regarding procedures of attendance and voting. The notice and the documents may be sent to or made available for the shareholders by electronic communication, to the extent allowed in the company's articles of association. The Chair of the Board and the Chair of the nomination committee are present at the general meeting. The company's auditor shall normally be present at general meetings. The right to participate and vote at general meetings of the Company can only be exercised by those who are shareholders five business days prior to the general meeting (the registration date). Shareholders who wish to attend a general meeting of the Company shall give the Company written notice of attendance within a time limit given in the notice of the general meeting, which cannot expire earlier than two days before the general meeting.

Proxy Form, Advance Voting and Voting Restrictions

Notices with documentation are made available on Pexip's website immediately after the documentation has been issued as a stock exchange announcement.

The Board may allow for shareholders to cast written votes in advance in matters to be discussed at the general meetings of the company. Such votes may also be cast through electronic communication. The access to cast votes in advance is subject to the presence of a safe method of authenticating the sender. General-meeting notices provide information on the procedures for attendance and voting, including the use of proxies or permission to cast written votes in advance. Shareholders who cannot attend in person are encouraged to cast written votes in advance or appoint a proxy.

A proxy form, where a proxy has been named, is framed in such a way that the shareholder can specify how the proxy should vote on each issue to be considered. The notices include information on the right to raise issues for consideration at the general meeting, including the relevant deadlines.

Chairing Meetings, Elections, etc.

General Meetings will normally be chaired by the General Counsel. The Board will evaluate prior to each General Meeting whether it is appropriate to engage an external Chair to chair the meeting.

The Chair of the Board and Chief Executive Officer (CEO) are required to attend. Other members of the Board are entitled to attend.

The general meeting is normally invited to vote for individual candidates.

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

7. Nomination Committee

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

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

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

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

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

The general meeting shall adopt instructions for the nomination committee.

The Annual General Meeting on April 20, 2023 re-elected Dag S. Kaada (Chair), Oddvar Fosse and Arild Resen as members of the nomination committee for a period up to the annual general meeting in 2024. There have been no changes to the composition of the committee since 2020. No directors or members of executive management are represented in the nomination committee.

8. Board of Directors: Composition and Independence

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

Directors and the Chair of the Board are currently elected by the general meeting for a one or two year term. The composition of the Board is intended to secure the interests of the shareholders in general, while the directors also collectively possess a broad business and management background as well as in-depth sector understanding and expertise in investment, financing and capital markets. Weight is also given to the Board's ability to make independent judgements of the business in general and of the individual matters presented by the executive management. Consideration has also been given to gender representation and independence of directors from the company and its management. The Board does not include executive personnel.

All shareholder elected directors are independent of Pexip's executive management and commercial partners. No shareholder elected directors has done paid work for or on behalf of the company during 2023 beyond their responsibilities as board members, which is compensated in line with the decision of the annual general meeting.

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

10 board meetings were held in 2023, in addition to several Board workshops and committee meetings. Each board member's attendance at Board meetings is recorded by the company.

Members of the Board are encouraged to own shares. The shareholding of each board member can be found in notes to the consolidated financial statements and in the biography of each board member on https://investor.pexip.com/corporate-governance-Board.

9. The Work of the Board

The Board shall prepare an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility shall be (i) participating in the development and approval of the company's strategy, (ii) performing necessary monitoring functions and (iii) acting as an advisory body for the executive management team. Its duties are not static, and the focus will depend on the company's ongoing needs. The Board is also responsible for ensuring that the operation of the company is compliant with the company's values and ethical guidelines. The Chair of the Board is responsible for ensuring that the Board's work is performed in an effective and correct manner. The Board shall ensure that the company has proper management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the Board and the executive management team. The CEO is responsible for the executive management of the company. All members of the Board shall regularly receive information about the company's operational and financial development. The company's strategies shall regularly be subject to review and evaluation by the Board. The Board shall prepare an annual evaluation of its work.

The Role of the Board

The Board shall contribute with expertise and experience to management. It shall set the vision, values and long-term objectives of the company.

The Duties of the Board

The duties of the Board are subject to the existing laws, the company's articles of association, powers and instructions given by the general meeting, these instructions and the company's Corporate Governance Policy. The main duties of the Board may be divided in:

- The Board's administration of the company, cf. the Norwegian Public Limited Liability Companies Act (the Companies Act) Section 6-12
- The Board's supervisory responsibility, cf. the Companies Act Section 6-13

The Board shall in general get involved and consider all matters that are significant to the company's financing, operational performance and long-term development.

The Board's Administration of the Company

The Board shall ensure an adequate organization of the business, including appointment and discharge of the CEO and issuing of instructions to him (the Companies Act Section 6-2) The Board is responsible for issuing any incentive programs for the management of the company.

The Board shall approve the overall strategy, business plans and budgets for the company. The strategy discussions shall be finalized well in time before the yearly budget process is started. The Board shall, when necessary, timely initiate discussions on strategic areas, especially within re-structuring and/or change of the administration and/or the management.

Through an adequate monthly reporting system, the Board members shall keep themselves fully updated on the company's operational and financial development. The information shall be given in a meeting and/or in writing.

The annual report, sustainability report and the annual accounts shall be submitted to the Board for approval within relevant legal time frames. The Board shall submit its annual report, which shall include information about net profit or loss and prospects for the future (cf. the Accounting Act Section 3-3, cf. Section 3-8).

The Board shall, in cooperation with the executive management team, issue the company's dividend policy and is responsible for submitting proposals (if any) for distribution of dividend to the general meeting.

The Board has established specific sub-committees to follow up the administration of the Company. The Board has an audit committee and a remuneration committee.

The Board's Supervisory Responsibility

The Board shall supervise the management of the company's business in general. The Board may issue instructions for the CEO.

Adequate Equity

The Board shall see to that the company is at all times funded and financed adequately in terms of the risk and scope of the company's business.

The Board's Duties in Relation to the General Meeting

The general meetings are convened by the Board (the Companies Act Section 5-8). The Board shall prepare all matters which shall be considered by the general meeting.

Directors of the Board and the CEO have the right to attend and speak at general meetings. The Chair of the Board and the CEO shall, save in case of legal absence, attend general meetings unless the general meeting in each case decides otherwise (the Companies Act Section 5-5).

The Board shall submit its proposal to profit and loss account and balance sheet, and its proposal to application of profit or coverage of loss to each shareholder (the Companies Act Section 5-6 third paragraph) preferably together with the notice to the general meetings, but not later than one week before the matter shall be considered by the general meeting.

Related Parties

Any transactions, agreements or arrangements between the Group and the Company's shareholders, members of the Board, members of the executive management team or close associates of any such parties may only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall where relevant comply with the procedures set out in the Norwegian Public Limited Liability Companies Act. The Board will arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question is considered to be immaterial. The Company's financial statements shall provide further information about transactions with related parties in accordance with applicable accounting principles. Board members shall immediately notify the Board and members of the executive management team shall immediately notify the CEO (who where relevant will notify the Board) if they have any material direct or indirect interest in any transaction entered into by the Group.

Other Responsibilities

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

10. Risk Management and Internal Control

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

Objective of the risk management and internal control

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

The Board's Responsibility for Risk Management and Internal Control

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

- facilitate targeted and effective operational arrangements for the company and also make it possible to manage commercial risk, operational risk, the risk of breaching applicable legislation and regulations as well as all other forms of risk that may be material for achieving the company's commercial objectives
- contribute to ensuring the quality of internal and external reporting
- contribute to ensuring that the company operates in accordance with the relevant legislation and regulations as well as with its internal guidelines for its activities, including the company's ethical guidelines and corporate values

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

Internal Control and Risk Management System

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

The Board shall also focus on the need for developing ethical guidelines ensuring that employees can safely communicate to the Board matters related to illegal or unethical conduct by the company. The Board shall ensure that the company has the necessary routines and hired personnel to ensure that any outsourced functions are handled in a satisfactory manner.

Pexip's primary internal control routines related to financial reporting are as follows: The Finance department prepares a monthly financial report which also contains the most important operational KPIs and qualitative developments, comparing the results to previous period and to budget. This report is reviewed by the CEO, the management team and the Board. The Board Audit Committee reviews each quarterly and annual financial statement and other company reports such as the sustainability report with a particular focus on risk elements, such as special transactions and estimates, and the Board reviews and approves quarterly and annual reports.

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

Annual Review by the Board

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

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

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

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

11. Remuneration of the Board of Directors

The general meeting determines the Board's remuneration annually, normally in advance, on the basis of recommendations from the nomination committee. Remuneration of Board members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The Board shall be informed if individual Board members perform tasks for the company other than exercising their role as Board members. Work in sub-committees may be compensated in addition to the remuneration received for Board membership. This is further described in the Pexip's Remuneration Guidelines and Remuneration report for 2023.

None of the directors have undertaken any special assignments for Pexip other than their work on the Board and Board committees. Directors are unable to accept such assignments without approval from the Board in each case.

12. Salary and Other Remuneration of Executive Personnel

The Board has a remuneration committee. The main responsibilities of the committee are to evaluate and propose the remuneration guidelines and issue an annual report on the compensation of the executive management team, which shall be included in the company's annual accounts pursuant to applicable rules and regulations, including accounting standards, promulgated from time to time. This is further described in Pexip's Remuneration Guidelines and Remuneration report for 2023.

Changes to the Executive Management and the Board

The annual general meeting on April 20, 2023 elected the following Board, in accordance with the nomination committee's proposal:

i. Kjell Skappel, chair
ii. Irene Kristiansen
iii. Phillip Austern
iv. Geir Langfeldt Olsen (new)
v. Silvija Seres (new)

Kjell Skappel, Irene Kristiansen, Geir Langfeldt Olsen and Silvija Seres were elected for a term of two years on April 20, 2023. Phillip Austern was elected for two years in 2022, and was re-confirmed for a term of one year. No deputy members were elected.

There were no changes to the Executive Management in 2023.

13. Information and Communications

The Board has established guidelines for investor communication. Pexip's communication with the capital markets is based on the principles of transparency, full disclosure and equality. These guidelines are published on investor.pexip.com.

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

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

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

Pexip holds public presentations in connection with the announcement of quarterly and annual financial results as well as strategic updates. The presentations are available as live presentations via the internet. Presentation material is made available via Oslo Børs' news site www.newsweb.no and investor.pexip.com.

Pexip gives weight to maintaining an open and ongoing dialogue with the investor community, hereunder frequent meetings with investors, fund managers, analysts and journalists. The company is also present at relevant investor conferences and seminars. Presentations held at such events are made public via investor.pexip.com.

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

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

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

14. Takeovers

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

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

In the event of a take-over process, the Board shall ensure that:

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

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

15. Auditor

The external auditor, Deloitte, annually presents its overall plan for the audit of Pexip for the audit committee's consideration.

The external auditor's involvement with the Board during 2024 related to the following:

- Presented the main features of the audit work.
- Attended all audit committee meetings approving the financial statements, reviewing possible significant changes in accounting principles, assessing significant accounting estimates, and considering all possible disagreements between the external auditor and executive management.
- Reviewed Pexip's internal control procedures and systems, including the identification of weaknesses and proposals for improvements.
- Held a meeting with the Board without the presence of the executive management.
- Confirmed its independence and provided an overview of non-audit services provided to Pexip.
- During 2023, the external auditor attended 5 meetings with the audit committee in addition to one meeting with the Board.

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

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

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Board of Directors

Oslo, March 20, 2024
Board of Directors and CEO of Pexip Holding ASA

Kjell Skappel
Chair of the Board

Irene Kristiansen
Board Member

Phillip Austern
Board Member

Silvija Seres
Board Member

Geir Langfeldt Olsen
Board Member

Trond K. Johannessen
CEO

Executive Management

Trond K. Johannessen
Chief Executive Officer

Øystein Hem
Chief Financial Officer

Åsmund O. Fodstad
Chief Revenue Officer

Ingrid Woodhouse
Chief People Officer

Patricia Auseth
Chief Marketing Officer

Ian Mortimer
Chief Technology Officer

Helge Hoff Hansen
SVP Strategy

Board of Directors

Kjell Skappel
Chair of the Board

Irene Kristiansen
Board Member

Phillip Austern
Board Member

Silvija Seres
Board Member

Geir Langfeldt Olsen
Board Member

Financials

Consolidated Statement of Profit or Loss

	Notes	Year ended December 31	
(NOK 1,000)		**FY 2023**	FY 2022
Revenue	3	**993 582**	867 056
Cost of sale		**99 004**	93 820
Salary and personnel expenses	4,23,24	**621 435**	719 687
Other operating expenses	5	**159 880**	237 544
Other gains and losses	29	**10 908**	61 290
EBITDA		**102 355**	-245 285
Depreciation and amortization	9,10,12	**135 465**	115 120
Impairment losses	11	**63 647**	
Operating profit or loss		**-96 756**	-360 405
Financial income	6	**19 194**	7 959
Financial expenses	6	**-2 707**	-4 604
Net gain and loss on foreign exchange differences	6	**16 737**	40 264
Financial income/(expenses) - net		**33 224**	43 619
Profit or loss before income tax		**-63 532**	-316 786
Income tax expense	7	**16 253**	-54 538
Profit or loss for the year		**-79 786**	-262 248
Profit or loss is attributable to:			
Owners of Pexip Holding ASA		**-79 786**	-262 248
Earnings per share			
Basic earnings per share	8	**-0.79**	-2.58
Diluted earnings per share	8	**-0.79**	-2.58

Consolidated Statement of Comprehensive Income

	Year ended December 31	
(NOK 1,000)	**FY 2023**	FY 2022
Profit or loss for the year	**-79 786**	-262 248
Items that may be reclassified to profit or loss:		
Exchange difference on translation of foreign operations	**7 113**	11 417
Total comprehensive income for the year	**-72 672**	-250 831
Total comprehensive income is attributable to:		
Owners of Pexip Holding ASA	**-72 672**	-250 831

Consolidated Statement of Financial Position

(NOK 1,000)	Notes	**12/31/2023**	12/31/2022
ASSETS			
Non-current assets			
Property, plant and equipment	3,9	**11 580**	29 039
Right-of-use assets	3,10	**42 730**	77 154
Goodwill	11	**598 998**	662 645
Other intangible assets	3,12	**125 516**	178 606
Deferred tax asset	7	**170 629**	169 279
Contract costs	3,18	**299 000**	285 779
Receivables	4,13,19	**1 163**	1 602
Other assets		**2 109**	4 041
Total non-current assets		**1 251 725**	1 408 145
Current assets			
Trade and other receivables	4,13,19	**183 716**	198 727
Contract assets	18	**39 210**	37 233
Other current assets	14	**23 716**	23 326
Cash and cash equivalents	15,19	**522 692**	419 306
Total current assets		**769 334**	678 592
TOTAL ASSETS		**2 021 059**	2 086 736

(NOK 1.000)		**12/31/2023**	12/31/2022
EQUITY AND LIABILITIES			
Equity			
Total equity	16	**1 554 823**	1 596 571
Non-current liabilities			
Borrowings	17,19	**2 190**	16
Lease liabilities	10,19	**31 427**	57 560
Deferred tax liabilities	7	**27 193**	15 388
Other payables	19	**69**	2 526
Total non-current liabilities		**60 879**	75 490
Current liabilities			
Trade and other payables	19,21	**130 374**	148 153
Contract liabilities	18	**255 258**	231 004
Current tax liabilities	7	**3 525**	5 002
Borrowings	17,19	**132**	4 077
Lease liabilities	10,19	**16 069**	26 439
Total current liabilities		**405 357**	414 675
Total liabilities		**466 237**	490 166
TOTAL EQUITY AND LIABILITIES		**2 021 059**	2 086 736

SIGNATURE PAGE

Board of Directors

Oslo, March 20, 2024
Board of Directors and CEO of Pexip Holding ASA

Kjell Skappel
Chair of the Board

Irene Kristiansen
Board Member

Phillip Austern
Board Member

Silvija Seres
Board Member

Geir Langfeldt Olsen
Board Member

Trond K. Johannessen
CEO

Consolidated Statement of Changes in Equity

(NOK 1,000)	Notes	Share capital	Share premium	Other reserves	Translation differences	Retained earnings	Total equity
Balance at January 1, 2022		1 556	2 115 938	86 018	-3 553	-291 770	1 908 191
Profit or loss for the year						-262 248	-262 248
Other comprehensive income for the year					11 416		11 416
Total comprehensive income for the year					11 416	-262 248	-250 831
Capital increase/share issue	16			-270			-270
Buy/sell treasury share	16	-35		-87 404			-87 439
Share-based payments	24			26 920			26 920
Balance at December 31, 2022		1 521	2 115 938	25 265	7 863	-554 018	1 596 571
Balance at January 1, 2023		1 521	2 115 938	25 265	7 863	-554 018	1 596 571
Profit or loss for the period						-79 786	-79 786
Other comprehensive income for the year					7 113		7 113
Total comprehensive income for the year					7 113	-79 786	-72 672
Buy/sell treasury share	16	3		106			109
Share-based payments	24			30 815			30 815
Balance at December 31, 2023		1 523	2 115 938	56 186	14 977	-633 803	1 554 823

Consolidated Statement of Cash Flows

		Year ended December 31	
(NOK 1,000)	Notes	**FY 2023**	FY 2022
Cash flow from operating activities			
Profit or loss before income tax		**-63 532**	-316 786
Adjustments for			
Depreciation, amortization and net impairment losses	9,10,12	**199 112**	115 120
Non-cash - share based payments	24	**36 431**	25 130
Interest income/expenses - net	6	**-16 500**	-3 952
Net exchange differences	6	**-7 942**	-18 656
Other adjustments		**139**	
Change in operating assets and liabilities			
Change in trade, other receivables and other assets	4,13,18,19	**1 354**	-19 134
Change in trade, other payables and contract liabilities	18,19,21	**16 767**	31 688
Interest received	6	**19 004**	7 958
Income taxes paid/refunded	7	**-7 247**	-3 843
Net cash inflow/outflow from operating activities		**177 587**	-182 475
Cash flow from investing activities			
Payment for property, plant and equipment	9	**-16 571**	-21 965
Payment of software development cost	12	**-34 629**	-32 318
Payment for acquisition of subsidiary, net of cash acquired			-56 009
Net cash inflow/outflow from investing activities		**-51 201**	-110 292
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	16,20	**3**	
Repayment of borrowings	17,20	**-4 000**	-1 919
Principal element of lease payments	10,20	**-21 737**	-27 399
Interest paid	6	**-2 505**	-4 006
Sale/(purchase) of treasury shares	16		-87 674
Net cash inflow/outflow from financing activities		**-28 239**	-120 998
Net increase/(decrease) in cash and cash equivalents		**98 148**	-413 766
Cash and cash equivalents start of the period		**419 306**	803 852
Effects of exchange rate changes on cash and cash equivalents		**5 238**	29 219
Cash and cash equivalents end of the period		**522 692**	419 306

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

Pexip is a global technology company that delivers a leading, end-to-end video conferencing platform and digital infrastructure. Pexip offers both the self-hosted software application and as-a-service deployment options for enterprise video conferencing, built on Pexip's proprietary Infinity technology. Both offerings are delivered as a recurring subscription-based model.

The consolidated financial statements of Pexip Holding ASA and its subsidiaries (collectively, the Group) for the year ended December 31, 2023 was authorized for issue by a resolution of the directors on March 20, 2024.

1.1 Adoption of new and revised accounting standards

There are no new or changed standards and amendments for the annual report period commencing on January 1, 2023 relevant for the company.

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

The Group has not early adopted new and revised IFRS standards published but not mandatory for December 31, 2023 reporting periods.

The Group does not expect that the adoption of these Standards will have a material impact on the financial statements in future periods.

Note 2. Accounting principles

2.1 Basis for preparation

The financial accounts for Pexip Holding ASA "the Parent company" together with its subsidiary Pexip AS, and its wholly-owned and controlled subsidiaries, together called "the Group", have been prepared following International Financial Reporting Standards as adopted by the EU(IFRS), relevant interpretations, and the Norwegian Accounting Act.

The consolidated financial statements have been prepared on a historical cost basis, except where IFRS explicitly requires the use of other values.

The Parent company has NOK as its functional currency; the financial accounts are presented in NOK, rounded to the nearest thousand if nothing else is noted. As a result of the rounding differences, it is possible that amounts and percentages do not add up to the total.

2.2 Basis of consolidation

The consolidated financial statements comprise the Parent Company's financial statements and subsidiaries as of December 31, 2023.

Control is established when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power over the entity.

Consolidation is done using the acquisition method and begins when control over the subsidiary is obtained. The consolidation stops when the control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

Intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other equity components, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3 Summary of significant accounting policies

2.3.1 Business combinations and goodwill

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred.
- liabilities incurred to the former owners of the acquired business.
- equity interests issued by the group.
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

On the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for:

- Deferred tax assets or liabilities are recognized and measured under IAS 12 - Income taxes.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree, are measured per IFRS 2 at the acquisition date.
- the value of a reacquired right is recognized as an intangible asset based on the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals when measuring its fair value.

Acquisition-related costs are recognized in profit or loss as incurred.

Contingent consideration is classified either as equity or financial liability. Amounts classified as financial liabilities are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred over the fair value of the net of the acquisition date amounts of the identifiable assets acquired, and the liabilities assumed.

Goodwill arising in a business combination is not amortized. Initially, goodwill is recognized at cost. Thereafter, goodwill is measured at cost less accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The carrying amount of goodwill is tested for impairment at least annually. Impairment losses are recognized directly in profit for the year and are not subsequently reversed.

2.3.2 Foreign currencies

Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Differences in settlement or translation of monetary items are generally recognized in profit or loss.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined.

Non-monetary items that are measured based on the historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively.)

Group companies

The Group's presentation currency is NOK. The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses for each statement of profit or loss and statement of comprehensive income are

translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognized in other comprehensive income

2.3.4 Current versus non-current classification

An asset is classified as current when it is expected to be realized or intended for sale or consumption in the Group's normal operating cycle. It is held primarily to be traded or expected/due to be realized or settled within twelve months after the reporting date. Other assets are classified as non-current.

A liability is classified as current when it is expected to be settled in the Group's normal operating cycle, is held primarily to be traded, the liability is due to be settled within twelve months after the reporting period or if the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.5 Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Revenue from the sale of software licenses

Infinity software licenses are classified as software licenses where the customer is provided with a right to use the software as it exists when made available to the customer. Revenue from distinct software licenses is recognized at the point in time when the software is made available to the customer and the right to use the software has commenced. Most of the Infinity license agreements with customers are annual contracts. Invoices are generated when the license key is made available to the customers (at a point in time), and most invoices are payable within 30 days.

Revenue from the sale of cloud services

Cloud service licenses, "software as a service", entitle the customers to use the Pexip software together with the Group's IP and production network over the contract period. Revenues from the sale of Cloud Services are recognized overtime on a straight-line basis over the license period. Approximately 10% of the Cloud service license agreements with customers are ongoing monthly contracts; the rest are mainly yearly contracts. Invoices are generated monthly or yearly, and most invoices are payable within 30 days.

Partner fees

The Group has a partner program that provides the partner with the right to sell The Group's services. The partner receives support, training and access to the service, and the performance obligations related to partner fees are satisfied on an ongoing basis. Revenue related to partner fees is thus recognized linearly over time.

Most of the partner fees are invoiced, as are annual agreements. Invoices are generated at contract inception and payable within 30 days.

Revenue from the sale of support and maintenance

The Group offers support and maintenance services to its customers. For services related to the software licenses, the performance obligations related to support and maintenance are satisfied on an ongoing basis, and revenue related to the sales of services are thus recognized on a linear basis over time.

Most of the maintenance and support agreements are related to the license period. Proof of concept (POC) is a professional service offered for up to 6 months. Revenue from these contracts is recognized linearly throughout the contract period. The Group also has customers with service contracts of 1-3 months. Revenues related to the sale of services are recognized on a linear basis over time.

Transaction price

The Group determines the transaction price to be the amount of consideration which it expects to be entitled in exchange for transferring the promised goods and services to the customer, net of discounts and sales-related taxes. Sales related taxes are regarded as collected on behalf of the authorities. When the contract includes a variable amount, the Group estimates the amount of consideration expected to receive from the customer using either the expected value method or the most likely method. The method is used consistently throughout the contract. The Group has few contracts with variable consideration.

The Group uses the practical expedient in IFRS 15 not adjust for a financing component. Where applicable, the variable consideration is estimated using the most likely amount method. The estimate is revised and updated every quarter.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Contract balances
Contract balances consist of client-related assets and liabilities. Contract assets relate to consideration for work complete but not yet invoiced at the reporting date. The contract assets are transferred to trade receivables when the right to payment has become unconditional, usually when invoices are issued to the customers.

When a client pays consideration in advance, or an amount of consideration is due contractually before transferring of the license or service. The amount received in advance is presented as a liability. Contract liabilities rep¬resent mainly prepayments from clients for unsatisfied or partially satisfied performance obligations concerning licenses and services.

Contract assets are within the scope of impairment requirements in IFRS 9. For con¬tract assets, the simplified approach is applied, and the expected loss provision is measured at the estimate of the lifetime expected credit losses.

Costs of obtaining or fulfilling contracts with customers
The Group pays sales commission to its employees based on actual sales. Commissions that are incremental costs of obtaining a contract with a customer are recognized as an asset if the costs are expected to be recovered. Subsequently, the asset is amortized on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates. This is usually the expected total contract period and includes expected renewals. The expected contract period is seven and half years for software licenses and about five years for Cloud services. Further information regarding commission and salary is disclosed in note 4.

2.3.6 Government grants
Government grants are recognized with reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an asset, it reduces its carrying amount. The grant is then recognized in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

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

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

The number of options expected to vest at expiry is estimated on the initial recognition of share options. Subsequently, the estimated number of vested options is revised for changes so that the total recognition is based on the actual number of vested options.

The fair value of the options granted is estimated using the Black-Scholes model with the parameters stated in *note 24.*

The dilutive effect of outstanding options is reflected as additional share dilution in diluted earnings per share (further details are given in *note 8*).

Termination benefits
Termination benefits are payable when employment is terminated by the group before normal retirement date, or when the employee accepts voluntary redundancy in exchange for these benefits. The group recognized termination benefits at the earliest of a) when the group no longer can withdraw the offer of termination benefits and b) when the Group recognizes a restructuring cost according to IAS 37 that involves termination benefits. In the case where not all employees have signed a termination contract as of reporting period, Pexip will measure the remaining termination benefits based on expected number of employees that will accept the offer.

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

Intangible assets with finite useful lives are amortized straight-line over their estimated useful lives. The amortization expense is recognized in the statement of profit or loss. The estimated useful life and amortization method is reviewed at the end of each reporting period, with the effect of any changes on estimates being accounted for on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the asset's carrying amount. They are recognized in the statement of profit or loss when the asset is derecognized.

The estimated useful lives of intangible assets are as follows:

- Software: 5 years
- Client contracts: 5 years
- Trademarks: 5 years

Research and development costs

Development expenditures are capitalized only when the criterion for recognition is met, i.e., that it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, management has committed itself to complete the asset, the technical feasibility of completing the asset has been demonstrated, and the cost can be measured reliably. The assets are amortized over their expected useful life once the assets are available for use. During the period of development, the asset is tested for impairment annually. Development costs that do not meet the criteria for capitalization are expensed as incurred.

2.3.9 Property, plant, and equipment

Tangible assets are recorded at historical cost, less accumulated depreciation, and possible impairment. Depreciation is recorded on a straight-line basis over the estimated useful life of an asset, which is as follows:

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

Gains or losses on the disposal of tangible assets are included in the statement of profit or loss. The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

2.3.10 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease at the contract's inception.

The Group recognizes a right-of-use asset and a corresponding lease liability concerning all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the lease term. The Group presents interest expense on lease liabilities under finance expenses and the depreciation charge on the right-of-use asset under depreciation and amortization in the profit and loss statement.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings: 2-10 years
- Equipment: 3-5 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section *2.3.11 Impairment of intangible assets and property, plant, and equipment.*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

At the commencement date, the Group assesses whether they are reasonably certain to exercise an option to extend the lease or purchase the underlying asset or not to exercise an option to terminate the lease. This assessment is reflected in the initial measurement of the lease contract.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

The lease liability and right-of-use asset are presented as separate lines in the consolidated statement of financial position.

2.3.11 Impairment of intangible assets and property, plant, and equipment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher asset's fair value, lower disposal costs, and value in use. To assess impairment, assets are grouped at the lowest levels. There are separately identifiable cash inflows largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have historically been impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Disclosures relating to impairment testing are found in *note 11*.

2.3.12 Taxes

The period's income tax expense or credit is the tax payable on the current period's taxable income, based on each jurisdiction's applicable income tax rate, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences, and unused tax losses.

Current income tax

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns regarding situations in which applicable tax regulation is subject to interpretation. Management establishes appropriate provisions based on amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between assets and liabilities' tax bases and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they emerge from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize the temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. The deferred tax balances relate to the same taxation authority. Existing tax assets and tax liabilities are offset. The entity has a legally enforceable right to offset and intends to settle on a net basis or realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in the income statement, except that it relates to items recognized in other comprehensive income or directly in equity.

2.3.13 Financial instruments

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value plus transaction costs in the case of a financial instrument not at fair value through profit or loss.

The Group has classified its financial instruments as either measured at amortized cost or fair value through profit or loss for subsequent measurement. The classification depends on the Group's business model for managing them and the contractual cash-flow characteristics of the instrument.

At amortized cost, financial assets are held to collect the contractual cash-flow and where the cash-flows are solely payments of principal and interest on the outstanding principal. The category is included in the consolidated statement of financial position financial line items Trade and other receivables (current and non-current), Other assets, Other current assets and cash and cash equivalents. Non-current assets are measured at amortized cost using the effective interest method, reduced by any impairment loss. Due to their short-term nature, the carrying amounts of line items classified as current are assumed to be the same as their fair values. Short-term loans and receivables are for practical reasons not amortized unless the effect is material.

The category financial liabilities at amortized cost are included in the consolidated statement of financial position line items Borrowings (current and non-current), and Trade and other payables. Non-current financial liabilities are measured at amortized cost using the effective interest method. Effective interest is recognized in the income statement as financial expenses. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan. Borrowings and trade and other payables are removed from the balance sheet when the obligation in the contract is discharged. Current items in the category are for practical reasons not amortized unless the effect is material.

Financial assets are derecognized when the contractual rights to the cash flow from the financial asset expire, and the Group has transferred substantially all the risks and rewards of ownership. If it is not apparent that the entity has transferred or retained all risks and rewards substantially, the Group evaluates by comparing the entity's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows on the transferred asset. In the securitization facility agreement to which the group is a party, the receivables are derecognized (see note 13).

Financial liabilities are derecognized when the obligation is discharged, cancelled or expires. Any rights and obligations created or retained in such a transfer are recognized separately as assets or liabilities.

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL for trade receivables and contract assets. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past status in terms of the provision matrix.

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and an intent to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The fair value of financial instruments

The fair value of financial instruments is based on quoted prices as at the balance sheet date in an active market if such markets exist. If an active market does not exist, fair value is established using valuation techniques that are expected to provide a reliable estimate of the fair value.

Financial instruments measured at fair value are classified according to the valuation method:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Valuation based on inputs other than quoted prices included within level 1 observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Valuation based on the asset or liability inputs that are unobservable market data.
If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

Changes in fair value are presented in profit or loss in the line-item Financial expenses.

2.3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks.

2.3.15 Cash flow statement

The Group presents the statement of cash flows using the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include cash and non-cash line items. Interest paid is classified as cash flows from financing activities and interest received as cash flows from operating activities.

2.3.16 Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued and excluding treasury shares.

Diluted earnings per share

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

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.3.17 Contributed Equity

Equity is presented as a single line item in the balance sheet and is disclosed in the statement of changes in Equity showing the reconciliation of changes for each component of contributed Equity.

The components presented are the Groups share capital and premium, other reserves, translation differences and retained earnings. Other reserves includes transactions related to shares such as treasury shares, share based payments and similar transactions. The Group has chosen to present share capital as only the external owned shares.

2.4 Significant accounting judgements, estimates and assumptions

Judgements

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

Determining the lease term of contracts with renewal options – Group as lessee

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

The Group applies judgement in evaluating whether it is reasonably sure to exercise the option to extend. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise or not to exercise the option.

The Group has not included the renewal period as part of the lease term for the office lease as the options are not reasonably certain to be exercised. Refer to note 10 for information on potential future rental payments relating to periods following the exercise date of the extension option that is not included in the lease term.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of assets

The Group has investments in intangible assets such as customer contracts and internally generated software, Goodwill, and Right-of-Use Assets (ROU assets). Before each quarterly report, all assets are assessed for any indication of impairment. If such movement exists, the Group estimates the asset's recoverable amount according to IAS 36.

Factors that indicate impairment include significant underperformance in revenue-generating operation relative to historical data and future projections, substantial changes in the use of the asset or any malfunctions, substantial changes in the market and economy, in general, affecting the future economic benefit of the asset and significant fall in market values.

Regardless of any indication of impairment, Goodwill and internally generated intangible assets not yet in use are tested for impairment in the fourth quarter of the year (Q4). Refer to note 11 for sensitivity analysis of the impairment test.

The recoverable amount of an asset is the higher its fair value, less cost of disposal, and its value in use. Value in use is the present value of the future cash flows expected from an asset. This valuation consists of different estimates that the Group makes, such as estimates of the future cash flows the entity expects to derive from the asset, expectations about possible variations in the amount or timing of those future amounts, time value of money and other relevant factors. All estimates are based on reasonable, relevant, and supportable information and represent the management's best estimate.

Deferred tax assets from tax losses

Deferred tax asset is recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilized. The Group has projected future taxable profits pr jurisdiction for which the tax losses can be utilized based on approved budgets and forecasts. Refer to note 7 for further disclosures.

Note 3 - Revenue and segment information

(NOK 1,000)

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

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

Disaggregation of revenue

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

Full year 2023

	EMEA[1]	Americas	APAC[2]	Total
Pexip as-a-Service	245 915	187 456	25 279	458 651
Self-hosted Software	255 567	229 062	50 302	534 931
Total revenue	**501 482**	**416 519**	**75 582**	**993 582**

Full year 2022

	EMEA[1]	**Americas**	**APAC[2]**	**Total**
Pexip as-a-Service	235 619	146 790	25 773	408 181
Self-hosted Software	236 286	170 156	52 433	458 875
Total revenue	471 905	316 946	78 206	867 056

Timing of revenue recognition

	2023	**2022**
Products and services transferred at a point in time	413 130	368 629
Products and services transferred over time	580 452	498 426
Total revenue	**993 582**	**867 056**

[1] Europe, Middle East and Africa

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

Information about major customers

The Group conducts its sales through channel partners. Of the Group's total channel partner base per 2023, the five largest represent approximately 26% of total revenue (28% for FY 2022), and the ten largest represent approximately 41% (40% for FY 2022). No channel partner represent more than 10% of the Group's revenue.

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.

	12/31/2023	12/31/2022
Norway	232 221	328 338
Europe (other than Norway)	98 706	95 155
Americas	118 625	116 276
APAC	29 275	30 808
Total non-current operating assets	**478 826**	**570 578**

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

Note 4 - Salary and personnel expense and management remuneration

(NOK 1,000)

	2023	2022
Wages and salaries	388 776	515 401
Social security tax	67 454	71 581
Commission and bonus employees	115 271	86 766
Share-based payment expense (note 24)	36 431	25 130
Pension costs (note 23)	38 875	45 639
Other personnel cost	9 901	15 255
Salary cost capitalised	-35 273	-40 084
Total	**621 435**	**719 687**

Average number of labour-years employed during the year	354	516

Commission employees

Commission cost has increased due to change of accounting and cost principle in Q2 2022, recognizing all in-direct sales commissions as cost immediately

Loan to employees

The Group provided unsecured loans to employees of NOK 50.6 thousand at December 31, 2023 (2022: NOK 192 thousand). The repayment schedule is 2 years and the interest rate is 2%.

Management remuneration

The remuneration to management is disclosed in the management remuneration report for 2023.

Bonus agreements and severance pay

The bonus scheme and severance pay for Group management is disclosed in the management remuneration report for 2023.

Remuneration to board of directors in the parent company

The remuneration to board of directors is disclused in the management remuneration report for 2023.

Share option plan

The Group has share-based payment programs to employees. The share option plan is further presented in note 24.

An overview of management share options is disclused in the management remuneration report for 2023.

Note 5 - Other operating expenses

(NOK 1,000)

	2023	2022
Sales and marketing	27 655	55 891
Computers and software	45 765	53 243
Fees for external services	48 718	62 901
Travel expenses	15 228	23 820
Other operating expenses	18 526	41 047
Other lease expense	3 989	642
Total	**159 880**	**237 544**

Auditor's fees

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

	2023	2022
Statutory audit	4 047	4 506
Other assurance services		121
Total	4 047	4 627

Note 6 - Financial Income and expenses

(NOK 1,000)

	2023	2022
Interest income	19 004	7 958
Other financial income	190	1
Financial income	**19 194**	**7 958**
Interest expense	-631	-900
Interest expense on lease liabilities (note 10)	-2 020	-3 106
Other financial expenses	-56	-598
Financial expenses	-2 707	-4 604
Net foreign currency gains and losses	16 737	40 264
Net financial income(expense)	33 224	43 619

Note 7 - Income tax expense

(NOK 1,000)

Specification of income tax expense:	2023	2022
Current tax on profits for the year	4 656	4 992
Changes in deferred tax	10 482	-59 590
Adjustments for current tax of prior periods	1 116	61
Tax on profit/(loss)	16 253	-54 538

Reconciliation from nominal to effective income tax rate:	**2023**	**2022**
Profit/(loss) before tax	-63 532	-316 786
Estimated income tax according to nominal tax rate of 22 %	-13 977	-69 693
Effect from different tax rate in other countries	-1 070	-1 054
Effect of changes in tax rules and rates	-279	-184
Non-deductible expenses	9 310	-19 803
Non-taxable income	-639	24 852
Share-based payment expenses	6 217	
Change in unrecognised deferred tax assets	14 573	8 716
Adjustments for prior period tax	188	
Other items	1 930	2 629
Income tax expense	16 253	-54 538
Effective income tax rate	-26%	17%

Changes in tax rate

There are no material changes in tax rates in the Group for 2023

Deferred tax balances:	**12/31/2023**	**12/31/2022**
Deferred tax assets:		
Tax losses	212 006	211 324
Tangible and intangible assets	-6 878	-11 651
Receivables	1 034	1 193
Contract liabilities	34 373	26 947
Current and non-current liabilities	4 229	13 457
Set-off tax	-36 106	-47 630
Net deferred tax assets after set-off	208 657	193 640
Unrecognised deferred tax assets	-38 028	-24 361
Net deferred tax assets	170 629	169 279
Deferred tax liabilities:		
Tangible and intangible assets	63 299	63 018
Set-off tax	-36 106	-47 630
Net deferred tax liabilities	27 193	15 388

Deferred tax assets Movements	Tax losses	Contract liabilities	Current and non-current liabilities	Other	Total
At January 2023	**211 324**	**26 947**	**13 457**	**-10 458**	**241 270**
(Charged)/credited					
- to profit or loss	-12 985	7 426	-9 229	4 614	-10 173
- not recognized	13 667				13 667
At December 2023	**212 006**	**34 373**	**4 229**	**-5 844**	**244 764**

Deferred tax liability Movements	Tangible and intangible assets	Current assets	Contract liabilities	Other differences	Total
At January 2023	63 018				**63 018**
(Charged)/credited					
- to profit or loss	281				281
At December 2023	**63 299**				**63 299**

Utilisation of taxable temporary differences are assessed by taxation authority and by taxable entity if the temporary differences can't be utilised across different entities within the same taxation authority. As of December 31, 2023 and 2022 a deferred tax asset is recognised for all the individual taxation authorities where the Group conduct business, with the exception for Pexip Belgium.

The deferred tax asset is included in the balance sheet based on an assessment of the probability that sufficient taxable profit will be available in the future to allow the deferred tax asset to be utilised.

Deferred tax assets on tax losses arising in Norway, the US and UK, in total NOK 177.7 million as at December 31, 2023 (2022: NOK 191.2 million) have been recognised based on the same assessment of the probability for sufficient taxable profit in the future.

Temporary differences relating to the Pexip Belgium for which deferred tax assets have not been recognised was in the amount of NOK 38.0m in 2023 (2022: 24.3m).

Tax losses carried forward	12/31/2023	12/31/2022
Expire (2035 and forward)	5 177	20 354
Never expires	924 762	885 170
Total tax losses carried forward	929 939	905 525
Tax losses for which deferred tax asset is recognised	784 156	801 691
Tax losses for which no deferred tax asset is recognised	145 783	80 516
Potential tax benefit from unrecognized assets	36 446	20 129

Tax losses incurred in the US after January 1, 2018 do not expire, but are limited to 80% usage in one year. Tax losses carried forward from the US business with no expiration date amount to NOK 53.8 million at December 31, 2023 (December 31, 2022: NOK 43.8 million). The expiring tax losses have priority over the never-expiring losses and are used earliest-first. The main part of the losses carried forward is from Pexip Holding ASA (NOK 149.9 million) and Pexip AS (NOK 553.2 million).

Note 8 - Earnings per share

(NOK 1,000)

Earnings	2023	2022
Earnings for the purpose of basic earnings per share being net profit attributable to the owners of the company	-79 786	-262 248
Effect of dilutive potential ordinary shares		
Earnings for the purpose of diluted earnings per share	-79 786	-262 248
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	101 343 895	101 495 376
Effect of dilutive potential ordinary shares:		
Share options	922 946	122 044
Weighted average number of ordinary shares for the purpose of diluted earnings per share	102 266 841	101 617 420
Earnings per share		
Basic earnings per share	-0.79	-2.58
Diluted earnings per share	-0.79	-2.58

	12/31/2023	12/31/2022
Overview of outstanding share options		
Share-based payments awards (refer to note 24)	8 730 775	5 252 950
Option over own equity instruments (refer to note 21)		
Total options and RSUs outstanding	**8 730 775**	**5 252 950**

Dilutive potential ordinary shares of 922,946 for 2023 (2022: 122,044) differs from total outstanding options at December 31, 2023 (and December 31, 2022). The main reasons for this is that potential ordinary shares used to calculated diluted earnings per share are a weighted average for the year, the use of the treasury method when calculating dilutive potential ordinary shares and that the options over own equity instruments are anti-dilutive.

Note 9 - Property, plant & equipment

(NOK 1,000)

	Plant and machinery	Fittings and fixtures	Total
Acquisition cost January 1, 2022	18 754	41 791	60 643
Additions	2 545	6 755	9 300
Exchange differences	1	0	2
Acquisition cost December 31, 2022	21 300	48 547	69 945
Additions	3 564	2 464	6 027
Disposals cost	-1 995	-2 923	-4 919
Reclassification between categories	15 875	-15 875	
Exchange differences	791	1 885	2 579
Acquisition cost December 31, 2023	39 534	34 098	73 632
Accumulated depreciation and impairment losses January 1, 2022	9 493	14 939	24 404
Depreciation for the period	6 089	10 207	16 295
Exchange differences	1	-1	1
Accumulated depreciation and impairment losses December 31, 2022	15 582	25 146	40 700
Depreciation for the period	8 022	14 393	22 415
Disposals	-1 818	-265	-2 083
Reclassification between categories	10 982	-10 982	
Exchange differences	614	378	992
Accumulated depreciation and impairment losses December 31, 2023	33 381	28 671	62 052
Carrying value at December 31, 2022	5 717	23 402	29 039
Carrying value at December 31, 2023	6 153	5 427	11 580

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

Property, plant and equipment was pledged as security for liabilities in 2022, this obligation is resolved by the end of 2023.

Note 10 - Leases

(NOK 1,000)

Set out below are the carrying amount of right-of-use assets recognised and the movements during the period:

	Land and Buildings	Plant and machinery	Total
As at January 1, 2022	**95 779**	**7 583**	**103 362**
Additions (new leases)	2 757	438	3 195
Adjustments	-6 852		-6 852
Depreciation expense	-21 543	-2 418	-23 961
Exchange differences	1 273	138	1 411
As at December 31, 2022	**71 413**	**5 741**	**77 154**
Additions (new leases)	4 859	135	4 994
Adjustments	-19 518		-19 518
Depreciation expense	-21 240	-905	-22 145
Exchange differences	2 051	195	2 245
As at December 31, 2023	**37 564**	**5 166**	**42 730**
Lower of remaining lease term or useful life	2-10 years	3-5 years	
Depreciation method	Linear	Linear	

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023	2022
As at January 1	83 999	113 527
Additions (new leases)	4 994	3 195
Adjustments	-20 238	-6 859
Principal element of lease payments	-21 737	-27 399
Exchange differences	477	1 536
As at December 31	**47 495**	**83 999**

Maturity analysis of lease liabilities	12/31/2023	12/31/2022
Less than 6 months	6 953	12 525
6-12 months	9 453	12 717
1-2 years	12 836	20 725
2-5 years	20 646	32 273
Over 5 years	963	10 199
Total face value	**50 853**	**88 440**
Carrying amount	**47 495**	**83 999**
Current	16 069	26 439
Non-current	31 427	57 560

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

	2023	2022
Depreciation expense for the right-of-use asset	22 145	23 942
Interest expense on lease liabilities	2 015	2 896
Exchange difference (included in OCI)	288	66
Exchange difference (included in financial income)	69	1 536
Expense related to short-term leases (included in other operating expenses)	3 989	625
Total amount recognised in profit or loss	**28 507**	**29 065**

The Group had total cash outflows for leases of NOK 29.9 million in 2023 (NOK 30.9 million in 2022).

An incremental borrowing rate (IBR) of Nowa + 3% has been applied on all new leases during the 2023 accounting year. We have selected Nowa as the risk-free rate as a starting point to determine the IBR. We have also chosen to apply a constant financing spread adjustment of 3% to a portfolio of leases with reasonably similar characteristics (such as leases with a similar class of underlying assets). This approach will change if we observe the material differences in financing costs in the specific region we operate.

Refer to note 2,3,10 for a summary of significant accounting policies and note 2,4 for significant accounting judgements, estimates and assumptions for the Group leases.

Extension and purchase options

The Group's lease of lands and buildings have lease terms that vary from initially 12 months to 10 years, and some agreements involve a right of renewal which may be exercised during the last period of the lease term. The Group assesses whether it is reasonably certain to exercise the renewal right at the commencement date. Most of the leases are one year leases with renewal options. The lease contract with longer durations does not have any renewal options. The Group's potential future lease payments not included in the lease liabilities related to extension options is NOK 6.2 million (gross) on December 31, 2023 (NOK 14.8 million on December 31, 2022).

Pexip has entered into a lease with commencement date in january 2024 that is not recognised in lease liability. The value of this lease liability is NOK 8.5 million and the duration is 69 months.

The Group leases plant and machinery with 3 to 5 years lease terms. These contracts include a right to purchase the asset at the end of the contract term. The Group assesses whether it is reasonably certain to exercise the purchase option at the commencement date. The Group has estimated that all the purchase options will be exercised. No potential future lease payments are included in the lease liabilities related to purchasing options on December 31 in 2023 and 2022.

Note 11 - Goodwill
(NOK 1,000)

	12/31/2023	12/31/2022
Carrying amount of Goodwill January 1st	662 645	662 645
Impairment of Goodwill	-63 647	
Carrying amount of Goodwill December 31st	598 998	662 645

The carrying amount of goodwill in the Group amounts to NOK 599 million as of December 31, 2023. Goodwill is derived from the acquisition of Videxio AS (599 million), which was completed in 2018. Goodwill is tested on an aggregate (Group) level since the synergies stemming from the business combination will materialize on the group level that means that there is only one single CGU. During 2023 the goodwill related from the acquisition of Skedify B.V. in 2021 was considered impaired, leading to the reduction in goodwill during 2023.

Goodwill is tested for impairment annually or more frequently if there are indications that goodwill might be impaired, and has been assessed on a quarterly basis through 2023. Testing was most recently conducted in Q4 2023 based on the updated business plan for the company at this time and the balance sheet per 30 September 2023. The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax, using a discount rate reflecting the timing of the cash flows and the expected risk.

Assumptions

Future cash flows
Revenue development and operating profits are estimated based on past performance and management expectations for 2024 to 2028. The expectations for the overall economic conditions and market outlook are in line with industry analysts, expecting continued strong growth within the collaboration market. The forward-looking revenue assumptions are overall in line with 2023, as are the assumption on cost development. These are in line with the stated strategy and current financial targets of the company. Capital investments and depreciation are estimated to align with historic values relative to revenues.

Pre-tax discount rate
Cash flows were discounted to a weighted average cost of capital (WACC) corresponding to 11.42% (before tax) (2022: 11.27%). The asset beta is based on the average of peer companies in the segment with a small company premium. The risk-free interest rate applied is the the daily observable rate for the 10-year Norwegian government bonds, dated 11 December, i.e. the date of board approval of the 2024-2028 business plan. The long-term optimal weight of equity of 95% is used in WACC calculation.

Growth rate
The expected growth in revenue is based on historical performance as well as the expected future development in line with the Company's approved business plan. This includes management's best estimate of cash flows for the next 5 years. Cash flows beyond the five-year forecast period have been extrapolated using a steady 2.934% per annum growth rate, in line with previous years.

Sensitivity analysis
Review for the CGU indicated that the recoverable amount exceeds carrying value by NOK 907 million at the balance sheet date. The Group has prepared a sensitivity analysis of the impairment test for key assumptions: terminal growth rate, discount rate and EBITDA change.

The following changes in key assumptions, in isolation, would result in recoverable amount being close to equal to the carrying amount of goodwill. Change in one of the key assumptions may impact the development of others, however, due to the significant uncertainties and judgement in determining such dependency, this has not been done.
The sensitivities, which result in the recoverable amount being equal to the carrying value, are summarized below:

- an absolute increase in the WACC of 7.87%, from 11.42% to 19.29%, or
- an absolute reduction of 6.55 percentage points in the business plan growth rate and perpetual growth rate, from perpetual growth of 2.93% to growth of -3.62%, or
- a reduction of 42% in the forecasted EBITDA.

Changes beyond those described may thus lead to a impairment situation.

An alternative way to assess the sensitivity of key assumptions is to assess the potential impairment need from a negative development in the key assumptions. For 2023 the company's standard sensitivity ranges (+- 4% for growth and WACC, +- 40% for EBITDA) does not lead to the carrying amount of goodwill exceeding the recoverable amounts.

Impairment of Goodwill related to Skedify acquisition
The Goodwill from Skedify has been assessed against a single, company-wide Cash Generating Unit together with the rest of the Pexip goodwill since the acquisition in 2021, and including at the time of the impairment test above. At the end of Q4 2023 the company changed strategy and executed a cost reduction in the Pexip Engage business area, which will manage the unit as a stand-alone business and have a positive contribution to overall cash flow and profitability. While this improves the short-term results, it may have a negative impact on the future growth of the business unit, and due to this management finds it prudent to impair the value of the goodwill related to the Skedify acquisition.

Skedify was acquired on November 8, 2021, with part of the acquisition amount being accounted for as goodwill of NOK 63.6 million. Further details on this can be found in the 2021 Annual Accounts. The impairment of goodwill of NOK 63.6 million has been recognized in the P&L for 2023, reducing Non-current assets with the same amount.

Note 12 - Intangible assets

(NOK 1,000)

	Software	Customer contracts	Patents	Re-aquired rights	Total
Acquisition cost January 1, 2022	210 265	63 214	238	5 354	279 071
of which internally generated	*127 512*				*127 512*
Additions *(internally generated)*	37 068				37 068
Additions	82 629				82 629
Government grants	-4 750				-4 750
Acquisition cost December 31, 2022	325 212	63 214	238	5 354	394 018
of which internally generated	*159 830*				*159 830*
Additions *(internally generated)*	39 406				39 406
Additions	1 095				1 095
Translation differences	3 741				
Disposal	-20 166				-20 166
Government grants	-4 750				-4 750
Acquisition cost December 31, 2023	344 538	63 214	238	5 354	409 603
of which internally generated	*194 487*				*194 487*

	Software	Customer contracts	Patents	Re-aquired rights	Total
Accumulated amortisation and impairment losses January 1, 2022	107 528	27 030	238	5 354	140 151
of which internally generated	*52 595*				*52 595*
Amortisation of internally generated assets	35 732				35 732
Amortisation of other assets	23 582	15 947			39 529
Impairment		-377			-377
Accumulated amortisation and impairment losses December 31, 2022	166 842	42 600	238	5 354	215 034
of which internally generated	*88 327*				*88 327*
Amortisation of internally generated assets	31 235				31 235
Amortisation of other assets	43 855	15 554			59 410
Translation differences	1 938				1 938
Disposal	-19 790				-19 790
Accumulated amortisation and impairment losses December 31, 2023	224 081	58 154	238	5 354	287 827
of which internally generated	*119 562*				*119 562*
Carrying value as at January 1, 2022	102 737	36 184			138 921
of which internally generated	*74 917*				*74 917*
Carrying value as at December 31, 2022	157 993	20 614			178 606
of which internally generated	*71 503*				*71 503*
Carrying value as at December 31, 2023	120 457	5 060			125 516
of which internally generated					

Estimated useful life and amortisation plan is as follows:					
Useful life	5 years	5 years	5 years	1 year	
Amortisation plan	straight-line	straight-line	straight-line	straight-line	

The development expenditures that do not meet the criteria for capitalisation are recognised as salary and personnel expenses and other operating expenses in profit and loss. The aggregate employee cost within software and product development, operations and support for 2023 which is not capitalized is NOK 143.5 million (2022: NOK 165,43 million).

The Group has received government grants related to development of software of NOK 4,75 million in 2022 and NOK 4,75 million in 2023. The grants have been subtracted from the carrying amount of internally generated software.

Note 13 - Trade and other receivables

(NOK 1,000)

	12/31/2023	12/31/2022
Trade receivables	181 829	195 764
Provisions for bad debt	-4 593	-5 413
Public taxes and funds	6 383	7 353
Other current receivables	96	1 022
Total current trade and other receivables	**183 716**	**198 727**
Deposits	2 252	1 680
Total non-current trade and other receivables	**2 252**	**1 680**

Aging of trade receivables	12/31/2023	12/31/2022
Current	138 409	131 610
1-30 days past due	27 565	28 793
31-60 days past due	4 723	11 169
61-90 days past due	1 383	9 477
More than 90 days past due	9 750	14 716
Less provision for bad debt	-4 593	-5 413
Total	**177 236**	**190 351**

Movements in the provision for impairment of trade receivables	2023	2022
Opening balance provision for bad debt as at January 1	5 413	4 684
Change in provision for the year	1 412	6 083
Receivables written off during the year	-2 246	-5 479
Translation differences	14	125
Closing balance provision for bad debt as at December 31	4 593	5 413

Note 14 - Other current assets

(NOK 1,000)

	12/31/2023	12/31/2022
Other prepayments	18 996	23 326
Other current assets	4 721	
Total	**23 716**	**23 326**

Note 15 - Cash and cash equivalents

(NOK 1,000)

	12/31/2023	12/31/2022
Bank deposits	522 692	419 306
Total cash and cash equivalents	**522 692**	**419 306**

Restricted cash

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

	12/31/2023	12/31/2022
Taxes withheld	6 515	9 119
Total restricted cash	**6 515**	**9 119**

As of December 31, 2023, NOK 4,815 is held as a bank guarantee at DNB bank for the lease contract with Mustad Eiendom AS regarding rental of offices in Lysaker.

Note 16 - Share capital, shareholder information and dividend

(NOK 1,000)

The Parent Company's registered share capital as at December 31, 2023 was NOK 1,566 thousand, divided into 104,429,671 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights. The parent company holds treasury shares of 2,842,867 making the presented share capital NOK 1,524 thousand.

The Parent Company's registered share capital as at December 31, 2022 was NOK 1,566 thousand divided into 104,429,671 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights. The parent company held treasury shares of 3,032,968 making the presented share capital NOK 1,521 thousand.

Development in the number of issued and outstanding shares

	Number of shares (1,000)	Share capital (1,000)
Outstanding at January 1, 2023	104 430	1 566
Outstanding at December 31, 2023	**104 430**	**1 566**

Treasury shares

	Number of shares (1,000)
Outstanding at January 1, 2023	3 033
Employee share scheme issue	-190
Outstanding at December 31, 2023	**2 843**

Ownership structure

The 20 largest shareholders as of December 31, 2023:

	Shares	Ownership
HOLMEN SPESIALFOND	10 220 040	9.79%
T.D. VEEN AS	6 146 946	5.89%
BJØBERG EIENDOM AS	4 025 775	3.86%
PEXIP HOLDING ASA	2 842 867	2.72%
VERDIPAPIRFONDET DNB SMB	2 177 220	2.08%
VEEN EIENDOM AS	2 133 496	2.04%
STAVANGER VENTURE AS	2 061 063	1.97%
A HOLDINGS AS	2 010 000	1.92%
SYNESI AS	2 000 000	1.92%
XFILE AS	1 850 000	1.77%
Avanza Bank AB	1 842 946	1.76%
J.P. MORGAN SECURITIES PLC	1 764 958	1.69%
Skandinaviska Enskilda Banken AB	1 681 000	1.61%
GILES CHAMBERLIN	1 516 101	1.45%
The Bank of New York Mellon SA/NV	1 492 827	1.43%
CARABACEL AS	1 413 064	1.35%
LIA INVESTMENTS LIMITED	1 351 252	1.29%
SIRIUS AS	1 240 000	1.19%
PEBRIGA AS	1 157 730	1.11%
Tamorer ltd ATF Wylie Family Trust	1 118 748	1.07%
Total top 20 shareholders	50 046 033	47.92%
Others	54 383 638	52.08%
Total	104 429 671	100%

Number of shares owned or controlled directly or indirectly by the Management Group and Board of Directors at December 31, 2023:

Persons discharging managerial responsibilities	Shares	Ownership
Kjell Skappel (Chair of the Board)	10 341 505	9.90%
Irene Kristiansen(Board Member)	150 000	0.14%
Geir Olsen (Board Member)	978 312	0.94%
Phillip Lester Austern (Board Member)	100 000	0.10%
Silvija Seres (Board Member)	0	0.00%
Trond Johannessen (CEO)	115 000	0.11%
Ian Mortimer (CTO)	54 667	0.05%
Patricia Auseth (CMO)	17 210	0.02%
Åsmund Fodstad (CRO)	797 275	0.76%
Ingrid Woodhouse (CPO)	45 280	0.04%
Øystein Hem (CFO)	140 968	0.13%
Helge Hansen (CPO)	4000	0.00%
Total	**12 744 217**	**12.20%**

Dividend paid and proposed

Proposal for approval at AGM for financial year 2023 is that NOK 1.1 per share is paid as a dividend.

Note 17 - Borrowings

(NOK 1,000)

	Interest rate	Year of maturity	12/31/2023	12/31/2022
Loan from Innovasjon Norge	3.70%	2024		
Other borrowings	2.0%	2026	2 190	16
Total long-term debt			2 190	16
Loan from Innovasjon Norge	3.70%	2023		4 000
Other borrowings			132	77
Total short-term debt			132	4 077

The leasing liabilities are presented separately in note 10 - Leases

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

Pledged as security

The Group's loans to Innovasjon Norge are secured borrowings and were fully down paid in 2023. The Group did not have any assets pledged as collateral as of year ending 2023. The carrying amount of assets pledged as collateral in 2022 was NOK 219.4 million

Note 18 - Contract costs, contract assets and contract liabilities

(NOK 1,000)

Contract assets	2023	2022
Balance at January 1	37 233	17 431
Additions	39 210	37 252
Reclassifications to accounts recievables	-37 233	-17 450
Balance at December 31	39 211	37 233

Contract assets represent recognized revenue that has not yet been invoiced, and are presented as other current assets. Refer to note 14.

Contract liabilities	2023	2022
Balance at January 1	231 004	202 302
New contract liabilities	220 344	203 747
Revenue recognised from liability opening balance	-196 091	-175 045
Balance at December 31	255 258	231 004

For impairment of contract assets the simplified approach is used and the expected loss provision is measured at the estimate of the lifetime expected credit losses. The provision matrix is disclosed in note 21 - Financial risk. In accordance with the provision matrix no loss allowance or impairment is recognised for contract assets in 2023 or 2022.

Contract costs	2023	2022
Balance at January 1	285 778	262 076
Additions	86 860	74 581
Depreciated during the year	-83 944	-69 583
Translation differences	10 307	18 705
Balance at December 31	299 000	285 778

Contract assets and liabilities

Of the contract liabilities as of December 31, 2022, NOK million 196 has been recognized as revenue in 2023 (2022: NOK million 175) corresponding to 85% (2022: 87%) of the contract liability the preceding year end. The increase of the contract liability in 2022 and 2023 is mainly due to increase in sales.

Of the contract assets as of December 31, 2023, NOK million 37 is reclassified to accounts receivables in 2023 (2022: NOK million 17.5). The increase in contract asset to NOK million 39 in 2023 (2022: NOK million 37) is mainly due to increase in sales.

The definition of contract assets and contract liabilities, together with a description of the relevant accounting principles can be found under the headline Contract balances in the description of the group's accounting principles (section 2.3.5).

Contract costs

The definition of contract costs, together with a description of the relevant accounting principles can be found under the headline Costs of obtaining or fulfilling contracts with customers in the description of the group's accounting principles (section 2.3.5).

In 2023, amortization of contract costs amounting to NOK million 82 was recognized as part of salary and personnel expenses and NOK million 2 as cost of sale. For 2022 the amounts were NOK million 67.5 and NOK million 2 respectively.

Note 19 - Categories of financial assets and financial liabilities

(NOK 1,000)

Financial assets		12/31/2023	12/31/2022
Financial assets at amortised cost:			
	Cash & cash equivalents (note 15)	522 692	419 306
	Trade and other receivables (note 13)	183 716	198 727
	Total	**706 407**	**618 033**

Financial liabilities		12/31/2023	12/31/2022
Liabilities at amortised cost:			
	Borrowings (note 17)	2 323	4 093
	Trade and other payables	130 374	119 665
Lease liabilities (note 10)		47 495	83 999
	Total	**180 192**	**207 757**

Non-financial assets and liabilities are excluded from the table.

Note 20 - Reconciliation for liabilities arising from financing activities

(NOK 1,000)

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Liabilities from financing activities		
	Borrowings (Note 17)	Lease liabilities (Note 10)	Total
Net debt as of January 1, 2022	6 000	113 527	119 527
Financing cash flows	-1 907	-27 399	-29 306
New leases/lease modifications		-3 657	-3 657
Foreign exchange adjustments		1 529	1 529
Other changes			
- Interest expense	-900	-3 106	-4 006
- Interest payments	900	3 106	4 006
Net debt as of December 31, 2022	4 093	83 999	88 092
Financing cash flows	-4 000	-21 737	-25 737
New leases/lease modifications		-15 244	-15 244
Foreign exchange adjustments	543	477	1 021
Other changes			
- Interest expense	-484	-2 020	-2 505
- Interest payments	484	2 020	2 505
Transfer between accounts*	1 686		1 686
Net debt as December 31, 2023	2 323	47 495	49 818

Net debt

Liabilities from financing activities	88 092
Cash/Bank overdraft	419 306
Net debt as of December 31, 2022	**-331 213**
Liabilities from financing activities	49 314
Cash/Bank overdraft	522 692
Net debt as of December 31, 2023	**-473 378**

The group does not have any financial investments with cash flows included in fianancial activities in the cash flow.

* This amount was in 2022 presented as other provisions and was reclassified to borrowings in 2023

Note 21 - Financial risk

(NOK 1,000)

The most significant financial risks which affect the group are credit risk, liquidity risk and market risk related to foreign exchange rate risk, described further below. Management performs continuous evaluations of these risks and related processes established to manage them within the group.

Credit risk

The group is exposed to credit risk from its operating activities, primarily trade receivables. The group does not have a specific procedure for assessing credit risks for its customers before transactions are entered, and mainly does business with large channel partner organizations. The group does not have significant credit risk associated with a single counterparty.
Most customer contracts are with channel partners, of which Pexip has multiple engagements. Such contracts are mainly invoiced yearly or monthly in advance with standard payment terms of 30 days. The group has a collection policy to ensure overdue invoices are taken action.

The group applies the IFRS 9 simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the days past to measure the expected credit losses. The historical loss rate has been adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The following table provided information about the exposure to credit risk and expected credit losses for trade receivables and contract assets as of December 31 in 2023 and 2022:

For the year ended December 31, 2023

Trade receivables and contract assets	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due
Loss rate	1.35%	1.80%	2.25%	3.00%	8.74%

For the year ended December 31, 2022

Trade receivables and contract assets	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due
Loss rate	1.35%	1.80%	2.25%	3.00%	8.74%

The Group has historically had limited losses on receivables. However, the Group has considered the uncertainty in the market and the time value of money from later payments.

In addition to using the simplified approach, the Group has made an individual assessment of trade receivables above a particular value and adjusted the provision with specific allowances for doubtful accounts. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Cash and cash equivalents: The counterparts for the group's cash deposits are large banks considered to be solid. The group assesses no material credit risks associated with these deposits.

Liquidity risk

The group monitors liquidity centrally across the group. It is the group's strategy to have sufficient cash and cash equivalents to at any time fund operations and investments according to the company's strategic plans. The group monitors its liquidity risk through a short-term and a long-term liquidity forecast to manage the target of a minimum position of cash imposed by the Board of Directors.

The group's financial liabilities are mainly traded payables. In addition, the group has a smaller loan in Pexip Belgium and multi-year leases on offices and IT equipment.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity profile of the Group's leasing liabilities can be found in note 10.

For the year ended December 31, 2023

	Current		Non-current		
(NOK 1,000)	1-6 months	6-12 months	1-2 years	2-5 years	Later than 5 years
Borrowings	132			2 190	
Trade and other payables	130 119				
Total liabilities	130 251			2 190	

For the year ended December 31, 2022

	Current		Non-current		
(NOK 1,000)	1-6 months	6-12 months	1-2 years	2-5 years	Later than 5 years
Borrowings	1 074	1 055	2 050		
Trade and other payables	119 665				
Total liabilities	120 740	1 055	2 050		

Market risk

Foreign exchange rates

The group operates globally and is exposed to foreign exchange risk regarding trade receivables, payables, and cash and cash equivalent holdings. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the group and the value of cash holdings in other currencies than the functional currency, which is NOK.

The carrying NOK amounts of the Group's financial assets and liabilities at the reporting date are as follows (in 1,000 NOK):

Financial assets	2023	% of total	2022	% of total
NOK	269 928	38.2 %	255 239	41.3 %
USD	358 313	50.7 %	233 553	37.8 %
GBP	45 654	6.5 %	60 474	9.8 %
Other currencies	32 512	4.6 %	68 766	11.1 %
Total	706 407	100%	618 033	100%

Financial liabilities	2023	% of total	2022	% of total
NOK	83 596	46.5 %	124 064	59.7 %
USD	18 263	10.1 %	19 140	9.2 %
GBP	16 954	9.4 %	27 228	13.1 %
Other currencies	61 379	34.0 %	37 326	18.0 %
Total	180 192	100%	207 757	100%

Sensitivity analysis
Based on the net exposure of the Group, the hypothetical impact of exchange rate fluctuations on the profit before tax for the year is as follows if all other variables are held constant:

	2023	2023	2022	2022
Foreign currency	Effect on profit before tax (in NOK 1,000)	Effect on Equity (in NOK 1,000)	Effect on profit before tax (in NOK 1,000)	Effect on Equity (in NOK 1,000)
USD	23 803	18 567	15 009	13 100
GBP	2 009	1 567	2 327	2 031

Note 22 - Capital management
(NOK 1,000)

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

The Group has a international cash pool to improve the capital management and optimize liquidity management across entities.

In 2023, the Group established a dividend policy where it aims to distribute 50-100% of the free cash flow generated in the previous calendar year as a dividend. In addition, the Board of Directors has recommended a extraordinary dividend of NOK 0.5 per share recognizing that the Group has excess liquidity. The total dividend which is proposed for the Annual General Meeting is NOK 1.1 per share excluding shares held by Pexip Holding ASA, for a total of NOK 111.75 million, and will be distributed in Q2 2024 pending shareholder approval.

Note 23 - Pensions and other long-term employee benefits
(NOK 1,000)

The employees of the group are covered by different pension schemes that vary from country to country and between the different companies in accordance with local law. All the plans are assessed to be defined contribution plans. The period's contributions are recognised in the income statement as salary and personnel costs.

The Norwegian company in the group is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension arrangements fulfil the requirements of the law.

The pension plans in the group require that the company pays premiums to public or private administrative pension plans on a mandatory, contractual or voluntary basis. There are no further obligations once the annual premiums are paid.
The premiums are accounted for as salary and personnel expenses as soon as they are incurred. Prepaid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

The group also provides standard life insurance, health insurance and travel insurance to its employees, the terms of which vary across the countries the group operates in.

	2023	2022
Pension cost	38 875	45 639

Long-term employee benefits comprise loans to employees (refer to note 4) and share-based payments (refer to note 24).

Note 24 - Share-based payments

Pexip has two share-based compensation programs offered to employees: stock options and restricted stock units (RSUs). In 2023, Pexip provided a new grant of options to key employees, as well as a new grant to management. The options granted to key employees vest with 1/3 in December 2024, 1/3 in December 2025 and 1/3 in December 2026. The options granted to management vest on the same schedule. The only vesting criteria is continued employment and all unvested options will be forfeited when the employee terminates the employment contract with Pexip. Legacy stock option programs (granted prior to 2022) vest over a period of four years and fully vest, at earliest, in 2023 and at latest during 2025. Options expire 5 years after grant date – at earliest in 2024 and latest in 2026. Exercise windows for stock options are currently offered once annually, to employees and are typically conditional upon active employment at the time of exercise.

For RSUs granted in 2023, the share price at grant date is used as the basis for calculation of RSUs, and RSUs vest in the third year after grant date.

Options	**2023**	**2023**	**2022**	**2022**
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at January 1	26,14	5 252 950	54,81	5 131 938
Granted during the year	19,65	2 285 000	17,28	3 940 000
Converted during the year		-10 000	N/A	-2 012 725
Forfeited during the year	28,04	-860 000	38,32	-1 784 188
Exercised during the year	14,50	-7 500	14,50	-16 200
Expired during the year			14,50	-5 875
Outstanding at December 31	**23,63**	**6 660 450**	**26,14**	**5 252 950**

RSUs	**2023**	**2023**	**2022**	**2022**
		Number		Number
Outstanding at January 1		1 234 532		93 780
Granted during the year		1 310 000		973 725
Converted		4 000		811 490
Forfeited during the year		-287 195		-644 463
Adjusted		4 500		
Exercised during the year		-193 912		
Expired during the year		-1 600		
Outstanding at December 31		**2 070 325**		**1 234 532**

The exercise price of options outstanding at December 31, 2023 ranged beetween NOK 14,5 and NOK 100 (2022: NOK 14,5 and NOK 100) and their weighted average contractual life was 2.85 years (2022: 3.1 years). Weighted average contractual life for RSUs outstanding at December 31, 2023 was 1.97 years (2022: 1.99 years).

Of the total number of options outstanding at December 31, 2023 1 333 225 (2022: 1 131 175) had vested and were excercisable (Weighted average exercise price of NOK 36.40). No RSUs were vested at December 31, 2023.

The weighted average fair value of each option granted during the year was NOK 6.86 (2022: NOK 4.69). The weighted average fair value of each RSU granted during the year was NOK 13.02 (2022: NOK 31.57).

The total expense recognised for the period arising from equity-settled share-based payment transactions was NOK 36.4 million (2022: NOK 25.1 million).

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

Options	**2023**	**2022**
Option pricing model used	Black-Scholes/Monte Carlo	Black Scholes
Weighted average share price at grant date (in NOK)	20	16
Excercise price (in NOK)	20	17
Weighted average expected life (in days)	1 230	1 675
Expected volatility	38.19%	41.69%
Risk-free interest rate	3.91%	2.57%

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

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

RSUs	**2023**	**2022**
Weighted average share price at grant date (in NOK)	13	37
Weighted average expected life (in days)	1 095	986

Note 25 - Government grants

(NOK 1,000)

The Group is eligible for government grants of NOK 5.9 million in 2023 (2022: NOK 7.3 million). Of the total amount 4.8 million has been deducted from the carrying amount of other intangible assets. (software), while the remaining amount of NOK 1.1 million has been deducted from salary cost for the R&D department in Pexip Ltd.

In 2023 government grants relate to a SkatteFUNN project in Pexip AS, and an R&D project in Pexip Ltd. In the SkatteFUNN project Pexip aims to develop the next generation video conferencing system, lifting the experience to new levels for both users and administrators. This project aims to improve the usability compared to solutions in the market today. The R&D project in Pexip Ltd relates to Infinity configuration management enhancement and Epic Healthcare integration.

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

Note 26 - List of subsidiaries

The consolidated financial statements for 2023 include the following subsidiaries:

Company	Registered office	Voting share	Ownership share
Pexip AS	Oslo, Norway	100%	100%
Pexip Ltd.	Berkshire, England	100%	100%
Pexip Inc.	Virginia, USA	100%	100%
Pexip Australia Pty Ltd	Sydney, Australia	100%	100%
Pexip Singapore Pte Ltd	Singapore, Singapore	100%	100%
Pexip Japan GK	Tokyo, Japan	100%	100%
Videxio Asia Pacific Ltd.	Kuala Lumpur, Malaysia	100%	100%
Pexip France SAS	Neuilly-sur- Seine, France	100%	100%
Pexip Germany GmbH	Düsseldorf, Germany	100%	100%
Pexip Netherlands B.V.	Utrecht, Netherlands	100%	100%
Pexip Belgium NV	Ghent, Belgium	100%	100%
Pexip Italy S.R.L.	Milan, Italy	100%	100%
Pexip Spain SL	Madrid, Spain	100%	100%

The consolidated financial statements for 2022 include the following subsidiaries:

Company	Registered office	Voting share	Ownership share
Pexip AS	Oslo, Norway	100%	100%
Pexip Ltd.	Berkshire, England	100%	100%
Pexip Inc.	Virginia, USA	100%	100%
Pexip Australia Pty Ltd	Sydney, Australia	100%	100%
Pexip Singapore Pte Ltd	Singapore, Singapore	100%	100%
Pexip Japan GK	Tokyo, Japan	100%	100%
Videxio Asia Pacific Ltd.	Kuala Lumpur, Malaysia	100%	100%
Pexip France SAS	Neuilly-sur- Seine, France	100%	100%
Pexip Germany GmbH	Düsseldorf, Germany	100%	100%
Pexip Netherlands B.V.	Utrecht, Netherlands	100%	100%
Pexip Belgium NV	Ghent, Belgium	100%	100%

Note 27 - Transactions with related parties

The Group’s related parties include Parent Company and subsidiaries, as well as members of the Board, Management Group and their related parties. Related parties also include companies in which the individuals mentioned above have significant influence.

The Group is not part in any agreements, deals, or other transactions in which the Parent company’s Board of Directors or Management Group had a financial interest, except for transactions following from the employment relationship. Remuneration to key personnel is disclosed in the remuneration report.

Transactions and balances between the parent company and its subsidiaries, and between the subsidiaries, have been eliminated on consolidation, and are not disclosed in this note. The Group does not have other transactions with related parties, except for remuneration for their role in the Group.

Note 28 - Events after the balance sheet date

No events that have significantly affected or may significantly affect the operations of the Group have occurred after December 31, 2023.

Note 29 - Restructuring costs

The restructuring costs from the reorganization undertaken in 2023 is recognized through profit and loss on line item 'other gains and losses'. The cost recognized mainly relates to remaining salary obligations after release date for terminated employees and legal costs directly related to restructuring activities. Total restructuring costs amounted to NOK 8,1 million.

	2023	2022
Total restructuring	8 073	61 290

Financials Statements

Pexip Holding ASA 2023

Profit and Loss Statement

	Notes		Full Year
(NOK 1.000)		**FY 2023**	FY 2022
Operating expenses	2,3	**18 397**	20 314
Depreciation and amortization			404 000
Operating profit or loss		**-18 397**	-424 314
Financial income	4	**26 816**	21 699
Financial expenses	4	**-0**	-359
Net gain and loss on foreign exchange differences		**4 940**	25 734
Financial income/(expenses) - net		**31 756**	47 074
Profit or loss before income tax		**13 359**	-377 240
Income tax expense	5	**2 939**	5 887
Profit or loss for the year		**10 420**	-383 126
Profit or loss is attributable to:			
Owners of Pexip Holding ASA		**10 420**	-383 126

Allocation of net profit and equity transfers			
Dividends to shareholders	10	**-111 745**	
Transfers from equity		**-101 326**	-383 126
Total allocations and equity transfers		**-101 326**	-383 126

Consolidated Statement of Financial Position

(NOK 1.000)	Notes	12/31/2023	12/31/2022
ASSETS			
Non-current assets			
Deferred tax	5	**32 969**	35 908
Investments in group companies	6	**1 090 038**	1 059 223
Receivables from Group company	7	**275 284**	250 533
Total non-current assets		**1 398 292**	1 345 664
Current assets receivables			
Other current assets		**1 041**	1 055
Receivables from Group company	7	**19 425**	20 428
Cash and cash equivalents		**503 255**	399 074
Total current assets		**523 721**	420 559
TOTAL ASSETS		**1 922 013**	1 766 221

(NOK 1.000)		12/31/2023	12/31/2022
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders equity			
Paid-in equity			
Share capital	8,10	**1 524**	1 521
Share premium	8,9	**2 115 938**	2 115 938
Total paid-in equity		**2 117 462**	2 117 460
Equity			
Other equity	8	**-628 608**	-558 203
Total other equity		**-628 608**	-558 203
Total shareholders equity		**1 488 854**	1 559 256
Liabilities			
Current liabilities			
Trade and other payables		**-68**	417
Debt to group Company	7	**321 482**	206 548
Dividends	10	**111 745**	
Total current liabilities		**433 159**	206 965
Total liabilities		**433 159**	206 965
TOTAL EQUITY AND LIABILITIES		**1 922 013**	1 766 221

SIGNATURE PAGE

Board of Directors

Oslo, March 20, 2024

Board of Directors and CEO of Pexip Holding ASA

Kjell Skappel
Chair of the Board

Irene Kristiansen
Board Member

Phillip Austern
Board Member

Silvija Seres
Board Member

Geir Langfeldt Olsen
Board Member

Trond K. Johannessen
CEO

Consolidated statement of cash flows

(NOK 1,000)	FY 2023	FY 2022
Cash flow from operating activities		
Profit or loss before income tax	**13 359**	-377 240
Adjustments for		
Depreciation, amortization and net impairment losses		404 000
Interest income/expenses - net		4 742
Net exchange differences	**-4 908**	-4 383
Financial income/(expenes) - net	**-26 816**	-25 734
Other adjustments		
Change in operating assets and liabilities		
Change in trade payables	**14**	-675
Changes in intercompany balances	**8 719**	179 931
Changes in other current assets and other liabilities	**-11 006**	92
Interest received	**26 816**	
Net cash inflow/outflow from operating activities	**6 178**	180 733
Cash flow from investing activities		
Cash out from loan to related parties	**-24 752**	-354 413
Cash in from intercompany borrowings	**117 738**	
Net cash inflow/outflow from investing activities	**92 986**	-354 413
Cash flow from financing activities		
Proceeds from sale of treasury shares	**109**	
Purchase of treasury shares		-87 674
Interest paid		-359
Net cash inflow/outflow from financing activities	**109**	-88 033
Effects of currency rate changes on bank deposits, cash and equivalents		25 734
Net increase/(decrease) in cash and cash equivalents	**99 273**	-235 979
Cash and cash equivalents start of the period	**399 074**	635 053
Effects of exchange rate changes on cash and cash equivalents	**4 908**	
Cash and cash equivalents end of the period	**503 255**	399 074

Pexip Holding ASA

Notes to the accounts, year ended 31 December 2023

Note 1 - Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway.

Valuation and classification of assets and liabilities
Assets intended for permanent ownership or use in the business are classified as non-current assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. The classification of current and non-current liabilities is based on the same criteria.

Current assets are valued at the lower of historical cost and fair value.

Fixed assets are carried at historical cost, but are written down to their recoverable amount if this is lower than the carrying amount and the decline is expected to be permanent. Fixed assets with a limited economic life are depreciated on a systematic basis in accordance with a reasonable depreciation schedule.

Other long-term liabilities, as well as short-term liabilities, are valued at nominal value.

Foreign currency
All balance sheet items denominated in foreign currencies are translated into NOK at the exchange rate prevailing at the balance sheet date.

Currency forward contracts are valued in the balance sheet at fair value on the balance sheet date.

Shares in subsidiaries and associates
Subsidiaries and investments in associates are carried at cost. A write-down to fair value will be performed if the impairment is not considered to be temporary, and an impairment charge is deemed necessary according to generally accepted acccounting principles. Received dividends and group contributions are recognised as other financial income. The same applies for investments in associates.

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.
For the measurement of the fair value of the equity-settled transactions with employees at the grant date, the Group uses the Black-Scholes-Merton option pricing model.

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

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

Cash and cash equivalents

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

Income taxes

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

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

Dividends

Dividends proposed in the annual statement is recognized as a liability in the balance sheet of Pexip Holding AS at balance ending date.

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

(NOK 1,000)

Pexip Holding ASA has no employees.

Chief Executive Officer is compensated from Pexip AS.

The remuneration to CEO is disclosed in the managment remuneration report for 2023.

Remuneration to board of directors in the parent company

The remuneration to board of directors is disclosed in the management remuneration report for 2023.

Auditor

Remuneration to Deloitte AS and their associates is as follows:

	2023	2022
Statutory audit	2 802	2 535

Amounts are excl. of VAT

Note 3 - Operating expenses

(NOK 1,000)

Other operating expenses	2023	2022
Operating expenses	9 831	10 743
Audit fees	2 802	2 535
Other professional fees	947	2 085
Other operating costs	4 817	4 950
Total	**18 397**	**20 314**

Note 4 - Financial Income and expenses

(NOK 1,000)

	2023	2022
Interest income	7 390	6 983
Exchange gains	4 940	25 734
Other financial income		-1
Interest income from Group company	19 425	16 957
Financial income	31 756	49 673
Interest expense		-2 600
Financial expenses		-2 600
Net financial income (expense)	**31 756**	**47 074**

Of the Exchange gains and losses as of December 31 2023, NOK 4,940 thousand are related to currency changes (AUD, DKK, EUR, GBP, SEK, SGD, USD) for the bank accounts.

Note 5 - Income tax expense

(NOK 1,000)

Specification of income tax expense:	**2023**	**2022**
Current income tax payable		
Changes in deferred tax	2 939	5 887
Tax on profit/(loss)	**2 939**	**5 887**

Allocation of income tax expense between Norway	**2023**	**2022**
Tax on profit/(loss)	2 939	5 887

Reconciliation from nominal to real income tax rate:

	2023	2022
Profit/(loss) before taxation	13 359	-377 240
Estimated income tax according to nominal tax rate (22%)	2 939	-82 993
Tax effect of non deductible expenses		88 880
Income tax expense	2 939	5 887
Effective income tax rate	22%	-2%

Specification for the tax effect of temporary differences and losses carried forward	Asset	Asset
Tax losses	32 969	35 908
Total	**32 969**	**35 908**

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

The company has assesed that the tax losses will be recoverable in the future.

Note 6 - Investments in subsidiaries and associated companies

(NOK 1,000)

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

Company	Equity latest financial statements	Profit/loss latest financial statements
Pexip AS	35 091	-242 491

Note 7 - Related party transactions and balances

(NOK 1,000)

Related party transactions, profit and loss

Related party balance items

Counterpart	Relationship to the counterpart	Intercompany borrowings 2023	Intercompany borrowings 2022
Pexip AS	Subsidiary	321 482	206 548
Total		**321 482**	**206 548**

Counterpart	Relationship to the counterpart	Intercompany receivables 2023	Intercompany receivables 2022
Pexip AS	Subsidiary	294 710	270 961
Total		**294 710**	**270 961**

Intercompany borrowings amounted to NOK 321,482 thousand and intercompany receivables to NOK 294,710 thousand. Of the total cash of NOK 503,255 thousand, 311,150 thousand is related to the established cash pool for the Pexip Group. Total cash amount within the cash pool for the Group per year end 2023 is booked in Pexip Holding ASA as the legal owner of the cash.

Note 8 - Equity

(NOK 1,000)

(NOK 1,000)	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at January 1, 2022	1 556	2 115 938	-15 411	-99 181	2 002 902
Profit or loss for the year				-383 126	-383 126
Other comprehensive income for the year					
Total comprehensive income for the year				-383 126	-383 126
Capital increase/share issue					
By/sell treasury share	-35		-87 404		-87 439
Share-based payments			26 920		26 920
Balance at December 31, 2022	1 521	2 115 938	-75 895	-482 307	1 559 257
Balance at January 1, 2023	1 521	2 115 938	-75 895	-482 307	1 559 257
Profit or loss for the period				10 420	10 420
Other comprehensive income for the year					
Total comprehensive income for the year				10 420	10 420
Dividend to shareholders		-111 745			-111 745
By/sell treasury share	3		106		109
Share-based payments			30 815		30 815
Balance at December 31, 2023	1 524	2 004 193	-44 974	-471 887	1 488 855

Note 9 - Share-based payments

Pexip has two share-based compensation programs offered to employees: stock options and restricted stock units (RSUs). In 2023, Pexip provided a new grant of options to key employees, as well as a new grant to management. The options granted to kep employees vest with 1/3 in December 2024, 1/3 in December 2025 and 1/3 in December 2026. The options granted to management vest on the same schehdule. The only vesting criteria is continued employment and all unvested options will be forfeited when the employee terminates the employment contarct with Pexip. Legacy stock option programs (granted prior to 2022) vest over a period of four years and fully vest, at earliest, in 2023 and at latest during 2025. Options expire 5 years after grant date – at earliest in 2024 and latest in 2026. Exercise windows for stock options are currently offered once annually, to employees and are typically conditional upon active employment at the time of exercise.

For RSUs granted in 2023, the share price at grant date is used as the basis for calculation of RSUs, and RSUs vest in the third year after grant date.

Options	2023	2023	2022	2022
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at January 1	26,14	5 252 950	54,81	5 131 938
Granted during the year	19,65	2 285 000	17,28	3 940 000
Converted during the year		-10 000	N/A	-2 012 725
Forfeited during the year	28,04	-860 000	38,32	-1 784 188
Exercised during the year	14,50	-7 500	14,50	-16 200
Expired during the year			14,50	-5 875
Outstanding at December 31	**23,63**	**6 660 450**	**26,14**	**5 252 950**

RSUs	2023	2023	2022	2022
		Number		Number
Outstanding at January 1		1 234 532		93 780
Granted during the year		1 310 000		973 725
Converted		4 000		811 490
Forfeited during the year		-287 195		-644 463
Adjusted		4 500		
Exercised during the year		-193 912		
Expired during the year		-1 600		
Outstanding at December 31		**2 070 325**		**1 234 532**

The exercise price of options outstanding at December 31, 2023 ranged beetween NOK 14,5 and NOK 100 (2022: NOK 14,5 and NOK 100) and their weighted average contractual life was 2.85 years (2022: 3,1 years). Weighted average contractual life for RSUs outstanding at December 31, 2023 was 1,97 years (2022: 1.99 years).

Of the total number of options outstanding at December 31, 2023 1 333 225 (2022: 1 131 175) had vested and were excercisable (Weighted average exercise price of NOK 36.40). No RSUs were vested at December 31, 2023.

The weighted average fair value of each option granted during the year was NOK 6,86 (2022: NOK 4,69). The weighted average fair value of each RSU granted during the year was NOK 13.02 (2022: NOK 31,57).

The total expense recognised for the period arising from equity-settled share-based payment transactions was NOK 36,4 million (2022: NOK 25,1 million).

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

Options	2023	2022
Option pricing model used	Black-Scholes/ Monte Carlo	Black-Scholes
Weighted average share price at grant date (in NOK)	20	16
Excercise price (in NOK)	20	17
Weighted average expected life (in days)	1 230	1 675
Expected volatility	38.19%	41.69%
Risk-free interest rate	3.91%	2.7%

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

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

RSUs	2023	2022
Weighted average share price at grant date (in NOK)	13	37
Weighted average expected life (in days)	1 095	986

Note 10 - Share capital, shareholder information and dividend

(NOK 1,000)

The Parent Company's registered share capital as at December 31, 2023 was NOK 1,566 thousand, divided into 104,429,671 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights. The parent company holds treasury shares of 2,842,867 making the presented share capital NOK 1,524 thousand.

The Parent Company's registered share capital as at December 31, 2022 was NOK 1,566 thousand divided into 104,429,671 ordinary shares with a par value of NOK 0.015. All issued shares have equal voting rights. The parent company held treasury shares of 3,032,968 making the presented share capital NOK 1,521 thousand.

Development in the number of issued and outstanding shares

	Number of shares (1,000)	Share capital (1,000)
Outstanding at January 1, 2023	104 430	1 566
Outstanding at December 31, 2023	104 430	1 566

Treasury shares

	Number of shares (1,000)
Outstanding at January 1, 2023	3 032 968
Shares bought back on-market	-
Employee share scheme issue	-190 101
Outstanding at December 31, 2023	2 842 867

Ownership structure

The 20 largest shareholders as of December 31, 2023:

	Shares	Ownership
HOLMEN SPESIALFOND	10 220 040	9.79%
T.D. VEEN AS	6 146 946	5.89%
BJØBERG EIENDOM AS	4 025 775	3.86%
PEXIP HOLDING ASA	2 842 867	2.72%

	Shares	Ownership
VERDIPAPIRFONDET DNB SMB	2 177 220	2.08%
VEEN EIENDOM AS	2 133 496	2.04%
STAVANGER VENTURE AS	2 061 063	1.97%
A HOLDINGS AS	2 010 000	1.92%
SYNESI AS	2 000 000	1.92%
XFILE AS	1 850 000	1.77%
Avanza Bank AB	1 842 946	1.76%
J.P. MORGAN SECURITIES PLC	1 764 958	1.69%
Skandinaviska Enskilda Banken AB	1 681 000	1.61%
GILES CHAMBERLIN	1 516 101	1.45%
The Bank of New York Mellon SA/NV	1 492 827	1.43%
CARABACEL AS	1 413 064	1.35%
LIA INVESTMENTS LIMITED	1 351 252	1.29%
SIRIUS AS	1 240 000	1.19%
PEBRIGA AS	1 157 730	1.11%
Tamorer ltd ATF Wylie Family Trust	1 118 748	1.07%
Total top 20 shareholders	50 046 033	47.92%
Others	54 383 638	52.08%
Total	104 429 671	100%

Number of shares owned or controlled directly or indirectly by the Management Group and Board of Directors at December 31, 2023:

Persons discharging managerial responsibilities	Shares	Ownership
Kjell Skappel (Chair of the Board)	10 341 505	9.90%
Irene Kristiansen(Board Member)	150 000	0.14%
Geir Olsen (Board Member)	978 312	0.94%
Phillip Lester Austern (Board Member)	100 000	0.10%
Silvija Seres (Board Member)	0	0.00%
Trond Johannessen (CEO)	115 000	0.11%
Ian Mortimer (CTO)	54 667	0.05%
Patricia Auseth (CMO)	17 210	0.02%
Åsmund Fodstad (CRO)	797 275	0.76%
Ingrid Woodhouse (CPO)	45 280	0.04%
Øystein Hem (CFO)	140 968	0.13%
Helge Hansen (CPO)	4000	0.00%
Total	12 744 217	12.20%

Dividend paid and proposed

Proposal for approval at AGM for financial year 2023 is that NOK 1.1 per share is paid as a dividend.

Note 11 - Events after the balance sheet date

No events that have significantly affected or may significantly affect the operations of the Company have occurred after December 31, 2023.

Declaration in Accordance with 5-5 of the Securities Trading Act

We confirm that the financial statements for the period January 1 to December 31, 2023, have, to the best of our knowledge, been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Group.

We also hereby declare that the annual report provides a true and fair view of the financial performance and position of the company, as well as a description of the principal risks and uncertainties facing the company.

Oslo, March 20, 2024
Board of Directors and CEO of Pexip Holding ASA

Kjell Skappel
Chair of the Board

Irene Kristiansen
Board Member

Phillip Austern
Board Member

Silvija Seres
Board Member

Geir Langfeldt Olsen
Board Member

Trond K. Johannessen
CEO

Auditor's Report

Deloitte.

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Dronning Eufemias gate 14
Postboks 221
NO-0103 Oslo
Norway

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To the General Meeting of Pexip Holding ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Pexip Holding ASA (the Company), which comprise the balance sheet as at 31 December 2023, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- The consolidated financial statements of Pexip Holding ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2023, statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

The company was listed in 2020. We have been the company's elected auditor since before the company was listed. We have been the company's elected auditor continuously for 4 years since the company was listed, including the listing year.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amount of goodwill

Description of the Key Audit Matter	How the matter was addressed in the audit
As disclosed in note 2.4 and 11, the Group has recognized goodwill of NOK 598 998 thousand. Goodwill is tested for impairment annually, or more frequently if there is an indication of impairment. To assess recoverability of goodwill, management must make assumptions about future revenues, discount rates as well as future operating costs. Due to the inherent uncertainty involved in the forecasting and discounting of future cash flows, and the level of management judgment involved, this has been identified as a key audit matter.	We evaluated relevant controls associated with impairment testing. We obtained the valuation model and challenged management's key assumptions used in the impairment model. In particular; • the growth rate in revenues; • the future operating costs and margins; and • the discount rate used. We validated the mathematical accuracy of cash flow models. We used Deloitte valuation specialists in our audit of the impairment assessment, including for review of calculations and discount rate. We also assessed the adequacy of the disclosures provided by the Group in relation to the impairment testing.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Directors' report applies correspondingly to the statement on Corporate Social Responsibility and to the report on payments to governments.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Pexip Holding ASA , we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name PexipHoldingASA-2023-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 20 March 2024
Deloitte AS

Torgeir Dahle
State Authorised Public Accountant
This document is electronically signed

Appendix — Alternative Performance Measures (APMs)

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

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

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

EBITDA-margin: EBITDA in the percentage of revenue.

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

Free cash flow: The sum of operating cash flow, investing cash flow and principal lease payments. This represents the free cash flow from the business, excluding potential equity or debt financing cash flows as well as potential cash flows related to company acquisitions/divestitures.

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

This corresponds to Pexip's order backlog.

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

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

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

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