CXENSE
Deliver what people want

FIRST QUARTER REPORT **2019**

Highlights for Q1 2019

- **Executing strategic plan**
  - Raised USD 10 million in rights issue, proceeds received in mid-March
  - Recruitment progressing to plan, but still in early stages
  - Customer touch-points and product development capacity to increase as new sales-, customer success-, engineering- and data science resources are onboarded
  - Focus on cost control to balance strategic investments

- **Flat sequential revenue development for core DMP and Personalization segment as expected**
  - 6% YoY growth for core segment in Q1 2019

- **Adjusted EBITDA of USD -0.74 million compared to USD -1.34 million in Q4 2018 due to lower costs**

- **Non-core asset divestments completed with sale of Premium Audience Network (PAN)**
  - Simplified operations to facilitate execution of strategic plan

CEO Comment

“Solutions for data management and personalized customer journeys have never been more relevant. Cxense has established a position in this market with a solid customer base and growing revenues. At the same time, we are in the early stages of executing our strategic plan to achieve the growth we aspire to. New sales, customer success, engineering and data science people are added to our organization to enhance customer touchpoints and improve sales, retention and our offering. We expect the effects of these investments to materialize from the second half of the year.”

Christian Printzell Halvorsen, CEO of Cxense.

Key figures

USD 1,000	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**	**Q1 2019**
DMP & Intelligent personalization	3,816	3,875	3,993	3,993	4,038
SaaS Non-Core	1,423	1,243	1,077	815	524
Revenues	**5,239**	**5,118**	**5,070**	**4,808**	**4,562**
Gross margin	*81 %*	*79 %*	*80 %*	*79 %*	*78 %*
OPEX	4,661	4,544	5,230	5,334	4,458
Non-IFRS OPEX adjustments	(215)	259	(723)	(174)	(172)
OPEX adjusted	**4,446**	**4,803**	**4,507**	**5,160**	**4,286**
EBITDA	(420)	(518)	(1,191)	(1,516)	(917)
EBITDA adjusted	**(204)**	**(777)**	**(468)**	**(1,342)**	**(744)**

OPERATIONAL REVIEW

Now more than ever before, publishers and brands want to build predictable, recurring revenue through subscriptions as well as a steadily growing advertising business. To do that, they'll have to deliver content and offers that speak to individuals, not audiences.

Cxense helps 185 leading publishers and marketers across the globe do just that. Cxense Data Management Platform and Intelligent Personalization solutions harness the power of machine learning to help clients deliver a unique and relevant experience every time.

The Cxense platform first puts clients in control of their data, organizing it into user profiles and segments. Then propensity models and machine-learning intelligence are used to understand and predict customer behavior in real time. Once applied, Cxense's solutions can infer a customer's age, gender, and income bracket, along with associated interests and intent to purchase. The result is a set of very rich user profiles and a deep understanding of customers on an aggregate and individual basis.

Cxense powers article and product recommendations, subscription and membership optimization, data alliances, loyalty programs, targeted offers and many more in compliance with GDPR. By serving the right offer to the right customer at the right time, publishers and marketers can build loyalty and increase revenues from both subscriptions and advertising.

Cxense delivers its solution as a Software-as-a-Service model with a monthly license fee based on the volume of data processed. This enables clients to quickly get up and running without complex on-premise installations while establishing the foundation for a scalable, high-margin business model for the company.

Simply put: Cxense helps publishers and marketers unlock the power of their data to build personal, profitable relationships with their customers.

Executing on the strategic plan to drive customer value and sales

On 17 January, Cxense announced a strategic plan to increase customer lifetime value by 2-4 times and drive growth by strengthening the product portfolio and organization. To finance required growth investments and working capital requirements, Cxense, in February, executed a fully underwritten rights issue raising gross proceeds of approximately USD 10 million or NOK 90 million. The new growth capital will be used to strengthen the sales and customer success teams to increase customer touch points and capacity to capture more opportunities and monetize the product portfolio. Cxense will also invest in continued product innovation including developing its engineering capacity, AI capabilities and establish data science as-a-service to accelerate sales and customers' product adoption.

Following the introduction of the strategic plan and completion of the rights Issue, Cxense has expanded the sales and customer success teams by 7 and the engineering- and data science team by 6 full time employees, respectively. Some of these have recently joined the company and others will begin working in the coming months.

Operational developments

Q1 2019 revenue for the DMP with Intelligent Personalization SaaS business was USD 4.0 million, up 6% from the same period in 2018 and up 1% from Q4 2018.

The Company signed 16 new recurring revenue contracts in Q1 2019 for the core offering with Quarterly Recurring Revenue (QRR) effect of USD 130 thousand. Of the new QRR, USD 62 thousand came from new customers and USD 68 thousand from upsells to existing customers. Cxense had on average 10 effective sales quotas in the quarter, up by 3 from Q4 2018 after a reclassification of employees.

New contracts signed in the quarter included the sale of Cxense DMP and personalization solutions including Conversion Engine to Vogue Poland which will leverage Cxense's machine learning-powered platform to drive customer-centric product development, increase quality and effectiveness of content marketing and gain user insights to build relationships with readers in order to increase engagement and advertising revenue. Also, Shueisha Publishing Co., Ltd., one of Japan's leading publishers expanded its use of Cxense solutions to include DMP and Conversion Engine to drive advertising revenues with rich user profiles and high-value socio-demographic and interest segments, and to boost membership programs and future digital subscriptions with personalized customer journeys.

Full QRR effect from loss of customers (i.e. where customers have served a formal notification of contract termination) in Q1 2019 was USD 119 thousand for the core business, of which USD 20 thousand was reductions on existing customers and USD 99 thousand was from lost customers. Net new QRR from new and lost contracts was USD 11 thousand in Q1 2019.

Cxense reiterates that 2019 is expected to be a transitional year with earnings negatively impacted by soft sales and high churn in the last quarters of 2018. Sales activities continue to reflect onboarding of new sales representatives. However, the lead pipeline has expanded in recent months, which is in line with expectations that the ongoing organizational build-up and execution of the growth plan will positively impact financial performance from H2 2019.

Gross margin was 78% in the quarter, down from 79% in Q4 2018, partly due having some excess hosting capacity following last year’s Enreach acquisition.

Q1 2019 OPEX was USD 4.46 million, compared to USD 5.33 million in Q4 2018 and 4.66 million in Q1 2018. The Company had 104 employees at the end Q1 2019, down from 110 in Q4 2018.

The Q1 2019 Group EBITDA was USD -0.92 million and -0.74 million when adjusting for share-based payments and restructuring. This was an improvement of USD 0.6 million compared to adjusted EBITDA in Q4 2018 due to lower employee expenses after adjustments to the organization late last year and lower other OPEX. The cash position at end of March 2019 was USD 10.6 million, up from USD 3 million at the end of December due to net proceeds from the rights issue.

Acquisitions and divestitures

On 12 April, Cxense announced the divestment of all shares in the majority owned subsidiary Premium Audience Network S.L. (L’Agora) to AdUX SA, a French digital marketing services company listed on Euronext Paris. The transaction represented the final sale of non-core assets by Cxense as part of the Company’s strategic divestment process. The transaction was based on an initial price of EUR 190 thousand and a contingent price (earn-out) potentially payable in May 2020 capped at EUR 400 thousand. L'Agora is a digital advertising company based in Spain.

L'Agora was fully consolidated into Cxense financials but booked separately under discontinued operations in the P&L and under assets and liabilities held for sale in the balance sheet. (See note 5 for further details)

FINANCIAL DEVELOPMENT SUMMARY

USD 1,000	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
	IFRS	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*
SaaS segment									
DMP with Intelligent Personalization (CORE)	3,130	3,188	3,357	3,617	3,816	3,875	3,993	3,993	4,038
Advertising (Non-core)	911	861	678	525	436	364	355	226	28
mporium (Non-core)	136	131	146	141	147	77	-	-	-
Video (Non-core)	1,033	896	875	864	840	801	722	588	496
Revenues total	**5,209**	**5,077**	**5,055**	**5,147**	**5,239**	**5,118**	**5,070**	**4,808**	**4,562**
Cost of sales	1,361	1,321	1,146	1,005	997	1,091	1,031	990	1,020
Gross profit	**3,848**	**3,756**	**3,909**	**4,143**	**4,242**	**4,027**	**4,039**	**3,818**	**3,542**
Gross margin %	*74 %*	*74 %*	*77 %*	*80 %*	*81 %*	*79 %*	*80 %*	*79 %*	*78 %*
Personnel	4,402	5,826	5,305	3,018	2,505	2,474	2,931	3,057	2,675
Other OPEX	2,088	2,284	2,170	2,056	2,156	2,070	2,299	2,277	1,783
OPEX	**6,490**	**8,110**	**7,476**	**5,074**	**4,661**	**4,544**	**5,230**	**5,334**	**4,458**
EBITDA	**(2,642)**	**(4,354)**	**(3,567)**	**(931)**	**(420)**	**(518)**	**(1,191)**	**(1,516)**	**(917)**
Non-IFRS adjustment of OPEX level									
Share-based payment costs	244	239	(32)	(18)	(4)	39	115	33	132
Share-based social costs provision									
Commission accrual reversals						(343)			
Restructuring costs and provisions			1,280	164			411	103	40
Office moving costs	(21)	0	140	103			60		
Extraordinary/special	32	585	24	3					
One-off provision for doubtful debt					142	(2)	137		
Transaction costs	103	58	52	1	77	47		38	
R&D refund									
Total reported OPEX adjustment items	**358**	**882**	**1,464**	**253**	**215**	**(259)**	**723**	**174**	**172**
OPEX adjusted	**6,132**	**7,228**	**6,012**	**4,821**	**4,446**	**4,803**	**4,507**	**5,160**	**4,286**
EBITDA adjusted	**(2,284)**	**(3,472)**	**(2,103)**	**(678)**	**(204)**	**(777)**	**(468)**	**(1,342)**	**(744)**
Capitalized operating expense	(507)	(507)	(557)	(268)	(226)	(365)	(421)	(384)	(184)
EBITDA adjusted with capitalization add back	(2,791)	(3,980)	(2,660)	(946)	(431)	(1,142)	(889)	(1,726)	(929)

DMP and Personalization revenue development breakdown

Quarterly figures (unaudited)	**Total revenue**					**DMP and personalization revenue**				
USD 1,000	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Revenue in previous quarter	5,147	5,239	5,118	5,070	4,808	3,617	3,816	3,875	3,993	3,993
New recurring license revenue effect	491	357	333	278	219	437	337	333	267	192
Acquired recurring license revenue	-	97	48	-	-	-	97	48	-	-
Divested recurring license revenue	(183)	-	-	(35)	(131)	-	-	-	-	-
Churn effect	(292)	(429)	(315)	(378)	(557)	(274)	(262)	(138)	(213)	(344)
Change in service revenue	(21)	(33)	(27)	61	(37)	(33)	(50)	(10)	53	26
Change in other variables	33	(49)	(30)	(130)	222	35	(20)	(48)	(65)	139
Currency effect	64	(63)	(57)	(58)	38	34	(44)	(66)	(42)	32
Revenue this quarter	5,239	5,118	5,070	4,808	4,562	3,816	3,875	3,993	3,993	4,038
Accumulated currency effect, reversed	(149)	(86)	(29)	29	(9)	(111)	(67)	(1)	41	9
Outbound revenue currency adjusted	5,090	5,033	5,041	4,838	4,554	3,705	3,807	3,992	4,034	4,047
Number of closed contracts in the quarter*	**18**	**22**	**15**	**24**	**16**	**18**	**22**	**15**	**24**	**16**
Whereof new customers*	11	12	6	8	6	11	12	6	8	6
Whereof upsell*	7	10	9	16	10	7	10	9	16	10
Full QRR effect of contracts notified closed in the period	335	316	229	247	130	335	316	229	247	130
Full QRR effect of contracts notified lost in the period	(335)	(221)	(442)	(387)	(218)	(219)	(199)	(253)	(272)	(119)
Net	**(0)**	**95**	**(213)**	**(140)**	**(89)**	**115**	**117**	**(25)**	**(25)**	**11**

*Service and consulting contracts removed from historical figures.

FINANCIAL REVIEW

The comments below are related to the development in 2019 compared to 2018. The comments made are based on accounting principles including IFRS 16 for 2019 and accounting principles excluding IFRS 16 for 2018

First quarter 2019

Q1 2019 Group revenue was USD 4.56 million, compared to Q1 2018 revenue of USD 5.24 million and USD 4.81 million last quarter. Revenue for the core SaaS DMP and personalization business was USD 4.04 million in Q1 2019, while the non-core business had revenue of 0.52 million. DMP and personalization revenue increased 6% from Q1 2018 and 1% from Q4 2018.

Cost of sales was USD 1 million, in line with Q1 2018 and the previous quarter. SaaS segment cost of sales relates mainly to hosting of the software applications used by the Company's customers. The Q1 2019 gross margin was 78%, compared to 81% in Q1 2018 and 79% Q4 2018. The gross margin decrease was partly due to temporary hosting inefficiencies.

Employee benefit expense was USD 2.68 million, compared to USD 2.51 million in Q1 2018 and USD 3.06 million in Q4 2018. The decrease compared to Q4 2018 was due to fewer full-time employees. Capitalization of employee benefit expenses related to software development activities amounted to USD 167 thousand in Q1 2019.

Other operating expenses amounted to USD 1.78 million in Q1 2019, compared to USD 2.16 million in Q1 2018, and relates mainly to premises, travel, marketing, consulting services and contractors. Other operating expenses related to software development activities of USD 18 thousand were capitalized in the quarter.

Q1 2019 EBITDA was USD -0.92 million, compared to USD -0.42 million in Q1 2018 and USD -1.52 million in Q4 2018.

Depreciation and amortization amounted to USD 0.93 million, compared to USD 0.46 million in Q1 2018. Depreciation and amortization relate mainly to intangible assets from acquired companies and from previous years' capitalized R&D expenses.

Net financial expense was USD 292 thousand in Q1 2019 compared to USD 170 thousand in Q1 2018. Finance income and expenses mainly relate to interest income and cost and currency gains and losses.

The Q1 2019 share of profit from investments in associated companies was USD -68 thousand, compared to USD -344 thousand in Q1 2018, and relates to the investments in RepKnight and Maxifier where Cxense holds a stake of 15% and 30%, respectively.

Net loss from discontinued operations was USD 21 thousand, compared to a loss of USD 122 thousand in Q1 2018. Loss from discontinued operations relates to Cxense's 53% ownership in L'Agora, which was divested on 12 April 2019.

The Group net loss amounted to USD 2.27 million in Q1 2019, compared to a net loss of USD 1.7 million in Q1 2018. This represents a Q1 2019 loss of USD 0.0002 per share, unchanged from the same period a year ago due to an increased number of shares outstanding.

Total assets at the end of March 2019 amounted to USD 30.5 million, compared to USD 20.2 million as at the end December 2018. The increase in total assets was a function of new equity raised in the Q1 2019 rights issue less losses incurred in the quarter. Total equity at the end of Q1 2019 was USD 19.7 million, compared to USD 11.6 million at the end of Q4 2018.

Goodwill of USD 5.91 million at 31 March 2019 relates to the Enreach acquisition and the Maxifier R&D activities. The goodwill is allocated to the SaaS segment. Intangible assets of USD 4.77 million was mainly related to capitalized R&D and intangible assets in Cxense Finland, as well as RAMP which were reclassified from assets held for sale.

Following implementation of IFRS 16 the Company had rights of use assets of USD 3.65 million at the end of Q1 2019. Included under liabilities were long-term leases of USD 2.81 million and short-term leases of USD 0.95 million.

Trade receivables were USD 1.97 million at the end of Q1 2019, compared to USD 2.1 million at the end of Q4 2018.

The Q1 2019 cash position was USD 10.6 million, compared to USD 7.74 million at the end of Q1 2018 and USD 3 million at the end of Q4 2018. The change from prior periods was mainly a function net proceeds from the rights issue less cash used to finance operations and investments.

Non-current liabilities at the end of Q1 2019 were USD 4.37 million, compared to USD 1.63 million at the end of Q4 2018. The increase in non-current liabilities was due to inclusion of long-term lease obligation sunder IFRS 16. Total current liabilities were USD 5.9 million, compared to USD 5.91 million at the end of Q4 2018.

Net cash flow used in operating activities was USD 1.53 million in Q1 2019, compared to USD 2.33 million used in Q1 2018. The Q1 2019 cash flow from operating activities was USD 610 thousand higher than the Q1 2019 EBITDA, mainly explained by working capital fluctuations and currency effects.

Q1 2019 net cash flow used in investing activities was USD 206 thousand, of which USD 184 thousand were related to capitalized R&D. Net cash flow from investment activities in Q1 2018 was USD 15 thousand after receiving payment for sale of a subsidiary. Net cash flow from financing activities was USD 9.54 million, reflecting USD 9.88 million of net proceeds from the rights issue less lease- and debt repayments. Net cash flow from financing was nil in Q1 2018.

The Group adopted IFRS 16 retrospectively from 1 January 2019. Comparable figures for the 2018 reporting period have not been restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019. On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. (See note 2 for further details)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement – unaudited

USD 1,000	Note	Q1 ended 30 March 2019	Q1 ended 30 March 2018	Year ended 31 Dec 2018
Revenue	3	**4,562**	**5,239**	**20,235**
Operating expense				
Cost of sale		1,020	997	4,110
Employee benefit expense		2,675	2,505	10,966
Other operating expenses		1,783	2,156	8,804
EBITDA		**(917)**	**(420)**	**(3,644)**
Depreciation and amortization expense		933	459	2,434
Impairment of assets		0	0	3,592
Other losses (gains)		0	0	1,526
Net operating income/(loss)		**(1,849)**	**(878)**	**(11,196)**
Financial income and expense				
Finance income		129	51	781
Finance expense		(421)	(221)	(564)
Net financial income/(expense)		**(292)**	**(170)**	**217**
Share of profit from associated companies		(68)	(344)	(419)
Impairment of associated company		0	0	0
Net loss before taxes		**(2,209)**	**(1,392)**	**(11,398)**
Income tax expense		35	184	33
Net income/(loss) for the period from continuing operations		**(2,244)**	**(1,575)**	**(11,432)**
Net income/(loss) for the period from discontinuing operations		(21)	(122)	(284)
Total net loss for the period from total operations		**(2,265)**	**(1,698)**	**(11,716)**
Net loss attributable to:				
Owners of the Company		(2,255)	(1,638)	(11,571)
Non-controlling interests		(10)	(59)	(145)
Earnings per share:				
From continuing operations				
Basic		(0.0002)	(0.0002)	(0.0012)
Diluted		(0.0002)	(0.0002)	(0.0012)
From total operations				
Basic		(0.0002)	(0.0002)	(0.0013)
Diluted		(0.0002)	(0.0002)	(0.0013)
Statement of comprehensive income				
Net loss for the period		(2,265)	(1,698)	(11,716)
Other comprehensive income:				
Items that might be subsequent reclassified to net income (loss):				
- Currency translation differences		44	544	(377)
- Amount reclassified from Other comprehensive income to Income Statement at disposal		0	0	851
Total comprehensive loss		**(2,221)**	**(1,154)**	**(11,242)**
Total comprehensive income/(loss) attributable to:				
Owners of the Company		(2,211)	(1,095)	(11,158)
Non-controlling interests		(10)	(59)	(84)

Consolidated statement of financial position – unaudited

USD 1,000	Note	YTD 2019	As at 30 March 2018	As at 31 Dec 2018
Assets				
Non-current assets				
Goodwill		5,913	4,809	5,935
Deferred tax asset		-	19	-
Intangible assets		4,768	2,320	5,269
Office machinery, equipment, etc.		919	1,001	1,010
Rights of use assets	2	3,650		
Investments in associated companies		7	92	74
Other financial assets		792	847	670
Total non-current assets		**16,050**	**9,087**	**12,957**
Current assets				
Trade receivables		1,966	3,230	2,094
Other short-term assets		1,608	1,684	1,533
Cash and cash equivalents		10,559	7,740	3,009
Total current assets		**14,133**	**12,654**	**6,636**
Assets classified as "held for sale"		304	6,160	588
Total assets		**30,487**	**27,902**	**20,181**
Equity and liabilities				
Equity				
Share capital	4	12,764	5,759	5,231
Other paid-in capital	4	8,137	20,274	19,079
Currency translation differences		7,944	8,135	7,933
Currency translation on assets held for sale		87	(18)	53
Retained earnings		(9,288)	(12,758)	(19,897)
Equity attributable to the holders of the Company		**19,643**	**21,392**	**12,399**
Non-controlling interest	5	(67)	(794)	(819)
Total equity		**19,576**	**20,598**	**11,580**
Liabilities				
Non-current liabilities				
Long-term interest bearing debt		906		923
Long-term Lease liabilities	2	2,803		
Deferred tax liabilities		347	0	366
Other provisions		180	123	205
Other long-term liabilities		137	23	144
Total non-current liabilities		**4,372**	**146**	**1,638**
Current liabilities				
Short-term interest bearing debt		119		200
Short-term lease liabilities	2	945		
Trade payables		1,619	792	1,436
Current taxes		96	112	133
Other short-term liabilities		3,110	4,682	4,143
Total current liabilities		**5,889**	**5,586**	**5,912**
Liabilities related to assets "held for sale"		649	1,572	1,051
Total liabilities		**10,911**	**7,304**	**8,601**
Total equity and liabilities		**30,487**	**27,902**	**20,181**

Consolidated statement of changes in equity – unaudited

USD 1,000	**Nominal share capital**	**Own shares**	**Other paid-in capital**	**Currency translation differences**	**Currency translation on assets held for sale**	**Retained earnings**	**Attributable to owners of parent company**	**Non-controlling interest**	**Total equity**
Total equity as at 1 January 2018	**5,459**	**(0)**	**49,012**	**7,539**	**35**	**(39,554)**	**22,490**	**(735)**	**21,755**
Profit for the period						(11,571)	(11,571)	(145)	(11,716)
Other comprehensive income	0	0	0	(3,551)	18	3,094	(438)	61	(377)
Amount reclassified from Other comprehensive income to Income Statement at disposal	0	0	0	851	0	0	851	0	851
Total comprehensive income/(loss) 2018	0	0	0	(2,700)	18	(8,476)	(11,158)	(84)	(11,242)
Reduction of paid-in capital	0	0	0	0	0	0	0	0	0
Transaction costs related to capital increases	0	0	0	0	0	0	0	0	0
Share-based payments	0	0	172	0	0	0	172	0	172
Increase in share capital	81	0	814	0	0	0	895	0	895
Reclassification of equity	0	0	(28,133)	0	0	28,133	0	0	0
Purchase of own shares	0	0	0	0	0	0	0	0	0
Distribution of own shares.	0	0	0	0	0	0	0	0	0
Sale of own shares	0	0	0	0	0	0	0	0	0
Transactions with non-controlling interests	0	0	0	0	0	0	0	0	0
Currency effects from translation of equity	(310)	0	(2,785)	3,094	0	0	0		0
Recycling of OCI on sale and held for sale OCI	0	0	0	0	0	0	0	0	0
Total equity as at 31 December 2018	**5,231**	**(0)**	**19,079**	**7,933**	**53**	**(19,897)**	**12,399**	**(819)**	**11,580**
Profit for the period						(2,255)	(2,255)	(10)	(2,265)
Other comprehensive income	0	0	0	209	34	(198)	44	0	44
Amount reclassified from Other comprehensive income to Income Statement at disposal	0	0	0	0	0	0	0	0	0
Total comprehensive income/(loss) YTD 18	*0*	*0*	*0*	*209*	*34*	*(2,454)*	*(2,211)*	*(10)*	*(2,221)*
Reduction of paid-in capital	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	0
Transaction costs related to capital increases	*0*	*0*	*(657)*	*0*	*0*	*0*	(657)	0	(657)
Share-based payments	0	0	132	0	0	0	132	0	132
Increase in share capital	7,523	0	3,009	0	0	0	10,532	0	10,532
Reclassification of equity	0	0	(13,615)	0	0	13,615	0	0	0
Purchase of own shares	0	0	0	0	0	0	0	0	0
Distribution of own shares.	0	0	0	0	0	0	0	0	0
Sale of own shares	0	0	0	0	0	0	0	0	0
Transactions with non-controlling interests	0	0	0	0	0	(552)	(552)	762	210
Currency effects from translation of equity	10	0	188	(198)	0	0	0		0
Recycling of OCI on sale and held for sale OCI	0	0	0	0	0	0	0	0	0
Total equity as at 31 March 2019	**12,764**	**(0)**	**8,137**	**7,944**	**87**	**(9,288)**	**19,643**	**(67)**	**19,576**

Consolidated statement of cash flow – unaudited*

USD 1,000	Note	YTD 30 March 2019	YTD 30 March 2018	Year ended 31 Dec 2018
Cash flow from operating activities				
Profit/(loss) after income tax (including disposal group)		(2,265)	(1,698)	(11,716)
Adjustments:				
Changes in tax related accruals		(104)	(3)	(365)
Paid taxes				(87)
Share-based payments		132	(33)	183
Share of profit from associated companies, incl impairments		68	344	419
Depreciation. Amortization and impairments		933	473	6,026
Loss on sale of subsidiaries and other shares				1,523
Currency translation effects		374	553	(713)
Change in trade receivables		128	(792)	410
Change in trade payables		183	(320)	(38)
Change in other accrual and non-current items		(975)	(857)	(1,067)
Net cash flow from/(used in) operating activities		**(1,527)**	**(2,334)**	**(5,425)**
Cash flow from investing activities				
Investment in furniture, fixtures and office machines		(21)	(38)	(364)
Investment in intangible assets		(184)	(226)	(1,397)
Investment in associated companies		-		
Sale of associated company		-		
Sale of subsidiary			250	114
Net cash flow from/(used in) investing activities		**(206)**	**(15)**	**(1,649)**
Cash flow from financing activities				
Net proceeds from borrowings				
Net proceeds from share issues	4	9,876		
Increase in long-term debt				
Payments related to lease liability		(234)		
Net change in debt		(99)		(120)
Proceeds from minority interest				
Paid dividends				
Interest paid				
Net cash flow from/(used in) financing activities		**9,543**		**(120)**
Net increase/(decrease) in cash and cash equivalents		**7,810**	**(2,348)**	**(7,194)**
Cash and cash equivalents at the beginning of the period		3,009	10,247	10,247
Changes in cash classified as asset held for sale		(260)	(158)	(44)
Cash and cash equivalents at the end of the period		**10,559**	**7,740**	**3,009**

*) The cash flow statement is presented including the discontinued operation PCAN.

NOTES

Note 1: General information

Cxense ASA, which is the parent company of the Cxense group (the Group), is a public limited liability company incorporated and domiciled in Norway, with its corporate headquarters in Oslo. Cxense ASA is listed on the Oslo Stock Exchange with ticker symbol CXENSE.

The Company's board of directors approved the condensed financial statements on 14 May 2019, after close of business on the Oslo Stock Exchange. The figures in the statements have not been audited.

The interim condensed consolidated financial statements for the first quarter 2019, ending 30 March 2019, were prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's 2018 annual report.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for IFRS 16 implemented as of 1 January 2019 as described below.

Note 2: Transition to IFRS 16 Leases

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.86%.

USD 1,000		**1 January 2019**
Lease obligation according to IAS 17		**3,025**
Leases below 12 months		(438)
Low value leases		(32)
Adjustments related to option extension and termination clauses		2,256
Effect of discounting		(1,100)
Total IFRS 16 implementation effect		3,711
Of which		
	Short-term lease liability	925
	Long-term lease liability	2,786

Right-of use assets were measured at the amount equal to the lease liability and adjusted by the amount of any prepaid or accrued lease payments as recognized in the balance sheet as at 31 December 2018.

Right of use assets relates to properties as follows:

USD 1,000	**30 March 2019**	**1 January 2019**
Right of use assets - properties	3,650	3,795

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by USD 3,795 thousand
- Other short-term assets (prepayments) – decrease by USD 84 thousand
- Lease liabilities – increase by USD 3,711 thousand.

Implementation of IFRS 16 resulted in USD 234 thousand lower operating expense, increased depreciations by USD 189 thousand and increased finance cost by 78 thousand in the first quarter of 2019.

The Group has made the following accounting policy choices:

• Leases with a lease term of 12 months or shorter are not capitalized (short-term leases).
• Low-value leases, meaning mainly leased office equipment, are not capitalized.
• Fixed non-lease components embedded in the lease contract are separated and hence not recognized as lease liabilities and right-of-use assets.
• Right-of-use assets and lease liabilities are presented separately in the statement of financial position.

Summary of new accounting policies

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group remeasures the lease liability upon the occurrence of certain events (e.g. a change in the lease term, or a change in future lease payments resulting from a change in an index or rate used to determine those payments). Generally, the amount of remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Incremental borrowing rate

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. To arrive at the incremental borrowing rate the Group applies the respective country's (economic environment) risk free rate for the term corresponding to the lease term, adjusted for own credit risk.

Significant judgement in determining the lease term of contracts with renewal options

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. The Group applies judgement in evaluating whether it is reasonably certain to exercise an option to renew a lease contract, considering all relevant factors that create an economic incentive for the Group to exercise the renewal or not exercise an option to terminate.

Note 3: Segment information and disaggregation of revenue

The Group has only one reporting segment: Cxense SaaS, which sells Software-as-a-Service applications based on a real-time data engine for analysis of content, user context, and behavior. The data engine is fully integrated with a range of software applications that can be used by companies to personalize their sites and apps. The result is increasing engagement, conversions and revenue.

Based on the above, Cxense has decided not to include segment information as this would only state the same financials already presented in the income statement and balance sheet.

The Group's revenue is in total related to the Cxense SaaS segment and is disaggregated as follows:

	Q1 ended 31 March 2019					
USD 1,000	**EMEA**	**Japan**	**LatAm**	**NorthAm**	**APAC**	**Total**
DMP & Personalization (core)	1,250	1,308	368	402	501	3,829
Other (non-core)	28	-	-	496	-	524
Revenue from license	1,278	1,308	368	898	501	4,353
DMP & Personalization (core)	11	22	3	-	12	48
Other (non-core)	-	-	-	-	-	-
Revenue from onboarding	11	22	3	-	12	48
DMP & Personalization (core)	58	28	-	75	-	161
Other (non-core)	-	-	-	-	-	-
Revenue from consulting services	58	28	-	75	-	161
Revenue from contracts with customers	**1,347**	**1,358**	**371**	**973**	**513**	**4,562**
Of which DMP & Personalization (Core)	*1,319*	*1,358*	*371*	*477*	*513*	*4,038*
Of which other (non-core)	*28*	-	-	*496*	-	*524*

	Q1 ended 31 March 2018					
USD 1,000	**EMEA**	**Japan**	**LatAm**	**NorthAm**	**APAC**	**Total**
DMP & Personalization (core)	1,142	1,211	353	549	371	3,626
Other (non-core)	417	1	24	926	-	1,368
Revenue from license	1,559	1,212	377	1,475	371	4,994
DMP & Personalization (core)	17	(20)	-	8	-	5
Other (non-core)	-	-	-	-	-	-
Revenue from onboarding	17	(20)	-	8	-	5
DMP & Personalization (core)	55	42	4	83	1	185
Other (non-core)	-	-	-	55	-	55
Revenue from consulting services	55	42	4	138	1	240
Revenue from contracts with customers	**1,631**	**1,234**	**381**	**1,621**	**372**	**5,239**
Of which DMP & Personalization (Core)	*1,214*	*1,233*	*357*	*640*	*372*	*3,816*
Of which other (non-core)	*417*	*1*	*24*	*981*	-	*1,423*

Note 4: Share capital

During the quarter a right issue was performed. 10,290,765 Offer Shares, constituting 80% of the Offer Shares, were subscribed for and allocated through the exercise of subscription rights. The share capital increase after the Rights Issue were NOK 109,732,595 divided into 21,946,519 shares, each with a nominal value of NOK 5.00.

At 21 March 2019 Cxense ASA granted in aggregate 110,000 share options in the Company, each with an exercise price of NOK 7.90. Following the grant, there will be a total of 753.450 share options and subscription rights outstanding in the Company.

Note 5: Events after the reporting period

Cxense has sold all shares in the majority owned subsidiary Premium Audience Network S.L. (L'Agora) to AdUX SA. The transaction was completed on 5 April 2019. The company was reported as discontinued operations.

The transaction is based on an initial purchase price of EUR 190 thousand and a contingent price (earn-out) potentially payable in May 2020 capped at EUR 400 thousand. Prior to the transaction, during the first quarter, the shareholder loans previously given to L'Agora were converted into shares, bringing Cxense's ownership of L'Agora from 53.8% to 81.9%.

DEFINITIONS

Alternative Performance Measures

Cxense's financial information is prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the company presents alternative performance measures (APM). The APMs are regularly reviewed by management, and their aim is to enhance stakeholders' understanding of the company's performance. APMs are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data, as described in the table below. The alternative performance measures presented may be determined or calculated differently by other companies.

QRR	Quarterly Recurring Revenue (QRR) is the quarterly value of a recurring revenue contract. As an example, a recurring revenue contract with a revenue of USD 10 thousand per month has QRR of USD 30 thousand (10 thousand *3)
Closed New ARR	The sum of all ARR for all contracts closed in a certain financial period
Lost ARR (churn)	The sum of all ARR for all contracts lost in a certain financial period
Net New ARR	New ARR – Lost ARR (Churn)
EBITDA	Earnings before interest, taxes, depreciation and amortization. EBITDA corresponds to the "operating income before depreciation, amortization and impairment" in the consolidated income statement
OPEX	Operational Expenditure as presented according to IFRS
Non-IFRS OPEX adjustments	OPEX elements shown separately for the purpose of excluding them from OPEX
OPEX adjusted	OPEX + non-IFRS OPEX adjustments
EBITDA Adjusted	EBITDA calculated using OPEX adjusted instead of OPEX
Capitalized R&D	Capitalized software development cost as per IFRS
EBITDA adjusted with capitalization add back	EBITDA adjusted before capitalized R&D
Gross margin	Gross profit in percent of revenue
EBITDA margin	EBITDA in percent of revenue
Annualized underlying organic growth	Net new ARR from the quarter / quarterly SaaS segment revenue
Sales quota equivalent	A sales quota equivalent is 100% of a one sales quota. A sales rep has 100% of a sales quota. Sales Managers, Customer Success Managers and other individuals within the sales organization may have 75% or less sales quotas.
Days sales outstanding	Trade receivables divided by daily sales revenue (annual revenue / 365)