SECOND QUARTER REPORT 2018

Highlights

- **Strong growth for core DMP and Personalization segment**
    - 22% YoY and 2% sequentially
    - 44% gross growth, partly offset by churn
    - Churn declined from previous quarter, however still above long-term target
- **Strengthened product offering**
    - Improved DMP post Enreach acquisition
    - Strong interest for the new Conversion Engine
- **Strong international leadership team in place with appointment of new CTO, CPO and CCO**
- **79% reported gross margin**
    - Impacted by investment in EU based data center increasing hosting capacity by 33%
- **Q2 2018 EBITDA of USD -0.5 million**
- **Funded through break-even**
    - Churn improvement program and cost reductions ongoing

CEO Comment

"We strengthened our leading data management platform and personalization software offering in the second quarter with investments in our Conversion Engine and the Enreach acquisition. Both important steps for us which has led to increasing interest from existing and new clients seeking to use data for personalization and subscription optimization. We closed several new, large contracts in line with our strategy to serve more advanced customers, and we delivered another EBITDA in line with our post-restructuring target” Christian Printzell Halvorsen, CEO of Cxense.

Key figures

USD 1,000	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Q1 2018**	**Q2 2018**
Data Management & Intelligent personalization	3,188	3,357	3,617	3,816	3,875
SaaS Non-Core	1,888	1,699	1,530	1,423	1,243
Revenues	**5,077**	**5,055**	**5,148**	**5,239**	**5,118**
Gross margin	*74%*	*77%*	*80%*	*81%*	*79%*
OPEX	8,110	7,476	5,074	4,661	4,544
Non-IFRS OPEX adjustments	(882)	(1,464)	(253)	(215)	259
OPEX adjusted	**7,228**	**6,012**	**4,821**	**4,446**	**4,803**
EBITDA	(4,353)	(3,567)	(931)	(420)	(518)
EBITDA adjusted	**(3,471)**	**(2,103)**	**(678)**	**(204)**	**(777)**

OPERATIONAL REVIEW

Cxense delivers data management and personalization software to approximately 180 publishers and digital marketers around the globe. The Cxense software enables customers to understand their site and app users and to create better and more relevant user experiences. The result is increasing user engagement, loyalty and digital revenue for Cxense's customers.

The Cxense Data Management Platform (DMP) and Personalization software is powered by the Real Time Data Engine (RTE) which assigns a specific anonymous profile to each individual user. As users interact with content, their interest profiles are updated by algorithms that take into account all pertinent information about the consumed content and how deeply it was consumed. The profiles are actionable in real time to deliver relevant and engaging content to the individual user.

The Cxense software powers customer use cases like article recommendations, targeted advertising, subscription revenue optimization, product recommendations, e-mail marketing and many more.

Cxense customers pay a monthly subscription license fee. Contracts are typically for twelve months, with automatic renewal.

Continued growth for the DMP with Intelligent Personalization

Q2 2018 revenue for the core operations was USD 3.88 million, up 22% from the same period in 2017 and a slight sequential increase of 2% over Q1 2018. Sequential growth was affected by a negative contribution in non-license revenue components such service revenue, usage and currency exchange rate changes. Adjusted for these changes the sequential growth was 4.5%. The annualized revenue run-rate based on the core customer portfolio as of Q2 2018 was USD 15.5 million.

Cxense continued to experience strong interest for its software solutions and signed 25 new recurring revenue contracts in Q2 2018 for the core offering with Quarterly Recurring Revenue (QRR) effect of USD 316 thousand. The new QRR was split 78% from new customers and 22% from upsells to existing customers. With on average 11.5 effective sales quotas during the quarter, sales efficiency was up 2% compared to Q1 2018.

International media agency for sport portals E2 Communications, the leading Czech publisher VLMedia and Danish Broadcasting Corporation, were among the new contracts signed in the quarter. VLMedia will implement the new Cxense Conversion Engine, a solution that enables publishers to increase subscription revenue through a dynamic paywall with personalization. Demand for the Cxense DMP combined with Enreach solutions remains high in the EMEA region and the company has also experienced a strong initial interest from customers in Japan.

The full QRR effect of new churn notified lost in Q2 2018 was USD 199 thousand for the core business. While the level of churn was higher than the company's long-term ambition, it represented a reduction in lost QRR of 9% compared to the previous quarter. Cxense will continue to target larger contracts with solid implementations and more focused account management to reduce churn.

Customer size continued to increase in Q2 2018 with average QRR from new customers amounting to USD 20.4 thousand, compared to USD 14 thousand for customers lost in the quarter. Further, net increase in QRR from up and down sales on existing customers amounted to USD 2 thousand on average.

Gross margin was 79% in Q2 2018, significantly up from 74% in Q2 2017, and down from 81% in the previous quarter. In Q2 2018, Cxense added a fourth data center which will increase the core hosting capacity by approximately 33%. Following the investments in additional hosting capacity, Cxense can grow revenues without adding additional cost of sales, supporting an estimated gross margin of 83%. The fourth data center also paves the way for a more efficient redundancy set-up.

Q2 2018 adjusted OPEX was USD 4.8 million, compared to USD 7.2 million in Q2 2017, the last quarter before Cxense initiated the company restructuring to focus solely on DMP with Intelligent Personalization. Cxense maintains a continuous focus on cost efficiency. The company had on average 126 full-time employees (FTEs) through Q2 2018, up from 120 FTEs in Q1 2018 following the Enreach Acquisition.

Through the planned Enreach integration and other improvement measures Cxense expects to reduce quarterly costs by USD 630 thousand to be realized by end of Q1 2019.

The Q2 2018 group EBITDA was USD -0.5 million (-0.8 million adjusted). This represents a significant improvement versus the pre-restructuring Q2 2017 EBITDA of -3.5 million. Over the past 12 months, the new, focused organization has delivered core revenue growth, high sales efficiency, increased gross margin, and better-than-expected performance for the non-core business.

The cash position at end of June 2018 was USD 4.1 million. In Q2 2018 cash flow from operations was more negative than EBITDA, primarily as a result of working capital fluctuations and one-off working capital financing of Enreach. The working capital fluctuations related mainly to the billing pattern as well as overdue receivables at the end of June which were recovered early July. There was a strong working capital recovery in July and August leading to an overall positive cash flow from operations from end of Q2 until 20 August 2018 when the cash position had strengthened to USD 4.8 million.

Strong international leadership in place

In April 2018, Cxense strengthened the R&D leadership by appointing Pankaj Saharan as Chief Technology Officer. Pankaj comes from the position as Engineering Practice Lead at internet retailer Zalando where he has led development work related to data management and personalization. Before that, he was the Global Head of Software Engineering at information and technology company M-Brain, where he managed R&D teams and developed new solutions and products. Pankaj has also 6 years of experience from various roles at Nokia and Microsoft. Pankaj holds a Master of Science in Mobile Computing, Services and Security, from Aalto University, and a Master's Degree in Business Informatics from Helsinki Metropolia university of Applied Sciences, both in Finland.

In July, Ben Graham was appointed Chief Product Officer (CPO) of the company responsible for product management activities within Cxense. He is an experienced product leader who has worked extensively with audience data, analytics and data driven products, most recently as VP of Product at Schibsted, and previously as Senior Director of Product Management at Yahoo. Mr. Graham holds a bachelor's degree in physics with Management Studies from the University Sussex in Brighton, UK. He will work out of the Oslo office.

David Gosen was also appointed Chief Commercial Officer (CCO) of the company, responsible for all commercial activities. He is a proven commercial leader having held senior positions at Microsoft, Nielsen, Rocket Fuel and more recently at Sizmek, the world's largest independent buyside advertising platform, where he was General Manager for EMEA. He has also led two early stage global platform-businesses as CEO and sits on the Advisory Board for Surrey University Business School. David will be based in London, UK.

The above recruitments represent the conclusion of the strategic program to strengthen the Cxense leadership management team and position the company for growth.

General Data Protection Regulation (GDPR)

Cxense adheres to the privacy and data protection laws which regulates the services the company offers. The company is fully aware that, if used inappropriately, the types of technology and services it provides have the potential to conflict with the interests of end users. Cxense believes in a user-centric approach to addressing privacy matters, empowering users to make informed decisions about the use of their data. Therefore, the company is committed to safeguarding its services and only to provide them in a way that improves the end-user experience. The company takes user privacy very seriously as well as actively encourages clients to provide greater transparency and information about the collection and use of data.

From 25 May 2018, the EU enforced the new General Data Protection Regulation (GDPR). Cxense welcomes the new regulation that intends to strengthen and unify data protection for all individuals within the EU and European Economic Area (EEA).

Over the past quarters, the Cxense R&D teams have worked on modifying software code and hosting for GDPR compliance. The platform has been enhanced to better support consent collection and verification, right to erasure, objection and rectification, as well as data portability and data breach notification. Further, Cxense has appointed an external legal adviser to take the Data Protection Officer role and have established records of data processing activities.

Following the EU implementation of GDPR in Q2 2018, Cxense has so far not experienced any negative impact on its financials. With GDPR the Data Controllers, our customers, face a more complex regulatory environment, and we believe they will increasingly benefit from working with compliant data processors like Cxense. Furthermore, the Cxense DMP is based on 1st party data, which gives a better opportunity to collect and verify user consent as opposed to DMPs based on 3rd party data.

Divestments and acquisitions

On 30 April 2018, Cxense completed the acquisition of the Finnish DMP company Enreach Solutions OY which has strong complementary data science and DMP competencies. The transaction consideration was made up of Cxense shares and a share-based earn out structure. Work is underway to integrate the Enreach organization and capture operational synergies, and to strengthen the DMP offering to drive growth (See note 5 for more details).

In Q4 2017, Cxense divested the non-core business mporium and Emediate. The divestment process of Ramp (Cxense Video) and the advertising business Maxifier is ongoing. Both businesses are reported as Non-Core SaaS revenue.

FINANCIAL DEVELOPMENT SUMMARY

USD 1,000	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
	IFRS	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*
SaaS segment									
DMP with Intelligent Personalization*	2,518	2,930	3,066	3,130	3,188	3,357	3,617	3,816	3,875
Advertising	1,448	1,216	1,159	911	861	678	525	436	364
mporium	185	141	132	136	131	146	141	147	77
Video	1,230	1,224	1,297	1,033	896	875	864	840	801
Revenues total	**5,381**	**5,511**	**5,654**	**5,209**	**5,077**	**5,055**	**5,147**	**5,239**	**5,118**
Cost of sales	967	1,252	1,195	1,361	1,321	1,146	1,005	997	1,091
Gross profit	**4,414**	**4,259**	**4,460**	**3,848**	**3,756**	**3,909**	**4,143**	**4,242**	**4,027**
Gross margin %	*82%*	*77%*	*79%*	*74%*	*74%*	*77%*	*80%*	*81%*	*79%*
Personnel	3,675	4,141	4,574	4,402	5,826	5,305	3,018	2,505	2,474
Other OPEX	1,915	1,772	2,258	2,088	2,284	2,170	2,056	2,156	2,070
OPEX	**5,590**	**5,913**	**6,832**	**6,490**	**8,110**	**7,476**	**5,074**	**4,661**	**4,544**
EBITDA	**(1,176)**	**(1,654)**	**(2,374)**	**(2,642)**	**(4,354)**	**(3,567)**	**(931)**	**(420)**	**(518)**
Non-IFRS adjustment of OPEX level									
Share-based payment costs	56	149	191	244	239	(32)	(18)	(4)	39
Share-based social costs provision	54								
Commission accrual reversals									(343)
Salary and social restructuring provisions/costs						1,280	164		
Office moving and restructuring costs			210	(21)	0	140	103		
Extraordinary/special				32	585	24	3		
One-off provision for doubtful debt	55		84					142	(2)
Transaction costs	81	78	79	103	58	52	1	77	47
R&D refund	(42)		(167)						
Total reported OPEX adjustment items	**204**	**226**	**397**	**358**	**882**	**1,464**	**253**	**215**	**(259)**
Estimated full effect of cost-reduction program									
OPEX adjusted	**5,386**	**5,686**	**6,435**	**6,132**	**7,228**	**6,012**	**4,821**	**4,446**	**4,803**
EBITDA adjusted	**(972)**	**(1,428)**	**(1,977)**	**(2,284)**	**(3,472)**	**(2,103)**	**(678)**	**(204)**	**(777)**
Capitalized operating expense	(494)	(496)	(891)	(507)	(507)	(557)	(268)	(226)	(365)
EBITDA adjusted with capitalization add back	(1,466)	(1,924)	(2,868)	(2,791)	(3,980)	(2,660)	(946)	(431)	(1,142)

DMP and Personalization revenue development breakdown

Quarterly figures (unaudited)	**Total revenue**					**DMP and personalization revenue**				
USD 1,000	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Q1 2018**	**Q2 2018**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Q1 2018**	**Q2 2018**
Revenue in previous quarter	5,209	5,077	5,055	5,147	5,239	3,130	3,188	3,357	3,617	3,816
New recurring license revenue effect	275	243	468	491	357	275	235	408	437	337
Acquired recurring license revenue	-	-	-	-	97	-	-	-	-	97
Divested recurring license revenue	-	-	(93)	(183)	-	-	-	-	-	-
Churn effect	(385)	(333)	(240)	(292)	(429)	(150)	(206)	(182)	(274)	(262)
Change in service revenue	(49)	97	(102)	(21)	(33)	(45)	111	(89)	(33)	(50)
Change in other variables	(25)	(121)	69	33	(49)	(62)	(56)	106	35	(20)
Currency effect	52	92	(10)	64	(63)	40	85	17	34	(44)
Revenue this quarter	5,077	5,055	5,147	5,239	5,118	3,188	3,357	3,617	3,816	3,875
Accumulated currency effect, reversed	(3)	(95)	(85)	(149)	(86)	25	(60)	(77)	(111)	(67)
Outbound revenue currency adjusted	5,074	4,960	5,062	5,090	5,033	3,213	3,297	3,540	3,705	3,807
Q1 run-rate adjustments										
Full effect of contracts closed until 20 August 2018 (Core)										331
Full effect of known churn until 20 August (Core)										(294)
DMP & Personalization run-rate revenue after adjustments										**3,911**
Number of closed contracts in the quarter	**25**	**29**	**30**	**22**	**32**	**23**	**26**	**26**	**22**	**31**
Whereof new customers	17	19	11	11	12	17	18	11	11	12
Whereof upsell	8	10	19	11	20	6	8	15	11	19
Full QRR effect of contracts notified closed in the period	274	306	429	335	316	272	282	366	335	316
Full QRR effect of contracts notified lost in the period	(399)	(215)	(221)	(335)	(221)	(170)	(92)	(187)	(219)	(199)
Net	**(126)**	**91**	**208**	**(0)**	**95**	**102**	**191**	**179**	**115**	**117**

FINANCIAL REVIEW

Q2 2018 group revenue was USD 5.12 million, up from Q2 2017 revenue of USD 5.08 million, and a slight decrease when compared to Q1 2018. Revenue for the core SaaS business was USD 3.88 million in Q2 2018, while the non-core business had revenue of 1.24 million. The core business grew 2% sequentially from Q1 2018, and 22% compared to Q2 2017. The non-core business is in the process of being divested.

The sequential consolidated development was a function of new software license revenues of USD 357 thousand, acquired software license revenues of USD 97 thousand, and a change in service revenues and other variable revenues of USD -82 thousand. Currency effects amounted USD -63 thousand while churn was USD 429 thousand for the period.

The Q2 2018 group cost of sales was USD 1.09 million, compared to USD 1.32 million in Q2 2017. Cost of sales within the SaaS segment predominantly relates to the hosting of the software applications used by the company's customers. The Q2 2018 gross margin was 79%, compared to 74% in Q2 2017 and 81% in Q1 2018. The gross margin increase compared to same quarter last year relates to a hosting cost improvement program run in 2H 2017. The decline from Q1 '18 to Q2 '18 relates to the investment in a second EU data center which added 33% core hosting capacity.

The Q2 2018 employee benefit expenses were USD 2.47 million, compared to USD 5.83 million in Q2 2017 and USD 2.51 million in Q1 2018. The decline in employee benefit costs reflects the restructuring-related headcount reduction to 123 FTEs (excluding outbound FTEs) as of 30 June 2018, compared to 188 FTEs one year earlier. Capitalization of employee benefit expenses related to software development activities amounted to USD 289 thousand in Q2 2018.

Other operating expenses amounted to USD 2.07 million in Q2 2018, compared to USD 2.28 million in Q2 2017. Most of the expenses relate to premises, travel, marketing, consulting services and contractors. This included USD 47 thousand in transaction costs. Other operating expenses related to software development activities of USD 77 thousand were capitalized in the quarter.

Q2 2018 EBITDA amounted to USD -518 thousand, compared to USD -4.35 million in Q2 2017 and USD -420 thousand in Q1 2018.

Depreciation and amortization in Q2 2018 were USD 572 thousand, compared to USD 899 thousand in Q2 2017. Depreciation and amortization predominantly originates from intangible assets related to acquired companies and capitalized R&D expenses. Further, impairments of USD 3.56 million on assets held for sale were recorded in Q2 2018. The impairments relate to the Video product portfolio (USD 1.98) and Maxifier (USD 1.58) and results from assessments of market value in the light of the ongoing sales processes. In addition, there is a corresponding positive effect from reduction in Maxifier tax liabilities related to assets held for sale of USD 334 thousand. Hence the net effect of impairments and tax liability reversal is USD 3.23 milion.

Finance income from interest and currency gains were USD 75 thousand in Q2 2018, compared to USD 6 thousand in Q2 2017. Financial expenses, mainly related to currency losses, amounted to USD 162 thousand in Q2 2018, compared to USD 151 thousand in Q2 2017.

The Q2 2018 share of profit from investments in associated companies was USD -86 thousand, compared to USD -580 thousand in Q2 2018, and relates to the investment in RepKnight where Cxense holds a 15% stake. The RepKnight share of profit is included in the accounts in accordance with IFRS and the equity method for associated companies. The profit/loss included is booked against the book value of the investments, increasing/reducing the book value accordingly.

The Q2 2018 net loss from discontinued operations was USD 23 thousand, compared to a loss of USD 236 thousand in Q2 2017.

The group net loss amounted to USD 4.77 million in Q2 2018, compared to a net loss of USD 6.27 million in Q2 2017. This represents a Q2 2018 loss of USD 0.0005 per share, compared to loss of USD 0.0008 per share in Q2 2017.

Total assets at the end of Q2 2018 amounted to USD 23.7 million, compared to USD 47.4 million as at the end of Q2 2017. The decrease in total assets in the period was mainly related to impairments in relation to the restructuring. Total equity at the end of Q2 2018 was USD 16.4 million, compared to USD 38.8 million at the end of Q2 2017.

Goodwill of USD 5.83 million at 30 June 2018 relates to goodwill from the acquisition of Maxifier (USD 4.81 million) that will remain after divesture and goodwill from the Enreach acquisition (USD 1.02 million).

The Q2 2018 intangible assets of USD 4.14 million was mainly related to capitalized R&D of USD 2.05 million and the inclusion of Enreach of USD 2.27 million.

Trade receivables were USD 3.53 million (equal to 62 days sales outstanding[1]) at the end of Q2 2018, compared with USD 3.17 million (56 days) at the end of Q2 2017.

The Q2 2018 cash position was USD 4.09 million, compared to USD 7.94 million at the end of Q2 2017. The year-over-year change was mainly a function of cash used to finance operations and investments over the period, partly offset by the issue of new shares in Q3 2017 and proceeds from divestments.

Non-current liabilities at the end of Q2 2018 were USD 1.73 million, compared to USD 935 thousand for Q2 2017. The increase in non-current liabilities is mainly due to the addition of interest bearing debt acquired in the Enreach transaction. Total current liabilities at the end of Q2 2018 were USD 4.30 million, compared to USD 7.67 million at the end of Q2 2017.

Net cash flow used in operating activities was USD 3.29 million in Q2 2018, compared to USD 4.02 million in Q2 2017. The Q2 2018 cash flow used in operating activities was USD 2.77 million higher than the Q2 2018 EBITDA, mainly explained by an increase in other accruals and non-current items of USD 1.76 million and currency translation effects of 368 thousand.

Q2 2018 net cash flow used in investing activities was USD 471 thousand, including R&D investments. This was compared to USD 1.09 million used in Q2 2017. Net cash flow from financing activities was nil in Q2 2018, compared to USD 248 thousand in Q2 2017. After the reporting period there has been positive cash flow and per 20 August 2018 the cash position was USD 4.8 million.

Cxense used to have two business segments. In Q4 2017, the Cxense group classified the activities contained in the Publisher-Controlled Advertising Networks (PCAN) segment as "held for sale" and "discontinued operations". Net contribution from PCAN is reported on a separate line and not included in revenue or EBITDA. Full-year and comparable quarterly figures have been restated accordingly.

Cxense has adopted the new revenue recognition standard IFRS 15, effective from 1 January 2018. The group applied the modified retrospective adoption method. The overall impact of IFRS 15 on Cxense financials is limited. The net effect on Q2 2018 revenues was a USD 45 thousand increase compared to under previous recognition principles (IAS 18). The cumulative historical effect, which was booked against equity at the beginning of the year, was a USD 38 thousand reduction.

First half 2018

H1 2018 group revenue amounted to USD 10.4 million, compared to H1 2017 revenues of USD 10.3 million. Revenue for the core SaaS segment was USD 7.69 million, compared to USD 6.32 million in H1 2017.

The H1 2018 group cost of sales amounted to USD 2.09 million and employee benefit expense was USD 4.98 million, compared to USD 2.68 million and USD 10.2 million respectively in H1 2017. Other operating expenses amounted to USD 4.23 million in H1 2018, compared to USD 4.37 million in H1 2017. The majority of the other operating expenses are related to premises, travel, marketing and external consulting (audit, legal and other).

The H1 2018 EBITDA was USD -937 thousand, compared to USD -7 million in H1 2017.

Depreciation and amortization were USD 1.03 million, compared to USD 1.88 million in H1 2017. Impairment of intangible assets amounted to USD 3.56 million in H1 2018. Net financial expense was USD 257 thousand in H1 2018, compared to next expense of USD 70 thousand in H1 2017. Finance income is largely related to interest earned on bank deposits, while finance expense mostly relates to currency fluctuations.

The H1 2018 share of profit of investments in associated companies of USD -430 thousand and was related to the investment in RepKnight. The H1 2017 share of profit of investments in associated companies was USD -955 thousand.

Tax cost for H1 2018 was USD 105 thousand, compared to a tax cost of USD 144 thousand in H1 2017. In general, the income tax expense arises in the Cxense SaaS subsidiaries in USA, Japan and Australia that perform Sales & Marketing and Research & Development activities for the parent company based on inter-company agreements

[1] 1 day = receivables / quarterly revenues * 90 days

(with arm's-length pricing principles). The H1 2018 loss from discontinued operations amounted to USD 145 thousand, compared to a loss of USD 505 thousand in H1 2017.

The group net loss amounted to USD 6.46 million in H1 2018, compared to USD 10.6 million in H1 2017. This represents a H1 2018 loss of USD 0.0007 per share, compared to a loss of USD 0.0013 per share in H1 2017.

Net cash flow used in operating activities was USD 5.63 million in H1 2018, compared to USD 8.02 million in H1 2017. Net cash flow used for investments was USD 485 thousand, compared to USD 6.25 million used in H1 2017. Net cash flow from financing activities was nil in H1 2018, compared to USD 248 thousand in H1 2017.

Risks and uncertainties

Cxense operates in a highly competitive and fragmented market with rapidly developing technologies, requiring investments in improving and enhancing the technology and solutions offered to satisfy customer requirements. Commercial success is linked to the technology and the commercialization of it, as well as related intellectual property rights. Cxense is in a growth phase, reflected in current losses and the risk of future losses. Cxense has an ambition to grow, both organically and by acquisitions, which may require additional capital. Cxense operates globally and is exposed to currency exchange rate fluctuations, which may affect earnings as well as various local tax laws. Please refer to the annual report and/or the most recent prospectus available at www.cxense.com.

FINANCIAL STATEMENTS

Consolidated income statement – unaudited

USD 1,000	Note	Q2 ended 30 June 2018	Q2 ended 30 June 2017 (restated)	YTD 30 June 2018	YTD 30 June 2017 (restated)	Year ended 31 Dec 2017
Revenue		**5,118**	**5,076**	**10,357**	**10,285**	**20,488**
Operating expense						
Cost of sale		1,091	1,320	2,088	2,682	4,833
Employee benefit expense		2,474	5,826	4,979	10,228	18,551
Other operating expenses		2,071	2,284	4,227	4,372	8,600
EBITDA		**(518)**	**(4,354)**	**(937)**	**(6,997)**	**(11,494)**
Depreciation and amortization expense		572	899	1,031	1,880	3,712
Impairment of assets		3,559	0	3,559	0	11,105
Gain/loss on sale of subsidiaries		0	0	0	0	345
Net operating income/(loss)		**(4,649)**	**(5,253)**	**(5,527)**	**(8,877)**	**(26,657)**
Financial income and expense						
Finance income		75	6	126	150	418
Finance expense		(162)	(151)	(383)	(220)	(653)
Net financial income/(expense)		**(87)**	**(145)**	**(257)**	**(70)**	**(235)**
Share of profit from associated companies		(86)	(580)	(430)	(955)	(1,392)
Impairment of associated company		0	0	0	0	(3,152)
Net loss before taxes		**(4,821)**	**(5,978)**	**(6,213)**	**(9,902)**	**(31,436)**
Income tax expense		(79)	59	105	144	298
Net income/(loss) for the period from continuing operations		**(4,743)**	**(6,037)**	**(6,319)**	**(10,046)**	**(31,734)**
Net income/(loss) for the period from discontinuing operations		(23)	(236)	(145)	(505)	(750)
Total net loss for the period from total operations		**(4,766)**	**(6,273)**	**(6,464)**	**(10,551)**	**(32,484)**
Net loss attributable to:						
Owners of the Company		(4,752)	(6,163)	(6,390)	(10,314)	(32,128)
Non-controlling interests		(15)	(111)	(74)	(237)	(356)
Earnings per share:						
From continuing operations						
Basic		(0.0005)	(0.0007)	(0.0007)	(0.0013)	(0.0039)
Diluted		(0.0005)	(0.0007)	(0.0007)	(0.0013)	(0.0038)
From total operations						
Basic		(0.0005)	(0.0008)	(0.0007)	(0.0013)	(0.0039)
Diluted		(0.0005)	(0.0008)	(0.0007)	(0.0013)	(0.0039)
Statement of comprehensive income						
Net loss for the period		(4,766)	(6,273)	(6,464)	(10,551)	(32,484)
Other comprehensive income:						
Items that might be subsequent reclassified to net income (loss):						
- Currency translation differences		(356)	138	188	1,373	885
- Amount reclassified from Other comprehensive income to Income Statement at disposal						(129)
Total comprehensive loss		**(5,122)**	**(6,135)**	**(6,276)**	**(9,178)**	**(31,728)**
Total comprehensive income/(loss) attributable to:						
Owners of the Company		(5,107)	(6,025)	(6,202)	(8,941)	(31,372)
Non-controlling interests		(15)	(111)	(74)	(237)	(356)

Consolidated statement of financial position – unaudited

USD 1,000	Note	As at 30 Jun 2018	As at 30 Jun 2017	As at 31 Dec 2017
Assets				
Non-current assets				
Goodwill		5,829	14,364	4,809
Deferred tax asset		5	15	16
Intangible assets		4,142	11,088	2,324
Office machinery, equipment, etc.		899	755	1,058
Investments in associated companies		(0)	7,991	476
Other financial assets		861	638	854
Total non-current assets		**11,736**	**34,850**	**9,536**
Current assets				
Trade receivables		3,530	3,166	2,438
Other short-term assets		1,435	1,429	1,672
Cash and cash equivalents		4,091	7,937	10,247
Total current assets		**9,056**	**12,532**	**14,357**
Assets classified as "held for sale"		2,890	0	6,484
Total assets		**23,683**	**47,382**	**30,378**
Equity and liabilities				
Equity				
Share capital		5,566	4,744	5,459
Other paid-in capital		20,122	44,129	49,012
Currency translation differences		7,678	7,405	7,539
Currency translation on assets held for sale		84	-	35
Retained earnings		(16,283)	(16,888)	(39,523)
Equity attributable to the holders of the Company		**17,167**	**39,389**	**22,521**
Non-controlling interest		(808)	(616)	(735)
Total equity		**16,359**	**38,773**	**21,787**
Liabilities				
Non-current liabilities				
Long-term interest bearing debt		1,025	248	-
Deferred tax liabilities		409	553	0
Other provisions		51	97	127
Other long-term liabilities		249	37	27
Total non-current liabilities		**1,734**	**935**	**154**
Current liabilities				
Trade payables		969	1,966	1,112
Current taxes		159	198	192
Other short-term liabilities		3,167	5,510	5,347
Total current liabilities		**4,295**	**7,674**	**6,652**
Liabilities related to assets "held for sale"		1,294	0	1,785
Total liabilities		**7,324**	**8,609**	**8,591**
Total equity and liabilities		**23,683**	**47,382**	**30,378**

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 2017	**4,617**	**0**	**49,666**	**6,818**	**0**	**(12,472)**	**48,627**	**(379)**	**48,248**
Profit for the period					0	(32,128)	(32,128)	(356)	(32,484)
Other comprehensive income	0	0	0	3,379	0	(2,495)	884	0	884
Amount reclassified from Other comprehensive income to Income Statement at disposal				(129)			(129)		(129)
Total comprehensive income/(loss) 2017	0	0	0	3,250	0	(34,623)	(31,373)	(356)	(31,729)
Transaction costs related to capital increases	0	0	(320)	0	0	0	(320)	0	(320)
Share-based payments	0	0	436	0	0	0	436	0	435
Increase in share capital	642	0	4,492	0	0	0	5,134	0	5,134
Reclassification of equity	0	0	(7,572)	0	0	7,572	0	0	0
Purchase of own shares	0	(16)	(269)	0	0	0	(285)	0	(285)
Distribution of own shares.	0	15	280	0	0	0	296	0	296
Sale of own shares	0	0	6	0	0	0	6	0	6
Currency effects from translation of equity	201	(0)	2,294	(2,495)	0	0	0		0
Recycling of OCI on sale and held for sale OCI	0	0	0	(35)	35	0	0	0	0
Total equity as at 31 December 2017	**5,459**	**(0)**	**49,012**	**7,539**	**35**	**(39,523)**	**22,521**	**(735)**	**21,787**
Change in accounting principles						(31)	(31)		(31)
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						(6,390)	(6,390)	(74)	(6,464)
Other comprehensive income	0	0	0	437	49	(298)	188	0	188
Total comprehensive income/(loss) YTD 18	*0*	*0*	*0*	*437*	*49*	*(6,688)*	*(6,202)*	*(74)*	*(6,276)*
Share-based payments	0	0	34	0	0	0	34	0	34
Increase in share capital	77	0	768	0	0	0	845	0	845
Reclassification of equity	0	0	(29,960)	0	0	29,960	0	0	0
Currency effects from translation of equity	30	0	268	(298)	0	0	0		0
Total equity as at 30 June 2018	**5,566**	**(0)**	**20,123**	**7,678**	**84**	**(16,283)**	**17,167**	**(808)**	**16,359**

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 2017	**4,617**	**0**	**49,666**	**6,818**	**0**	**(12,747)**	**48,627**	**(379)**	**48,248**
Profit for the period					0	(10,314)	(10,314)	(237)	(10,551)
Other comprehensive income	0	0	0	2,098	0	(1,510)	588	0	588
Total comprehensive income/(loss) 2017	*0*	*0*	*0*	*2,098*	*0*	*(11,824)*	*(9,726)*	*(237)*	*(9,963)*
Transaction costs related to capital increases	0	0	(6)	0	0	0	(6)	0	(6)
Share-based payments	0	0	488	0	0	0	488	0	488
Reclassification of equity	0	0	(7,408)	0	0	7,408	0	0	0
Purchase of own shares		(16)	(267)	0	0	0	(283)		(283)
Distribution of own shares.	0	15	275	0	0	0	290	0	290
Currency effects from translation of equity	128	0	1,382	(1,510)	0	0	0	0	0
Total equity as at 30 June 2017	**4,745**	**(1)**	**44,130**	**7,406**	**0**	**(17,163)**	**39,390**	**(616)**	**38,774**

Consolidated statement of cash flow – unaudited*

USD 1,000	Note	Q2 ended 30 June 2018	Q2 ended 30 june 2017	YTD 30 June 2018	YTD 30 June 2017	Year ended 31 Dec 2017
Cash flow from operating activities						
Profit/(loss) after income tax (including disposal group)		(4,766)	(6,273)	(6,464)	(10,551)	(32,484)
Adjustments:						
Income tax payable		(404)	(121)	(407)	(231)	(569)
Share-based payments		68	240	35	483	432
Share of profit from associated companies, incl impairments		86	581	430	955	4,543
Depreciation. Amortization and impairments		4,117	901	4,590	1,884	14,855
Currency translation effects		(368)	288	185	498	1,153
Change in trade receivables		(62)	(120)	(854)	466	(111)
Change in trade payables		(208)	563	(528)	203	81
Change in other accrual and non-current items		(1,755)	(82)	(2,612)	(1,726)	(962)
Net cash flow from/(used in) operating activities		**(3,292)**	**(4,023)**	**(5,625)**	**(8,019)**	**(12,717)**
Cash flow from investing activities						
Investment in furniture, fixtures and office machines		(104)	(585)	(142)	(661)	(1,187)
Investment in intangible assets		(365)	(507)	(591)	(1,014)	(1,839)
Investment in associated companies					(4,577)	(4,577)
Sale of associated company						3,712
Sale of subsidiary				250		159
Net cash flow from/(used in) investing activities		**(471)**	**(1,092)**	**(485)**	**(6,253)**	**(3,733)**
Cash flow from financing activities						
Net proceeds from share issues						4,598
Proceeds from borrowings			248		248	248
Proceeds from minority interest						
Net cash flow from/(used in) financing activities			**248**		**248**	**4,846**
Net increase/(decrease) in cash and cash equivalents		**(3,762)**	**(4,867)**	**(6,109)**	**(14,024)**	**(11,604)**
Cash and cash equivalents at the beginning of the period		7,742	12,805	10,247	21,960	21,960
Changes in cash classified as asset held for sale		112		(46)		(110)
Cash and cash equivalents at the end of the period		**4,092**	**7,938**	**4,091**	**7,937**	**10,246**

*) 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 21 August 2018, 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 half year of 2018, ending 30 June 2018, 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 2017 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 2017, except for the standards (IFRS 9 and IFRS 15) implemented as of 1 January 2018 as described below.

Note 2: Transition to IFRS 15 Revenue from customers

Introduction

As indicated in the Annual Report 2017, the group has adopted IFRS 15 as approved by EU, from 1 January 2018. The group applied the new rules using the modified approach from 1 January 2018. Comparatives for 2017 are not restated.

New accounting policies upon adoption of IFRS 15

Revenue

The group provides its customers with a right to access Cxense software, which is hosted on Cxense servers and represent intellectual property of Cxense. This right, or license, is regarded as a performance obligation. Some license contracts include onboarding services which is an integral part of the license and not a separate performance obligation. As such, any onboarding services is included in the transaction price of the license. The transaction price is recognized over time as the service is delivered.

The group also provides consulting services on special request, which is a separate performance obligation and recognized a delivery.

Contract costs

Incremental costs of obtaining a contract are recognized as an asset if the costs are expected to be recovered. The costs are recognized as an asset and amortized on a systematic basis consistent with the pattern of the transfer of the services to which the asset relates. Cxense applies the practical expedient for costs where expected amortization period is one year or less.

The main change upon implementation of IFRS 15

As a consequence of the implementation of IFRS 15, the following two changes have been done:

- Free license periods are amortized over the contract period and not recognized according to the free periods
- Onboarding fee is not a separate performance obligation and recognized over the contract period

In summary, the following adjustments were made to the amounts recognized in the balance sheet at the date of initial application, 1 January 2018.

USD 1,000	**IAS 18 carrying amount 31 December 2017**	**Remeasurement**	**IFRS 15 carrying amount 1 January 2018**
Other short-term assets - contract assets 1)	1,672	56	1,728
Deferred tax assets	16	7	23
Retained earnings	(39,523)	(31)	(39,554)
Other short-term liabilities - contract liabilities 2)	5347	94	5,441

1) Other short-term assets include line-accrued income of USD 261 thousand, which will be presented as contract asset under IFRS 15. No reclassification in the balance sheet.

2) Other short-term liabilities include line prepayments from customers of USD 641 thousand, which will be presented as contract liabilities under IFRS 15. No reclassification in the balance sheet.

The income statement as reported YTD have the following effects:

USD 1,000	**As reported YTD Q2**	**Adjustments**	**Without adoption of IFRS 15**
Revenue	10,357	57	10,414
EBITDA	(937)	57	(880)
Net operating income/(loss)	(5,527)	57	(5,470)
Net loss before taxes	(6,213)	57	(6,156)
Taxes	105	(5)	100
Total net loss for the period for total operations	**(6,464)**	**52**	**(6,412)**

USD 1,000	**As reported Q2 isolated**	**Adjustments**	**Without adoption of IFRS 15**
Revenue	5,118	45	5,163
EBITDA	(518)	45	(473)
Net operating income/(loss)	(4,649)	45	(4,604)
Net loss before taxes	(4,822)	45	(4,777)
Taxes	(79)	(1)	(80)
Total net loss for the period for total operations	**(4,766)**	**43**	**(4,723)**

Note 3: Transition to IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (effective from 1 January 2018) replaces the old incurred loss model with an expected loss model. The new model implies a minor increase in provision for bad debt, as a provision will be recognized before any event has happened as required under an incurred loss model. The group has elected to use the simplified approach as described in IFRS 9.

Note 4: Segment information and disaggregation of revenue

The group has been organized into business units based on its products and services, and has one reportable 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.

In 2017, the former segment, PCAN, was classified as discontinued operations. As a consequence, PCAN is reported at one line only in net income. Comparable figures are restated.

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 are disaggregated as follow:

USD 1,000	**Q2 ended 30 June 2018**	**YTD 30 June 2018**
Revenue from license	4,906	9,900
Revenue from consulting services	212	457
Revenue from contracts with customers	**5,118**	**10,357**

Note 5: Business combination

Acquisition of Enreach Solutions OY

On 30 April 2018, the group acquired 100 % of the share capital of Enreach Solutions OY (Enreach), a Finnish Data Management Platform provider. The transaction consideration is Cxense shares and includes a share-based earn out structure. The total purchase price, including contingent considerations, is estimated at EUR 902 thousand (USD 1090 thousand at the exchange rate at the date of acquisition). Details of net assets acquired, and goodwill are as follows:

USD 1,000	**On acquisition**
Purchase consideration:	
- Shares issued	852
- Contingent consideration	238
Total purchase consideration	**1,090**
Fair value of assets acquired (see below)	31
Goodwill	**1,058**

The 123,789 shares paid as part of the consideration for 100% of Enreach were issued at a price of NOK 55 per share. The Seller will be entitled to an earn-out of EUR 900,000 if the Cxense share has traded at a volume weighted average higher than NOK 80 for a period of 10 consecutive days within three years after the closing of the transaction and an additional EUR 900,000 if the Cxense share has traded at a volume weighted average higher than NOK 120 for a period of 10 consecutive days within the same period. The earn-out can be settled by Cxense in cash or in Cxense shares. The contingent consideration (the net present value of the earn-outs) is calculated by an independent party.

The goodwill is attributable to assumed synergies resulting from combination of the Enreach DMP features with the Cxense DMP features. The synergies are expected to be operational as well as creating a more integrated and competitive DMP offering.

USD 1,000	**Fair value**
Customer relationships	599
Technology	1,591
Trade and other receivables	300
Cash and cash equivalents	1
Long-term liabilities	(1,062)
Trade and other payables	(384)
Other current liabilities	(575)
Deferred tax liabilities	(438)
Net assets acquired	**31**

The purchase price allocation is not final.

In YTD 2018 financials, the acquisition of Enreach contributed USD 94 thousand to revenue and USD -159 thousand to net profit before tax for the Group. If the business combination had taken place at the beginning of the year, Enreach would have contributed revenue of USD 418 thousand and net profit before tax of USD -30 thousand for the Group.

Note 6: Revaluation of held for sale assets

The Video Business (previously Ramp) was classified as held for sale in 2017 as the management intended to sell the technology and the customer base. The assets are measured at the lowest of carrying amount and fair value less cost of sale. As of 30 June 2018, the value is estimated to USD 1.7 million and an impairment of USD 2 million is recognized in the quarter.

The value of the advertising business (Maxifier), classified as held for sale, is estimated to USD 250 thousand. In Q2 2018, an impairment of USD 1.6 million was recognized on Maxifier along with a corresponding tax income of USD 334 thousand from change in deferred tax liabilities. The net P&L impact of the Maxifier impairment amounted to USD 1.25 million in Q2 2018.

Note 7: Share capital

On 3 April 2018, the Cxense board resolved to issue 210,000 subscription rights (SRs) to employees. The grant was made under the company's 2017 incentive subscription rights plan which was adopted by the annual general meeting on 10 May 2017. The exercise price of the SRs is NOK 43.08 per share. The issued SRs vest over 4 years by 25% on each anniversary from the date of the grant and expire on 10 May 2022.

On 12 April 2018, the Cxense board resolved to issue 54,500 subscription rights (SRs) to employees. The grant was made under the company's 2017 incentive subscription rights plan which was adopted by the annual general meeting on 10 May 2017. The exercise price of the SRs is NOK 46.11 per share. The issued SRs vest over 4 years by 25% on each anniversary from the date of the grant and expire on 10 May 2022.

In connection with the acquisition of Enreach, the Cxense board resolved to issue 123,789 shares in the Company as consideration to Enreach Solutions AB. The new shares were issued at a subscription price of NOK 55.

The Company's new share capital is NOK 45,409,005 divided into 9,081,801 shares, each with a nominal value of NOK 5. As of publication of this report, there were 9,081,801 shares and 529,400 share options and SRs outstanding.

Note 8: Events after the reporting period

In the period between 30 June 2018 and the date of these financial statements, the board of directors is not aware of any matter or circumstance not otherwise dealt with in this report that has significantly affected, or may significantly affect, the operations of the group.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34-Interim Financial Reporting and gives a true and fair view of the Cxense group's assets, liabilities, financial position and results for the period. We also confirm, to the best of our knowledge, that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

The Board of Directors of Cxense ASA

Oslo, 21 August 2018

Lars Thoresen

(Chairman)

L. Benson

Liza Benson

(Board member)

Ingeborg Molden Hegstad

Ingeborg Hegstad

(Board member)

Martin Moran

(Board member)

Christian Printzell Halvorsen

(CEO)

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.

ARR	Annualized Recurring Revenue (ARR) is the annualized value of a recurring revenue contract. As an example, a recurring revenue contract with a revenue of USD 10 thousand per month has ARR of USD 120 thousand (10 thousand *12)
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)