



CXENSE
Deliver what people want

FIRST QUARTER REPORT 2018



Highlights

- **Strong growth for core DMP and Personalization segment**
 - 22% YoY and 6% sequentially
 - 43% YoY gross growth partly offset by high churn
- **81% gross margin**
 - Up 1pp sequentially on further hosting efficiencies
- **Q1 2018 EBITDA of USD -0.4 million, ahead of USD -0.5 million target**
- **Strengthened product offering**
 - New offering: Conversion Engine
 - DMP feature improvement through Enreach acquisition
- **Development leadership strengthened by the appointment of new CTO and CPO**
- **Financial runway beyond break-even with USD 7.7 million cash position**

CEO Comment:

"We delivered our best EBITDA result ever in the first quarter and met our post-restructuring financial targets. We closed several new, large contracts in line with our strategy to serve more advanced customers, and our ability to serve these customers was further strengthened by our recent acquisition of Enreach. There is growing demand from existing and new clients to use data for personalization, and we also experience increased interest for our subscription optimization solutions."

Christian Printzell Halvorsen, CEO of Cxense

Key figures

USD 1,000	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Data Management & Intelligent personalization	3,129	3,188	3,357	3,617	3,816
SaaS Non-Core	2,080	1,888	1,699	1,530	1,423
Revenues	5,209	5,077	5,055	5,148	5,239
Gross margin	74%	74%	77%	80%	81%
OPEX	6,490	8,110	7,476	5,074	4,661
Non-IFRS OPEX adjustments	(358)	(882)	(1,464)	(253)	(215)
OPEX adjusted	6,132	7,228	6,012	4,821	4,446
EBITDA	(2,643)	(4,353)	(3,567)	(931)	(420)
EBITDA adjusted	(2,284)	(3,471)	(2,103)	(678)	(204)

OPERATIONAL REVIEW

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

The Cxense 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 is delivered as a Software-as-a-Service (SaaS), where customers pay a monthly license subscription fee. Contracts are typically for twelve months, with automatic renewal.

Continued growth for DMP and Intelligent Personalization

Q1 2018 revenue for the core operations was USD 3.8 million, up 22% from the same period in 2017 and an increase of 6% over Q4 2017. The annualized revenue run-rate based on the customer portfolio as of Q1 2018 was USD 15.3 million, up from USD 14.5 million at the end of Q4 2017.

Cxense signed 22 new recurring revenue contracts for the core offering, of which 50% were up-sell to existing customers experiencing tangible ROI from using Cxense's solutions.

Japanese credit card company Credit Saison and Dun & Bradstreet, the global leader in commercial data, analytics and insights for businesses, were among the new customers. The leading Belgian media group Mediahuis and Mediacorp Pte Ltd, the main broadcaster and media company in Singapore, were among customers expanding the use of Cxense solutions. Further contracts announced after the end of Q1 2018, includes agreements with the Leading Indonesian media group Kompas and Thailand's biggest telecom company AIS.

New Quarterly Recurring Revenue (QRR) signed in the quarter was USD 335 thousand for the core business. The new QRR level was 9% above the average for the three preceding quarters and with an average of 12.5 effective sales quotas, this represented a good sales efficiency.

The full QRR effect of new churn registered in the quarter was USD 219 thousand for the core business. 54% of lost QRR came from 17 smaller contracts with average QRR level of USD 7 thousand compared to average QRR of 16 thousand for the new contracts. Cxense will continue to target larger contracts with solid implementations and more focused account management to reduce churn.

Gross margin was 81% in Q1 2018, an increase from 80% in the previous quarter and significantly up from 74% in Q1 2017. The gross margin increase has primarily been driven by hosting efficiency improvements. The Cxense RTE processes about 22 thousand transactions per second in-memory on about 1,000 servers in three main hosting centers located in the US, EU and Japan.

Q1 2018 adjusted OPEX was USD 4.4 million, compared to USD 7.2 million in Q2 2017, the last quarter before Cxense initiated the company restructuring to focus solely on Data Management with Intelligent Personalization. The Q1 2018 OPEX reflects the completion of the restructuring, with the exception of USD 0.3 million of OPEX related to the SaaS non-core business held for sale. Cxense had on average 120 full-time employees (FTEs) through Q1 2018.

The Q1 2018 group EBITDA was USD -0.4 million (-0.2 million adjusted). This represents the lowest EBITDA loss since the company started consolidated quarterly financial reporting in 2012 and a significant improvement versus the pre-restructuring Q2 2017 EBITDA of -3.5 million. Over the last three quarters, 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 March 2018 was USD 7.7 million, which is expected to fund the company through break-even.

The Cxense software development teams are continuously working on new DMP and Personalization features and products. Subscription revenue is becoming increasingly important for online publishers and personalized content and subscription offers can be used efficiently to increase loyalty and the number of paying subscribers. Cxense is now developing the Conversion Engine, an easy-to-use software tool to setup, monitor and optimize personalization campaigns to attract more subscribers. There is strong interest from existing customers and prospects.

Cxense appoints Pankaj Saharan as CTO

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. Pankaj will join Cxense in July 2018 and will be a great addition to the team.

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 provides 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.

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

Under GDPR, Cxense will take the responsibility as a Data Processor while the customers will be Data Controllers collecting data on their end users, the Data Subjects. Cxense is actively engaged with customers and suppliers to enter into data processing agreements to clarify responsibilities under GDPR. Cxense has appointed an external legal adviser to take the Data Protection Officer role and have established records of data processing activities.

Over the past two quarters, the Cxense R&D team 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.

Cxense also sees commercial opportunity with the new regulation. 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 April 18, Cxense announced an agreement to acquire the Finnish DMP company Enreach Solutions Oy. The Enreach DMP features audience segmentation and campaign reporting capabilities are complementary to the Cxense DMP. The combined solution has already been deployed and proven with 13 joint customer cases and the two companies have worked tightly together in the European market over the past year. The transaction will enable Cxense to capture operational synergies and develop a more competitive DMP offering to drive growth.

The transaction is expected to add approximately USD 220 thousand of quarterly revenue. The transaction is based on an enterprise value for Enreach of EUR 1.875 million. Adjusted for EUR 1.083 million of debt held by Enreach, the purchase price is around EUR 0.8 million and will be settled by issuance of new shares in Cxense at a price of NOK 55 per share. In addition, the seller is entitled to earn-outs totaling 2x EUR 0.9 million dependent on the Cxense share price reaching NOK 80 and NOK 120 within a three-year period from closing. (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 reported as Non-Core SaaS revenue.

FINANCIAL DEVELOPMENT SUMMARY

USD 1,000	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
SaaS segment									
DMP with Intelligent Personalization	2,429	2,518	2,930	3,066	3,130	3,188	3,357	3,617	3,816
Advertising	1,900	1,448	1,216	1,159	911	861	678	525	436
mporium	136	185	141	132	136	131	146	141	147
Video	1,001	1,230	1,224	1,297	1,033	896	875	864	840
Revenues total	5,467	5,381	5,511	5,654	5,209	5,077	5,055	5,147	5,239
Cost of sales	908	967	1,252	1,195	1,361	1,321	1,146	1,005	997
Gross profit	4,558	4,414	4,259	4,460	3,848	3,756	3,909	4,143	4,242
Gross margin %	83%	82%	77%	79%	74%	74%	77%	80%	81%
Personnel	4,657	3,675	4,141	4,574	4,402	5,826	5,305	3,018	2,505
Other OPEX	1,735	1,915	1,772	2,258	2,088	2,284	2,170	2,056	2,156
OPEX	6,392	5,590	5,913	6,832	6,490	8,110	7,476	5,074	4,661
EBITDA	(1,833)	(1,176)	(1,654)	(2,374)	(2,642)	(4,354)	(3,567)	(931)	(420)
Non-IFRS adjustment of OPEX level									
Share-based payment costs	171	56	149	191	244	239	(32)	(18)	(4)
Share-based social costs provision	37	54							
Salary and social restructuring provisions/costs	361						1,280	164	
Office moving and restructuring costs	45			210	(21)	0	140	103	
Extraordinary/special					32	585	24	3	
One-off provision for doubtful debt		55		84					142
Transaction costs	45	81	78	79	103	58	52	1	77
R&D refund		(42)		(167)					
Total reported OPEX adjustment items	659	204	226	397	358	882	1,464	253	215
Estimated full effect of cost-reduction program	525								
OPEX adjusted	5,208	5,386	5,686	6,435	6,132	7,228	6,012	4,821	4,446
EBITDA adjusted	(649)	(972)	(1,428)	(1,977)	(2,284)	(3,472)	(2,103)	(678)	(204)
Capitalized operating expense	(498)	(494)	(496)	(891)	(507)	(507)	(557)	(268)	(226)
EBITDA adjusted with capitalization add back	(1,147)	(1,466)	(1,924)	(2,868)	(2,791)	(3,980)	(2,660)	(946)	(431)

DMP and Personalization revenue development breakdown

Quarterly figures (unaudited) USD 1,000	Total revenue					DMP and personalization revenue				
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Revenue in previous quarter	5,654	5,209	5,077	5,055	5,147	3,066	3,130	3,188	3,357	3,617
New recurring license revenue effect*	469	275	243	468	491	440	275	235	408	437
Acquired recurring license revenue	-	-	-	-	-	-	-	-	-	-
Divested recurring license revenue	-	-	-	(93)	(183)	-	-	-	-	-
Churn effect	(691)	(385)	(333)	(240)	(292)	(207)	(150)	(206)	(182)	(274)
Change in service revenue*	40	(49)	97	(102)	(21)	81	(45)	111	(89)	(33)
Change in other variables*	(214)	(25)	(121)	69	33	(185)	(62)	(56)	106	35
Currency effect	(49)	52	92	(10)	64	(65)	40	85	17	34
Revenue this quarter	5,209	5,077	5,055	5,147	5,239	3,130	3,188	3,357	3,617	3,816
Accumulated currency effect, reversed	49	(3)	(95)	(85)	(149)	65	25	(60)	(77)	(111)
Outbound revenue currency adjusted	5,258	5,074	4,960	5,062	5,090	3,195	3,213	3,297	3,540	3,705
Q1 run-rate adjustments										
Full effect of contracts closed until 27 April 2018 (Core)										259
Full effect of known churn until 27 April (Core)										(233)
DMP & Personalization run-rate revenue after adjustments										3,842
Number of closed contracts in the quarter										
Whereof new customers	30	25	29	30	22	30	23	26	26	22
Whereof upsell	18	17	19	11	11	18	17	18	11	11
	12	8	10	19	11	12	6	8	15	11
Full QRR effect of contracts notified closed in the period	428	274	306	429	335	428	272	282	366	335
Full QRR effect of contracts notified lost in the period	(635)	(399)	(215)	(221)	(335)	(279)	(170)	(92)	(187)	(219)
Net	(208)	(126)	91	208	(0)	149	102	191	179	115

*Q1 2018 figures affected by conversion to IFRS 15. Net effect on Q1 2018 revenue amounts to USD 12 thousand.

FINANCIAL REVIEW

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 Q1 2018 revenues was a USD 12 thousand increase compared to under previous recognition principles (IAS 18). The cumulative historical effect, which was booked against equity, was a USD 38 thousand reduction.

The Cxense group has one business segment: Cxense Software-as-a-Service (SaaS). The SaaS segment revenues relate predominantly to sales of recurring software licenses as well as some implementation services.

Q1 2018 group revenue was USD 5.24 million, on par with Q1 2017 revenue of USD 5.21 million, and up 1.8% when compared to Q4 2017. Revenue for the core SaaS business was USD 3.8 million in Q1 2018, while the non-core business had revenue of 1.44 million. The core business grew 5.5% sequentially from Q4 2017, and 22% when compared to Q1 2017. Non-core business is in the process of being divested.

The sequential consolidated development was a function of new software license revenues of USD 491 thousand, divested recurring license revenue of USD 183 thousand, and a change in service revenues and other variable revenues of USD 12 thousand. Currency effects amounted USD 64 thousand while churn was USD 292 thousand for the period.

The Q1 2018 group cost of sales was USD 1 million, compared to USD 1.36 million in Q1 2017. Cost of sales within the SaaS segment predominantly relates to the hosting of the software applications used by the company's customers. The Q1 2018 gross margin was 81%, compared to 74% in Q1 2017 and 80% in Q4 2017. The gross margin improvement is mainly due to increased hosting capacity on co-location solutions which are less expensive than leased platforms, combined with optimization of software code for delivery of features with high hosting cost.

The Q1 2018 employee benefit expenses were USD 2.51 million, compared to USD 4.4 million in Q1 2017 and USD 3.02 million in Q4 2017. The decline in employee benefit costs reflects the restructuring-related headcount reduction to 112 FTEs (excluding outbound FTEs) as of 31 March 2018, compared to 188 FTEs at 30 June 2017. Capitalization of employee benefit expenses related to software development activities amounted to USD 208 thousand in Q1 2018.

Other operating expenses amounted to USD 2.16 million in Q1 2018, compared to USD 2.09 million in Q1 2017. Most of the expenses relate to premises, travel, marketing, consulting services and contractors. This included a USD 142 thousand receivable write-down and USD 77 thousand in transaction cost. USD 18 thousand in other operating expenses related to software development activities were capitalized in the quarter.

Q1 2018 EBITDA amounted to USD -420 thousand, compared to USD -2.64 million in Q1 2017 and USD -931 thousand in Q4 2017.

Depreciation and amortization in Q1 2018 were USD 459 thousand, compared to USD 981 thousand in Q1 2017. Depreciation and amortization predominantly originates from intangible assets related to acquired companies and capitalized R&D expenses.

Finance income from interest income and currency gains were USD 51 thousand in Q1 2018, compared to USD 144 thousand in Q1 2017. Financial expenses, mainly related to disagio, was USD 221 thousand in Q1 2018, compared to USD 69 thousand in Q1 2017.

The Q1 2017 share of profit from investments in associated companies was USD -344 thousand, compared to USD -375 thousand in Q1 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 Q1 2018 net loss from discontinued operations was USD 122 thousand, compared to a loss of USD 269 thousand in Q1 2017.

The group net loss amounted to USD 1.7 million in Q1 2018, compared to a net income of USD 4.28 million in Q1 2017. This represents a Q1 2018 loss of USD 0.0002 per share, compared to loss of USD 0.0005 per share in Q1 2017.

Total assets at the end of Q1 2018 amounted to USD 27.9 million, compared to USD 52.4 million as at the end of Q1 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 Q1 2018 was USD 20.6 million, compared to USD 44.3 million at the end of Q1 2017.

Goodwill of USD 4.81 million at 31 March 2018 relates to goodwill from the acquisition of Maxifier that will remain after divesture.

The Q1 2018 intangible assets of USD 2.32 million was mainly related to capitalized R&D. Investment in associated company of USD 92 thousand was mainly related to RepKnight.

Trade receivables were USD 3.23 million (equal to 55 days sales outstanding¹) at the end of Q1 2018, compared with USD 3.46 million (53 days) at the end of Q1 2017.

The Q1 2018 cash position was USD 7.74 million, compared to USD 12.8 million at the end of Q1 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.

Other long-term liabilities at the end of Q1 2018 were USD 23 thousand, compared to USD 199 thousand for Q1 2017. Total current liabilities at the end of Q1 2018 were USD 5.59 million, compared to USD 7.02 million at the end of Q1 2017.

Net cash flow used in operating activities was USD 2.33 million in Q1 2018, compared to USD 4 million in Q1 2017. The Q1 2018 cash flow used in operating activities was USD 1.91 million higher than the Q1 2018 EBITDA, mainly explained by year-end bonuses and sales commission of USD 0.6 million accrued for in 2017 but paid in 2018, restructuring related severance payments of USD 0.6 million accrued for in 2017 and paid in Q1 2018 and trade receivable increase of USD 0.8million. Q1 2018 net cash flow used investing activities was USD 15 thousand, including the final payment for Emediate of USD 250 thousand. This was compared to USD 5.16 million used in Q1 2017 which mainly reflected investments made in RepKnight and mporium.

Net cash flow from financing activities was nil in Q1 2018, compared to nil in Q1 2017.

¹ 1 day = receivables / quarterly revenues * 90 days

FINANCIAL STATEMENTS

Consolidated income statement – unaudited

<i>USD 1,000</i>	Note	Q1 ended 31 Mar 2018	Q1 ended 31 Mar 2017 (restated)	Year ended 31 Dec 2017
Revenue		5,239	5,209	20,488
Operating expense				
Cost of sale		997	1,362	4,833
Employee benefit expense		2,505	4,402	18,551
Other operating expenses		2,156	2,088	8,600
EBITDA		(420)	(2,643)	(11,494)
Depreciation and amortization expense		459	981	3,712
Impairment of assets		0	0	11,105
Gain/loss on sale of subsidiaries		0	0	345
Net operating income/(loss)		(878)	(3,624)	(26,657)
Financial income and expense				
Finance income		51	144	418
Finance expense		(221)	(69)	(653)
Net financial income/(expense)		(170)	75	(235)
Share of profit from associated companies		(344)	(375)	(1,392)
Impairment of associated company		0	0	(3,152)
Net loss before taxes		(1,392)	(3,924)	(31,436)
Income tax expense		184	85	298
Net income/(loss) for the period from continuing operations		(1,575)	(4,009)	(31,734)
Net income/(loss) for the period from discontinuing operations		(122)	(269)	(750)
Total net loss for the period from total operations		(1,698)	(4,278)	(32,484)
Net loss attributable to:				
Owners of the Company		(1,638)	(4,151)	(32,128)
Non-controlling interests		(59)	(126)	(356)
Earnings per share:				
From continuing operations				
Basic		(0.0002)	(0.0005)	(0.0039)
Diluted		(0.0002)	(0.0005)	(0.0038)
From total operations				
Basic		(0.0002)	(0.0005)	(0.0039)
Diluted		(0.0002)	(0.0005)	(0.0039)
Statement of comprehensive income				
Net loss for the period		(1,698)	(4,278)	(32,484)
<i>Other comprehensive income:</i>				
<i>Items that might be subsequent reclassified to net income (loss):</i>				
- Currency translation differences		544	138	885
- Amount reclassified from Other comprehensive income to Income Statement at disposal		0		(129)
Total comprehensive loss		(1,154)	(4,140)	(31,728)
Total comprehensive income/(loss) attributable to:				
Owners of the Company		(1,095)	(4,013)	(31,372)
Non-controlling interests		(59)	(126)	(356)

Consolidated statement of financial position – unaudited

<i>USD 1,000</i>	Note	As at 31 Mar 2018	As at 31 Mar 2017	As at 31 Dec 2017
Assets				
Non-current assets				
Goodwill		4,809	14,364	4,809
Deferred tax asset		19	15	16
Intangible assets		2,320	11,426	2,324
Office machinery, equipment, etc.		1,001	280	1,058
Investments in associated companies		92	8,391	476
Other financial assets		847	646	854
Total non-current assets		9,087	35,121	9,536
Current assets				
Trade receivables		3,230	3,046	2,438
Other short-term assets		1,684	1,382	1,672
Cash and cash equivalents		7,740	12,805	10,247
Total current assets		12,654	17,233	14,357
Assets classified as "held for sale"		6,160	0	6,484
Total assets		27,902	52,354	30,378
Equity and liabilities				
Equity				
Share capital		5,759	4,640	5,459
Other paid-in capital		20,274	42,909	49,012
Currency translation differences		8,135	6,954	7,539
Currency translation on assets held for sale		(18)	-	35
Retained earnings		(12,758)	(9,659)	(39,523)
Equity attributable to the holders of the Company		21,392	44,843	22,521
Non-controlling interest		(794)	(505)	(735)
Total equity		20,598	44,338	21,787
Liabilities				
Non-current liabilities				
Deferred tax liabilities		0	674	0
Other provisions		123	121	127
Other long-term liabilities		23	199	27
Total non-current liabilities		146	994	154
Current liabilities				
Trade payables		792	1,403	1,112
Current taxes		112	178	192
Other short-term liabilities		4,682	5,441	5,347
Total current liabilities		5,586	7,022	6,652
Liabilities related to assets "held for sale"		1,572	0	1,785
Total liabilities		7,304	8,016	8,591
Total equity and liabilities		27,902	52,354	30,378

Consolidated statement of changes in equity – unaudited

<i>USD 1,000</i>	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	(8,074)	(8,074)	(338)	(8,412)
Other comprehensive income	0	0	0	(207)	0	(13)	(220)	0	(220)
Amount reclassified from Other comprehensive income to Income Statement at disposal									
Total comprehensive income/(loss) 2017	0	0	0	(207)	0	(8,087)	(8,294)	(338)	(8,632)
Reduction of paid-in capital	0	0	0	0	0	0	0	0	0
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
Transactions with non-controlling interests	0	0	0	0	0	0	0	0	0
Currency effects from translation of equity	201	(0)	2,294	(2,495)	0	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						(1,638)	(1,638)	(59)	(1,698)
Other comprehensive income	0	0	0	3,592	(53)	(2,996)	544	0	544
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	3,592	(53)	(4,634)	(1,095)	(59)	(1,154)
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	(3,86)	0	0	0	(4)	0	(4)
Increase in share capital	0	0	0	0	0	0	0	0	0
Reclassification of equity	0	0	(31,429)	0	0	31,429	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	300	0	2,695	(2,996)	0	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 28 February 2018	5,760	(0)	20,275	8,135	(18)	(12,758)	21,391	(794)	20,597

Consolidated statement of cash flow – unaudited*

<i>USD 1,000</i>	Note	Q1 ended 31 Mar 2018	Q1 ended 31 Mar 2017	Year ended 31 Dec 2017
Cash flow from operating activities				
Profit/(loss) after income tax (including disposal group)		(1,698)	(4,278)	(32,484)
<i>Adjustments:</i>				
Income tax payable		(3)	(110)	(569)
Share-based payments		(33)	242	432
Share of profit from associated companies, incl impairments		344	375	4,543
Depreciation, Amortization and impairments		473	983	14,855
Loss on sale of subsidiaries				345
Currency translation effects		553	210	1,153
Change in trade receivables		(792)	587	(111)
Change in trade payables		(320)	(361)	81
Change in other accrual and non-current items		(857)	(1,644)	(962)
Net cash flow from/(used in) operating activities		(2,334)	(3,995)	(12,717)
Cash flow from investing activities				
Investment in furniture, fixtures and office machines		(38)	(76)	(1,187)
Investment in intangible assets		(226)	(507)	(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		(15)	(5,160)	(3,733)
Cash flow from financing activities				
Net proceeds from share issues				4,598
Proceeds from borrowings 1)				248
Proceeds from minority interest				
Net cash flow from/(used in) financing activities		-	-	4,846
Net increase/(decrease) in cash and cash equivalents		(2,348)	(9,155)	(11,604)
Cash and cash equivalents at the beginning of the period		10,247	21,960	21,960
Changes in cash classified as asset held for sale		(158)		(110)
Cash and cash equivalents at the end of the period		7,740	12,805	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 8 May 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 quarter 2018, ending 31 March 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 2016, except for the standards implemented as of 1 January 2018 as described in these notes.

Note 2: Segment information

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.

Note 3: 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 has 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.

<i>USD 1,000</i>	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:

<i>USD 1,000</i>	As reported	Adjustments	Without adoption of IFRS 15
Revenue	5,239	12	5,251
EBITDA	(420)	12	(407)
Net operating income/(loss)	(878)	12	(866)
Net loss before taxes	(1,392)	12	(1,379)
Taxes	184	(3)	180
Total net loss for the period for total operations	(1,698)	9	(1,689)

Note 4: 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 5: Events after the reporting period

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.

As of publication of this report, there were 8,958,012 shares and 585,350 share options and SRs outstanding.

Business combinations

At 18 April 2018, Cxense entered into an agreement to acquire the Finnish Data Management Platform company Enreach Solutions OY ("Enreach") from Enreach Solutions AB. The transaction will enable the companies to capture operational synergies as well as to over time create a more integrated and competitive DMP offering and fuel the Cxense growth capabilities.

The transaction is expected to add USD 0.22 million of quarterly revenue, which is a 6% addition to the Cxense Data Management and Personalization revenue segment. The Enterprise Value of EUR 1.875 million is expected to be adjusted by approximately EUR 1.083 million due to debt held by Enreach Solutions OY. The expected balance, the purchase price, of approximately EUR 0.8 million will be settled by issuance of new shares in Cxense at a price of NOK 55 per share (the "Consideration Shares"). The Consideration Shares represent a 1.6% Cxense shareholder dilution.

In addition to the purchase price, 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 by Cxense shares (the "Earn-out Shares"), or by a combination of cash and shares, at Cxense's sole discretion.

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)