CXENSE
Deliver what people want

SECOND QUARTER REPORT 2017

Highlights

- **Core SaaS business continues to grow, DMP & Personalization up 28% y/y in Q2 2017**
    - Group revenue of USD 5.7 million, down 10% y/y due to churn from non-core business
- **EBITDA loss widened to USD 4.6 million from USD 2.9 million in Q1 2017 on growth investments and one-off charges**
- **New board and management has decided to sharpen focus on DMP with Intelligent Personalization to accelerate growth**
    - Divesting non-core business
    - Rightsizing organization and reducing cost base to shorten time to break even
- **Considering to strengthen balance sheet to finance DMP & Personalization growth strategy**

CEO comment

"We help companies to successfully use their data in real-time to increase revenue and this is reflected in continued growth for our core DMP and personalization offering. Still, as a group we have lagged our revenue targets in 2017 due to high churn on non-core solutions and lower-than-expected sales from the new North America sales team. In order to drive growth for our core offering, the new board and management have decided to sharpen focus on our core offering and organization, while divesting non-core operations. This will provide us with a clearer market positioning and increase the growth potential for our core business. It will also shorten our time to break-even and lower capital demand. I believe Cxense's core business has exciting times ahead."

Key figures

USD 1,000	**Q2 2016**	**Q2 2017**
PCAN segment	990	677
Advertising software	1 448	861
Mporium	185	131
Video	1 230	896
Data Management & Intelligent personalization	2 518	3 188
Inter-segment elimination	(41)	(26)
Revenues	**6 330**	**5 729**
OPEX	**5 904**	**8 427**
Non-IFRS OPEX adjustments	(204)	(882)
OPEX adjusted	5 700	7 545
EBITDA	**(1 310)**	**(4 572)**
EBITDA adjusted	(1 106)	(3 690)

OPERATIONAL REVIEW

Cxense to accelerate growth by sharpening focus on its leading Data Management Platform with intelligent personalization software

The Cxense Data Management Platform with Intelligent Personalization software enables publishers and marketers to transform their raw data into their most valuable resource. Cxense offers a scalable real-time data management platform (DMP), providing customers unprecedented insight about individual customers, and to action this insight real-time in all marketing and sales channels.

The market for data management growing as corporations increasingly recognize data as one of the most valuable business components. The ability to collect, analyse and action data is increasingly important in a digital world driven by major enterprises such as Amazon, Google and Facebook. Cxense helps companies make data a strategic asset for their businesses. The Cxense technology platform is based on a scalable real-time data architecture, combined with powerful artificial intelligence capabilities, helping customers achieve success.

In order to drive revenue growth and improve profitability, Cxense has decided to narrow its focus to areas of strength and divest non-core assets. The Cxense core technology, represented by the DMP and Personalization solutions has continued its growth in 2017, with Q2 revenue up 28% from the same period of 2016. The offering has a solid market position, with several new key customer wins in 2017. In Q2 2017, 8 of 25 new recurring revenue contracts were upsells to existing customers, a confirmation that the data management and personalization software creates ROI for these customers.

However, growth was slower than expected as the new North American sales organisation has not delivered the anticipated results along with higher than expected churn on non-core business. The churn to date in 2017 has reflected an expected decline for the non-core advertising business, the loss of one significant video customer early in the year and churn on personalization software from customers outside core market verticals.

While churn was down from Q1 2017, it continued to impact group performance negatively. Q2 2017 revenue was USD 5.73 million, down 9.5% from Q2 2016. OPEX increased due to the organization build-up and one-off items, leading to a Q2 2017 EBITDA of USD -4.6 million, compared to USD -1.3 million in same period a year earlier. The cash position at end of June was USD 7.94 million, compared to USD 12.8 million at the end of Q1 2017, with the decrease mainly related to cash used to finance operations and investments.

Re-defined go-to-market strategy and organizational rightsizing

The Cxense Board and management have during the last quarter reviewed and re-defined the company strategy. Going forward Cxense will focus on the DMP with Intelligent Personalization as the core offering, targeting two market verticals – Media & Publishing and eCommerce & Retail. The North American operation will be scaled down and run with fewer sales FTE´s and with significant support from HQ in Oslo. The company expects to have 15 experienced sales FTE´s, supported by a streamlined R&D organization and Professional Services Team, to strengthen Cxense's role as discussion- and solutions partner with existing and new clients.

Cxense has also initiated a process to right-size back-office and administrative functions to the new focused offering, as well as initiatives to divest non-core business.

Target OPEX reduction from organizational streamlining is USD 3 million per quarter and target Q1 2018 EBITDA loss is USD -0.5 million. An ongoing program to reduce hosting costs is targeted to yield a 5 percentage-point increase in the gross margin. The core operations had Q2 2017 revenue of USD 3.2 million, up from USD 2.5 million in the same period in 2016. The annualized revenue run-rate based on the customer portfolio as of Q2 2017 was USD 12.8 million.

The new strategy and organizational changes are expected to be implemented by the end of Q4 2017. The company will update on the progress of asset disposals and organizational changes in due course.

The Cxense solutions have consistently provided the highest ROI for larger customers with a more complex architecture and Cxense will focus less on smaller "off-the-shelf" solutions to the SMB market. Metro, Adnet, CCC Mediahouse and Børsen represented key customer wins in Q2 2017 in Media & Publishing vertical, while Canada's M32 was a new customer in the eCommerce & Retail vertical.

The Software-as-a-Service (SaaS) revenue model represents a predictable recurring revenue stream for Cxense. Contracts are normally signed for 12 months with automatic renewal, promoting long-term relationships with customers. The sales team is building an increasing portfolio of recurring revenue contracts – closing more new business than it lost – leading to incremental organic growth from high gross margin software without OPEX increase.

Considering to strengthen balance sheet to finance DMP & Personalization growth strategy

In order to finance the operations to break even, Cxense considers to raise new equity in a private placement of new shares with target gross proceeds of NOK 40 million (corresponding to approximately USD 5 million). Cxense has secured a NOK 40 million guarantee commitment at a price of NOK 40.00 per share from certain existing shareholders for such private placement. The private placement is considered to be executed soon, with a guaranteed price of NOK 40.00 per share, but where the final price will be set through a bookbuilding process. There is currently 7,958,012 shares outstanding.

FINANCIAL DEVELOPMENT SUMMARY

USD 1,000	Q2 2015 *IFRS*	Q3 2015 *IFRS*	Q4 2015 *IFRS*	Q1 2016 *IFRS*	Q2 2016 *IFRS*	Q3 2016 *IFRS*	Q4 2016 *IFRS*	Q1 2017 *IFRS*	Q2 2017 *IFRS*
SaaS segment									
Revenues total	**2 954**	**4 183**	**5 291**	**5 467**	**5 381**	**5 511**	**5 654**	**5 209**	**5 077**
Cost of sales	664	700	780	908	967	1 252	1 195	1 361	1 321
Gross profit	**2 290**	**3 483**	**4 510**	**4 558**	**4 414**	**4 259**	**4 460**	**3 848**	**3 756**
Gross margin %	*78 %*	*83 %*	*85 %*	*83 %*	*82 %*	*77 %*	*79 %*	*74 %*	*74 %*
Personnel	3 063	3 834	3 904	4 657	3 675	4 141	4 574	4 402	5 826
Other OPEX	2 255	1 739	1 928	1 735	1 915	1 772	2 258	2 088	2 284
OPEX	**5 318**	**5 573**	**5 832**	**6 392**	**5 590**	**5 913**	**6 832**	**6 490**	**8 110**
EBITDA	(3 028)	(2 090)	(1 321)	(1 833)	(1 176)	(1 654)	(2 374)	(2 642)	(4 354)
Non-IFRS adjustment of OPEX level									
Share-based payment costs	93	156	144	171	56	149	191	244	239
Share-based social costs provision	10	(130)	9	37	54				
Salary and social restructuring provisions/costs	140	327		361					
Office moving and restructuring costs		126		45			210	(21)	0
Extraordinary/special								32	585
One-off provision for doubtful debt			16		55		84		
Transaction costs	658	195	166	45	81	78	79	103	58
R&D refund		(152)	(430)		(42)		(167)		
Total reported OPEX adjustment items	**901**	**523**	**(95)**	**659**	**204**	**226**	**397**	**358**	**882**
Estimated full effect of cost-reduction program				525					
OPEX adjusted	**4 417**	**5 050**	**5 927**	**5 208**	**5 386**	**5 686**	**6 435**	**6 132**	**7 228**
EBITDA adjusted	**(2 126)**	**(1 568)**	**(1 416)**	**(649)**	**(972)**	**(1 428)**	**(1 977)**	**(2 284)**	**(3 472)**
Capitalized operating expense	(460)	(440)	(496)	(498)	(494)	(496)	(891)	(507)	(507)
EBITDA adjusted with capitalization add back	(2 587)	(2 007)	(1 912)	(1 147)	(1 466)	(1 924)	(2 868)	(2 791)	(3 980)
PCAN segment									
Revenues total	620	675	805	837	990	840	938	733	677
Cost of goods sold	484	512	629	679	810	705	824	643	578
Gross profit	**136**	**163**	**175**	**159**	**180**	**135**	**115**	**90**	**99**
Gross margin %	*22 %*	*24 %*	*22 %*	*19 %*	*18 %*	*16 %*	*12 %*	*12 %*	*15 %*
Personnel	131	136	176	200	218	168	153	184	229
Other OPEX	69	71	86	97	96	185	219	174	88
OPEX	**200**	**206**	**261**	**298**	**314**	**353**	**371**	**358**	**317**
EBITDA	**(65)**	**(44)**	**(86)**	**(139)**	**(134)**	**(219)**	**(257)**	**(268)**	**(218)**
GROUP									
Revenues, all segments	3 574	4 858	6 095	6 304	6 371	6 350	6 593	5 942	5 754
Intra-segment eliminations	(34)	(39)	(39)	(41)	(41)	(34)	(30)	(24)	(26)
Revenues consolidated	**3 540**	**4 818**	**6 056**	**6 263**	**6 330**	**6 317**	**6 562**	**5 918**	**5 729**
Gross profit	**2 426**	**3 645**	**4 686**	**4 717**	**4 594**	**4 394**	**4 575**	**3 937**	**3 856**
Gross margin %	*69 %*	*76 %*	*77 %*	*75 %*	*73 %*	*70 %*	*70 %*	*67 %*	*67 %*
OPEX	**5 518**	**5 779**	**6 093**	**6 689**	**5 904**	**6 266**	**7 204**	**6 848**	**8 427**
EBITDA	**(3 092)**	**(2 134)**	**(1 407)**	**(1 972)**	**(1 310)**	**(1 873)**	**(2 629)**	**(2 911)**	**(4 572)**
NON-IFRS adjustment of OPEX level									
Total reported OPEX adjustment items	901	523	(95)	659	204	226	397	358	882
Estimated full effect of cost-reduction program				525					
EBITDA adjusted	**(2 191)**	**(1 611)**	**(1 502)**	**(789)**	**(1 106)**	**(1 646)**	**(2 232)**	**(2 552)**	**(3 690)**
Capitalized operating expense	(460)	(440)	(496)	(498)	(494)	(496)	(891)	(507)	(507)
EBITDA adjusted with capitalization add back	(2 651)	(2 051)	(1 998)	(1 286)	(1 600)	(2 142)	(3 120)	(3 060)	(4 197)

Revenue development breakdown

Quarterly figures *USD 1,000*	**Q3 2016**	**Q4 2016**	**Q1 2017**	**Q2 2017**	**Acc. last 4 periods**
SaaS segment					
Revenue in previous quarter	5 381	5 511	5 654	5 209	5 381
New recurring license revenue effect	514	373	469	275	1 631
Acquired recurring license revenue	-	-	-	-	-
Churn effect	-131	-131	-691	-385	(1 338)
Change in service revenue and other variables	-208	4	-174	-74	(452)
Currency effect	-45	-103	-49	52	(145)
Revenue this quarter	5 511	5 654	5 209	5 077	5 077
Accumulated currency effect, reversed	45	148	197	145	145
Outbound revenue currency adjusted	5 556	5 802	5 406	5 222	5 222
Group					
Cxense SaaS segment revenue					5 077
PCAN segment - Q2 2017 reported					677
Intra-segment eliminations - Q2 2017 reported					(26)
Group reported revenue					**5 729**
Q2 run-rate adjustments					
Full effect of contracts closed until 11 August 2017 (SaaS segment)					473
Full effect of known churn until 11 August 2017 (SaaS segment)					(311)
Group run-rate revenue after adjustments					**5 891**
Whereof Q2 SaaS run-rate revenue after adjustments					5 240

FINANCIAL REVIEW

Q2 2017 group revenues amounted to USD 5.73 million, a decrease of 9.5% from Q2 2016 revenues of USD 6.33 million, and down 3.2% from Q1 2017 revenues of USD 5.92 million. The Cxense group has two business segments: Cxense Software-as-a-Service (SaaS) and Cxense Publisher-Controlled Advertising Networks (PCAN).

The SaaS segment revenues relate predominantly to sales of recurring software licenses and some implementation services. The Q2 2017 revenues from the SaaS segment were USD 5.08 million, including inter-segment revenues of USD 26 thousand, compared to USD 5.38 million in Q2 2016 and 5.21 in Q1 2017. The sequential development was a function of new software license revenues of USD 275 thousand, and change in service revenues and other variable revenues of USD -74 thousand. Churn was USD -385 thousand for the period, and currency effects amounted to USD 52 thousand.

Q1 2017 revenues from the PCAN segment amounted to USD 677 thousand, down 32% from Q2 2016. The revenues represent sales of performance-based and programmatic online advertising.

The Q2 2017 group cost of sales amounted to USD 1.87 million, compared to USD 1.74 million in Q2 2016. Cost of sales for Q2 2017 was USD 1.32 million for the SaaS segment, and USD 578 thousand for the PCAN segment.

Cost of sales within the SaaS segment predominantly relates to the hosting of the software applications used by the company’s customers. Cost of sales within the PCAN segment relates to revenue share paid to publishers providing their advertising space, as well as agency commissions paid to advertising agencies.

The Q1 2017 gross margin for the SaaS segment was 74%, compared to 82% in Q2 2016 and 74% in Q1 2017. The gross margin reduction is mainly driven by an increase of hosting capacity on fully leased platforms which is a more expensive option than co-location solutions, as well as increasing sales of certain data management features currently operated with lower than average gross margin. Ongoing projects to move hosting capacity from leased to co-location solutions as well as optimizing the software code for delivery of features with high hosting cost, is expected to impact the gross margin positively from Q3 2017.

The Q1 2017 employee benefit expenses were USD 6.06 million, compared to USD 3.89 million in Q2 2016 and USD 4.59 million in Q1 2017. The increase reflected an increase in the number of employees and extraordinary costs related to establishing the new Board of directors. Capitalization of employee benefit expenses related to software development activities amounted to USD 386 thousand in Q2 2017.

Other operating expenses amounted to USD 2.37 million in Q2 2017, compared to USD 2.01 million in Q2 2016. Most of the expenses relate to premises, travel, marketing, consulting services and contractors. USD 122 thousand in other operating expenses related to software development activities were capitalized in Q2 2017.

The Q2 2017 EBITDA was USD -4.57 million, compared to USD -1.31 million in Q2 2016 and USD -2.91 million in Q1 2017.

Depreciation and amortization in Q2 2017 were USD 901 thousand, compared to USD 835 thousand in Q2 2016.

Finance income from interest income and currency gains were USD 5 thousand in Q2 2017, compared to USD 60 thousand in Q2 2016. Financial expenses, mainly relating to disagio, amounted to USD 166 thousand in Q2 2017, compared to USD 259 thousand in Q2 2016.

The Q2 2017 estimated share of profit from investments in associated companies was USD -581 thousand, compared to USD 142 thousand in Q2 2016, and relates to the investment in the associated company mporium Group plc, where Cxense holds a 21.16% stake, and RepKnight where Cxense holds a 30% stake. The mporium and RepKnight shares of profit are included in the accounts, in accordance with IFRS and the equity method for associated companies. The loss included is booked against the book value of the investments, reducing the book value accordingly.

The tax expense for Q2 2017 was USD 59 thousand, compared to a tax income of USD 10 thousand in Q2 2016. In general, the income tax expense arises in the Cxense SaaS subsidiaries that perform Sales & Marketing and Research & Development activities for the parent company, based on inter-company agreements (with arm’s-length pricing principles).

The group net loss amounted to USD 6.27 million in Q2 2017, compared to USD 2.50 million in Q2 2016 and USD 4.28 million in Q1 2017. This represents a Q2 2017 loss of USD 0.0008 per share, compared to a loss of USD 0.0004 per share in Q2 2016.

Total assets at the end of Q2 2017 amounted to USD 47.4 million, compared to USD 55.4 million as at the end of Q2 2016. The decrease in total assets in the period was mainly related to cash used to finance operations for the period, partly offset by the exercise of warrants to subscribe for new shares in Q4 2016. Total equity at the end of Q2 2017 was USD 38.8 million, compared to USD 41.8 million at the end of Q2 2016.

Goodwill of USD 14.4 million at 30 June 2017 was related to the acquisitions of Emediate, Maxifier and Ramp Media, at USD 3.8 million, USD 5.9 million and USD 4.7 million, respectively.

The Q2 2017 intangible assets of USD 11.1 million relate to excess value from the Ramp Media acquisition of USD 4.8 million, the Maxifier acquisition of USD 1.3 million, and the Emediate acquisition of USD 1.5 million, and capitalized R&D of USD 3.5 million. Cxense has significant shareholdings in mporium Group and RepKnight, both of which are classified as associated companies.

Trade receivables were USD 3.17 million (equal to 50 days of inventory[1]) at the end of Q1 2017, compared to USD 3.05 million (46 days) at the end of Q1 2017, and USD 3.45 million (49 days) at the end of Q2 2016. The SaaS segment trade receivables were USD 2.35 million at the end of Q2 2017 (equal to 42 days of inventory) and the PCAN segment trade receivables amounted to USD 0.82 million (109 days).

The Q2 2017 cash position was USD 7.94 million, compared to USD 19.2 million at the end of Q2 2016. The year-over-year change relates mainly to the effect of cash used to finance operations and investments over the period, partly offset by warrants exercised in Q4 2016.

Other long-term liabilities at the end of Q2 2017 were USD 37 thousand, compared to USD 2.76 million in Q2 2016. The decrease relates to the removal of long-term contingent considerations for Maxifier of USD 1.9 million in Q3 2016, and for Ramp Media of USD 0.74 million in Q4 2016.

Total current liabilities at the end of Q2 2017 were USD 7.67 million, compared to USD 10.02 million at the end of Q2 2016. The decrease relates predominantly to the removal in Q3 2016 of the short-term contingent consideration for Maxifier of USD 2.8 million.

Net cash flow used in operating activities was USD 4.02 million in Q2 2017, compared to USD 1.53 million in Q2 2016. The Q2 2017 cash flow used in operating activities was USD 0.55 million lower than the Q2 2017 EBITDA, mainly reflecting supplier invoices for full year license cost received in Q2 2017 and currency translation differences as a result of the weakened dollar in the quarter.

Q2 2017 net cash flow used in investing activities was USD 1.09 million, compared to USD 459 thousand used in Q2 2016. The increase is mainly driven by investments in co-location hosting capacity. Net cash flow from financing activities was 248 thousand in Q2 2017, compared to USD 18.1 million in Q2 2016 following a private placement of 1,250,000 new shares.

First half 2017

H1 2017 group revenue amounted to USD 11.65 million, compared to H1 2016 revenues of USD 12.59 million. The SaaS segment accounts for USD 0.6 million of the reduction, as a result of a churning Advertising portfolio.

The H1 2017 group cost of sales amounted to USD 3.85 million, compared to USD 3.28 million in H1 2016. The H1 2017 employee benefit expenses were USD 10.6 million, compared to USD 8.75 million in H1 2015.

Other operating expenses amounted to USD 4.63 million in H1 2017, compared to USD 3.84 million in H1 2016. The majority of the expenses are related to premises, travel, marketing and external consulting (audit, legal and other).

The H1 2017 EBITDA was USD -7.5 million compared to USD -3.28 million in H1 2016.

The depreciation and amortization in H1 2017 were USD 1.88 million, compared to USD 1.70 million in H1 2016. This increase in depreciation and amortization is attributable to capitalization of R&D.

The finance income in H1 2017 was USD 150 thousand, largely relating to interest earned on bank deposits. Finance income in H1 2016 was USD 82 thousand. Finance expenses, mostly relating to currency expenses, amounted to USD 235 thousand in H1 2017 and USD 452 thousand in H1 2016.

The H1 2017 estimated share of profit of investments in associated companies of USD -955 thousand relates to the investments in mporium, where Cxense holds a 21.3% stake, and RepKnight, where Cxense holds a 30% stake.

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

The H1 2016 share of profit of investments in associated companies was USD -291 thousand, relating only to mporium.

Tax cost for H1 2017 was USD 144 thousand, compared to a tax cost of USD 37 thousand in H1 2016. 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 (with arm's-length pricing principles).

The group net loss amounted to USD 10.55 million in H1 2017, compared to USD 5.68 million in H1 2016. This represents a H1 2017 loss of USD 0.0013 per share, compared to a loss of USD 0.0009 per share in H1 2016.

Net cash flow used in operating activities was USD 8.02 million in H1 2017, compared to USD 3.78 million in H1 2016.

H1 2017 net cash flow used for investments was USD 6.25 million, mainly related to investments in mporium and RepKnight, compared to USD 0.98 million used in H1 2016.

Net cash flow from financing activities was USD 248 thousand in H1 2017. Net cash flow from financing in H1 2016 was USD 18.09 million following an issue of new shares in Q2 2016.

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.

Transactions with related parties

Lars Bjørn Thoresen, the chairman of the board of directors of Cxense ASA, received from Cxense 26,177 shares in Cxense ASA at a value of NOK 2,500,000 free of charge. The shares, which were purchased in the market, were transferred to Mr. Thoresen on 1 June 2017 in accordance with the resolution made by the general meeting in Cxense ASA on 10 May 2017, regarding the chairman's remuneration. Following this transaction, Lars Bjørn Thoresen owns 26,177 shares (0.33%) in Cxense ASA. See Note 3 and stock exchange notice dated 1 June for further details. For detailed information on related party transactions, refer to Note 21 in the Cxense 2016 Annual Report.

FINANCIAL STATEMENTS

Consolidated income statement – unaudited

USD 1,000	Note	Q2 ended 30 Jun 2017	Q2 ended 30 June 2016	YTD 30 June 2017	YTD 30 June 2016	Year ended 31 Dec 2016
Revenue	2	**5 729**	**6 330**	**11 646**	**12 593**	**25 472**
Operating expense						
Cost of goods sold		1 873	1 737	3 854	3 283	7 192
Employee benefit expense	3	6 055	3 893	10 641	8 750	17 787
Other operating expenses		2 372	2 011	4 634	3 843	8 276
EBITDA		**(4 572)**	**(1 310)**	**(7 483)**	**(3 283)**	**(7 783)**
Depreciation & amortization expense		901	835	1 884	1 700	3 836
Net operating income/(loss)		**(5 472)**	**(2 145)**	**(9 367)**	**(4 983)**	**(11 619)**
Financial income and expense						
Finance income		5	60	150	82	5 704
Finance expense		(166)	(259)	(235)	(452)	(862)
Net financial income/(expense)		**(162)**	**(199)**	**(85)**	**(370)**	**4 842**
Share of profit from associated companies	1	(581)	(142)	(955)	(291)	(1 204)
Net loss before taxes		**(6 215)**	**(2 486)**	**(10 407)**	**(5 644)**	**(7 981)**
Income tax expense		59	10	144	37	432
Total net loss for the period		**(6 273)**	**(2 496)**	**(10 551)**	**(5 681)**	**(8 412)**
Net loss attributable to:						
Owners of the Company		(6 162)	(2 429)	(10 314)	(5 542)	(8 074)
Non-controlling interests		(111)	(67)	(237)	(140)	(338)
Earnings per share:						
Basic and diluted		(0,0008)	(0,0004)	(0,0013)	(0,0009)	(0,0012)

Statement of comprehensive income

	Q2 ended 30 Jun 2017	Q2 ended 30 June 2016	YTD 30 June 2017	YTD 30 June 2016	Year ended 31 Dec 2016
Net loss for the period	(6 273)	(2 496)	(10 551)	(5 681)	(8 412)
Other comprehensive income:					
- Currency translation differences	450	(139)	587	385	(220)
Total comprehensive loss	**(5 824)**	**(2 635)**	**(9 964)**	**(5 296)**	**(8 632)**
Total comprehensive income/(loss) attributable to:					
Owners of the Company	(5 713)	(2 568)	(9 726)	(5 157)	(8 294)
Non-controlling interests	(111)	(67)	(237)	(140)	(338)

Consolidated statement of financial position – unaudited

USD 1,000	Note	As at 30 Jun 2017	As at 30 Jun 2016	As at 31 Dec 2016
Assets				
Non-current assets				
Goodwill		14 364	14 364	14 364
Deferred tax asset		15	37	15
Intangible assets		11 088	12 785	11 832
Office machinery, equipment, etc.		755	242	218
Investments in associated companies		7 991	4 421	4 267
Other financial assets		638	243	388
Total non-current assets		**34 850**	**32 092**	**31 084**
Current assets				
Trade receivables		3 166	3 464	3 632
Other short-term assets		1 429	714	1 023
Cash and cash equivalents		7 937	19 169	21 960
Total current assets		**12 532**	**23 348**	**26 615**
Total assets		**47 382**	**55 440**	**57 699**
Equity and liabilities				
Equity				
Share capital	4	4 744	4 382	4 616
Own shares		(0)	-	-
Other paid-in capital		44 129	42 050	49 665
Currency translation differences		7 405	7 422	6 818
Accumulated losses		(16 888)	(11 354)	(12 472)
Equity attributable to the holders of the Company		**39 389**	**42 500**	**48 627**
Non-controlling interest		(616)	(681)	(379)
Total equity		**38 773**	**41 819**	**48 248**
Liabilities				
Non-current liabilities				
Long-term interest bearing debt		248		0
Deferred tax liabilities		553	844	783
Other provisions		97		183
Other long-term liabilities		37	2 761	44
Total non-current liabilities		**935**	**3 604**	**1 010**
Current liabilities				
Trade payables		1 966	1 360	1 764
Current taxes		198	149	210
Other short-term liabilities		5 510	8 508	6 467
Total current liabilities		**7 674**	**10 017**	**8 441**
Total liabilities		**8 609**	**13 621**	**9 451**
Total equity and liabilities		**47 382**	**55 440**	**57 699**

Consolidated statement of changes in equity – unaudited

USD 1,000	Nominal share capital	Own shares	Other paid-in capital	Currency translation differences	Retained earnings	Attributable to owners of parent company	Non-controlling interest	Total equity
Total equity as at 1 January 2016	**3 433**	**0**	**32 415**	**7 037**	**(13 303)**	**29 583**	**(541)**	**29 042**
Profit for the period					(8 566)	(8 566)	(338)	(8 904)
Other comprehensive income	0	0	0	(195)	(13)	(207)	0	(207)
Total comprehensive income/(loss) 2016	*0*	*0*	*0*	*(207)*	*(8 087)*	*(8 294)*	*(338)*	*(8 632)*
Reduction of paid-in capital	*0*	*0*	*0*	*0*	*0*	*0*	0	0
Transaction costs	*0*	*0*	*(822)*	*0*	*0*	(822)	0	(823)
Share-based payments	0	0	553	0	0	553	0	552
Increase in share capital	1 141	0	26 468	0	0	27 609	0	27 609
Reclassification of equity	0	0	(8 918)	0	8 918	0	0	0
Transactions with non-controlling interests	0	0	0	0	0	0	500	500
Currency effects from translation of equity	43	0	(30)	(13)	0	0	0	(0)
Total equity as at 31 December 2016	**4 617**	**0**	**49 666**	**6 818**	**(12 472)**	**48 627**	**(379)**	**48 248**
Profit for the period					(10 314)	(10 314)	(237)	(10 551)
Other comprehensive income	0	0	0	2 098	(1 510)	587	0	587
Total comprehensive income/(loss) YTD 17	*0*	*0*	*0*	*2 098*	*(11 824)*	*(9 726)*	*(237)*	*(9 964)*
Reduction of paid-in capital	*0*	*0*	*0*	*0*	*0*	*0*	0	0
Transaction costs	*0*	*0*	*(6)*	*0*	*0*	(6)	0	(6)
Share-based payments	0	0	488	0	0	488	0	488
Increase in share capital	0	0	0	0	0	0	0	0
Reclassification of equity	0	0	(7 408)	0	7 408	0	0	0
Purchase of own shares	0	(16)	(267)	0	0	(282)	0	(282)
Distribution of own shares.	0	15	275	0	0	290	0	290
Transactions with non-controlling interests	0	0	0	0	0	0	0	0
Currency effects from translation of equity	128	0	1 382	(1 510)	0	0	0	0
Total equity as at 30 June 2017	**4 745**	**(0)**	**44 129**	**7 405**	**(16 888)**	**39 390**	**(616)**	**38 774**

USD 1,000	Nominal share capital	Own shares	Other paid-in capital	Currency translation differences	Retained earnings	Attributable to owners of parent company	Non-controlling interest	Total equity
Total equity as at 1 January 2016	**3 433**	**0**	**32 415**	**7 037**	**(13 303)**	**29 583**	**(541)**	**29 042**
Profit for the period					(5 542)	(5 542)	(140)	(5 681)
Other comprehensive income	0	0	0	2 071	(1 686)	385	0	385
Total comprehensive income/(loss) YTD 2016	*0*	*0*	*0*	*2 071*	*(7 227)*	*(5 157)*	*(140)*	*(5 296)*
Reduction of paid-in capital	*0*	*0*	*0*	*0*	*0*	*0*	0	0
Transaction costs	*0*	*0*	*(767)*	*0*	*0*	(767)	0	(767)
Share-based payments	0	0	230	0	0	230	0	229
Increase in share capital	779	0	17 832	0	0	18 611	0	18 611
Purchase own shares	0	0	0	0	0	0	0	0
Reclassification of equity	0	0	(9 176)	0	9 176	0	0	0
Currency effects from translation of equity	170	0	1 515	(1 686)	0	0	0	(0)
Total equity as at 30 June 2016	**4 383**	**0**	**42 050**	**7 422**	**(11 354)**	**42 500**	**(681)**	**41 819**

Consolidated statement of cash flow – unaudited

USD 1,000	Note	Q2 ended 30 Jun 2017	Q2 ended 30 Jun 2016	YTD 30 Jun 2017	YTD 30 Jun 2016	Year ended 31 Dec 2016
Cash flow from operating activities						
Profit/(loss) after income tax (including disposal group)		(6 273)	(2 496)	(10 551)	(5 681)	(8 412)
Adjustments:						
Income tax payable		(121)	(125)	(231)	(217)	(255)
Share-based payments		240	56	483	228	567
Share of profit of investments accounted for using the equity method		581	142	955	291	1 204
Depreciation and amortization		901	835	1 884	1 700	3 836
Currency translation effects		288	(173)	498	70	(379)
Change in trade receivables		(120)	261	466	73	(96)
Change in trade payables		563	(103)	203	(22)	382
Change in other accrual and non-current items		(82)	69	(1 726)	(217)	(5 086)
Net cash flow from/(used in) operating activities		**(4 024)**	**(1 534)**	**(8 019)**	**(3 775)**	**(8 238)**
Cash flow from investing activities						
Investment in furniture, fixtures and office machines		(585)	37	(661)	17	34
Investment in intangible assets		(507)	(496)	(1 014)	(992)	(2 379)
Investment in associated companies		-		(4 577)		(873)
Investment in subsidiary		-				
Net cash flow from/(used in) investing activities		**(1 092)**	**(459)**	**(6 253)**	**(976)**	**(3 219)**
Cash flow from financing activities						
Net proceeds from share issues		-	18 090		18 090	27 087
Proceeds from borrowings		248		248		
Proceeds from minority interest		-				500
Net cash flow from/(used in) financing activities		**248**	**18 090**	**248**	**18 090**	**27 587**
Net increase/(decrease) in cash and cash equivalents		**(4 868)**	**16 097**	**(14 024)**	**13 339**	**16 130**
Cash and cash equivalents at the beginning of the period		12 805	3 072	21 960	5 829	5 829
Cash and cash equivalents at the end of the period		**7 937**	**19 169**	**7 937**	**19 169**	**21 960**

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 23 August 2017, 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 half year 2017, ending 30 June 2017, 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 2016 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. For information about the standards and interpretations effective from 1 January 2017, please refer to Note 2 in the group's 2016 annual report. The standards and interpretations effective from 1 January 2017 do not have a significant impact on the group's consolidated interim financial statements.

The mporium Group plc share of profit is estimated based on the latest interim financials made publicly available by mporium. The RepKnight share of profit is estimated based on the latest management report available.

Note 2: Segment information

For management purposes, the group is organized into business units based on its products and services, and has two reportable segments:

- 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.
- PCAN (Publisher-Controlled Advertising Networks), which sells online advertising on the sites of various publishers, and distributes and shares the advertising revenues generated in the network with publishers.

There have been no changes to the grouping of segments compared to the 2016 annual report. EBITDA is defined as segment profit/loss.

Q2 ended 30 Jun 2017

USD 1,000	**Cxense SaaS**	**PCAN**	**Eliminations**	**Consolidated**
Revenue				
External customers	5 051	677	0	5 729
Inter-segment	26	0	(26)	0
Revenues total	**5 077**	**677**	**(26)**	**5 729**
Gross profit	**3 757**	**99**	**0**	**3 856**
EBITDA	**(4 353)**	**(218)**	**0**	**(4 572)**

Q2 ended 30 Jun 2016	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	5 341	990	0	6 330
Inter-segment	41	0	(41)	0
Revenues total	**5 381**	**990**	**(41)**	**6 330**
Gross profit	**4 414**	**180**	**0**	**4 594**
EBITDA	**(1 176)**	**(134)**	**0**	**(1 310)**

YTD 30 Jun 2017

USD 1,000	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	10 236	1 410	0	11 646
Inter-segment	49	0	(49)	0
Revenues total	**10 286**	**1 410**	**(49)**	**11 646**
Gross profit	**7 604**	**189**	**0**	**7 793**
EBITDA	**(6 996)**	**(487)**	**0**	**(7 483)**
Total segment assets	**46 680**	**915**	**(213)**	**47 383**
Total segment liabilities	**7 430**	**2 137**	**(957)**	**8 609**

YTD 30 Jun 2016

USD 1,000	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	10 766	1 827	0	12 593
Inter-segment	82	0	(82)	0
Revenues total	**10 848**	**1 827**	**(82)**	**12 593**
Gross profit	**8 972**	**339**	**0**	**9 310**
EBITDA	**(3 010)**	**(273)**	**0**	**(3 283)**
Total segment assets	**53 820**	**1 376**	**243**	**55 440**
Total segment liabilities	**11 798**	**1 921**	**(97)**	**13 621**

Full year 2016

USD 1,000	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	21 867	3 605	0	25 472
Inter-segment	146	0	(146)	0
Revenues total	**22 013**	**3 605**	**(146)**	**25 472**
Gross profit	**17 692**	**588**	**0**	**18 281**
EBITDA	**(7 035)**	**(748)**		**(7 783)**
Total segment assets	**56 647**	**826**	**226**	**57 699**
Total segment liabilities	**8 253**	**1 457**	**(259)**	**9 451**

Reconciliation	Q2 ended 30 Jun 2017	Q2 ended 30 Jun 2016	YTD 30 June 2017	YTD 30 June 2016	Year ended 31 Dec 2016
USD 1,000					
Total net income/(loss) for the period	**(6 273)**	**(2 496)**	**(10 551)**	**(5 681)**	**(8 412)**
Income tax	(59)	(10)	(144)	(37)	(432)
Net income/(loss) before taxes	**(6 215)**	**(2 486)**	**(10 407)**	**(5 644)**	**(7 981)**
Share of profit of investments accounted	581	142	955	291	1 204
Net financial (income)/expense	162	199	85	370	(4 842)
Depreciation & amortization expense	901	835	1 884	1 700	3 836
EBITDA	**(4 572)**	**(1 310)**	**(7 483)**	**(3 283)**	**(7 783)**

Note 3: Remuneration chairman of the board

Lars Bjørn Thoresen, chairman of the board of directors of Cxense ASA, has received from Cxense ASA, free of charge, 26,177 shares in Cxense ASA to a value of NOK 2,500,000. The transfer of shares was made in accordance with the resolution made by the general meeting in Cxense ASA on 10 May 2017, regarding the chairman's remuneration. Following this transaction, Lars Bjørn Thoresen owns 26,177 shares (0.33%) in Cxense ASA.

Note 4: Share capital

As of 30 June 2017, there were 7,958,012 shares and 331,175 share options and subscription rights outstanding.

Note 5: Events after the reporting period

On 23 June 2017 the Board of Directors resolved to restructure the company by divesting non-core business, rightsizing the organization and reducing cost base to shorten time to break even. The restructuring targets to reduce the OPEX by USD 3 million per quarter. See the operational review on page 3 for further details

For stock exchange notices, please see www.cxense.com.

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 2017 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, 23 August 2017

Lars Thoresen	Liza Benson
(Chairman)	(Board member)
David Rowe	Ståle Bjørnstad
(Board member)	(CEO)

DEFINITIONS

Alternative performance measures

Cxense' 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.

MRR	Monthly Recurring Revenue is the monthly value of a recurring revenue contract
QRR	Quarterly Recurring Revenue (QRR) is the quarterly full value of a recurring revenue contract. As an example, a recurring revenue contract with USD 10 000 of revenue per month has QRR of USD 30,000 (10,000 *3).
ARR	Annualized Recurring Revenue (ARR) is the annualized value of a recurring revenue contract. As an example, a recurring revenue contract with USD 10 000 of revenue per month has ARR of USD 120,000 (10,000 *12).
Closed new QRR	The sum of all QRR for all contracts closed in a certain financial period
Recognized new QRR	The effect of all new recurring revenue recognized in a financial period
Lost QRR (churn)	The sum of all lost recurring revenue recognized in a certain financial period
Net new QRR	Recognized new QRR – lost QRR (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 on the basis of OPEX adjusted instead of OPEX
Capitalized R&D	Capitalized software development cost as per IFRS
EBITDA with capitalization add back	EBITDA adjusted before capitalized R&D
Annualized underlying organic growth	Net new ARR from the quarter / quarterly SaaS segment revenue
Sales quota equivalent	A sales quota equivalent is 100% of 1 sales quota. A sales rep has 100% of a sales quota, while Sales Managers, Customer Success Managers and other members of the sales organization may have sales quotas of 75% or less.