



THIRD QUARTER REPORT

2017



Highlights

- **Strategic change to focus on Data Management and Personalization**
 - New CEO in place to execute strategy
 - Sale of non-core assets progressing well
- **Growth in core segments of Data Management and Personalization**
 - 15% YoY and 5.3% sequentially
 - Sales and churn improvement from Q2, but behind targets
 - 26 new contracts
- **On track to reach post restructuring target EBITDA for Q1 2018 of USD -0.5 million**
 - 83% of OPEX reduction target of USD 3 million is realized
 - Gross margin improvement of 3% from hosting optimisation
- **Financial runway beyond break-even secured**
 - Completed USD 5 million share issue
 - Sale of mporium for USD 3.8 million vs USD 2.4 million invested
 - Q3 2017 adjusted cash position of USD 12.2 million

CEO comments

“Cxense is well on its way to become a single-focused provider of our world-class Data Management Platform (DMP) with Intelligent Personalization. To this end, a significant company restructuring has been executed during this quarter. Full concentration on our core business combined with strengthened financial runway, makes a strong starting point for long-term value creation in a large and growing market. While our technology continues to prove its value every day with 165 core customers worldwide, we still need to sharpen our technology vision and refine our go-to-market model to capture the big opportunities in front of us. I believe the massive amount of data that we manage on behalf of our customers is a core competitive advantage and its essential to combine this with truly customer-oriented product development and a streamlined sales approach. I look forward to the next chapter of Cxense’s journey and to create a new growth trajectory for the adoption of our solutions” said Christian Printzell Halvorsen, CEO of Cxense.

Key figures

<i>USD 1,000</i>	Q3 2016	Q2 2017	Q3 2017
<i>Data Management & Intelligent personalization</i>	2 930	3 188	3 357
<i>SaaS Non-Core</i>	2 581	1 888	1 698
<i>PCAN</i>	840	677	735
<i>Inter-segment elimination</i>	(34)	(26)	(26)
Revenues	6 317	5 728	5 765
OPEX	6 266	8 427	7 692
Non-IFRS OPEX adjustments	(226)	(882)	(1 464)
OPEX adjusted	6 040	7 545	6 228
EBITDA	(1 873)	(4 572)	(3 634)
EBITDA adjusted	(1 646)	(3 690)	(2 170)

OPERATIONAL REVIEW

Cxense helps 165 publishers and marketers in Europe, Asia, North and South America transform raw data into a valuable resource they can monetize. Cxense's leading Data Management Platform (DMP) with Intelligent Personalization, give companies unprecedented insight about their individual users and customers, and enables them to action this insight in real-time across all marketing and sales channels. Benefits include increased digital revenue and user loyalty.

The Cxense DMP and Personalization software is powered by the Real Time Data Engine (RTE). The RTE assigns a specific profile to each individual user. As users interact with content, their interest profiles are adaptively updated by algorithms that take into account all pertinent information about the consumed content and how deeply it was consumed. Based on this data computer models can predict various relevant user properties.

Cxense is devoted to being leaders in delivering data management and personalization software that helps customers monetize their online properties by providing superior experiences for end-users. As consumers and online content is constantly evolving, Cxense is committed to continuously invest in research and development to be in the forefront of the evolution.

Executing strategy of sharpened focus on core business

In order to drive revenue growth and improve profitability, the new Board of Directors and management of Cxense in Q3 2017 decided to focus on the DMP and Intelligent Personalization offering and divest non-core assets. A private placement of new shares was executed, which combined with the sale of non-core assets will provide significant financial runway as the new CEO executes on a mandate to sharpen the Cxense technology vision and refine the go-to-market strategy.

The new strategic focus is over time expected to improve DMP & Personalization software development output, give Cxense a clearer market positioning and pave the way for significantly more efficient operations.

A program to right-size the organization was initiated in the quarter and as of 30 September the company had reduced the number of full-time employees (FTE) to 138 from 188 at the end Q2 2017. The organization right-sizing continued into Q4 2017 with further reductions. The North American operation has been scaled down according to plan, now operating with significant support from HQ in Oslo. Back-office and administrative functions were also re-organized as Cxense has established an agile organization with around 14 experienced sales FTEs, supported by a streamlined R&D organization and Professional Services Team.

The targeted OPEX reduction effect of organizational streamlining is USD 3 million per quarter with full effect in Q1 2018 and target Q1 2018 EBITDA loss of USD -0.5 million.

In Q2 2017 Cxense launched a hosting cost reduction initiative targeting a 5% SaaS segment gross margin increase from the 74% Q2 2017 baseline. The improvement initiative includes a co-location project in the US, hosting supplier change in Japan and software code improvement initiatives including re-routing of queries and data clean-up. The gross margin has been increasing steadily since July and was up 3% for Q3 as a whole and up 5% for the month of September.

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

Continued growth for DMP with Intelligent Personalization

The core operations had Q3 2017 revenue of USD 3.36 million, up 15% from the same period in 2016 and up 5.3% from 2Q 2017. The annualized revenue run-rate based on the customer portfolio as of Q3 2017 was USD 13.4 million, up from USD 12.8 million at the end of Q2 2017.

The DMP and Personalization offering built its market position in the quarter, signing several key customer wins such as CBS Interactive, Mediahuis, Bangkok Post and Norsk Tipping (Norwegian National Lottery). Cxense signed 26 new recurring revenue contracts in Q3 2017 for the core offering, of which 35% were up-sell to existing customers experiencing tangible ROI from using Cxense's solutions. Cxense had 165 DMP and Personalization customers as of end Q3 2017.

New Quarterly Recurring Revenue (QRR) signed in the quarter was USD 282 thousand, in line with Q2 2017, for the core offering. The re-organization of the company was to a large extent completed in September and hence Q3 sales efforts were negatively affected by account management changes and the additional admin work load that comes with executing a re-organization. New churn registered in the quarter was USD 92 thousand, down from the previous two quarters. Still, lost contracts had a bigger impact on revenue in the quarter due to lag effects from contracts terminated earlier in the year.

Q3 2017 Group revenue was USD 5.76 million, down 8.7% from Q3 2016, driven by non-core business churn, and little changed from Q2 2017. Underlying OPEX declined as expected due to the ongoing streamlining of the organization. The impact was partly offset by one-off provisions and costs related to the restructuring booked in the quarter. The Q3 2017 EBITDA was USD -3.63 million, compared to USD -1.87 million in Q3 2016 and USD -4.57 million in Q2 2017. The Q3 2017 group adjusted EBITDA was USD 2.17 million, compared to USD 1.65 million in Q3 2016.

Fully funded growth strategy through private placement and non-core asset divestment

The cash position at end of September 2017 cash position was USD 8.49 million following the successful private placement of new shares announced on 24 August, raising USD 5 million. Additionally, Cxense on 1 November announced it had sold all its shares in mporium Group PLC as part of its plan to divest non-core assets. The private placement, and the net proceeds of USD 3.75 million from the mporium share sale, represent solid funding for the new growth strategy focusing on DMP with Intelligent Personalization. Q3 2017 cash position adjusted for the sale of the mporium shares was USD 12.2 million.

The Software-as-a-Service (SaaS) revenue model

Cxense's 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.

FINANCIAL DEVELOPMENT SUMMARY

USD 1,000	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
SaaS segment									
DMP with Intelligent Personalization	2 115	2 335	2 429	2 518	2 930	3 066	3 130	3 188	3 357
Advertising	1 920	1 847	1 900	1 448	1 216	1 159	911	861	678
mporium	148	142	136	185	141	132	136	131	146
Video		967	1 001	1 230	1 224	1 297	1 033	896	875
Revenues total	4 183	5 291	5 467	5 381	5 511	5 654	5 209	5 077	5 055
Cost of sales	700	780	908	967	1 252	1 195	1 361	1 321	1 146
Gross profit	3 483	4 510	4 558	4 414	4 259	4 460	3 848	3 756	3 909
<i>Gross margin %</i>	83 %	85 %	83 %	82 %	77 %	79 %	74 %	74 %	77 %
Personnel	3 834	3 904	4 657	3 675	4 141	4 574	4 402	5 826	5 305
Other OPEX	1 739	1 928	1 735	1 915	1 772	2 258	2 088	2 284	2 170
OPEX	5 573	5 832	6 392	5 590	5 913	6 832	6 490	8 110	7 476
EBITDA	(2 090)	(1 321)	(1 833)	(1 176)	(1 654)	(2 374)	(2 642)	(4 354)	(3 567)
Non-IFRS adjustment of OPEX level									
Share-based payment costs	156	144	171	56	149	191	244	239	(32)
Share-based social costs provision	(130)	9	37	54					
Salary and social restructuring provisions/costs	327		361						1 280
Office moving and restructuring costs	126		45			210	(21)	0	140
Extraordinary/special							32	585	24
One-off provision for doubtful debt		16		55		84			
Transaction costs	195	166	45	81	78	79	103	58	52
R&D refund	(152)	(430)		(42)		(167)			
Total reported OPEX adjustment items	523	(95)	659	204	226	397	358	882	1 464
Estimated full effect of cost-reduction program			525						
OPEX adjusted	5 050	5 927	5 208	5 386	5 686	6 435	6 132	7 228	6 012
EBITDA adjusted	(1 568)	(1 416)	(649)	(972)	(1 428)	(1 977)	(2 284)	(3 472)	(2 103)
Capitalized operating expense	(440)	(496)	(498)	(494)	(496)	(891)	(507)	(507)	(557)
EBITDA adjusted with capitalization add back	(2 007)	(1 912)	(1 147)	(1 466)	(1 924)	(2 868)	(2 791)	(3 980)	(2 660)
PCAN segment									
Revenues total	675	805	837	990	840	938	733	677	735
Cost of goods sold	512	629	679	810	705	824	643	578	586
Gross profit	163	175	159	180	135	115	90	99	149
<i>Gross margin %</i>	24 %	22 %	19 %	18 %	16 %	12 %	12 %	15 %	20 %
Personnel	136	176	200	218	168	153	184	229	139
Other OPEX	71	86	97	96	185	219	174	88	78
OPEX	206	261	298	314	353	371	358	317	216
EBITDA	(44)	(86)	(139)	(134)	(219)	(257)	(268)	(218)	(67)
GROUP									
Revenues, all segments	4 858	6 095	6 304	6 371	6 350	6 593	5 942	5 754	5 790
Intra-segment eliminations	(39)	(39)	(41)	(41)	(34)	(30)	(24)	(26)	(26)
Revenues consolidated	4 818	6 056	6 263	6 330	6 317	6 562	5 918	5 729	5 764
Gross profit	3 645	4 686	4 717	4 594	4 394	4 575	3 937	3 856	4 057
<i>Gross margin %</i>	76 %	77 %	75 %	73 %	70 %	70 %	67 %	67 %	70 %
OPEX	5 779	6 093	6 689	5 904	6 266	7 204	6 848	8 427	7 692
EBITDA	(2 134)	(1 407)	(1 972)	(1 310)	(1 873)	(2 629)	(2 911)	(4 572)	(3 634)
NON-IFRS adjustment of OPEX level									
Total reported OPEX adjustment items	523	(95)	659	204	226	397	358	882	1 464
Estimated full effect of cost-reduction program			525						
EBITDA adjusted	(1 611)	(1 502)	(789)	(1 106)	(1 646)	(2 232)	(2 552)	(3 690)	(2 170)
Capitalized operating expense	(440)	(496)	(498)	(494)	(496)	(891)	(507)	(507)	(557)
EBITDA adjusted with capitalization add back	(2 051)	(1 998)	(1 286)	(1 600)	(2 142)	(3 120)	(3 060)	(4 197)	(2 727)

DMP and Personalization revenue development breakdown

Quarterly figures (unaudited)	DMP with intelligent personalization				
<i>USD 1,000</i>	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Revenue in previous quarter	2 518	2 930	3 066	3 130	3 188
New recurring license revenue effect	486	292	440	275	235
Acquired recurring license revenue	-	-	-	-	-
Churn effect	-62	-59	-207	-150	-206
Change in service revenue	-50	-48	81	-45	111
Change in other variables	66	23	-185	-62	-56
Currency effect	-28	-72	-65	40	85
Revenue this quarter	2 930	3 066	3 130	3 188	3 357
Accumulated currency effect, reversed		72	137	97	12
Outbound revenue currency adjusted	2 930	3 138	3 267	3 285	3 369
Number of closed contracts in the quarter	24	37	30	23	26
Whereof new customers	12	20	18	17	18
Whereof upsell	12	17	12	6	8
Full QRR effect of contracts notified closed in the period	214	506	428	272	282
Full QRR effect of contracts notified lost in the period	(23)	(101)	(279)	(170)	(92)

FINANCIAL REVIEW

Q3 2017 group revenue amounted to USD 5.76 million, a decrease of 8.7% from Q3 2016 revenues of USD 6.32 million, and little changed from Q2 2017 revenues of USD 5.73 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 5.06 million, including inter-segment revenues of USD 26 thousand, compared to USD 5.51 million in Q3 2016 and 5.08 million in Q2 2017. The sequential development was a function of new software license revenues of USD 243 thousand, and change in service revenues and other variable revenues of USD -24 thousand. Churn was USD -333 thousand for the period, and currency effects amounted to USD 92 thousand.

Q3 2017 revenues from the PCAN segment amounted to USD 735 thousand, down 13% from Q3 2016. The revenues represent sales of performance-based and programmatic online advertising.

The Q3 2017 group cost of sales amounted to USD 1.71 million, compared to USD 1.92 million in Q3 2016. Cost of sales for Q3 2017 was USD 1.15 million for the SaaS segment, and USD 586 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 Q3 2017 gross margin for the SaaS segment was 77%, compared to 77% in Q3 2016 and 74% in Q2 2017. The sequential gross margin improvement is mainly due to the increase of hosting capacity on co-location solutions which are less expensive than fully leased platforms and optimizing the software code for delivery of features with high hosting cost.

The Q3 2017 employee benefit expenses were USD 5.44 million, compared to USD 4.31 million in Q3 2016 and USD 6.06 million in Q2 2017. Included in Q3 2017 were USD 1.22 million costs and provisions related to the ongoing restructuring of the company, compared to USD 585 thousand extraordinary costs related to establishing the new Board of directors included in Q2 2017. The sequential decline in employee benefit costs reflect a reduction in headcount to 138 full-time employees (FTE) as of 30 September 2017, compared with 188 FTE at 30 June as part of the ongoing restructuring. Capitalization of employee benefit expenses related to software development activities amounted to USD 405 thousand in Q3 2017.

Other operating expenses amounted to USD 2.25 million in Q3 2017, compared to USD 1.96 million in Q3 2016. Most of the expenses relate to premises, travel, marketing, consulting services and contractors. USD 140 thousand relates to a provision for the loss from subleasing the Boston office and USD 121 thousand relates to the restructuring in Q3 2017. USD 152 thousand in other operating expenses related to software development activities were capitalized in Q3 2017.

The Q3 2017 EBITDA was USD -3.63 million, compared to USD -1.87 million in Q3 2016 and USD -4.57 million in Q2 2017.

Depreciation and amortization in Q3 2017 were USD 1.1 million, compared to USD 719 thousand in Q3 2016. Impairment of assets amounted to USD 5.6 million in Q3 2017. The impairments mainly relate to Emediate, Maxifier and capitalized R&D affected by the restructuring of USD 4.3 million, USD 0.36 million thousand and USD 1.0 million respectively. No impairments were booked in Q3 2016.

Finance income from interest income and currency gains were USD 98 thousand in Q3 2017, compared to USD 4.67 million in Q3 2016. Q3 2016 included an USD 4.7 million reversal of the contingent earn-out consideration to the sellers of Maxifier. Financial expenses, mainly relating to disagio, amounted to USD 75 thousand in Q3 2017, compared to USD 132 thousand in Q3 2016.

The Q3 2017 estimated share of profit from investments in associated companies was USD -647 thousand, compared to USD -1.02 million in Q3 2016, and relates to the investment in the associated company mporium Group plc, where Cxense held 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 Q3 2017 impairment of associated company of USD 687 thousand relates to an impairment of mporium based on a held for sale assessment measuring mporium at lowest of carrying amount and fair value.

The company had a tax income for Q3 2017 of USD 17 thousand, compared to a tax expense of USD 30 thousand in Q3 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 11.0 million in Q3 2017, compared to a net income of USD 895 thousand in Q3 2016 and a loss of USD 6.27 million in Q2 2017. This represents a Q3 2017 loss of USD 0.0014 per share, compared to a profit of USD 0.0001 per share in Q3 2016.

Total assets at the end of Q3 2017 amounted to USD 41.4 million, compared to USD 56.0 million as at the end of Q3 2016. The decrease in total assets in the period was mainly related to impairments of assets in relation to the restructuring, cash used to finance operations for the period, partly offset by a private placement of new shares in Q3 2017 and the exercise of warrants to subscribe for new shares in Q4 2016. Total equity at the end of Q3 2017 was USD 32.4 million, compared to USD 47.2 million at the end of Q3 2016.

Goodwill of USD 9.36 million at 30 September 2017 relates to the acquisitions of Maxifier and Ramp Media, at USD 4.8 million and USD 4.5 million, respectively.

The Q3 2017 intangible assets of USD 7.0 million relates mainly to the excess value from the Ramp Media acquisition of USD 4.4 million, and capitalized R&D of USD 2.5 million. Cxense has a significant shareholding in RepKnight of USD 3.2 million classified as associated company.

In Q3 2017, Emediate, Maxifier and mporium qualified as held for sale assets. As a consequence, the assets are classified as held for sale assets and held for sale liabilities.

Trade receivables were USD 3.25 million (equal to 51 days of inventory¹) at the end of Q3 2017, compared to USD 3.17 million (50 days) at the end of Q2 2017, and USD 3.73 million (53 days) at the end of Q3 2016. The SaaS segment trade receivables were USD 2.22 million at the end of Q3 2017 (equal to 40 days of inventory) and the PCAN segment trade receivables amounted to USD 1.02 million (125 days).

The Q3 2017 cash position was USD 8.49 million, compared to USD 19.1 million at the end of Q3 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 the issue of new shares in Q3 2017 and warrants exercised in Q4 2016.

Other long-term liabilities at the end of Q3 2017 were USD 34 thousand, compared to USD 801 thousand in Q3 2016. The decrease relates to the removal of long-term contingent considerations for Ramp Media of USD 0.74 million in Q4 2016.

Total current liabilities at the end of Q3 2017 were USD 7.7 million, compared to USD 7.3 million at the end of Q3 2016.

Net cash flow used in operating activities was USD 3.32 million in Q3 2017, compared to USD 2.14 million in Q3 2016. The Q3 2017 cash flow used in operating activities was USD 311 thousand lower than the Q3 2017 EBITDA, partly explained by a provision for future loss on the abandoned Boston office of USD 140 thousand.

Q3 2017 net cash flow from investing activities was USD 652 thousand, compared to USD 1.36 million used in Q3 2016. The change is mainly explained by an investment of USD 873 thousand made in mporium in Q3 2016. Net cash flow from financing activities was 4.78 million following a private placement of 1,000,000 million new shares in Q3 2017, compared to USD 3.43 million in Q3 2016 following a subsequent offering of 208,333 new shares and proceeds from minority interest in Q3 2016.

¹ 1 day = receivables / quarterly revenues * 90 days

FINANCIAL STATEMENTS

Consolidated income statement – unaudited

<i>USD 1,000</i>		Q3 ended 30 Sep 2017	Q3 ended 30 Sep 2016	YTD 30 Sep 2017	YTD 30 Sep 2016	Year ended 31 Dec 2016
	Note					
Revenue	2	5 764	6 317	17 410	18 910	25 472
Operating expense						
Cost of goods sold		1 706	1 922	5 560	5 205	7 192
Employee benefit expense		5 444	4 309	16 085	13 060	17 787
Other operating expenses		2 248	1 957	6 882	5 800	8 276
EBITDA		(3 634)	(1 871)	(11 117)	(5 154)	(7 783)
Depreciation and amortization expense		1 136	719	3 020	2 419	3 499
Impairment of assets	3.4	5 621	0	5 621	0	337
Net operating income/(loss)		(10 392)	(2 590)	(19 758)	(7 573)	(11 619)
Financial income and expense						
Finance income		98	4 664	248	4 745	5 704
Finance expense		(75)	(132)	(310)	(584)	(862)
Net financial income/(expense)		23	4 531	(62)	4 161	4 842
Share of profit from associated companies	1	(647)	(1 016)	(1 602)	(1 308)	(1 204)
Impairment of associated company	3	(687)	0	(687)	0	0
Net loss before taxes		(11 015)	925	(22 110)	(4 720)	(7 981)
Income tax expense		(17)	30	126	67	432
Total net loss for the period		(10 998)	895	(22 236)	(4 786)	(8 412)
Net loss attributable to:						
Owners of the Company		(11 640)	992	(21 954)	(4 550)	(8 074)
Non-controlling interests		(45)	(97)	(282)	(237)	(338)
Earnings per share:						
Basic and diluted		(0.0014)	0.0001	(0.0027)	(0.0007)	(0.0012)
Statement of comprehensive income						
Net loss for the period		(11 685)	895	(22 236)	(4 786)	(8 412)
<i>Other comprehensive income:</i>						
- Currency translation differences		359	988	946	1 373	(220)
Total comprehensive loss		(11 326)	1 883	(21 290)	(3 413)	(8 632)
Total comprehensive income/(loss) attributable to:						
Owners of the Company		(11 281)	1 980	(21 008)	(3 176)	(8 294)
Non-controlling interests		(45)	(97)	(282)	(237)	(338)

Consolidated statement of financial position – unaudited

<i>USD 1,000</i>	Note	As at 30 Sep 2017	As at 30 Sep 2016	As at 31 Dec 2016
Assets				
Non-current assets				
Goodwill		9 358	14 364	14 364
Deferred tax asset		16	37	15
Intangible assets		6 965	12 636	11 832
Office machinery, equipment, etc.		776	242	218
Investments in associated companies		3 192	4 459	4 267
Other financial assets		701	403	388
Total non-current assets		21 008	32 141	31 084
Current assets				
Trade receivables		3 245	3 726	3 632
Other short-term assets		1 319	986	1 023
Cash and cash equivalents		8 491	19 102	21 960
Total current assets		13 054	23 815	26 615
Assets classified as "held for sale"	3	7 297	0	0
Total assets		41 359	55 956	57 699
Equity and liabilities				
Equity				
Share capital	5	5 618	4 691	4 616
Own shares		-	-	-
Other paid-in capital		50 600	46 742	49 665
Currency translation differences		7 427	8 411	6 818
Currency translation on assets held for sale		337	-	-
Accumulated losses		(30 926)	(12 410)	(12 472)
Equity attributable to the holders of the Company		33 056	47 434	48 627
Non-controlling interest		(661)	(278)	(379)
Total equity		32 395	47 156	48 248
Liabilities				
Non-current liabilities				
Long-term interest bearing debt		256	-	-
Deferred tax liabilities		0	744	783
Other provisions		91	-	183
Other long-term liabilities		34	801	44
Total non-current liabilities		381	1 544	1 010
Current liabilities				
Trade payables		1 517	1 403	1 764
Current taxes		268	133	210
Other short-term liabilities		5 888	5 720	6 467
Total current liabilities		7 672	7 255	8 441
Liabilities related to assets "held for sale"	3	910	0	0
Total liabilities		8 964	8 800	9 451
Total equity and liabilities		41 359	55 956	57 699

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 2016	3 433	0	32 415	7 037	0	(13 303)	29 583	(541)	29 042	
Profit for the period						0	(8 074)	(8 074)	(338)	(8 412)
Other comprehensive income	0	0	0	(207)	0	0	(220)	0	(220)	
<i>Total comprehensive income/(loss) 2016</i>	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	0	0	(822)	0	0	0	(822)	0	(823)	
Share-based payments	0	0	553	0	0	0	553	0	552	
Increase in share capital	1 141	0	26 468	0	0	0	27 609	0	27 609	
Reclassification of equity	0	0	(8 918)	0	0	8 918	0	0	0	
Transactions with non-controlling interests	0	0	0	0	0	0	0	500	500	
Currency effects from translation of equity	43	0	(30)	(13)	0	0	0	0	(0)	
Total equity as at 31 December 2016	4 617	0	49 666	6 818	0	(12 472)	48 627	(379)	48 248	
Profit for the period						(21 954)	(21 954)	(282)	(22 236)	
Other comprehensive income	0	0	0	5 240	0	(4 294)	946	0	946	
<i>Total comprehensive income/(loss) YTD 17</i>	0	0	0	5 240	0	(26 248)	(21 008)	(282)	(21 290)	
Reduction of paid-in capital	0	0	0	0	0	0	0	0	0	
Transaction costs	0	0	(185)	0	0	0	(185)	0	(185)	
Share-based payments	0	0	470	0	0	0	470	0	469	
Increase in share capital	642	0	4 492	0	0	0	5 134	0	5 134	
Reclassification of equity	0	0	(7 793)	0	0	7 793	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	360	(0)	3 934	(4 294)	0	0	0	0	0	
Amounts recognised in OCI and accumulated in equity related to non-current assets held for sale	0	0	0	(337)	337	0	0	0	0	
Total equity as at 30 Sep 2017	5 618	(0)	50 601	7 427	337	(30 928)	33 055	(661)	32 393	

<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 2016	3 433	0	32 415	7 037	0	(13 303)	29 583	(541)	29 042
Profit for the period						(4 550)	(4 550)	(237)	(4 786)
Other comprehensive income	0	0	0	5 478	0	(4 105)	1 373	0	1 373
<i>Total comprehensive income/(loss) YTD 2016</i>	0	0	0	5 478	0	(8 654)	(3 176)	(237)	(3 413)
Reduction of paid-in capital	0	0	0	0	0	0	0	0	0
Transaction costs	0	0	(820)	0	0	0	(820)	0	(820)
Share-based payments	0	0	393	0	0	0	393	0	393
Increase in share capital	903	0	20 552	0	0	0	21 455	0	21 455
Purchase own shares	0	0	0	0	0	0	0	0	0
Reclassification of equity	0	0	(9 547)	0	0	9 547	0	0	0
Transactions with non-controlling interests	0	0	0	0	0	0	0	500	500
Currency effects from translation of equity	356	0	3 749	(4 105)	0	0	0	0	(0)
Total equity as at 30 September 2016	4 691	0	46 742	8 411	0	(12 410)	47 434	(278)	47 156

Consolidated statement of cash flow – unaudited

<i>USD 1,000</i>	Note	Q3 ended 30 Sept 2017	Q3 ended 30 Sept 2016	YTD 30 Sept 2017	YTD 30 Sept 2016	Year ended 31 Dec 2016
Cash flow from operating activities						
Profit/(loss) after income tax (including disposal group)		(11 685)	895	(22 236)	(4 786)	(8 412)
<i>Adjustments:</i>						
Income tax payable		(238)	(100)	(469)	(317)	(255)
Share-based payments		(32)	149	451	376	567
Share of profit from associated companies, incl impairments		1 334	1 016	2 289	1 308	1 204
Depreciation, Amortization and impairments	3,4	6 724	719	8 608	2 419	3 836
Currency translation effects		175	784	673	855	(379)
Change in trade receivables		(215)	(262)	252	(190)	(96)
Change in trade payables		(413)	43	(211)	22	382
Change in other accrual and non-current items		1 027	(5 385)	(699)	(5 602)	(5 086)
Net cash flow from/(used in) operating activities		(3 323)	(2 141)	(11 342)	(5 916)	(8 238)
Cash flow from investing activities						
Investment in furniture, fixtures and office machines		(95)	5	(756)	22	34
Investment in intangible assets		(557)	(496)	(1 571)	(1 488)	(2 379)
Investment in associated companies		-	(873)	(4 577)	(873)	(873)
Investment in subsidiary		-	-			
Net cash flow from/(used in) investing activities		(652)	(1 364)	(6 905)	(2 341)	(3 219)
Cash flow from financing activities						
Net proceeds from borrowings						
Net proceeds from share issues	5	4 783	2 938	4 783	21 028	27 087
Proceeds from borrowings		-		248		
Proceeds from minority interest		-	500		500	500
Paid dividends						
Interest paid						
Net cash flow from/(used in) financing activities		4 783	3 438	5 031	21 528	27 587
Net increase/(decrease) in cash and cash equivalents		808	(67)	(13 217)	13 272	16 130
Cash and cash equivalents at the beginning of the period		7 937	19 169	21 960	5 829	5 829
Cash classified as asset held for sale		(253)		(253)		
Cash and cash equivalents at the end of the period		8 491	19 102	8 490	19 102	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 13 November 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 first three quarter of 2017, ending 30 September 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.

Q3 ended 30 Sep 2017				
<i>USD 1,000</i>	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	5 029	735	0	5 764
Inter-segment	26	0	(26)	0
Revenues total	5 055	735	(26)	5 764
Gross profit	3 909	149	0	4 057
EBITDA	(3 567)	(67)	0	(3 634)

Q3 ended 30 Sep 2016

	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	5 477	840	0	6 317
Inter-segment	34	0	(34)	0
Revenues total	5 511	840	(34)	6 317
Gross profit	4 261	135	0	4 395
EBITDA	(1 652)	(219)	0	(1 871)

YTD 30 Sep 2017

<i>USD 1,000</i>	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	15 265	2 145	0	17 410
Inter-segment	76	0	(76)	0
Revenues total	15 340	2 145	(76)	17 410
Gross profit	11 513	338	0	11 850
EBITDA	(10 563)	(554)	0	(11 117)
Total segment assets	40 605	939	(184)	41 359
Total segment liabilities	7 677	2 296	(1 008)	8 964

YTD 30 Sep 2016

<i>USD 1,000</i>	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	16 243	2 667	0	18 910
Inter-segment	115	0	(115)	0
Revenues total	16 359	2 667	(115)	18 910
Gross profit	13 232	473	0	13 705
EBITDA	(4 662)	(491)	0	(5 154)
Total segment assets	54 600	953	403	55 956
Total segment liabilities	7 715	1 225	(139)	8 800

Full year 2016

<i>USD 1,000</i>	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	Q3 ended 30 Sep 2017	Q3 ended 30 Sep 2016	YTD 30 Sep 2017	YTD 30 Sep 2016	Year ended 31 Dec 2016
<i>USD 1,000</i>					
Total net income/(loss) for the period	(10 998)	895	(22 236)	(4 786)	(8 412)
Income tax	17	(30)	(126)	(67)	(432)
Net income/(loss) before taxes	(11 015)	925	(22 110)	(4 720)	(7 981)
Share of profit of investments accounted	647	1 016	1 602	1 308	1 204
Net financial (income)/expense	(23)	(4 531)	62	(4 161)	(4 842)
Depreciation & amortization expense	1 136	719	3 020	2 419	3 499
Impairment of assets	5 621	0	5 621	0	337
EBITDA	(3 634)	(1 871)	(11 804)	(5 154)	(7 783)

Note 3: Held for sale

In the statement of financial position as of 30 September 2017 the following non-core assets or disposal groups (included in the SaaS segment) were classified as held for sale;

Emediate Aps is a 100% owned subsidiary of Cxense ASA and has approximately 70 customers. As of end of September 2017, a sale process has been initiated with a potential buyer of Emediate. Disposal is expected to occur in Q4 2017. The disposal group is measured at the lowest of carrying amount and fair value and an impairment of USD 4,298 thousand was recognized.

Maxifier was acquired by Cxense in 2015 consisting of 4 legal entities. From these it will be an asset carve out (i.e. IPR, customer contracts and R&D resources). As of end of September 2017, a sale process has been initiated with a potential buyer of the Maxifier assets. Disposal is expected to occur in Q4 2017. The disposal group is measured at the lowest of carrying amount and fair value and an impairment of USD 360 thousand was recognized.

Cxense owns 113,123,403 shares in mporium, representing 21.2% of the outstanding shares. mporium is recognized as an associated company. As per 30 September 2017, a majority of the shares are under lock up until June 2018. On 2 November 2017, the Cxense completed a sale of all its shares in mporium group plc at net proceeds of USD 3.75 million. The non-current asset is measured at the lowest of carrying amount and fair value resulting in an impairment of USD 687 thousand was recognized.

<i>USD 1,000</i>	Asset held for sale	Liabilities held for sale
Emediate Group	1 548	452
Technology and customerbase in Maxifier	1 903	458
mporium Group plc	3 845	
Total	7 296	910

Note 4: Impairment of intangible assets

Capitalized development of software was reviewed as a consequence of the restructuring of the company and an impairment of USD 1,028 thousand was recognized.

Note 5: Share capital

The EGM in Cxense on 18 September 2017 approved a private placement towards Aker ASA. The placement consisted of 1,000,000 new shares of NOK 40 per share, raising gross proceeds of NOK 40 million.

As of 30 September 2017, there were 8,958,012 shares and 326,850 share options and subscription rights outstanding.

Note 6: Events after the reporting period

In October 2017, Cxense initiated a search for a purchaser of PAN (Premium Audience Network), a company owned 53.8 % by Cxense ASA.

On 2 November, Cxense completed the sale of all its 113,123,403 shares in mporium Group plc ("mporium"), representing approximately 21.16% of the voting rights in mporium, for net proceeds of GBP 2.83 million (USD 3.75 million).

On 7 November, the Board of Directors of Cxense resolved to issue 272,500 subscription rights ("SRs") to employees in the Company. The grant is subject to the employees accepting that share options and SRs issued prior to this issue are deleted, in total 113,325 SRs and 9,200 share options. The grant was made under the Company's 2017 incentive subscription rights plan, as adopted by the Company's annual general meeting on 10 May 2017. The exercise price of the SRs is NOK 39.23 per share. The issued SRs vest over 4 years by 25 % on each anniversary from the date of the grant. The SRs expire on 10 May 2022. Following the grant there will be a total of 476,825 subscription rights and share options outstanding.

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.