CXENSE
Deliver what people want

FOURTH QUARTER REPORT **2016**

Deliver What People Want

Extraordinary Insights, Unforgettable Experiences

Highlights

- 2016 was marked by strong growth within Cxense's core business, software for personalization of websites and apps
- Full-year 2016 group revenue up 40% to USD 25.5 million
- Q4 data management & personalization software revenue up 31% year-over-year to USD 4.5 million
- EBITDA reflects investments in the company's sales and overall growth capacity
- Ramping-up sales team with substantial increase in number of sales people, sharpened focus on North America and larger customers
- Further strengthening Cxense's market leading personalization offering, signed licensing agreement with social media analytics company RepKnight and investing GBP 3.0 million in the company
- Industry recognition increasing, Cxense included in research group Gartner's "Magic Quadrant for Digital Marketing Hubs" together with companies such as Adobe, Salesforce, Oracle and IBM

CEO comment

"Last year, we delivered strong growth within our core business area, personalization of websites and apps. We are even more excited about the opportunities we see ahead of us. Our market is expanding, our technology and software deliver market-leading results and we experience increasing industry recognition. Adding to that we invest substantially in our sales capacity and in further developing our offering. We believe we are just beginning to see the impact Cxense's software will have in the coming years" said Ståle Bjørnstad, Cxense CEO.

Key figures

USD 1,000	**Q4 2015**	**Q4 2016**	**2 015**	**2 016**	**Change y/y**
Group revenues	**6 056**	**6 562**	**18 296**	**25 472**	39 %
Data Management & Personalization software	**3 444**	**4 495**	**9 008**	**16 289**	81 %
Advertising software	1 847	1 159	6 720	5 724	-15 %
PCAN segment	805	938	2 719	3 605	33 %
Gross profit	**4 686**	**4 575**	**13 674**	**18 280**	
EBITDA	**(1 407)**	**(2 629)**	**(8 183)**	**(7 784)**	
EBITDA adjusted	(1 502)	(2 232)	(6 557)	(5 772)	

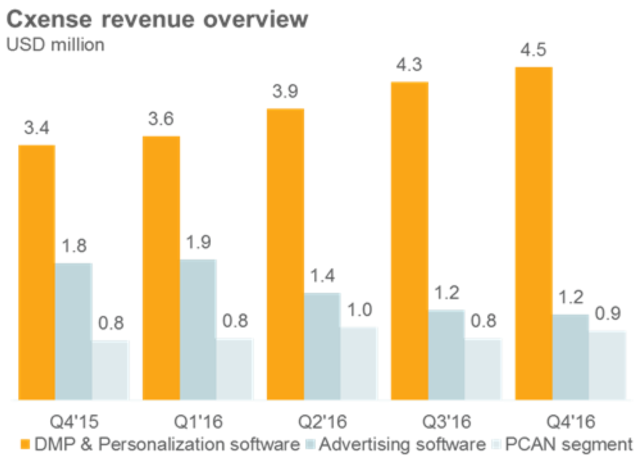
OPERATIONAL REVIEW

The Cxense software empowers publishers and e-commerce companies to personalize their online sites & apps. On a personalized site the users see content, advertising and promotions tailored to their interests, as opposed to a traditional site where all users see the same version of the site. The result is increasing engagement, conversion rates and revenue.

In Q4 2016, Cxense closed 39 new contracts with Annualized Recurring Revenue (ARR) of USD 2.1 million. Lost ARR from contract churn was USD -0.5 million. Hence, Net New ARR added to the recurring revenue portfolio was USD 1.6 million, which translates to underlying annualized organic growth of 28%.

There was on average 18 full sales quota equivalents throughout Q4 2016. Cxense is now building up its sales organization and by end of H1 2017, Cxense plans to increase to 30 full sales quota equivalents. Assuming the actual Q4 sales performance, a sales force of 30 has the potential to deliver New ARR of USD 3.5 million compared to USD 2.1 million delivered in Q4.

There is strong demand for our personalization and data management software driven by the increasing level of online business and increasing adoption of advanced personalization techniques. In Q4 2016 Personalization and Data Management software accounted for 95% of total closed ARR. 45% of new contracts in Q4 were upsell contracts on existing customers which continues to be an important growth factor.



Cxense has most of its customers within the online publishing market vertical. However, during 2016 Cxense made a breakthrough into the e-commerce vertical with several customer wins in Japan. In Japan, Cxense has established a position with strong brands like AEON, Nissen and Lawson Fresh as well as proven results that personalization drives sales. The e-commerce market that measures USD 2 trillion and is growing more than 20% per year represents a huge opportunity for Cxense.

On 10 February 2017, Cxense announced a technology licensing agreement with RepKnight, a UK-based developer of social media analytics technology. Cxense will invest GBP 3 million in cash for a 30% stake in RepKnight, providing the company with growth capital and strengthening the strategic partnership. The agreement enables Cxense clients to add real-time social media analytics to their websites, providing additional insight on social media reach and impressions. The combined solution allows content publishers and e-commerce sites to improve customer engagement, increase site traffic, deliver more relevant personalization, and drive conversions.

In February 2017, Gartner Group included Cxense in its Third Magic Quadrant for Digital Marketing Hubs. The quadrant provides an overview of vendors from advertising, marketing automation and analytics that deliver personalized digital marketing at scale. Gartner says "marketing leaders need a system that can integrate and coordinate data and activities across channels, devices and contexts, continuously and in real time." and adds Cxense to the 2017 quadrant which is made up of 22 selected vendors globally. SAP and SAS also entered the magic quadrant together with Cxense.

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.

Q4 2016 group revenue was USD 6.56 million, representing an increase of 8% compared to USD 6.06 million in the same quarter last year. 2016 full year revenues ended at USD 25.5 million, up 40% over 2015. Q4 2016 OPEX increased by 12%, compared to Q3 2016, partly reflecting increased headcount as the company strengthened the sales and marketing team. More sales resources in the SaaS segment will widen the loss in the short run, but then ultimately lead to strengthened sales output and stronger growth towards profitability. Q4 2016 EBITDA was USD -2.63 million, compared to USD -1.41 in Q4 2015.

Cxense secured USD 27.1 million in new growth capital in 2016 by issuing new shares in a private placement with subsequent offering, and from a warrant program. At the end of Q4 2016 the cash position was USD 22 million - a strong financial platform for growth.

FINANCIAL DEVELOPMENT SUMMARY

USD 1,000	Q4 2014 *IFRS*	Q1 2015 *IFRS*	Q2 2015 *IFRS*	Q3 2015 *IFRS*	Q4 2015 *IFRS*	Q1 2016 *IFRS*	Q2 2016 *IFRS*	Q3 2016 *IFRS*	Q4 2016 *IFRS*
SaaS segment									
Revenues total	**3 591**	**3 301**	**2 954**	**4 183**	**5 291**	**5 467**	**5 381**	**5 511**	**5 654**
Cost of sales	565	532	664	700	780	908	967	1 252	1 195
Gross profit	**3 025**	**2 769**	**2 290**	**3 483**	**4 510**	**4 558**	**4 414**	**4 259**	**4 460**
Gross margin %	*84 %*	*84 %*	*78 %*	*83 %*	*85 %*	*83 %*	*82 %*	*77 %*	*79 %*
Personnel	4 487	2 802	3 063	3 834	3 904	4 657	3 675	4 141	4 574
Other OPEX	2 034	1 462	2 255	1 739	1 928	1 735	1 915	1 772	2 258
OPEX	**6 521**	**4 264**	**5 318**	**5 573**	**5 832**	**6 392**	**5 590**	**5 913**	**6 832**
EBITDA	(3 496)	(1 495)	(3 028)	(2 090)	(1 321)	(1 833)	(1 176)	(1 654)	(2 374)
NON-IFRS adjustment of OPEX level									
Share-based payment costs	136	121	93	156	144	171	56	149	191
Share-based social costs provision	76		10	(130)	9	37	54		
Salary and social restructuring provisions/costs	345		140	327		361			
Office moving and restructuring costs	68			126		45			210
Extraordinary/special	496								
One-off provision for doubtful debt	210				16		55		84
Transaction costs	(419)		658	195	166	45	81	78	79
R&D refund	(228)			(152)	(430)		(42)		(167)
Total reported OPEX adjustment items	**684**	**121**	**901**	**523**	**(95)**	**659**	**204**	**226**	**397**
Estimated full effect of cost-reduction program	1 299	176				525			
OPEX adjusted	**4 538**	**3 967**	**4 417**	**5 050**	**5 927**	**5 208**	**5 386**	**5 686**	**6 435**
EBITDA Adjusted	**(1 512)**	**(1 199)**	**(2 126)**	**(1 568)**	**(1 416)**	**(649)**	**(972)**	**(1 428)**	**(1 977)**
Capitalized operating expense		(450)	(460)	(440)	(496)	(498)	(494)	(496)	(891)
EBITDA Adjusted with Capitalization add back	(1 512)	(1 649)	(2 587)	(2 007)	(1 912)	(1 147)	(1 466)	(1 924)	(2 868)
PCAN segment									
Revenues total	619	619	620	675	805	837	990	840	938
Cost of goods sold	474	472	484	512	629	679	810	705	824
Gross profit	**145**	**148**	**136**	**163**	**175**	**159**	**180**	**135**	**115**
Gross margin %	*23 %*	*24 %*	*22 %*	*24 %*	*22 %*	*19 %*	*18 %*	*16 %*	*12 %*
Personnel	146	116	131	136	176	200	218	168	153
Other OPEX	89	86	69	71	86	97	96	185	219
OPEX	**235**	**203**	**200**	**206**	**261**	**298**	**314**	**353**	**371**
EBITDA	**(89)**	**(55)**	**(65)**	**(44)**	**(86)**	**(139)**	**(134)**	**(219)**	**(257)**
GROUP									
Revenues, all segments	4 210	3 920	3 574	4 858	6 095	6 304	6 371	6 350	6 593
Intra-segment eliminations	(58)	(39)	(34)	(39)	(39)	(41)	(41)	(34)	(30)
Revenues consolidated	**4 152**	**3 881**	**3 540**	**4 818**	**6 056**	**6 263**	**6 330**	**6 317**	**6 562**
Gross profit	**3 170**	**2 916**	**2 426**	**3 645**	**4 686**	**4 717**	**4 594**	**4 394**	**4 575**
Gross margin %	*76 %*	*75 %*	*69 %*	*76 %*	*77 %*	*75 %*	*73 %*	*70 %*	*70 %*
OPEX	**6 756**	**4 466**	**5 518**	**5 779**	**6 093**	**6 689**	**5 904**	**6 266**	**7 204**
EBITDA	**(3 585)**	**(1 550)**	**(3 092)**	**(2 134)**	**(1 407)**	**(1 972)**	**(1 310)**	**(1 873)**	**(2 629)**
NON-IFRS adjustment of OPEX level									
Total reported OPEX adjustment items	684	121	901	523	(95)	659	204	226	397
Estimated full effect of cost-reduction program	1 299	176				525			
EBITDA Adjusted	**(1 602)**	**(1 253)**	**(2 191)**	**(1 611)**	**(1 502)**	**(789)**	**(1 106)**	**(1 646)**	**(2 232)**
Capitalized operating expense		(450)	(460)	(440)	(496)	(498)	(494)	(496)	(891)
EBITDA Adjusted with Capitalization add back	(1 602)	(1 703)	(2 651)	(2 051)	(1 998)	(1 286)	(1 600)	(2 142)	(3 120)

Revenue development breakdown

Annualized figures *USD 1,000*	**Q1 2016**	**Q2 2016**	**Q3 2016**	**Q4 2016**	**Acc. last 4 periods**
SaaS segment					
Revenue in previous quarter - annualized	21 162	21 866	21 525	22 045	21 162
New recurring license revenue effect	1 672	1 158	2 056	1 480	6 366
Acquired recurring license revenue	520	-	-	-	520
Churn effect	(648)	(1 438)	(524)	(524)	(3 134)
Change in service revenue and other variables	(892)	47	(832)	(392)	(2 069)
Currency effect	52	(109)	(180)	8	(229)
Revenue this quarter - annualized	21 866	21 525	22 045	22 617	22 617
Accumulated currency effect, reversed	(52)	57	237	229	229
Outbound revenue currency adjusted	21 814	21 582	22 282	22 846	22 846
Group					
Cxense SaaS segment revenue					22 617
PCAN segment - Q3 2016 reported					3 752
Intra-segment eliminations - Q3 2016 reported					(120)
Group reported revenue annualized					**26 249**
Q4 Group reported revenue (in the quarter)					*6 562*
Q4 run-rate adjustments					
Full effect of contracts closed until 20 Februray 2017 (SaaS segment)					1 519
Full effect of know n churn until 20 Februray 2017 (SaaS segment)					(1 466)
Group run-rate revenue after adjustments					**26 302**
Whereof Q4 SaaS run-rate revenue after adjustments					22 670

FINANCIAL REVIEW

Q4 2016 group revenues amounted to USD 6.56 million, an increase of 8.4% compared to Q4 2015 revenues of USD 6.06 million, and up 3.9% from Q3 2016 revenues of USD 6.32 million. The sequential development was a function of new software license revenues of USD 370 thousand, and change in service revenues and other variable revenues of USD -98 thousand. Churn was USD -131 thousand for the period, and currency effects of USD 2 thousand. The Publisher-Controlled Advertising Networks (PCAN) segment revenue increased by USD 98 thousand from Q3 2016.

The Cxense group has two business segments: Cxense Software-as-a-Service (SaaS) and Cxense Publisher-Controlled Advertising Networks (PCAN). The Q4 2016 revenues from the SaaS segment were USD 5.65 million, including inter-segment revenues of USD 30 thousand. The SaaS segment revenues relate predominantly to sales of recurring software licenses and some implementation services.

Q4 2016 revenues from the PCAN segment amounted to USD 938 thousand, up 12% from Q3 2016. The revenues represent sales of performance-based and programmatic online advertising.

The Q4 2016 group cost of sales amounted to USD 1.99 million, compared to USD 1.37 million in Q4 2015. The SaaS segment cost of sales for Q4 2016 was USD 1.19 million, while the PCAN segment cost of sales was USD 824 thousand.

Cost of sales within the SaaS segment predominantly relate 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 Q4 2016 gross margin for the SaaS segment was 79%, compared to 85% in Q4 2015 and 77% in Q3 2016. The Q3 2016 PCAN segment gross margin was 12%, compared to 22% in Q4 2015 and 16% Q3 2016. The Q4 2016 PCAN segment gross margin of 12% was impacted by a one-off charge of USD 45 thousand. Adjusted for the one-off gross margin was 17%.

The Q4 2016 employee benefit expenses were USD 4.73 million, compared to USD 4.08 million in Q4 2015 and USD 4.31 million in Q3 2016. The sequential increase is a result of an increase in the number of employees over the period and year-end bonus accrual adjustments. Capitalization of employee benefit expenses related to software development activities amounted to USD 630 thousand in Q4 2016.

Other operating expenses amounted to USD 2.48 million in Q4 2016, compared to USD 2.01 million in Q4 2015. Most of the expenses relate to travel, marketing, consulting services and contractors. Q4 2016 other operating expense included a one-off charge related to premises restructuring of USD 210 thousand. USD 262 thousand in other operating expenses related to software development activities were capitalized in Q4 2016.

The Q4 2016 EBITDA was USD -2.63 million, compared to USD -1.41 million in Q4 2015 and USD -1.87 million in Q3 2016.

Depreciation and amortization in Q4 2016 were USD 1.42 million, compared to USD 720 thousand in Q4 2015. USD 337 thousand of the increase is due to impairment of capitalized R&D in relation to the Advertising Software developed in 2015. Before Impairment the capitalized value of this advertising software was USD 0.9 million. Due to a strategic shift to focus more on the personalization suite, the code already developed will not be used as advertising software but may be used in the personalization product suite. The impairment is a result of an assessment of the potential value that will generate revenue for Cxense going forward. The increase is also explained by the full effect of the amortization of intangible assets from the acquisition of Ramp Media of USD 302 thousand in Q4 2016, compared to USD 204 thousand in Q4 2015. Ramp was consolidated into the accounts from 22 October 2015 and thus was not depreciated with full effect in Q4 2015.

Finance income in Q4 2016 was USD 959 thousand, compared to USD 355 thousand in Q4 2015. The increase relates mainly to a reversal of the contingent consideration to the sellers of Ramp of USD USD 0.74 million. The reversal was done as the conditions for payment of the contingent consideration are no longer expected to be met. Financial expenses, mainly relating to disagio, amounted to USD 278 thousand in Q4 2016, compared to USD 199 thousand in Q4 2015.

The Q4 2016 estimated share of profit from investments in associated companies was USD -388 thousand, compared to USD 942 thousand in Q4 2015, and relates to the investment in the associated company mporium Group plc, where Cxense holds a 21.3% stake. The mporium share of profit is included in the accounts according to IFRS and the equity method for associated companies. The loss included is booked against the book value of the investment – reducing this book value accordingly. The Q4 2016 share of profit has been calculated based on the last available interim report adjusted for subsequent events, and will be updated with the mporium actual figures for 2016 at the release of the Cxense Annual Report for 2016. Hence, a difference between the loss reported in the Q4 2016 report and the Annual report 2016 is expected.

Tax expense for Q4 2016 was USD 365 thousand, compared to a tax expense of USD 110 thousand in Q4 2015. 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 4.12 million in Q4 2016, compared to a net loss of USD 1.14 million in Q4 2015 and a net profit of USD 895 thousand in Q3 2016. This represents a Q4 2016 loss of USD 0.0005 per share, compared to a loss of USD 0.0002 per share in Q4 2015.

Total assets at the end of Q4 2016 amounted to USD 57.2 million, compared to USD 42.8 million as at Q4 2015. The total asset increase in the period relates mostly to the June 2016 private placement and the exercise of warrants to subscribe to new shares in Q4 2016. Total equity at the end of Q4 2016 was USD 47.8 million, compared to USD 29.0 million at the end of Q4 2015.

Goodwill of USD 14.4 million at 31 December 2016 was related to the acquisitions of Emediate, Maxifier and Ramp Media, of USD 3.8 million, USD 5.9 million and USD 4.7 million, respectively.

The Q4 2016 intangible assets of USD 11.8 million relate to the excess value from the Ramp Media acquisition of USD 5.4 million, Maxifier acquisition of USD 1.5 million, excess value from the Emediate acquisition of USD 2.1 million and capitalized R&D of USD 2.8 million. Cxense holds 21.3% of the shares in mporium Group plc, which is classified as an associated company.

Trade receivables were at USD 3.63 million (equal to 50 days of inventory) at the end of Q4 2016, compared to USD 3.73 million in Q3 2016, and compared to USD 3.54 million (53 days) at the end of Q4 2015. The SaaS segment trade receivables were at USD 2.84 million at the end of Q4 2016 (equal to 45 days of inventory) and the PCAN segment trade receivables amounted to USD 0.79 million (76 days).

The Q4 2016 cash position was USD 22 million, compared to USD 5.8 million at the end of Q4 2015. The year-over-year change relates mainly to the private placement completed in June 2016 and the warrants exercise round in Q4 2016.

Other long-term liabilities at the end of Q4 2016 were USD 44 thousand, compared to USD 3.72 million in Q4 2015. The decrease relates to the removal of the long-term contingent considerations for Maxifier, USD 1.9 million in Q3 2016, and for Ramp Media, USD 0.74 million made in Q4 2016. See note 5 for further details.

Total current liabilities at the end of Q4 2016 were USD 8.4 million, compared to USD 10.1 million at Q4 2015. The decrease relates predominantly to the removal of the short-term contingent consideration for Maxifier of USD 2.8 million made in Q3 2016.

Net cash flow used in operating activities was USD 2.32 million in Q4 2016, compared to USD 2.19 million in Q4 2015. The Q4 2016 cash flow used in operating activities was USD 307 thousand lower than the Q4 2016 EBITDA. Trade receivables decreased by USD 94 thousand and trade payables increased by USD 361 thousand. In the Q4 2016 cash flow statement, change in other accruals and non-current items was USD 517 thousand, mainly relating to the removal of the Ramp contingent consideration of USD 0.74 million in Q4 2016.

Q4 2016 net cash flow from investments was USD -0.88 million, compared to USD -4.51 million in Q4 2015 which included the Ramp acquisition. The investment in Q4 2016 mainly relates to capitalization of R&D.

Net cash flow from financing activities was 6.06 million in Q4 2016 compared to USD 10.40 million in Q4 2015. Cxense issued 393,100 shares in Q4 2016 following the exercise of warrants to subscribe for new shares. The warrants were issued as part of a private placement and subsequent offering of new shares in Q4 2015. (Note 3)

Full year 2016

2016 group revenue amounted to USD 25.5 million, compared to 2015 revenues of USD 18.3 million. The increase is driven by higher activity within the SaaS segment and the acquisitions of Ramp Media and Maxifier Inc. in H2 2015.

The 2016 group cost of sales amounted to USD 7.19 million, compared to USD 4.62 million in 2015. The 2016 employee benefit expenses were USD 17.8 million, compared to USD 14.2 million in 2015.

Other operating expenses amounted to USD 8.28 million in 2016, compared to USD 7.70 million in 2015. The majority of other operating expenses relate to travel, marketing and external consulting (audit, legal and other).

The 2016 EBITDA was USD -7.78 million, compared to USD -8.18 million in 2015.

The depreciation and amortization in 2016 were USD 3.84 million, compared to USD 2.04 million in 2015. This increase in depreciation and amortization is attributable to capitalization of R&D and amortization of intangible assets from the acquisitions of Maxifier and Ramp Media. In addition, USD 337 thousand of the USD 0.9 million capitalized R&D for the Advertising Next Generation solution has been impaired in Q4 2016.

Finance income in 2016 was USD 5.7 million compared to USD 1.11 million in 2015. The significant increase relates to reversal of the contingent considerations to the sellers of Maxifier and Ramp of USD 4.7 million and USD 0.74 million respectively. The considerations, which were booked as liabilities to the balance sheet, were reversed in Q3 2016 and Q4 2016 as the earn-out conditions no longer were expected to be met. The result of the reversal was a positive net profit contribution of USD 4.7 million in Q3 2016 and USD 0.74 million in Q4 2016. See note 5 for more details. Finance expenses, mostly relating to currency expenses, amounted to USD 862 thousand in 2016 and USD 444 thousand in 2015.

The 2016 estimated share of profit of investments in associated companies was USD -1.7 million, compared to positive USD 250 thousand in 2015, and is related to the investment in the associated company mporium, where Cxense holds a 21.3% stake.

Tax expense for 2016 was USD 432 thousand, compared to a tax expense of USD 110 thousand in 2015.

The group net loss amounted to USD 8.9 million in 2016, compared to USD 9.42 million in 2015. This represents a 2016 loss of USD 0.0013 per share, compared to a loss of USD 0.0020 per share in 2015.

Net cash flow used in operating activities was USD 8.24 million in 2016, compared to USD 9.49 million in 2015.

The 2016 net cash flow used for investments was USD 3.22 million, mainly related to investments in intangible assets, compared to USD 6.40 million used in 2015.

Net cash flow from financing activities was USD 27.6 million in 2016 following the private placement of 1,250 thousand new shares in Q2 2016 and the exercise of warrants in Q4 2016. Net cash flow from financing in 2015 was USD 18.9 million following issue of new shares through the year.

FINANCIAL STATEMENTS

Consolidated income statement – unaudited

USD 1,000	Note	Q4 ended 31 Dec 2016	Q4 ended 31 Dec 2015	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Revenue		**6 562**	**6 056**	**25 472**	**18 296**
Operating expense					
Cost of goods sold		1 988	1 371	7 192	4 622
Employee benefit expense		4 727	4 079	17 787	14 162
Other operating expense		2 477	2 014	8 276	7 696
EBITDA		**(2 629)**	**(1 409)**	**(7 783)**	**(8 183)**
Depreciation & amortization expense	4	1 417	720	3 836	2 043
Net operating income/(loss)		**(4 046)**	**(2 128)**	**(11 619)**	**(10 226)**
Financial income and expense					
Finance income	5	959	355	5 704	1 111
Finance expense		(278)	(199)	(862)	(444)
Net financial income/(expense)		**681**	**156**	**4 842**	**667**
Share of profit of investments accounted for using the equity method		(388)	942	(1 696)	250
Net income/(loss) before taxes		**(3 753)**	**(1 030)**	**(8 473)**	**(9 309)**
Income tax expense		365	110	432	110
Total net income/(loss) for the period		**(4 118)**	**(1 141)**	**(8 904)**	**(9 419)**
Net income/(loss) attributable to:					
Owners of the Company		(4 017)	(1 083)	(8 566)	(9 280)
Non-controlling interests		(101)	(57)	(338)	(138)
Earnings per share:					
Basic and diluted		(0,0005)	(0,0002)	(0,0013)	(0,0020)

Statement of comprehensive income

Net income/(loss) for the period		(4 118)	(1 141)	(8 904)	(9 419)
Other comprehensive income:					
- Currency translation differences	1	(1 581)	349	(207)	(790)
Total comprehensive income/(loss)		**(5 698)**	**(792)**	**(9 112)**	**10 209**
Total comprehensive income/(loss) attributable to:					
Owners of the Company		(5 598)	(734)	(8 774)	10 347
Non-controlling interests		(101)	(57)	(338)	(138)

Consolidated statement of financial position - unaudited

USD 1,000	Note	As at 31 Dec 2016	As at 31 Dec 2015
Assets			
Non-current assets			
Goodwill		14 364	14 365
Deferred tax asset		15	36
Intangible assets		11 832	13 181
Office machinery, equipment, etc.		218	419
Investments in associated companies		3 787	4 484
Other financial assets		388	241
Total non-current assets		**30 604**	**32 725**
Current assets			
Trade receivables		3 632	3 537
Other short-term assets		1 023	734
Cash and cash equivalents		21 960	5 829
Total current assets		**26 615**	**10 100**
Total assets		**57 219**	**42 825**
Equity and liabilities			
Equity			
Share capital	3	4 616	3 433
Own shares		-	-
Other paid-in capital		49 665	32 415
Currency translation differences		6 830	7 037
Retained earnings		(12 964)	(13 303)
Equity attributable to the holders of the Company		**48 147**	**29 583**
Non-controlling interest		(379)	(541)
Total equity		**47 768**	**29 042**
Liabilities			
Non-current liabilities			
Long-term interest bearing debt		-	
Deferred tax liabilities		783	1 060
Other provisions		183	
Other long-term liabilities	5	44	2 656
Total non-current liabilities		**1 010**	**3 716**
Current liabilities			
Trade payables		1 764	1 381
Current taxes		210	179
Other short-term liabilities		6 467	8 508
Total current liabilities		**8 441**	**10 068**
Total liabilities		**9 451**	**13 784**
Total equity and liabilities		**57 219**	**42 825**

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 2015	**2 477**	**0**	**18 170**	**4 238**	**(15 097)**	**9 788**	**(403)**	**9 385**
Profit for the period					(9 280)	(9 280)	(138)	(9 419)
Other comprehensive income				(2 521)	1 730	(790)		(790)
Total comprehensive income/(loss) YTD 15	*0*	*0*	*0*	*(2 521)*	*(7 550)*	*(10 070)*	*(138)*	*(10 209)*
Reduction of paid-in capital	*0*	*0*	*0*	*0*	*0*	*0*	0	0
Transaction costs	*0*	*0*	*(1 400)*	*0*	*0*	(1 400)	0	(1 400)
Share-based payments	0	0	470	0	0	470	0	470
Increase in share capital	1 448	0	29 348	0	0	30 797	0	30 797
Purchase own shares	0	0	0	0	0	0	0	0
Reclassification of equity	0	0	(9 345)	0	9 345	0	0	0
Currency effects from translation of equity	(492)		(4 828)	5 320	0	0	0	0
Total equity as at 30 December 2015	**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) YTD 16	*0*	*0*	*0*	*(195)*	*(8 579)*	*(8 774)*	*(338)*	*(9 112)*
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
Purchase own shares	0	0	0	0	0	0	0	0
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**	**6 830**	**(12 964)**	**48 148**	**(379)**	**47 769**

Consolidated statement of cash flow – unaudited

USD 1,000	Q4 ended 31 Dec 2016	Q4 ended 31 Dec 2015	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Cash flow from operating activities				
Profit/(loss) after income tax (including disposal group)	(4 118)	(1 141)	(8 904)	(9 419)
Adjustments:				
Income tax payable	62	(17)	(255)	(185)
Share-based payments	191	144	567	514
Share of profit of investments accounted for using the equity method	388	(942)	1 696	(250)
Depreciation and amortization	1 417	720	3 836	2 043
Currency translation effects	(1 234)	433	(379)	(733)
Change in trade receivables	94	(825)	(96)	(601)
Change in trade payables	361	(142)	382	(144)
Change in other accrual and non-current items	517	(421)	(5 086)	(712)
Net cash flow from/(used in) operating activities	**(2 322)**	**(2 192)**	**(8 238)**	**(9 488)**
Cash flow from investing activities				
Investment in furniture, fixtures and office machines	12	28	34	(27)
Investment in intangible assets	(891)	(4 534)	(2 379)	(5 802)
Investment in associated companies	-		(873)	(760)
Investment in subsidiary	-			193
Net cash effects from disposal subsidiary				
Net cash flow from/(used in) investing activities	**(879)**	**(4 507)**	**(3 219)**	**(6 398)**
Cash flow from financing activities				
Net proceeds from share issues	6 059	10 396	27 087	18 886
Increase in long-term debt				
Proceeds from minority interest	-		500	
Net cash flow from/(used in) financing activities	**6 059**	**10 396**	**27 587**	**18 886**
Net increase/(decrease) in cash and cash equivalents	**2 858**	**3 698**	**16 130**	**3 000**
Cash and cash equivalents at the beginning of the period	19 102	2 131	5 829	2 828
Cash and cash equivalents at the end of the period	**21 960**	**5 829**	**21 960**	**5 829**

NOTES

Note 1: General information

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

The company's board of directors approved the condensed financial statements on 21 February 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 year 2016, ending 31 December 2016, 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 2015 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 2015. For information about the standards and interpretations effective from 1 January 2016, please refer to Note 2 in the group's 2015 annual report. The standards and interpretations effective from 1 January 2016 do not have a significant impact on the group's consolidated interim financial statements.

The presentation of equity and statement of comprehensive income has been changed, compared to the 2015 annual report. Currency effect from translation of the parent company's equity to presentation currency is moved to other comprehensive income from equity. Historical comparable figures are restated accordingly. This does not affect the total equity for the company.

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

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 by 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.
- Publisher-Controlled Advertising Networks (PCANs), which sell online advertising on the sites of various publishers, and distribute and share the advertising revenues generated in the network with publishers.

There have been no changes to the grouping of segments compared to the 2015 annual report. EBITDA is defined as segment profit/loss.

Q4 ended 31 Dec 2016

USD 1,000	**Cxense SaaS**	**PCAN**	**Eliminations**	**Consolidated**
Revenue				
External customers	5 624	938	0	6 562
Inter-segment	30	0	(30)	0
Revenues total	**5 654**	**938**	**(30)**	**6 562**
Gross profit	**4 460**	**115**	**(0)**	**4 575**
EBITDA	**(2 374)**	**(257)**	**(0)**	**(2 631)**

Q4 ended 31 Dec 2015

USD 1,000	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	5 251	805	0	6 056
Inter-segment	39	0	(39)	0
Revenues total	**5 290**	**805**	**(39)**	**6 056**
Gross profit	**4 509**	**176**	**0**	**4 685**
EBITDA	**(1 323)**	**(86)**	**0**	**(1 409)**

YTD 31 Dec 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	**17 690**	**588**	**0**	**18 278**
EBITDA	**(7 036)**	**(748)**	**0**	**(7 785)**
Total segment assets	**56 168**	**826**	**226**	**57 220**
Total segment liabilities	**8 254**	**1 457**	**(259)**	**9 451**

YTD 31 Dec 2015

USD 1,000	Cxense SaaS	PCAN	Eliminations	Consolidated
Revenue				
External customers	15 577	2 719	0	18 296
Inter-segment	151	0	(151)	0
Revenues total	**15 728**	**2 719**	**(151)**	**18 296**
Gross profit	**13 052**	**622**	**0**	**13 674**
EBITDA	**(7 934)**	**(249)**	**0**	**(8 183)**
Total segment assets	**41 806**	**779**	**241**	**42 825**
Total segment liabilities	**12 600**	**1 159**	**24**	**13 784**

Reconciliation	**31 Dec 2016**	**31 Dec 2015**	**2016**	**2015**
USD 1,000				
Total net income/(loss) for the period	**(4 118)**	**(1 141)**	**(8 904)**	**(9 419)**
Income tax	(365)	(110)	(432)	(110)
Net income/(loss) before taxes	**(3 753)**	**(1 030)**	**(8 473)**	**(9 309)**
for using the equity method	388	(942)	1 696	(250)
Net financial (income)/expense	(681)	(156)	(4 842)	(667)
Depreciation & amortization expense	1 417	720	3 836	2 043
EBITDA	**(2 629)**	**(1 409)**	**(7 783)**	**(8 183)**

Note 3: Share capital

Warrants:

On 12 November 2016, 82.7% of the 475 thousand warrants were exercised by the warrant holders in relation to the exercise of the Warrants subscribed for as part of the private placement and subsequent offering in September and October 2015. As a consequence, 393,100 shares at NOK 130.00 were issued to the warrant holders, raising gross proceeds of NOK 51 million. Following this transaction, the Company's share capital was NOK 39,734,435. As of 31 December 2016, there were no warrants outstanding.

Share options and subscription rights:

On 16 November 2016, the Board of Directors of Cxense ASA resolved to issue 19,500 subscription rights ("SRs") to employees in the company. The grant was made under the company's 2016 incentive subscription rights plan as resolved at the annual general meeting on 12 May 2016. The exercise price of the SRs is NOK 148.80 per share. The issued SRs vest over 4 years by 25% on each anniversary from the date of the grant. The SRs expire on 12 May 2021.

As of 31 December 2016, there were 7,946,887 shares and 346,000 share options and subscription rights outstanding.

Note 4: Impairment

The capitalized R&D in relation to Advertising Software developed in 2015 and 2016 of USD 0.9 million has been impaired by USD 337 thousand in Q4 2016. Due to a strategic shift to focus more on the personalization suite, the code already developed will not be used as a stand-alone advertising software but may be used in part of the personalization product suite that is now under production. The impairment is a result of an assessment of the potential value that will generate revenue for Cxense going forward.

Note 5: Financial liabilities

The Ramp acquisition included contingent earn-out considerations to the sellers 24 months after closing. Following the purchase price allocation contingent considerations of USD 0.74 million was booked as intangible assets. The conditions for the earn-out 24 months after closing are not expected to be met. Consequently, all liabilities related to the contingent consideration from the Ramp acquisition are removed from the long-term liabilities and booked against financial income in Q4 2016.

Prior to the review of the contingent consideration, the long-term liabilities amounted to USD 0.74 million.

Note 6: Events after the reporting period

On 10 February 2017, Cxense announced it had signed a technology licensing agreement with RepKnight, a UK-based developer of social media analytics technology. On 14 February 2017, Cxense invested GBP 3 million in cash for a 30% stake in RepKnight, providing the company with growth capital and strengthening the strategic partnership. Cxense holds 135,978 shares in RepKnight after the transaction.

In February 2017, one of the Cxense founders, John Markus Lervik, left the company to pursue other opportunities.

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

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.

ARR	Annualized Recurring Revenue (ARR) is the annualized value of a recurring revenue contract. E.g. a recurring revenue contract with USD 10 thousand of revenue 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 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 a 1 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.