CXENSE
Deliver what people want

FOURTH QUARTER REPORT **2018**

Highlights for Q4 2018

- **Flat sequential revenue development for the core DMP and Personalization segment as increased service revenue offset high Q3 churn**
    - 10% YoY growth for the core DMP and Personalization segment in Q4 2018
    - Adjusted EBITDA of USD -1.34 million compared to USD -0.68 million in Q4 2017 due to non-core churn, gross margin and higher personnel cost
- **Full-year core segment revenue was USD 15.7 million, up 18% from 2017**
    - EBITDA was USD -3.64 million, compared to USD -11.5 million in 2017
- **Maxifier divested**
    - Significantly simplifying operations
- **Major events after Q4**
    - USD 10 million raised in oversubscribed rights issue to finance growth investments
    - Greger Teigre Wedel appointed as new CTO

CEO Comment

“Our strategic roadmap is in place and with the additional growth capital, we will invest to strengthen our sales organization and product offering. This will also provide tools to improve customer retention. We expect the effects of these investments to materialize from the second half of the year and enable us to leverage our scalable, high-margin business model to grow in our existing and new markets.

Christian Printzell Halvorsen, CEO of Cxense.

Key figures

USD 1,000	**Q4 2017**	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**	**2017**	**2018**
DMP & Intelligent personalization	3,617	3,816	3,875	3,993	3,993	13,292	15,678
SaaS Non-Core	1,530	1,423	1,243	1,077	815	7,197	4,557
Revenues	**5,148**	**5,239**	**5,118**	**5,070**	**4,808**	**20,488**	**20,234**
Gross margin	*80%*	*81%*	*79%*	*80%*	*79%*	**76%**	**79%**
OPEX	5,074	4,661	4,544	5,230	5,334	27,150	19,770
Non-IFRS OPEX adjustments	(253)	(215)	259	(723)	(174)	(2,956)	(853)
OPEX adjusted	**4,821**	**4,446**	**4,803**	**4,507**	**5,160**	**24,194**	**18,916**
EBITDA	(931)	(420)	(518)	(1,191)	(1,516)	(11,494)	(3,644)
EBITDA adjusted	**(678)**	**(204)**	**(777)**	**(468)**	**(1,342)**	**(8,538)**	**(2,791)**

OPERATIONAL REVIEW

Now more than ever before, publishers and brands want to build predictable, recurring revenue through subscriptions as well as a steadily growing advertising business. To do that, they'll have to deliver content and offers that speak to individuals, not audiences. Cxense helps 200 leading publishers and marketers across the globe do just that. Our Data Management Platform and Intelligent Personalization solutions harness the power of machine learning to help our clients deliver a unique and relevant experience every time.

The Cxense platform first puts clients in control of their data, organizing it into user profiles and segments. Then we use propensity models and machine-learning intelligence to understand and predict customer behavior in real time. Once applied, our solutions can infer a customer's age, gender, and income bracket, along with associated interests and intent to purchase. The result is a set of very rich user profiles and a deep understanding of your customers on an aggregate and individual basis.

Cxense powers article and product recommendations, subscription and membership optimization, data alliances, loyalty programs, targeted offers and many more in compliance with GDPR. By serving the right offer to the right customer at the right time, publishers and markers can build loyalty and increase revenues from both subscriptions and advertising.

Cxense delivers its solution as a Software-as-a-Service model with a monthly license fee based on the volume of data processed. This enables clients to quickly get up and running without complex on-premise installations while establishing the foundation for a scalable, high-margin business model for the company.

Simply put: Cxense helps publishers and marketers unlock the power of their data to build personal, profitable relationships with their customers.

Increased focus on customer value and sales

On 17 January 2019, Cxense announced a strategic plan to increase customer lifetime value by 2-4 times and drive growth by strengthening the product portfolio and organization. The goal is to triple revenues over the next five years and become profitable during the period. The plan has been developed by the new international leadership team which was onboarded in 2H 2018. The re-focused strategy leverages Cxense's established market position with its leading data management platform and personalization technology, IT-solutions which today are used by some of the world's leading publishers and brands. The Company has also recently introduced new products that so far has gained positive customer traction. Going forward the Company will continue to capitalize on its global market position to expand into the growing data and subscription economy.

To finance necessary growth investments and working capital requirements, Cxense in February 2019 executed a fully underwritten rights issue raising gross proceeds of approximately USD 10 million or NOK 90 million at NOK 7 kroner per share. In addition to the shareholders, senior management and board members of Cxense also subscribed for shares in the rights issue, which was completed on 28 February. After completion of the oversubscribed rights issue, Cxense has 21,946,519 shares outstanding.

The new growth capital will be used to finance a buildup of the sales and customer success teams to increase customer touch points and the capacity to capture more opportunities and monetize the product portfolio. Cxense will also invest in continued product innovation including developing its engineering capacity, AI capabilities and establish data science as a service to accelerate sales and customers' product adoption.

Improved customer retention and churn reduction is a strategic priority. Cxense will maintain its focus on adding larger contracts with solid implementations and strengthening account management. Selective additions to the customer success team and enhancements to the technology and product offering are key measures to achieve this. In addition, the quality of the customer portfolio will improve over time as legacy customers churn out.

Operational developments

Q4 2018 revenue for the core operations was USD 4.0 million, up 10% from the same period in 2017 and unchanged from Q3 2018. The annualized revenue run-rate in the core customer portfolio as of Q4 2018 was USD 16 million. Cxense has experienced increased interest for its software solutions during the quarter, especially related to the new Conversion Engine and DMP features.

The Company signed 24 new recurring revenue contracts in Q4 2018 for the core offering with Quarterly Recurring Revenue (QRR) effect of USD 247 thousand. Of the new QRR, USD 148 thousand came from new customers and USD 99 thousand from upsells to existing customers. Cxense had on average 9 effective sales quotas in the quarter, which was unchanged from Q3 2018 but lower than in H1 2018.

New contracts signed in Q4 included the sale of Cxense DMP to NLProfiel, a data alliance representing three leading Dutch publishers. Dai Nippon Printing Co., Ltd. (DNP), a diversified Japanese group engaged in printing, electronic components, information and media supplies, signed an agreement to use the Conversion Engine. The Japanese online recruiter Mynavi Corp. expanded its use of Cxense software to include the Conversion Engine, while the broadcaster Euronews bought DMP and personalization software.

Full QRR effect from loss of customers (i.e. where customers have served a formal notification of contract termination) in Q4 2018 was USD 272 thousand for the core business, of which USD 26 thousand was reductions on existing customers and USD 246 thousand was from lost customers. Of the lost QRR, USD 143 thousand (53%) was related to smaller contracts with an average QRR of USD 9 thousand, while USD 129 thousand (47%) was related to the loss of two larger customers.

2019 is expected to be a transitional year with profits and loss for the year negatively impacted by soft sales and high churn in the last quarters of 2018. As of February 2019, the Company has seen some improvement in churn alongside softer new sales as new sales representatives are onboarded. The current focus on building organization and executing growth is expected to positively impact profits and loss from H2 2019.

Gross margin was 79% in Q4 2018, down from 80% in Q4 2017 and the previous quarter, partly due to a non-recurring credit note to a European customer.

Q4 2018 OPEX was USD 5.33 million, compared to USD 5.23 million in Q3 2018 and 5.07 million in Q4 2017. The Company had 110 employees at the end Q4 2018, down from 128 in Q3 2018.

The Q4 2018 Group EBITDA was USD -1.52 million and -1.34 million when adjusting for share-based payments, restructuring- and transaction costs. This was a decrease of USD 1 million compared to adjusted EBITDA in Q3 2018 due to churn, lower gross margin and higher personnel costs from management onboarding and contract terminations. The cash position at end of December 2018 was USD 3 million, a decrease USD 1.4 million since the end of September due to cash used in operations, investments and repayment of debt in the period.

Jørgen Evjen joined Cxense as Chief Financial Officer in early December. In Q1 2019, the company appointed Greger Teigre Wedel as new Chief Technology Officer after the former CTO resigned due to external reasons. Teigre Wedel has a strong technical and managerial background from various companies including Cisco Systems, Telenor and Hudya Group.

Acquisitions and divestitures

On 18 December 2018, Cxense closed an agreement for the sale of 70% of the shares in its wholly-owned subsidiary Maxifier to Bmax AS. The selling price for the stake was USD 175,000, subject to a vendor credit agreement with maturity date 1 January 2021. See note 5 of this report for further information.

FINANCIAL DEVELOPMENT SUMMARY

USD 1,000	Q4 2016 *IFRS*	Q1 2017 *IFRS*	Q2 2017 *IFRS*	Q3 2017 *IFRS*	Q4 2017 *IFRS*	Q1 2018 *IFRS*	Q2 2018 *IFRS*	Q3 2018 *IFRS*	Q4 2018 *IFRS*
SaaS segment									
DMP with Intelligent Personalization (CORE)	3,066	3,130	3,188	3,357	3,617	3,816	3,875	3,993	3,993
Advertising (Non-core)	1,159	911	861	678	525	436	364	355	226
mporium (Non-core)	132	136	131	146	141	147	77	-	-
Video (Non-core)	1,297	1,033	896	875	864	840	801	722	588
Revenues total	**5,654**	**5,209**	**5,077**	**5,055**	**5,147**	**5,239**	**5,118**	**5,070**	**4,808**
Cost of sales	1,195	1,361	1,321	1,146	1,005	997	1,091	1,031	990
Gross profit	**4,460**	**3,848**	**3,756**	**3,909**	**4,143**	**4,242**	**4,027**	**4,039**	**3,818**
Gross margin %	*79 %*	*74 %*	*74 %*	*77 %*	*80 %*	*81 %*	*79 %*	*80 %*	*79 %*
Personnel	4,574	4,402	5,826	5,305	3,018	2,505	2,474	2,931	3,057
Other OPEX	2,258	2,088	2,284	2,170	2,056	2,156	2,070	2,299	2,277
OPEX	**6,832**	**6,490**	**8,110**	**7,476**	**5,074**	**4,661**	**4,544**	**5,230**	**5,334**
EBITDA	**(2,374)**	**(2,642)**	**(4,354)**	**(3,567)**	**(931)**	**(420)**	**(518)**	**(1,191)**	**(1,516)**
Non-IFRS adjustment of OPEX level									
Share-based payment costs	191	244	239	(32)	(18)	(4)	39	115	33
Share-based social costs provision									
Commission accrual reversals							(343)		
Restructuring costs and provisions				1,280	164			411	103
Office moving costs	210	(21)	0	140	103			60	
Extraordinary/special		32	585	24	3				
One-off provision for doubtful debt	84					142	(2)	137	
Transaction costs	79	103	58	52	1	77	47		38
R&D refund	(167)								
Total reported OPEX adjustment items	**397**	**358**	**882**	**1,464**	**253**	**215**	**(259)**	**723**	**174**
OPEX adjusted	**6,435**	**6,132**	**7,228**	**6,012**	**4,821**	**4,446**	**4,803**	**4,507**	**5,160**
EBITDA adjusted	**(1,977)**	**(2,284)**	**(3,472)**	**(2,103)**	**(678)**	**(204)**	**(777)**	**(468)**	**(1,342)**
Capitalized operating expense	(891)	(507)	(507)	(557)	(268)	(226)	(365)	(421)	(384)
EBITDA adjusted with capitalization add back	(2,868)	(2,791)	(3,980)	(2,660)	(946)	(431)	(1,142)	(889)	(1,726)

DMP and Personalization revenue development breakdown

Quarterly figures (unaudited)	**Total revenue**					**DMP and personalization revenue**				
USD 1,000	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Revenue in previous quarter	5,055	5,147	5,239	5,118	5,070	3,357	3,617	3,816	3,875	3,993
New recurring license revenue effect	468	491	357	333	278	408	437	337	333	267
Acquired recurring license revenue		-	97	48	-	-	-	97	48	-
Divested recurring license revenue	(93)	(183)	-	-	(35)	-	-	-	-	-
Churn effect	(240)	(292)	(429)	(315)	(378)	(182)	(274)	(262)	(138)	(213)
Change in service revenue	(102)	(21)	(33)	(27)	61	(89)	(33)	(50)	(10)	53
Change in other variables	69	33	(49)	(30)	(130)	106	35	(20)	(48)	(65)
Currency effect	(10)	64	(63)	(57)	(58)	17	34	(44)	(66)	(42)
Revenue this quarter	5,147	5,239	5,118	5,070	4,808	3,617	3,816	3,875	3,993	3,993
Accumulated currency effect, reversed	(85)	(149)	(86)	(29)	29	(77)	(111)	(67)	(1)	41
Outbound revenue currency adjusted	5,062	5,090	5,033	5,041	4,838	3,540	3,705	3,807	3,992	4,034
Number of closed contracts in the quarter*	**30**	**18**	**22**	**15**	**24**	**26**	**18**	**22**	**15**	**24**
Whereof new customers*	12	11	12	6	8	12	11	12	6	8
Whereof upsell*	18	7	10	9	16	14	7	10	9	16
Full QRR effect of contracts notified closed in the period	429	335	316	229	247	366	335	316	229	247
Full QRR effect of contracts notified lost in the period	(221)	(335)	(221)	(442)	(387)	(187)	(219)	(199)	(253)	(272)
Net	**208**	**(0)**	**95**	**(213)**	**(140)**	**179**	**115**	**117**	**(25)**	**(25)**

*Service and consulting contracts removed from historical figures.

FINANCIAL REVIEW

Fourth quarter 2018

Q4 2018 Group revenue was USD 4.8 million, compared to Q4 2017 revenue of USD 5.15 million and USD 5.07 million last quarter. Revenue for the core SaaS business was USD 3.99 million in Q4 2018, while the non-core business had revenue of 0.81 million. Revenue from the core business increased 10% from Q4 2017 and was unchanged compared to Q3 2018. Part of the non-core business was sold as of 18 December, and related revenue and cost were recognized in the accounts to that date.

The total revenue development in the quarter was a function of new software license revenues of USD 278 thousand, divested software license revenues of USD -35 thousand, and changes in service revenues and other variable revenues of USD -69 thousand. Currency effects amounted USD -58 thousand while the churn impact was USD -378 thousand for the period.

The Q4 2018 consolidated cost of sales was USD 0.99 million, compared to USD 1.01 million in Q4 2017. Cost of sales within the SaaS segment predominantly relates to hosting of the software applications used by the Company's customers. The Q4 2018 gross margin was 79%, compared to 80% in Q4 2017 and Q3 2018. The gross margin decrease was partly due to a non-recurring credit note to a European customer.

The Q4 2018 employee benefit expenses were USD 3.06 million, compared to USD 3.02 million in Q4 2017 and USD 2.93 million in Q3 2018. The increase in employee benefit costs compared to Q3 2018 was mainly driven by the onboarding of the new management team and termination of contracts. Capitalization of employee benefit expenses related to software development activities amounted to USD 274 thousand in Q4 2018.

Other operating expenses amounted to USD 2.28 million in Q4 2018, compared to USD 2.06 million in Q4 2017. Most of the expenses relate to premises, travel, marketing, consulting services and contractors, as well as one-off receivables write-down. Other operating expenses related to software development activities of USD 111 thousand were capitalized in the quarter.

Q4 2018 EBITDA amounted to USD -1.52 million, compared to USD -0.93 million in Q4 2017 and USD -1.19 million in Q3 2018.

Depreciation and amortization in Q4 2018 were USD 0.8 million, compared to USD 0.7 million in Q4 2017. Depreciation and amortization predominantly relate to intangible assets from acquired companies and from previous years' capitalized R&D expenses. Impairment of assets were USD 45 thousand in Q4 2018, compared to impairments of USD 5.48 million in Q4 2017. The impairment in Q4 2017 were mainly related to fair value assessment of the Video business. Q4 2018 other losses of USD 1.33 million reflected the loss recognized from the sale of 70% of the non-core Maxifier Ltd. subsidiary in December. Other losses were USD 345 thousand in Q4 2017.

Finance income amounted to USD 530 thousand in Q4 2018 compared to USD 170 thousand in Q4 2017. Financial expenses amounted to USD 30 thousand in Q4 2018, compared to USD 381 thousand in Q4 2017. Finance income and expenses mainly relate to interest income and cost and currency gains and losses.

The Q4 2018 share of profit from investments in associated companies was USD 5 thousand, compared to USD 210 thousand in Q4 2017, and relates to the investment in RepKnight where Cxense holds a 15% stake. The RepKnight share of profit is included in the accounts in accordance with IFRS and the equity method for associated companies. The profit/loss included is booked against the book value of the investments, increasing/reducing the book value accordingly. In Q4 2017, the Company booked an impairment of associated company of USD 2.47 million mainly related to Repknight. No such impairment was booked in Q4 2018.

The Q4 2018 net loss from discontinued operations was USD 71 thousand, compared to a loss of USD 153 thousand in Q4 2017. Loss from discontinued operations relates to Cxense's 53% ownership in L'Agora, which is in the process of being divested.

The Group net loss from total operations amounted to USD 2.81 million in Q4 2018, compared to a net loss of USD 10.2 million in Q4 2017. This represents a Q4 2018 loss of USD 0.0003 per share, compared to loss of USD 0.0011 per share in Q4 2017.

Total assets at the end of 2018 amounted to USD 20.2 million, compared to USD 30.4 million as at the end 2017. The decrease in total assets in the period mainly relates to losses incurred and divestitures in 2018. Total equity at the end of Q4 2018 was USD 11.6 million, compared to USD 21.8 million at the end of 2017.

Goodwill of USD 5.94 million at 31 December 2018 relates to the Enreach acquisition and the Maxifier R&D activities. The goodwill is allocated to the SaaS segment.

The intangible assets of USD 5.27 million was mainly related to capitalized R&D and intangible assets in Cxense Finland, as well as RAMP which were reclassified from assets held for sale.

Trade receivables were USD 2.09 million (equal to 39 days sales outstanding[1]) at the end of 2018, compared with USD 2.44 million (43 days) at the end of 2017.

The year-end cash position was USD 3.0 million, compared to USD 10.2 million at the end of 2017. The year-over-year change was mainly a function of cash used to finance operations and investments over the period.

Non-current liabilities at the end of 2018 were USD 1.63 million, compared to USD 154 thousand for 2017. The increase in non-current liabilities is mainly due to the addition of interest-bearing debt acquired in the Enreach transaction. Total current liabilities were USD 5.91 million, compared to USD 6.65 million at the end of 2017.

Net cash flow used in operating activities was USD 0.88 million in Q4 2018, compared to USD 1.37 million used in Q4 2017. The Q4 2018 cash flow from operating activities was USD 757 thousand higher than the Q4 2018 EBITDA, mainly explained by favorable working capital fluctuations from reduced trade receivables (USD 0.7 million) increased trade payables (0.8 million) and changes in other accruals and non-current items (USD 1.2 million).

Q4 2018 net cash flow used in investing activities was USD 526 thousand, of which USD 384 thousand were related to capitalized R&D. Net cash flow from investment activities in Q4 2017 was USD 3.17 million after receiving payment for the shares in mporium Plc. and Emediate which were sold in the quarter. Net cash flow from financing activities was USD -120 thousand in Q4 2018, compared to USD -185 thousand in Q4 2017.

Full year 2018

Group revenue for 2018 amounted to USD 20.2 million, compared to revenue of USD 20.5 million in 2017. Revenue for the core SaaS segment was USD 15.7 million, an increase of 18% from USD 13.3 million in 2017. Full-year cost of sales amounted to USD 4.1 million and employee benefit expense was USD 11.0 million, compared to USD 4.8 million and USD 18.6 million respectively in 2017. Other operating expenses amounted to USD 8.8 million in 2018, compared to USD 8.6 million in 2017. EBITDA was USD -3.6 million, compared to USD -11.5 million in 2017.

Depreciation and amortization were USD 2.4 million, compared to USD 3.7 million in 2017. Impairment of intangible assets amounted to USD 3.6 million in 2018, compared to USD 11.1 million for 2017. Net financial income was USD 217 thousand in 2018, compared to net expense of USD 235 thousand in 2017. The 2018 share of profit of investments in associated companies was USD -419 thousand (USD -1.4 million for 2017) and impairment of associated companies was nil in 2018 (USD -3.15 million).

Tax cost for 2018 was USD 33 thousand (USD 298 thousand for 2017). The 2018 loss from discontinued operations amounted to USD 284 thousand, compared to a loss of USD 750 thousand in 2017. The Group net loss amounted to USD 11.7 million in 2018, compared to a loss USD 32.5 million in 2017. This represents a 2018 loss of USD 0.0012 per share, compared to a loss of USD 0.0039 per share in 2017.

Net cash flow used in operating activities was USD 5.4 million in 2018 (USD 12.7 million for 2017). Net cash flow used for investments was USD 1.65 million (USD 3.7 million for 2017). Net cash flow from financing activities was -120 thousand (USD 4.9 million).

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

Cxense has adopted the new revenue recognition standard IFRS 15 "Revenue from contracts with customers", effective from 1 January 2018. The Group applied the modified retrospective adoption method. The overall impact of IFRS 15 on Cxense financials is limited. The net effect on isolated Q4 2018 revenues was a USD 52 thousand increase compared to under previous recognition principles (IAS 18). The cumulative historical effect, which was booked against equity at the beginning of the year, was a USD 38 thousand reduction.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement – unaudited

USD 1,000	Note	Q4 ended 31 Dec 2018	Q4 ended 31 Dec 2017	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Revenue		**4,808**	**5,147**	**20,235**	**20,488**
Operating expense					
Cost of sale		990	1,005	4,110	4,833
Employee benefit expense		3,056	3,018	10,966	18,551
Other operating expenses		2,278	2,057	8,804	8,600
EBITDA		**(1,516)**	**(931)**	**(3,644)**	**(11,494)**
Depreciation and amortization expense		800	697	2,434	3,712
Impairment of assets		45	5,484	3,592	11,105
Other losses (gains)		1,325	345	1,526	345
Net operating income/(loss)		**(3,685)**	**(7,458)**	**(11,196)**	**(26,657)**
Financial income and expense					
Finance income		530	170	781	418
Finance expense		(30)	(381)	(564)	(653)
Net financial income/(expense)		**500**	**(211)**	**217**	**(235)**
Share of profit from associated companies		5	210	(419)	(1,392)
Impairment of associated company		0	(2,465)	0	(3,152)
Net loss before taxes		**(3,180)**	**(9,924)**	**(11,398)**	**(31,436)**
Income tax expense		(440)	172	33	298
Net income/(loss) for the period from continuing operations		**(2,740)**	**(10,096)**	**(11,432)**	**(31,734)**
Net income/(loss) for the period from discontinuing operations		(71)	(153)	(284)	(750)
Total net loss for the period from total operations		**(2,812)**	**(10,249)**	**(11,716)**	**(32,484)**
Net loss attributable to:					
Owners of the Company		(2,775)	(10,174)	(11,571)	(32,128)
Non-controlling interests		(37)	(74)	(145)	(356)
Earnings per share:					
From continuing operations					
Basic		(0.0003)	(0.0011)	(0.0012)	(0.0039)
Diluted		(0.0003)	(0.0011)	(0.0012)	(0.0038)
From total operations					
Basic		(0.0003)	(0.0011)	(0.0013)	(0.0039)
Diluted		(0.0003)	(0.0011)	(0.0013)	(0.0039)
Statement of comprehensive income					
Net loss for the period		(2,812)	(10,249)	(11,716)	(32,484)
Other comprehensive income:					
Items that might be subsequent reclassified to net income (loss):					
- Currency translation differences		(453)	(61)	(438)	885
- Amount reclassified from Other comprehensive income to Income Statement at disposal		851	(129)	851	(129)
Total comprehensive loss		**(2,414)**	**(10,439)**	**(11,303)**	**(31,728)**
Total comprehensive income/(loss) attributable to:					
Owners of the Company		(2,377)	(10,364)	(11,158)	(31,372)
Non-controlling interests		(37)	(74)	(145)	(356)

Consolidated statement of financial position – unaudited

USD 1,000	Note	As at 31 Dec 2018	As at 31 Dec 2017
Assets			
Non-current assets			
Goodwill		5,935	4,809
Deferred tax asset		-	16
Intangible assets		5,269	2,324
Office machinery, equipment, etc.		1,010	1,058
Investments in associated companies		74	476
Other financial assets		670	854
Total non-current assets		**12,957**	**9,536**
Current assets			
Trade receivables		2,094	2,438
Other short-term assets		1,533	1,672
Cash and cash equivalents		3,009	10,247
Total current assets		**6,636**	**14,357**
Assets classified as "held for sale"		588	6,484
Total assets		**20,181**	**30,378**
Equity and liabilities			
Equity			
Share capital		5,231	5,459
Other paid-in capital		19,079	49,012
Currency translation differences		7,933	7,539
Currency translation on assets held for sale		53	35
Retained earnings		(19,897)	(39,523)
Equity attributable to the holders of the Company		**12,399**	**22,521**
Non-controlling interest		(819)	(735)
Total equity		**11,580**	**21,787**
Liabilities			
Non-current liabilities			
Long-term interest bearing debt		923	-
Deferred tax liabilities		366	0
Other provisions		205	127
Other long-term liabilities		144	27
Total non-current liabilities		**1,638**	**154**
Current liabilities			
Short-term interest bearing debt		200	-
Trade payables		1,436	1,112
Current taxes		133	192
Other short-term liabilities		4,143	5,347
Total current liabilities		**5,912**	**6,652**
Liabilities related to assets "held for sale"		1,051	1,785
Total liabilities		**8,601**	**8,591**
Total equity and liabilities		**20,181**	**30,378**

Consolidated statement of changes in equity – unaudited

USD 1,000	**Nominal share capital**	**Own shares**	**Other paid-in capital**	**Currency translation differences**	**Currency translation on assets held for sale**	**Retained earnings**	**Attributable to owners of parent company**	**Non-controlling interest**	**Total equity**
Total equity as at 1 January 2017	**4,617**	**0**	**49,666**	**6,818**	**0**	**(12,472)**	**48,627**	**(379)**	**48,248**
Profit for the period					0	(32,128)	(32,128)	(356)	(32,484)
Other comprehensive income	0	0	0	3,379	0	(2,495)	884	0	884
Amount reclassified from Other comprehensive income to Income Statement at disposal				(129)			(129)		(129)
Total comprehensive income/(loss) 2017	0	0	0	3,250	0	(34,623)	(31,373)	(356)	(31,729)
Transaction costs related to capital increases	0	0	(320)	0	0	0	(320)	0	(320)
Share-based payments	0	0	436	0	0	0	436	0	435
Increase in share capital	642	0	4,492	0	0	0	5,134	0	5,134
Reclassification of equity	0	0	(7,572)	0	0	7,572	0	0	0
Purchase of own shares	0	(16)	(269)	0	0	0	(285)	0	(285)
Distribution of own shares.	0	15	280	0	0	0	296	0	296
Sale of own shares	0	0	6	0	0	0	6	0	6
Currency effects from translation of equity	201	(0)	2,294	(2,495)	0	0	0		0
Recycling of OCI on sale and held for sale OCI	0	0	0	(35)	35	0	0	0	0
Total equity as at 31 December 2017	**5,459**	**(0)**	**49,012**	**7,539**	**35**	**(39,523)**	**22,521**	**(735)**	**21,787**
Change in accounting principles						(31)	(31)		(31)
Total equity as at 1 January 2018	**5,459**	**(0)**	**49,012**	**7,539**	**35**	**(39,554)**	**22,490**	**(735)**	**21,755**
Profit for the period						(11,571)	(11,571)	(145)	(11,716)
Other comprehensive income	0	0	0	(3,551)	18	3,094	(438)	61	(377)
Amount reclassified from Other comprehensive income to Income Statement at disposal	0	0	0	851	0	0	851	0	851
Total comprehensive income/(loss) YTD 18	*0*	*0*	*0*	*(2,700)*	*18*	*(8,476)*	*(11,158)*	*(84)*	*(11,242)*
Reduction of paid-in capital	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	0
Transaction costs related to capital increases	*0*	*0*	*0*	*0*	*0*	*0*	0	0	0
Share-based payments	0	0	172	0	0	0	172	0	172
Increase in share capital	81	0	814	0	0	0	895	0	895
Reclassification of equity	0	0	(28,133)	0	0	28,133	0	0	0
Currency effects from translation of equity	(310)	0	(2,785)	3,094	0	0	0		0
Total equity as at 31 December 2018	**5,231**	**(0)**	**19,079**	**7,933**	**53**	**(19,897)**	**12,399**	**(819)**	**11,580**

USD 1,000	Note	Q4 ended 31 Dec 2018	Q4 ended 31 Dec 2017	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Cash flow from operating activities					
Profit/(loss) after income tax (including disposal group)		(2,812)	(10,248)	(11,716)	(32,484)
Adjustments:					
Income tax payable		(119)	(100)	(452)	(569)
Share-based payments		33	(18)	183	432
Share of profit from associated companies, incl impairments		(5)	2,254	419	4,543
Depreciation. Amortization and impairments		845	6,247	6,026	14,855
Impairment					
Net interest expense					
Other losses (gains)		1,321	345	1,523	345
Currency translation effects		(745)	480	(713)	1,153
Change in trade receivables		568	(363)	410	(111)
Change in trade payables		(314)	291	(38)	81
Change in other accrual and non-current items		345	(263)	(1,067)	(962)
Net cash flow from/(used in) operating activities		**(882)**	**(1,374)**	**(5,425)**	**(12,717)**
Cash flow from investing activities					
Investment in furniture, fixtures and office machines		(5)	(430)	(364)	(1,187)
Investment in intangible assets		(384)	(268)	(1,397)	(1,839)
Investment in associated companies					(4,577)
Sale of associated company			3,712		3,712
Sale of subsidiary		(136)	159	114	159
Net cash flow from/(used in) investing activities		**(526)**	**3,172**	**(1,649)**	**(3,733)**
Cash flow from financing activities					
Net proceeds from share issues			(185)		4,598
Proceeds from borrowings					248
Repayment of debt		(120)		(120)	
Proceeds from minority interest					
Net cash flow from/(used in) financing activities		**(120)**	**(185)**	**(120)**	**4,846**
Net increase/(decrease) in cash and cash equivalents		**(1,528)**	**1,613**	**(7,194)**	**(11,604)**
Cash and cash equivalents at the beginning of the period		4,398	8,743	10,247	21,960
Changes in cash classified as asset held for sale		139	(110)	(44)	(110)
Cash and cash equivalents at the end of the period		**3,009**	**10,246**	**3,009**	**10,246**

*) The cash flow statement is presented including the discontinued operation PCAN.

NOTES

Note 1: General information

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

The Company’s board of directors approved the condensed financial statements on 5 March 2019, 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 2018, ending 31 December 2018, were prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s 2017 annual report.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017, except for the standards (IFRS 9 and IFRS 15) implemented as of 1 January 2018 as described below.

Note 2: Transition to IFRS 15 Revenue from customers

Introduction

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

New accounting policies upon adoption of IFRS 15

Revenue

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

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

Contract costs

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

The main change upon implementation of IFRS 15

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

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

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

USD 1,000	IAS 18 carrying amount 31 December 2017	Remeasurement	IFRS 15 carrying amount 1 January 2018
Other short-term assets - contract assets 1)	1,672	56	1,728
Deferred tax assets	16	7	23
Retained earnings	(39,523)	(31)	(39,554)
Other short-term liabilities - contract liabilities 2)	5,347	94	5,441

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

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

The income statement as reported YTD have the following effects:

USD 1,000	As reported YTD Q4	Adjustments	Without adoption of IFRS 15
Revenue	20,235	165	20,400
EBITDA	(3,644)	165	(3,479)
Net operating income/(loss)	(11,196)	165	(11,031)
Net loss before taxes	(11,398)	165	(11,233)
Taxes	33	(13)	20
Total net loss for the period for total operations	**(11,716)**	**152**	**(11,564)**

USD 1,000	As reported Q4 isolated	Adjustments	Without adoption of IFRS 15
Revenue	4,808	52	4,860
EBITDA	(1,516)	52	(1,464)
Net operating income/(loss)	(3,685)	52	(3,633)
Net loss before taxes	(3,180)	52	(3,128)
Taxes	(440)	(4)	(444)
Total net loss for the period for total operations	**(2,812)**	**48**	**(2,764)**

Note 3: Transition to IFRS 9 Financial Instruments

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

Note 4: Segment information and disaggregation of revenue

The Group was until the end of 2017 organized into two business units based on its products and services. In 2017, the segment PCAN was classified as discontinued operations. As a consequence, PCAN is reported at one line only in net income (“Net income/loss from discontinued operations”). There is now only one reporting segment: Cxense SaaS, which sells Software-as-a-Service applications based on a real-time data engine for analysis of content, user context, and behaviour. 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.

Based on the above, Cxense has decided not to include segment information as this would only state the same financials already presented in the income statement and balance sheet.

The Group's revenue is in total related to the Cxense SaaS segment and is disaggregated as follows:

USD 1,000	**EMEA**	**Japan**	**LatAm**	**NorthAm**	**APAC**	**Total**
DMP & Personalization (core)	1,188	1,198	380	542	503	3,811
Other (non-core)	140	(1)	24	589	-	752
Revenue from license	1,328	1,197	404	1,131	503	4,563
DMP & Personalization (core)	10	24	2	6	13	55
Other (non-core)	-	-	-	-	-	-
Revenue from onboarding	10	24	2	6	13	55
DMP & Personalization (core)	27	22	-	77	1	127
Other (non-core)	-	-	-	63	-	63
Revenue from consulting services	27	22	-	140	1	190
Revenue from contracts with customers	**1,365**	**1,243**	**406**	**1,277**	**517**	**4,808**
Of which DMP & Personalization (Core)	*1,225*	*1,244*	*382*	*625*	*517*	*3,993*
Of which other (non-core)	*140*	*(1)*	*24*	*652*	*-*	*815*

		YTD ended 31 December 2018				
USD 1,000	**EMEA**	**Japan**	**LatAm**	**NorthAm**	**APAC**	**Total**
DMP & Personalization (core)	4,862	4,702	1,509	2,217	1,746	15,036
Other (non-core)	1,145	(2)	96	3,070	-	4,309
Revenue from license	6,007	4,700	1,605	5,287	1,746	19,345
DMP & Personalization (core)	48	35	4	26	13	126
Other (non-core)	2	-	-	3	-	5
Revenue from onboarding	50	35	4	29	13	131
DMP & Personalization (core)	101	116	5	290	4	516
Other (non-core)	-	-	-	243	-	243
Revenue from consulting services	101	116	5	533	4	759
Other revenue (non-core)						-
Revenue from contracts with customers	**6,158**	**4,851**	**1,614**	**5,849**	**1,763**	**20,235**
Of which DMP & Personalization (Core)	*5,011*	*4,853*	*1,518*	*2,533*	*1,763*	*15,678*
Of which other (non-core)	*1,147*	*(2)*	*96*	*3,316*	*-*	*4,557*

Note 5: Sale of Maxifier

On 18 December 2018, Cxense ASA completed the sale of 70% of the shares in its wholly-owned subsidiary Maxifier Ltd ("Maxifier") to Bmax AS. The sales price for the shares was USD 175,000, all of which is subject to a vendor credit agreement with maturity date 1 January 2021. Cxense retains ownership of the remaining 30% of Maxifier.

Bmax AS has an option to acquire further 50% of the remaining shares in Maxifier held by Cxense, corresponding to 15% of shares currently outstanding. The option expires on 20 November 2020. The purchase price payable to Cxense for the option shares shall be calculated using the same principles as for the 18 December purchase price, but subject to a pre-agreed enterprise value of USD 1,000,000.

Maxifier Development was not a part of the transaction.

As a consequence of the transaction, a loss of USD 1.3 million was recognized in Q4 2018, of which 30% was derecognized following the loss of control and the recognition as an associated company to its fair value.

Note 6: Share capital

On 18 October 2018, a total of 7,576 new shares were issued to Enreach Solutions AB, the seller of Enreach Solutions Oy. The new shares were issued at a subscription price of NOK 55. The share issue represents the final closing adjustment amount in the Enreach transaction and are in addition to the 123,789 shares issued on 30 April 2018.

The Company's share capital as of 31 December 2018 was NOK 45,446,885 divided into 9,089,377 shares, each with a nominal value of NOK 5. As of publication of this report, there were 686,075 share options and Subscription Rights outstanding.

Note 7: Events after the reporting period

At 7 February, an extraordinary general meeting approved the right issue as announced 17 January 2019. Eligible shareholders were granted approximately 1.41 subscription right for each existing share registered. The subscription price per new share in the rights issue was NOK 7.00. Following completion of the rights issue on 28 February, the share capital of Cxense was NOK 109,732,595 consisting of 21,946,519 shares, each with a nominal value of NOK 5.00. The rights issue resulted in gross proceeds to Cxense of NOK 90 million.

DEFINITIONS

Alternative Performance Measures

Cxense's financial information is prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the company presents alternative performance measures (APM). The APMs are regularly reviewed by management, and their aim is to enhance stakeholders' understanding of the company's performance. APMs are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data, as described in the table below. The alternative performance measures presented may be determined or calculated differently by other companies.

QRR	Quarterly Recurring Revenue (QRR) is the quarterly value of a recurring revenue contract. As an example, a recurring revenue contract with a revenue of USD 10 thousand per month has QRR of USD 30 thousand (10 thousand *3)
Closed New ARR	The sum of all ARR for all contracts closed in a certain financial period
Lost ARR (churn)	The sum of all ARR for all contracts lost in a certain financial period
Net New ARR	New ARR – Lost ARR (Churn)
EBITDA	Earnings before interest, taxes, depreciation and amortization. EBITDA corresponds to the "operating income before depreciation, amortization and impairment" in the consolidated income statement
OPEX	Operational Expenditure as presented according to IFRS
Non-IFRS OPEX adjustments	OPEX elements shown separately for the purpose of excluding them from OPEX
OPEX adjusted	OPEX + non-IFRS OPEX adjustments
EBITDA Adjusted	EBITDA calculated using OPEX adjusted instead of OPEX
Capitalized R&D	Capitalized software development cost as per IFRS
EBITDA adjusted with capitalization add back	EBITDA adjusted before capitalized R&D
Gross margin	Gross profit in percent of revenue
EBITDA margin	EBITDA in percent of revenue
Annualized underlying organic growth	Net new ARR from the quarter / quarterly SaaS segment revenue
Sales quota equivalent	A sales quota equivalent is 100% of a one sales quota. A sales rep has 100% of a sales quota. Sales Managers, Customer Success Managers and other individuals within the sales organization may have 75% or less sales quotas.
Days sales outstanding	Trade receivables divided by daily sales revenue (annual revenue / 365)