

3Q 2018

OTELLO CORPORATION ASA

Agenda

- **Executive Summary & Operational Review (CEO, Lars Boilesen)**
- Bemobi (CEO Bemobi, Pedro Ripper)
- Financial Review (CFO, Petter Lade)

Executive Summary

Quarterly highlights

| Financial metric (USD million) | 3Q18 | 3Q17 | 2Q18 |
|-----------------------------------|------|-------|------|
| Total revenue | 64.9 | 106.5 | 72.2 |
| Adj. EBITDA* | 1.4 | 7.2 | 1.7 |

- Revenue slightly down in AdColony vs 2Q18 due to focus on margins, turning down unprofitable deals and down in Bemobi due to FX (weak BRL vs USD)
- Adj. EBITDA virtually flat vs 2Q18 and down vs 3Q17 with continued cost measures and strong margins offsetting lower revenue
- Lower cost base, more favorable FX and increasing gross margins secures higher Adj. EBITDA in 4Q18 vs 3Q18

• *For further information regarding Adjusted EBITDA and other alternative performance measures used by Otello, see Note 9 of the interim condensed financial statements

Operational Review

AdColony – Turnaround continues

- **Revenue**

- Performance business still struggling, focus on gross margin impacted 3Q18 revenue
- Brand business stable versus 2Q18 and profitable in the quarter

- **Cost**

- OPEX reduced by over 50%, now targeting \$70m annual run-rate
 - Merged tech and product organization
 - Moved support functions to our Istanbul office

AdColony – Status

- Gross margins ramped significantly through 3Q in the performance business, an important step to secure profitability
- Tech and product organization merged, already seeing positive impact on delivery speed
- Current cost base enable Adj. EBITDA break-even @ \$50m in quarterly revenue @ 35% gross margin

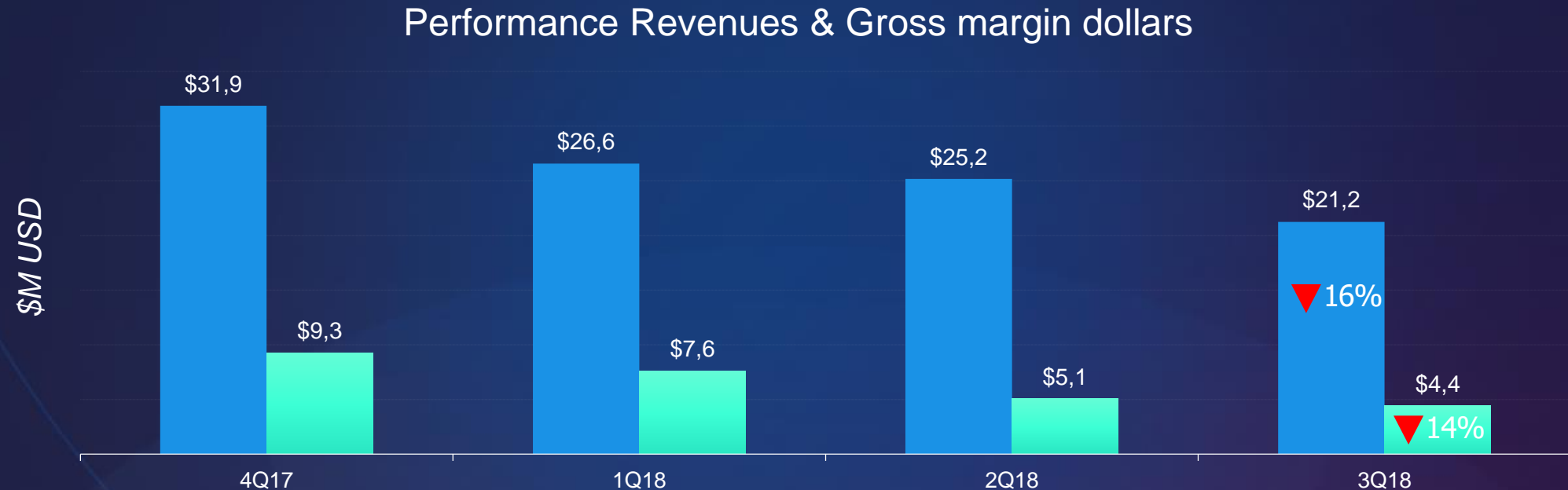
AdColony

Global Performance



Results: Performance Advertising

Summary: Q3 2018 Performance Revenues = \$21.2Mn (-16% vs. Q2'18)



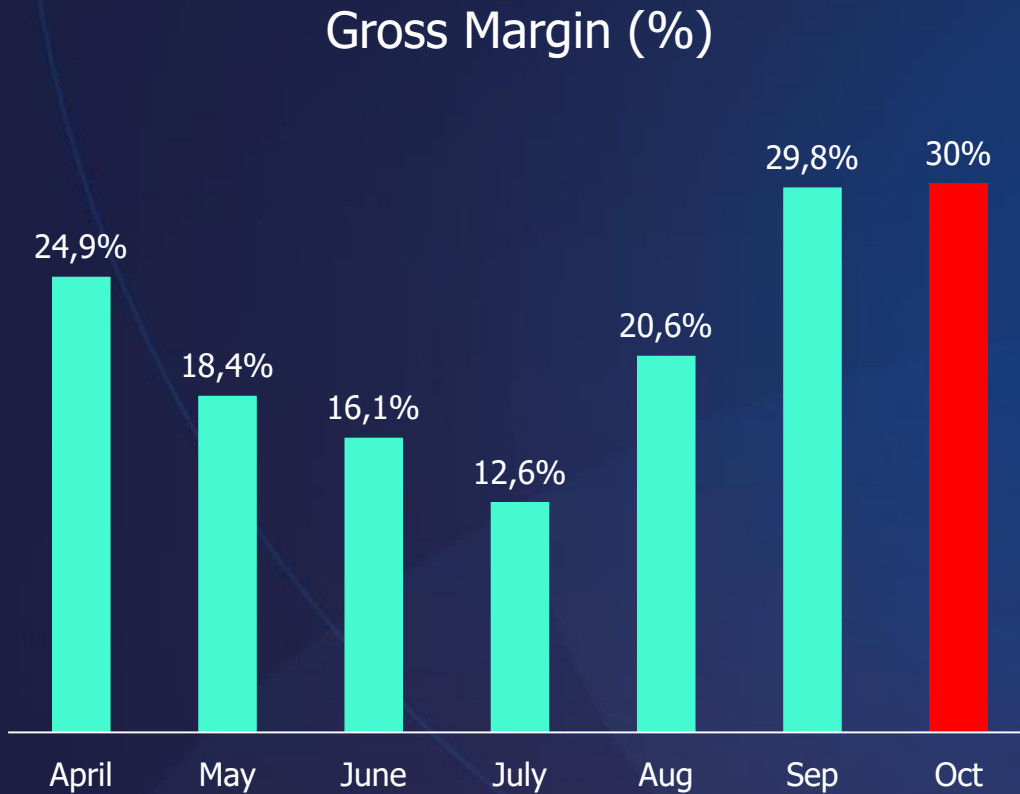
- Difficult quarter with both revenue and gross margin coming under pressure
- Increased competition and lack of new product / innovation hitting the business
- Course correction mid quarter with focus on Gross margin
- Specific action plan executed in Q3 to change the direction and turnaround the business

Turnaround in Gross Margins on Performance Business in Q3



Focus on profitability

Gross Margin (%)



Gross Margin dollars (\$m)



4Q18 gross margin dollars to be higher than 2Q18 and 3Q18 due to solid ramp in gross margins



Game Plan to turnaround the Performance Revenues

Early positive signs with growth in weekly revenue and steady margins

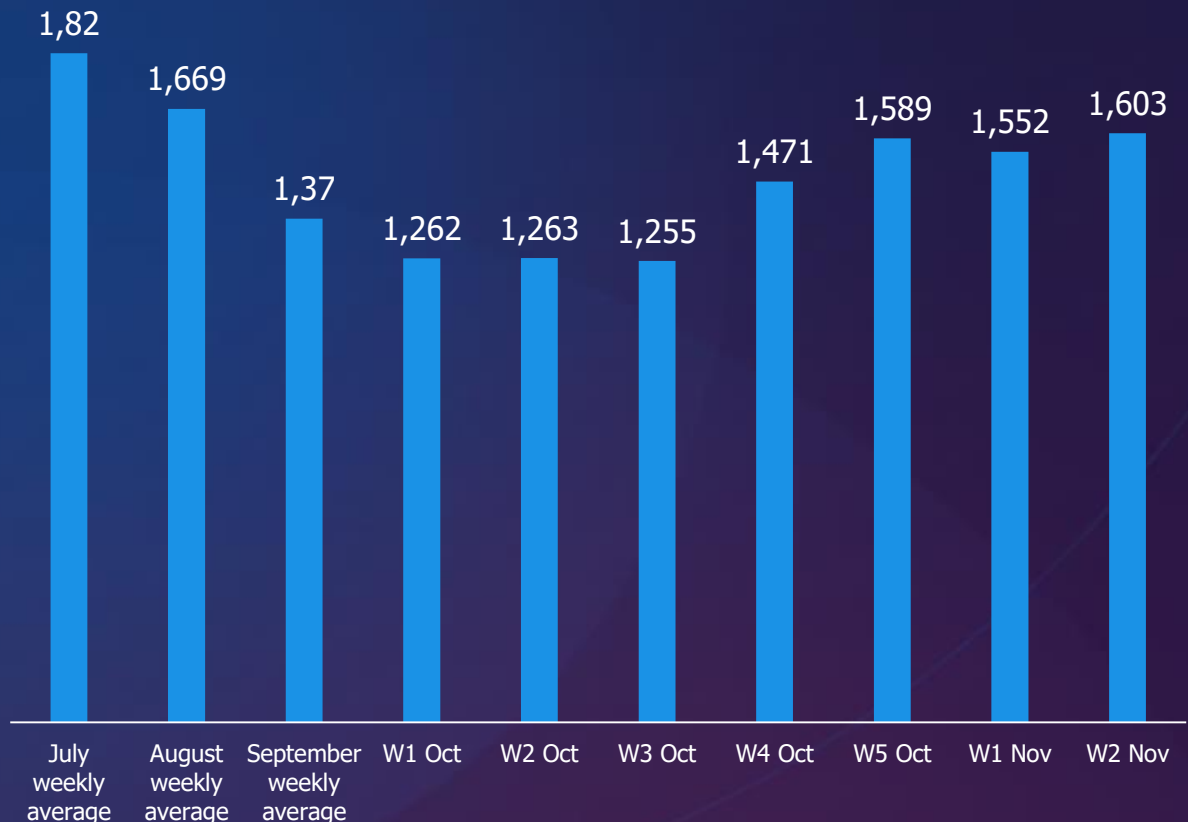
1. Fix the fundamentals

- I. Demand led publishing deals
- II. Creative innovation and effective attribution mgmt.
- III. Simplifying the platform and focus on driving scale for key advertisers

2. Continuous effort to grow the biggest publishing accounts and optimizing yields for our publishers

3. New business as growth engine – dedicated team to focus on new business and supply growth

Weekly Revenue





In Sum, Performance Business Transformation in Progress

On track to be profitable

- Significantly lower cost base, in line with current scale of Performance business
- Central performance hub established in Turkey to support global performance and publishing
- Gross margin turnaround achieved in 3Q18, operating at stable & healthy levels in Q4
- Revenue stability and turnaround in 4Q18

AdColony

Global Brand Business

Results: Brand Advertising



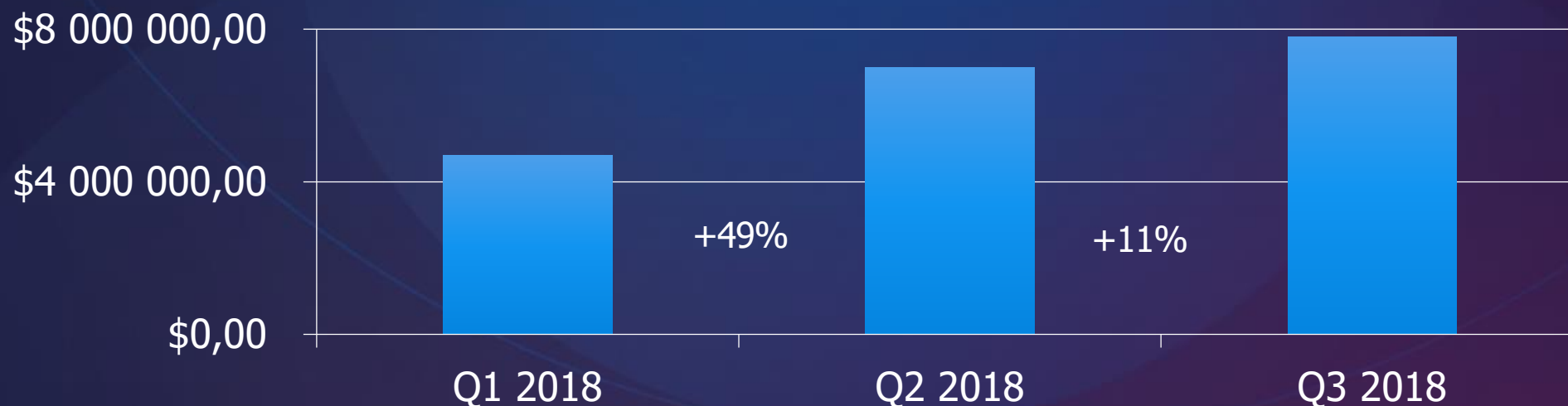
| Revenue Source | Q3 2018 | Q3 2018 Mix % |
|----------------------------------|--|-------------------------------------|
| Brand (incl. IO and PMP) | \$15.7 <i>(down from \$19.2 in Q2)</i> | 50% <i>(down from 58% in Q2)</i> |
| Brand Performance | \$7.8 <i>(up from \$7 in Q2)</i> | 25% <i>(up from 21% in Q2)</i> |
| Programmatic Open Marketplace | \$7.8 <i>(up from \$7 in Q2)</i> | 25% <i>(up from 21% in Q2)</i> |
| TOTAL | \$31.3 <i>(down from \$33.2 in Q2)</i> | |

- Global Brand revenue decreased 6% quarter-over-quarter,
- Continued shift to programmatic revenue continues
- US revenue accounts for 75% of Brand dollars and finished up 1% quarter-over-quarter, with the losses coming from APAC and EMEA with some negative impact from FX and seasonality

Continued Focus On Quality Fueled Growth



- Programmatic revenue will continue to be the Brand organization's primary focus and catalyst for growth
- Programmatic Open Exchange Marketplace grew another 11% globally quarter-over-quarter due to Tech and Engineering work and renewed "programmatic first" mindset
- Revenue growth from key partners including:
 - The Trade Desk – +30% over Q2 and were rewarded with their "Gold Standard" badge for supply quality
 - MediaMath - +20% over Q2 and earned a spot on their "Preferred Partner" list
 - Ubimo - +36% over Q2 and are now a Top 5 spender within the AdColony Exchange
 - OpenX - +17% over Q2 after a thorough inventory analysis put AdColony at the top of their partner list
- Open Exchange Growth thus far in 2018:





What We're Working On

- **Continued improvements and maturation of our programmatic tools and offerings**
 - Improved dashboards and reporting tools
 - Faster and more accurate auction dynamics
- **Renewed commitment to first-party, high-quality Display inventory**
 - We rehired a former AdColony Vice President
 - In his new role he will lead Strategy, the Programmatic Open Exchange Marketplace, and Business Development for the US Brand organization
 - Already working on numerous strategic partnerships that will position us for continued success, especially as we enter 2019
- **Continued commitment to a fraud-free exchange environment**
 - Fraud is the hottest topic in ad-tech and programmatic at this time
 - Working on renewing our TAG certification against fraud
 - Building new and proactive first-party fraud tools
 - Integrating with more than one industry-leading fraud monitoring companies to continue to have both first and third-party protections for our clients

Opera TV (Vewd)

- As previously communicated, this is a legal dispute with majority shareholder (MFC)
- Favorable verdict granted, not appealed by MFC
- MFC ordered by the Court to pay a substantial portion of Otello's legal costs to date, all cash received
- Next steps: ask the court to reopen the proceedings so we get MFC to buy Otello's shares for the price that was agreed with the buyer or alternatively get damages or the parties settle out of court.

Bemobi

- Bemobi continues strong underlying growth in revenue and profit
- Otello and Bemobi have had informal discussions with several stakeholders
- Given the positive performance and global opportunities Otello is considering strategic alternatives, including exploring a potential IPO or demerger
- Bemobi plan to meet a limited number of international investors during 4Q18 for the purpose of considering whether an IPO or demerger of Bemobi could represent realistic and value enhancing opportunities

Bemobi

Pedro Ripper, Bemobi CEO

Bemobi - strong results impacted by FX

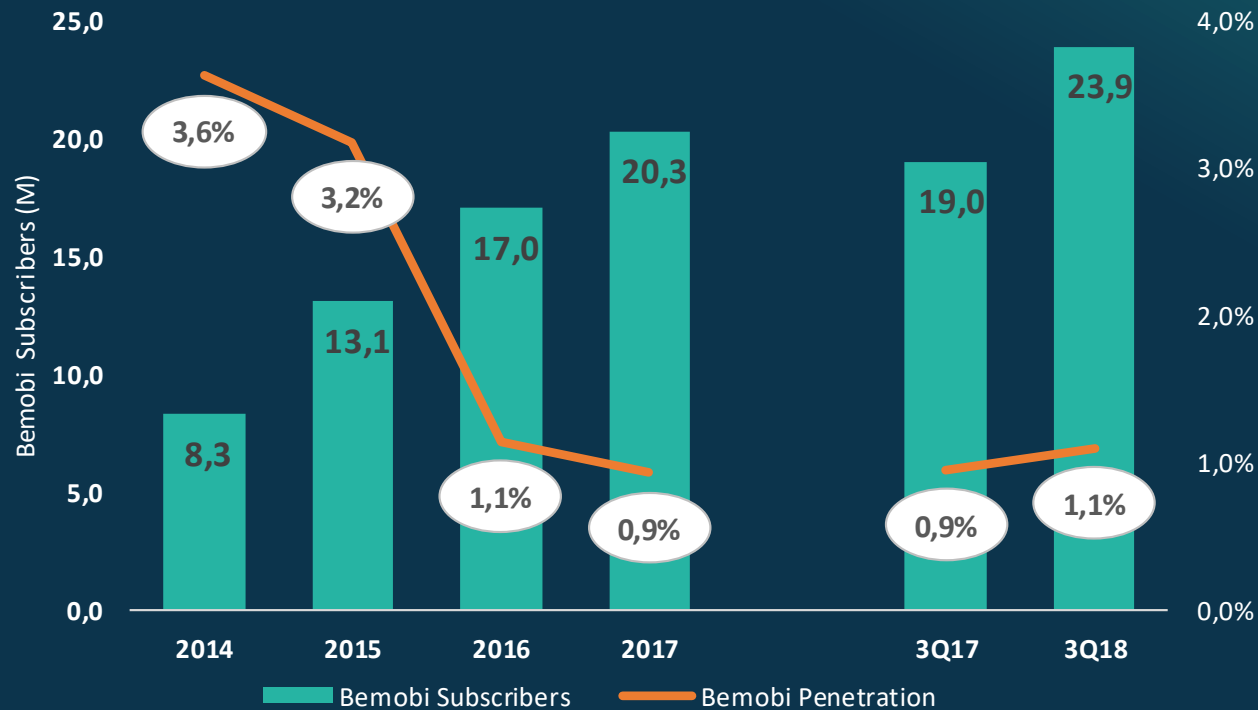
| | | | Δ (%) |
|-----------------|------|------|-------|
| Bemobi | 3Q18 | 3Q17 | Y-o-Y |
| Revenue (USD M) | 12,4 | 13,9 | -11% |
| EBITDA (USD M) | 5,2 | 6,8 | -23% |

| | | | Δ (%) |
|---------------------|------|------|-------|
| Bemobi - Ex-FX Rate | 3Q18 | 3Q17 | Y-o-Y |
| Revenue (USD M) | 14,8 | 13,9 | 7% |
| EBITDA (USD M) | 6,5 | 6,8 | -4% |

FX Rate impact YoY (3Q18 vs. 3Q17)

- INTL basket: -6,2%
- BRL average FX Rate: 3Q18 (\$ 3,9463) vs. 3Q17 (\$ 3,1638) = -24,7%

Bemobi – solid subscriber growth while still at a low service penetration



- 26% YoY subscriber growth
- Service penetration on served addressable market grew from 0.9% to 1.1%.
- 65 operators live with 4* additional since last quarter
 - 21 operators in Latam
 - 13 operators in South Asia
 - 16 operators in South-East Asia
 - 9 operators in CIS
 - 6 operators in Africa
- Plan is to launch 7 more in Q4 2018

Service Penetration over current addressable market —

Bemobi - Overall channel mix improving

Co-owned Channels

NDNC

- 10 portals live in Bemobi outside of Latam:
 - Idea India (POC) (Q1)
 - Vodafone India (Q1)
 - Telenor Pakistan (Q2)
 - Tele2 Russia (Q3)
- 10 more planned for the next 2 quarters

New NC IVR

- Win in Claro Brazil – rollout phase
- Strong pipeline in Brazil and international markets
- Long sales cycle, but very large potential for next couple of years i.e. 2-3x times the distribution capacity as NCND portals

International markets gross adds Q3 17 vs Q3 18

| CHANNEL | FROM | TO | Comments |
|---------------------------|------|-----|--|
| Opera Mini | 59% | 25% | less dependency on one player |
| NCND Portals | 14% | 27% | Strategic: predictable and no incremental cost |
| Digital acquisition (CPA) | 10% | 38% | Through many different regional and local add networks |

Bemobi – other updates

- New integrated organization announced in September
- Integrated financials and accounting principles
- New key hires: products Director and BI leader
- Evaluating and experimenting with new services areas and partnerships
- Important win in a new channel with significant potential
- FX impact could be partially reversed in Q4 18/Q1 19

Financial Review

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Otello Corporation 3Q18

| (USD million) | 3Q 2018 | 3Q 2017 | 2Q 2018 |
|--|---------------|----------------|---------------|
| Revenue | 64.9 | 106.5 | 72.2 |
| Publisher and revenue share cost | (38.4) | (65.1) | (42.6) |
| Payroll and related expenses | (14.0) | (19.8) | (15.8) |
| Stock-based compensation expenses | (0.2) | (1.6) | (0.1) |
| Depreciation and amortization expenses | (7.6) | (8.2) | (7.5) |
| Other operating expenses | (11.1) | (14.4) | (12.2) |
| Total operating expenses | (71.3) | (109.1) | (78.1) |
| Adjusted EBITDA* | 1.4 | 7.2 | 1.7 |
| Operating profit (loss), (EBIT), excluding restructuring and impairment expenses | (6.4) | (2.6) | (5.9) |
| Restructuring and impairment expenses | (1.8) | (1.1) | (1.6) |
| Operating profit (loss), (EBIT) | (8.2) | (3.7) | (7.5) |
| Net financial items | (2.5) | 1.1 | 5.3 |
| Provision for taxes | (0.6) | 2.2 | 0.0 |
| Profit (loss) | (11.2) | (0.4) | (2.1) |

Revenue down due to AdColony, Bemobi negatively impacted by FX

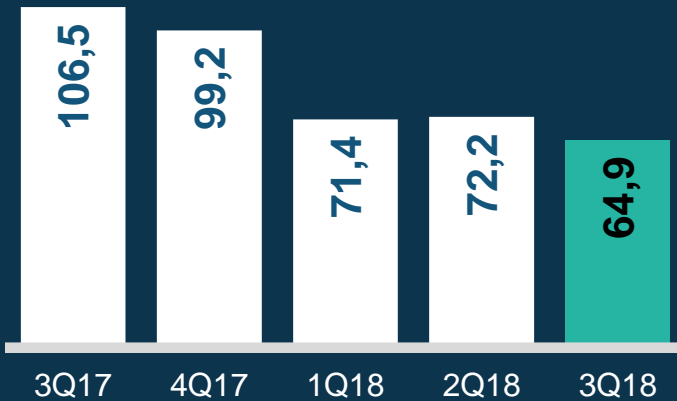
Cost program in AdColony ahead of target in 3Q18

Adjusted EBITDA virtually flat vs. 2Q18

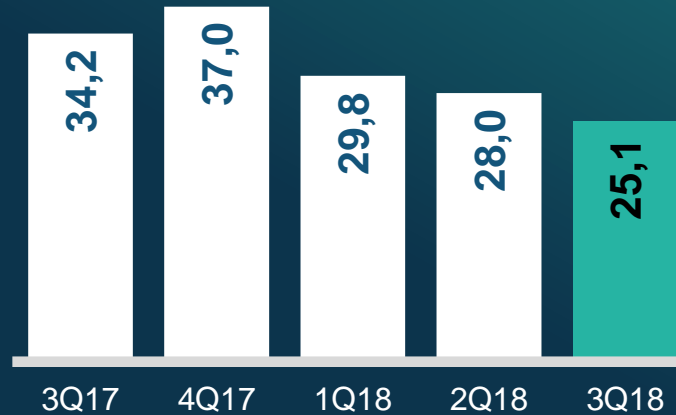
Negative Net financial items due to FX fluctuations

Otello Corporation 3Q18

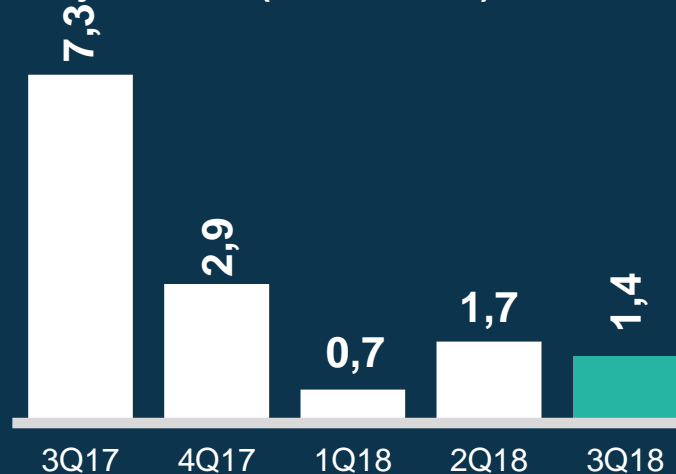
Revenue (USD million)



OPEX (USD million)



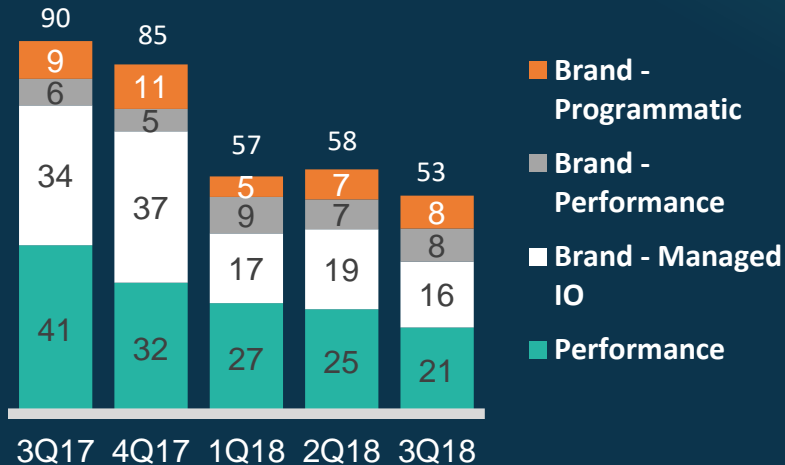
Adj. EBITDA (USD million)



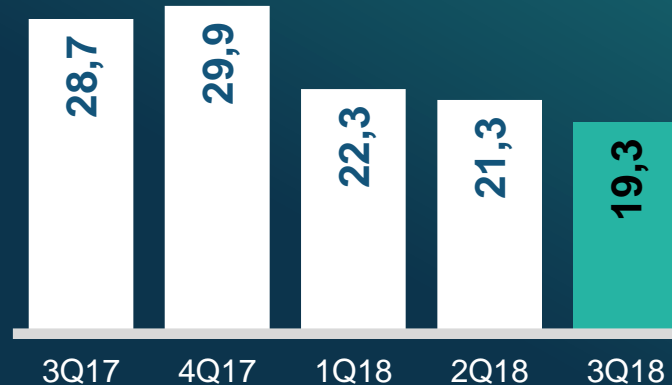
- Revenue down in 3Q18 vs 3Q17 due to AdColony, Bemobi impacted negatively by FX
- OPEX down YoY due to cost cuts in AdColony
- Adj. EBITDA down mainly due to AdColony, virtually flat vs 2Q18

AdColony

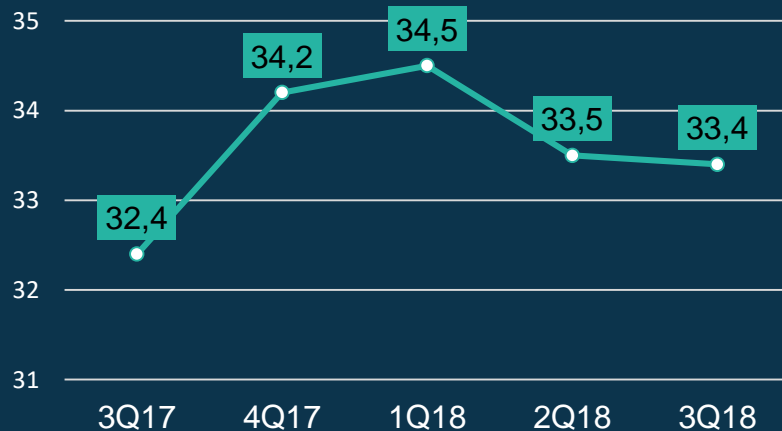
Revenue USD million)



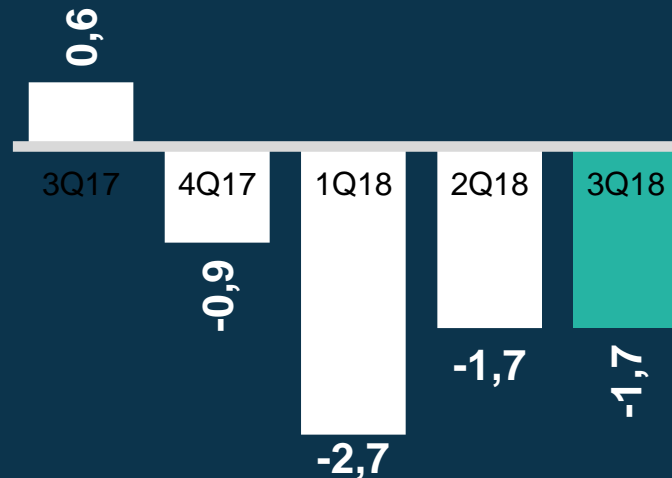
OPEX USD million)



Gross Margin %



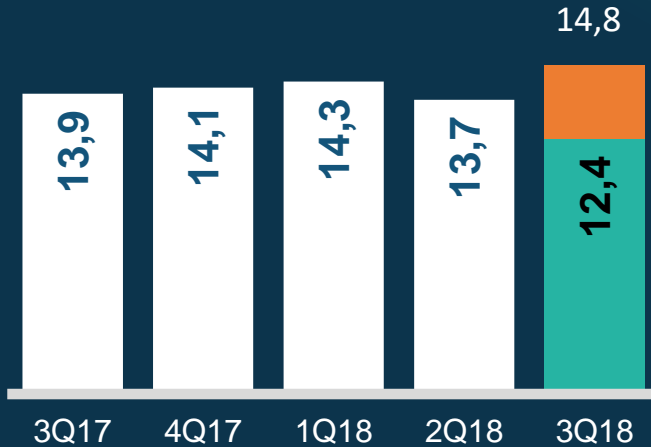
Adj. EBITDA (USD million)



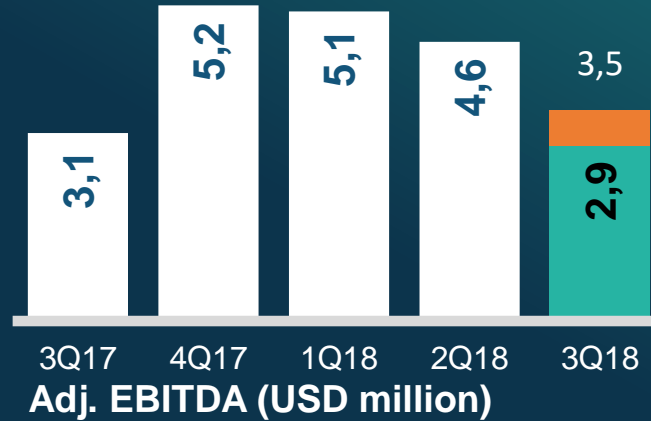
- Brand business stable and profitable
- Performance revenue impacted by margin recovery in 3Q18
- Very strong gross margin trend in 3Q18, well above 35% in September
- Further OPEX savings in 3Q18, now targeting \$70 million annualized run-rate

Bemobi – Consistent Gross Margins and EBITDA

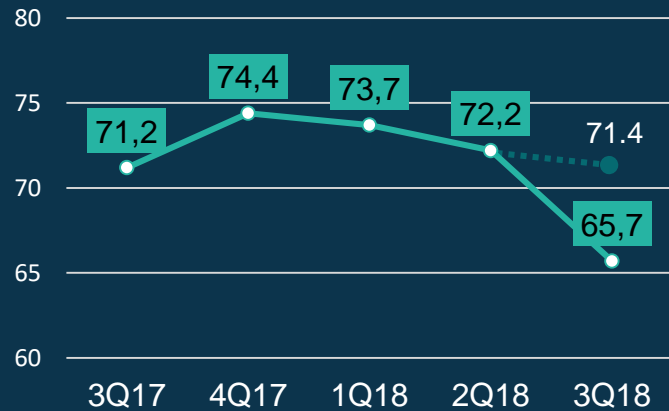
Revenue (USD million)



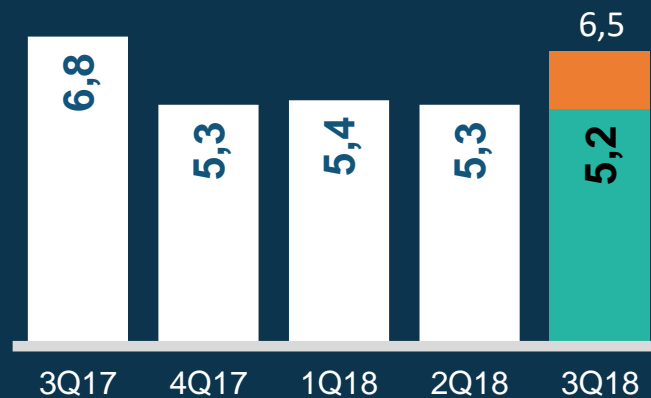
OPEX USD million)



Gross Margin %



Adj. EBITDA (USD million)

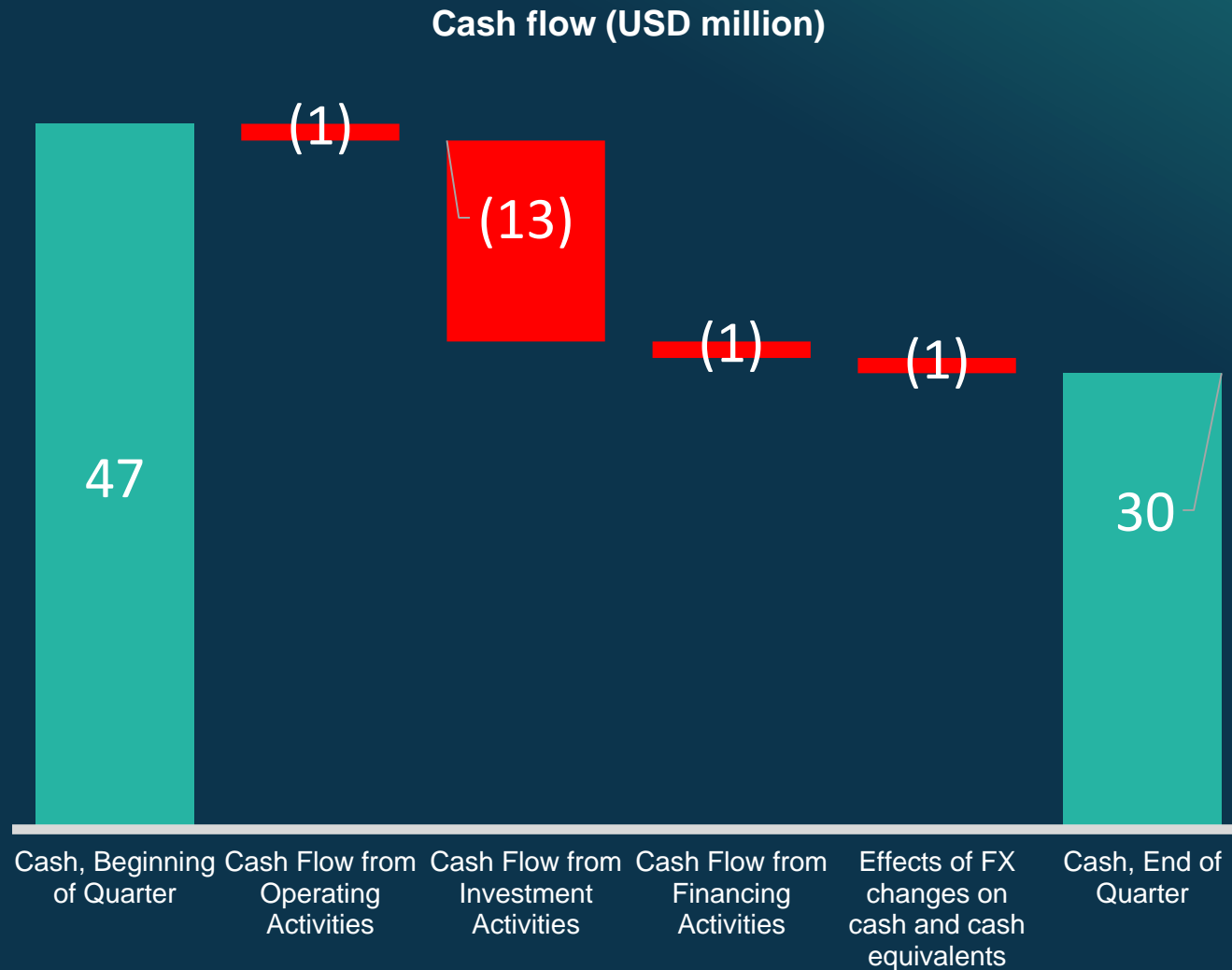


- 3Q18 results were impacted by FX (BRL vs USD)
- Solid and gross margins and EBITDA despite investments in international expansion
- YoY growth impacted by both FX as well as non-recurring material revenues in 3Q17

FX impact
3Q18 vs 3Q17

Note: 3Q18 and moving forward, the Gross Margin includes CPA (cost of user acquisition), since this is now recognized as publisher and revenue share cost (COGS), instead of Opex. COGS are increased and Opex is reduced by the same amount (\$0,5M).

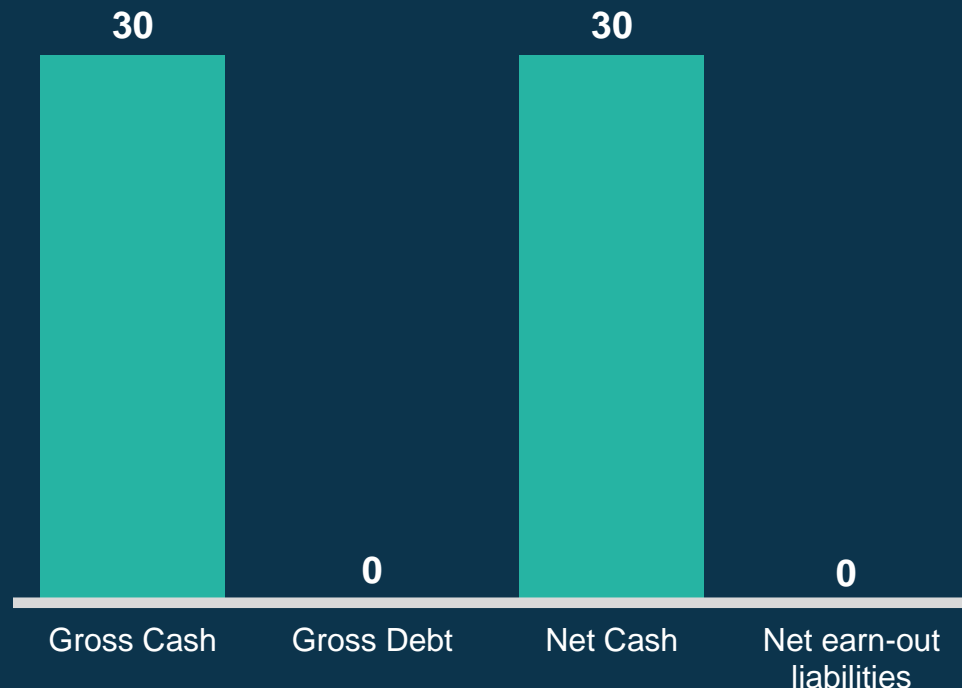
Cash flow



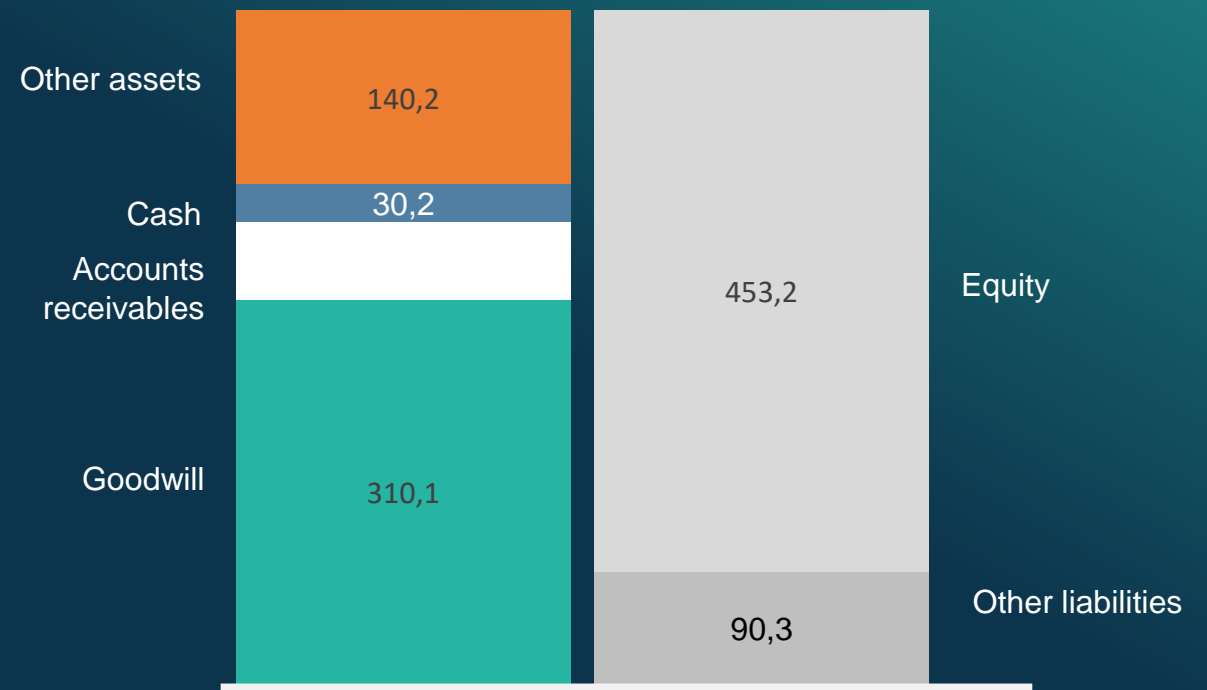
- Operating CF: USD (1.1) million
- Final Earn-out payment to BeMobi of USD 10.0 million
- CAPEX & Capitalized R&D: USD 3.2 million
- CF from financing: USD 1.1 million in share repurchases
- Cash end of quarter: USD 30 million

Financial position – Net cash position with no debt and no earn-outs

Financial Position (USD million)



Balance sheet USD million



Outlook for 4Q18

AdColony*

Revenue: Flat/Up

Gross Margins: Up

Opex: Down

Adjusted EBITDA: Up, and positive

BeMobi

2018 expected to show growth in revenue and Adj. EBITDA versus 2017 in local currency

FX volatility will impact 4Q18 vs 4Q17, however BRL is rebounding against the USD after presidential election

4Q18 expected to be a strong quarter with revenue and Adj. EBITDA above 3Q18

* Vs 3Q18

Q&A