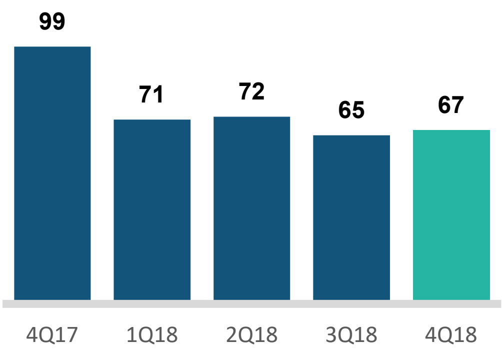
QUARTERLY REPORT

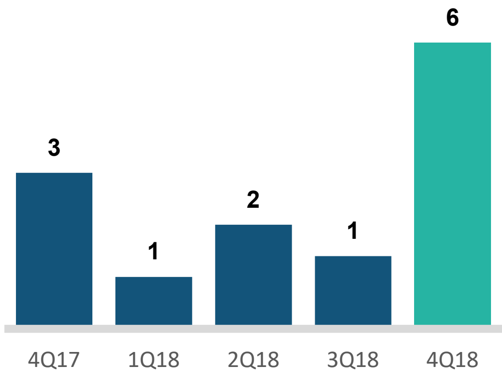
4Q 2018

OTELLO CORPORATION ASA

Revenue (USD million)



Adj. EBITDA (USD million)



HIGHLIGHTS

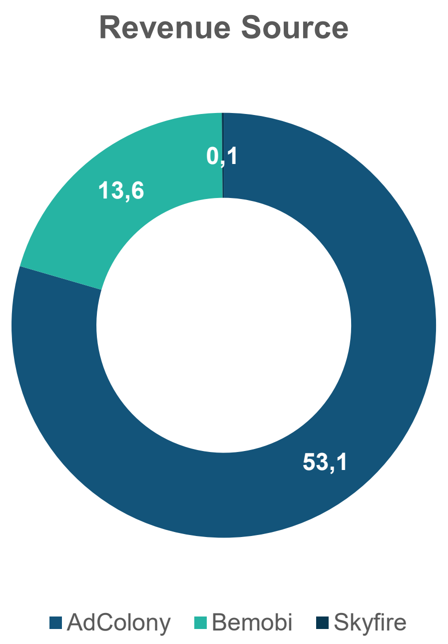
- Revenue was down YoY by 33 percent to USD 66.9 million (USD 99.2 million), due to decline in revenue from AdColony. Revenue was up slightly from 3Q18 with growth in both AdColony and Bemobi

- Adjusted EBITDA* of USD 5.5 million in 4Q18 up versus 4Q17 due to cost savings and strong margins

- Non-cash impairment expense of $93.3 million booked in the quarter, primarily related to AdColony

- Net income was USD (83.1) million in 4Q18 versus USD (30.5) million in 4Q17, negatively impacted by non-cash impairment in AdColony

- Operating cash flow was USD 3.1 million versus USD (0.5) million in 4Q17



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

Key figures (USD million)	4Q18	4Q17	YTD 2018	YTD 2017
Revenue*	**66.9**	**99.2**	**275.4**	**419.0**
AdColony (Mobile Advertising)	53.1	84.9	220.6	364.9
Bemobi (Apps & Games)	13.6	14.1	54.0	52.9
Skyfire (P&P)	0.1	0.3	0.5	2.6
Corporate	0.1	0.1	0.2	0.1
Adj. EBITDA	**5.5**	**2.9**	**9.4**	**13.5**
AdColony (Mobile Advertising)	1.1	(0.9)	(5.1)	(1.5)
Bemobi (Apps & Games)	5.9	5.3	21.8	22.7
Skyfire (P&P)	(0.2)	(0.4)	(1.2)	(2.2)
Corporate	(1.2)	(1.1)	(6.1)	(5.4)
EBIT	(97.4)	(12.8)	(118.0)	(46.1)
Net income	(83.1)	(30.5)	(92.7)	(66.9)
EPS (USD)	(0.60)	(0.22)	(0.66)	(0.46)

* Segment revenue includes intercompany transactions. In the report below, figures in brackets relate to the corresponding period in 2017. The figures are unaudited.

GROUP PERFORMANCE

To provide a better understanding of Otello's underlying performance, the following presentation of operating results excludes certain non-recurring and non-operational items from EBITDA, such as transaction costs, stock-based compensation, restructuring and impairment expenses, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis.

Development during the quarter

Revenue was down 33 percent in fourth quarter 2018 compared to the same period last year, driven in particular by a decline in AdColony. The decrease in revenue in AdColony is mainly due to slower product launches and ramp up of new products in addition to a focus around fewer and more profitable products and markets. Bemobi experienced continued underlying revenue growth in the quarter, but it was offset by currency headwind. A 3% reported revenue decrease would have been 11% revenue growth with unchanged FX rates. Both AdColony and Bemobi saw sequential revenue growth from 3Q18 to 4Q18.

Total operating expenses (including depreciation and stock-based compensation expenses but excluding restructuring and impairment expenses) were down 34 percent from the corresponding period last year, mainly due to lower publisher costs and payroll expenses, as well as lower depreciation and amortization expenses, particularly in AdColony.

Publisher and revenue share cost was USD 39.1 million in the quarter (USD 59.3 million), down 34 percent from the corresponding period last year because of lower revenue in AdColony.

Payroll and related expenses, excluding stock-based compensation expenses, were USD 12.7 million in the quarter, versus USD 19.3 million in 4Q17, down 35 percent from the corresponding period last year as a result of strict cost control and a reduction in overall headcount, primarily in AdColony.

Stock-based compensation expenses were USD 1.1 million in the quarter compared to USD 1.5 million in 4Q17.

Depreciation and amortization expenses were USD 7.8 million in the quarter (USD 9.3 million), down 16 percent from the corresponding period last year as intangible assets from prior acquisitions are gradually amortized.

Other operating expenses were USD 9.6 million in the quarter (USD 17.7 million), down 46 percent from the corresponding period last year, with overall cost control and more efficient delivery of backend ad serving for AdColony.

Otello has carried out impairment testing as of December 31, 2018, according to IAS 36. Based on the impairment testing, the Group has recognized an impairment loss of USD 93.3 million in 4Q18. The vast majority relates to goodwill and other intangible assets in AdColony. The write-down has no cash impact.

Adjusted EBITDA and EBITDA

Adjusted EBITDA

Adjusted EBITDA was USD 5.5 million in fourth quarter 2018, compared to USD 2.9 million in the corresponding period in 2017, with overall lower revenue more than offset by cost savings and strong margins. A net total of USD 1.9 million was excluded from adjusted EBITDA, related to restructuring expenses and stock-based compensation expenses.

EBITDA

EBITDA was USD 3.6 million in fourth quarter 2018, up from USD (3.5) million in the corresponding period in 2017.

Net financial items

Otello recognized a gain from net financial items in the quarter of USD 8.2 million, compared to a net loss of USD 0.4 million in the corresponding period last year. The gain is related to FX due to a stronger USD vs NOK.

Net income

Fourth quarter 2018 net income was USD (83.1) million compared to USD (30.5) million in the corresponding period last year. EPS and fully diluted EPS were USD (0.60) and USD (0.60), respectively, in fourth quarter 2018, compared to USD (0.22) and USD (0.22), respectively, in fourth quarter 2017.

Financial position and cash flow

Otello's net cash flow from operating activities was USD 3.1 million in fourth quarter 2018, compared to USD (0.5) million in fourth quarter 2017.

Cash flow from investment activities amounted to USD (2.5) million, vs USD 29.8 million from the corresponding quarter last year. USD 2.4 million of the USD 2.5 million relates to capitalized R&D costs.

Cash flow from financing activities amounted to USD (1.5) million all of which is related to repurchase of Otello shares.

Cash and cash equivalents at the end of the fourth quarter 2018 were USD 27.5 million compared to USD 86.0 million in the fourth quarter 2017. The majority of the reduction in cash is related to Otello settling all of its earn-out obligations. At the end of the fourth quarter 2018, Otello has no interest-bearing debt. Otello signed, in 2Q18, a 3-year revolving credit facility of USD 100 million, which is undrawn as of today's date.

The company's equity was USD 364.0 million at the end of the quarter, corresponding to an equity ratio of 79%.

Organization

At the end of fourth quarter 2018 Otello had 493 full-time employees and equivalents.

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

(USD million)	4Q18	4Q17	YTD 2018	YTD 2017
Revenue*	**53.1**	**84.9**	**220.6**	**364.9**
Performance	17.7	31.9	90.7	159.0
Brand-Managed IO	20.0	36.7	71.6	137.8
Brand-Performance	7.1	5.5	30.5	31.3
Brand-Programmatic	8.2	10.8	27.8	36.7
Gross Profit	**18.4**	**29.1**	**75.1**	**128.5**
Adj. EBITDA	1.1	(0.9)	(5.1)	(1.5)
EBITDA	0.7	(6.8)	(6.6)	(20.2)
EBIT	(99.3)	(14.9)	(125.5)	(48.6)

* Revenue and gross profit excludes intercompany transactions

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

Business Overview

AdColony is one of the largest mobile advertising platforms in the world with a reach of more than 1.5 billion users globally.

Known for its unparalleled 3rd party verified viewability rates, exclusive Instant-Play™ and Aurora™ HD video technologies, rich media formats, global performance advertising business and programmatic marketplace, and extensive SDK footprint in the Top 1000 apps worldwide, AdColony is passionate about helping brands connect with consumers at scale on the most important screen in their lives.

AdColony delivers highly interactive and engaging advertising experiences across all mobile formats with strength in video and full screen interactive rich media ads. The company has continued to push creative boundaries and be first to market with innovations to lead the mobile ad economy.

Financial Overview

Overall AdColony revenue for the quarter was USD 53.1 million, down by 38% compared to 4Q17. Prioritizing profitability in the Performance business reduced revenue somewhat towards the end of the quarter as gross margin ramped. Gross margin has edged up from 34.2% in 4Q17 to 34.7% in 4Q18 and ended the quarter above that level.

Adjusted EBITDA amounted to USD 1.1 million in the quarter, up from 4Q17 a testament to cost and margin focus paying off.

Gross margins in the Performance business increased QoQ from 20.8% to 23.3%. The Brand/Exchange business has been actively working to improve margins and Brand overall gross margins are now stable above 40%.

Considering the business model shifts that we have seen over the course of 2018, we have implemented a restructuring program which had full impact from 4Q18 targeting an annual Opex run-rate of around USD 70 million. This has been achieved.

Performance

AdColony was founded as a performance advertising company and this still forms the core of AdColony's business. We use the term to refer to gaming app install marketers running ads to get more installs for their gaming apps. AdColony also has a successful "brand performance" business for apps like Starbucks, Target, to promote non-gaming app installs. However, that business rolls up to the global brand organization rather than performance due to the nature of clients.

Revenue is still volatile in the Performance business and a greater focus on cost and margin has been implemented to ensure profitability with a lower revenue base. Following our reorganization at the end of 3Q18, and new leadership in the organization in 2Q18, there was also a restructuring of deals with our clients and publishers to bring the margins back to healthy and sustainable levels.

Continuing on from the third quarter of the year, our central operational hub in Istanbul maintained its adoption of "behind the scenes" roles within the global performance business. Costs across the performance business were aligned with this new scale of the business, with a keen eye on maintaining and maximizing gross margins.

Brand/Exchange

What we call "brand advertisers" are the companies and ads most laypersons think of when they think of digital ads. Trailers for the latest LEGO movie, ads for the newest Toyota, or even the newest console video game all find their target audience on mobile. AdColony also has a healthy brand relationship with major retail shopping and restaurants, either as managed campaigns or programmatically.

Overall Brand business was solid in 4Q18 vs 3Q18 with Managed IO up nearly 30% in the strongest quarter of the year. In particular, we saw strength in our EMEA and LATAM business

The addition of official VPAID support for video inventory across the AdColony network, makes AdColony the only network partner that can support blocking tags in an app environment. We also upgraded our support for OpenRTB 2.5 which includes loss notification to ensure AdColony is supporting the latest programmatic advertising standards, which facilitates transactions across the marketplace.

Our Moat, IAS, and DoubleVerify integrations brought live in 3Q18 contributed to a win with Facebook taking advantage of AdColony's direct and programmatic flexibility to spend over $300K in December 2018 alone, with a high point of $20K on December 20th. The GlenLevet campaign is also emblematic of programmatic innovation at AdColony, with our first ever Aurora™ HD Video campaign delivered programmatically in 4Q18.

Publishing & SDK
AdColony's publishing team handles the promotion of AdColony's SDK. A Software Development Kit (SDK) is a package of tools app developers use to perform a task; in the case of AdColony, to show ads to a user. AdColony's first-party SDK inventory offers access to audiences and optimizations no other platform can offer.

The publishing team is the first-party revenue enabler for AdColony. By encouraging developers to integrate AdColony's SDK, they provide the premium inventory that advertisers are looking for. Using key third-party data partnerships, we are able to leverage our historical SDK data to deliver better results for our advertisers, including across programmatic campaigns.

At the end of 4Q18, 3.x penetration within AdColony's ad network reached 93 percent, with the most recent unified version 3.3.6 at 10 percent already. The more publishers integrate the latest AdColony SDK, the greater inventory is available to advertisers looking for advertisers.

Product update

In order to maximize efficiencies and realize the goal of becoming open and standardized, Product and Technology (engineering) teams were consolidated into a single Product & Technology team under CTO Andrzej Dzius, reducing headcount expenses costs by approximately 40%.

Under consolidated leadership, the Product & Tech team defined a goal to become an "Open & Standardized" platform where any demand can be delivered into any supply, reducing the reliance on proprietary formats and technologies.

In 4Q18, our product and engineering teams made great strides in moving away from proprietary formats and continued to shift to a more open and accessible platform for Demand Side Platform (DSP), Supply Side Platform (SSP), and Programmatic partners. This included adding playables as a standard ad type that is supported in our network, both our internally developed Aurora™ HD Playables units and support for 3rd party playables like our partners at CrossInstall. Most notable on the brand side is to officially add support for VPAID (the IAB's leading video ad technology).

In addition to SDK updates, full support for MRAID and VPAID standards and broad support for open and transparent formats that will bring AdColony more success in programmatic and direct relationships, much of the work done by the product team in 2019 was about unifying toolsets.

By unifying our toolsets, greater cooperation and shared knowledge have increased our agility in running effective campaigns for clients of all kinds. Additionally, making improvements to our Composer tool have allowed our Creative Group more control and more flexible options, greatly improving campaign asset delivery, up by 28% at the end of Q4 compared to the start of 2018.

Bemobi (Apps & Games)

(USD million)	4Q18	4Q17	YTD 2018	YTD 2017
Revenue*	**13.6**	14.1	**54.0**	52.9
Gross Profit	**9.3**	10.5	**38.5**	38.2
Adj. EBITDA	**5.9**	5.3	**21.8**	22.7
EBITDA	**5.3**	5.3	**21.2**	22.6
EBIT	**4.4**	4.3	**17.4**	14.2

* Revenue and gross profit excludes intercompany transactions

Business Overview

The cornerstone of Otello's Bemobi offering is Apps Club, a leading subscription-based discovery service for mobile apps in Latin America and beyond. Apps Club offers a unique, "Netflix-style" subscription service for premium Android apps. Working with mobile operators, Bemobi's proprietary app-wrapping technology allows smartphone users access to unlimited use of premium mobile apps for a small daily, weekly or monthly fee. Users pay for this service through their mobile operator billing systems, making the service highly effective in emerging markets, where credit-card and debit-card penetration is low.

In 2018, Bemobi has consolidated its leading position in the subscription-based premium application distribution space within Brazil and across LATAM, while expanding into key markets in other parts of the world.

Bemobi is a so-called B2B2C company.
Instead of selling directly to a consumer, so-called traditional B2C, Bemobi typically partners with large companies, mostly mobile carriers or in some cases smartphone OEMs. Through partnerships with these companies, Bemobi can offer its service to the consumers. Bemobi ended 4Q18 with 61 operators of which 40 are outside LATAM (part of its international rollout), making it possible to offer subscription-based services providing access to apps and games to over 2.4 billion consumers.

Financial Overview

Revenue decreased by 3% percent YoY to USD 13.6 million because of the negative FX impact of the BRL depreciating in value vs the USD. FX neutral revenue would have been USD 15.6 million, up by 11% YoY with solid growth also from LATAM. Of the revenue in 4Q18, 74% percent came from LATAM while 26% came from international markets.

From 2H18 onwards Bemobi management decided, for the sake of transparency, to recognize investment in user acquisition as Publisher and revenue share cost, instead of an operating expense, as has previously been the case. The impact of this change is a decrease in operating expenses by the same amount as the increase in Publisher and revenue share cost. Hence the gross margin will be lower, but with no impact on EBITDA. 4Q18 gross margin for Bemobi was 68%, compared to 73% using the previous accounting classification, which is virtually the same as in 4Q17.

Subscriber growth has been very strong in the past year, with LATAM subscribers up from 15.6 million in 4Q17 to 20.2 million in 4Q18 (+29%). International subscribers also rose from 4.7 million in 4Q17 to 6.2 million in 4Q18.

Revenue from LATAM was USD 10.1 million in 4Q18, with a 7% fall in comparison to 4Q17. With like for like FX rates, revenue would have been USD 11.9 million yielding 10% YoY growth.

International revenue was USD 3.5 million in 4Q18 compared to USD 3.3 million in 4Q17, up roughly 6%. The FX rates also have impact on the International figures. With unchanged FX rates, international revenue would be USD 3.8 million, up 15% compared to 4Q17.

Adjusted EBITDA was up from USD 5.3 million in 4Q17 to USD 5.9 million in 4Q18 an increase of 11%, despite negative FX impact. Adjusted EBITDA would have been up by 29% to USD 6.9 million with like for like FX rates in 4Q18 as 4Q17.

We continue to run third party paid advertising on our NDNC portal in Ncell in Nepal and are considering extending paid advertising on other NDNC portals in Asia. This will potentially offer a new revenue source based on the same model as in Brazil.

Product update

In 2017, Bemobi started to bundle some of its key services as an integral part of core telecom data and voice packages in Brazil, sold by some of the main carriers in the country. This new distribution model represents an alternative incremental revenue line that helped to drive growth and diversify the revenue mix in the country during 2018.

In International markets, we have started rolling out Kids Club products, having launched 5 new Kids Club in Q4, in South Asia, South Eastern Asia and CIS this quarter. 9 Kids Clubs in total have now been launched, and we will proceed with launches in other International markets. Further, in 4Q18 we have launched the 2 first Health Clubs in Belarus and Ukraine.

During 2018 Otello and Bemobi have been exploring opportunities to maximize the value of its Bemobi business. Otello and Bemobi have had informal discussions with several stakeholders, and during the fourth quarter of 2018 Bemobi met with a limited number of investors for the purpose of considering whether an IPO or demerger of Bemobi could represent realistic and value enhancing opportunities. Feedback from investor meetings has been positive and supportive of a potential IPO/demerger. Based on the positive feedback we have initiated a process with the intention to pursue a listing in the UK during 2H 2019.

However, the timing and completion of any listing is subject to market conditions and further investor feedback, and no assurances can be given that a listing will be achieved. Shareholders and prospective investors should note that there are no resolutions on the board level of Otello to conclude any transactions and the board of Otello will carefully review all opportunities with respect to Bemobi and its other portfolio companies.

Skyfire (Performance)

(USD million)	4Q18	4Q17	YTD 2018	YTD 2017
Revenue*	**0.1**	0.3	**0.5**	2.6
Gross Profit	**0.0**	0.5	**0.5**	2.7
Adj. EBITDA	**(0.2)**	(0.4)	**(1.2)**	(2.2)
EBITDA	**(0.3)**	(0.6)	**(1.4)**	(3.0)
EBIT	**(0.3)**	(0.6)	**(1.4)**	(3.0)

* Revenue and gross profit excludes intercompany transactions

Financial Overview

Revenue was USD 0.1 million in 4Q18 compared to USD 0.3 million in 4Q17, with Adj. EBITDA down from USD (0.2) million to USD (0.4) million. The Skyfire organization and cost base is significantly smaller compared to last year and the nature of the business makes revenues lumpy in nature.

From 2019, Skyfire (RocketColony) will not be reported as a separate segment but rolled into the Corporate function of Otello due to its size.

OUTLOOK

Otello remains positive about the Group’s overall growth prospects, with the following perspective on the Group as a whole:

AdColony operates in a global advertising industry which continues to experience a macro shift in advertising spend from traditional channels to digital online channels. AdColony is well positioned to take advantage of the macro trends and become the highest quality mobile advertising platform in the world. Otello expects AdColony to be adj. EBITDA profitable in 2019. Overall, longer term growth will be driven by our move to more automated delivery of ads and new technology and standardization which enables additional ad formats and provides the possibility to tap into new markets.

Bemobi operates in a rapid growing market of app subscriptions. It takes advantage of the increased use of mobile phones in emerging markets and the low penetration of credit cards. Otello expects to see revenue and adj. EBITDA growth, in Bemobi in 2019 versus 2018, as Bemobi continues to take the success in Brazil to a global arena.

From 2019, Skyfire (RocketColony) will not be reported as a separate segment but rolled into the Corporate function of Otello due to its size.

Otello’s strategic focus is to develop unique and relevant products, and scalable business models which combined should generate revenue growth and margin expansion.

Oslo, February 27, 2019
The Board of Directors
Otello Corporation ASA

Audun Iversen Chairman (sign.)	Lars Boilesen CEO (sign.)

This report and the description of Otello's business and financials should be read in conjunction with the presentation given by the Company of its quarterly numbers, a webcast of which can be found at www.otellocorp.com

Key financial figures

Continuing operations (USD million, except earnings per share)	4Q 2018 (Unaudited)	4Q 2017 Restated (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 Restated (Audited)
Revenue	**66.9**	99.2	**275.4**	419.0
Gross profit	**27.8**	39.9	**114.4**	169.5
Net income [1]	**(83.1)**	(30.5)	**(92.7)**	(66.9)
Adjusted EBITDA [2]	**5.5**	2.9	**9.4**	13.5
EBITDA	**3.6**	(3.5)	**5.5**	(8.6)
Normalized EBIT [3]	**(0.3)**	(4.5)	**(7.9)**	(11.1)
EBIT	**(97.4)**	(12.8)	**(118.0)**	(46.1)
EPS (USD)	**(0.60)**	(0.22)	**(0.66)**	(0.46)
EPS, fully diluted (USD)	**(0.60)**	(0.22)	**(0.66)**	(0.46)
Cash flow from operating activities	**3.1**	0.1	**(0.2)**	6.7
Cash flow from investment activities	**(2.5)**	(3.8)	**(48.6)**	(49.2)
Cash flow from financing activities	**(1.5)**	(103.9)	**(5.7)**	(127.7)

Segment information Revenue (USD million)	4Q 2018 (Unaudited)	4Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
AdColony (Mobile Advertising)	**53.1**	84.9	**220.6**	364.9
Bemobi (Apps & Games)	**13.6**	14.1	**54.0**	52.9
Skyfire (Performance & Privacy)	**0.1**	0.3	**0.5**	2.6
Corporate	**0.1**	0.1	**0.2**	0.1
Eliminations	**0.0**	(0.1)	**0.0**	(0.3)
Total Continued Operations [4]	**66.9**	99.3	**275.4**	420.2

Segment information Adjusted EBITDA [1] (USD million)	4Q 2018 (Unaudited)	4Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
AdColony (Mobile Advertising)	**1.1**	(0.9)	**(5.1)**	(1.5)
Bemobi (Apps & Games)	**5.9**	5.3	**21.8**	22.7
Skyfire (Performance & Privacy)	**(0.2)**	(0.4)	**(1.2)**	(2.2)
Corporate	**(1.2)**	(1.1)	**(6.1)**	(5.4)
Eliminations	**(0.0)**	(0.0)	**(0.0)**	(0.0)
Total Continued Operations (with ICP) [4]	**5.5**	2.9	**9.4**	13.5
Eliminations	**0.0**	0.0	**0.0**	0.0
Total Continued Operations (net of ICP)	**5.5**	2.9	**9.4**	13.5

[1] *Net Income corresponds to Profit (loss) in the Consolidated statement of comprehensive income*
[2] *excluding restructuring and impairment, and stock-based compensation expenses*
[3] *excluding restructuring and impairment expenses, and amortization of acquired intangible assets*
[4] *including intercompany postings (ICP) against discontinued operations.*
See note 9 for further explanation of alternative performance measures (APM)

Interim condensed financial statements

Consolidated statement of comprehensive income

(USD million, except earnings per share)	Note	4Q 2018 (Unaudited)	4Q 2017 Restated (Unaudited)	% change	YTD 2018 (Unaudited)	YTD 2017 Restated (Audited)	% change
Continuing operations							
Revenue	3, 5, 11	**66.9**	99.2	-33 %	**275.4**	419.0	-34 %
Total operating revenue		**66.9**	99.2	-33 %	**275.4**	419.0	-34 %
Publisher and revenue share cost	3, 5, 11	**(39.1)**	(59.3)	-34 %	**(161.0)**	(249.6)	-35 %
Payroll and related expenses	3, 5, 11	**(12.7)**	(19.3)	-35 %	**(57.7)**	(91.2)	-37 %
Stock-based compensation expenses	3, 5, 11	**(1.1)**	(1.5)	-25 %	**0.2**	(7.8)	-102 %
Depreciation and amortization expenses	3, 5, 11	**(7.8)**	(9.3)	-16 %	**(30.2)**	(37.5)	-19 %
Other operating expenses	3, 5, 11	**(9.6)**	(17.7)	-46 %	**(47.4)**	(64.8)	-27 %
Total operating expenses		**(70.3)**	(107.1)	-34 %	**(296.1)**	(450.9)	-34 %
Operating profit (loss), (EBIT), excluding restructuring and impairment expenses		**(3.4)**	(7.9)		**(20.7)**	(31.8)	
Restructuring and impairment expenses	13, 14	**(94.0)**	(4.9)		**(97.4)**	(14.2)	
Operating profit (loss), (EBIT)		**(97.4)**	(12.8)		**(118.0)**	(46.1)	
Net financial items	6	**8.2**	(0.4)		**0.9**	(16.8)	
Profit (loss) before income tax		**(89.3)**	(13.2)		**(117.2)**	(62.9)	
Provision for taxes [1)]		**6.2**	(17.3)		**24.5**	(4.0)	
Profit (loss)		**(83.1)**	(30.5)		**(92.7)**	(66.9)	
Discontinuing operations							
Profit (loss) from discontinuing operations, net of tax	10	-	30.9		-	30.7	
Profit (loss) from discontinuing operations		-	30.9		-	30.7	
Items that may or will be transferred to profit (loss)							
Foreign currency translation differences		**(18.8)**	(5.4)		**(21.0)**	12.2	
Discontinuing operations - reclassified to profit (loss)		-	0.1		-	(0.2)	
Total comprehensive income (loss)		**(101.9)**	(5.0)		**(113.7)**	(24.2)	
Earnings (loss) per share:							
Basic earnings (loss) per share (USD)		**(0.60)**	0.00		**(0.66)**	(0.25)	
Diluted earnings (loss) per share (USD)		**(0.60)**	0.00		**(0.66)**	(0.25)	
Shares used in earnings per share calculation		**139 412 451**	141 955 422		**140 088 891**	144 484 637	
Shares used in earnings per share calculation, fully diluted		**139 412 451**	141 955 422		**140 088 891**	144 484 637	
Earnings per share (continuing operations):							
Basic earnings (loss) per share (USD)		**(0.60)**	(0.22)		**(0.66)**	(0.46)	
Diluted earnings (loss) per share (USD)		**(0.60)**	(0.22)		**(0.66)**	(0.46)	
Shares used in earnings per share calculation		**139 412 451**	141 955 422		**140 088 891**	144 484 637	
Shares used in earnings per share calculation, fully diluted		**139 412 451**	141 955 422		**140 088 891**	144 484 637	

[1)] *The quarterly and YTD provision for taxes is based on an estimated tax rate for the Group.*

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Consolidated statement of financial position

(USD million)	Note	12/31/2018 (Unaudited)	12/31/2017 (Audited)
Assets			
Deferred tax assets		**40.5**	16.4
Goodwill	14	**232.4**	322.6
Intangible assets	14	**28.3**	59.6
Property, plant and equipment		**8.0**	11.4
Other investments	12	**14.4**	14.4
Other non-current assets		**0.6**	0.8
Total non-current assets		**324.3**	425.2
Inventories		-	-
Accounts receivable	8	**67.1**	111.4
Other receivables	8	**36.6**	13.9
Cash and cash equivalents	7	**27.5**	86.0
Total current assets		**131.2**	211.4
Total assets		**455.5**	636.6

(USD million)	Note	12/31/2018 (Unaudited)	12/31/2017 (Audited)
Shareholders' equity and liabilities			
Equity attributable to owners of the company		**362.7**	468.0
Non-controlling interests	4	**1.2**	-
Total equity		**364.0**	468.0
Liabilities			
Deferred tax liability		**0.1**	5.8
Loans and borrowings	7	-	-
Other non-current liabilities		**2.1**	4.5
Provisions	4	-	28.5
Total non-current liabilities		**2.1**	38.8
Loans and borrowings	7	-	0.1
Accounts payable		**23.4**	35.3
Taxes payable		**1.4**	(3.8)
Public duties payable		**1.8**	2.6
Deferred revenue		**2.1**	5.0
Stock-based compensation liabilities		**0.0**	0.0
Other current liabilities		**39.5**	65.2
Provisions	4	**21.3**	25.4
Total current liabilities		**89.4**	129.8
Total liabilities		**91.5**	168.6
Total equity and liabilities		**455.5**	636.6

Consolidated statement of cash flows

(USD million)	Note	4Q 2018 (Unaudited)	4Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Audited)
Cash flow from operating activities					
Profit (loss) before taxes		**(89.3)**	17.7	**(117.2)**	(32.3)
Income taxes paid		**(0.3)**	(6.4)	**(5.4)**	(10.2)
Depreciation and amortization expense		**7.8**	9.5	**30.2**	38.7
Net (gain) loss from disposals of PP&E, and intangible assets		**-**	0.5	**(0.0)**	0.5
Net (gain) loss from sale of discontinued operations, net of tax		**0.0**	(36.4)	**0.0**	(36.4)
Impairment losses on intangible assets and goodwill		**93.3**	-	**93.3**	-
Changes in inventories, trade receivables, trade and other payables		**(2.9)**	8.6	**17.1**	33.2
Other net finance items		**0.5**	-	**0.5**	-
Changes in other operating working capital		**(0.2)**	4.4	**(17.7)**	(2.6)
Share of net income (loss) and net (gain) loss from disposal of associated companies	6	**(0.2)**	(0.1)	**0.0**	(0.3)
Share-based remuneration		**1.1**	(4.0)	**(0.2)**	2.0
Earnout cost and cost for other contingent payments	4	**0.0**	(0.0)	**1.9**	5.2
Net (gain) loss from disposals of subsidiaries and other share investments		**4.4**	0.0	**(0.0)**	0.0
Dividends received from associated companies		**(0.0)**	-	**0.0**	-
FX differences related to changes in balance sheet items		**(11.2)**	5.8	**(2.7)**	10.2
Net cash flow from operating activities		**3.1**	(0.5)	**(0.2)**	7.9
- of which included in continuing operations		*3.1*	*0.1*	*(0.2)*	*6.7*
- of which included in discontinuing operations		*-*	*(0.6)*	*-*	*1.2*
Cash flow from investment activities					
Proceeds from sale of property, plant, and equipment (PP&E) and intangible assets		**-**	0.0	**0.0**	0.0
Purchases of property, plant and equipment (PP&E) and intangible assets		**(0.1)**	(0.1)	**(0.6)**	(10.3)
Capitalized R&D costs		**(2.4)**	(3.4)	**(11.5)**	(15.0)
Proceeds from repayment of loans given		**-**	-	**-**	3.5
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed	10	**-**	33.8	**-**	33.8
Purchases of subsidiaries and associated companies, net of cash acquired [1)]	4	**(0.0)**	(0.5)	**(36.5)**	(29.0)
Net cash flow from investment activities		**(2.5)**	29.8	**(48.6)**	(17.1)
- of which included in continuing operations		*(2.5)*	*(3.8)*	*(48.6)*	*(49.2)*
- of which included in discontinuing operations		*-*	*33.5*	*-*	*32.1*
Cash flow from financing activities					
Proceeds from exercise of treasury shares (incentive program)		**0.0**	0.0	**0.0**	0.0
Purchase of treasury shares		**(1.5)**	(3.9)	**(5.5)**	(27.5)
Proceeds from issuance of shares, net (equity increase)		**(0.0)**	(0.0)	**(0.1)**	0.0
Repayments of loans and borrowings	7	**-**	(100.0)	**(0.1)**	(100.3)
Dividends paid to equity holders of Opera Software ASA		**-**	0.0	**-**	(0.0)
Net cash flow from financing activities		**(1.5)**	(103.9)	**(5.7)**	(127.7)
- of which included in continuing operations		*(1.5)*	*(103.9)*	*(5.7)*	*(127.7)*
- of which included in discontinuing operations		*-*	*-0.0*	*-*	*(0.0)*
Net change in cash and cash equivalents		**(0.9)**	(74.6)	**(54.5)**	(136.9)
Cash and cash equivalents (beginning of period) [2)]		**30.2**	161.7	**86.0**	219.5
Effects of exchange rate changes on cash and cash equivalents		**(1.8)**	(1.1)	**(4.1)**	3.4
Cash and cash equivalents [2)]		**27.5**	86.0	**27.5**	86.0
- of which included in cash and cash equivalents in the balance sheet		**27.5**	86.0	**27.5**	86.0
- of which included in the assets of the disposal group (assets held for sale)		**-**	-	**-**	-

[1)] In Q4 2018, $0.0 (YTD: 0.0) million is related to initial payments for the purchase of subsidiaries, and $0.0 (YTD: 36.5) million is related to earnout payments with cash effect. See note 4 for further information regarding earnout payments.
In Q4 2017, $0.0 (YTD: 0.0) million was related to initial payments for the purchase of subsidiaries, and $0.5 (YTD: $29.0) million was related to earnout payments with cash effect.
[2)] Of which $1.3 million (12/31/2017: $1.7 million) is restricted cash and cash equivalents as of December 31, 2018.

Reconciliation of profit (loss) before taxes	4Q 2018	4Q 2017	YTD 2018	YTD 2017
Profit (loss) before income taxes	**(89.3)**	(13.2)	**(117.2)**	(62.9)
Profit (loss) from discontinuing operations, net of tax	**-**	30.9	**-**	30.7
Provision for taxes, discontinued operations	**-**	0.0	**-**	(0.1)
Profit (loss) before taxes, as presented in the statement of cash flows above	**(89.3)**	17.7	**(117.2)**	(32.3)

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Consolidated statement of changes in equity

(USD million) (Unaudited)	Number of shares	Paid-in capital	Other reserves	Reserve for own shares	Trans-lation reserve	Other equity	Non-controlling interests	Total equity
Equity as of 12/31/2017	**141.0**	**348.5**	**51.0**	**(62.1)**	**9.5**	**121.1**	**0.0**	**468.0**
Comprehensive income (loss)								
Profit (loss)		-	-	-	-	(93.4)	0.8	(92.7)
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	(19.8)	-	(1.2)	(21.0)
Total comprehensive income (loss)		**-**	**-**	**-**	**(19.8)**	**(93.4)**	**(0.4)**	**(113.7)**
Contributions by and distributions to owners								
Dividends		-	-	-	-	-	-	-
Issuance of ordinary shares related to business combinations		-	-	-	-	-	-	-
Issuance of ordinary shares related to incentive program		-	-	-	-	-	-	-
Issuance of ordinary shares related to equity increase		0.0	-	-	-	-	-	0.0
Capital decrease		(0.0)	-	0.0	-	-	-	0.0
Treasury shares purchased	**(2.5)**	(0.0)	-	(5.5)	-	-	-	(5.5)
Treasury shares sold	**0.2**	0.0	-	0.0	-	-	-	0.0
Tax deduction on equity issuance costs		(0.2)	-	-	-	-	-	(0.2)
Share-based payment transactions		0.0	0.5	-	-	-	-	0.5
Total contributions by and distributions to owners	**(2.3)**	**(0.2)**	**0.5**	**(5.5)**	**-**	**-**	**-**	**(5.2)**
Other equity changes								
Divestment of a subsidiary [*)]		0.0	0.0	-	-	13.3	1.7	14.9
Other changes		(0.1)	0.0	-	-	0.0	0.0	(0.1)
Total other equity changes		**-0.06**	**0.0**	**-**	**-**	**13.3**	**1.7**	**14.9**
Equity as of 12/31/2018	**138.7**	**348.2**	**51.6**	**(67.6)**	**(10.3)**	**40.9**	**1.2**	**364.0**

[*)] On May 29, 2018, Otello Corporation ASA divested 11.2% of the shares in Bemobi Holding AS. Please see note 4 for further information.

During 4Q 2018, Otello purchased 1,069,000 (YTD: 2,495,745) treasury shares for $1.5 million (YTD: $5.6 million), and sold 0 (YTD: 203,745) treasury shares for $0.0 million (YTD: 0.0 million). As of December 31, 2018, Otello owned 1,754,000 treasury shares.

At the Annual General Meeting on June 5, 2018, it was resolved to reduce the Company's share capital by NOK 180,000 from NOK 2,989,548.58 to NOK 2,809,548.58. The amount of NOK 180,000 have been used for retirement of treasury shares, equivalent to 9 million shares at a face value of 0.02 NOK per share. The retirement of treasury shares has been recognized as of December 31, 2018.

During 4Q 2018, Otello issued 0 (YTD: 0) ordinary shares related to the incentive program, 0 (YTD: 0) ordinary shares related to business combinations, and 0 (YTD: 0) ordinary shares related to an equity increase.

(USD million) (Unaudited)	Number of shares	Paid-in capital	Other reserves	Reserve for own shares	Trans-lation reserve	Other equity	Non-controlling interests	Total equity
Equity as of 12/31/2016	**147.7**	**348.5**	**49.1**	**(34.7)**	**(2.5)**	**159.2**	**0.0**	**519.6**
Comprehensive income (loss)								
Profit (loss)		-	-	-	-	(36.2)	-	(36.2)
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	12.0	-	-	12.0
Total comprehensive income (loss)		**-**	**-**	**-**	**12.0**	**(36.2)**	**-**	**(24.2)**
Contributions by and distributions to owners								
Dividends		-	-	-	-	(0.0)	-	(0.0)
Issuance of ordinary shares related to business combinations		-	-	-	-	-	-	-
Issuance of ordinary shares related to incentive program		-	-	-	-	-	-	-
Issuance of ordinary shares related to equity increase		-	-	-	-	-	-	-
Treasury shares purchased	**(7.1)**	(0.0)		(27.4)	-	-	-	(27.5)
Treasury shares sold	**0.4**	0.0	-	0.0	-	-	-	0.0
Tax deduction on equity issuance costs		-	-	-	-	-	-	-
Share-based payment transactions		-	2.0	-	-	-	-	2.0
Total contributions by and distributions to owners	**(6.7)**	**(0.0)**	**2.0**	**(27.4)**	**-**	**(0.0)**	**0.0**	**(25.5)**
Other equity changes								
Other changes		-	(0.0)	-	-	(1.9)	-	(1.9)
Total other equity changes		**-**	**(0.0)**	**-**	**-**	**(1.9)**	**-**	**(1.9)**
Equity as of 12/31/2017	**141.0**	**348.4**	**51.0**	**(62.1)**	**9.5**	**121.1**	**0.0**	**468.0**

Notes to the condensed consolidated interim financial statements

Note 1 - Corporate information

Otello ("the Group") consists of Otello Corporation ASA ("the company") and its subsidiaries. Otello Corporation ASA (formerly Opera Software ASA), is a public limited liability company domiciled in Norway. The condensed consolidated interim financial statements ("interim financial statements") comprise Otello Corporation ASA and its subsidiaries (together referred to as the "Group"), and the Group's investements in associates. Otello Corporation ASA is traded under the ticker "Otello" on the Oslo Stock Exchange.

The Group's business activities comprise mobile advertising via its AdColony business, mobile-app subscription services via its Bemobi business, and licensing of Rocket Optimizer™ technology via its Skyfire business. See note 11 for operating segment information.

Note 2 - Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial statements do not include all of the information and disclosures required for a complete set of financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2017. The interim financial statements have not been subject to audit or review.

Note 3 - Basis of accounting

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2017.

An assessment of effects of the new and revised International Financial Reporting Standards (IFRS) from January 1, 2018 are described in Note 1 – Significant accounting principles and general information – in the Group's consolidated financial statements for 2017. The changes in these accounting standards, IFRS 15, 'Revenue from Contracts with Customers' and IFRS 9, 'Financial instruments' do not have any material impact on the Group's financial statements. IFRS 15 and IFRS 9 have been implemented in the Group's financial statements as from January 1, 2018.

IFRS 16 Leasing is effective for annual reports beginning on or after January 1, 2019, with earlier application permitted. The new standard for leasing will significantly change how the group accounts for its lease contracts for offices and other assets currently accounted for as operating leases. Under IFRS 16, an on-balance sheet model that is similar to current financial leases accounting will be applied to all lease contracts, only leases for small items such as PC's and office equipment will be exempt. IFRS 16 allows for either a full retrospective approach where all periods presented are adjusted, or a modified approach where only the current period is adjusted. Following an initial assessment, the impact on the financial statements in 2019 is outlined below:

The change will have a positive impact on EBITDA in the Group's consolidated income statement and increase the total assets and liabilities. The effects summarized below are based on estimates, and are uncertain in particular due to uncertainty related to renewal options and the estimated lease period.

Based on outstanding leases on the balance sheet date, the implementation of the new standard is expected to have following effect on the Financial statement for full year 2019:
Consolidated statement of Comprehensive income
1. Operating lease expenses recognized as other operational expenses will decrease by approximately USD 5.9 million.
2. Depreciation of leased ROU assets will increase by approximately USD 5.6 million.
3. Net interest expense related to the lease liability will increase by approximately USD 0.3 million.

Consolidated statement of Financial position
1. Addition of approximately USD 10.7 million of ROU assets, and USD 10.7 million of lease liabilities.
More information about the impact of IFRS 16, 'Leases', will be provided in the Annual report for 2018.

In the interim financial statements for 2018, judgements, estimates and assumptions have been applied that may affect the use of accounting principles, carrying values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2018 and the major sources of uncertainty in the statements are similar to those disclosed in the Group's consolidated financial statements for 2017.

The Group's SurfEasy business was sold on November 6, 2017. Because these components of the Group represented a major line of business, historical results have been restated to reflect the results of operations of the assets that have been disposed of as discontinued operations.

The interim financial statements are presented in US dollars (USD), unless otherwise stated. As a result of rounding differences, amounts and percentages may not add up to the total.

Note 4 - Contingent liabilities and provisions

Otello settles Bemobi earnout

On May 29, 2018, Otello reached a final agreement ("SPA") with the Bemobi Earnout Participants ("EPs"), where the existing Bemobi earnout is terminated, and a significant part of the future earnout to the EPs is converted into the right of the EPs to receive ownership in Bemobi Holding AS ("Bemobi"). A total of USD 20 million has been paid in cash to the EPs with USD 10 million paid on the effective date, May 29, 2018, and USD 10 million paid on September 30, 2018. The remaining earnout is converted into the right to ownership in Bemobi giving the EPs a total ownership of 11.2%. The release of Bemobi shares (recognized as an asset held in escrow) will then settle the earnout liability with no cash effect.

Certain clauses are included in the SPA in the event of a major transaction (qualified sale, spin-off or IPO) not being completed or Otello's shareholders not having approved a qualified spin-off within March 31, 2020 and/or October 1, 2020, which would result in the EPs share of Bemobi equity being sold back to Otello.

The transaction has been recognized in the interim financial statements, as follows:

- Otello has estimated the remaining earnout liability to be USD 21.3 million
- The right to ownership of Bemobi Holding AS shares has been recognized as an asset held in escrow of USD 21.3 million which is classified as Other receivables in the statement of financial position, with no future cash flow effect when settling the remaining part of the earnout liability
- USD 14.9 million has been recognized against Shareholder's equity related to the divestment of 11.2% of Bemobi shares. The minority interest of 11.2% has been recognized as Non-controlling interests.

Valuation techniques and significant unobservable inputs related to contingent considerations:

Please see note 11 in the 2017 Annual Report for information regarding the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Reconciliation of Level 3 fair values:

The following table shows a reconciliation from the opening balance to the closing balance for Level 3 fair values.

Contingent consideration - Net present value *(USD million)*	Bemobi	Individually immaterial	Total
Non-current consideration	28.5	-	**28.5**
Current consideration	20.0	5.4	**25.4**
Balance as of 12/31/2017	**48.5**	**5.4**	**53.9**
Assumed in a business combination	-	-	-
Paid	-	-	-
Finance expense (income) - FX	(0.0)	-	**(0.0)**
Finance expense - interest	1.6	0.0	**1.6**
Finance expense (income) - change in likelihood	0.4	-	**0.4**
Translation differences	0.1	0.2	**0.3**
OCI	-	-	-
Balance as of 3/31/2018	**50.4**	**5.6**	**56.0**
Assumed in a business combination	-	-	-
Paid	(21.8)	(4.6)	**(26.4)**
Finance expense (income) - FX	-	-	-
Finance expense - interest	-	-	-
Finance expense (income) - change in likelihood	6.4	-	**6.4**
Translation differences	(3.7)	-	**(3.7)**
Payment - escrow release	-	(1.0)	**(1.0)**
OCI	-	-	-
Balance as of 6/30/2018	**31.3**	**0.0**	**31.3**
Assumed in a business combination	-	-	-
Paid	(10.0)	-	**(10.0)**
Finance expense (income) - FX	-	-	-
Finance expense - interest	-	-	-
Finance expense (income) - change in likelihood	0.0	-	**0.0**
Translation differences	(0.0)	-	**(0.0)**
Payment - escrow release	-	-	-
OCI	-	-	-
Balance as of 9/30/2018	**21.3**	**0.0**	**21.3**
Assumed in a business combination			-
Paid	-	-	-
Finance expense (income) - FX	-	-	-
Finance expense - interest	-	-	-
Finance expense (income) - change in likelihood	-	-	-
Translation differences	-	-	-
Payment - escrow release	-	-	-
OCI	-	-	-
Balance as of 12/31/2018	**21.3**	**0.0**	**21.3**
Non-current consideration	-	-	-
Current consideration	21.3	-	**21.3**
Balance as of 12/31/2018	**21.3**	**-**	**21.3**

Note 4 - Contingent liabilities and provisions (continued)

Earnout payments made in 2018 *(USD million)*	Bemobi	Individually immaterial	Total
With cash flow effect			
Q1	-	-	**-**
Q2	(21.8)	(4.6)	**(26.4)**
Q3	(10.0)	-	**(10.0)**
Q4	**-**	**-**	**-**
Total	**(31.8)**	**(4.6)**	**(36.4)**
With no cash flow effect (released from escrow)			
Q1	-	-	**-**
Q2	-	-	**-**
Q3	-	-	**-**
Q4	**-**	**-**	**-**
Total	**-**	**-**	**-**

Estimated payments (in cash) *(USD million)*	Bemobi	Individually immaterial	Total
N/A	-	-	**-**
Total	**-**	**-**	**-**

In addition to the USD 10 million payment made on September 30, 2018, Otello has an obligation to release the Bemobi shares held in escrow (no cash effect).

Contractual maximum payments (in cash) *(USD million)*	Bemobi	Individually immaterial	Total
N/A	-	-	**-**
Total	**-**	**-**	**-**

The contractual maximum payment is dependent on the fact that the fallback payments due to the scenarios stated above do not occur. However, at this stage, Otello does not believe the scenarios resulting in fallback payments are likely to occur.

Note 5 - Financial risk

The majority of the financial risk that the Group is exposed to relates to currency risk. Both revenue and operating expenses are exposed to foreign exchange rate fluctuations. Please note that some revenue numbers are impacted by changes in local currencies which are the basis for invoicing of customers.

Revenue by currency *(USD million)*	4Q 2018	%		YTD 2018	%
USD	**45.3**	67.8%	USD	**199.4**	72.4%
BRL	**9.6**	14.3%	BRL	**38.4**	14.0%
TRY	**4.0**	5.9%	TRY	**12.1**	4.4%
DKK	**3.9**	5.9%	DKK	**9.2**	3.3%
INR	**1.0**	1.5%	INR	**2.7**	1.0%
Other	**3.0**	4.6%	Other	**13.6**	4.9%
Total	**66.9**	100.0%	**Total**	**275.4**	100.0%

Operating expenses by currency [1] *(USD million)*	4Q 2018	%		YTD 2018	%
USD	**(53.2)**	75.7%	USD	**(229.6)**	77.6%
BRL	**(5.2)**	7.3%	BRL	**(21.3)**	7.2%
NOK	**(3.4)**	4.8%	NOK	**(11.3)**	3.8%
TRY	**(3.2)**	4.6%	TRY	**(11.0)**	3.7%
Other	**(5.3)**	7.5%	Other	**(22.9)**	7.7%
Total	**(70.3)**	100.0%	**Total**	**(296.1)**	100.0%

[1] Operating expenses by currency excludes restructuring and impairment expenses

The impact on revenue and expenses for this quarter using comparative quarter constant foreign exchange rates is shown below. Please note that some revenue numbers are impacted by changes in local currencies which are the basis for invoicing of customers. These effects are included in the specification below.

Revenues and expenses for the current quarter recalculated on a constant currency basis:

(USD million)	Recalculated with 4Q 2017 rates	FX effect using 4Q 2017 rates	Recalculated with 3Q 2018 rates	FX effect using 3Q 2018 rates
Revenue	**70.5**	**3.6**	**66.6**	**(0.3)**
Expenses	**(72.3)**	**(2.0)**	**(70.1)**	**0.2**

Note 6 - Financial items

Financial items (USD million)	4Q 2018 (Unaudited)	4Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Audited)
Other interest income (expense), net	**0.4**	(0.6)	**(0.1)**	(2.5)
Interest expense related to contingent consideration	**-**	(1.8)	**(1.6)**	(7.3)
FX gains (losses) related to contingent consideration, net	**-**	(0.5)	**0.0**	(1.3)
Other FX gains (losses), net	**12.2**	0.1	**4.9**	(13.1)
Profit (loss) sale of shares	**(4.7)**	-	**(2.2)**	3.6
Revaluation of contingent consideration	**-**	2.3	**(0.1)**	3.5
Share of profit (loss) from associated companies	**0.2**	0.1	**(0.0)**	0.4
Net financial items (loss)	**8.2**	(0.4)	**0.9**	(16.8)

Note 7 - Liquidity risk

Credit facility

In May 2018, Otello signed an agreement for a new 3 year Revolving Credit Facility (RCF) of $100 million with DNB Bank ASA. The terms of the new agreement are not significantly different from the prior agreement.

In 2017, Otello paid down its outstanding term loan of $100 million to DNB Bank ASA. As at December 31, 2018, Otello had an undrawn revolving credit facility with DNB of $100 million.

The facility is primarily secured through a pledge in shares in Bemobi Holding AS, AdColony Holding AS, and Performance and Privacy Ireland Ltd, as well as charges over trade receivables in the parent company.

The loan and credit facility have the following covenants: i) the Leverage Ratio to be below 2.00:1. ii) the Equity Ratio to hold the minimum level of 30%. The Group is compliant as of December 31, 2018.

The Revolving Credit facility of $100 million and the term loan bear an interest rate of LIBOR + 2.25% p.a.There is no utilization fee. On the undrawn portion of the facility, a commitment fee of 0.79 % p.a. will be paid.

Note 8 - Accounts receivable and other receivables

Accounts receivable and other receivables (USD million)	12/31/2018 (Unaudited)	12/31/2017 (Audited)
Accounts receivable	**45.6**	79.1
Unbilled revenue	**21.5**	32.4
Other receivables	**36.6**	13.9
Total	**103.7**	125.4

Accounts receivable represent the part of receivables that have been invoiced to customers but are not yet paid. Unbilled revenue is revenue recognized in the quarter which was not invoiced to the customers at quarter end and which will be invoiced to customers in the subsequent period.

Other receivables consists of escrow payments related to sales and acquisitions, non-trade receivables, and prepayments. As of December 31, 2018, $5.7 million consisted of escrow payments related to sale of the SurfEasy business in 2017 and $21.3 million consisted of escrow bookings related to the settlement of the Bemobi earnout. Please see note 4 for further information related to the settlement of the Bemobi earnout.

Note 9 - Alternative performance measures

Otello discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. Otello believes that the alternative performance measures provide useful supplemental information to management, investors, financial analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Otello's business operations and to improve comparability between periods.

EBITDA and EBIT terms are presented as they are commonly used by investors and financial analysts. Certain items are excluded in the alternative performance measures Adjusted EBITDA and Normalized EBIT to provide enhanced insight into the underlying financial performance of the business operations and to improve comparability between different periods.

Alternative performance measures:
Gross profit:
This comprises revenues minus publisher and revenue share cost.

EBITDA:
This is short for Earnings before financial items, taxes, depreciation and amortization. EBITDA corresponds to Operating profit (loss), (EBIT) in the Consolidated statement of comprehensive income excluding depreciation and amortization expenses.

Adjusted EBITDA:
This represents EBITDA excluding stock-based compensation, restructuring and impairment expenses. Adjusted EBITDA corresponds, therefore, to Operating profit (loss), (EBIT) in the Consolidated statement of comprehensive income excluding depreciation and amortization, stock-based compensation, and restructuring and impairment expenses.

EBIT:
This is short for Earnings before financial items. This is presented both including and excluding restructuring and impairment expenses in the Consolidated statement of comprehensive income. In the KPIs section of this report and the reconciliation below, EBIT represents earnings before financial items including restructuring and impairment expenses, and corresponds to Operating profit (loss), (EBIT) in the Consolidated statement of comprehensive income.

Normalized EBIT:
This represents EBIT excluding restructuring and impairment expenses, and amortization of acquired intangible assets.

See below for reconciliations from Operating profit to EBITDA, Adjusted EBITDA and Normalized EBIT for all periods presented.

Revenues and expenses on a constant currency basis:
Revenues and expenses for the current quarter are re-calculated, on a constant currency basis, using last year's and prior quarter's average FX rates.

See note 5 for further information regarding revenue on a constant currency basis, showing the impact of the currency effect.

Reconciliation of gross profit	**4Q 2018**	**4Q 2017**	**YTD 2018**	**YTD 2017**
		Restated		**Restated**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Total operating revenue	**66.9**	99.2	**275.4**	419.0
Publisher and revenue share cost	**(39.1)**	(59.3)	**(161.0)**	(249.6)
Gross profit	**27.8**	39.9	**114.4**	169.5

Reconciliation of operating profit (loss) to EBITDA and adjusted EBITDA	**4Q 2018**	**4Q 2017**	**YTD 2018**	**YTD 2017**
		Restated		**Restated**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Operating profit (loss), (EBIT)	**(97.4)**	(12.8)	**(118.0)**	(46.1)
Depreciation and amortization expenses	**7.8**	9.3	**30.2**	37.5
Impairment expenses	**93.3**	0.0	**93.3**	0.0
EBITDA	**3.6**	(3.5)	**5.5**	(8.6)
Restructuring expenses	**0.8**	4.9	**4.1**	14.2
Stock-based compensation expenses	**1.1**	1.5	**(0.2)**	7.8
Adjusted EBITDA	**5.5**	2.9	**9.4**	13.5

Reconciliation of operating profit (loss) to normalized EBIT	**4Q 2018**	**4Q 2017**	**YTD 2018**	**YTD 2017**
		Restated		**Restated**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating profit (loss), (EBIT)	**(97.4)**	(12.8)	**(118.0)**	(46.1)
Restructuring and impairment expenses	**94.0**	4.9	**97.4**	14.2
Amortization of acquired intangible assets	**3.1**	3.3	**12.7**	20.7
Normalized EBIT	**(0.3)**	(4.5)	**(7.9)**	(11.1)

Note 10 - Discontinued operations

Sale of SurfEasy in 2017

Otello Corporation ASA entered November 6, 2017 into an agreement to sell its SurfEasy business to Symantec Corporation (NASDAQ: SYMC) ("Symantec"), the world's leading cyber security company (the "Transaction"). Closing of the Transaction took place simultaneously with the entering into of the agreement, and all conditions for completion were therefore fulfilled in November 2017.

The Transaction valued SurfEasy to an enterprise value of $38.5 million, and had customary net working capital and net debt adjustment mechanisms. The purchase price consisted of an all cash consideration, of which 85% was paid to Otello at closing. The remaining 15% was held in escrow for 15 months, and was settled and paid to Otello in February 2019. SurfEasy is excluded from Otello's financials as of November 6, 2017. Otello recognized a gain of $21.6 million from the Transaction which will not be taxable.

Accordingly, the SurfEasy businesses are presented separately as discontinued operations in the consolidated statement of comprehensive income and comparative periods are restated.

Results of discontinued operations *(USD million, except earnings per share)*	**4Q 2018** (Unaudited)	**4Q 2017** (Unaudited)	**%** **change**	**YTD 2018** (Unaudited)	**YTD 2017** (Audited)	**%** **change**
Revenue	-	1.0	0 %	-	6.9	0 %
Operating expenses	-	(4.3)	0 %	-	(10.6)	0 %
Operating profit (loss), (EBIT), excluding restructuring and impairment expenses	**-**	(3.3)		**-**	(3.7)	
Restructuring and impairment expenses	-	-		-	-	
Operating profit (loss), (EBIT)	**-**	(3.3)		**-**	(3.7)	
Net financial items	-	(2.2)		-	(2.1)	
Profit (loss) before income tax	**-**	(5.5)		**-**	(5.8)	
Provision for taxes[2)]	-	(0.0)		-	0.1	
Profit (loss) from discontinued operations, net of tax	**-**	(5.5)		**-**	(5.7)	
Net (gain) loss from sale of discontinued operations, net of tax	**-0.0**	36.4		**-0.0**	36.4	
Profit (loss) from discontinued operations	**-0.0**	30.9		**-0.0**	30.7	
Earnings per share (discontinued operations):						
Basic earnings (loss) per share (USD)	**0.00**	(0.04)		**0.00**	(0.04)	
Diluted earnings (loss) per share (USD)	**0.00**	(0.04)		**0.00**	(0.04)	
Shares used in earnings per share calculation	**139 412 451**	141 955 422		**140 088 891**	144 484 637	
Shares used in earnings per share calculation, fully diluted	**139 412 451**	141 955 422		**140 088 891**	144 484 637	

1) Payroll and related expenses excludes stock-based compensation expenses.

2) The quarterly and YTD provision for taxes is based on an estimated tax rate for the Group.

Cash flow information *(USD million)*	**4Q 2018** (Unaudited)	**4Q 2017** (Unaudited)	**YTD 2018** (Unaudited)	**YTD 2017** (Audited)
Cash flow from operating activities	-	(0.6)	-	1.2
Cash flow from investment activities	-	33.5	-	32.1
Cash flow from financing activities	-	(0.0)	-	(0.0)

Note 11 - Segments

Revenue (USD million)	4Q 2018 (Unaudited)	4Q 2017 Restated (Unaudited)	% change	YTD 2018 (Unaudited)	YTD 2017 Restated (Audited)	% change
AdColony (Mobile Advertising)	**53.1**	84.9	-37 %	**220.6**	364.9	-40 %
Bemobi (Apps & Games)	**13.6**	14.1	-3 %	**54.0**	52.9	2 %
Skyfire (Performance & Privacy)	**0.1**	0.3	-81 %	**0.5**	2.6	-79 %
Corporate	**0.1**	0.1	N/A	**0.2**	0.1	N/A
Eliminations	**0.0**	(0.1)	-146 %	**0.0**	(0.3)	-104 %
Total continued operations [1]	**66.9**	99.3	-33 %	**275.4**	420.2	-34 %

[1] *including intercompany postings (ICP) against discontinued operations.*

Gross profit (USD million)	4Q 2018 (Unaudited)	4Q 2017 Restated (Unaudited)	% change	YTD 2018 (Unaudited)	YTD 2017 Restated (Audited)	% change
AdColony (Mobile Advertising)	**18.4**	29.1	-37 %	**75.1**	128.5	-42 %
Bemobi (Apps & Games)	**9.3**	10.5	-12 %	**38.5**	38.2	1 %
Skyfire (Performance & Privacy)	**0.0**	0.3	-90 %	**0.5**	2.7	-80 %
Corporate	**0.1**	0.0	N/A	**0.2**	0.1	N/A
Eliminations	**(0.0)**	0.0	-111 %	**(0.0)**	(0.0)	16 %
Total continued operations [1]	**27.8**	39.9	-30 %	**114.4**	169.5	-32 %

[1] *including intercompany postings (ICP) against discontinued operations.*

Adjusted EBITDA [2] (USD million)	4Q 2018 (Unaudited)	4Q 2017 Restated (Unaudited)	% change	YTD 2018 (Unaudited)	YTD 2017 Restated (Audited)	% change
AdColony (Mobile Advertising)	**1.1**	(0.9)	-225 %	**(5.1)**	(1.5)	-238 %
Bemobi (Apps & Games)	**5.9**	5.3	10 %	**21.8**	22.7	-4 %
Skyfire (Performance & Privacy)	**(0.2)**	(0.4)	45 %	**(1.2)**	(2.2)	46 %
Corporate	**(1.2)**	(1.1)	8 %	**(6.1)**	(5.4)	-13 %
Eliminations	**(0.0)**	(0.0)	-95 %	**(0.0)**	(0.0)	-73 %
Total continued operations [1]	**5.5**	2.9	87 %	**9.4**	13.5	-31 %

[1] *including intercompany postings (ICP) against discontinued operations.*
[2] *excluding restructuring costs and stock-based compensation expenses.*

EBITDA (USD million)	4Q 2018 (Unaudited)	4Q 2017 Restated (Unaudited)	% change	YTD 2018 (Unaudited)	YTD 2017 Restated (Unaudited)	% change
AdColony (Mobile Advertising)	**0.7**	(6.8)	110 %	**(6.6)**	(20.2)	67 %
Bemobi (Apps & Games)	**5.3**	5.3	0 %	**21.2**	22.6	-6 %
Skyfire (Performance & Privacy)	**(0.3)**	(0.6)	38 %	**(1.4)**	(3.0)	55 %
Corporate	**(2.0)**	(1.4)	-36 %	**(7.9)**	(8.0)	1 %
Eliminations	**0.0**	0.0	-79 %	**0.0**	0.0	-92 %
Total continued operations [1]	**3.6**	(3.5)	205 %	**5.5**	(8.6)	164 %

[1] *including intercompany postings (ICP) against discontinued operations.*

Note 11 - Segments (continued)

Normalized EBIT 2) *(USD million)*	4Q 2018 (Unaudited)	4Q 2017 Restated (Unaudited)	% change	YTD 2018 (Unaudited)	YTD 2017 Restated (Unaudited)	% change
AdColony (Mobile Advertising)	**(3.2)**	(7.5)	58 %	**(19.1)**	(22.8)	16 %
Bemobi (Apps & Games)	**5.0**	5.0	0 %	**20.0**	21.3	-6 %
Skyfire (Performance & Privacy)	**(0.2)**	(0.4)	49 %	**(1.2)**	(2.3)	46 %
Corporate	**(1.9)**	(1.6)	-19 %	**(7.6)**	(7.4)	-1 %
Eliminations	**(0.0)**	0.0	114 %	**(0.0)**	(0.0)	-600 %
Total continued operations 1)	**(0.3)**	(4.5)	94 %	**(7.9)**	(11.1)	29 %

1) *including intercompany postings (ICP) against discontinued operations.*
2) *excluding amortization of acquired intangible assets*

EBIT *(USD million)*	4Q 2018 (Unaudited)	4Q 2017 Restated (Unaudited)	% change	YTD 2018 (Unaudited)	YTD 2017 Restated (Unaudited)	% change
AdColony (Mobile Advertising)	**(99.3)**	(14.9)	-566 %	**(125.5)**	(48.6)	-158 %
Bemobi (Apps & Games)	**4.4**	4.3	2 %	**17.4**	14.2	22 %
Skyfire (Performance & Privacy)	**(0.3)**	(0.6)	38 %	**(1.4)**	(3.0)	55 %
Corporate	**(2.1)**	(1.6)	-32 %	**(8.5)**	(8.6)	1 %
Eliminations	**(0.0)**	0.0	113 %	**(0.0)**	(0.0)	-1037 %
Total continued operations 1)	**(97.4)**	(12.8)	-660 %	**(118.0)**	(46.1)	-156 %

1) *including intercompany postings (ICP) against discontinued operations.*

For further information regarding the alternative performance measures above, see Note 9.

AdColony (Mobile Advertising)
AdColony revenue is primarily comprised of revenue based on the activity of mobile users viewing ads through 3rd Party Publishers, such as developer applications and mobile websites. Revenue is recognized when Otello's advertising services are delivered based on the specific terms of the advertising contract, which are commonly based on the number of ads delivered, or views, clicks or actions by users on mobile advertisements.

Bemobi (Apps & Games)
Bemobi revenue is primarily comprised of: i) subscription revenue when an Android user purchases a subscription from a "co-branded" mobile store, or a white-label operator-controlled version of the mobile store, known as Apps Club, and ii) the Bemobi Mobile Store (formerly Opera Mobile Store), a feature phone platform, when a user purchases a premium app.

Skyfire (Performance & Privacy)
Performance and Privacy Apps revenue is primarily comprised of license fees from Rocket Optimizer™.

Corporate
Corporate costs comprise primarily of i) costs related to personnel working in functions that serve the Group as a whole, including CEO/Board of Directors, corporate finance and accounting, legal, HR and IT, and ii) legal and other costs related to business combinations and restructuring processes.

Note 11 - Segments (continued)

Segment figures 4Q 2018	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	**66.9**	-	-	**66.9**	66.9	-
Gross profit	**27.8**	-	-	**27.8**	27.8	-
Adjusted EBITDA	**5.5**	-	-	**5.5**	5.5	-
EBITDA	**3.6**	-	-	**3.6**	3.6	-
Normalized EBIT	**(0.3)**	-	-	**(0.3)**	(0.3)	-
EBIT	**(97.4)**	-	-	**(97.4)**	(97.4)	-

Segment figures 4Q 2017 Restated *(USD million)*	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	99.3	1.0	(0.1)	100.3	99.2	1.0
Gross profit	39.9	0.9	(0.0)	40.9	39.9	0.9
Adjusted EBITDA	2.9	(3.1)	0.0	(0.2)	2.9	(3.1)
EBITDA	(3.5)	(3.1)	(0.0)	(6.6)	(3.5)	(3.1)
Normalized EBIT	(4.5)	(3.2)	(0.0)	(7.8)	(4.5)	(3.2)
EBIT	(12.8)	(3.3)	(0.0)	(16.1)	(12.8)	(3.3)

Segment figures YTD 2018 *(USD million)*	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	**275.4**	-	-	**275.4**	275.4	-
Gross profit	**114.4**	-	-	**114.4**	114.4	-
Adjusted EBITDA	**9.4**	-	-	**9.4**	9.4	-
EBITDA	**5.5**	-	-	**5.5**	5.5	-
Normalized EBIT	**(7.9)**	-	-	**(7.9)**	(7.9)	-
EBIT	**(118.0)**	-	-	**(118.0)**	(118.0)	-

Segment figures YTD 2017 Restated *(USD million)*	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	420.2	6.9	(1.1)	425.9	419.0	6.9
Gross profit	169.5	6.0	0.0	175.5	169.5	6.0
Adjusted EBITDA	13.5	(2.3)	0.0	11.3	13.5	(2.3)
EBITDA	(8.6)	(2.5)	(0.0)	(11.1)	(8.6)	(2.5)
Normalized EBIT	(11.1)	(3.0)	(0.0)	(14.2)	(11.1)	(3.0)
EBIT	(46.1)	(3.7)	(0.0)	(49.8)	(46.1)	(3.7)

Note 11 - Segments (continued)

Segment revenue 4Q 2018 *(USD million)*	**AdColony (Mobile Advertising)** (Unaudited)	**Bemobi (Apps & Games)** (Unaudited)	**Skyfire (P&P)** (Unaudited)	**Corporate** (Unaudited)	**Eliminations** (Unaudited)	**Total continued operations** (Unaudited)
External revenue	53.1	13.6	0.0	0.1	-	66.8
Intercompany revenue	-	-	0.1	-	0.0	0.1
Total continued operations	**53.1**	**13.6**	**0.1**	**0.1**	**0.0**	**66.9**

Segment revenue 4Q 2017 Restated *(USD million)*	**AdColony (Mobile Advertising)** (Unaudited)	**Bemobi (Apps & Games)** (Unaudited)	**Skyfire (P&P)** (Unaudited)	**Corporate** (Unaudited)	**Eliminations** (Unaudited)	**Total continued operations** (Unaudited)
External revenue	84.9	14.1	0.0	0.1	-	99.1
Intercompany revenue	0.0	-	0.3	-	(0.1)	0.2
Total continued operations	**84.9**	**14.1**	**0.3**	**0.1**	**(0.1)**	**99.3**

Segment revenue YTD 2018 *(USD million)*	**AdColony (Mobile Advertising)** (Unaudited)	**Bemobi (Apps & Games)** (Unaudited)	**Skyfire (P&P)** (Unaudited)	**Corporate** (Unaudited)	**Eliminations** (Unaudited)	**Total continued operations** (Unaudited)
External revenue	220.6	54.0	0.5	0.2	-	275.3
Intercompany revenue	-	-	0.1	-	0.0	0.1
Total continued operations	**220.6**	**54.0**	**0.5**	**0.2**	**0.0**	**275.4**

Segment revenue YTD 2017 Restated *(USD million)*	**AdColony (Mobile Advertising)** (Unaudited)	**Bemobi (Apps & Games)** (Unaudited)	**Skyfire (P&P)** (Unaudited)	**Corporate** (Unaudited)	**Eliminations** (Unaudited)	**Total continued operations** (Unaudited)
External revenue	364.8	52.9	2.3	0.1	-	420.2
Intercompany revenue	0.0	-	0.3	-	(0.3)	0.0
Total continued operations	**364.9**	**52.9**	**2.6**	**0.1**	**(0.3)**	**420.2**

Note 12 - Investment in associated companies

Otello finalized an agreement on December 19, 2016 to sell its TV business ("Opera TV") for $80 million and an approximately 27% equity interest in Last Lion Ltd, through preferred shares, which indirectly owns Opera TV (the "Transaction") with Last Lion Holdco AS (the "Buyer").

Information regarding Last Lion Holdings Ltd *(USD million)*	**4Q 2018** (Unaudited)	**YTD 2018** (Unaudited)
Revenue	11.0	43.7
EBIT	3.3	17.5
Net profit (loss)	4.4	5.3
Assets		160.8
Non-current liabilities		119.8
Current liabilities		11.2
Equity		29.8
Otello's share of equity		8.0

The investment in Last Lion Holdings LTD is recognized using the equity method.

Balance as of 12/31/2017	8.6
Investment during the fiscal year	-
FX adjustment	(0.6)
Share of the profit (loss)	(0.0)
Elimination	-
Balance as of 12/31/2018	**8.0**

Note 13 - Restructuring and impairment expenses

During 2018, Otello recognized restructuring expenses in connection with a strategic cost reduction that will better align costs with revenues, and for legal and other costs related to business combinations and restructuring processes.

For further information on impairment, please see note 14.

Restructuring and impairment expenses *(USD million)*	**4Q 2018** (Unaudited)	**4Q 2017** (Unaudited)	**YTD 2018** (Unaudited)	**YTD 2017** (Audited)
Salary restructuring expenses	**(0.4)**	(5.1)	**(3.3)**	(10.0)
Option restructuring expenses	**0.0**	5.2	**0.0**	5.2
Office restructuring expenses	**0.0**	(4.9)	**0.8**	(8.1)
Impairment expenses	**(93.3)**	0.0	**(93.3)**	0.0
Legal and other costs related to business combinations and disposals	**(0.4)**	(0.1)	**(1.5)**	(1.2)
Other restructuring expenses	**0.0**	0.0	**(0.0)**	(0.1)
Total	**(94.0)**	(4.9)	**(97.4)**	(14.2)

Note 14 - Impairment testing

Otello has carried out impairment testing as of December 31, 2018, according to IAS 36. Based on the impairment testing, the Group has recognized an impairment loss of USD 93.3 million in Q4. The vast majority of this impairment loss is recognized in the AdColony CGU. The background for the impairment loss in AdColony is the decrease in revenue and EBITDA in AdColony in 2018. This is mainly due to slower product launches and ramp up of new products than forecast, in addition to a focus around fewer and more profitable products and markets.
Below is a breakdown of the impairment loss recognized.

Impairment loss	AdColony	Bemobi	Apps & Games (legacy)
Goodwill	76.4	-	3.6
Other intangible assets	11.6	-	-
Capitalized R&D	1.7	-	-
Total	**89.7**	**-**	**3.6**

Cash-generating units
Goodwill acquired through business combinations has previously been allocated to individual cash-generating units as presented in the reconciliation in the 2017 Annual report.

The core Bemobi business with revenues generated from the Apps Club platform is treated as one CGU. The Apps & Games (legacy) business with revenues generated from a feature phone platform that is to be phased out, is treated as a separate CGU. Since this feature phone platform is to be phased out, no revenues are forecast beyond the three yeare period. Therefore an impairment loss has been recognized for the goodwill allocated to this CGU. The Apps & Games legacy CGU is also referred to as "Handster" in the 2017 annual report. Following the impairment loss of USD 3.6 million recognized in Q4, there is no longer any goodwill related to the Apps & Games legacy CGU recognized the statement of financial position.

Recoverable amount
The recoverable amount of assets is the higher of value in use and fair value less cost of disposal. Discounted cash flow models have been applied to determine the value in use for all the cash-generating units. Management has projected cash flows based on financial forecasts and strategy plans covering a three year period. Beyond the explicit forecast period, the cash flows are extrapolated using constant nominal growth rates. The Apps & Games (legacy) business is to be phased out within the next 3 years, therefore negative revenue growth rates have been applied, and no cash flows have been calculated beyond the 3-year forecast period.

Key assumptions
Key assumptions used in the calculation of value in use are Revenue and EBITDA margin growth rates, Nominal growth rate in terminal value, and discount rates. The following key assumptions were used in determining the value in use:

	AdColony	Bemobi	Apps & Games
Revenue growth (average) [1]	8.6 %	12.0 %	-42.5% [3]
EBITDA Margin growth (average) [2]	4.5 points	1.2 points	n/a
Discount rate after tax	9.9 %	20.3 %	11.0 %
Discount rate before tax	13.2 %	30.8 %	14.1 %
Nominal growth rate in terminal value	2.5 %	2.5 %	n/a

[1] *Represents the compound annual growth rate during 2019-2021 (until the terminal year).*
[2] *Represents the average percentage point increase in EBITDA margin during 2019-2021.*
[3] *The Apps & Games (legacy) business is to be phased out within the next 3 years, therefore negative revenue growth rates are applied, and no cash flows are calculated beyond the 3-year forecast period.*

Revenue growth (average)
Revenue growth is estimated based on current levels and expected future market development.

EBITDA Margin growth (average)
The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the current margin level and expected future market development. Committed or implemented operational restructuring initiatives are included.

Discount rates
Discount rates are based on Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model(CAPM) methodology. The WACC calculations are based on a Global-Local approach, implying that a global risk free rate is applied as a basis (US 20Y Government bond). The inflation difference between the respective country of the specific CGU and the US is added to reflect the local risk free rate. Country risk premiums in addition to the US market risk premium are applied to correct for local risk. The discount rates also take into account gearing, the corporate tax rate, and the equity beta.

Growth rates
The expected growth rates for a cash-generating unit is derived from the level experienced over the last few years to the long-term growth level in the market the entity operates. The growth rates used to extrapolate cash flow projections beyond the explicit forecast period are based on management’s past experience, and assumptions in terms of expectations for the market development in which the entity operates. The growth rates used to extrapolate cash flows in the terminal year are not higher than the expected long-term growth in the market in which the entity operates.

Note 14 - Impairment testing (continued)

Sensitivity analysis:

AdColony CGU:

The estimated recoverable amount is approximately USD 76 million less than the carrying amount of this cash-generating unit.
The following table shows the effects that changes in forecasts and key assumptions, in isolation, would have on the recoverable amount.

Effect on recoverable amount (USD million)	
Discount rate [1)]	
Decrease by 2 percentage points	**79.3**
Decrease by 1 percentage points	**33.4**
Increase by 1 percentage points	**(25.4)**
Increase by 2 percentage points	**(45.4)**
Future cash flows [2)]	
20% increase	**39.3**
10% increase	**19.7**
10% decrease	**(19.7)**
20% decrease	**(39.3)**
Nominal growth rate in the terminal value	
Nominal growth rate 2 %	**(11.9)**
Nominal growth rate 3 %	**13.6**
Nominal growth rate 4 %	**47.6**
Nominal growth rate 5 %	**95.6**

[1)] *Discount rate: the changes above are for the whole period including terminal value.*
[2)] *Future cash flows: the changes above are for the 3 year forecast period and for the extrapolation period (terminal value)*

Bemobi CGU:

For this CGU, the following changes in forecasts and key assumptions, in isolation, would result in the recoverable amount being approximately equal to the carrying amount. Any changes beyond those described below may, therefore, lead to an impairment loss:

- Increase in 700 basis points in the discount rate after tax
- Decrease in 30% in projected future cash flows for the 3 year forecast period

No reasonable change in the nominal growth rate in the terminal value, in isolation, would result in the in the recoverable amount being approximately equal to the carrying amount.

Note 15 - Events after the reporting date

No events have occurred after the reporting date that would require the interim financial statements to be adjusted.

Judgment handed down in Otello's case regarding the potential sale of Vewd minority stake

As reported to the market on September 14, 2018, Otello was successful in its claim in the High Court of Justice of England and Wales against Moore Frères & Co LLC ("MFC") and Last Lion Holdings Limited (“Last Lion”), arising from the refusal of the Board of Last Lion, which is controlled by appointees of MFC, to approve the sale of Otello’s remaining ownership stake in Last Lion, being approximately 27-28.5% in the Vewd Software business. The judge granted Otello the injunction it sought requiring the Board to approve the buyer.

The buyer did not purchase the shares on the terms of the expired Share Purchase Agreement. Otello has now restored the proceedings in order to pursue alternative remedies, including (1) an order from the Court that MFC be required to buy Otello's shares (and related Loan Note) at the higher of the current valuation of those shares and the price that the buyer was prepared to pay, and (2) that in the event that MFC is unable to purchase the shares at such price, an order that all shares in Last Lion (or Last Lion’s shares in Last Lion Holdco AS) be sold and Otello be paid the sum found to be due to it out of the proceeds of such sale. A hearing is scheduled to take place in the High Court of Justice of England on March 4 at which directions will be made for the continuation of the proceedings.