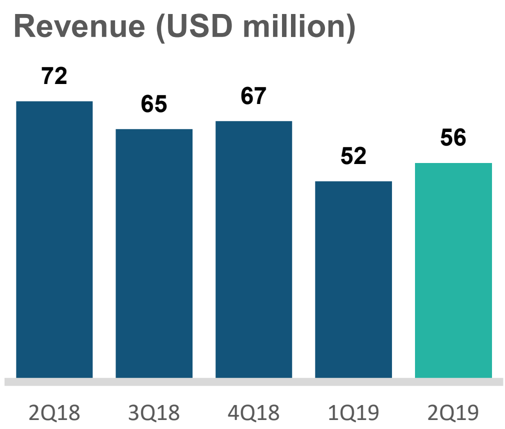
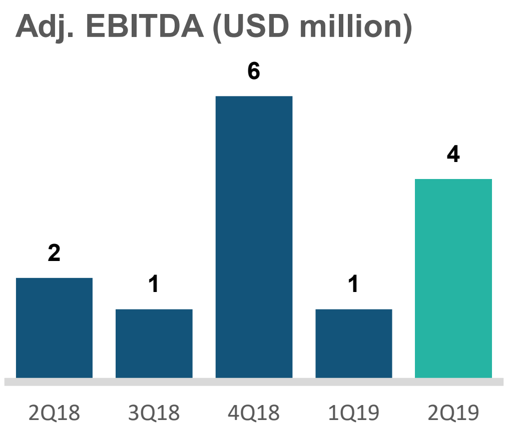
QUARTERLY REPORT

2Q 2019

OTELLO CORPORATION ASA





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HIGHLIGHTS

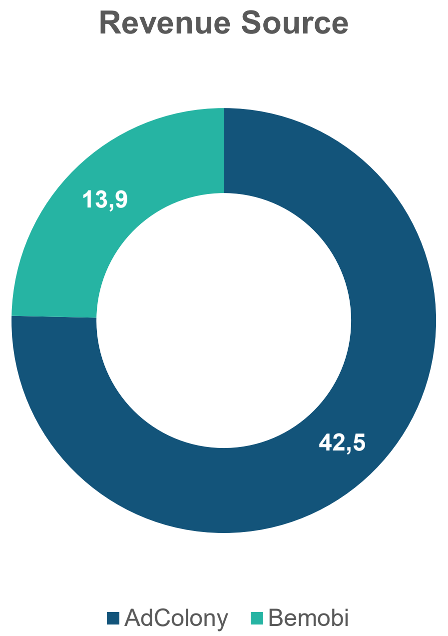
- Revenue was down by 22 percent to USD 56.2 million (USD 72.2 million), due to decline in revenue from AdColony, partly offset by growth in Bemobi.

- Adjusted EBITDA* of USD 3.9 million in 2Q19 (USD 1.7 million) due to aggressive cost savings in AdColony and record profit from Bemobi

- USD 0.8 million positive impact on EBITDA due to IFRS 16

- Net income was USD (7.0) million in 2Q19 versus USD (2.1) million in 2Q18

- Operating cash flow was USD (2.8) million versus USD 0.3 million in 2Q18



*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)	2Q19	2Q18	YTD 2019	YTD 2018
Revenue*	**56.2**	**72.2**	**107.7**	**143.6**
AdColony (Mobile Advertising)	42.5	58.4	80.6	115.1
Bemobi (Apps & Games)	13.9	13.7	26.6	28.0
Corporate	0.1	0.2	0.7	0.6
Adj. EBITDA	**3.9**	**1.7**	**5.3**	**2.4**
AdColony (Mobile Advertising)	(1.0)	(1.7)	(3.6)	(4.5)
Bemobi (Apps & Games)	6.0	5.3	11.1	10.7
Corporate	(1.2)	(1,9)	(2.2)	(3.8)
EBIT	(4.2)	(7.5)	(11.5)	(12.4)
Net income	(7.0)	(2.1)	(16.8)	1.7
EPS (USD)	(0,05)	(0,01)	(0,12)	0,01

* Segment revenue includes intercompany transactions. In the report below, figures in brackets relate to the corresponding period in 2018. 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 22 percent in second quarter 2019 compared to the same period last year, driven in particular by a decline in AdColony and partly offset by growth in Bemobi. The decrease in revenue in AdColony YoY is due to a more focused organization and a result of a slow ramp up of new products linked to the move to more programmatic revenue. In 2Q19 AdColony saw revenue growth versus 1Q19 of 11% with continued strength in our Brand business, partly offset by a slight decline in Performance. Bemobi had underlying solid performance and record profit in the quarter. Bemobi revenue came in as expected in the quarter, up 9% versus the previous quarter and 1% vs 2Q18. The YoY revenue increase would have been 10% with unchanged FX rates.

Total operating expenses (including depreciation and stock-based compensation expenses but excluding restructuring expenses) were down 24 percent from the corresponding period last year, mainly due to lower publisher costs, payroll expenses and other operating expenses, as well as lower depreciation and amortization expenses, in AdColony.

Publisher and revenue share cost was USD 31.9 million in the quarter (USD 42.6 million), down 25 percent from the corresponding period last year because of lower revenue in AdColony.

Payroll and related expenses, excluding stock-based compensation expenses, were USD 12.1 million in the quarter, versus USD 15.8 million in 2Q18, down 23 percent from the corresponding period last year as a result of a reduction in overall headcount, and non-customer facing roles in AdColony being moved to lower cost locations.

Stock-based compensation expenses were USD 1.0 million in the quarter compared to USD 0.1 million in 2Q18.

Depreciation and amortization expenses were USD 6.4 million in the quarter (USD 7.5 million), down 15 percent from the corresponding period last year as intangible assets from prior acquisitions are gradually amortized, partly offset by an increase of USD 0.8 million following the implementation of IFRS 16 Leasing.

Other operating expenses were USD 8.3 million in the quarter (USD 12.2 million), down 31 percent from the corresponding period last year, due to overall cost control, more efficient delivery of backend ad serving for AdColony, and the reduction of office lease costs due to IFRS 16.

Adjusted EBITDA and EBITDA

Adjusted EBITDA

Adjusted EBITDA was USD 3.9 million in second quarter 2019, compared to USD 1.7 million in the corresponding period in 2018, with overall lower revenue more than offset by cost savings. A net total of USD 1.7 million was excluded from adjusted EBITDA, related to restructuring expenses and stock-based compensation expenses.

EBITDA

EBITDA was USD 2.2 million in second quarter 2019, up from USD 0.0 million in the corresponding period in 2018.

Net financial items

Otello recognized a loss from net financial items in the quarter of USD 2.5 million, compared to a gain of USD 5.3 million in the corresponding period last year. The loss is related to FX due to a weaker USD vs NOK.

Net income

Second quarter 2019 net income was USD (7.0) million compared to USD (2.1) million in the corresponding period last year. EPS and fully diluted EPS were USD (0.05) and USD (0.05), respectively, in the second quarter 2019, compared to USD (0.01) and USD (0.01), respectively, in the second quarter 2018.

Financial position and cash flow

Otello's net cash flow from operating activities was USD (2.8) million in second quarter 2019, compared to USD 0.3 million in the second quarter 2018. Operating cashflow was negatively impacted by increased accounts receivables tied to revenue growth from both AdColony and Bemobi vs last quarter. Cash flow from investment activities amounted to USD (6.0) million, vs USD (26.4) million from the corresponding quarter last year. USD (2.5) million relates to capitalized R&D and USD (3.6) million related to an acqusition of voice interactive platforms and intellectual property by Bemobi. Cash flow from financing activities amounted to USD (1.4) million with USD 0.8 million related to payment of office leases and USD 0.6 million related to share buybacks.

Cash and cash equivalents at the end of the second quarter 2019 were USD 16.7 million compared to USD 46.7 million in the second quarter 2018. The majority of the reduction in cash is related to Otello settling all of its earn-out obligations. At the end of the second quarter 2019, Otello has no interest-bearing debt. In 2018, Otello signed a 3-year revolving credit facility of USD 100 million, which is undrawn at the end of the quarter.

The company's equity was USD 351.8 million at the end of the quarter, corresponding to an equity ratio of 79.5%.

Organization

At the end of the second quarter 2019 Otello had 579 full-time employees and equivalents.

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

(USD million)	2Q19	2Q18	YTD 2019	YTD 2018
Revenue*	**42.5**	**58.4**	**80.6**	**115.1**
Performance	16.2	25.2	33.1	51.7
Brand-Managed IO	15.5	19.2	27.2	35.9
Brand-Performance	5.7	7.0	11.1	15.6
Brand-Programmatic	5.1	7.0	9.3	11.8
Gross Profit	**14.7**	**19.6**	**27.7**	**39.1**
Adj. EBITDA	(1.0)	(1.7)	(3.6)	(4.5)
EBITDA	(1.2)	(2.8)	(3.8)	(3.7)
EBIT	(6.1)	(9.1)	(14.5)	(16.1)

* Revenue and gross profit excludes intercompany transactions

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

Business Overview

AdColony, the mobile performance marketplace, is one of the largest mobile advertising platforms in the world with a reach of more than 1.5 billion users globally. AdColony's mission is to drive business outcomes that matter for advertisers and publishers using its best-in-class mobile technology, the highest-quality mobile ad experiences and leveraging curated reach.

AdColony is known throughout the mobile industry for its unparalleled third-party verified viewability rates, exclusive Instant-Play™ and Aurora™ HD video technologies, rich media formats, global performance advertising business, programmatic marketplace, and extensive SDK footprint in the Top 1000 apps worldwide.

Originally founded in 2008, AdColony has been an innovation leader in mobile advertising and monetization since Apple first introduced the App Store. AdColony is passionate about delivering the highest quality video advertising, full screen interactive rich media ads, and beyond. Founded by game developers, for game developers, AdColony is committed to delivering an experience that makes monetizing a win for advertisers, developers, and users alike.

Financial Overview

Overall AdColony revenue for the quarter was USD 42.5 million, down by 27% compared to 2Q18. Compared to 1Q19 revenue grew by over 10%, slightly above expectations and with a positive trend throughout the quarter. Total operating expenses are down significantly versus 2Q18 as we have streamlined the organization, moved non-customer facing roles to lower cost locations and focused on programmatic and automated delivery of our customers ad spend. Gross margins continue to be very healthy and was up slightly vs 2Q18.

Adjusted EBITDA amounted to USD (1.0) million in the quarter, an improvement vs USD (1.7) million in 2Q18 with lower revenue more than offset by lower expenses and increasing gross margins.

Gross margin for the quarter was 34.5% versus 33.5% in 2Q18. Gross margin in the Performance business had its 4th consecutive quarter of margin expansion and was up over 6pp to around 27% versus just over 20% in 2Q18. The Brand/Exchange business has stable gross margins around 40%.

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. Fundamentally, the best way for today's hottest apps to maintain long-term growth and financial success is to acquire users in other apps. AdColony's wide network of apps using its SDK for monetization gives user acquisition (UA) managers (Performance) targeting options to find the perfect users for their own apps. In addition to video ads with unique end-cards, UA campaigns can take advantage of Aurora™ HD Playables, giving users the chance to preview the full in-app experience.

During 2Q19, Performance achieved revenue stability across a number of key accounts. Thanks to concerted efforts by our account management team, the quarter saw double digit growth from Playrix, Kama, Nordcurrent, and MachineZone. This growth is on the heels of a number of improved ad units with increased interactivity and higher engagement rates. Based on the positive traction with key accounts and multiple product enhancements we expect to see revenue growth in 3Q19 vs 2Q19 for the Performance business.

Major progress by the product team on our CORE™ models released in late March are showing promising results on install rates, and improvements to the supply-side toolset have enabled significantly improved matching between demand and supply, improving yields for our publishers and results for advertisers.

Brand/Exchange

What we call "brand advertisers" are the non-gaming, traditional companies and ads most non-industry people think of when they think of digital ads. AdColony gives today's biggest brand advertisers like Disney, Starbucks, Unilever, Nestlé, and many more, the opportunity to reach consumers where they're spending the most time — on their mobile devices.

With AdColony's in-house creative team, advertisers can see their brand stories come to life through unique award-winning ads that take advantage of the unique characteristics of mobile devices like touch, sound, tilt, vibration, augmented reality, and more. Users continue to spend more and more time in-app, up 18% since 2015, and AdColony is the prime video outlet for brands to reach audiences in the changing media landscape.

Overall, the Brand business experienced a strong surge in all regions in 2Q19 versus 1Q19, fueled by new client acquisition as well as our continued shift to programmatic. The global Brand business grew revenue 24% from 1Q 2019, which is more than double the growth we saw from 1Q to 2Q 2018 (11%), As we continue to focus our Product, Tech, and Engineering resources on programmatic, we expect the sequential growth to continue in 3Q19.

At the heart of AdColony's advertising business is its supply, powered primarily by its 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. Promoted by AdColony's international publishing team, AdColony's first-party SDK inventory offers access to audiences and optimizations no other platform can offer.

AdColony's SDK is integrated into thousands of the top apps across iOS and Android around the world. With 100% full-screen video in both landscape and vertical, and a host of integration options including user-initiated rewarded video, pre-ad post-roll, interstitials, display, and more, AdColony's SDK is amongst the most flexible monetization platforms for developers.

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 2Q19, SDK versions 3.3.x and above, reached a penetration within AdColony's ad marketplace of well over 90% percent of publishers. The more publishers integrate the latest AdColony SDK, the greater inventory is available to advertisers, and later SDK versions enable better features for publishers and advertisers.

In 3Q19, we're looking forward to certification of our next SDK version by IAB's Open Measurement Working Group, which will enable security and viewability options for advertisers and allow new integrations with measurement partners, without requiring SDK updates on the part of publishers.

Product Update

In 2Q19 the product and engineering teams executed on critical steps in our plan to become an "Open & Standardized Platform" where any demand (ads or other ad sources) can be delivered into any supply (SDK-driven views, or other publisher sources). AdColony's Product team focused on expanding the network reach to "any type of supply" by developing Bidder and Universal Creative technologies.

AdColony Bidder allows demand to access supply from non-SDK sources, including supply-side platforms (SSPs) and mediation platforms in a live ad auction. Universal Creative enhances our ads by making them dynamically support multiple ad delivery formats. Together Bidder and Universal Creative make AdColony campaigns fully compatible with both direct SDK and non-SDK supply. This allows us to deliver our superior ad experiences to greater supply than ever before.

Product and engineering teams also continued to make improvements to our creative offering through more improvements to the Composer™ tool. After rigorous A/B testing two new ad templates were developed: one that includes a call-to-action overlay during video playback and another that supports responsive design. Both templates perform exceptionally well, and the overlay style has been made default across all App Install campaigns.

Investments in CORE™ optimization engine resulted in the release of CORE™ MetaModel 4.1, which carries a 15% increase in advertiser and publisher CPM, a 20% increase in Install Rate, and a 10% increase in revenue and margin.

Bemobi (Apps & Games)

(USD million)	2Q19	2Q18	YTD 2019	YTD 2018
Revenue*	**13.9**	13.7	**26.6**	28.0
Gross Profit	**9.6**	9.9	**17.9**	20.4
Adj. EBITDA	**6.0**	5.3	**11.1**	10.7
EBITDA	**5.1**	5.3	**9.6**	10.7
EBIT	**3.8**	4.3	**7.2**	8.7

* 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, and 1H19 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, or 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 2Q19 with 65 active operator agreements, of which 44 are outside LATAM, making it possible to offer subscription-based services providing access to apps and games to over 2.4 billion consumers.

Financial Overview

Revenue increased by 1% percent YoY to USD 13.9 million, with solid underlying performance partly offset by negative FX impact, with the BRL depreciating in value vs the USD. FX neutral revenue would have been USD 15.0 million, up by 10% YoY. Of the revenue in 2Q19, 75% percent came from LATAM while 25% came from international markets.

From 2H18 onwards Bemobi management decided to recognize investment in user acquisition as a publisher and revenue share cost, instead of an operating expense, as had 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. The 2Q19 gross margin for Bemobi was 69.3%, compared to 74.9% using the previous accounting classification, which is over 2 percentage points higher than 2Q18 (72.2%).

Subscriber growth continued YoY, with LATAM subscribers up from 18.1 million in 2Q18 to 19.1 million in 2Q19 (up 6%). International subscribers also rose from 5.1 million in 2Q18 to 8.3 million in 2Q19 (up 64%).

Revenue from LATAM was USD 10.5 million in 2Q19, a 3% increase in comparison to 2Q18. With like for like FX rates, revenue would have been USD 11.4 million, up 12% versus 2Q18.

International revenue was USD 3.4 million in 2Q19 compared to USD 3.6 million in 2Q18, down approximately 4%. FX rate fluctuations impacted revenue negatively by 6% and would have been USD 3.6 million, up 2% compared to 2Q18 with unchanged FX rates. Overall, the tepid underlying growth in International markets partly due to the fact the development and launch of new products has taken longer time than planned. In addition, the mobile market in India has undergone big disruptive structural changes with major consolidation by mobile carriers. These structural changes have impacted the whole digital industry in India including Bemobi.

Adjusted EBITDA was up from USD 5.3 million in 2Q18 to a record USD 6.0 million in 2Q19 an increase of 14%, despite negative impact from FX. Adjusted EBITDA would have been up by 24% to USD 6.6 million with like for like FX rates in 2Q19 as 2Q18.

Product update

Bemobi continues to run third party paid advertising on our (No Data No Credit) NDNC portal in Ncell in Nepal and we are now extending paid advertising to other NDNC portals in Asia. This will offer a new revenue source based on the same model as in Brazil.

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 and 2019.

On the new acquisition channels development front, Bemobi is investing in expanding its No Credit and No Data web captive portal to include and interactive voice portal platform. This new interactive voice platform is now live in three of the largest four carriers in Brazil and shows a lot of promise as Bemobi prepares to scale this new channel internationally. Also, Bemobi is investing in developing a new offer orchestration solution (i.e. Bemobi Loop) that dynamically selects in real time the offers that will be presented for each user in each channel depending on the end user's past behavior and preferences.

In international markets, we are about to start to roll out several new products. The Kids Club product has been launched in 2Q19 with two mobile carriers in South Asia and CIS. 15 Kids Clubs in total have now been launched, and we will proceed with launches in other international markets.

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

From 2019, Skyfire (RocketColony) is rolled into the Corporate function of Otello due to its relative small size and impact to P&L.

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, August 19, 2019
The Board of Directors
Otello Corporation ASA

Andre Christensen
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)	2Q 2019 (Unaudited)	2Q 2018 Restated (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 Restated (Audited)
Revenue	**56.2**	72.2	**107.7**	143.6
Gross profit	**24.3**	29.6	**46.3**	60.1
Net income [1]	**(7.0)**	(2.1)	**(16.8)**	1.7
Adjusted EBITDA [2]	**3.9**	1.7	**5.3**	2.4
EBITDA	**2.2**	(0.0)	**1.9**	2.4
Normalized EBIT [3]	**(2.3)**	(2.7)	**(7.6)**	(4.3)
EBIT	**(4.2)**	(7.5)	**(11.5)**	(12.4)
EPS (USD)	**(0.05)**	(0.01)	**(0.12)**	0.01
EPS, fully diluted (USD)	**(0.05)**	(0.01)	**(0.12)**	0.01
Cash flow from operating activities	**(2.8)**	0.3	**(4.5)**	(2.2)
Cash flow from investment activities	**(6.0)**	(29.3)	**(8.9)**	(32.8)
Cash flow from financing activities	**(1.4)**	(1.4)	**(2.8)**	(3.0)

Segment information Revenue (USD million)	2Q 2019 (Unaudited)	2Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)
AdColony (Mobile Advertising)	**42.5**	58.4	**80.6**	115.1
Bemobi (Apps & Games)	**13.9**	13.7	**26.6**	28.0
Corporate	**0.1**	0.2	**0.7**	0.6
Eliminations	**(0.2)**	(0.1)	**(0.2)**	(0.0)
Total Continued Operations [4]	**56.2**	72.2	**107.7**	143.6

Segment information Adjusted EBITDA [1] (USD million)	2Q 2019 (Unaudited)	2Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)
AdColony (Mobile Advertising)	**(1.0)**	(1.7)	**(3.6)**	(4.5)
Bemobi (Apps & Games)	**6.0**	5.3	**11.1**	10.7
Corporate	**(1.2)**	(1.9)	**(2.2)**	(3.8)
Eliminations	**(0.0)**	0.0	**(0.0)**	0.0
Total Continued Operations (with ICP) [4]	**3.9**	1.7	**5.3**	2.4
Eliminations	**0.0**	0.0	**0.0**	0.0
Total Continued Operations (net of ICP)	**3.9**	1.7	**5.3**	2.4

[1] Net Income corresponds to Profit (loss) in the Consolidated statement of comprehensive income

[2] excluding impairment and restructuring, and stock-based compensation expenses

[3] excluding impairment and restructuring 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)

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Interim condensed financial statements

Consolidated statement of comprehensive income

(USD million, except earnings per share)	Note	2Q 2019 (Unaudited)	2Q 2018 (Unaudited)	% change	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)	% change
Continuing operations							
Revenue	3, 6, 12	**56.2**	72.2	-22 %	**107.7**	143.6	-25 %
Total operating revenue		**56.2**	72.2	-22 %	**107.7**	143.6	-25 %
Publisher and revenue share cost	3, 6, 12	**(31.9)**	(42.6)	-25 %	**(61.4)**	(83.4)	-26 %
Payroll and related expenses	3, 6, 12	**(12.1)**	(15.8)	-23 %	**(24.6)**	(31.0)	-21 %
Stock-based compensation expenses	3, 6, 12	**(1.0)**	(0.1)	628 %	**(2.1)**	1.5	-242 %
Depreciation and amortization expenses	3, 6, 12	**(6.4)**	(7.5)	-15 %	**(13.4)**	(14.8)	-10 %
Other operating expenses	3, 6, 12	**(8.3)**	(12.2)	-31 %	**(16.4)**	(26.7)	-39 %
Total operating expenses		**(59.7)**	(78.1)	-24 %	**(117.9)**	(154.5)	-24 %
Operating profit (loss), (EBIT), excluding impairment and restructuring expenses		**(3.5)**	(5.9)		**(10.2)**	(10.9)	
Impairment and restructuring expenses	14, 15	**(0.6)**	(1.6)		**(1.3)**	(1.5)	
Operating profit (loss), (EBIT)		**(4.2)**	(7.5)		**(11.5)**	(12.4)	
Net financial items	7	**(2.5)**	5.3		**(4.4)**	(4.8)	
Profit (loss) before income tax		**(6.7)**	(2.2)		**(15.9)**	(17.2)	
Provision for taxes [1)]		**(0.3)**	0.0		**(0.9)**	18.9	
Profit (loss)		**(7.0)**	(2.1)		**(16.8)**	1.7	
Discontinuing operations							
Profit (loss) from discontinuing operations, net of tax		-	-		-	-	
Profit (loss) from discontinuing operations		-	-		-	-	
Items that may or will be transferred to profit (loss)							
Foreign currency translation differences		**2.9**	(4.5)		**3.2**	1.8	
Discontinuing operations - reclassified to profit (loss)		-	-		-	-	
Total comprehensive income (loss)		**(4.1)**	(6.6)		**(13.6)**	3.4	
Earnings (loss) per share:							
Basic earnings (loss) per share (USD)		**(0.05)**	(0.01)		**(0.12)**	0.01	
Diluted earnings (loss) per share (USD)		**(0.05)**	(0.01)		**(0.12)**	0.01	
Shares used in earnings per share calculation		**139,984,386**	144,380,802		**138,400,532**	140,534,303	
Shares used in earnings per share calculation, fully diluted		**139,984,386**	144,380,802		**138,400,532**	140,701,559	
Earnings per share (continuing operations):							
Basic earnings (loss) per share (USD)		**(0.05)**	(0.01)		**(0.12)**	0.01	
Diluted earnings (loss) per share (USD)		**(0.05)**	(0.01)		**(0.12)**	0.01	
Shares used in earnings per share calculation		**139,984,386**	144,380,802		**138,400,532**	140,534,303	
Shares used in earnings per share calculation, fully diluted		**139,984,386**	144,380,802		**138,400,532**	140,701,559	

[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	6/30/2019 (Unaudited)	6/30/2018 (Unaudited)	12/31/2018 (Audited)
Assets				
Deferred tax assets		**38.8**	36.5	40.5
Goodwill		**232.9**	313.2	232.4
Intangible assets		**25.2**	50.1	28.3
Property, plant and equipment		**8.8**	9.8	8.0
Right of use assets	11	**4.3**	-	-
Contract assets - sublease	11	**2.5**	-	-
Other investments		**14.7**	14.4	14.4
Other non-current assets		**0.6**	0.6	0.6
Total non-current assets		**327.7**	424.5	324.3
Accounts receivable	9	**64.5**	72.4	67.1
Contract assets - sublease	11	**0.7**	-	-
Other receivables	9	**32.6**	30.6	36.6
Cash and cash equivalents	8	**16.7**	46.7	27.5
Total current assets		**114.6**	149.6	131.2
Total assets		**442.3**	574.1	455.5

(USD million)	Note	6/30/2019 (Unaudited)	6/30/2018 (Unaudited)	12/31/2018 (Audited)
Shareholders' equity and liabilities				
Equity attributable to owners of the company		**350.0**	463.3	362.7
Non-controlling interests	5	**1.7**	5.8	1.2
Total equity		**351.7**	469.2	364.0
Liabilities				
Deferred tax liability		**0.1**	5.4	0.1
Lease liabilities	11	**3.3**	-	-
Loans and borrowings	8	-	-	-
Other non-current liabilities		**0.7**	3.1	2.1
Contingent consideration, non-current	5	-	-	-
Total non-current liabilities		**4.2**	8.5	2.1
Loans and borrowings	8	-	-	-
Lease liabilities	11	**4.3**	-	-
Accounts payable		**21.4**	20.0	23.4
Taxes payable		**(0.9)**	(6.9)	1.4
Public duties payable		**1.7**	1.9	1.8
Deferred revenue		**1.3**	2.5	2.1
Stock-based compensation liabilities		**0.0**	-	0.0
Other current liabilities		**36.8**	47.6	39.5
Contingent consideration, current	5	**21.8**	31.3	21.3
Total current liabilities		**86.4**	96.4	89.4
Total liabilities		**90.5**	104.9	91.5
Total equity and liabilities		**442.3**	574.1	455.5

Consolidated statement of cash flows

(USD million)	Note	2Q 2019 (Unaudited)	2Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)
Cash flow from operating activities					
Profit (loss) before taxes		**(6.7)**	(2.2)	**(15.9)**	(17.2)
Income taxes paid		**0.0**	(1.1)	**(0.5)**	(4.6)
Depreciation and amortization expense		**6.4**	7.5	**13.4**	14.8
Net (gain) loss from disposals of PP&E, and intangible assets		**0.0**	0.0	**0.1**	(0.0)
Net (gain) loss from sale of discontinued operations, net of tax		**0.0**	(0.0)	**0.0**	(0.0)
Impairment losses on intangible assets and goodwill		**-**	-0.0	**-**	-
Changes in inventories, trade receivables, trade and other payables		**(3.9)**	2.7	**(0.6)**	14.8
Other net finance items		**0.1**	-	**0.2**	-
Changes in other operating working capital		**(0.8)**	(1.8)	**(6.9)**	(13.4)
Share of net income (loss) and net (gain) loss from disposal of associated companies		**-**	0.1	**-**	0.2
Share-based remuneration		**1.3**	0.0	**2.5**	(1.5)
Earnout cost and cost for other contingent payments	5	**-**	0.0	**-**	1.9
Net (gain) loss from disposals of subsidiaries and other share investments		**0.0**	(4.4)	**0.0**	(4.4)
FX differences related to changes in balance sheet items		**0.9**	(0.4)	**3.1**	7.1
Net cash flow from operating activities		**(2.8)**	0.3	**(4.5)**	(2.2)
- of which included in continuing operations		*(2.8)*	*0.3*	*(4.5)*	*(2.2)*
- of which included in discontinuing operations		*-*	*-0.0*	*-*	*-*
Cash flow from investment activities					
Proceeds from sale of property, plant, and equipment (PP&E) and intangible assets		**0.0**	0.0	**0.0**	0.0
Purchases of property, plant and equipment (PP&E) and intangible assets		**0.1**	(0.0)	**(0.3)**	(0.4)
Capitalized R&D costs		**(2.5)**	(2.8)	**(5.0)**	(6.0)
Loans to related parties		**-**	0.0	**-**	0.0
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed [1)]		**0.0**	-	**5.6**	-
Purchases of subsidiaries and associated companies, net of cash acquired [2)]	4, 5	**(3.6)**	(26.4)	**(3.6)**	(26.4)
Net cash flow from investment activities		**(6.0)**	(29.3)	**(3.3)**	(32.8)
- of which included in continuing operations		*(6.0)*	*(29.3)*	*(8.9)*	*(32.8)*
- of which included in discontinuing operations		*-*	*-*	*5.6*	*-*
Cash flow from financing activities					
Proceeds from exercise of treasury shares (incentive program)		**-**	-	**-**	-
Purchase of treasury shares		**(0.6)**	(1.4)	**(1.1)**	(2.9)
Proceeds from issuance of shares, net (equity increase)		**(0.0)**	(0.0)	**(0.0)**	(0.0)
Repayments of loans and borrowings	8	**-**	0.0	**-**	(0.1)
Payment of finance lease liabilities	11	**(0.8)**	-	**(1.6)**	-
Net cash flow from financing activities		**(1.4)**	(1.4)	**(2.8)**	(3.0)
- of which included in continuing operations		*(1.4)*	*(1.4)*	*(2.8)*	*(3.0)*
- of which included in discontinuing operations		*-*	*-*	*-*	*-*
Net change in cash and cash equivalents		**(10.2)**	(30.3)	**(10.6)**	(38.1)
Cash and cash equivalents (beginning of period) [3)]		**26.6**	79.9	**27.5**	86.0
Effects of exchange rate changes on cash and cash equivalents		**0.3**	(2.9)	**(0.2)**	(1.2)
Cash and cash equivalents [3)]		**16.7**	46.7	**16.7**	46.7
- of which included in cash and cash equivalents in the balance sheet		**16.7**	46.7	**16.7**	46.7
- of which included in the assets of the disposal group (assets held for sale)		**-**	-	**-**	-

[1)] *In Q2 2019, Otello received $0.0 (YTD: 5.6) million of escrow payments related to sale of the SurfEasy business.*

[4)] *In Q2 2019, $3.6 (YTD: 3.6) million is related to initial payments for the purchase of the Novitech business.*

[3)] *Of which $0.8 million (6/30/2019: $1.6 million) is restricted cash and cash equivalents as of June 30, 2019.*

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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 12/31/2018	**138.7**	**348.2**	**51.6**	**(67.6)**	**(10.3)**	**40.8**	**1.2**	**363.9**
Comprehensive income (loss)								
Profit (loss)		-	-	-	-	(17.2)	0.3	(16.8)
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	3.1	-	0.1	3.2
Total comprehensive income (loss)		-	-	-	**3.1**	**(17.2)**	**0.5**	**(13.6)**
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		-	-	-	-	-	-	-
Treasury shares purchased	**(0.7)**	-	(1.1)	-	-	-	-	(1.1)
Treasury shares sold		-	-	-	-	-	-	-
Tax deduction on equity issuance costs		-	-	-	-	-	-	-
Share-based payment transactions		-	2.5	-	-	-	-	2.5
Total contributions by and distributions to owners	**(0.7)**	**(0.0)**	**1.4**	**0.0**	-	-	-	**1.4**
Other equity changes								
Divestment of a subsidiary [*)]		-	-	-	-	-	-	0.0
Other changes		-	(0.0)	-	-	0.0	-	0.0
Total other equity changes		-	**(0.0)**	-	-	**0.0**	**0.0**	**0.0**
Equity as of 6/30/2019	**138.1**	**348.2**	**53.0**	**(67.6)**	**(7.2)**	**23.7**	**1.7**	**351.7**

[*)] On May 29, 2018, Otello Corporation ASA divested 11.2% of the shares in Bemobi Holding AS. Please see note 5 for further information.

During 2Q 2019, Otello purchased 367,000 (YTD: 670,000) treasury shares for $0.6 million (YTD: $1.1 million), and sold 0 (YTD: 0) treasury shares for $0.0 million (YTD: 0.0 million). As of June, 30 2019, Otello owned 2,424,000 treasury shares.

During 2Q 2019, 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.

	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)		-	-	-	-	1.7	-	1.7
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	1.8	-	-	1.8
Total comprehensive income (loss)		-	-	-	**1.8**	**1.7**	-	**3.4**
Contributions by and distributions to owners								
Dividends		-	-	-	-	-	-	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		-	-	-	-	-	-	0.0
Treasury shares purchased	**(1.0)**	(0.0)	-	(2.9)	-	-	-	(2.9)
Treasury shares sold	**0.1**	0.0	-	-	-	-	-	0.00
Tax deduction on equity issuance costs		-	-	-	-	-	-	-
Share-based payment transactions		-	0.6	-	-	-	-	0.6
Total contributions by and distributions to owners	**(0.9)**	**(0.0)**	**0.6**	**(2.9)**	-	**0.0**	**0.0**	**(2.3)**
Other equity changes								
Other changes		-	-	-	-	0.0	-	0.0
Total other equity changes		-	**0.0**	-	-	**0.0**	-	**0.0**
Equity as of 6/30/2018	**140.1**	**348.5**	**51.7**	**(65.0)**	**11.3**	**122.8**	**0.0**	**469.2**

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 - Basis of preparation

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, 2018. The interim financial statements have not been subject to audit or review.

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 3 - Accounting policies and critical accounting estimates

Accountng policies
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, 2018.

IFRS 16 Leasing: effective for accounting periods beginning on or after January 1, 2019
The Group’s financial statements are subject to changes in IFRS. IFRS 16 Leasing which is effective for annual reports beginning on or after January 1, 2019, has significantly changed how the group accounts for its lease contracts for offices and other assets previously accounted for as operating leases. The standard requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right of use assets for all leases with a lease term of more than 12 months, unless the underlying asset is of low value.

Otello is using the modified approach and, therefore, has recognized leases in the statement of financial position as of January 1, 2019. Prior periods have not been restated.

The standard has a positive impact on EBITDA in the Group’s consolidated statement of comprehensive income. See note 10 for further information regarding the effects of this standard on the interim financial statements.

Critical accounting estimates
The preparation of interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2018.

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Note 4 - Business Combinations

Acquisition of assets

On May 10, 2019, Bemobi acquired, certain assets from a Brazilian subsidiary. The transaction included the following assets: physical assets such as hardware and software, intellectual property, a few commercial agreements related to the development, deployment, maintenance and technical support with major Brazilian and Central American telecommunication carriers as well as a few selected employees.

Bemobi paid an upfront amount of $3.1 million, net of any working capital adjustments, in cash at the close of the transaction. In addition, $0.5 million, is to be paid into an escrow account as a protection against any potential liabilities related to the acquired assets.

Otello and Bemobi regards this is an important strategic acquisition in many aspects:
- It enhances our channel offer and our current distribution platform, bringing a more diverse set of channels to our portfolio beyond the NCND portals by adding a Voice based No Credit Portal.
- It considerably raises our service distribution scale for our own services

Identifiable assets acquired and liabilities assumed

(Numbers in $ million)

Total net identifiable assets	**4.8**
Cash consideration	(3.1)
Escrow	0.0
Contingent consideration	(0.5)
Excess value	**1.2**
Customer contracts	1.3
Goodwill	(2.5)

The purchase price allocations have been carried out by external consultants. Please note that these are preliminary numbers and are subject to change. The negative goodwill has been recognized as finance income.

Estimated remaining useful life:	
Customer contracts	2 years

Note 5 - Contingent considerations

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 was terminated, and a significant part of the future earnout to the EPs was 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 was 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 were 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 was recognized in the interim financial statements, as follows:

- Otello estimated the remaining earnout liability to be USD 21.3 million
- The right to ownership of Bemobi Holding AS shares was 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 was recognized against Shareholder's equity related to the divestment of 11.2% of Bemobi shares. The minority interest of 11.2% was recognized as Non-controlling interests.

Novitech contingent consideration
$0.5 million of the transaction fee, is to be held in an escrow-account as a protection against any potential liabilities related to the acquired assets. See note 4 for further information regarding this transaction.

Valuation techniques and significant unobservable inputs related to contingent considerations:
Please see note 11 in the 2018 Annual Report for information regarding the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Contingent consideration - Net present value *(USD million)*	
Non-current consideration	-
Current consideration	21.8
Balance as of 6/30/2019	**21.8**

Earnout payments made in 2019

No earnout payments were made during Q1 or Q2 2019.

Estimated future payments

Following the settlement of the earnout agreement described above, Otello has an obligation to release the Bemobi shares held in escrow (no cash effect).

Contractual maximum payments
(USD million)

The contractual maximum payment is dependent on the fact that fallback payments, due to the scenarios stated above (i.e. a qualified sale, spin-off or IPO not taking place by March 31, 2020 and/or October 1, 2020), do not occur. However, at this stage, Otello does not believe the scenarios resulting in fallback payments are likely to occur. Such fallback payments would be calculated according to the previous earnout agreement as described in note 11 of the Group's consolidated financial statements for the year ended December 31, 2018.

Note 6 - 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. These effects are specified in the table below.

Revenue by currency (USD million)	2Q 2019	%		YTD 2019	%
USD	**35.9**	63.9%	USD	**70.6**	65.6%
BRL	**9.9**	17.6%	BRL	**18.4**	17.1%
DKK	**3.5**	6.2%	DKK	**6.2**	5.8%
TRY	**3.1**	5.5%	TRY	**5.5**	5.1%
GBP	**0.7**	1.3%	AUD	**1.2**	1.1%
Other	**3.1**	5.6%	Other	**5.8**	5.4%
Total	**56.2**	100.0%	**Total**	**107.7**	100.0%

Operating expenses by currency [1)] (USD million)	2Q 2019	%		YTD 2019	%
USD	**(42.2)**	70.7%	USD	**(84.0)**	71.3%
BRL	**(5.1)**	8.5%	BRL	**(9.5)**	8.1%
NOK	**(3.2)**	5.4%	NOK	**(6.4)**	5.4%
DKK	**(3.0)**	5.0%	DKK	**(5.5)**	4.6%
Other	**(6.2)**	10.5%	Other	**(12.5)**	10.6%
Total	**(59.7)**	100.0%	**Total**	**(117.9)**	100.0%

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

The impact on revenue and expenses for this quarter using comparative quarter constant foreign exchange rates is shown below. 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 1Q 2019 rates	FX effect using 1Q 2019 rates	Recalulated with 2Q 2018 rates	FX effect using 2Q 2018 rates
Revenue	**56.8**	**0.6**	**58.1**	**1.9**
Expenses	**(60.2)**	**(0.5)**	**(61.7)**	**(1.9)**

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Note 7 - Financial items

Financial items (USD million)	2Q 2019 (Unaudited)	2Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Audited)
Other interest income (expense), net	**(0.1)**	(0.4)	**(0.1)**	(0.4)
Interest expense related to contingent consideration	-	0.0	-	(1.6)
FX gains (losses) related to contingent consideration, net	-	0.0	-	0.0
Other FX gains (losses), net	**(2.3)**	3.0	**(4.2)**	(4.8)
Profit (loss) sale of shares	**(0.1)**	2.9	**(0.1)**	2.5
Revaluation of contingent consideration	-	0.0	-	(0.4)
Share of profit (loss) from associated companies	-	(0.1)	-	(0.2)
Net financial items (loss)	**(2.5)**	5.3	**(4.4)**	(4.8)

Note 8 - Liquidity risk

Credit facility

In May 2018, Otello signed an agreement for a new 3 year Revolving Credit Facility (RCF) of USD 100 million with DNB Bank ASA. As at June 30, 2019, the revolving credit facility was undrawn.

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 credit facility has the following financial covenants: i) the Leverage Ratio to be below 2.00:1. ii) the Equity Ratio to hold the minimum level of 35%. The Group is compliant as of June 30, 2019.

The RCF bears an interest rate of LIBOR, 3 months + a margin of 2.50 % p.a. There is no utilization fee. On the undrawn portion of the facility, a commitment fee of 35% of the margin will be paid.

Note 9 - Accounts receivable and other receivables

Accounts receivable and other receivables (USD million)	6/30/2019 (Unaudited)	6/30/2018 (Audited)
Accounts receivable	**41.8**	48.5
Unbilled revenue	**22.7**	23.8
Other receivables	**32.6**	30.6
Total	**97.1**	102.9

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 June 30, 2019, $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 10 - 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, impairment and restructuring 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 impairment and restructuring expenses.

EBIT:
This is short for Earnings before financial items. This is presented both including and excluding impairment and restructuring 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 impairment and restructuring expenses, and corresponds to Operating profit (loss), (EBIT) in the Consolidated statement of comprehensive income.

Normalized EBIT:
This represents EBIT excluding impairment and restructuring 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	**2Q 2019**	**2Q 2018**	**YTD 2019**	**YTD 2018**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Total operating revenue	**56.2**	72.2	**107.7**	143.6
Publisher and revenue share cost	**(31.9)**	(42.6)	**(61.4)**	(83.4)
Gross profit	**24.3**	29.6	**46.3**	60.1

Reconciliation of operating profit (loss) to EBITDA and adjusted EBITDA	**2Q 2019**	**2Q 2018 Restated**	**YTD 2019**	**YTD 2018 Restated**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Operating profit (loss), (EBIT)	**(4.2)**	(7.5)	**(11.5)**	(12.4)
Depreciation and amortization expenses	**6.4**	7.5	**13.4**	14.8
Impairment expenses	**-**	-	**-**	-
EBITDA	**2.2**	(0.0)	**1.9**	2.4
Restructuring expenses	**0.6**	1.6	**1.3**	1.5
Stock-based compensation expenses	**1.0**	0.1	**2.1**	(1.5)
Adjusted EBITDA	**3.9**	1.7	**5.3**	2.4

Reconciliation of operating profit (loss) to normalized EBIT	**2Q 2019**	**2Q 2018 Restated**	**YTD 2019**	**YTD 2018 Restated**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating profit (loss), (EBIT)	**(4.2)**	(7.5)	**(11.5)**	(12.4)
Impairment and restructuring expenses	**0.6**	1.6	**1.3**	1.5
Amortization of acquired intangible assets	**1.3**	3.2	**2.5**	6.6
Normalized EBIT	**(2.3)**	(2.7)	**(7.6)**	(4.3)

Note 11 - Right-of-use assets and lease liabilities (IFRS 16)

IFRS 16 was implemented for the Group with effect as of January 1, 2019. On transition to IFRS 16, the Group recognized USD 10.0 million in right of use (ROU) assets and USD 10.0 million in lease liabilities. The ROU assets and lease liabilities comprise office lease contracts. For financial subleasing contracts, the Group has recognized a contract asset in the statement of financial position, with a corresponding reduction in the ROU asset.

Accounting principles applied are described in the Group's consolidated financial statements for the year ended December 31, 2018.

The movements of the Group's right of use assets, contract assets and lease liabilities are presented below:

Lease liabilities *(USD million)*	
Balance as of 1/1/2019	-
Additions	10.0
Translation differences	(0.0)
Lease payments for the principal portion of the lease liability	(2.5)
Interest expense on lease liabilities	0.2
Lease liabilities as of 6/30/2019	**7.6**
Of which:	
Current lease liabilities (less than 1 year)	4.3
Non-current lease liabilities (more than 1 year)	3.3
Balance as of 6/30/2019	**7.6**

Right of use assets *(USD million)*	
Balance as of 1/1/2019	-
Additions	10.0
Adjustment to Contract asset - sublease	(4.1)
Depreciation	(2.5)
Adjustment for depreciation related to Contract asset - sublease	0.9
Translation differences	-
Right of use assets as of 6/30/2019	**4.3**
Lower of remaining lease term or economic life	0 - 3 years
Depreciation plan	Linear

Contract assets - sublease *(USD million)*	
Balance as of 1/1/2019	-
Additions	4.1
Sublease payments	(0.9)
Adjustment of interest expense	0.1
Translation differences	-
Contract assets - sublease as of 6/30/2019	**3.2**
Of which:	
Current contract assets (less than 1 year)	0.7
Non-current contract assets (more than 1 year)	2.5
Balance as of 6/30/2019	**3.2**

Translation differences arise due to translation of lease contracts in local currencies to USD.

IFRS 16 effects on the consolidated statement of comprehensive income in Q1 2019 *(USD million)*	**2Q 2019**	**YTD 2019**
Operating lease expenses recognized under operating expenses decreased	(0.8)	(1.6)
Depreciation expense increased as a result of depreciation of ROU assets	0.8	1.6
Net interest expense increased as a result of recognition of the lease liability	0.0	0.1
Translation differences	(0.0)	(0.0)
Net effect	**0.0**	**0.0**

Profit for the period is not affected significantly.

Further information about the impact of IFRS 16, 'Leases', is provided in Note 1 in the Annual report for 2018.

Note 12 - Segments

Revenue (USD million)	**2Q 2019** (Unaudited)	**2Q 2018** (Unaudited)	**% change**	**YTD 2019** (Unaudited)	**YTD 2018** (Unaudited)	**% change**
AdColony (Mobile Advertising)	**42.5**	58.4	-27 %	**80.6**	115.1	-30 %
Bemobi (Apps & Games)	**13.9**	13.7	1 %	**26.6**	28.0	-5 %
Corporate	**0.1**	0.2	-68 %	**0.7**	0.6	18 %
Eliminations	**(0.2)**	(0.1)	188 %	**(0.2)**	(0.0)	787 %
Total continued operations 1)	**56.2**	72.2	-22 %	**107.7**	143.6	-25 %

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

Gross profit (USD million)	**2Q 2019** (Unaudited)	**2Q 2018** (Unaudited)	**% change**	**YTD 2019** (Unaudited)	**YTD 2018** (Unaudited)	**% change**
AdColony (Mobile Advertising)	**14.7**	19.6	-25 %	**27.7**	39.1	-29 %
Bemobi (Apps & Games)	**9.6**	9.9	-3 %	**17.9**	20.4	-12 %
Corporate	**0.1**	0.1	-60 %	**0.7**	0.6	18 %
Eliminations	**0.0**	0.0	309 %	**(0.0)**	0.0	-3637 %
Total continued operations 1)	**24.3**	29.6	-18 %	**46.3**	60.1	-23 %

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

Adjusted EBITDA 2) (USD million)	**2Q 2019** (Unaudited)	**2Q 2018** (Unaudited)	**% change**	**YTD 2019** (Unaudited)	**YTD 2018** (Unaudited)	**% change**
AdColony (Mobile Advertising)	**(1.0)**	(1.7)	-41 %	**(3.6)**	(4.5)	-20 %
Bemobi (Apps & Games)	**6.0**	5.3	14 %	**11.1**	10.7	3 %
Corporate	**(1.2)**	(1.9)	-39 %	**(2.2)**	(3.8)	-42 %
Eliminations	**(0.0)**	0.0	-324 %	**(0.0)**	0.0	-716 %
Total continued operations 1)	**3.9**	1.7	129 %	**5.3**	2.4	117 %

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

EBITDA (USD million)	**2Q 2019** (Unaudited)	**2Q 2018** (Unaudited)	**% change**	**YTD 2019** (Unaudited)	**YTD 2018** (Unaudited)	**% change**
AdColony (Mobile Advertising)	**(1.2)**	(2.8)	58 %	**(3.8)**	(3.7)	-4 %
Bemobi (Apps & Games)	**5.1**	5.3	-4 %	**9.6**	10.7	-11 %
Corporate	**(1.7)**	(2.6)	33 %	**(3.9)**	(4.7)	16 %
Eliminations	**(0.0)**	(0.0)	179 %	**(0.0)**	(0.0)	153 %
Total continued operations 1)	**2.2**	(0.0)	8879 %	**1.9**	2.4	23 %

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

Note 12 - Segments (continued)

Normalized EBIT [2)] *(USD million)*	2Q 2019 (Unaudited)	2Q 2018 (Unaudited)	% change	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)	% change
AdColony (Mobile Advertising)	**(5.2)**	(5.4)	3 %	**(13.0)**	(10.1)	-28 %
Bemobi (Apps & Games)	**4.8**	5.0	-5 %	**8.9**	10.1	-12 %
Corporate	**(1.8)**	(2.3)	22 %	**(3.5)**	(4.3)	18 %
Eliminations	**0.0**	(0.0)	119 %	**0.0**	0.0	-588 %
Total continued operations [1)]	**(2.3)**	(2.7)	17 %	**(7.6)**	(4.3)	-76 %

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

EBIT *(USD million)*	2Q 2019 (Unaudited)	2Q 2018 (Unaudited)	% change	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)	% change
AdColony (Mobile Advertising)	**(6.1)**	(9.1)	34 %	**(14.5)**	(16.1)	10 %
Bemobi (Apps & Games)	**3.8**	4.3	-13 %	**7.2**	8.7	-17 %
Corporate	**(1.9)**	(2.7)	32 %	**(4.2)**	(5.0)	16 %
Eliminations	**0.0**	(0.0)	122 %	**0.0**	0.0	-500 %
Total continued operations [1)]	**(4.2)**	(7.5)	45 %	**(11.5)**	(12.4)	7 %

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 based on the activity of mobile users viewing ads through 3rd Party Publishers, such as developer applications and mobile websites. Advertising revenue is recognized each time a user views, or clicks a mobile ad, and/or installs a game. The performance obligations are satisfied on a point in time basis.

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, a feature phone platform, when a user purchases a premium app. Bemobi revenues consist of performance obligations that are satisfied on an over time basis.

Skyfire (Performance & Privacy)
See below under Corporate.

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.

From 2019, Skyfire (Performance & Privacy) is no longer reported as a separate segment but has been rolled into the Corporate segment due to its size.

Note 13 - Other investments

Other investments *[USD million]*	6/30/2019 (Unaudited)	6/30/2018 (Unaudited)
Investments in associated companies	**8.2**	8.6
Loans to associated companies	**5.7**	5.0
Investments in other shares	**0.9**	0.8
Total	**14.7**	14.4

Investments in associated companies

Otello finalized an agreement on December 19, 2016 to sell its TV business ("Opera TV") for $80 million. As part of this agreement, Otello retained an approximately 27% equity interest in Last Lion Holdings Ltd, through preferred shares, which indirectly owns Opera TV through Last Lion Holdco AS. In 2017, Opera TV AS changed its name to Vewd Software AS.
See note 14 for further information regarding the investment in Last Lion Holdings Ltd.

Information regarding Last Lion Holdings Ltd *(USD million)*	2Q 2019 (Unaudited)	YTD 2019 (Unaudited)
Revenue	10.9	21.8
EBIT	4.4	8.8
Net profit (loss)	1.3	2.6
Assets		161.4
Non-current liabilities		119.8
Current liabilities		11.2
Equity		30.4
Otello's share of equity		8.2

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

Loans to associated companies

The Group entered into a loan agreement in 2017 of $5 million with Vewd Software AS (formerly Opera TV AS). This loan is outstanding, with an accured interest of $0.7 million, as at June 30, 2019.

Note 14 - Impairment and restructuring expenses

During 2019, 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.

Impairment and restructuring expenses *(USD million)*	2Q 2019 (Unaudited)	2Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Audited)
Salary restructuring expenses	**(0.1)**	(1.1)	**(0.3)**	(1.5)
Option restructuring expenses	**0.0**	0.0	**0.0**	0.0
Office restructuring expenses	**(0.1)**	0.0	**(0.1)**	0.8
Impairment expenses	**0.0**	0.0	**0.0**	0.0
Legal and other costs related to business combinations and disposals	**(0.5)**	(0.5)	**(0.9)**	(0.8)
Other restructuring expenses	**0.0**	(0.0)	**0.0**	(0.0)
Total	**(0.6)**	(1.6)	**(1.3)**	(1.5)

Note 15 - Potential sale of Vewd minority stake

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 trial to determine the relief to which Otello is entitled is listed to take place in March 2020. Prior to that date, there will be documentary discovery and exchange of written witness and expert evidence.

Note 16 - Events after the reporting date

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

Interim Management Report Review of 1H 2019

Operations

Revenue in 1H 2019 was USD 107.7 million, down 25% compared to 1H 2018, when revenue was USD 143.6 million. Total operating costs, excluding one-time costs, were USD 117.9 million in 1H 2019 compared to USD 154.5 million in 1H 2018, a decrease of 24%. Adjusted EBITDA* was USD 5.3 million in 1H 2019 compared to USD 2.4 million in 1H 2018. EBIT was USD (11.5) million in 1H 2019 compared to USD (12.4) million in 1H 2018. Profit for the period was USD (16.8) million in 1H 2019 compared to USD 1.7 million in 1H 2018.

Cash flow

The Company generated USD (4.5) million in cash flow from operations in 1H 2019, compared to USD (2.2) million in 1H 2018. Cash outflow for investments amounted to USD 3.3 million, with USD 5.0 million related to research and development and USD 4.4 million related to capital expenditures, partly offset by USD 5.6 million related to proceeds from disposal of subsidiaries. Cash outflow from financing activities amounted to USD 2.8 million, of which USD 1.1 million relates to purchase of treasury shares and USD 1.6 million was related to payment of lease liabilities.

Financial position

Total assets decreased from USD 455.5 million to USD 442.3 million, primarily due to reductions in cash and account receivables and other receivables.

*excluding impairment and restructuring, and stock-based compensation expenses

Statement by the BOD and the CEO

Unaudited – 1H 2019 report of Otello Corporation ASA

The Board of Directors and the CEO have today reviewed and approved the condensed consolidated interim financial statements ("interim report") for Otello Corporation ASA for the first half of 2019.

The interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Norwegian disclosure requirements in accordance with the Norwegian Securities Trading Act.

The Board of Directors and the CEO consider the accounting policies applied to be appropriate. Accordingly, to the best of their knowledge and without the benefit of an audit, the interim report gives a true and fair view of the Group's assets, liabilities and financial position as of June 30, 2019, and of the results of the Group's operations and cash flows for the first half of 2019.

The Board of Directors and the CEO also consider the interim report to give a true and fair view of the information required by the Norwegian Securities Trading Act section 5–6 paragraph 4.

Oslo, August 19, 2019

The Board of Directors

Otello Corporation ASA

Andrè Alexander Christensen, Chairman

Anooj Unarket

Maria Borge Andreassen

Frode Fleten Jacobsen

Birgit Midtbust

Lars Rahbæk Boilesen, CEO