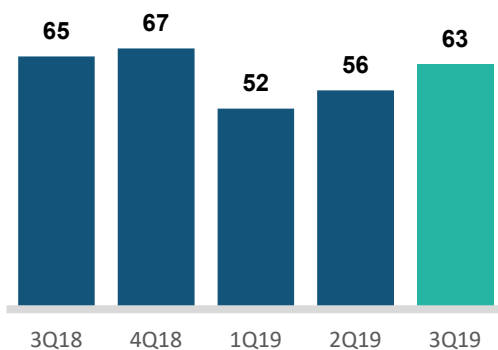


QUARTERLY REPORT

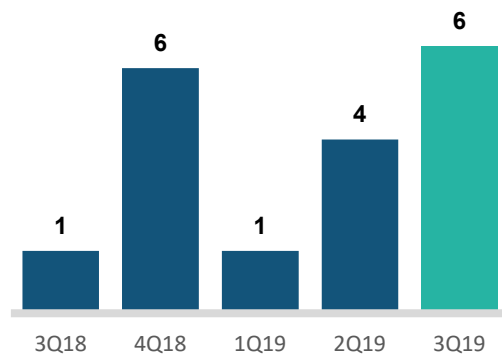
3Q 2019

OTELLO CORPORATION ASA

Revenue (USD million)



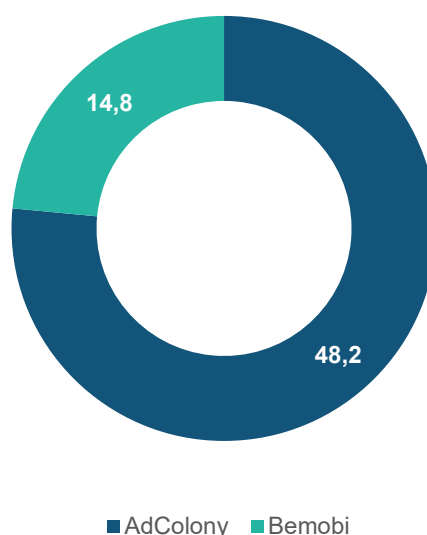
Adj. EBITDA (USD million)



HIGHLIGHTS

- Record quarter for Bemobi and continued improvement for AdColony puts Otello on track for 2019 targets
- Revenue was down by 3 percent to USD 63.1 million in 3Q19 (USD 64.9 million), due to decline in revenue from AdColony, partly offset by growth in Bemobi.
- Adjusted EBITDA* improved to USD 6.0 million in 3Q19 (USD 1.4 million) due to aggressive cost savings in AdColony and record profit from Bemobi
- Net income was USD 7.0 million in 3Q19 versus USD (11.2) million in 3Q18
- Operating cash flow was USD (0.9) million versus USD (1.1) million in 3Q18

Revenue Source



*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)	3Q19	3Q18	YTD 2019	YTD 2018
Revenue*	63.1	64.9	170.8	208.5
AdColony (Mobile Advertising)	48.1	52.5	128.7	167.6
Bemobi (Apps & Games)	14.8	12.4	41.4	40.3
Corporate	0.2	0.1	0.9	0.7
Adj. EBITDA	6.0	1.4	11.3	3.9
AdColony (Mobile Advertising)	0.8	(1.7)	(2.7)	(6.2)
Bemobi (Apps & Games)	6.2	5.2	17.3	16.0
Corporate	(1.0)	(2.1)	(3.2)	(5.9)
EBIT	(2.9)	(8.2)	(14.4)	(20.6)
Net income	7.0	(11.2)	(9.8)	(9.6)
EPS (USD)	0,05	(0,08)	(0,07)	(0,07)

* Segment revenue includes intercompany transactions.

In the report below, figures in brackets relate to the corresponding period in 2018.

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 by 3 percent to USD 63.1 million in 3Q19 (USD 64.9 million), due to decline in revenue from AdColony, partly offset by growth in Bemobi. The decrease in revenue in AdColony YoY is due to continued volatility in our Performance business. Our Brand business had a very strong 3Q19, up over 20% from 2Q19 and up versus 3Q18. 3Q19 also saw the continued move to more programmatic revenue. Bemobi continued its strong growth and delivered record revenue and profit for the quarter. Bemobi revenue came in as expected in the quarter, up 7% versus the previous quarter and up 19% vs 3Q18.

Total operating expenses (including depreciation and stock-based compensation expenses but excluding restructuring expenses) were down 8 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 35.9 million in the quarter (USD 38.4 million), down 7 percent from the corresponding period last year because of lower revenue in AdColony.

Payroll and related expenses, excluding stock-based compensation expenses, were USD 12.8 million in the quarter, versus USD 14.0 million in 3Q18, down 9 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 0.2 million in 3Q18.

Depreciation and amortization expenses were USD 7.3 million in the quarter (USD 7.6 million), slightly down versus the corresponding period last year with a reduction in overall depreciation and amortization from intangible assets, partly offset by an increase of USD 1.1 million following the implementation of IFRS 16 Leasing.

Other operating expenses were USD 8.4 million in the quarter (USD 11.1 million), down 24 percent from the corresponding period last year, due to overall cost control, more efficient delivery of backend ad serving for AdColony, and the reclassification of office lease costs due to IFRS 16.

Adjusted EBITDA and EBITDA

Adjusted EBITDA

Adjusted EBITDA was USD 6.0 million in third quarter 2019, compared to USD 1.4 million in the corresponding period in 2018, with overall slightly lower revenue more than offset by cost savings. A net total of USD 1.5 million was excluded from adjusted EBITDA, related to restructuring expenses and stock-based compensation expenses.

EBITDA

EBITDA was USD 4.5 million in third quarter 2019, up from USD (0.6) million in the corresponding period in 2018.

Net financial items

Otello recognized a gain from net financial items in the quarter of USD 10.0 million, compared to a loss of USD 2.5 million in the corresponding period last year. The gain is predominantly related to FX due to a stronger USD vs NOK.

Net income

Third quarter 2019 net income was USD 7.0 million compared to USD (11.2) million in the corresponding period last year. EPS and fully diluted EPS were USD 0.05 and USD 0.05,

respectively, in the third quarter 2019, compared to USD (0.08) and USD (0.08), respectively, in the third quarter 2018.

Financial position and cash flow

Otello's net cash flow from operating activities was USD (0.9) million in third quarter 2019, compared to USD (1.1) million in the third 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 (2.7) million, vs USD (13.3) million from the corresponding quarter last year. USD (2.6) million relates to capitalized R&D and USD (0.1) million related to Purchases of property, plant and equipment (PP&E) and intangible assets. Cash flow from financing activities amounted to USD 18.8 million with USD 20.0 million in proceeds related to draw down on the

Group's credit facility, USD (1.1) million related to payment of office leases and USD (0.2) million related to share buybacks.

Cash and cash equivalents at the end of the third quarter 2019 were USD 31.5 million compared to USD 30.2 million in the third quarter 2018. At the end of the third quarter 2019, Otello had USD 20 million in interest-bearing debt. In 2018, Otello signed a 3-year revolving credit facility of USD 100 million, which of which USD 20 million was drawn at the end of the quarter.

The company's equity was USD 342.9 million at the end of the quarter, corresponding to an equity ratio of 75.4%.

Organization

At the end of the third quarter 2019 Otello had 573 full-time employees and equivalents.

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

<i>(USD million)</i>	3Q19	3Q18	YTD 2019	YTD 2018
Revenue*	48.1	52.5	128.7	167.6
Performance	15.9	21.2	49.1	73.0
Brand-Managed IO	16.8	15.7	43.9	51.6
Brand-Performance	7.4	7.8	18.5	23.4
Brand-Programmatic	7.9	7.8	17.3	19.6
Gross Profit	16.7	17.6	44.4	56.7
Adj. EBITDA	0.8	(1.7)	(2.7)	(6.2)
EBITDA	0.5	(3.6)	(3.3)	(7.2)
EBIT	(4.8)	(10.1)	(19.3)	(26.2)

* Revenue and gross profit exclude 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 monthly 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.

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. AdColony is committed to delivering an experience that makes in-app mobile advertising a win for advertisers, developers, and users alike.

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.

Financial Overview

Overall AdColony revenue for the quarter was USD 48.1 million, down by 8% compared to 3Q18. Compared to 2Q19 revenue grew by around 13%, slightly above expectations and with strong contribution from our Brand business. Total operating expenses are down significantly versus 3Q18 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 were up slightly vs 3Q18.

Adjusted EBITDA amounted to USD 0.8 million in the quarter, an improvement vs USD (1.7) million in 3Q18 with lower revenue more than offset by lower expenses and increasing gross margins.

Gross margin for the quarter was 34.7% versus 33.5% in 3Q18. Gross margin in the Performance business was up 3 percentage points from 3Q18 and Brand was in line with the same quarter last year.

Performance

The term performance for AdColony is gaming app install marketers running ads to get more installs for their gaming apps. Fundamentally, the best way for today's hottest mobile games 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, and now banner display ads with the introduction of AdColony SDK 4 late in the quarter, making AdColony a "one-stop shop" for performance advertiser needs.

AdColony's Performance revenue was USD 15.9 million in 3Q19, relatively flat versus USD 16.2 million in the second quarter 2019 and down 25% versus 3Q18. There was a 3% margin compression during 3Q19 compared to 2Q19 as a result of new publisher onboarding in order to secure long-term strategic advantages.

Brand/Exchange

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

As a vote of confidence from the ad industry in general, AdColony won the Best Mobile Ad Network award in the 2019 Readers Choice Awards presented by Adweek (one of the largest industry publications in the advertising space). This recognition is a significant milestone for AdColony and reinforces that commercial teams' focus on maintaining strong client and partner relationships even as we transition to programmatic is the right approach.

Overall, the Brand business experienced healthy growth across all regions in 2Q19 and that momentum carried forward and continued into 3Q19 with the global brand business growing another 22% quarter-over-quarter, from USD 26.3 million in 2Q19 to USD 32.2 million up 3% versus 3Q18. Q3 historically is not a strong growth period for the Brand-Exchange business globally and is

generally flat compared to Q2 ahead of brands making big pushes for the holidays and Q4. The fact that AdColony's Brand and Exchanges teams bucked this trend and grew the business across back-to-back quarters signals to us that our continued focus on product, tech, and programmatic infrastructure is working, and makes us optimistic that growth should continue into 4Q19 and beyond.

Product Update

In 3Q19 the product and engineering teams continued to execute 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 or programmatic sources).

Investments in CORE™ optimization engine resulted in the release of CORE MetaModel 4.2, which has resulted in a 15% increase in advertiser and publisher CPM, a 20% increase in Install Rate and a 10% increase in revenue and margin when tested against previous CORE MetaModel versions. With these improvements, AdServer and CORE engineering teams collaborated to improve our margin in our Bidder tool and Advanced Bidding mediation scenarios. We also released a 'Static End Card' product improvement for Universal Creative™ that further facilitates delivering creatives to non-SDK supply sources.

The Product & Tech team also released SDK 4. In the quarter, SDK 4 further enhances our publisher monetization offering by adding support for Banner ads in a variety of standard sizes. SDK 4 also includes the Open Measurement SDK, the latest in-app viewability solution offered by the International Advertising Bureau (IAB). In partnership with measurement vendors, The Open Measurement SDK allows AdColony to work with any viewability vendor without needing to release a new SDK, which broadens our offering for our brand advertising business.

Finally, the CORE team, in partnership with Deepsense, team began work on a ROAS optimization initiative that will improve

AdColony's effectiveness at delivering advertising outcomes and defined advertiser goals. When complete, this product will expand our performance offering from delivering app installs to delivering both installs and post-install events, such as retained app users in-app purchases.

Bemobi (Apps & Games)

(USD million)

	3Q19	3Q18	YTD 2019	YTD 2018
Revenue*	14.8	12.4	41.4	40.3
Gross Profit	10.3	8.8	28.2	29.2
Adj. EBITDA	6.2	5.2	17.3	16.0
EBITDA	5.1	5.2	14.7	15.9
EBIT	3.2	4.3	10.4	13.0

* Revenue and gross profit exclude 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 2019, Bemobi has consolidated its leading position in the subscription-based premium application distribution space across most emerging economies.

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 3Q19 with 67 active operator agreements, of which 46 are outside LATAM, making it possible to offer subscription-based services providing access to apps and games to over 2.4 billion consumers.

In order to acquire new users to its subscription services, Bemobi developed and operates in partnership with mobile carriers' digital channels that are highly

scalable while at the same time very targeted. This mobile digital channel platform is called Bemobi Loop and it allows Bemobi to orchestrate which services are offered to each user at which time. Through this platform Bemobi is able to scale its subscriber growth at a sustainable cost of acquisition in markets where traditional online media might not provide a payback.

Financial Overview

Revenue increased by 19% percent YoY to USD 14.8 million, with smaller, but still, negative FX impact, with the BRL depreciating in value vs the USD. FX neutral revenue would have been USD 14.9 million, up by 21% YoY. Of the revenue in 3Q19, 74% percent came from LATAM while 26% came from international markets.

The 3Q19 gross margin for Bemobi was 70.0%, which is over 4 percentage points higher than 3Q18 (65.7%).

Subscriber growth continued YoY. LATAM subscribers slightly down from 18.5 million in 3Q18 to 18.3 million in 3Q19 (down 1%) due to alternative commercial agreements where many of the core service are now being bundled as part of operator services. International subscribers rose from 5.4 million in 3Q18 to 9.6 million in 3Q19 (up 76%).

Revenue from LATAM was USD 10.9 million in 3Q19, a 18% increase in comparison to 3Q18.

International revenue was USD 3.9 million in 3Q19 compared to USD 3.1 million in 3Q18, up approximately 24%. FX rate fluctuations impacted revenue negatively by 2.6%, and

revenue would have been USD 4.0 million, up 27% compared to 3Q18 with unchanged FX rates.

Adjusted EBITDA was up from USD 5.2 million in 3Q18 to a new record USD 6.2 million in 3Q19 an increase of 19%, due to strong revenue growth combined with record gross margins and only partly offset by growth in OPEX to fuel continued growth.

Product update

Bemobi continues to run third party paid advertising on our (No Data No Credit) NDNC portal in Ncell in Nepal and we have now extended paid advertising to other NDNC portals with two operators in Pakistan. More operators are expected to follow in the near future. 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 an interactive voice portal platform. This new interactive voice platform is now live in four of the largest carriers in Brazil and shows a lot of promise

as Bemobi prepares to scale this new channel internationally.

In international markets, we are about to start to roll out several new products. The Kids Club product has been launched in 3Q19 with three mobile carriers in South Asia and South Eastern Asia. 18 Kids Clubs in total have now been launched along with 8 Health Clubs, and we will proceed with launches in other international markets.

Bemobi have now launched 13 NDNC portals outside LATAM, with the following operators:

- Banglalink Bangladesh
- Grameenphone (Telenor) Bangladesh
- Robi Bangladesh
- Idea India
- Vodafone India
- MTS Belarus
- Ncell Nepal
- Tele2 Russia
- Vodacom Tanzania
- Vodafone Ukraine
- Jazz Pakistan
- Telenor Pakistan
- Telenor Myanmar

Outside LATAM, 34 % of the subscribers come from the NDNC portals as per Q3. The expansion of the NDNC portals and the new Voice Portals (both part of the broader Loop platform) are key elements in order to build a sustainable and profitable growth model for our subscription services.

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, November 12, 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	3Q 2019	3Q 2018	YTD 2019	YTD 2018
(USD million, except earnings per share)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	63.1	64.9	170.8	208.5
Gross profit	27.2	26.5	73.5	86.6
Net income ¹⁾	7.0	(11.2)	(9.8)	(9.6)
Adjusted EBITDA ²⁾	6.0	1.4	11.3	3.9
EBITDA	4.5	(0.6)	6.3	1.8
Normalized EBIT ³⁾	(1.2)	(3.3)	(8.9)	(7.6)
EBIT	(2.9)	(8.2)	(14.4)	(20.6)
EPS (USD)	0.05	(0.08)	(0.07)	(0.07)
EPS, fully diluted (USD)	0.05	(0.08)	(0.07)	(0.07)
Cash flow from operating activities	(0.9)	(1.1)	(5.4)	(3.3)
Cash flow from investment activities	(2.7)	(13.3)	(11.6)	(46.1)
Cash flow from financing activities	18.8	(1.1)	16.1	(4.1)

Segment information	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Revenue (USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
AdColony (Mobile Advertising)	48.1	52.5	128.7	167.6
Bemobi (Apps & Games)	14.8	12.4	41.4	40.3
Corporate	0.2	0.1	0.9	0.7
Eliminations	0.0	0.0	(0.2)	(0.0)
Total Continued Operations ⁴⁾	63.1	64.9	170.8	208.5

Segment information	3Q 2019	3Q 2018	YTD 2019	YTD 2018
Adjusted EBITDA ²⁾ (USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
AdColony (Mobile Advertising)	0.8	(1.7)	(2.7)	(6.2)
Bemobi (Apps & Games)	6.2	5.2	17.3	16.0
Corporate	(1.0)	(2.1)	(3.2)	(5.9)
Eliminations	0.0	(0.0)	0.0	0.0
Total Continued Operations (with ICP) ⁴⁾	6.0	1.4	11.3	3.9
Eliminations	(0.0)	0.0	0.0	(0.0)
Total Continued Operations (net of ICP)	6.0	1.4	11.3	3.9

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)

Interim condensed financial statements

Consolidated statement of comprehensive income

	Note	3Q 2019	3Q 2018	%	YTD 2019	YTD 2018	%
(USD million, except earnings per share)		(Unaudited)	(Unaudited)	change	(Unaudited)	(Unaudited)	change
Continuing operations							
Revenue	3, 6, 12	63.1	64.9	-3 %	170.8	208.5	-18 %
Total operating revenue		63.1	64.9	-3 %	170.8	208.5	-18 %
Publisher and revenue share cost	3, 6, 12	(35.9)	(38.4)	-7 %	(97.3)	(121.9)	-20 %
Payroll and related expenses	3, 6, 12	(12.8)	(14.0)	-9 %	(37.4)	(45.0)	-17 %
Stock-based compensation expenses	3, 6, 12	(1.0)	(0.2)	395 %	(3.1)	1.3	-345 %
Depreciation and amortization expenses	3, 6, 12	(7.3)	(7.6)	-3 %	(20.7)	(22.4)	-8 %
Other operating expenses	3, 6, 12	(8.4)	(11.1)	-24 %	(24.8)	(37.8)	-34 %
Total operating expenses		(65.4)	(71.3)	-8 %	(183.3)	(225.8)	-19 %
Operating profit (loss), (EBIT), excluding impairment and restructuring expenses		(2.3)	(6.4)		(12.5)	(17.2)	
Impairment and restructuring expenses	14, 15	(0.6)	(1.8)		(1.9)	(3.3)	
Operating profit (loss), (EBIT)		(2.9)	(8.2)		(14.4)	(20.6)	
Net financial items	7	10.0	(2.5)		5.6	(7.3)	
Profit (loss) before income tax		7.1	(10.6)		(8.8)	(27.9)	
Provision for taxes ¹⁾		(0.1)	(0.6)		(1.0)	18.3	
Profit (loss)		7.0	(11.2)		(9.8)	(9.6)	
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		(14.2)	(3.9)		(11.0)	(2.2)	
Discontinuing operations - reclassified to profit (loss)		-	-		-	-	
Total comprehensive income (loss)		(7.2)	(15.2)		(20.8)	(11.7)	
Earnings (loss) per share:							
Basic earnings (loss) per share (USD)		0.05	(0.08)		(0.07)	(0.07)	
Diluted earnings (loss) per share (USD)		0.05	(0.08)		(0.07)	(0.07)	
Shares used in earnings per share calculation		137,513,271	139,924,476		138,288,540	140,324,500	
Shares used in earnings per share calculation, fully diluted		137,522,987	139,924,476		138,288,540	140,324,500	
Earnings per share (continuing operations):							
Basic earnings (loss) per share (USD)		0.05	(0.08)		(0.07)	(0.07)	
Diluted earnings (loss) per share (USD)		0.05	(0.08)		(0.07)	(0.07)	
Shares used in earnings per share calculation		137,513,271	139,924,476		138,288,540	140,324,500	
Shares used in earnings per share calculation, fully diluted		137,522,987	139,924,476		138,288,540	140,324,500	

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

Consolidated statement of financial position

(USD million)	Note	9/30/2019 (Unaudited)	9/30/2018 (Unaudited)	12/31/2018 (Audited)
Assets				
Deferred tax assets		38.8	38.0	40.5
Goodwill		229.1	310.1	232.4
Intangible assets		23.5	45.6	28.3
Property, plant and equipment		8.1	8.9	8.0
Right of use assets	11	4.2	-	-
Contract assets - sublease	11	2.6	-	-
Other investments	13	14.6	14.3	14.4
Other non-current assets		0.5	0.6	0.6
Total non-current assets		321.3	417.5	324.3
Accounts receivable	9	71.5	63.0	67.1
Contract assets - sublease	11	0.2	-	-
Other receivables	9	30.4	32.8	36.6
Cash and cash equivalents	8	31.5	30.2	27.5
Total current assets		133.5	126.0	131.2
Total assets		454.8	543.5	455.5

(USD million)	Note	9/30/2019 (Unaudited)	9/30/2018 (Unaudited)	12/31/2018 (Audited)
Shareholders' equity and liabilities				
Equity attributable to owners of the company		342.9	447.3	362.7
Non-controlling interests	5	1.2	5.8	1.2
Total equity		344.1	453.2	364.0
Liabilities				
Deferred tax liability		0.0	6.7	0.1
Lease liabilities	11	3.1	-	-
Loans and borrowings	8	20.0	-	-
Other non-current liabilities		0.7	3.4	2.1
Contingent consideration, non-current	5	-	-	-
Total non-current liabilities		23.8	10.1	2.1
Loans and borrowings	8	-	-	-
Lease liabilities	11	3.9	-	-
Accounts payable		21.2	20.5	23.4
Taxes payable		(1.1)	(6.5)	1.4
Public duties payable		1.2	1.3	1.8
Deferred revenue		1.3	1.3	2.1
Stock-based compensation liabilities		0.0	0.0	0.0
Other current liabilities		38.5	42.3	39.5
Contingent consideration, current	5	21.8	21.3	21.3
Total current liabilities		86.9	80.2	89.4
Total liabilities		110.7	90.3	91.5
Total equity and liabilities		454.8	543.5	455.5

Consolidated statement of cash flows

(USD million)	Note	3Q 2019 (Unaudited)	3Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)
Cash flow from operating activities					
Profit (loss) before taxes		7.1	(10.6)	(8.8)	(27.9)
Income taxes paid		0.0	(0.6)	(0.5)	(5.1)
Depreciation and amortization expense		7.3	7.6	20.7	22.4
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		-	-	-	-
Changes in inventories, trade receivables, trade and other payables		(5.8)	5.2	(6.4)	20.0
Other net finance items		0.1	-	0.3	-
Changes in other operating working capital		(3.1)	(4.2)	(10.0)	(17.5)
Share of net income (loss) and net (gain) loss from disposal of associated companies		-	0.1	-	0.2
Share-based remuneration		(0.4)	0.2	2.2	(1.3)
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	0.0	0.0	(4.4)
Dividends received from associated companies		-	0.0	-	0.0
FX differences related to changes in balance sheet items		(6.2)	1.3	(3.0)	8.5
Net cash flow from operating activities		(0.9)	(1.1)	(5.4)	(3.3)
- of which included in continuing operations		(0.9)	(1.1)	(5.4)	(3.3)
- of which included in discontinuing operations		-	-	-	-
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)	(0.9)	(0.5)
Capitalized R&D costs		(2.6)	(3.1)	(7.6)	(9.1)
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	0.0	(10.0)	(3.1)	(36.5)
Net cash flow from investment activities		(2.7)	(13.3)	(6.0)	(46.1)
- of which included in continuing operations		(2.7)	(13.3)	(11.6)	(46.1)
- of which included in discontinuing operations		-	-	5.6	-
Cash flow from financing activities					
Proceeds from exercise of treasury shares (incentive program)		0.1	-	0.1	-
Purchase of treasury shares		(0.2)	(1.1)	(1.3)	(4.0)
Proceeds from issuance of shares, net (equity increase)		(0.0)	(0.0)	(0.0)	(0.0)
Proceeds from loans and borrowings	7	20.0	-	20.0	-
Repayments of loans and borrowings	8	-	-	-	(0.1)
Payment of finance lease liabilities	11	(1.1)	-	(2.8)	-
Net cash flow from financing activities		18.8	(1.1)	16.1	(4.1)
- of which included in continuing operations		18.8	(1.1)	16.1	(4.1)
- of which included in discontinuing operations		-	-	-	-
Net change in cash and cash equivalents		15.3	(15.5)	4.7	(53.6)
Cash and cash equivalents (beginning of period) ³⁾		16.7	46.7	27.5	86.0
Effects of exchange rate changes on cash and cash equivalents		(0.6)	(1.0)	(0.7)	(2.2)
Cash and cash equivalents ³⁾		31.5	30.2	31.5	30.2
- of which included in cash and cash equivalents in the balance sheet		31.5	30.2	31.5	30.2
- of which included in the assets of the disposal group (assets held for sale)		-	-	-	-

¹⁾ In Q1 2019, Otello received \$5.6 million of escrow payments. This was the final payment from the sale of SurfEasy to Symantec.

²⁾ In Q3 2019, \$0.0 (YTD: 3.1) million is related to initial payments for the purchase of subsidiaries.

³⁾ Of which \$0.9 (9/30/2018: \$1.2) million is restricted cash and cash equivalents as of September 30, 2019.

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)		-	-	-	-	(10.4)	0.7	(9.8)
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	(10.3)	-	(0.7)	(11.0)
Total comprehensive income (loss)		-	-	-	(10.3)	(10.4)	(0.0)	(20.8)
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	(0.8)	-	(1.3)	-	-	-	-	(1.3)
Treasury shares sold	0.1	-	0.1	-	-	-	-	0.1
Tax deduction on equity issuance costs		-	-	-	-	-	-	-
Share-based payment transactions		-	2.2	-	-	-	-	2.2
Total contributions by and distributions to owners	(0.7)	(0.0)	1.0	0.0	-	-	-	1.0
Other equity changes								
Divestment of a subsidiary ¹⁾		-	-	-	-	-	-	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 9/30/2019	138.0	348.1	52.6	(67.6)	(20.6)	30.4	1.2	344.1
Non-controlling interests								
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 3Q 2019, Otello purchased 112,691 (YTD: 782,691) treasury shares for \$0.2 million (YTD: \$1.3 million), and sold 97,691 (YTD: 97,691) treasury shares for \$0.1 million (YTD: 0.1 million). As of September 30, 2019, Otello owned 2,439,000 treasury shares.								
During 3Q 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.								
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)		-	-	-	-	(9.6)	-	(9.6)
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	(2.2)	-	-	(2.2)
Total comprehensive income (loss)		-	-	-	(2.2)	(9.6)	-	(11.7)
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		-	-	-	-	-	-	-
Capital decrease		(0.0)	-	0.0	-	-	-	0.0
Treasury shares purchased	(1.4)	(0.0)	-	(4.1)	-	-	-	(4.1)
Treasury shares sold	0.2	0.0	-	-	-	-	-	0.0
Tax deduction on equity issuance costs		-	-	-	-	-	-	-
Share-based payment transactions		-	0.9	-	-	-	-	0.9
Total contributions by and distributions to owners	(1.2)	(0.0)	0.9	(4.1)	-	0.0	0.0	(3.1)
Other equity changes								
Other changes		-	0.0	-	-	0.0	-	0.0
Total other equity changes		-	0.0	-	-	0.0	-	0.0
Equity as of 9/30/2018	139.8	348.4	52.0	(66.2)	7.3	111.5	0.0	453.2

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 investments 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 12 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

Accounting 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 11 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.

Note 4 - Business Combinations

Acquisition of assets

On May 10, 2019, Bemobi acquired, certain assets from a Brazilian company. 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 9/30/2019	21.8

Earnout payments made in 2019

No earnout payments were made YTD 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)	3Q 2019	%	YTD 2019	%
USD	43.2	68.4%	USD 113.8	66.6%
BRL	10.4	16.6%	BRL 28.8	16.9%
DKK	3.4	5.4%	DKK 9.6	5.6%
TRY	3.0	4.7%	TRY 8.5	4.9%
INR	0.7	1.2%	INR 1.6	0.9%
Other	2.4	3.7%	Other 8.5	5.0%
Total	63.1	100.0%	Total 170.8	100.0%

Operating expenses by currency ¹⁾ (USD million)	3Q 2019	%	YTD 2019	%
USD	(45.7)	69.8%	USD (129.7)	70.7%
BRL	(6.9)	10.6%	BRL (16.4)	9.0%
DKK	(3.4)	5.2%	NOK (9.6)	5.2%
TRY	(3.3)	5.0%	DKK (8.8)	4.8%
Other	(6.2)	9.4%	Other (18.8)	10.3%
Total	(65.4)	100.0%	Total (183.3)	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 2Q 2019 rates	FX effect using 2Q 2019 rates	Recalculated with 3Q 2018 rates	FX effect using 3Q 2018 rates
Revenue	63.2	0.1	63.0	(0.1)
Expenses	(65.5)	(0.1)	(66.0)	(0.6)

Note 7 - Financial items

Financial items (USD million)	3Q 2019 (Unaudited)	3Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)
Other interest income (expense), net	(0.1)	(0.2)	(0.2)	(0.6)
Interest expense related to contingent consideration	0.0	(0.0)	0.0	(1.6)
FX gains (losses) related to contingent consideration, net	0.0	0.0	0.0	0.0
Negative goodwill	3.0	0.0	3.0	0.0
Other FX gains (losses), net	7.5	(2.5)	3.3	(7.3)
Profit (loss) sale of shares	(0.3)	0.0	(0.5)	2.5
Revaluation of contingent consideration	0.0	0.2	0.0	(0.1)
Share of profit (loss) from associated companies	0.0	(0.1)	0.0	(0.2)
Net financial items (loss)	10.0	(2.5)	5.6	(7.3)

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 September 30, 2019, \$20 million of the revolving credit facility had been drawn up.

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 September 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)	9/30/2019 (Unaudited)	9/30/2018 (Unaudited)
Accounts receivable	44.2	43.0
Unbilled revenue	27.3	20.0
Other receivables	30.4	32.8
Total	101.8	95.8

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 September 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	3Q 2019	3Q 2018	YTD 2019	YTD 2018
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total operating revenue	63.1	64.9	170.8	208.5
Publisher and revenue share cost	(35.9)	(38.4)	(97.3)	(121.9)
Gross profit	27.2	26.5	73.5	86.6

Reconciliation of operating profit (loss) to EBITDA and adjusted EBITDA	3Q 2019	3Q 2018	YTD 2019	YTD 2018
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating profit (loss), (EBIT)	(2.9)	(8.2)	(14.4)	(20.6)
Depreciation and amortization expenses	7.3	7.6	20.7	22.4
Impairment expenses	-	-	-	-
EBITDA	4.5	(0.6)	6.3	1.8
Restructuring expenses	0.6	1.8	1.9	3.3
Stock-based compensation expenses	1.0	0.2	3.1	(1.3)
Adjusted EBITDA	6.0	1.4	11.3	3.9

Reconciliation of operating profit (loss) to normalized EBIT	3Q 2019	3Q 2018	YTD 2019	YTD 2018
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating profit (loss), (EBIT)	(2.9)	(8.2)	(14.4)	(20.6)
Impairment and restructuring expenses	0.6	1.8	1.9	3.3
Amortization of acquired intangible assets	1.1	3.1	3.6	9.6
Normalized EBIT	(1.2)	(3.3)	(8.9)	(7.6)

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	10.9
Translation differences	(0.1)
Lease payments for the principal portion of the lease liability	(4.1)
Interest expense on lease liabilities	0.2
Lease liabilities as of 9/30/2019	7.0
Of which:	
Current lease liabilities (less than 1 year)	3.9
Non-current lease liabilities (more than 1 year)	3.1
Balance as of 9/30/2019	7.0

Right of use assets

(USD million)

Balance as of 1/1/2019	-
Additions	10.9
Adjustment to Contract asset - sublease	(4.1)
Depreciation	(4.0)
Adjustment for depreciation related to Contract asset - sublease	1.3
Translation differences	-
Right of use assets as of 9/30/2019	4.2

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	(1.4)
Adjustment of interest expense	0.1
Translation differences	-
Contract assets - sublease as of 9/30/2019	2.8
Of which:	
Current contract assets (less than 1 year)	0.2
Non-current contract assets (more than 1 year)	2.6
Balance as of 9/30/2019	2.8

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

IFRS 16 effects on the consolidated statement of comprehensive income

(USD million)

	3Q 2019	YTD 2019
Operating lease expenses recognized under operating expenses decreased	(1.1)	(2.8)
Depreciation expense increased as a result of depreciation of ROU assets	1.1	2.7
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	0.1

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	3Q 2019	3Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Unaudited)	change
AdColony (Mobile Advertising)	48.1	52.5	-8 %	128.7	167.6	-23 %
Bemobi (Apps & Games)	14.8	12.4	19 %	41.4	40.3	3 %
Corporate	0.2	0.1	222 %	0.9	0.7	38 %
Eliminations	0.0	0.0	245 %	(0.2)	(0.0)	980 %
Total continued operations ¹⁾	63.1	64.9	-3 %	170.8	208.5	-18 %

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

Gross profit	3Q 2019	3Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Unaudited)	change
AdColony (Mobile Advertising)	16.7	17.6	-5 %	44.4	56.7	-22 %
Bemobi (Apps & Games)	10.3	8.8	17 %	28.2	29.2	-3 %
Corporate	0.2	0.1	93 %	0.9	0.7	30 %
Eliminations	0.0	(0.0)	-139 %	0.0	0.0	1059 %
Total continued operations ¹⁾	27.2	26.5	3 %	73.5	86.6	-15 %

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

Adjusted EBITDA ²⁾	3Q 2019	3Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Unaudited)	change
AdColony (Mobile Advertising)	0.8	(1.7)	-149 %	(2.7)	(6.2)	-56 %
Bemobi (Apps & Games)	6.2	5.2	19 %	17.3	16.0	8 %
Corporate	(1.0)	(2.1)	-51 %	(3.2)	(5.9)	-46 %
Eliminations	0.0	(0.0)	-163 %	0.0	0.0	-100 %
Total continued operations ¹⁾	6.0	1.4	324 %	11.3	3.9	193 %

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

²⁾ excluding impairment and restructuring, and stock-based compensation expenses.

EBITDA	3Q 2019	3Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Unaudited)	change
AdColony (Mobile Advertising)	0.5	(3.6)	113 %	(3.3)	(7.2)	54 %
Bemobi (Apps & Games)	5.1	5.2	-1 %	14.7	15.9	-8 %
Corporate	(1.2)	(2.2)	48 %	(5.1)	(6.9)	27 %
Eliminations	0.0	(0.0)	-175 %	(0.0)	(0.0)	355 %
Total continued operations ¹⁾	4.5	(0.6)	868 %	6.3	1.8	-249 %

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

Note 12 - Segments (continued)

Normalized EBIT ²⁾	3Q 2019	3Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Unaudited)	change
AdColony (Mobile Advertising)	(3.9)	(5.8)	33 %	(16.9)	(16.0)	-6 %
Bemobi (Apps & Games)	4.3	4.9	-13 %	13.2	15.0	-12 %
Corporate	(1.6)	(2.4)	31 %	(5.1)	(6.7)	23 %
Eliminations	0.0	0.0	61 %	0.0	0.0	-67 %
Total continued operations ¹⁾	(1.2)	(3.3)	63 %	(8.9)	(7.6)	-16 %

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

²⁾ excluding amortization of acquired intangible assets

EBIT	3Q 2019	3Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Unaudited)	change
AdColony (Mobile Advertising)	(4.8)	(10.1)	53 %	(19.3)	(26.2)	26 %
Bemobi (Apps & Games)	3.2	4.3	-26 %	10.4	13.0	-20 %
Corporate	(1.3)	(2.4)	46 %	(5.5)	(7.4)	25 %
Eliminations	0.0	0.0	65 %	0.0	0.0	-83 %
Total continued operations ¹⁾	(2.9)	(8.2)	65 %	(14.4)	(20.6)	30 %

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

For further information regarding the alternative performance measures above, see Note 10.

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]	9/30/2019 (Unaudited)	9/30/2018 (Unaudited)
Investments in associated companies	8.0	8.5
Loans to associated companies	5.7	5.0
Investments in other shares	0.8	0.8
Total	14.6	14.3

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 15 for further information regarding the investment in Last Lion Holdings Ltd.

Information regarding Last Lion Holdings Ltd (USD million)	3Q 2019 (Unaudited)	YTD 2019 (Unaudited)
Revenue	10.9	32.8
EBIT	4.4	13.1
Net profit (loss)	0.0	0.0
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.

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 accrued interest of \$0.7 million, as at September 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)	3Q 2019 (Unaudited)	3Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)
Salary restructuring expenses	(0.3)	(1.5)	(0.6)	(3.0)
Option restructuring expenses	-	-	-	-
Office restructuring expenses	-	-	(0.1)	0.8
Impairment expenses	-	-	-	-
Legal and other costs related to business combinations and disposals	(0.2)	(0.3)	(1.2)	(1.1)
Other restructuring expenses	-	-	-	(0.0)
Total	(0.6)	(1.8)	(1.9)	(3.3)

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.