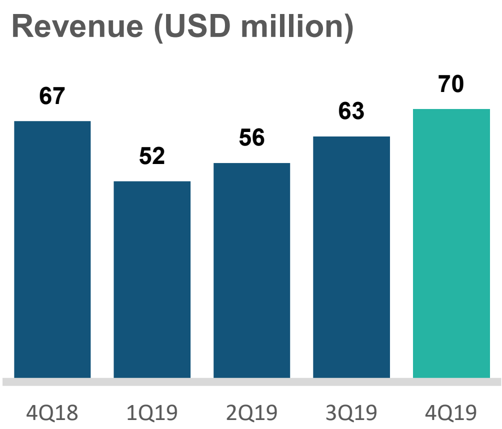
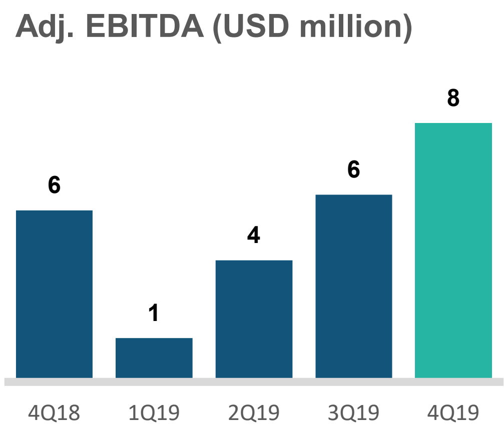
QUARTERLY REPORT

4Q 2019

OTELLO CORPORATION ASA





otello™

HIGHLIGHTS

- Record quarter for Bemobi and continued improvement for AdColony

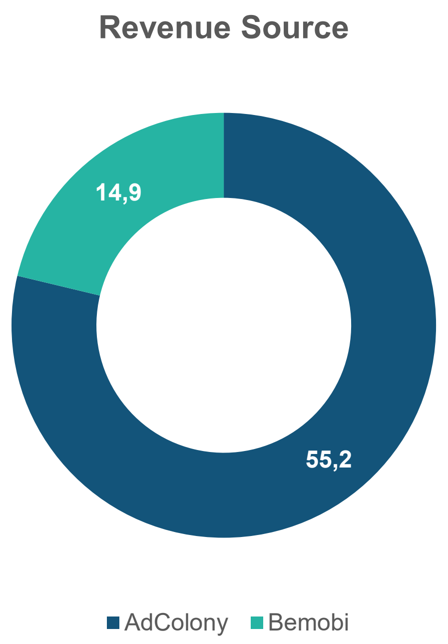
- All 3 financial targets reached for 2019

- Revenue was up by 5 percent to USD 70.0 million in 4Q19 (USD 66.9 million), with growth from both AdColony & Bemobi

- Adjusted EBITDA* improved to USD 8.0 million in 4Q19 (USD 5.5 million) with growth from both AdColony & Bemobi

- Net income was USD (12.9) million in 4Q19 versus USD (83.2) million in 4Q18

- Operating cash flow was USD 2.7 million in 4Q19 versus USD 3.1 million in 4Q18



*For further information regarding Adjusted EBITDA and other alternative performance measures used by Otello, see Note 10 of the interim condensed financial statements

Key figures (USD million)	**4Q19**	**4Q18**	**YTD 2019**	**YTD 2018**
Revenue*	**70.0**	**66.9**	**240.8**	**275.4**
AdColony (Mobile Advertising)	55.2	53.1	183.9	220.6
Bemobi (Apps & Games)	14.9	13.6	56.2	54.0
Corporate	0.0	0.1	0.9	0.8
Adj. EBITDA	**8.0**	**5.5**	**19.3**	**9.4**
AdColony (Mobile Advertising)	3.1	1.1	0.3	(5.1)
Bemobi (Apps & Games)	6.7	5.9	23.9	21.8
Corporate	(1.7)	(1.4)	(5.0)	(7.3)
EBIT	(0.5)	(97.4)	(14.9)	(118.0)
Net income	(12.9)	(83.1)	(22.6)	(92.7)
EPS (USD)	(0,09)	(0,60)	(0,16)	(0,66)

* 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 up by 5 percent to USD 70.0 million in 4Q19 (USD 66.9 million), with revenue growth from both AdColony and Bemobi. AdColony revenue came in above expectations for the quarter with 15% revenue growth compared to 3Q19 and compared to a guidance of around 10% and thus returned to YoY growth ahead of plan. Despite continued softness in our Performance business, which was down 19 percent compared to 3Q19, this was more than offset by continued revenue acceleration in our Brand business which was up 32 percent compared to 3Q19. 4Q19 also saw the continued move to more programmatic revenue. Bemobi continued its solid revenue and profit growth and delivered all-time highs for both revenue and Adj. EBITDA for the quarter. Bemobi revenue came in as expected in the quarter with revenue up from 3Q19 as guided and up 9% versus 4Q18. Revenue would have been up 15% compared to 4Q18 with the same FX rates.

Total operating expenses (including depreciation and stock-based compensation expenses but excluding restructuring expenses) were virtually flat compared to the corresponding period last year, with lower expenses from AdColony offset by higher expenses from Bemobi.

Publisher and revenue share cost was USD 40.2 million in the quarter (USD 39.1 million), up 3 percent from the corresponding period last year due to revenue growth in AdColony.

Payroll and related expenses, excluding stock-based compensation expenses, were USD 13.6 million in the quarter, versus USD 12.7 million in 4Q18, up 7 percent from the corresponding period last year due to increased headcount in both AdColony's sales organization as well as higher headcount in Bemobi to support new services and their global rollout. Average cost per head continued its downward trend in particular due to AdColony moving non-customer facing roles to lower cost locations.

Stock-based compensation expenses were USD 0.7 million in the quarter compared to USD 1.1 million in 4Q18.

Depreciation and amortization expenses were USD 7.4 million in the quarter (USD 7.8 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 1.0 million following the implementation of IFRS 16 Leasing.

Other operating expenses were USD 8.2 million in the quarter (USD 9.6 million), down 15 percent from the corresponding period last year, due to overall measures taken, including, 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 8.0 million in fourth quarter 2019, compared to USD 5.5 million in the corresponding period in 2018, with Bemobi delivering its higher Adj. EBITDA ever and AdColony having its strongest quarter in 3 years. A net total of USD 1.1 million was excluded from adjusted EBITDA, related to restructuring expenses and stock-based compensation expenses.

EBITDA

EBITDA was USD 6.9 million in fourth quarter 2019, up from USD 3.6 million in the corresponding period in 2018.

Net financial items

Otello recognized a loss from net financial items in the quarter of USD 3.5 million, compared to a gain of USD 8.2 million in the corresponding period last year. The loss is predominantly related to FX, due to a weaker USD vs NOK, partly offset by share of profit from associated companies.

Net income

Fourth quarter 2019 net income was USD (12.9) million compared to USD (83.1) million in the corresponding period last year. EPS and fully diluted EPS were USD (0.09) and USD (0.09), respectively, in the fourth quarter 2019, compared to USD (0.60) and USD (0.60), respectively, in the fourth quarter 2018.

Financial position and cash flow

Otello's net cash flow from operating activities was USD 2.7 million in fourth quarter 2019, compared to USD 3.1 million in the fourth quarter 2018. Operating cashflow was positively impacted by strong Adj. EBITDA and 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 (4.7) million, vs USD (2.5) million from the corresponding quarter last year. USD (3.2) million relates to capitalized R&D and USD (1.5) million related to Purchases of property, plant and equipment (PP&E) and intangible assets. Cash flow from financing activities amounted to USD (1.1) million with 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 fourth quarter 2019 were USD 28.3 million compared to USD 27.5 million in the fourth quarter 2018. At the end of the fourth 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 339.1 million at the end of the quarter, corresponding to an equity ratio of 74.7%.

Organization

At the end of the fourth quarter 2019 Otello had 596 full-time employees and equivalents.

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

(USD million)	4Q19	4Q18	YTD 2019	YTD 2018
Revenue*	**55.2**	**53.1**	**183.9**	**220.6**
Performance	12.8	17.7	61.8	90.7
Brand-Managed IO	21.7	20.0	65.6	71.6
Brand-Performance	9.1	7.1	27.6	30.5
Brand-Programmatic	11.6	8.2	28.9	27.8
Gross Profit	**19.0**	**18.4**	**63.4**	**75.1**
Adj. EBITDA	3.1	1.1	0.3	(5.1)
EBITDA	2.7	0.7	(0.6)	(6.6)
EBIT	(2.5)	(99.3)	(21.8)	(125.5)

* Revenue and gross profit exclude intercompany transactions

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

Business Overview

With a total reach of more than 1.5 billion users globally, AdColony is one of the largest mobile advertising platforms in the world today. 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. In 4Q19, AdColony truly turned a corner and reaffirmed its growth potential with major industry recognitions, including AdWeek's Best Mobile Ad Network 2019, beating out Google, with more than 15,000 votes cast by AdWeek's readers.

Financial Overview

Overall AdColony's revenue for the quarter was USD 55.2 million, up by 4% compared to 4Q18, delivering the first YoY revenue growth since 3Q16. Compared to 3Q19 revenue grew by 15%, above expectations and guidance, with continued strong contribution from our Brand business and a ramp in programmatic revenues.

Total operating expenses continued to decline YoY as AdColony has continued to streamline the organization, especially in the performance business, while investing in the roles and individuals driving growth. In addition to continuing the transition to moving non-customer facing roles to lower cost locations, AdColony continued a heavy focus on programmatic and automated delivery of our customers ad spend.

Adjusted EBITDA amounted to USD 3.1 million in the quarter, an improvement vs USD 1.1 million in 4Q18 and the highest Adj. EBITDA since 4Q16. Gross margin for the quarter was 34.4% versus 34.7% in 3Q19. Gross margin in the Performance business was down around 5 percentage points versus 4Q18, but overall gross margins were positively impacted by strong gross margins in the Brand business and positive revenue mix.

Performance

At AdColony, the term "performance" currently encompasses both our user acquisition (UA) business and our publishing monetization business. For most mobile app developers, growing the number of users comes from advertising in other apps, and monetizing those users comes from integrating ads. The ads AdColony shows to users in those publishers' apps are a mix of both UA and brand.

AdColony's Performance revenue was USD 12.8 million in 4Q19, down 19% relative to 3Q19. This can be attributed to significant growth in the performance programmatic industry, with some partners shifting spend to Performance DSPs, and a one-off technical issue with the live version of Apple's iOS13 operating system that was not present in beta releases causing high performance creatives to not be compatible.

Overall, AdColony's performance business is looking healthier moving into 2020, with impressions up by 5.5% and unique views up 4.8% across apps in the Top 100 globally versus 3Q19, with over 150 new publishers onboarded during 4Q19. Adoption of SDK4 has been the fastest ever in AdColony's history with nearly 50% of publishers integrating by the end of the quarter. Advanced bidding support which AdColony has been at the forefront of is finally seeing wider industry adoption, now contributing to 16% of revenue.

Brand/Exchange

Mobile games are where consumers are spending more and more time daily. AdColony has been giving brands like Disney, Starbucks, Unilever, Toyota, and many more, the opportunity to reach consumers in that channel for years. Coupled with a strong emphasis on programmatic (built into our monetization SDK) and strong relationships with all the major advertising agency holding companies like Havas, Omnicom, Publicis, and more, AdColony's brand business has never been stronger, and is the leading factor in AdColony's continued growth and stability into the next decade.

Overall, the Brand business experienced healthy growth across all regions in 2019, and 4Q19 was no different, with the global brand business growing 32% quarter-over-quarter, from USD 32.2 million in 3Q19 to USD 42.4 million and up 20% versus 4Q18.

Regionally, AdColony's North America business had its strongest quarter in nearly four years with revenue of USD 27.3 million, up 19% versus 4Q18.

EMEA Brand revenue was USD 11.8 million in the quarter an increase of 23% versus 4Q18 and up 55% from 3Q19, with a highlight of Instant-Play™ Programmatic revenue growth of 271% compared to the same quarter last year.

Across APAC, investments in growing the business in new markets, including New Zealand, Japan and Myanmar, as well as programmatic sales support resulted in regional revenues of USD 3.3 million, flat versus 4Q18 and up 14% from 3Q19.

Product Update

In 4Q19, AdColony's product and engineering teams continued to make AdColony an open and standardized ad marketplace, improving access to programmatic inventory sources for publishers, and giving greater options for advertisers.

As part of our commitment to standardization, AdColony continued its push towards real-time ad serving by implementing a cache-less advanced bidding solution. By bidding on ad auctions before the ad is cached AdColony is able to participate in more ad auctions and secure more ad inventory.
AdColony also joined the Advertising ID Consortium, as part of our ongoing efforts toward improving targeting and campaign performance for all of our partners. This increased transparency for advertisers will only serve to help AdColony stand out as one of the most trustworthy ad platforms for advertisers. AdColony also kicked off an ad, supply and demand classification migration that aligns our internal taxonomy and content definitions with that of the IAB.

AdColony's SDK 4 launch was successful and reached ~50% adoption rate at the end of 2019 exceeded expectations. Apple's release of iOS 13.2 led to unexpected incompatibility issues with SDK 3.x. The development teams were able to minimize the impact of the issue on SDK 3 by implementing a workaround solution. The high adoption rate of SDK 4 puts AdColony in a strong position to pursue additional business opportunities for banners and display ad integrations with our publishers.

New Core™ models for optimization were also continually deployed throughout the quarter, leading to significantly stabilized margins across the performance business. The CORE team also kicked off two new projects - eCPI and eROAS. These new products allow AdColony to develop better bidding strategies that deliver Cost-Per-Install and Return on Ad Spend outcomes that align with advertiser goals.

Bemobi (Apps & Games)

(USD million)	4Q19	4Q18	YTD 2019	YTD 2018
Revenue*	**14.9**	13.6	**56.2**	54.0
Gross Profit	**10.7**	9.3	**39.0**	37.8
Adj. EBITDA	**6.7**	5.9	**23.9**	21.8
EBITDA	**6.2**	5.3	**20.9**	21.2
EBIT	**4.2**	4.4	**14.6**	17.4

* 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 4Q19 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 2.2 billion consumers.

In order to acquire new users to its subscription services, Bemobi developed and operates in partnership with mobile carriers' digital channel platforms 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 can 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 9% percent YoY to USD 14.9 million. Revenue was negatively impacted by the BRL depreciating in value vs the USD and FX neutral revenue would have been USD 15.7 million, up by 15% YoY. Of the revenue in 4Q19, 73% percent came from LATAM while 27% came from international markets.

The 4Q19 gross margin for Bemobi was a record high 72.3%, which is over 4 percentage points higher than 4Q18 (67.8%), driven in particular by high gross margin revenue from Voice (IVR) and Financial services.

Subscriber growth continued YoY. LATAM subscribers were up from 20.5 million in 4Q18 to 24.9 million in 4Q19 (up 21%) with strong growth from new services such as Voice (IVR) and Financial services. International subscribers rose from 6.2 million in 4Q18 to 9.7 million in 4Q19 (up 56%) driven by growth in AppsClub subscribers.

Revenue from LATAM was USD 10.8 million in 4Q19, up 6% versus 4Q18. The revenue was adversely impacted by a weaker BRL vs USD and would have been USD 11.6 million, up 15% compared to 4Q18 with unchanged FX rates. International revenue was USD 4.1 million in 4Q19 compared to USD 3.5 million in 4Q18, up approximately 16%.

Adjusted EBITDA was up from USD 5.9 million in 4Q18 to a new record of USD 6.7 million in 4Q19 an increase of 13%, with strong revenue growth combined with record gross margins and only partly offset by growth in OPEX to fuel continued growth. Adj. EBITDA would have been USD 7.1 million in 4Q19 with same FX rates as in 4Q18.

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.

Bemobi is also bundling 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.

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 4Q19 with two mobile carriers in South Eastern Asia and CIS. 20 Kids Clubs in total have now been launched along with 11 Health Clubs, and we will proceed with launches in other international markets. In addition, several standalone Subscription services has been launched such as Busu Language learning, Discount Club and a Football service.

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, 28% of the subscribers come from the NDNC portals as per Q4. 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 revenue to grow by 10% in 2020 versus 2019 driven by our Brand and Programmatic business. 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 of 10% in local currency in 2020 versus 2019 driven by both new services and continued global rollout.

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

Oslo, February 26, 2020
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)	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Audited)
Revenue	**70.0**	66.9	**240.8**	275.4
Gross profit	**29.7**	27.8	**103.2**	114.4
Net income [1)]	**(12.9)**	(83.1)	**(22.6)**	(92.7)
Adjusted EBITDA [2)]	**8.0**	5.5	**19.3**	9.4
EBITDA	**6.9**	3.6	**13.2**	5.5
Normalized EBIT [3)]	**0.9**	(0.3)	**(8.0)**	(7.9)
EBIT	**(0.5)**	(97.4)	**(14.9)**	(118.0)
EPS (USD)	**(0.09)**	(0.60)	**(0.16)**	(0.66)
EPS, fully diluted (USD)	**(0.09)**	(0.60)	**(0.16)**	(0.66)
Cash flow from operating activities	**2.7**	3.1	**(2.7)**	(0.2)
Cash flow from investment activities	**(4.7)**	(2.5)	**(16.3)**	(48.6)
Cash flow from financing activities	**(1.2)**	(1.5)	**14.8**	(5.7)

Segment information Revenue (USD million)	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Audited)
AdColony (Mobile Advertising)	**55.2**	53.1	**183.9**	220.6
Bemobi (Apps & Games)	**14.9**	13.6	**56.2**	54.0
Corporate	**0.0**	0.1	**0.9**	0.8
Eliminations	**(0.1)**	0.0	**(0.3)**	0.0
Total Continued Operations [4)]	**70.0**	66.9	**240.8**	275.4

Segment information Adjusted EBITDA [2)] (USD million)	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Audited)
AdColony (Mobile Advertising)	**3.1**	1.1	**0.3**	(5.1)
Bemobi (Apps & Games)	**6.7**	5.9	**23.9**	21.8
Corporate	**(1.7)**	(1.4)	**(5.0)**	(7.3)
Eliminations	**0.0**	(0.0)	**0.0**	(0.0)
Total Continued Operations (with ICP) [4)]	**8.0**	5.5	**19.3**	9.4
Eliminations	**(0.0)**	0.0	**0.0**	0.0
Total Continued Operations (net of ICP)	**8.0**	5.5	**19.3**	9.4

[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)

Interim condensed financial statements

Consolidated statement of comprehensive income

(USD million, except earnings per share)	Note	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	% change	YTD 2019 (Unaudited)	YTD 2018 (Audited)	% change
Continuing operations							
Revenue	3, 6, 12	**70.0**	66.9	5 %	**240.8**	275.4	-13 %
Total operating revenue		**70.0**	66.9	5 %	**240.8**	275.4	-13 %
Publisher and revenue share cost	3, 6, 12	**(40.2)**	(39.1)	3 %	**(137.6)**	(161.0)	-15 %
Payroll and related expenses	3, 6, 12	**(13.6)**	(12.7)	7 %	**(50.9)**	(57.7)	-12 %
Stock-based compensation expenses	3, 6, 12	**(0.7)**	(1.1)	-40 %	**(3.8)**	0.2	-2280 %
Depreciation and amortization expenses	3, 6, 12	**(7.4)**	(7.8)	-5 %	**(28.1)**	(30.2)	-7 %
Other operating expenses	3, 6, 12	**(8.2)**	(9.6)	-15 %	**(33.0)**	(47.4)	-30 %
Total operating expenses		**(70.1)**	(70.3)	0 %	**(253.4)**	(296.1)	-14 %
Operating profit (loss), (EBIT), excluding impairment and restructuring expenses		**(0.1)**	(3.4)		**(12.6)**	(20.7)	
Impairment and restructuring expenses	14, 15	**(0.4)**	(94.0)		**(2.3)**	(97.4)	
Operating profit (loss), (EBIT)		**(0.5)**	(97.4)		**(14.9)**	(118.0)	
Net financial items	7	**(3.5)**	8.2		**2.1**	0.9	
Profit (loss) before income tax		**(4.0)**	(89.3)		**(12.8)**	(117.2)	
Provision for taxes [1)]		**(8.9)**	6.2		**(9.8)**	24.5	
Profit (loss)		**(12.9)**	(83.1)		**(22.6)**	(92.7)	
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		**6.9**	(18.8)		**(4.1)**	(21.0)	
Discontinuing operations - reclassified to profit (loss)		-	-		-	-	
Total comprehensive income (loss)		**(6.0)**	(101.9)		**(26.8)**	(113.7)	
Earnings (loss) per share:							
Basic earnings (loss) per share (USD)		**(0.09)**	(0.60)		**(0.16)**	(0.66)	
Diluted earnings (loss) per share (USD)		**(0.09)**	(0.60)		**(0.16)**	(0.66)	
Shares used in earnings per share calculation		**137,958,538**	139,412,451		**137,689,419**	140,088,891	
Shares used in earnings per share calculation, fully diluted		**137,958,538**	139,412,451		**137,689,419**	140,088,891	
Earnings per share (continuing operations):							
Basic earnings (loss) per share (USD)		**(0.09)**	(0.60)		**(0.16)**	(0.66)	
Diluted earnings (loss) per share (USD)		**(0.09)**	(0.60)		**(0.16)**	(0.66)	
Shares used in earnings per share calculation		**137,958,538**	139,412,451		**137,689,419**	140,088,891	
Shares used in earnings per share calculation, fully diluted		**137,958,538**	139,412,451		**137,689,419**	140,088,891	

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

otello

Consolidated statement of financial position

(USD million)	Note	12/31/2019 (Unaudited)	12/31/2018 (Audited)
Assets			
Deferred tax assets		**32.2**	40.5
Goodwill		**230.7**	232.4
Intangible assets		**22.4**	28.3
Property, plant and equipment		**8.0**	8.0
Right of use assets	11	**4.6**	-
Contract assets - sublease	11	**1.9**	-
Other investments	13	**16.8**	14.4
Other non-current assets		**0.5**	0.6
Total non-current assets		**317.2**	324.3
Accounts receivable	9	**80.9**	67.1
Contract assets - sublease	11	**0.5**	-
Other receivables	9	**27.2**	36.6
Cash and cash equivalents	8	**28.3**	27.5
Total current assets		**136.8**	131.2
Total assets		**454.0**	455.5

(USD million)	Note	12/31/2019 (Unaudited)	12/31/2018 (Audited)
Shareholders' equity and liabilities			
Equity attributable to owners of the company		**337.2**	362.7
Non-controlling interests	5	**1.9**	1.2
Total equity		**339.1**	364.0
Liabilities			
Deferred tax liability		**0.0**	0.1
Lease liabilities	11	**3.0**	-
Loans and borrowings	8	**20.0**	-
Other non-current liabilities		**1.1**	2.1
Contingent consideration, non-current	5	-	-
Total non-current liabilities		**24.1**	2.1
Loans and borrowings	8	-	-
Lease liabilities	11	**4.0**	-
Accounts payable		**22.8**	23.4
Taxes payable		**0.5**	1.4
Public duties payable		**1.4**	1.8
Deferred revenue		**1.3**	2.1
Stock-based compensation liabilities		**0.0**	0.0
Other current liabilities		**41.6**	39.5
Contingent consideration, current	5	**19.1**	21.3
Total current liabilities		**90.7**	89.4
Total liabilities		**114.8**	91.5
Total equity and liabilities		**454.0**	455.5

Consolidated statement of cash flows

(USD million)	Note	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Audited)
Cash flow from operating activities					
Profit (loss) before taxes		**(4.0)**	(89.3)	**(12.8)**	(117.2)
Income taxes paid		**(0.1)**	(0.3)	**(0.5)**	(5.4)
Depreciation and amortization expense		**7.4**	7.8	**28.1**	30.2
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		-	93.3	-	93.3
Changes in inventories, trade receivables, trade and other payables		**(4.7)**	(2.9)	**(11.1)**	17.1
Other net finance items		**0.1**	0.5	**0.5**	0.5
Changes in other operating working capital		**1.5**	(0.2)	**(8.5)**	(17.7)
Share of net income (loss) and net (gain) loss from disposal of associated companies		-2.1	(0.2)	-2.1	0.0
Share-based remuneration		**1.5**	1.1	**3.6**	(0.2)
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)**	(0.0)
Dividends received from associated companies		-	(0.0)	-	0.0
FX differences related to changes in balance sheet items		**3.1**	(11.2)	**0.1**	(2.7)
Net cash flow from operating activities		**2.7**	3.1	**(2.7)**	(0.2)
- of which included in continuing operations		*2.7*	*3.1*	*(2.7)*	*(0.2)*
- 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		**(1.5)**	(0.1)	**(2.5)**	(0.6)
Capitalized R&D costs		**(3.2)**	(2.4)	**(10.8)**	(11.5)
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**	(0.0)	**(3.1)**	(36.5)
Net cash flow from investment activities		**(4.7)**	(2.5)	**(10.7)**	(48.6)
- of which included in continuing operations		*(4.7)*	*(2.5)*	*(16.3)*	*(48.6)*
- of which included in discontinuing operations		-	-	*5.6*	-
Cash flow from financing activities					
Proceeds from exercise of treasury shares (incentive program)		**0.0**	0.0	**0.1**	0.0
Purchase of treasury shares		**(0.2)**	(1.5)	**(1.5)**	(5.5)
Proceeds from issuance of shares, net (equity increase)		**(0.0)**	(0.0)	**(0.0)**	(0.1)
Proceeds from loans and borrowings	7	**0.0**	-	**20.0**	-
Repayments of loans and borrowings	8	-	-	-	(0.1)
Payment of finance lease liabilities	11	**(1.1)**	-	**(3.8)**	-
Net cash flow from financing activities		**(1.2)**	(1.5)	**14.8**	(5.7)
- of which included in continuing operations		*(1.2)*	*(1.5)*	*14.8*	*(5.7)*
- of which included in discontinuing operations		-	-	-	-
Net change in cash and cash equivalents		**(3.3)**	(0.9)	**1.5**	(54.5)
Cash and cash equivalents (beginning of period) [3)]		**31.5**	30.2	**27.5**	86.0
Effects of exchange rate changes on cash and cash equivalents		**0.1**	(1.8)	**(0.6)**	(4.1)
Cash and cash equivalents [3)]		**28.3**	27.5	**28.3**	27.5
- of which included in cash and cash equivalents in the balance sheet		**28.3**	27.5	**28.3**	27.5
- 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 Q4 2019, $0.0 (YTD: 3.1) million is related to initial payments for the purchase of subsidiaries.

3) Of which $0.9 (12/31/2018: $1.3) million is restricted cash and cash equivalents as of December 31, 2019.

Consolidated statement of changes in equity

(USD million) (Unaudited)	Number of shares	Paid-in capital	Other reserves	Reserve for own shares	Translation 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)		-	-	-	-	(23.7)	1.1	(22.6)
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	(3.8)	-	(0.3)	(4.1)
Total comprehensive income (loss)		**-**	**-**	**-**	**(3.8)**	**(23.7)**	**0.7**	**(26.8)**
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	**(0.9)**	-	(1.6)	-	-	-	-	(1.6)
Treasury shares sold	**0.2**	-	0.2	-	-	-	-	0.2
Tax deduction on equity issuance costs		(0.0)	-	-	-	-	-	(0.0)
Share-based payment transactions		-	3.4	-	-	-	-	3.4
Total contributions by and distributions to owners	**(0.8)**	**(0.0)**	**2.0**	**0.0**	**-**	**-**	**-**	**2.0**
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 12/31/2019	**137.9**	**348.1**	**53.6**	**(67.6)**	**(14.1)**	**17.2**	**1.9**	**339.1**

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 4Q 2019, Otello purchased 161,000 (YTD: 943,691) treasury shares for $0.3 million (YTD: $1.6 million), and sold 55,000 (YTD: 152,691) treasury shares for $0.2 million (YTD: 0.2 million). As of December 31, 2019, Otello owned 2,545,000 treasury shares.

During 4Q 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)		-	-	-	-	(93.4)	0.8	(92.7)
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	(19.8)	-	(1.2)	(21.0)
Total comprehensive income (loss)		**-**	**-**	**-**	**(19.8)**	**(93.4)**	**-0.44**	**(113.7)**
Contributions by and distributions to owners								
Dividends		-	-	-	-	-	-	0.0
Issuance of ordinary shares related to business combinations		-	-	-	-	-	-	0.0
Issuance of ordinary shares related to incentive program		-	-	-	-	-	-	0.0
Issuance of ordinary shares related to equity increase		0.0	-	-	-	-	-	0.0
Capital decrease		(0.0)	-	0.0	-	-	-	0.0
Treasury shares purchased	**(2.5)**	(0.0)	-	(5.5)	-	-	-	(5.5)
Treasury shares sold	**0.2**	0.0	-	0.0	-	-	-	0.0
Tax deduction on equity issuance costs		(0.2)	-	-	-	-	-	(0.2)
Share-based payment transactions		0.0	0.5	-	-	-	-	0.5
Total contributions by and distributions to owners	**(2.3)**	**(0.2)**	**0.5**	**(5.5)**	**-**	**0.0**	**0.0**	**(5.2)**
Other equity changes								
Divestment of a subsidiary		0.0	0.0	-	-	13.3	1.7	14.9
Other changes		(0.1)	0.0	-	-	0.0	0.0	(0.1)
Total other equity changes		**(0.1)**	**0.0**	**-**	**-**	**13.3**	**1.66**	**14.9**
Equity as of 12/31/2018	**138.7**	**348.2**	**51.6**	**(67.6)**	**(10.3)**	**40.9**	**1.2**	**364.0**

Notes to the condensed consolidated interim financial statements

Note 1 - Corporate information

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

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

Amendment to the agreement with Bemobi earnout participants

On January 10, 2020, Otello signed an amendment to the above SPA with the Bemobi Earnout Participants ("EPs"). The clauses from the SPA relating to the event of a major transaction not being completed were amended with an extended deadline of December 31, 2020. A major transaction was redefined to constitute either an IPO or qualified sale. In addition, the potential fallback payment that would result in the event of such a major transaction not taking place with the extended deadline, was fixed at an amount of USD 18.6 million. If a spin-off was to occur before the extended deadline, the fallback payment would be paid.

In these interim financial statements, Otello has recognized the remaining earnout liability at the contractually fixed amount of USD 18.6 million. Correspondingly, the asset held in escrow is also recognized at USD 18.6 million.

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.

(USD million)	
Non-current consideration	-
Current consideration	19.1
Balance as of 12/31/2019	**19.1**

Earnout payments made in 2019

No earnout payments were made YTD 2019.

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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)*	4Q 2019	%		YTD 2019	%
USD	**46.7**	66.8%	USD	**160.5**	66.7%
BRL	**10.4**	14.8%	BRL	**39.2**	16.3%
DKK	**5.4**	7.7%	DKK	**15.0**	6.2%
TRY	**4.8**	6.8%	TRY	**13.2**	5.5%
IDR	**0.6**	0.9%	INR	**2.1**	0.9%
Other	**2.1**	3.0%	Other	**10.7**	4.5%
Total	**70.0**	100.0%	**Total**	**240.8**	100.0%

Operating expenses by currency [1)] *(USD million)*	4Q 2019	%		YTD 2019	%
USD	**(48.4)**	69.1%	USD	**(178.1)**	70.3%
BRL	**(7.6)**	10.8%	BRL	**(24.0)**	9.5%
DKK	**(4.3)**	6.1%	DKK	**(13.1)**	5.2%
TRY	**(3.8)**	5.4%	NOK	**(12.5)**	4.9%
Other	**(6.0)**	8.5%	Other	**(25.6)**	10.1%
Total	**(70.1)**	100.0%	**Total**	**(253.4)**	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 3Q 2019 rates	FX effect using 3Q 2019 rates	Recalulated with 4Q 2018 rates	FX effect using 4Q 2018 rates
Revenue	**70.5**	**0.5**	**70.9**	**1.0**
Expenses	**(70.5)**	**(0.5)**	**(71.2)**	**(1.1)**

Note 7 - Financial items

Financial items *(USD million)*	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Audited)
Other interest income (expense), net	**(0.2)**	0.4	**(0.4)**	(0.1)
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	**(0.2)**	0.0	**2.8**	0.0
Other FX gains (losses), net	**(5.2)**	12.2	**(1.9)**	4.9
Profit (loss) sale of shares	**0.0**	(4.7)	**(0.5)**	(2.2)
Revaluation of contingent consideration	**0.0**	0.0	**0.0**	(0.1)
Share of profit (loss) from associated companies	**2.1**	0.2	**2.1**	(0.0)
Net financial items (loss)	**(3.5)**	8.2	**2.1**	0.9

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 December 31, 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 December 31, 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)*	12/31/2019 (Unaudited)	12/31/2018 (Audited)
Accounts receivable	**50.6**	45.6
Unbilled revenue	**30.3**	21.5
Other receivables	**27.2**	36.6
Total	**108.1**	103.7

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

Other receivables consists of escrow payments related to sales and acquisitions, non-trade receivables, and prepayments. As of December 31, 2019, $18.6 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	**4Q 2019**	**4Q 2018**	**YTD 2019**	**YTD 2018**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Total operating revenue	**70.0**	66.9	**240.8**	275.4
Publisher and revenue share cost	**(40.2)**	(39.1)	**(137.6)**	(161.0)
Gross profit	**29.7**	27.8	**103.2**	114.4

Reconciliation of operating profit (loss) to EBITDA and adjusted EBITDA	**4Q 2019**	**4Q 2018**	**YTD 2019**	**YTD 2018**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Operating profit (loss), (EBIT)	**(0.5)**	(97.4)	**(14.9)**	(118.0)
Depreciation and amortization expenses	**7.4**	7.8	**28.1**	30.2
Impairment expenses	**-**	93.3	**-**	93.3
EBITDA	**6.9**	3.6	**13.2**	5.5
Restructuring expenses	**0.4**	0.8	**2.3**	4.1
Stock-based compensation expenses	**0.7**	1.1	**3.8**	(0.2)
Adjusted EBITDA	**8.0**	5.5	**19.3**	9.4

Reconciliation of operating profit (loss) to normalized EBIT	**4Q 2019**	**4Q 2018**	**YTD 2019**	**YTD 2018**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Operating profit (loss), (EBIT)	**(0.5)**	(97.4)	**(14.9)**	(118.0)
Impairment and restructuring expenses	**0.4**	94.0	**2.3**	97.4
Amortization of acquired intangible assets	**1.0**	3.1	**4.6**	12.7
Normalized EBIT	**0.9**	(0.3)	**(8.0)**	(7.9)

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	12.3
Translation differences	0.1
Lease payments for the principal portion of the lease liability	(5.6)
Interest expense on lease liabilities	0.3
Lease liabilities as of 12/31/2019	**7.1**
Of which:	
Current lease liabilities (less than 1 year)	4.0
Non-current lease liabilities (more than 1 year)	3.0
Balance as of 12/31/2019	**7.1**

Right of use assets *(USD million)*	
Balance as of 1/1/2019	-
Additions	12.3
Adjustment to Contract asset - sublease	(4.1)
Depreciation	(5.4)
Adjustment for depreciation related to Contract asset - sublease	1.8
Translation differences	-
Right of use assets as of 12/31/2019	**4.6**
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	(1.8)
Adjustment of interest expense	0.1
Translation differences	-
Contract assets - sublease as of 12/31/2019	**2.4**
Of which:	
Current contract assets (less than 1 year)	0.5
Non-current contract assets (more than 1 year)	1.9
Balance as of 12/31/2019	**2.4**

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)*	**4Q 2019**	**YTD 2019**
Operating lease expenses recognized under operating expenses decreased	(1.1)	(3.8)
Depreciation expense increased as a result of depreciation of ROU assets	1.0	3.7
Net interest expense increased as a result of recognition of the lease liability	0.0	0.2
Translation differences	0.1	0.1
Net effect	**0.1**	**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	4Q 2019	4Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Audited)	change
AdColony (Mobile Advertising)	**55.2**	53.1	4 %	**183.9**	220.6	-17 %
Bemobi (Apps & Games)	**14.9**	13.6	9 %	**56.2**	54.0	4 %
Corporate	**0.0**	0.1	-85 %	**0.9**	0.8	17 %
Eliminations	**(0.1)**	0.0	-413 %	**(0.3)**	0.0	-2629 %
Total continued operations [1]	**70.0**	66.9	5 %	**240.8**	275.4	-13 %

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

Gross profit	4Q 2019	4Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Audited)	change
AdColony (Mobile Advertising)	**19.0**	18.4	3 %	**63.4**	75.1	-16 %
Bemobi (Apps & Games)	**10.7**	9.3	16 %	**39.0**	38.5	1 %
Corporate	**(0.0)**	0.1	-102 %	**0.9**	0.8	13 %
Eliminations	**(0.0)**	(0.0)	192 %	**(0.0)**	(0.0)	267 %
Total continued operations [1]	**29.7**	27.8	7 %	**103.2**	114.4	-10 %

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

Adjusted EBITDA [2]	4Q 2019	4Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Audited)	change
AdColony (Mobile Advertising)	**3.1**	1.1	185 %	**0.3**	(5.1)	-107 %
Bemobi (Apps & Games)	**6.7**	5.9	13 %	**23.9**	21.8	10 %
Corporate	**(1.7)**	(1.4)	22 %	**(5.0)**	(7.3)	-32 %
Eliminations	**0.0**	(0.0)	-555 %	**0.0**	(0.0)	-200 %
Total continued operations [1]	**8.0**	5.5	45 %	**19.3**	9.4	106 %

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

EBITDA	4Q 2019	4Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Audited)	change
AdColony (Mobile Advertising)	**2.7**	0.7	-310 %	**(0.6)**	(6.6)	91 %
Bemobi (Apps & Games)	**6.2**	5.3	17 %	**20.9**	21.2	-2 %
Corporate	**(2.0)**	(2.3)	12 %	**(7.1)**	(9.2)	23 %
Eliminations	**0.0**	0.0	6 %	**0.0**	0.0	100 %
Total continued operations [1]	**6.9**	3.6	-89 %	**13.2**	5.5	-142 %

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

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Note 12 - Segments (continued)

Normalized EBIT [2]	4Q 2019	4Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Audited)	change
AdColony (Mobile Advertising)	**(1.9)**	(3.2)	39 %	**(18.8)**	(19.1)	2 %
Bemobi (Apps & Games)	**5.0**	5.0	0 %	**18.2**	20.0	-9 %
Corporate	**(2.2)**	(2.1)	-4 %	**(7.3)**	(8.8)	16 %
Eliminations	**(0.0)**	(0.0)	28 %	**0.0**	(0.0)	117 %
Total continued operations [1]	**0.9**	(0.3)	396 %	**(8.0)**	(7.9)	-1 %

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

EBIT	4Q 2019	4Q 2018	%	YTD 2019	YTD 2018	%
(USD million)	(Unaudited)	(Unaudited)	change	(Unaudited)	(Audited)	change
AdColony (Mobile Advertising)	**(2.5)**	(99.3)	97 %	**(21.8)**	(125.5)	83 %
Bemobi (Apps & Games)	**4.2**	4.4	-4 %	**14.6**	17.4	-16 %
Corporate	**(2.2)**	(2.5)	12 %	**(7.7)**	(9.9)	22 %
Eliminations	**(0.0)**	(0.0)	17 %	**0.0**	(0.0)	119 %
Total continued operations [1]	**(0.5)**	(97.4)	99 %	**(14.9)**	(118.0)	87 %

[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]	12/31/2019 (Unaudited)	12/31/2018 (Audited)
Investments in associated companies	**10.1**	8.0
Loans to associated companies	**5.8**	5.5
Investments in other shares	**0.9**	0.8
Total	**16.8**	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 15 for further information regarding the investment in Last Lion Holdings Ltd.

Information regarding Last Lion Holdings Ltd (USD million)	4Q 2019 (Unaudited)	YTD 2019 (Unaudited)
Revenue	14.4	47.1
EBIT	7.5	20.6
Net profit (loss)	7.7	7.7
Assets		164.4
Non-current liabilities		117.5
Current liabilities		9.3
Equity		37.5
Otello's share of equity		10.1

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 $0.8 million, as at December 31, 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)	4Q 2019 (Unaudited)	4Q 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Audited)
Salary restructuring expenses	**(0.2)**	(0.4)	**(0.8)**	(3.3)
Option restructuring expenses	-	-	-	-
Office restructuring expenses	-	-	**(0.1)**	0.8
Impairment expenses	-	(93.3)	-	(93.3)
Legal and other costs related to business combinations and disposals	**(0.2)**	(0.4)	**(1.4)**	(1.5)
Other restructuring expenses	-	-	-	(0.0)
Total	**(0.4)**	(94.0)	**(2.3)**	(97.4)

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% 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 - Impairment testing

Otello has carried out impairment testing as of December 31, 2019, according to IAS 36. Based on the impairment testing, the Group has not recognized an impairment loss.

Cash-generating units

Goodwill acquired through business combinations has previously been allocated to individual cash-generating units as presented in the reconciliation in the 2018 Annual report.

Recoverable amount

The recoverable amount of assets is the higher of value in use and fair value less cost of disposal. Discounted cash flow models have been applied to determine the value in use for all the cash-generating units. Management has projected cash flows based on financial forecasts and strategy plans covering a three year period. Beyond the explicit forecast period, the cash flows are extrapolated using constant nominal growth rates.

Key assumptions

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

	AdColony	Bemobi
Revenue growth (average) [1]	**12.0 %**	**10.0 %**
EBITDA Margin growth (average) [2]	**3.8 points**	**0.0 points**
Discount rate after tax	**8.7 %**	**16.3 %**
Discount rate before tax	**11.6 %**	**24.7 %**
Nominal growth rate in terminal value	**3.0 %**	**3.0 %**

[1] *Represents the compound annual growth rate during 2020-2022 (until the terminal year).*
[2] *Represents the average percentage point increase in EBITDA margin during 2020-2022.*

Revenue growth (average)

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

EBITDA Margin growth (average)

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

Discount rates

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

Growth rates

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

Note 16 - Impairment testing (continued)

Sensitivity analysis:

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

AdColony CGU:

Discount rate after tax: [1]
An increase by 20 basis points
Future cash flows: [2]
A decrease by 3% in projected future cash flows for the 3 year forecast period
Nominal growth rate in terminal value:
A decrease by 20 basis points

Bemobi CGU:

Discount rate after tax: [1]
An increase by 900 basis points
Future cash flows: [2]
A decrease by 40% in projected future cash flows for the 3 year forecast period
Nominal growth rate in terminal value:
No reasonable change in the nominal growth rate in the terminal value, in isolation, would result in the in the recoverable amount being approximately equal to the carrying amount.

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

Note 17 - Events after the reporting date

Amendment to the Bemobi security holders agreement from 2018
On January 10, 2020, Otello signed an amendment to the above SPA with the Bemobi Earnout Participants. Please see note 5 for further information.

Bemobi RSU award agreement
In 2020, an agreement has been signed between Bemobi Holding AS, the holding company of Otello's Bemobi business and Bemobi's CEO regarding a share-based incentive program. Since this agreement was signed in Q1 2020, Otello has not recognized this in these interim financial statements.

GDPR
As reported in the media, on January 14, the Norwegian Consumer Council (NCC) filed a complaint to the Norwegian Data Protection Authority (DPA) against Grindr and five other companies, including AdColony, who is a supplier to Grindr. The NCC requests that the DPA investigate certain alleged breaches of the General Data Protection Regulation (GDPR) relating to the processing of personal data about Grindr users received from Grindr through the Grindr app. As of the date of this notification, AdColony has not received any formal notification or complaint from the DPA. AdColony is currently looking into the NCC’s complaint and will provide further information if and when necessary. The Company has not recognized any contingent liabilities in the interim financial statements related to this matter.

Share capital decrease
Reference is made to the resolution by the annual general meeting on 4 June 2019 where a resolution was passed to reduce the share capital of the parent company, Otello Corporation ASA, by cancellation of treasury shares. The share capital reduction has been registered with the Norwegian Register of Business Enterprises in February 2020, and the new registered share capital of the parent company is NOK 2 769 548.58, and the total share count is 138 477 429.

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