

1Q 2020

OTELLO CORPORATION ASA

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Agenda

- **Executive Summary (CEO, Lars Boilesen)**
- Operational Review (CEO, Lars Boilesen)
- Financial Review (CFO, Petter Lade)
- Q&A (CEO, Lars Boilesen & CFO, Petter Lade)

Executive Summary

Quarterly highlights

Financial metric (USD million)	1Q20	1Q19
Revenue	55.7	51.5
Adj. EBITDA*	2.6	1.4

- Both AdColony and Bemobi delivered above the guided 10% revenue growth in 1Q20
- Adj. EBITDA for both AdColony and Bemobi up from last year
- Strong Operating cashflow of \$6.6 million and positive free cashflow for the quarter
- Some Covid-19 impact expected in 2Q20, but full year guidance unchanged

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

Operational Review

AdColony

• Revenue

- Accelerating revenue growth, 12% YoY growth
 - Negative impact in March on Brand spend from Covid-19
 - Positive impact in March on Performance spend from Covid-19
- Programmatic revenue growth of over 130% in 1Q20 vs 1Q19

• Cost

- Merging demand side of Brand and Performance in 2Q20
- Expanding Istanbul service hub
- Cost savings of around \$1 million per quarter

AdColony – 2020 & Covid-19 impact

- Expecting 10% revenue growth in 2020 vs 2019, but higher risk due to Covid-19
- Performance growth partially offsetting weakness in Brand spend
- Overall April 2020 revenue flat vs March 2020 and up slightly vs April 2019
- Free cashflow breakeven post 2Q20 cost initiatives will be below \$50 million in Quarterly revenue



AdColony

Global Brand Business

Results: Brand Advertising



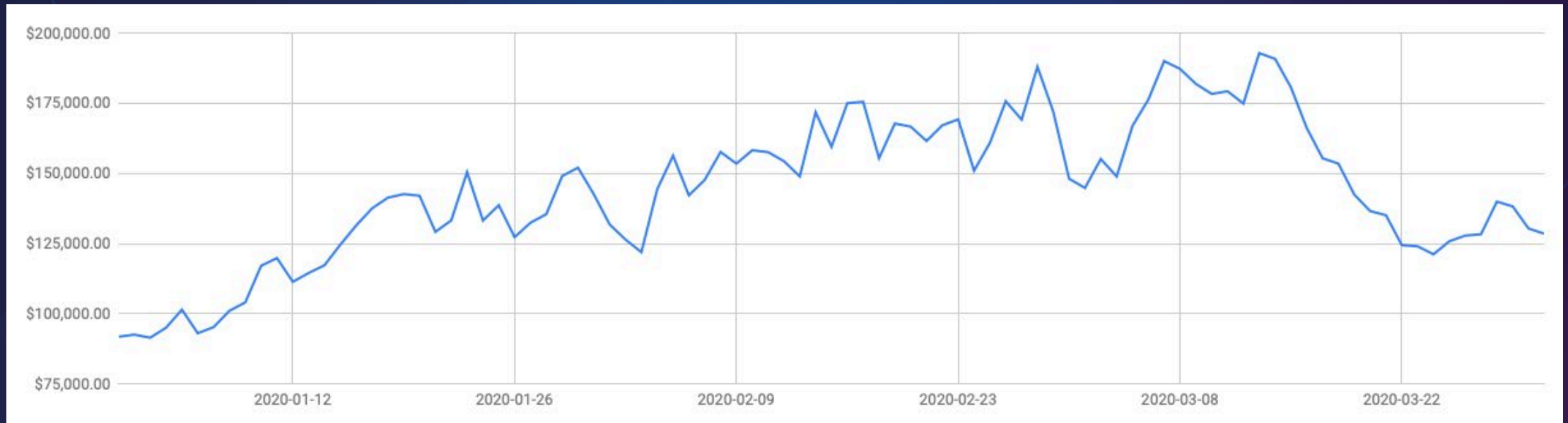
Revenue Source	1Q 2020	Y-O-Y Growth
Brand (incl. IO and PMP)	\$14.1M	+ 21%
Brand Performance	\$4.8M	- 9%
Programmatic Open Marketplace	\$9.9M	+ 136%
TOTAL	\$28.8M	+ 36%

- Followed up +20% Y-O-Y growth in 4Q19 with +36% Y-O-Y growth in 1Q20
- Huge surge in programmatic (both PMP & Marketplace) fueling growth
- Brand Performance down due to retail vertical (Covid -19)

Tremendous Momentum



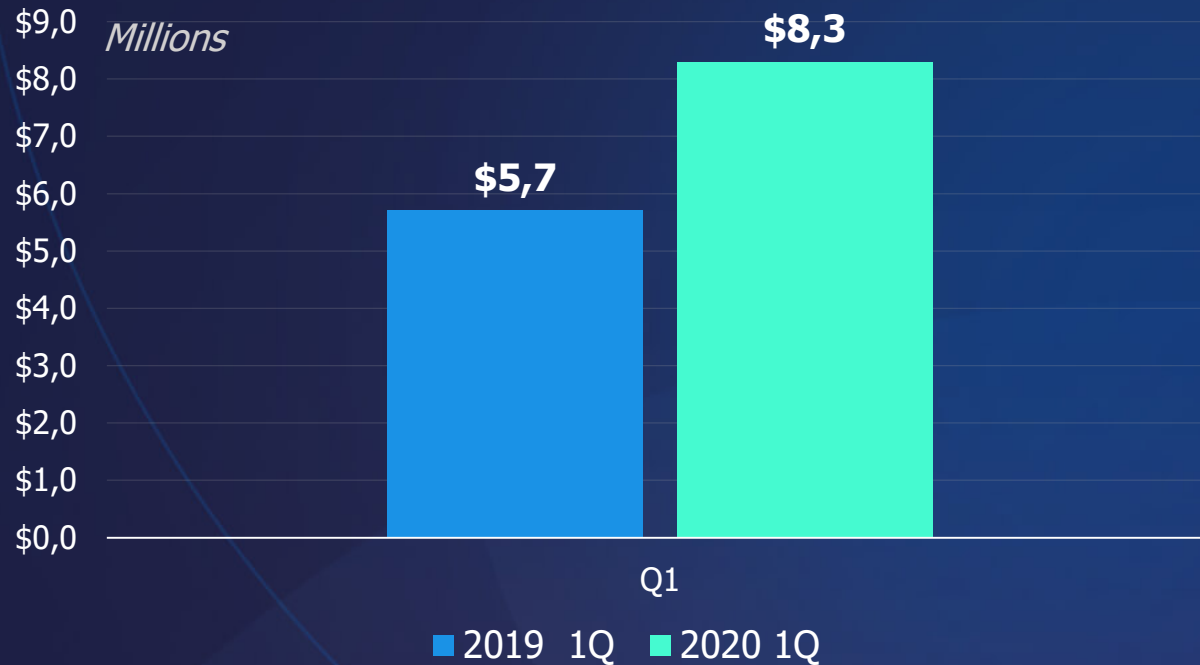
- Prior to Covid-19 impacting March revenue, Brand was on pace for +50% Y-O-Y growth
- Q419 was the first time we showed Y-O-Y growth on the Brand side of our business in 3.5 years, continued acceleration in 1Q20



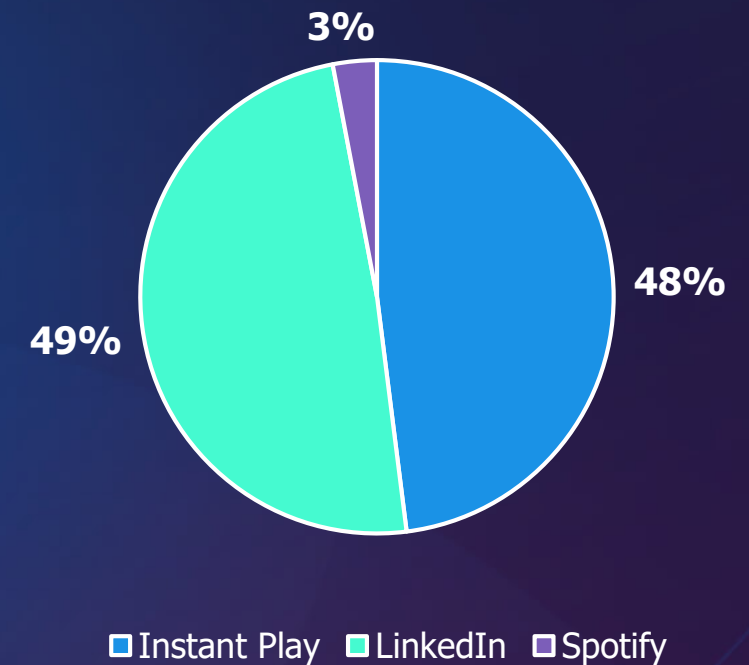


EMEA & LATAM Brand

1Q Revenue 2019 vs 2020



1Q 2020 Sales Breakdown by Product



- **+45% revenue increase** from Q1 2019 YoY, the increase is coming from all 3 main product revenue sources



2020 Focus Areas

EMEA & LATAM Brand

Instant Play

- Moving customers to programmatic, more scalable and enables us to onboard new clients looking for minimal creative work and lower pricing models
- In France & Poland we increased our salesforce with new reseller agreements

LinkedIn

- Enhancing self-service solutions
- Additional ad types drive incremental revenue

Spotify

- Looking to expand into new markets

APAC



- Revenue flat in 1Q20 vs 1Q19, impact from Covid-19 throughout the quarter
 - Gross margins at 50%
- Programmatic as a proportion of overall revenue grew by 13% over 2019
- Japan continues to see positive early revenue growth following the launch of Brand business in 2H19



AdColony

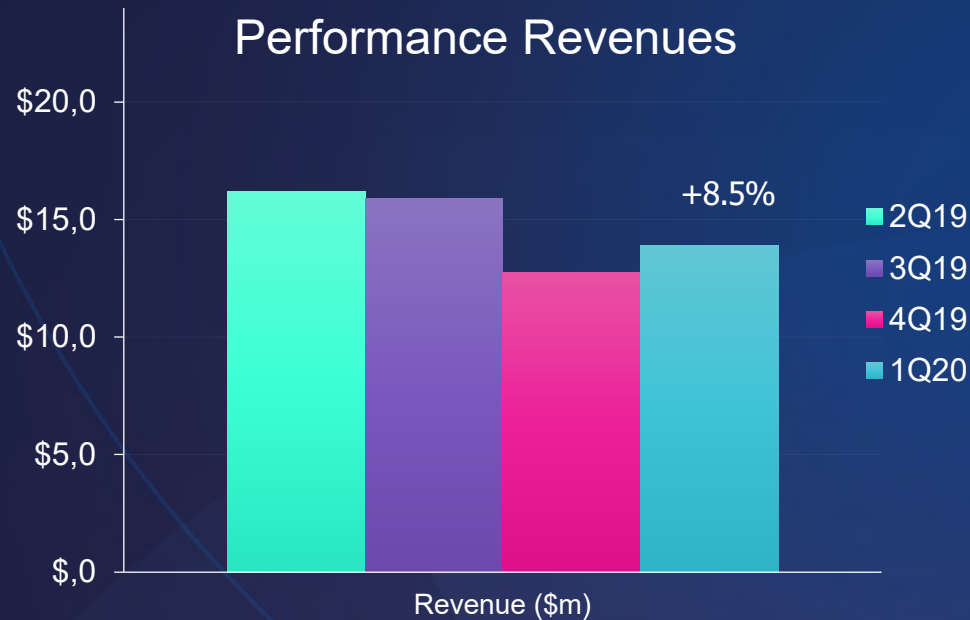
Global Performance & Publishing



Results: Performance Advertising

Summary: 1Q20 Performance Revenues = USD 13.9 million

Q1 Revenue Trend



- Positive revenue trend (+8.5%), 1st Q-o-Q since 3Q17
- Double digit growth in key categories—Casual, Reward / Scratcher and Hyper-casual
- Healthy improvement in underlying network KPIs
 - ✓ 12.5% increase in impression volume
 - ✓ 27% increase in uniques on platform



Performance back to growth in 2020

1. Turn around we saw in Brand in 1Q19 we are now seeing in Performance
2. Investment in Data Science Team in Poland => IR (Install Rate) & ROAS (Return On Ad Spend) models => Better IR and ROAS will give us a bigger portion of the spend from the advertisers
3. Consolidated Growth Team in Turkey – Streamlined operations and optimization work to deliver better results to our advertisers
4. Current environment of 'Stay at Home' offers significant tailwinds for Gaming Performance and Publishing, 2Q20 positive – 10-15% increase in unique users /impressions

Key Publishing Wins



50 of Top 100 Trending Apps are with AdColony SDK



Worms Zone.io
Azur Games
#3 Game/Action
3M DAU



Stack Ball
Azur Games
#1 Role Playing
1.3M DAU



CodyCross
Fanatee
#11 Puzzle
1.9M DAU



Bottle Jump 3D
Azur Games
#9 Game/Action
1.7M DAU



Mr Bullet
Lion Studios
#7 Arcade
7M DAU



AXES.io
Azur Games
#8 Role Playing
400k DAU



Block Craft 3D
FGFF
#1 Board Game
1M DAU



Dominoes
Loop Games
#3 Puzzle
500k DAU



Chess Stars
Coffee Break Games
#22 Casual
1.7M DAU

and much more from Huuuge, Fanatee, X-Flow, Azur, Capcom, Lion Studios, G5, FGFF, Metajoy

Bemobi

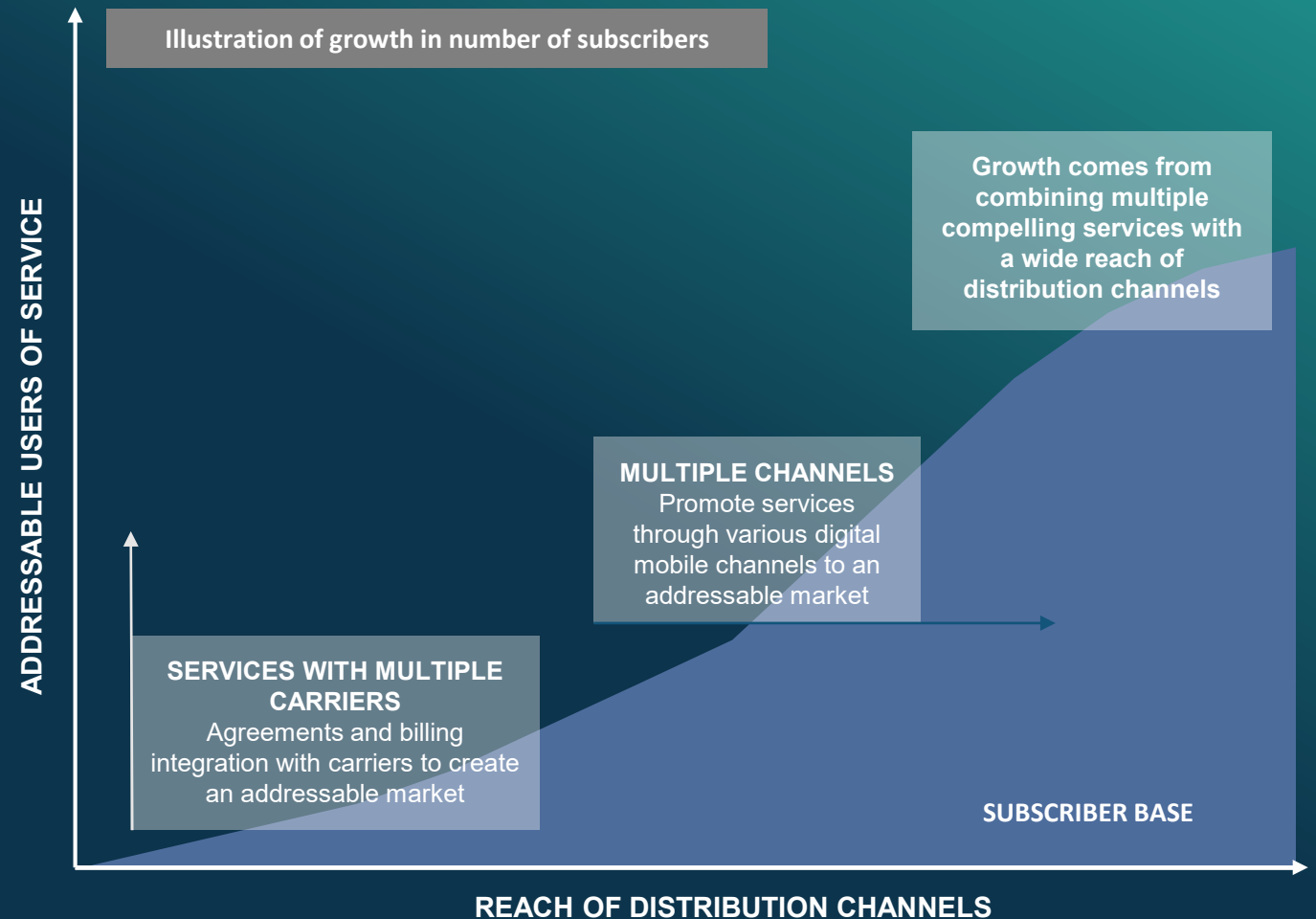
Bemobi's two pillars for sustainable profitable growth in emerging markets makes us unique

APPSCLUB SERVICES

Compelling subscription services with best of breed apps & games priced for each emerging market. Once services are live with mobile carriers, it increases Bemobi's addressable market

DISTRIBUTION CHANNELS

A unique mix of distribution channels are needed to promote services to the addressable market at a sustainable low cost of acquisition given the APRU and LTV of this market segment



Bemobi's key subscription service offerings

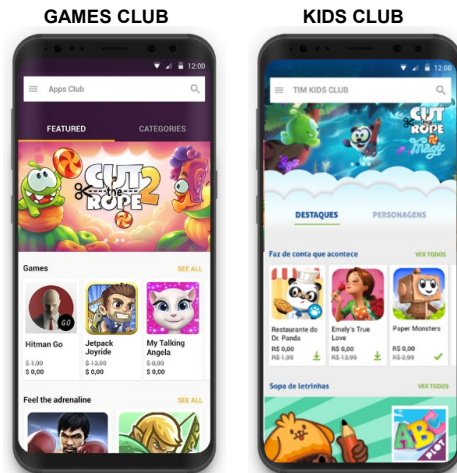
SUBSCRIPTION SERVICES

1

APPSCLUB FAMILY

Bundles of top apps & games in a low price point subscription model

EXAMPLES:



2

STANDALONE SUBSCRIPTION APPS

Distribution of standalone subscription apps

EXAMPLES:



3

VOICE & FINANCIAL SERVICES

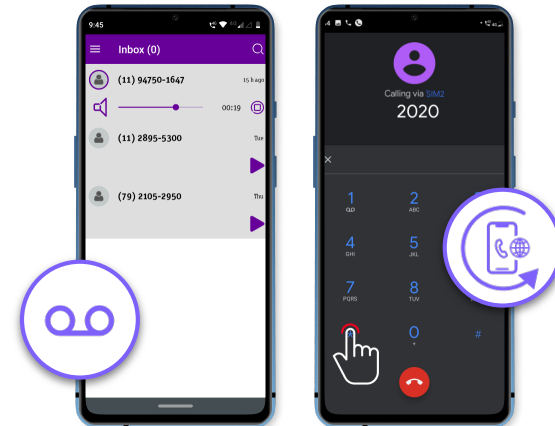
Market-leading on Voice Messaging provider in Brazil

NEW

EXAMPLES:

VOICE MESSAGING

CALL ADVANCE



Bridging the gap in emerging countries for monetizing digital subscription services

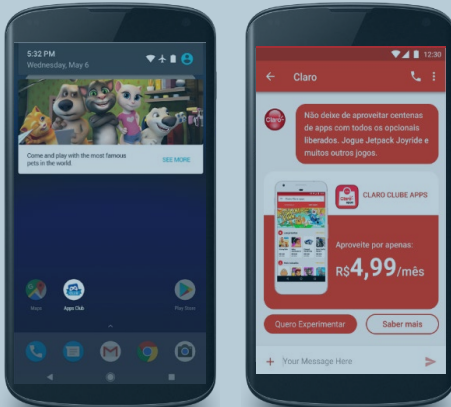
Bemobi's distribution channels

DISTRIBUTION CHANNELS

1 MOBILE CARRIERS PROMOTIONS

When a deal is signed, the mobile carrier commits to doing marketing and promotion of the new service

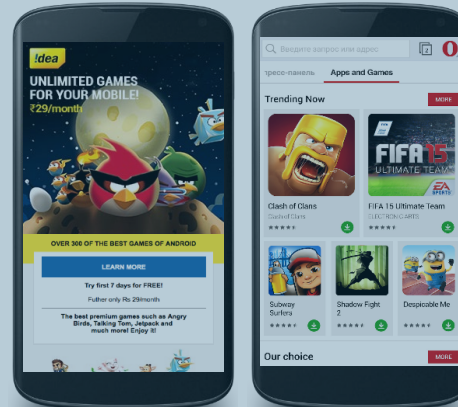
- SMS/MMS/RCS/ messages campaigns
- App Push Notifications
- Billing insert campaigns
- Store promotions and bundles
- Magazine inserts and TV spots



2 PAID ONLINE CAMPAIGNS

Partnering with leading apps and web properties in emerging markets to promote Bemobi's service offering.

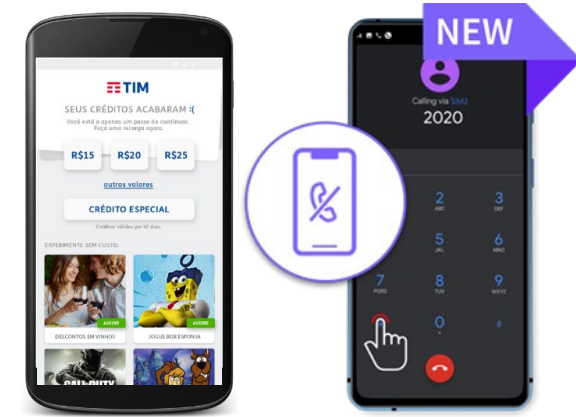
- Revenue share based (e.g. Opera Mini)
- Paid per acquisition - CPA



3 CO-OWNED CHANNELS WITH MOBILE CARRIERS

Bemobi's turnkey platform for mobile carriers captures users browsing and voice sessions when they are out of credit/data to promote its services

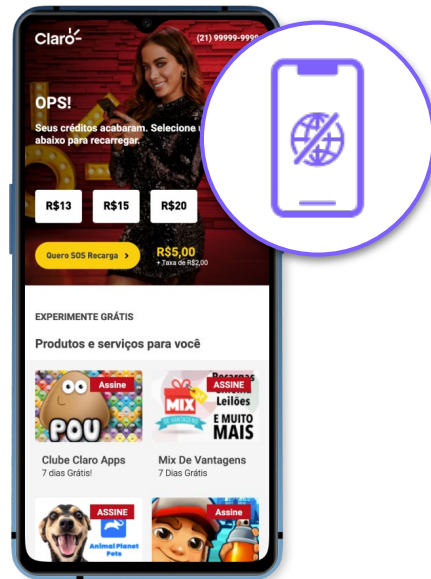
- NCND portals and interactive voice response



Control increases

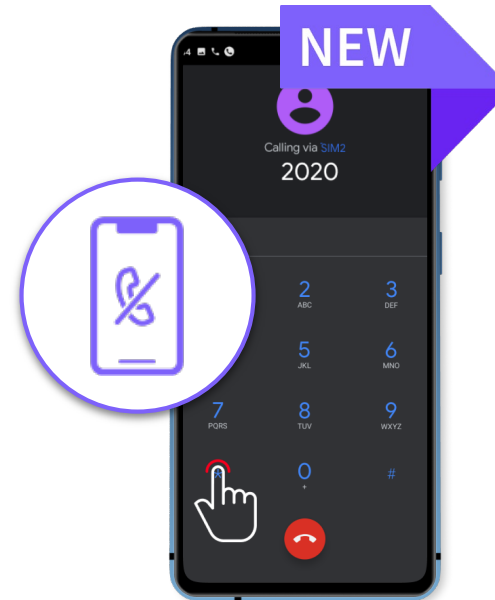
Co-owned digital channels with mobile carriers

NO CREDIT NO DATA WEB PORTAL



- Live channel platform in 18 Carriers (4 LATAM + 14 INTL)

NO CREDIT VOICE PORTAL



- Live channel platform in 4 Carriers (4 Brazil)

Revenue & Adj. EBITDA growth

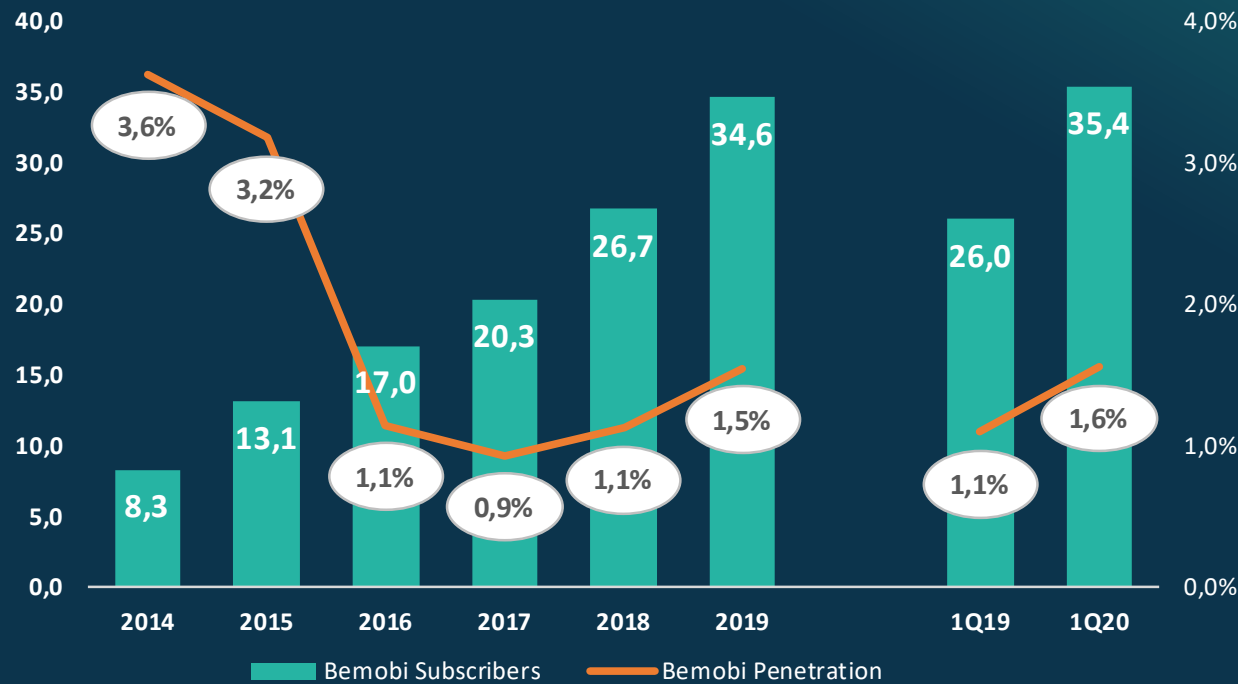
			Δ (%)
Bemobi	1Q20	1Q19	Y-o-Y
Revenue (USD M)	13,0	12,8	2%
EBITDA (USD M)	5,1	5,0	2%

			Δ (%)
Bemobi - Ex-FX Rate	1Q20	1Q19	Y-o-Y
Revenue (USD M)	14,8	12,8	16%
EBITDA (USD M)	6,0	5,0	20%

FX Rate impact YoY (1Q20 vs. 1Q19)

- INTL basket: -1.0%
- LATAM BRL: - 18.1%

Bemobi – Subscriber growth driving revenue and scale



- Total # subscribers up 9.4 million vs 1Q19
 - LATAM up 5.5 million including Voice (IVR) and financial services subscribers
 - International up 3.9 million due to global rollout
- Overall service penetration on served addressable market grew to 1.6%
- 69 operators live
 - 22 operators in LATAM
 - 10 operators in South Asia
 - 18 operators in South-East Asia
 - 12 operators in CIS
 - 7 operators in Africa

Bemobi – Strong channel mix

Co-owned Channels

NDNC

- 13 portals live in Bemobi outside of LATAM:
 - Idea India
 - Vodafone India
 - Vodafone Ukraine
 - Telenor Pakistan
 - Jazz Pakistan
 - Tele2 Russia
 - Vodacom Tanzania
 - Grameenphone Bangladesh
 - Banglalink Bangladesh
 - Robi Bangladesh
 - Ncell Nepal
 - MTS Belarus
 - Telenor Myanmar
- 2-4 more planned for the next 2 quarters

New NC Voice Portal and Bemobi Loop

- New No-Credit Voice Portal now deployed and live in all main carriers in Brazil.
- Focus now to integrate these multiple channels in a single platform (i.e. Loop) and to accelerate international expansion of the new voice channels
- New No-Credit Voice Portal's in active discussions with International Carriers

International markets continue subscriber growth 1Q19 vs. 1Q20 (from 6.2M to 10.1M)

CHANNEL	FROM	TO	Comments
Bemobi ¹ (co-owned)	32%	32%	Subscriber base growth from this channels (from 1.97M to 3.24M) is due to launch of new portals in 2019. Strategic: scalable, predictable and with low incremental cost
Operator ²	12%	4%	No incremental cost but less scalable and less predictable
Paid ³	56%	64%	CPA - Increase of acquisitions in South Asia and South Eastern Asia. Opera Mini - New improved contract was signed in November 2019 and this channel is expected to grow in the coming quarters. OVI/OMS - Feature phone traffic decreasing as expected

1 – Bemobi = NCND Portals

2 – Operator = Operator Promo

3 – Paid = Digital Acquisition (CPA) or based on Revenue Share agreements (e.g. Opera Mini)

- New voice based channels and omnichannel platform with good traction in Brazil and about to begin international rollout
- New voice and financial services offers growing in Brazil and show potential for a future international rollout
- Bemobi co-owned channel growth in international markets consistent with strategy (i.e. 32% of total new users) and growing
- Service diversification into new verticals beyond the Apps club also consistent with plan

Bemobi IPO and FX

- We are still aiming to carry out a separate listing of Bemobi.
- Based on last investors roadshow in Q1 2020, Brazil seems like a strong potential listing venue for Bemobi.
- Due to COVID 19 and the volatility of the markets any potential IPO plans will temporarily be on hold until market conditions become more supportive
- Bemobi's revenue currency strongly affected as Emerging market currency's lost value against the USD. Specifically BRL lost over 35% of its value against the USD few months.

Bemobi - COVID-19 initial impact

- Bemobi's revenues rely on mobile lower income pre-paid users from emerging countries
- In emerging countries, informal work represent 40%-60% of the population and mobile pre-paid have been the most economically impacted by a full-lockdown as they lose all/most their income
- Mobile carriers suffered reductions of 25-35% of pre-paid revenue due to the limited income of those users and the close down of most pre-paid point of sale
- Bemobi's service demand and usage has been strong, but the ability to bill/charge have decreased since the total available to-up balance was also negatively impacted
- April 2020 revenue represent a reduction of ~10% compared to March 2020, flat vs April 2019
- Prepaid airtime top-up should be one of the first expenditure to bounce back once the full lock-down eases off
- Bemobi is well positioned to capture this positive rebound and we don't expect any material negative lasting effect post lock-down.

Opera TV (Vewd)

- As previously communicated, there is an ongoing legal dispute with majority shareholder (MFC)
- Favorable verdict granted on liability, not appealed by MFC
- MFC ordered by the Court to pay a substantial portion of Otello's legal costs to date, all cash received
- Otello has now restored the proceedings in order to pursue alternative remedies, including (1) have the Court require MFC to buy Otello's shares (and loan note) at the higher of the current valuation of those shares and the price that the buyer was prepared to pay, and (2) if MFC is unable to purchase the shares at such price, require that all shares in the company be sold and Otello be paid the sum found to be due to it out of the proceeds of such sale.
- Court case postponed due to Covid-19, now scheduled for first week of October 2020

Financial Review

Otello Corporation 1Q20

(USD million)	1Q 2020	1Q 2019	% Change
Revenue	55.7	51.5	8%
Publisher and revenue share cost	(32.1)	(29.6)	9%
Payroll and related expenses	(12.9)	(12.5)	3%
Stock-based compensation expenses	(0.6)	(1.1)	-43%
Depreciation and amortization expenses	(6.9)	(7.0)	-2%
Other operating expenses	(8.1)	(8.0)	0%
Total operating expenses	(60.6)	(58.2)	4%
Adjusted EBITDA*	2.6	1.4	87%
Operating profit (loss), (EBIT), excluding restructuring and impairment expenses	(4.9)	(6.7)	
Restructuring and impairment expenses	(0.2)	(0.7)	
Operating profit (loss), (EBIT)	(5.0)	(7.4)	
Net financial items	18.7	(1.9)	
Provision for taxes	(5.2)	(0.6)	
Profit (loss)	8.4	(9.8)	

Revenue up 8% vs 1Q19,
growth in AdColony and
Bemobi

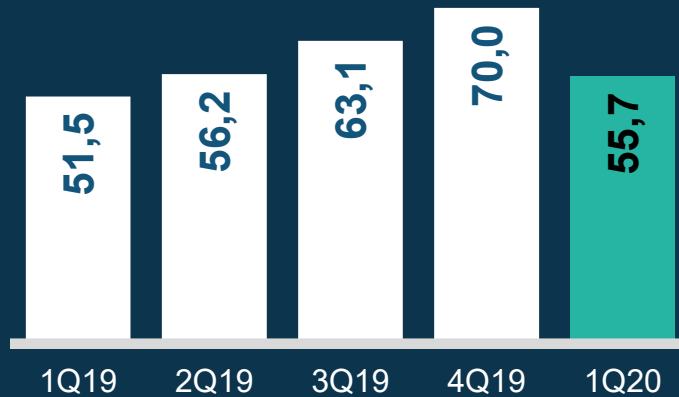
Total operating expenses up
4% due to higher publisher
and revenue share cost

Adj. EBITDA up 87% vs 1Q19

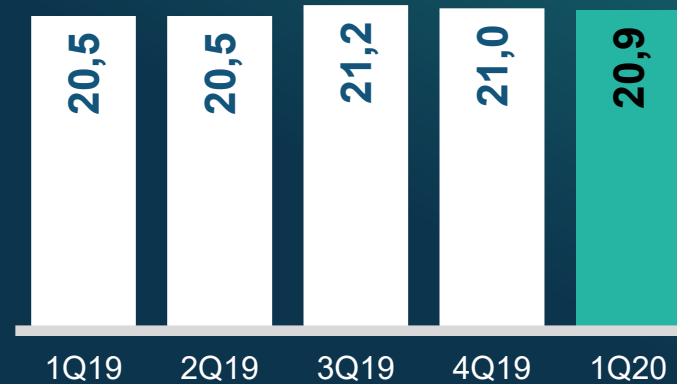
Positive Net financial items
due to stronger USD vs NOK

Otello Corporation 1Q20

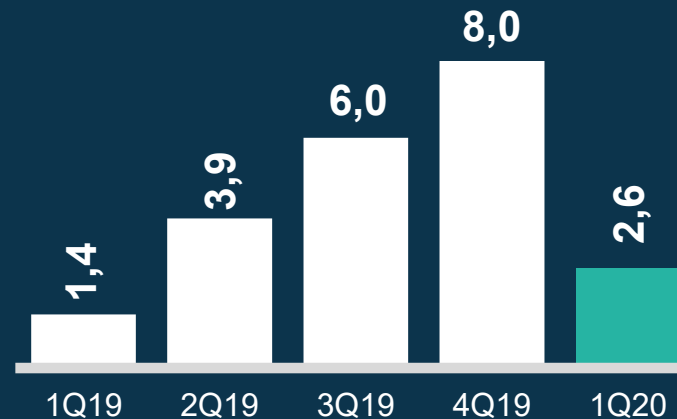
Revenue (USD million)



OPEX (USD million)



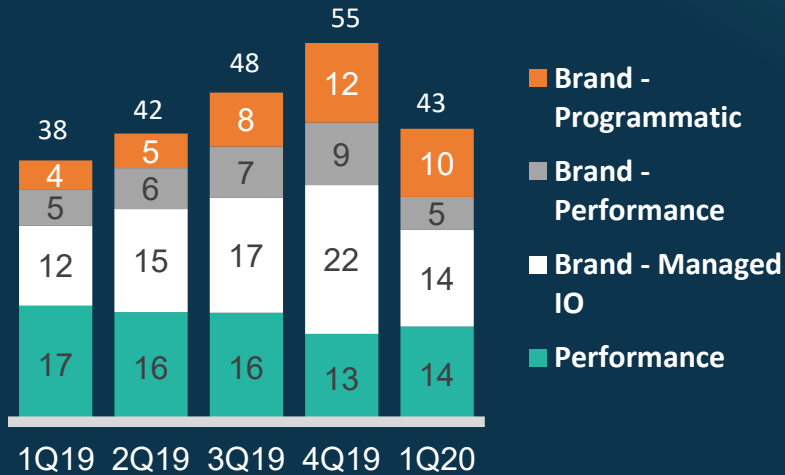
Adj. EBITDA (USD million)



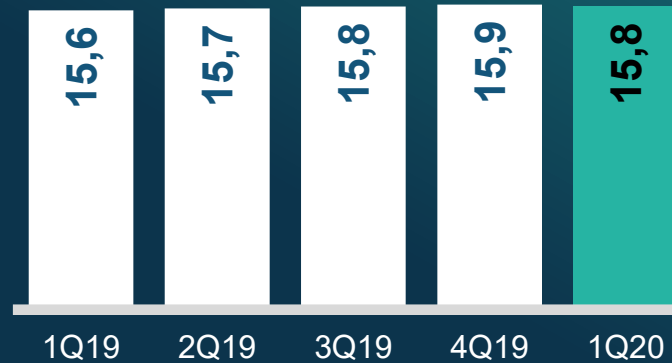
- Revenue growth vs 1Q19 for both AdColony and Bemobi
- OPEX virtually flat versus 1Q19
- Adj. EBITDA up 87% vs 1Q19

AdColony

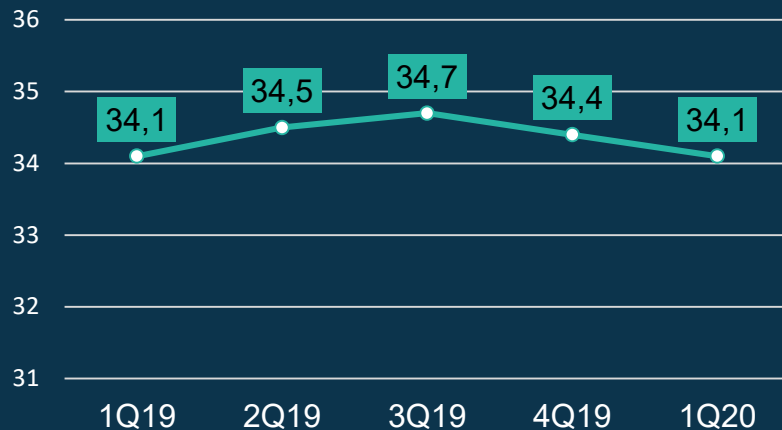
Revenue USD million)



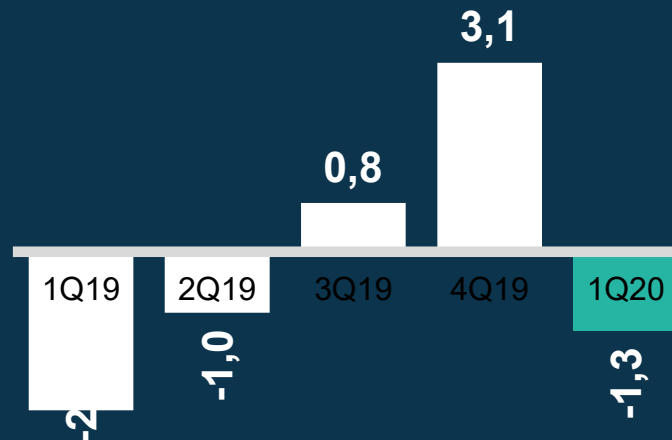
OPEX (USD million)



Gross Margin %

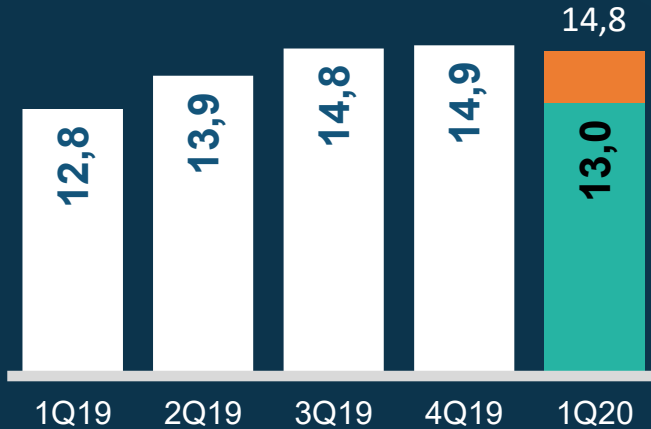


Adj. EBITDA (USD million)

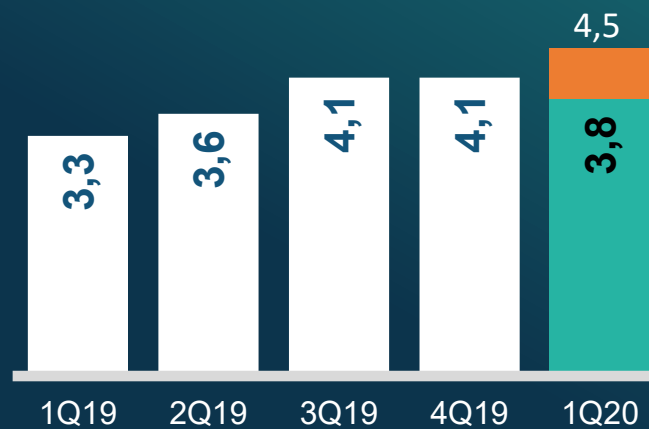


- Revenue slightly above expectations in 1Q20, very strong Programmatic revenue
- Performance business with first sequential growth quarter since 3Q17
- Cost stable around annualized OPEX of \$60-65 million
- Strong and stable gross margin trend
- Adj. EBITDA ahead of last year

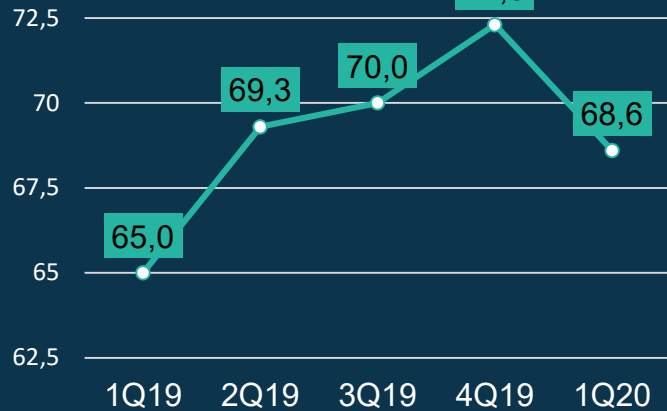
Revenue (USD million)



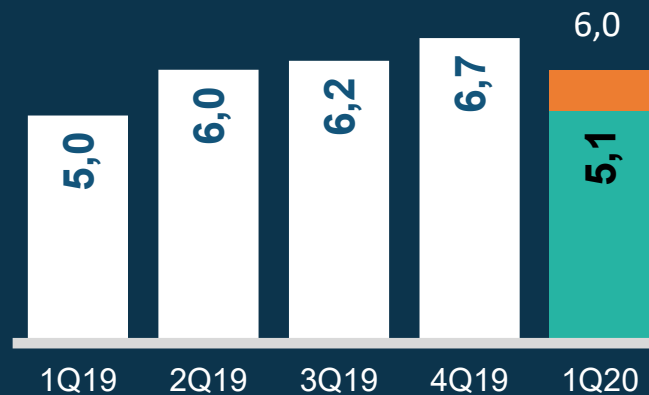
OPEX (USD million)



Gross Margin %




Adj. EBITDA (USD million)



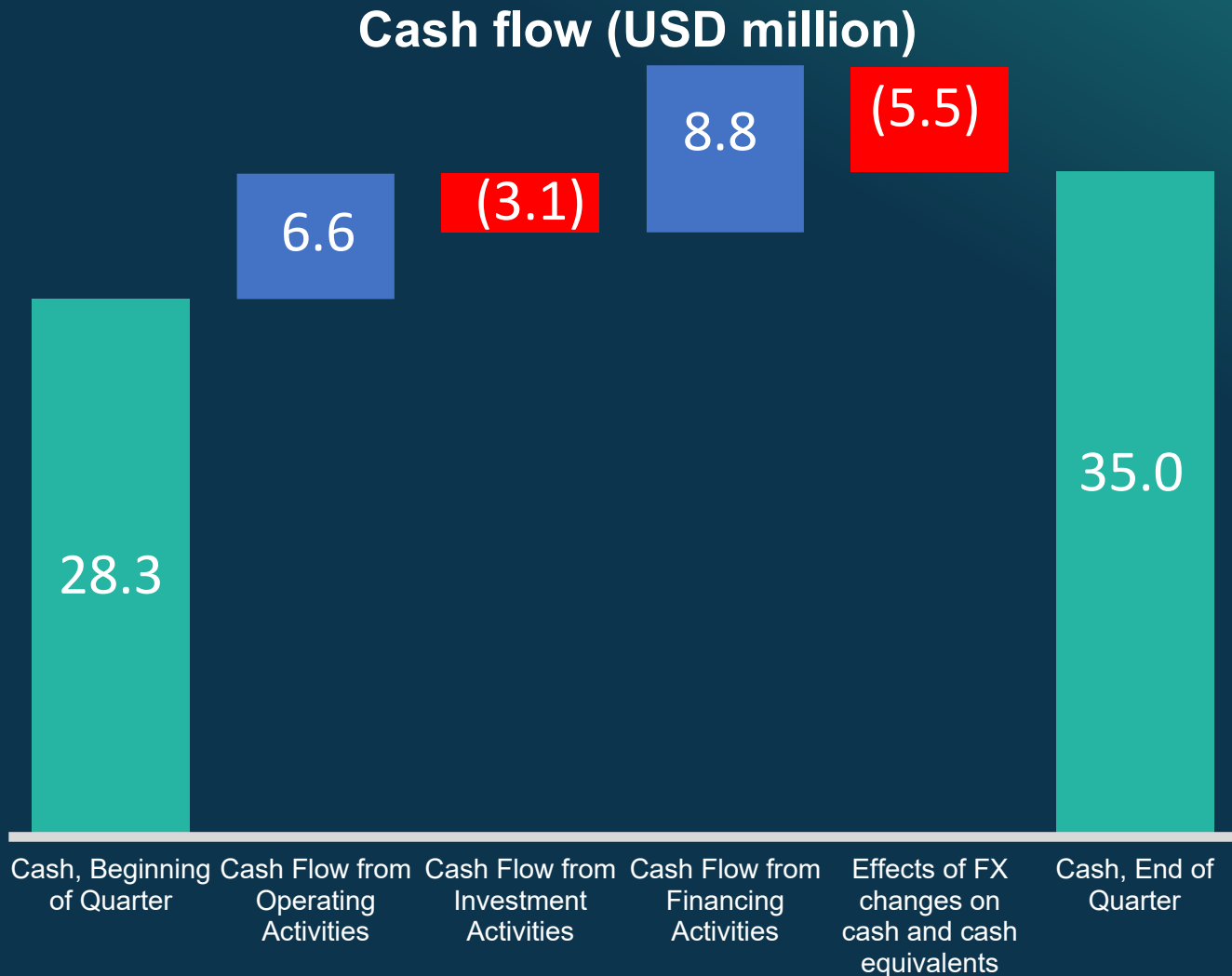
- Reported revenue up 2% YoY, would have been 16% with neutral FX rates
- Strong Gross margin, fluctuates based on channel/product mix and % International revenue
- Reported Adj. EBITDA up 2%, would have been 20% with neutral FX rates

FX Rate impact YoY (1Q20 vs. 1Q19)

- INTL basket: -1.0%
- LATAM BRL: - 18.1%

 FX impact
1Q20 vs 1Q19

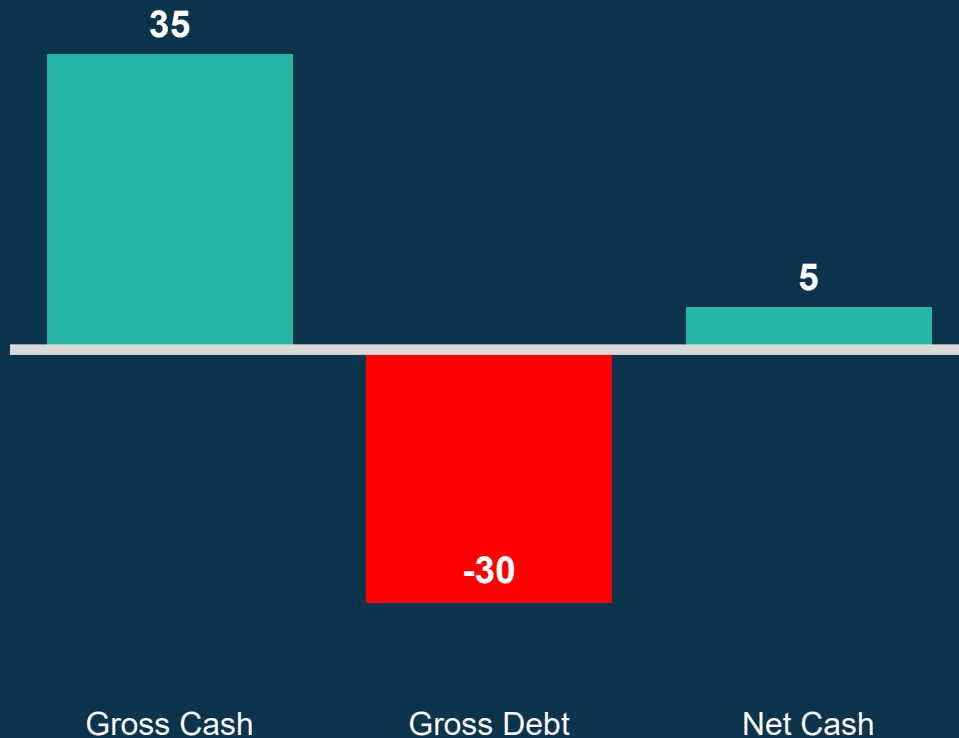
Cash flow



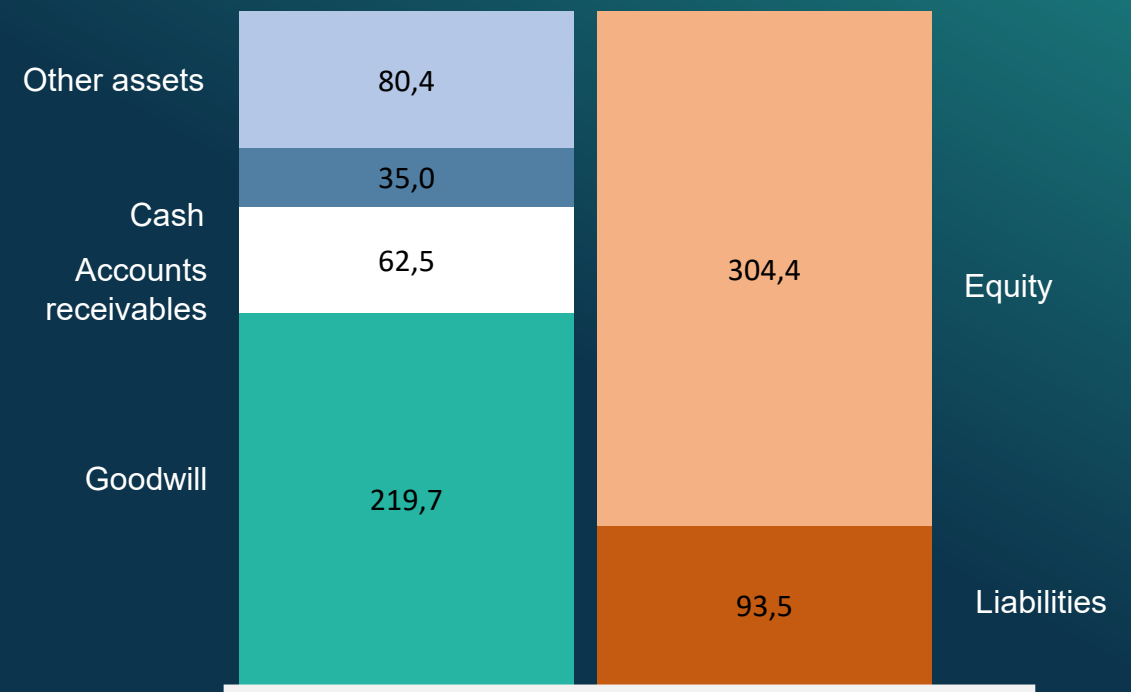
- Operating cash flow: USD 6.6 million
- Positively impacted by positive Adj. EBITDA, strong 4Q19 revenue and good cash collection
- Cash flow from Investment: USD (3.1) million
 - Capitalized R&D: USD (2.7) million
 - CAPEX: USD (0.4) million
- Cash flow from Financing: USD 8.8 million
 - Draw-down on RCF: USD 10 million
 - Share repurchases: USD (0.4) million
 - Lease liabilities: USD (0.8) million (IFRS 16)
- FX impact on cash position: USD (5.5) million
 - Negative impact would have been <\$1 million if we reported in NOK
- Cash end of quarter: USD 35.0 million

Financial position

Financial Position (USD million)



Balance sheet (USD million)



Outlook AdColony

2Q20*

Revenue: Flat
Gross margin: Flat
OPEX: Down

2020** (unchanged)

Revenue: Up ~10%
Gross margin: Flat
OPEX: Flat

*Vs 2Q19

**Vs 2019

Outlook Bemobi

2Q20*

Revenue: Flat
Adj. EBITDA: Flat

2020** (unchanged)

Revenue: Up ~ 10%
Adj. EBITDA: Up ~ 10%

*Vs 2Q19 (local currency)

**Vs 2019 (local currency)

Q&A