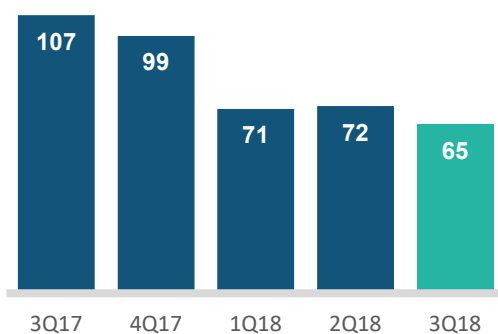


QUARTERLY REPORT

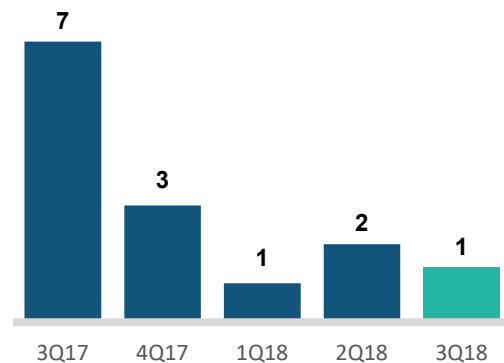
3Q 2018

OTELLO CORPORATION ASA

Revenue (USD million)



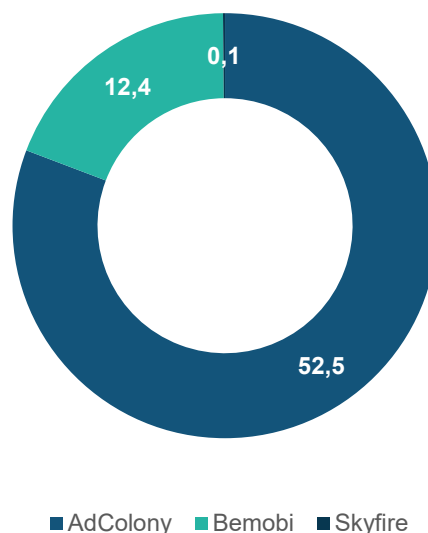
Adj. EBITDA (USD million)



HIGHLIGHTS

- Revenue was down YoY by 39 percent to USD 64.9 million (USD 106.5 million) due to decline in revenue from AdColony. Underlying revenue growth in Bemobi offset by FX headwind
- Adjusted EBITDA* of USD 1.4 million in 3Q18 down versus 3Q17, but virtually flat versus 2Q18
- Net income was USD (11.2) million in 3Q18 versus USD (0.4) million in 3Q17, negatively impacted by FX
- Earnings per share amounted to USD (0.08) in 3Q18 versus USD (0.00) in 3Q17
- Operating cash flow was USD (1.1) million versus USD 3.1 million in 3Q17

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)	3Q18	3Q17	YTD 2018	YTD 2017
Revenue*	64.9	106.5	208.5	320.8
AdColony (Mobile Advertising)	52.5	90.6	167.6	280.0
Bemobi (Apps & Games)	12.4	13.9	40.3	38.8
Skyfire (P&P)	0.1	2.1	0.5	2.3
Corporate	0.0	(0.0)	0.2	0.0
Adj. EBITDA	1.4	7.2	3.9	10.6
AdColony (Mobile Advertising)	(1.7)	0.6	(6.2)	(0.7)
Bemobi (Apps & Games)	5.2	6.8	16.0	17.4
Skyfire (P&P)	(0.4)	1.2	(1.0)	(1.8)
Corporate	(1.7)	(1.4)	(4.9)	(4.3)
EBIT	(8.2)	(3.7)	(20.6)	(33.3)
Net income	(11.2)	(0.4)	(9.6)	(36.3)
EPS (USD)	(0.08)	(0.00)	(0.07)	(0.25)

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

GROUP PERFORMANCE

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

Development during the quarter

Revenue was down 39 percent in third quarter 2018 compared to the same period last year, driven in particular by a decline in AdColony. The decrease in revenue in AdColony is mainly due to slower product launches and ramp up of new products in addition to a focus around fewer and more profitable products and markets. Bemobi experienced continued underlying revenue growth in the quarter, but it was offset by currency headwind. A 11% reported revenue decrease would have been 7% revenue growth with unchanged FX rates.

Total operating expenses (including depreciation and stock-based compensation expenses but excluding restructuring and impairment expenses) were down 35 percent from the corresponding period last year, mainly due to lower publisher costs and payroll expenses, as well as lower depreciation and amortization expenses, particularly in AdColony.

Publisher and revenue share cost was USD 38.4 million in the quarter (USD 65.1 million), down 41 percent from the corresponding period last year because of lower revenue in AdColony.

Payroll and related expenses, excluding stock-based compensation expenses, were USD 14.0 million in the quarter, versus USD 19.8 million in 3Q17, down 29 percent from the corresponding period last year as a result of strict cost control and a reduction in overall headcount, primarily in AdColony.

Stock-based compensation expenses were USD 0.2 million in the quarter compared to USD 1.6 million in 3Q17.

Depreciation and amortization expenses were USD 7.6 million in the quarter (USD 8.2 million), down 7 percent from the corresponding period last year as intangible assets from prior acquisitions are gradually amortized.

Other operating expenses were USD 11.1 million in the quarter (USD 14.4 million), down 23 percent from the corresponding period last year, with overall cost control and more efficient delivery of backend ad serving for AdColony.

Otello recognized a net restructuring expense of USD 1.8 million in the quarter primarily comprising salary expenses associated with the reorganization and streamlining of AdColony.

Adjusted EBITDA and EBITDA

Adjusted EBITDA

Adjusted EBITDA was USD 1.4 million in third quarter 2018, compared to USD 7.2 million in the corresponding period in 2017, with overall lower revenue partly offset by lower expenses. A net total of USD 2.0 million was excluded from adjusted EBITDA, related to restructuring expenses and stock-based compensation expenses.

EBITDA

EBITDA was USD (0.6) million in third quarter 2018, down from USD 4.5 million in the corresponding period in 2017.

Net financial items

Otello recognized a loss from net financial items in the quarter of USD 2.5 million, compared to a net gain of USD 1.1 million in the corresponding period last year. The loss in 3Q18 was almost exclusively due to FX losses, due to a weaker USD vs NOK.

Net income

Third quarter 2018 net income was USD (11.2) million compared to USD (0.4) million in the corresponding period last year. EPS and fully diluted EPS were USD (0.08) and USD (0.08), respectively, in third quarter

2018, compared to USD (0.00) and USD (0.00), respectively, in third quarter 2017.

Financial position and cash flow

Otello's net cash flow from operating activities was USD (1.1) million in third quarter 2018, compared to USD 3.1 million in third quarter 2017.

Cash flow from investment activities amounted to USD (13.3) million, vs USD (11.2) million from the corresponding quarter last year. Of the 3Q18 cash flow, USD 3.1 million comprises capitalized R&D and USD 10.0 comprises the final earnout payments made for Bemobi.

Cash flow from financing activities amounted to USD (1.1) million as Otello made share repurchases of USD 1.1 million in the quarter.

Cash and cash equivalents at the end of the third quarter 2018 were USD 30.2 million compared to USD 161.7 million in the third quarter 2017. The vast majority of the reduction in cash is related to Otello repaying USD 100 million in debt in 4Q17 and settling all of its earn-out obligations. At the end of the third quarter 2018, Otello has no interest-bearing debt. Otello signed in 2Q18 a new 3-year revolving credit facility of USD 100 million, which is undrawn as of today's date.

The company's equity was USD 453.2 million at the end of the quarter, corresponding to an equity ratio of 83%.

Organization

At the end of third quarter 2018 Otello had 483 full-time employees and equivalents.

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

<i>(USD million)</i>	3Q18	3Q17	YTD 2018	YTD 2017
Revenue*	52.5	90.6	167.6	280.0
Performance	21.2	41.0	73.0	127.2
Brand-Managed IO	15.7	33.9	51.6	101.1
Brand-Performance	7.8	6.5	23.4	25.8
Brand-Programmatic	7.8	9.2	19.6	25.9
Gross Profit	17.6	29.4	56.7	99.4
Adj. EBITDA	(1.7)	0.6	(6.2)	(0.7)
EBITDA	(3.6)	(1.3)	(7.2)	(13.4)
EBIT	(10.1)	(8.1)	(26.2)	(33.7)

* Revenue and gross profit excludes intercompany transactions

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

Business Overview

AdColony is a mobile advertising platform focused on delivering marketing and monetization results for our clients. The technology powers monetization for the most popular, top 1,000 global publishers across

Android and iOS, enabling marketers to engage with consumers on the most personal and important screens in their lives.

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

with innovations to lead the mobile ad economy.

Financial Overview

Overall AdColony revenue for the quarter was USD 52.5 million, down by 42% compared to 3Q17. Prioritizing profitability in the Performance business reduced revenue somewhat towards the end of the quarter as gross margin ramped. Gross margin has edged up from 32.5% in 3Q17 to 33.4% in 3Q18, but ended the quarter well above that level.

Adjusted EBITDA amounted to negative USD 1.7 million in the quarter, flat from 2Q18 as result of lower revenue and continued investment to bring AdColony's offering more in line with client needs and the changing face of the mobile ad industry.

Gross margins in the Performance business increased QoQ from 20.1% to 20.8% after a ramp from the 13% in July to nearly 30% in September. The Brand/Exchange business has been actively working to improve margins and these were successfully raised QoQ again to 44.4% on the Managed IO business and 43.3% for Brand Performance.

Considering the business model shifts that we have seen over the course of 2018, we continued a restructuring program in 3Q18 which will have full impact from 4Q18 targeting an annual Opex run-rate of around USD 70 million, a further reduction of USD 20 million compared to previous targets.

Performance

Performance advertising is what AdColony was built on. We use the term to refer to gaming app install marketers running ads to get more installs for their gaming apps. These advertisers usually pay per install, rather than per view of an ad.

Revenue was down 48% YoY due to increased competition for publishing supply available on the platform and lack of new product innovation from AdColony, combined with our declining ability to drive competitive outcomes with the available supply through our ad server and algorithms.

We executed a specific action plan during Q3 to change the direction and turn around the global performance business. The reorganization began in 2Q18 with new leadership appointed, with a lean structure and clear roles and responsibilities. We also established a central Performance Hub to support both demand & publishing supply teams. This allows us to have a cost base more aligned to the scale of performance business.

During 3Q18, we were able to increase gross margin QoQ from 20.1% to 20.8% by focusing on stable and healthy publishing and supply deals, as well as restructuring the team and cost structure more in line with the size of the performance business. The successful growth of gross margin for the quarter (which increased month by month from 12.6% in July to 29.8% in September), is a significant step towards making the Performance business profitable.

We have been in the testing phase of advanced bidding with multiple mediation partners, including Fyber and MoPub by Twitter. This new approach to mediation will allow for our more competitive demand to access better supply and not be dragged down by historical aggregate results.

An ongoing audit of publisher SDK integrations is being conducted to improve play and fill-rates, which will also lead to higher competitiveness.

Brand/Exchange

Brand and Brand Performance advertisers continued to be profitable for AdColony. These key advertiser partners are what people think of when they think of digital ads. Ads for the latest Disney movie, the next shampoo or deodorant from a Unilever brand, or ads for major shopping and restaurants, all run through AdColony's Brand business, either as managed campaigns or programmatically.

Once again, Brand was profitable in 3Q18, though programmatic gross margin dropped to 36%. This reduction can be largely attributed to the product and engineering resources we dedicated to building out our programmatic offering moving forward, and

margins should return to their historical highs as that work concludes.

Our Brand and Exchange platform is actively hiring and pushing the direction of the company forward, by deepening relationships with key partners on both the supply and demand sides of the business (see below).

Publishing & SDK
Publishing handles the promotion of AdColony's SDK. On a basic level, AdColony's SDK is what enables us to show ads to users in an app. The SDK is what asks our ad server and Core™ (see below) for the right ad for the right user at the right time.

The publishing team is a revenue enabler for AdColony. By encouraging developers to integrate AdColony's SDK, they provide the premium inventory advertisers are looking for. Furthermore, AdColony's SDK is what sets its position as a "mobile ad marketplace" apart from other ad tech providers. Using key third-party data partnerships, we are able to leverage our historical SDK data to deliver better results for our advertisers.

As of end 3Q18, iOS SDK v3.x penetration was at 90%. The more publishers integrate the latest AdColony SDK, the greater inventory is available to advertisers looking for outlets that support viewability tools like Moat, DoubleVerify, and Integral Ad Science, all of which AdColony has direct integrations with.

We are now integrated and using header bidding for our publishing partners integrated with Fyber and MoPub by Twitter, and in testing with another major advanced mediation partner. This enables more ads to be shown to users by being more competitive for views (versus other ad platforms) on a campaign-by-campaign basis, rather than historical averages, as is the case in traditional waterfall models. As these advanced mediation methods become more commonplace, our integrations with major players in the space will result in significantly improved view rates for campaigns in our market place.

During 2019, our brand strategy and business development groups will be

working to further AdColony's reach outside of traditional gaming publishers and support the growth of non-gaming apps such as The Wall Street Journal (undergoing integration currently), music app Treble, and more. This will be accomplished through both SDK adoption efforts, as well as closer relationships with domestic and international supply side partners (SSP's).

Product update

In order to maximize efficiencies and realize the goal of becoming open and standardized, Product and Technology (engineering) teams were consolidated into a single Product & Technology team under CTO Andrzej Dzius at the end of 3Q18, reducing headcount expenses costs by approximately 40%.

Under consolidated leadership, the Product & Tech team defined a goal to become an "Open & Standardized" platform where any demand can be delivered into any supply, reducing the reliance on proprietary formats and technologies. In Q3, we made several investments towards becoming more open & standardized, so we can succeed in a programmatic world.

VPAID

To support the Brand team's move to a "programmatic first" approach, the Product & Tech team introduced full VPAID (Video Player Ad-serving Interface Definition) support in Q3. Introduced in 2012, VPAID is a standardized way for advertisers to buy demand in a programmatic marketplace. In Q4, VPAID will launch on both iOS and Android and will generate incremental revenue, adding even more ways for advertisers to buy AdColony traffic than ever before.

Bidder

In Q3, AdColony started work on a bidder that will allow AdColony to show ads into 3rd-party supply outside of our SDK footprint, in an effort to become an Open Platform. This will allow AdColony to access any supply that will grow revenue for both our Performance and Brand businesses.

CORE™ Improvements
Behind our ad serving is our proprietary

Core™ Engine. At its heart, Core™ is a collection of sophisticated machine-learning algorithms powered by real-time data and automatically optimizes campaigns for maximum return on ad spend for advertisers and monetization efficiency for publishers.

In 3Q18, we deployed improvements to Core™ that reduces CPM errors for certain campaign pricing models and made data infrastructure changes that resulted in cost savings. We also added a supply-demand exploration model that increases the ability of Core™ to discover effective combinations more rapidly. In Q4 we will deploy our error correction, supply-demand exploration, and new Install Rate prediction models (IRv4)

that will further enhance our targeting capabilities.

Open Measurement (OM) SDK Integration

In 3Q18, AdColony made continued investments in its integrations with MOAT, DoubleVerify and Integral Ad Science by beginning to integrate the Open Measurement SDK. This ensures that AdColony will be able to support any measurement partners in the future. In 4Q18, AdColony will continue integrating the Open Measurement SDK into the AdColony SDK to support Native Video and WebView Display.

Bemobi (Apps & Games)

<i>(USD million)</i>	3Q18	3Q17	YTD 2018	YTD 2017
Revenue*	12.4	13.9	40.3	38.8
Gross Profit	8.8	9.9	29.2	27.7
Adj. EBITDA	5.2	6.8	16.0	17.4
EBITDA	5.2	6.8	15.9	17.3
EBIT	4.3	5.5	13.0	9.9

* Revenue and gross profit excludes intercompany transactions

Business Overview

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

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

Bemobi is a so-called B2B2C company. Instead of selling directly to a consumer, so-called traditional B2C, Bemobi typically partners with large companies, mostly mobile carriers or in some cases smartphone OEMs. Through partnerships with these companies, Bemobi can offer its service to the consumers. Bemobi ended 3Q18 with 65 operators of which 44 are outside LATAM (part of its international rollout), making it possible to offer subscription-based services providing access to apps and games to over 2.4 billion consumers.

Financial Overview

Revenue decreased by 11% percent YoY to USD 12.4 million because of the negative FX impact with the BRL depreciating in value vs the USD roughly 25% in 3Q18 over 3Q17. FX neutral revenue would have been a USD 14.8 million, up by 7% YoY with solid growth also from LATAM. Of the revenue in 3Q18,

75% percent came from LATAM while 25% came from international markets.

From 3Q18 and onwards Bemobi management has decided, for the sake of transparency, to recognize investment in user acquisition as Publisher and revenue share cost, instead of an operating expense, as has previously been the case. The impact of this change is a decrease in operating expenses by the same amount as the increase in Publisher and revenue share cost. Hence the gross margin will be lower, but with no impact on EBITDA. With this change the 3Q18 gross margin for Bemobi is 65.7%, compared to 71.4% using the previous accounting classification, which is virtually the same as in 3Q17.

Subscriber growth has been very strong in the past year, with LATAM subscribers up from 14.5 million in 3Q17 to 18.5 million in 3Q18 (+25%). International subscribers also rose from 4.0 million in 3Q17 to 5.4 million in 3Q18.

Revenue from LATAM was USD 9.2 million in 3Q18, with a 17% fall in comparison to 3Q17. With like for like FX rates, revenue would have been USD 11.5 million yielding 4% YoY growth.

International revenue was USD 3.1 million in 3Q18 compared to USD 2.8 million in 3Q17, up roughly 13%. The FX rates also have impact on the International figures, with unchanged FX rates, International revenue would be USD 3.3 million, up 20% compared to 3Q17.

Adjusted EBITDA was down from USD 6.8 million in 3Q17 to USD 5.2 million in 3Q18 a decrease of roughly 23%. Adjusted EBITDA would have been down by 4% to USD 6.5 million with like for like FX rates in 3Q18 as 3Q17. There were a few material non-recurring events in Q317 that boosted the EBITDA. Excluding these non-recurring events as well as with neutral FX rates, the EBITDA growth would be over 30% in 3Q18 over 3Q17.

In 3Q18, Bemobi launched Ooredoo Apps Club in Algeria, the first Apps Club in the Algerian market. There was also a first

launch of Apps Club in the Malaysian market with Celcom and launches in South Africa with MTN and with Smart in Cambodia.

In 3Q18 Bemobi launched a NoCredit portal with Tele2 Russia, being our first No Data No Credit (NDNC) portal in Russia.

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

Product update

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

As part of these bundle agreements, in Q3 we closed a new agreement and launched a version of our Games Club offer to mobile carrier Claro's post-paid subscribers.

In International markets, we had a successful data bundle launch with Hutch 3 Indonesia, which we are trying to replicate with other Asian operators.

During Q3, we launched an updated premium version of the Games Club with Oi that now includes PC games as part of the subscription, as well as the original mobile games (similar to the extended game services launched with TIM in 2017 that included XBOX games).

In International markets, we have started rolling out Kids Club products, having launched 2 new Kids Club, in Indonesia and Bangladesh this quarter. 5 Kids Clubs in total have now been launched, with 3 in Belarus, and we will proceed with launches in other International markets.

During 2018 Otello and Bemobi have been exploring opportunities to maximize the value

of its Bemobi business. Otello and Bemobi have had informal discussions with several stakeholders, and during the fourth quarter of 2018 Bemobi plan to meet a limited number of investors for the purpose of considering whether an IPO or demerger of Bemobi could represent realistic and value enhancing opportunities. However, shareholders and

prospective investors should note that there are no resolutions on the board level of Otello to conclude any transactions and the board of Otello will carefully review all opportunities with respect to Bemobi and its other portfolio companies.

Skyfire (Performance)

<i>(USD million)</i>	3Q18	3Q17	YTD 2018	YTD 2017
Revenue*	0.1	2.1	0.5	2.3
Gross Profit	0.1	2.1	0.5	2.3
Adj. EBITDA	(0.4)	1.2	(1.0)	(1.8)
EBITDA	(0.4)	1.1	(1.0)	(2.5)
EBIT	(0.4)	1.1	(1.0)	(2.5)

* Revenue and gross profit excludes intercompany transactions

Business Overview

SKYFIRE (now marketed as RocketColony)

Video is expected to be 78% of traffic on mobile networks by 2021 as it ratchets up the pressure on mobile operators around the world. Skyfire's Rocket Optimizer platform targets both encrypted and unencrypted video streams in congested parts of the network – helping operators to manage congestion while ensuring a high quality of experience. The unique technology also enables operators to pursue new business models and revenue streams while benefiting from increased technological flexibility as customer data is optimized.

Rocket Optimizer is the flagship product for managing the explosion of video data traffic in mobile operator networks. It is designed for operator deployment and provides operators with an instant 60 percent boost in bandwidth capacity across smartphones, tablets and laptops. Distribution agreements for Rocket Optimizer have been signed with Huawei and Nokia.

Financial Overview

Revenue was USD 0.1 million in 3Q18 compared to USD 2.1 million in 3Q17, with Adj. EBITDA down from USD 1.2 million to USD (0.4) million. The Skyfire organization and cost base is significantly smaller compared to last year and the nature of the business makes revenues lumpy in nature.

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 become adj. EBITDA profitable during 2018. Overall, longer term growth will be driven by our move to more automated delivery of ads and new technology and standardization which enables additional ad formats and provides the possibility to tap into new markets.

Bemobi operates in a rapid growing market of app subscriptions. It takes advantage of the increased use of mobile phones in emerging markets and the low penetration of credit cards. Otello expects to see revenue and adj. EBITDA growth, in local currency, in Bemobi in 2018 versus 2017, as Bemobi takes the success in Brazil to a global arena.

Skyfire delivers bandwidth optimization to mobile operators which improve network quality and performance. Skyfire reorganized in 2017 and is positioned to profit from consumers growing demand for high network quality everywhere. Otello expects Skyfire to become adj. EBITDA profitable during 2018.

Otello's strategic focus is to develop unique and relevant products, and scalable business models which combined should generate revenue growth and margin expansion. With AdColony, Bemobi, and Skyfire, Otello has three scalable businesses for the digital future.

Oslo, November 9, 2018
The Board of Directors
Otello Corporation ASA

Audun
Iversen
Chairman
(sign.)

Lars
Boilesen
CEO
(sign.)

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

Key financial figures

Continuing operations	3Q 2018	3Q 2017	YTD 2018	YTD 2017
(USD million, except earnings per share)	(Unaudited)	Restated (Unaudited)	(Unaudited)	Restated (Unaudited)
Revenue	64.9	106.5	208.5	320.8
Gross profit	26.5	41.4	86.6	129.5
Net income ¹⁾	(11.2)	(0.4)	(9.6)	(36.3)
Adjusted EBITDA ²⁾	1.4	7.2	3.9	10.6
EBITDA	(0.6)	4.5	1.8	(5.1)
Normalized EBIT ³⁾	(3.3)	1.7	(7.6)	(6.6)
EBIT	(8.2)	(3.7)	(20.6)	(33.3)
EPS (USD)	(0.08)	(0.00)	(0.07)	(0.25)
EPS, fully diluted (USD)	(0.08)	(0.00)	(0.07)	(0.25)
Cash flow from operating activities	(1.1)	3.1	(3.3)	4.2
Cash flow from investment activities	(13.3)	(11.2)	(46.1)	(45.4)
Cash flow from financing activities	(1.1)	(8.1)	(4.1)	(23.9)
Segment information	3Q 2018	3Q 2017	YTD 2018	YTD 2017
Revenue (USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
AdColony (Mobile Advertising)	52.5	90.6	167.6	280.0
Bemobi (Apps & Games)	12.4	13.9	40.3	38.8
Skyfire (Performance & Privacy)	0.1	2.1	0.5	2.3
Corporate	0.0	(0.0)	0.2	0.0
Eliminations	0.0	(0.1)	(0.0)	(0.2)
Total Continued Operations ⁴⁾	64.9	106.5	208.5	320.8
Segment information	3Q 2018	3Q 2017	YTD 2018	YTD 2017
Adjusted EBITDA ¹⁾ (USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
AdColony (Mobile Advertising)	(1.7)	0.6	(6.2)	(0.7)
Bemobi (Apps & Games)	5.2	6.8	16.0	17.4
Skyfire (Performance & Privacy)	(0.4)	1.2	(1.0)	(1.8)
Corporate	(1.7)	(1.4)	(4.9)	(4.3)
Eliminations	(0.0)	0.0	0.0	0.0
Total Continued Operations (with ICP) ⁴⁾	1.4	7.2	3.9	10.6
Eliminations	0.0	0.0	0.0	(0.0)
Total Continued Operations (net of ICP)	1.4	7.2	3.9	10.6

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

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

³⁾ excluding restructuring and impairment expenses, and amortization of acquired intangible assets

⁴⁾ including intercompany postings (ICP) against discontinued operations.

See note 9 for further explanation of alternative performance measures (APM)

Interim condensed financial statements

Consolidated statement of comprehensive income

	Note	3Q 2018	3Q 2017	%	YTD 2018	YTD 2017	%
(USD million, except earnings per share)		(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
Continuing operations							
Revenue	3, 5, 11	64.9	106.5	-39 %	208.5	320.8	-35 %
Total operating revenue		64.9	106.5	-39 %	208.5	320.8	-35 %
Publisher and revenue share cost	3, 5, 11	(38.4)	(65.1)	-41 %	(121.9)	(191.3)	-36 %
Payroll and related expenses	3, 5, 11	(14.0)	(19.8)	-29 %	(45.0)	(71.9)	-37 %
Stock-based compensation expenses	3, 5, 11	(0.2)	(1.6)	-87 %	1.3	(6.4)	-120 %
Depreciation and amortization expenses	3, 5, 11	(7.6)	(8.2)	-7 %	(22.4)	(28.2)	-20 %
Other operating expenses	3, 5, 11	(11.1)	(14.4)	-23 %	(37.8)	(47.1)	-20 %
Total operating expenses		(71.3)	(109.1)	-35 %	(225.8)	(344.8)	-35 %
Operating profit (loss), (EBIT), excluding restructuring and impairment expenses		(6.4)	(2.6)		(17.2)	(24.0)	
Restructuring and impairment expenses	13, 14	(1.8)	(1.1)		(3.3)	(9.3)	
Operating profit (loss), (EBIT)		(8.2)	(3.7)		(20.6)	(33.3)	
Net financial items	6	(2.5)	1.1		(7.3)	(16.4)	
Profit (loss) before income tax		(10.6)	(2.6)		(27.9)	(49.7)	
Provision for taxes ¹⁾		(0.6)	2.2		18.3	13.4	
Profit (loss)		(11.2)	(0.4)		(9.6)	(36.3)	
Discontinuing operations							
Profit (loss) from discontinuing operations, net of tax	10	-	0.3		-	(0.2)	
Profit (loss) from discontinuing operations		-	0.3		-	(0.2)	
Items that may or will be transferred to profit (loss)							
Foreign currency translation differences		(3.9)	7.0		(2.2)	17.7	
Discontinuing operations - reclassified to profit (loss)		-	(0.4)		-	(0.4)	
Total comprehensive income (loss)		(15.2)	6.5		(11.7)	(19.2)	
Earnings (loss) per share:							
Basic earnings (loss) per share (USD)		(0.08)	(0.00)		(0.07)	(0.25)	
Diluted earnings (loss) per share (USD)		(0.08)	(0.00)		(0.07)	(0.25)	
Shares used in earnings per share calculation		139 924 476	145 268 420		140 324 500	145 362 982	
Shares used in earnings per share calculation, fully diluted		139 924 476	145 268 420		140 324 500	145 362 982	
Earnings per share (continuing operations):							
Basic earnings (loss) per share (USD)		(0.08)	(0.00)		(0.07)	(0.25)	
Diluted earnings (loss) per share (USD)		(0.08)	(0.00)		(0.07)	(0.25)	
Shares used in earnings per share calculation		139 924 476	145 268 420		140 324 500	145 362 982	
Shares used in earnings per share calculation, fully diluted		139 924 476	145 268 420		140 324 500	145 362 982	

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	9/30/2018 (Unaudited)	9/30/2017 (Unaudited)	12/31/2017 (Audited)
Assets				
Deferred tax assets		38.0	32.3	16.4
Goodwill		310.1	326.0	322.6
Intangible assets		45.6	72.7	59.6
Property, plant and equipment		8.9	12.9	11.4
Other investments	12	14.3	14.1	14.4
Other non-current assets		0.6	0.8	0.8
Total non-current assets		417.5	458.7	425.2
Inventories		-	0.2	-
Accounts receivable	8	63.0	120.4	111.4
Other receivables	8	32.8	7.7	13.9
Cash and cash equivalents	7	30.2	161.7	86.0
Total current assets		126.0	290.0	211.4
Total assets		543.5	748.7	636.6

(USD million)	Note	9/30/2018 (Unaudited)	9/30/2017 (Unaudited)	12/31/2017 (Audited)
Shareholders' equity and liabilities				
Equity attributable to owners of the company		447.3	482.8	468.0
Non-controlling interests		5.8	-	-
Total equity		453.2	482.8	468.0
Liabilities				
Deferred tax liability		6.7	8.1	5.8
Loans and borrowings	7	-	-	-
Other non-current liabilities		3.4	4.1	4.5
Provisions	4	-	40.2	28.5
Total non-current liabilities		10.1	52.5	38.8
Loans and borrowings	7	-	100.1	0.1
Accounts payable		20.5	30.5	35.3
Taxes payable		(6.5)	(4.0)	(3.8)
Public duties payable		1.3	2.2	2.6
Deferred revenue		1.3	6.8	5.0
Stock-based compensation liabilities		0.0	0.1	-
Other current liabilities		42.3	61.8	65.2
Provisions	4	21.3	15.9	25.4
Total current liabilities		80.2	213.5	129.8
Total liabilities		90.3	266.0	168.6
Total equity and liabilities		543.5	748.7	636.6

Consolidated statement of cash flows

(USD million)	Note	3Q 2018 (Unaudited)	3Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
Cash flow from operating activities					
Profit (loss) before taxes		(10.6)	(2.3)	(27.9)	(50.0)
Income taxes paid		(0.6)	0.3	(5.1)	(3.8)
Depreciation and amortization expense		7.6	8.6	22.4	29.2
Net (gain) loss from disposals of PP&E, and intangible assets		-	(0.0)	(0.0)	(0.0)
Net (gain) loss from sale of discontinued operations, net of tax		(0.0)	-	(0.0)	-
Changes in inventories, trade receivables, trade and other payables		5.2	6.9	20.0	24.6
Other net finance items		-	-	-	-
Changes in other operating working capital		(4.2)	(4.6)	(17.5)	(7.0)
Share of net income (loss) and net (gain) loss from disposal of associated companies	6	0.1	(0.8)	0.2	(0.2)
Share-based remuneration		0.2	1.6	(1.3)	5.9
Earnout cost and cost for other contingent payments	4	0.0	(1.2)	1.9	5.2
Net (gain) loss from disposals of subsidiaries and other share investments		-	-	(4.4)	-
Dividends received from associated companies		0.0	-	0.0	-
FX differences related to changes in balance sheet items		1.3	(5.1)	8.5	1.9
Net cash flow from operating activities		(1.1)	3.4	(3.3)	6.0
- of which included in continuing operations		(1.1)	3.1	(3.3)	4.2
- of which included in discontinuing operations		-	0.3	-	1.8
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)	(0.2)	(0.5)	(10.2)
Capitalized R&D costs		(3.1)	(2.6)	(9.1)	(11.7)
Proceeds from repayment of loans given		-	-	-	3.5
Purchases of subsidiaries and associated companies, net of cash acquired ¹⁾	4	(10.0)	(8.8)	(36.5)	(28.4)
Net cash flow from investment activities		(13.3)	(11.7)	(46.1)	(46.8)
- of which included in continuing operations		(13.3)	(11.2)	(46.1)	(45.4)
- of which included in discontinuing operations		-	(0.5)	-	(1.4)
Cash flow from financing activities					
Proceeds from exercise of treasury shares (incentive program)		-	-	-	-
Purchase of treasury shares		(1.1)	(8.1)	(4.0)	(23.6)
Proceeds from issuance of shares, net (equity increase)		(0.0)	0.0	(0.0)	0.0
Repayments of loans and borrowings	7	-	0.0	(0.1)	(0.3)
Dividends paid to equity holders of Opera Software ASA		-	0.0	-	(0.0)
Net cash flow from financing activities		(1.1)	(8.1)	(4.1)	(23.9)
- of which included in continuing operations		(1.1)	(8.1)	(4.1)	(23.9)
- of which included in discontinuing operations		-	-	-	(0.0)
Net change in cash and cash equivalents		(15.5)	(16.3)	(53.6)	(64.7)
Cash and cash equivalents (beginning of period) ²⁾		46.7	174.7	86.0	219.5
Effects of exchange rate changes on cash and cash equivalents ³⁾		(1.0)	3.3	(2.2)	6.9
Cash and cash equivalents ²⁾		30.2	161.7	30.2	161.7
- of which included in cash and cash equivalents in the balance sheet		30.2	161.7	30.2	161.7
- of which included in the assets of the disposal group (assets held for sale)		-	-	-	-
¹⁾ In Q3 2018, \$0.0 (YTD: 0.0) million is related to initial payments for the purchase of subsidiaries, and \$10.0 (YTD: 36.5) million is related to earnout payments with cash effect. See note 4 for further information regarding earnout payments.					
In Q3 2017, \$0.0 (YTD: 0.0) million was related to initial payments for the purchase of subsidiaries, and \$8.8 (YTD: \$28.4) million was related to earnout payments with cash effect.					
²⁾ Of which \$1.2 million (9/30/2017: \$1.5 million) is restricted cash and cash equivalents as of September 30, 2018.					
Reconciliation of profit (loss) before taxes					
Profit (loss) before income taxes		(10.6)	(2.6)	(27.9)	(49.7)
Profit (loss) from discontinuing operations, net of tax		-	0.3	-	(0.2)
Provision for taxes, discontinued operations		-	(0.0)	-	(0.1)
Profit (loss) before taxes, as presented in the statement of cash flows above		(10.6)	(2.3)	(27.9)	(50.0)

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	Total equity
Equity as of 12/31/2017	141.0	348.5	51.0	(62.1)	9.5	121.1	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)	-	-	(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	453.2
<p>During 3Q 2018, Otello purchased 447,520 (YTD: 1,426,745) treasury shares for \$1.1 million (YTD: \$4.1 million), and sold 128,520 (YTD: 203,745) treasury shares for \$0.0 million (YTD: 0.0 million). As of September 30, 2018, Otello owned 9,685,000 treasury shares.</p> <p>At the Annual General Meeting on June 5, 2018, it was resolved to reduce the Company's share capital by NOK 180,000 from NOK 2,989,548.58 to NOK 2,809,548.58. The amount of NOK 180,000 shall be used for retirement of treasury shares, equivalent to 9 million shares at a face value of 0.02 NOK per share. The retirement of treasury shares has not been recognized as of September 30, 2018, due to the creditor deadline not expiring before Q4.</p> <p>During 3Q 2018, Otello issued 0 (YTD: 0) ordinary shares related to the incentive program, 0 (YTD: 0) ordinary shares related to business combinations, and 0 (YTD: 0) ordinary shares related to an equity increase.</p>							
Equity as of 12/31/2016	147.7	348.5	49.1	(34.7)	(2.5)	159.2	519.6
Comprehensive income (loss)							
Profit (loss)		-	-	-	-	(36.5)	(36.5)
Other comprehensive income (loss)							
Foreign currency translation differences		-	-	-	17.3	-	17.3
Total comprehensive income (loss)		-	-	-	17.3	(36.5)	(19.2)
Contributions by and distributions to owners							
Dividends		-	-	-	-	(0.0)	(0.0)
Issuance of ordinary shares related to business combinations		-	-	-	-	-	-
Issuance of ordinary shares related to incentive program		-	-	-	-	-	-
Issuance of ordinary shares related to equity increase		-	-	-	-	-	-
Treasury shares purchased	(5.8)	(0.1)	-	(23.5)	-	-	(23.6)
Treasury shares sold	0.4	-	-	0.0	-	-	0.0
Tax deduction on equity issuance costs		-	-	-	-	-	-
Share-based payment transactions		-	5.9	-	-	-	5.9
Total contributions by and distributions to owners	(5.4)	(0.1)	5.9	(23.5)	-	(0.0)	(17.6)
Other equity changes							
Other changes		-	(0.0)	-	-	0.0	0.0
Total other equity changes		-	(0.0)	-	-	0.0	0.0
Equity as of 9/30/2017	142.4	348.4	55.0	(58.2)	14.8	122.7	482.8

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 11 for operating segment information.

Note 2 - Statement of compliance

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

Note 3 - Basis of accounting

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

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

IFRS 16 Leasing is effective for annual reports beginning on or after January 1, 2019, with earlier application permitted. The new standard for leasing will significantly change how the group accounts for its lease contracts for offices and other assets currently accounted for as operating leases. Under IFRS 16, an on-balance sheet model that is similar to current financial leases accounting will be applied to all lease contracts, only leases for small items such as PC's and office equipment will be exempt. Otello has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of office facilities. Otello expects to complete its assessment during the first half of 2018. IFRS 16 allows for either a full retrospective approach where all periods presented are adjusted, or a modified approach where only the current period is adjusted. Currently the Group expects to use the modified approach, and therefore will, most likely, only recognize leases on balance sheet as at January 1, 2019.

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

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

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

Note 4 - Contingent liabilities and provisions

Otello settles Bemobi earnout

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

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

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

- Otello has estimated the remaining earnout liability to be USD 21.3 million
- The right to ownership of Bemobi Holding AS shares has been recognized as an asset held in escrow of USD 21.3 million which is classified as Other receivables in the statement of financial position, with no future cash flow effect when settling the remaining part of the earnout liability
- A net profit of USD 4.36 million has been recognized, as a profit from sale of Bemobi shares (net of the changes in the earnout liability and the sale of right of ownership of shares)
- A minority interest of 11.2% of Bemobi has been recognized in Shareholder's equity

Valuation techniques and significant unobservable inputs related to contingent considerations:

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

Reconciliation of Level 3 fair values:

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

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

Note 4 - Contingent liabilities and provisions (continued)

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

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

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

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

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

Note 5 - Financial risk

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

Revenue by currency (USD million)	3Q 2018	%		YTD 2018	%
USD	48.2	74.2%	USD	154.1	73.9%
BRL	8.8	13.5%	BRL	28.9	13.8%
TRY	2.4	3.7%	TRY	8.1	3.9%
DKK	2.2	3.3%	DKK	5.3	2.5%
INR	0.5	0.8%	AUD	1.8	0.9%
Other	2.8	4.3%	Other	10.4	5.0%
Total	64.9	100.0%	Total	208.5	100.0%

Operating expenses by currency ¹⁾ (USD million)	3Q 2018	%		YTD 2018	%
USD	(57.2)	80.3%	USD	(176.4)	78.1%
BRL	(4.7)	6.6%	BRL	(16.1)	7.2%
NOK	(3.4)	4.8%	NOK	(8.0)	3.6%
TRY	(2.4)	3.3%	TRY	(7.5)	3.3%
Other	(3.5)	5.0%	Other	(17.6)	7.8%
Total	(71.3)	100.0%	Total	(225.8)	100.0%

¹⁾ Operating expenses by currency excludes restructuring and impairment expenses

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

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

(USD million)	Recalculated with 3Q 2017 rates	FX effect using 3Q 2017 rates	Recalculated with 2Q 2018 rates	FX effect using 2Q 2018 rates
Revenue	68.8	3.8	66.7	1.8
Expenses	(72.7)	(1.4)	(71.3)	(0.0)

Note 6 - Financial items

Financial items (USD million)	3Q 2018 (Unaudited)	3Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
Other interest income (expense), net	(0.2)	(0.6)	(0.6)	(1.9)
Interest expense related to contingent consideration	(0.0)	(0.9)	(1.6)	(5.5)
FX gains (losses) related to contingent consideration, net	0.0	0.8	0.0	(0.9)
Other FX gains (losses), net	(2.5)	(2.1)	(7.3)	(13.2)
Profit (loss) sale of shares	0.0	1.9	2.5	3.6
Revaluation of contingent consideration	0.2	1.3	(0.1)	1.2
Share of profit (loss) from associated companies	(0.1)	0.8	(0.2)	0.3
Net financial items (loss)	(2.5)	1.1	(7.3)	(16.4)

Note 7 - Liquidity risk

Credit facility

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

In 2017, Otello paid down its outstanding term loan of \$100 million to DNB Bank ASA. As at September 30, 2018, Otello had an undrawn revolving credit facility with DNB of \$100 million.

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

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

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

Note 8 - Accounts receivable and other receivables

Accounts receivable and other receivables (USD million)	9/30/2018 (Unaudited)	9/30/2017 (Unaudited)
Accounts receivable	43.0	84.0
Unbilled revenue	20.0	36.4
Other receivables	32.8	7.7
Total	95.8	128.1

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, 2018, \$5.7 million consisted of escrow payments related to sale of the SurfEasy business in 2017 and \$21.3 million consisted of escrow bookings related to the settlement of the Bemobi earnout. Please see note 4 for further information.

Note 9 - Alternative performance measures

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

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

Alternative performance measures:

Gross profit:

This comprises revenues minus publisher and revenue share cost.

EBITDA:

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

Adjusted EBITDA:

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

EBIT:

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

Normalized EBIT:

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

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

Revenues and expenses on a constant currency basis:

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

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

Reconciliation of gross profit	3Q 2018	3Q 2017	YTD 2018	YTD 2017
(USD million)	(Unaudited)	Restated (Unaudited)	(Unaudited)	Restated (Unaudited)
Total operating revenue	64.9	106.5	208.5	320.8
Publisher and revenue share cost	(38.4)	(65.1)	(121.9)	(191.3)
Gross profit	26.5	41.4	86.6	129.5
Reconciliation of operating profit (loss) to EBITDA and adjusted EBITDA	3Q 2018	3Q 2017	YTD 2018	YTD 2017
(USD million)	(Unaudited)	Restated (Unaudited)	(Unaudited)	Restated (Unaudited)
Operating profit (loss), (EBIT)	(8.2)	(3.7)	(20.6)	(33.3)
Depreciation and amortization expenses	7.6	8.2	22.4	28.2
EBITDA	(0.6)	4.5	1.8	(5.1)
Restructuring and impairment expenses	1.8	1.1	3.3	9.3
Stock-based compensation expenses	0.2	1.6	(1.3)	6.4
Adjusted EBITDA	1.4	7.2	3.9	10.6
Reconciliation of operating profit (loss) to normalized EBIT	3Q 2018	3Q 2017	YTD 2018	YTD 2017
(USD million)	(Unaudited)	Restated (Unaudited)	(Unaudited)	Restated (Unaudited)
Operating profit (loss), (EBIT)	(8.2)	(3.7)	(20.6)	(33.3)
Restructuring and impairment expenses	1.8	1.1	3.3	9.3
Amortization of acquired intangible assets	3.1	4.3	9.6	17.4
Normalized EBIT	(3.3)	1.7	(7.6)	(6.6)

Note 10 - Discontinued operations

Sale of SurfEasy in 2017

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

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

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

Results of discontinued operations (USD million, except earnings per share)	3Q 2018 (Unaudited)	3Q 2017 (Unaudited)	% change	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)	% change
Revenue	-	2.2	0 %	-	4.8	0 %
Operating expenses	-	(2.1)	0 %	-	(5.2)	0 %
Operating profit (loss), (EBIT), excluding restructuring and impairment expenses	-	0.2		-	(0.4)	
Restructuring and impairment expenses	-	-		-	-	
Operating profit (loss), (EBIT)	-	0.2		-	(0.4)	
Net financial items	-	0.1		-	0.2	
Profit (loss) before income tax	-	0.3		-	(0.3)	
Provision for taxes ²⁾	-	0.0		-	0.1	
Profit (loss) from discontinued operations, net of tax	-	0.3		-	(0.2)	
Net (gain) loss from sale of discontinued operations, net of tax	0.0	0.0		0.0	0.0	
Profit (loss) from discontinued operations	0.0	0.3		0.0	(0.2)	
Earnings per share (discontinued operations):						
Basic earnings (loss) per share (USD)	0.00	0.00		0.00	(0.00)	
Diluted earnings (loss) per share (USD)	0.00	0.00		0.00	(0.00)	
Shares used in earnings per share calculation	139 924 476	145 268 420		140 324 500	145 362 982	
Shares used in earnings per share calculation, fully diluted	139 924 476	145 268 420		140 324 500	145 362 982	

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

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

Cash flow information (USD million)	3Q 2018 (Unaudited)	3Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
Cash flow from operating activities	-	0.3	-	1.8
Cash flow from investment activities	-	(0.5)	-	(1.4)
Cash flow from financing activities	-	-	-	(0.0)

Note 11 - Segments

Revenue	3Q 2018	3Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	52.5	90.6	-42 %	167.6	280.0	-40 %
Bemobi (Apps & Games)	12.4	13.9	-11 %	40.3	38.8	4 %
Skyfire (Performance & Privacy)	0.1	2.1	-97 %	0.5	2.3	-79 %
Corporate	0.0	(0.0)	N/A	0.2	0.0	N/A
Eliminations	0.0	(0.1)	-108 %	(0.0)	(0.2)	-91 %
Total continued operations ¹⁾	64.9	106.5	-39 %	208.5	320.8	-35 %

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

Gross profit	3Q 2018	3Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	17.6	29.4	-40 %	56.7	99.4	-43 %
Bemobi (Apps & Games)	8.8	9.9	-11 %	29.2	27.7	6 %
Skyfire (Performance & Privacy)	0.1	2.1	-95 %	0.5	2.3	-78 %
Corporate	0.0	0.0	N/A	0.2	0.1	N/A
Eliminations	(0.0)	(0.0)	-56 %	0.0	(0.0)	-103 %
Total continued operations ¹⁾	26.5	41.4	-36 %	86.6	129.5	-33 %

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

Adjusted EBITDA ²⁾	3Q 2018	3Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	(1.7)	0.6	-373 %	(6.2)	(0.7)	-844 %
Bemobi (Apps & Games)	5.2	6.8	-23 %	16.0	17.4	-8 %
Skyfire (Performance & Privacy)	(0.4)	1.2	131 %	(1.0)	(1.8)	46 %
Corporate	(1.7)	(1.4)	20 %	(4.9)	(4.3)	-14 %
Eliminations	(0.0)	0.0	-114 %	0.0	0.0	0 %
Total continued operations ¹⁾	1.4	7.2	-80 %	3.9	10.6	-63 %

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

²⁾ excluding restructuring costs and stock-based compensation expenses.

EBITDA	3Q 2018	3Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	(3.6)	(1.3)	-164 %	(7.2)	(13.4)	46 %
Bemobi (Apps & Games)	5.2	6.8	-23 %	15.9	17.3	-8 %
Skyfire (Performance & Privacy)	(0.4)	1.1	134 %	(1.0)	(2.5)	59 %
Corporate	(1.9)	(2.1)	12 %	(5.9)	(6.5)	9 %
Eliminations	(0.0)	0.0	-112 %	(0.0)	0.0	-107 %
Total continued operations ¹⁾	(0.6)	4.5	113 %	1.8	(5.1)	135 %

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

Note 11 - Segments (continued)

Normalized EBIT ²⁾	3Q 2018	3Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	(5.8)	(4.5)	-30 %	(16.0)	(15.2)	-5 %
Bemobi (Apps & Games)	4.9	6.8	-28 %	15.0	16.3	-8 %
Skyfire (Performance & Privacy)	(0.4)	1.2	132 %	(1.0)	(1.8)	46 %
Corporate	(2.0)	(1.9)	-7 %	(5.7)	(5.9)	3 %
Eliminations	0.0	(0.0)	125 %	0.0	(0.0)	110 %
Total continued operations¹⁾	(3.3)	1.7	292 %	(7.6)	(6.6)	-15 %

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

²⁾ excluding amortization of acquired intangible assets

EBIT	3Q 2018	3Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	(10.1)	(8.1)	-25 %	(26.2)	(33.7)	22 %
Bemobi (Apps & Games)	4.3	5.5	-21 %	13.0	9.9	31 %
Skyfire (Performance & Privacy)	(0.4)	1.1	134 %	(1.0)	(2.5)	59 %
Corporate	(2.0)	(2.3)	11 %	(6.4)	(7.0)	8 %
Eliminations	0.0	(0.0)	125 %	0.0	(0.0)	108 %
Total continued operations¹⁾	(8.2)	(3.7)	-119 %	(20.6)	(33.3)	38 %

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

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

AdColony (Mobile Advertising)

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

Bemobi (Apps & Games)

Bemobi revenue is primarily comprised of: i) Subscription revenue when a user purchases a subscription from a "co-branded" mobile store, or a white-label operator-controlled version of the mobile store, which is also known as Apps Club, and ii) the Bemobi Mobile Store (formerly OMS), when a user purchases a premium app.

Skyfire (Performance & Privacy)

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

Corporate

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

Note 11 - Segments (continued)

Segment figures 3Q 2018	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	64.9	-	-	64.9	64.9	-
Gross profit	26.5	-	-	26.5	26.5	-
Adjusted EBITDA	1.4	-	-	1.4	1.4	-
EBITDA	(0.6)	-	-	(0.6)	(0.6)	-
Normalized EBIT	(3.3)	-	-	(3.3)	(3.3)	-
EBIT	(8.2)	-	-	(8.2)	(8.2)	-

Segment figures 3Q 2017 Restated (USD million)	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	106.5	2.6	(0.3)	108.7	106.5	2.2
Gross profit	41.4	2.2	0.0	43.6	41.4	2.2
Adjusted EBITDA	7.2	0.6	(0.0)	7.9	7.2	0.6
EBITDA	4.5	0.6	(0.0)	5.1	4.5	0.6
Normalized EBIT	1.7	0.4	0.0	2.1	1.7	0.4
EBIT	(3.7)	0.2	0.0	(3.5)	(3.7)	0.2

Segment figures YTD 2018 (USD million)	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	208.5	-	-	208.5	208.5	-
Gross profit	86.6	-	-	86.6	86.6	-
Adjusted EBITDA	3.9	-	-	3.9	3.9	-
EBITDA	1.8	-	-	1.8	1.8	-
Normalized EBIT	(7.6)	-	-	(7.6)	(7.6)	-
EBIT	(20.6)	-	-	(20.6)	(20.6)	-

Segment figures YTD 2017 Restated (USD million)	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	320.8	5.8	(1.0)	325.6	320.8	4.8
Gross profit	129.5	5.1	0.0	134.6	129.5	5.1
Adjusted EBITDA	10.6	0.9	(0.0)	11.5	10.6	0.9
EBITDA	(5.1)	0.6	(0.0)	(4.5)	(5.1)	0.6
Normalized EBIT	(6.6)	0.2	0.0	(6.4)	(6.6)	0.2
EBIT	(33.3)	(0.4)	0.0	(33.7)	(33.3)	(0.4)

Note 11 - Segments (continued)

Segment revenue 3Q 2018	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
<i>(USD million)</i>						
External revenue	52.5	12.4	0.0	0.0	-	64.9
Intercompany revenue	-	-	0.1	-	0.0	0.1
Total continued operations	52.5	12.4	0.1	0.0	0.0	64.9
Segment revenue 3Q 2017 Restated	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
<i>(USD million)</i>						
External revenue	90.5	13.9	2.0	(0.0)	-	106.5
Intercompany revenue	0.0	-	0.1	-	(0.1)	(0.0)
Total continued operations	90.6	13.9	2.1	(0.0)	(0.1)	106.5
Segment revenue YTD 2018	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
<i>(USD million)</i>						
External revenue	167.6	40.3	0.4	0.2	-	208.5
Intercompany revenue	-	-	0.1	-	(0.0)	0.0
Total continued operations	167.6	40.3	0.5	0.2	(0.0)	208.5
Segment revenue YTD 2017 Restated	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
<i>(USD million)</i>						
External revenue	279.9	38.8	2.2	0.0	-	321.0
Intercompany revenue	0.0	-	0.1	-	(0.2)	(0.1)
Total continued operations	280.0	38.8	2.3	0.0	(0.2)	320.8

Note 12 - Investment in associated companies

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

Information regarding Last Lion Holdings Ltd (USD million)	3Q 2018 (Unaudited)	YTD 2018 (Unaudited)
Revenue	10.9	32.7
EBIT	4.7	14.2
Net profit (loss)	0.3	0.9
Assets		128.2
Non-current liabilities		86.0
Current liabilities		9.3
Equity		32.9
Otello's share of equity		8.9
The investment in Last Lion Holdings LTD is recognized using the equity method.		
Balance as of 12/31/2017		8.6
Investment during the fiscal year		-
FX adjustment		-
Share of the profit (loss)		0.2
Elimination		-
Balance as of 9/30/2018		8.9

Note 13 - Restructuring and impairment expenses

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

Restructuring and impairment expenses (USD million)	3Q 2018 (Unaudited)	3Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
Salary restructuring expenses	(1.5)	(0.2)	(3.0)	(4.9)
Option restructuring expenses	-	-	-	-
Office restructuring expenses	0.0	(0.6)	0.8	(3.2)
Impairment expenses	-	-	-	-
Legal and other costs related to business combinations and disposals	(0.3)	(0.4)	(1.1)	(1.1)
Other restructuring expenses	0.0	0.0	(0.0)	(0.1)
Total	(1.8)	(1.1)	(3.3)	(9.3)

Note 14 - Events after the reporting date

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

As reported to the market on September 14, 2018, Otello was successful on that date 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 Vevd Software business. The judge granted Otello the injunction it sought requiring the Board to approve the buyer.

Following the delivery of the judgment, MFC agreed to pay Otello the sum of GBP 1.25 million towards its costs of the proceedings to date. MFC and Last Lion indicated that they would not seek to appeal the court's decision.

As anticipated might be the case at the time of the judgment, the buyer no longer wishes to purchase the shares on the terms of the previously agreed but now expired Share Purchase Agreement. Otello now intends to restore the proceedings and to pursue the alternative remedies claimed, including an order from the Court that MFC be required to buy Otello's shares for the price that the buyer was prepared to pay, or alternatively that MFC pays Otello damages. Otello expects that a hearing will be fixed shortly at which directions will be made for the continuation of the proceedings.

The full judgment is published as an announcement on the Oslo Stock Exchange website (www.oslobors.no).