

4Q 2018

OTELLO CORPORATION ASA

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)	4Q18	4Q17	3Q18
Total revenue	66.9	99.2	64.9
Adj. EBITDA*	5.5	2.9	1.4

- Revenue up both in AdColony and Bemobi versus 3Q18
- Adj. EBITDA up 2X from 4Q17 and up 4x from 3Q18 due to focus on cost and strong margins in AdColony and strong performance from Bemobi

*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 – Turnaround continues

• Revenue

- Performance business still experiencing volatile revenue, but gross margins stabilized at higher level
- Brand business with growth in 4Q18 vs 3Q18 and particular strength in EMEA

• Cost

- OPEX reduced by over 50% last 2 years, target of \$70m annual run-rate achieved
 - Selective investments will mostly offset further cost savings in the short-term
 - Will continue to tune cost base to ensure long-term cash flow profitability

AdColony – Status

- Gross margin trends positive for both Brand and Performance
- Tech and product organization merged, positive impact on delivery speed
- Support functions strategy in Istanbul paying off with lower cost and more productivity
- Current cost base enables an Adj. EBITDA break-even @ \$50m in quarterly revenue @ 35% gross margin

AdColony

Global Brand Business

Results: Brand Advertising



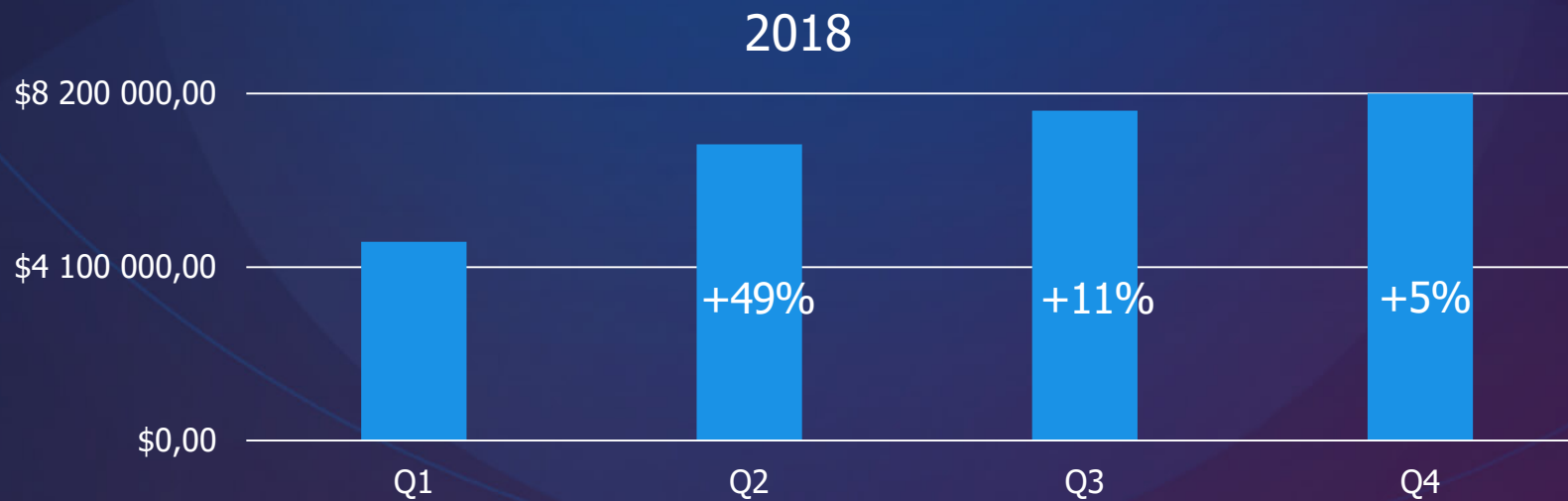
Revenue Source	Q4 2018	Q4 2018 Mix %
Brand (incl. IO and PMP)	\$20M <i>(up from \$15.7 in Q3)</i>	56%
Brand Performance	\$7.1M <i>(down from \$7.8 in Q3)</i>	20%
Programmatic Open Marketplace	\$8.2M <i>(up from \$7.8 in Q3)</i>	24%
TOTAL	\$35.4M <i>(up from \$31.3 in Q3)</i>	

- Total Brand revenue increased 13% quarter-over-quarter
- Shift to programmatic revenue continues as more and more new advertising partners choose this as their preferred way to transact, especially in the US and APAC
- Significant revenue increases in EMEA fueled overall Brand growth in Q4

Continued Focus On Quality Is Fueling Programmatic



- Programmatic revenue will continue to be the Brand organization's primary focus and catalyst for growth
- Programmatic Open Exchange Marketplace grew another 5+% globally quarter-over-quarter due to continued Tech and Engineering work, and a continued "programmatic first" mindset
- 100+% revenue growth from some key partners including:
 - The Trade Desk
 - Aarki
 - Adelphic
- Open Exchange Growth in 2018:





What We're Working On

- **Continued improvements and maturation of our programmatic tools and offerings**
 - 1st Price auction (standardized auction dynamics)
 - Multi Creative Object Support (more formats = more revenue)
 - Supply – Demand Alignment Optimizations (better matching)
 - International Endpoints (global hardware to accelerate execution)
- **Renewed commitment to first-party, high-quality display inventory**
 - Google & Amazon Advanced Mediation Integrations
- **Continued commitment to a fraud-free exchange environment**
 - Completed renewal of TAG certification against fraud
 - Ingesting data from various supply side fraud partners and implementing processes to proactively combat IVT (Invalid Traffic)

AdColony

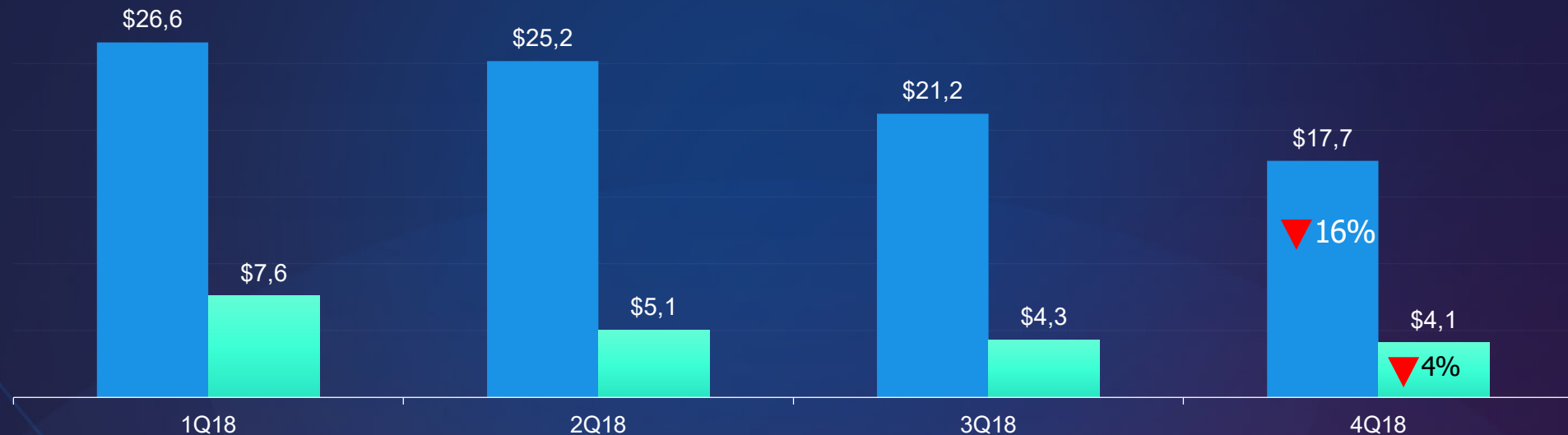
Global Performance



Results: Performance Advertising

Summary: Q4 2018 Performance Revenues = USD 17.7 million (-16% vs. Q3'18)

Performance Revenues & Gross margin (USD million)



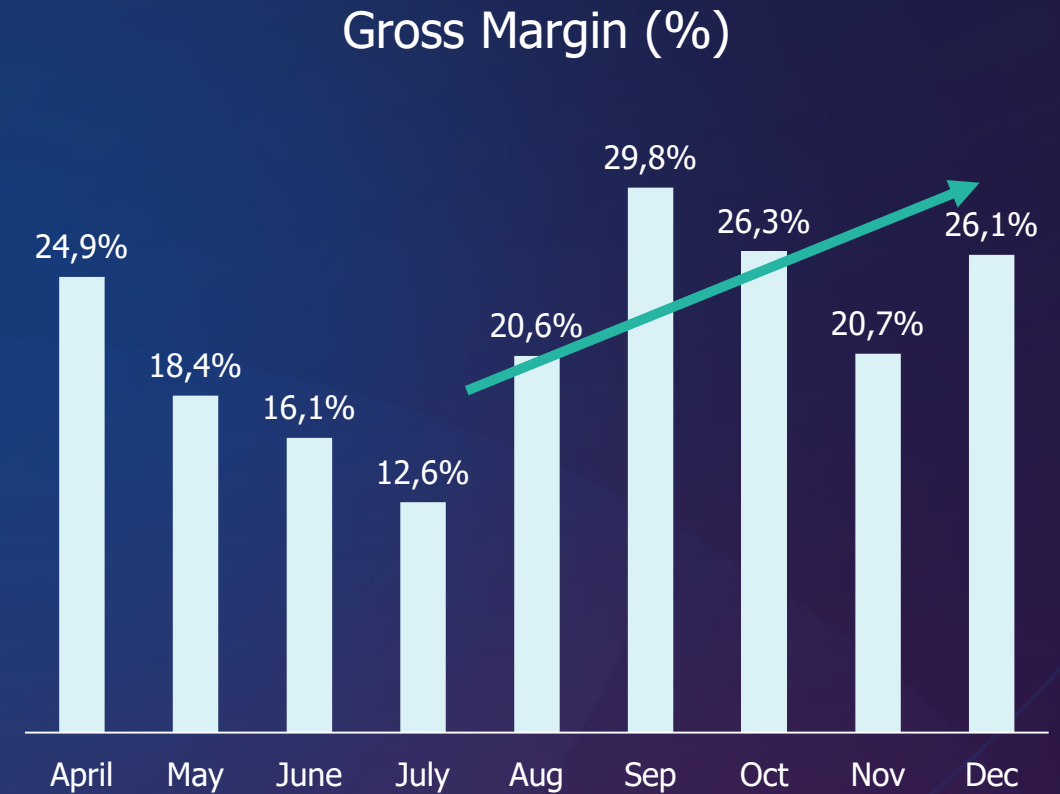
- First quarter post restructuring, stability in gross margin revenue and securing profitable revenue
- Revenue growth is challenging - with no new blockbuster gaming titles & increased competition in space
- Ongoing work to improve the base business – focus on largest customers, optimal publishing deals, access to supply and creative innovation



Gross Margins on Performance Business in Q4

Focus on profitability

- Gross margins have rebounded to healthy levels, significantly higher than Q2/Q3
- November was hit with exceptional, one off impact from legacy deals – underlying gross margin higher
- Performance margins expected to be stable in the 26-30% range going forward





Key Highlights

New Ad Units for Performance, Combating Fraud & Operational Efficiency

1. Launch of new creative ad unit with better user experience and direct integration of App store kits
 - Rovio, Playrix, Supercell, Kabam - growth in spends on biggest gaming accounts
 - Improved yields for our publishers, new ad units are delivering better results for publishers
2. Combating fraud - significant actions to improve the quality of supply and improve ROAS for our advertisers
3. Central performance hub in Turkey now live and operational – significant cost savings for Performance business
4. Tighter coordination between different regions and demand & supply teams



Action Plan for 2019

Execution Plan for revenue stability and growth in 2019

1. Creativity and Innovation in Performance
2. Invest in Sales and Business Development to drive new business
3. Tool set to drive Supply side optimization to grow impression volume
4. Better utilization of data to improve ROAS for our advertisers
5. Header bidding / Advanced mediation to access new supply

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.

Bemobi

Bemobi

Solid Revenue and Adj. EBITDA growth ex FX

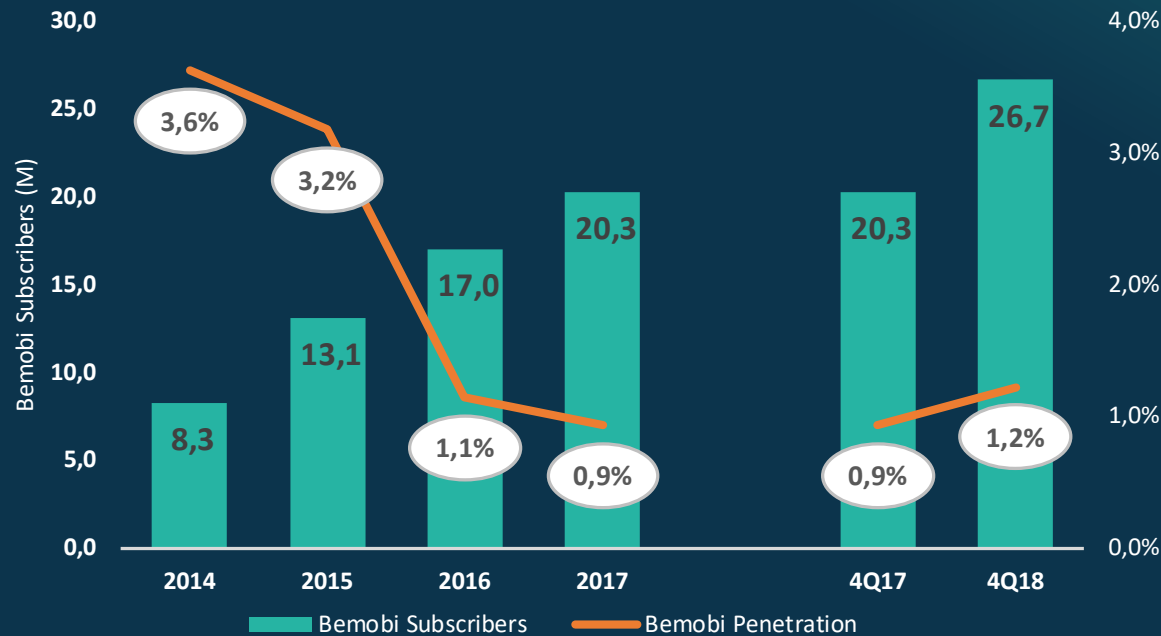
			Δ (%)
Bemobi	4Q18	4Q17	Y-o-Y
Revenue (USD M)	13,6	14,1	-3%
EBITDA (USD M)	5,9	5,3	10%

			Δ (%)
Bemobi - Ex-FX Rate	4Q18	4Q17	Y-o-Y
Revenue (USD M)	15,7	14,1	11%
EBITDA (USD M)	6,9	5,3	29%

FX Rate impact YoY (4Q18 vs. 4Q17)

- INTL basket: - 7.9%
- LATAM BRL: - 17.2%

Bemobi – Subscriber growth driving revenue and scale



- 31% YoY subscriber growth
- Overall service penetration on served addressable market grew from 0.9% to 1.2%.
- 61 operators live
 - 21 operators in Latam
 - 9* operators in South Asia
 - 16 operators in South-East Asia
 - 9 operators in CIS
 - 6 operators in Africa
- Plan is to launch 5 more in Q1 2019

Bemobi - Overall channel mix improving

Co-owned Channels

NDNC

- 10 portals live in Bemobi outside of Latam:
 - Idea India (POC)
 - Vodafone India
 - Telenor Pakistan
 - Tele2 Russia
 - Vodacom Tanzania
- 8 more planned for the next 2 quarters

New NC IVR

- Win in Claro Brazil – rollout phase completed with results reflected in subscriber growth in Brazil
- Long sales cycle, but very large potential for next couple of years i.e. 2-3x times the distribution capacity as NCND portals

International markets continue subscriber growth

CHANNEL	FROM	TO	Comments
Opera Mini	26%	20%	less dependency on one player
NCND Portals	10%	26%	Strategic: predictable and no incremental cost
Digital acquisition (CPA)	58%	46%	Controlling quality of acquisitions to decrease churn

Bemobi

- Bemobi continues to have strong underlying growth in revenue and profit
- Bemobi met a limited number of international investors during 4Q18 for the purpose of considering whether an IPO or demerger of Bemobi could represent realistic and value enhancing opportunities
- Feedback from investor meetings has been positive and supportive of a potential IPO/demerger
- Based on the positive feedback we have initiated a process with the intention to pursue a listing in the UK during 2H 2019
- However, the timing and completion of any listing is subject to market conditions and further investor feedback, and no assurances can be given that a listing will be achieved

Financial Review

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Otello Corporation 4Q18

(USD million)	4Q 2018	4Q 2017	3Q 2018
Revenue	66.9	99.2	64.9
Publisher and revenue share cost	(39.1)	(59.3)	(38.4)
Payroll and related expenses	(12.7)	(19.3)	(14.0)
Stock-based compensation expenses	(1.1)	(1.5)	(0.2)
Depreciation and amortization expenses	(7.8)	(9.3)	(7.6)
Other operating expenses	(9.6)	(17.7)	(11.1)
Total operating expenses	(70.3)	(107.1)	(71.3)
Adjusted EBITDA*	5.5	2.9	1.4
Operating profit (loss), (EBIT), excluding restructuring and impairment expenses	(3.4)	(7.9)	(6.4)
Restructuring and impairment expenses	(94.0)	(4.9)	(1.8)
Operating profit (loss), (EBIT)	(97.4)	(12.8)	(8.2)
Net financial items	8.2	(0.4)	(2.5)
Provision for taxes	6.2	(17.3)	(0.6)
Profit (loss)	(83.1)	(30.5)	(11.2)

Revenue down due to AdColony vs. 4Q17, revenue growth in both Bemobi and AdColony vs. 3Q18

Adjusted EBITDA up both vs. 4Q17 and vs. 3Q18

93 million impairment expense, vast majority related to AdColony

Positive Net financial items due to stronger USD vs NOK

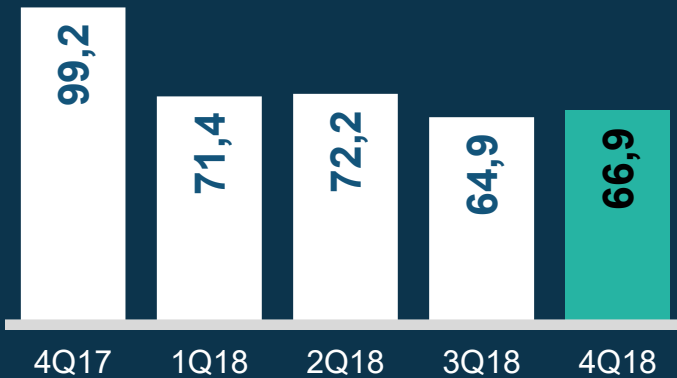
Impairment testing

Impairment loss	AdColony	Bemobi	Apps & Games (legacy)
Goodwill	76,4	-	3,6
Other intangible assets	11,6	-	-
Capitalized R&D	1,7	-	-
Total	89,7	-	3,6

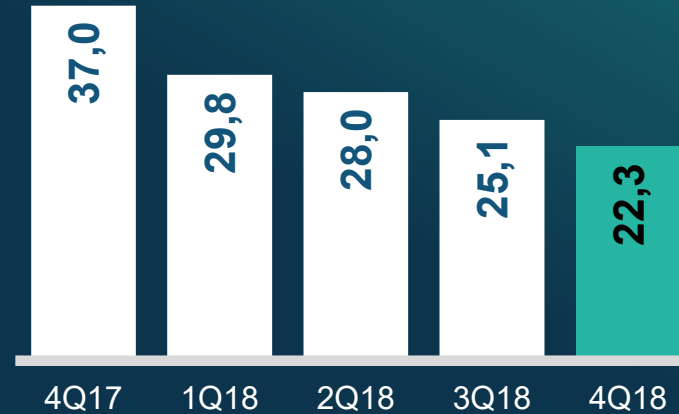
- Impairment in AdColony due to:
 - Overall business size reduced
 - Discontinued customer relationships and products
- Carrying value of AdColony: USD 198 million
 - Goodwill: USD 182 million
 - Other Intangibles + Capitalized R&D: USD 16 million
- Impairment in Apps & Games related to non Bemobi assets

Otello Corporation 4Q18

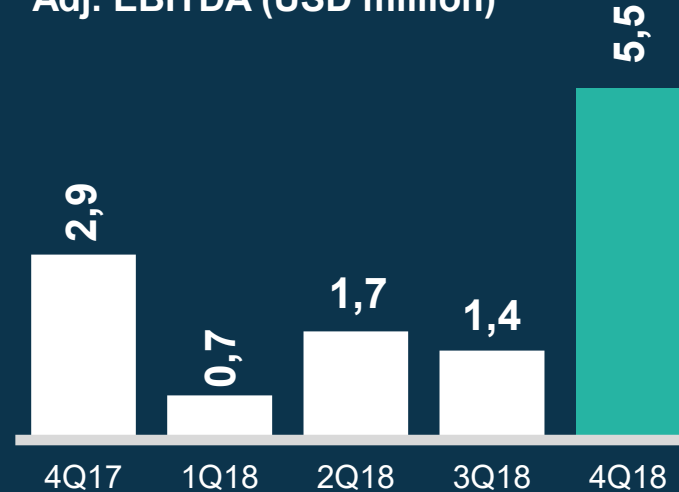
Revenue (USD million)



OPEX (USD million)



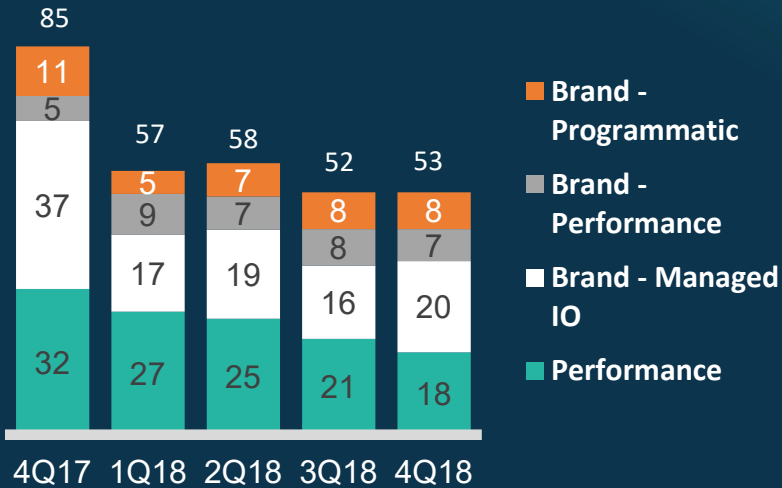
Adj. EBITDA (USD million)



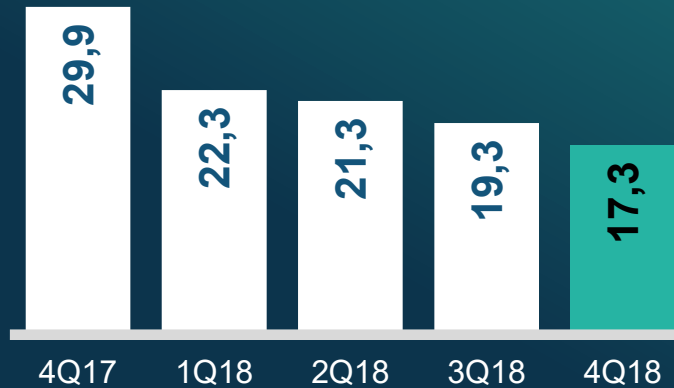
- Revenue in 4Q18 vs 3Q18 up in both AdColony and Bemobi
- OPEX significantly down both vs 3Q18 and 4Q17 due to cost cuts in AdColony
- Adj. EBITDA up both vs. 3Q18 and 4Q17.

AdColony

Revenue USD million)

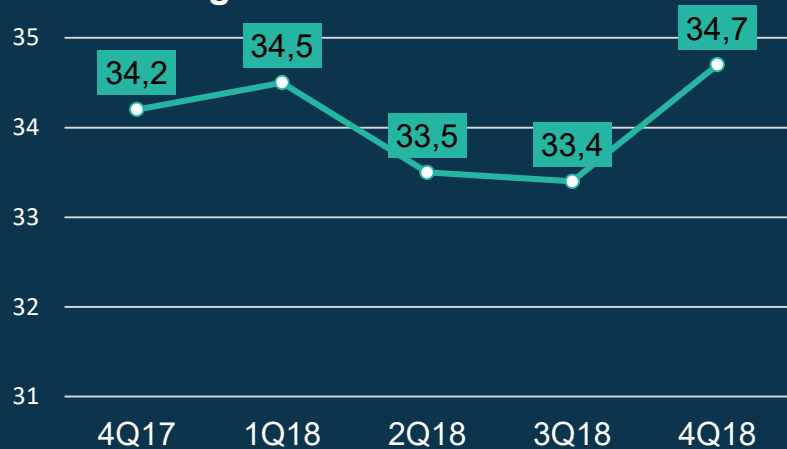


OPEX USD million)



- Brand business stable and profitable
- Performance revenue still volatile, but strong margin recovery
- OPEX base of \$70m annualized achieved in 4Q18

Gross Margin %



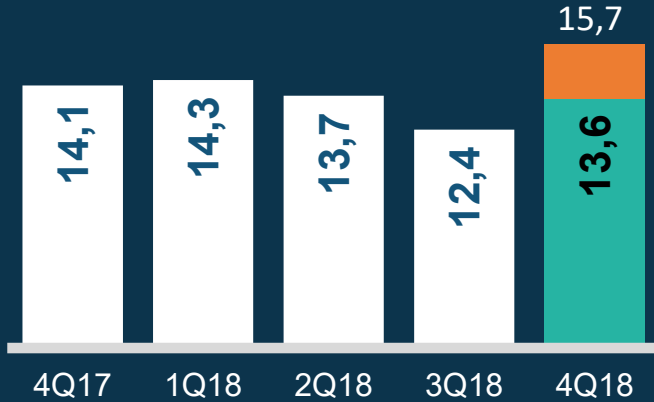
Adj. EBITDA (USD million)



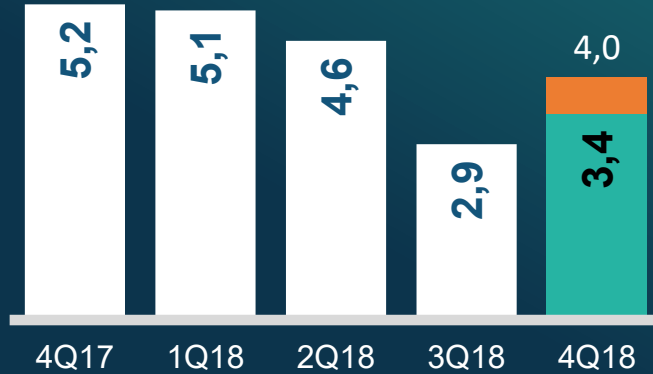
- Combination of cost discipline and strong margins yield Adj. EBITDA profit on smaller revenue base

Bemobi – Strong Adj. EBITDA growth

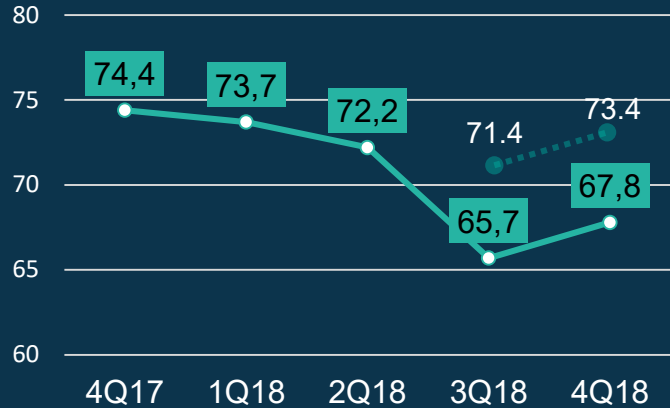
Revenue (USD million)



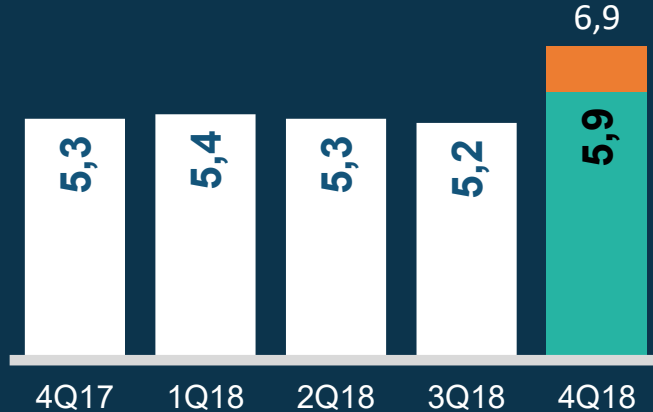
OPEX USD million)



Gross Margin %



Adj. EBITDA (USD million)



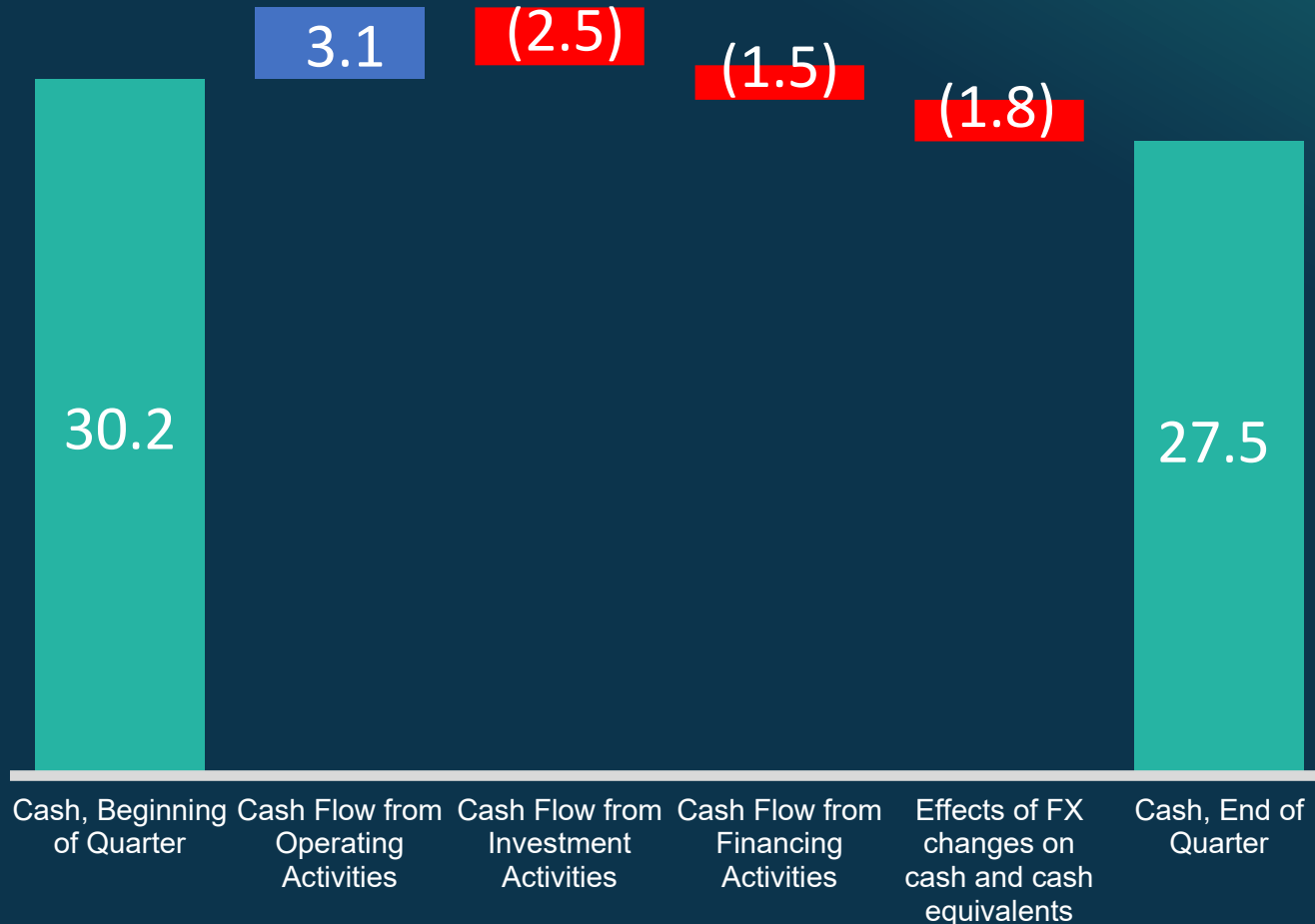
- 4Q18 YoY results impacted by FX (BRL vs USD)
- Solid gross margins and EBITDA growth across all key regions

FX impact
4Q18 vs 4Q17

Note: 3Q18 and moving forward, the Gross Margin includes CPA (cost of user acquisition), since this is now recognized as publisher and revenue share cost (COGS), instead of Opex. COGS are increased and Opex is reduced by the same amount

Cash flow

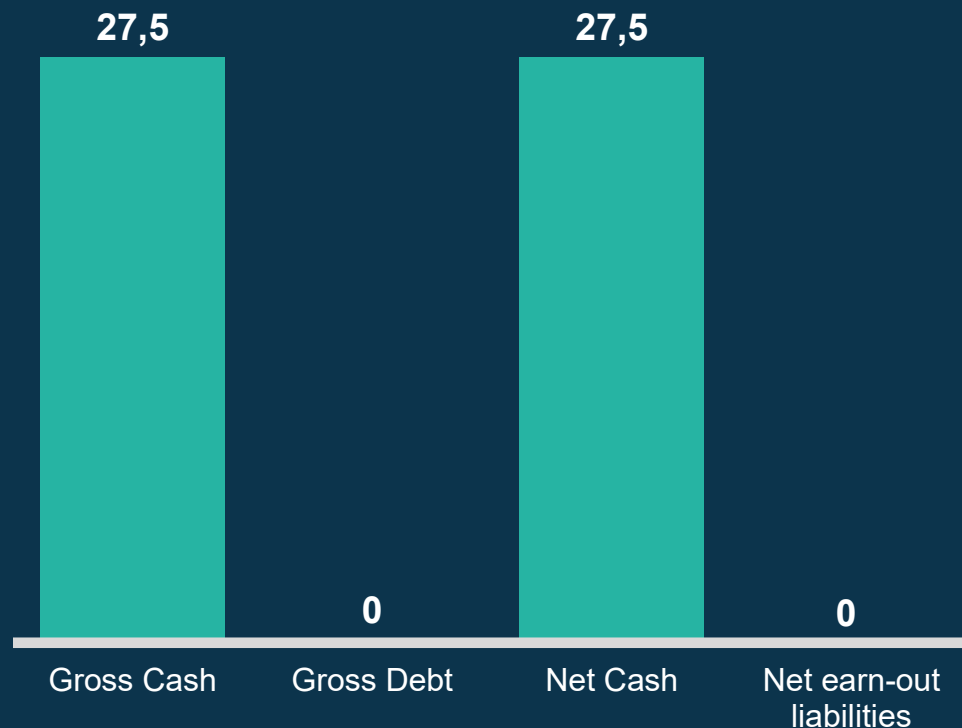
Cash flow (USD million)



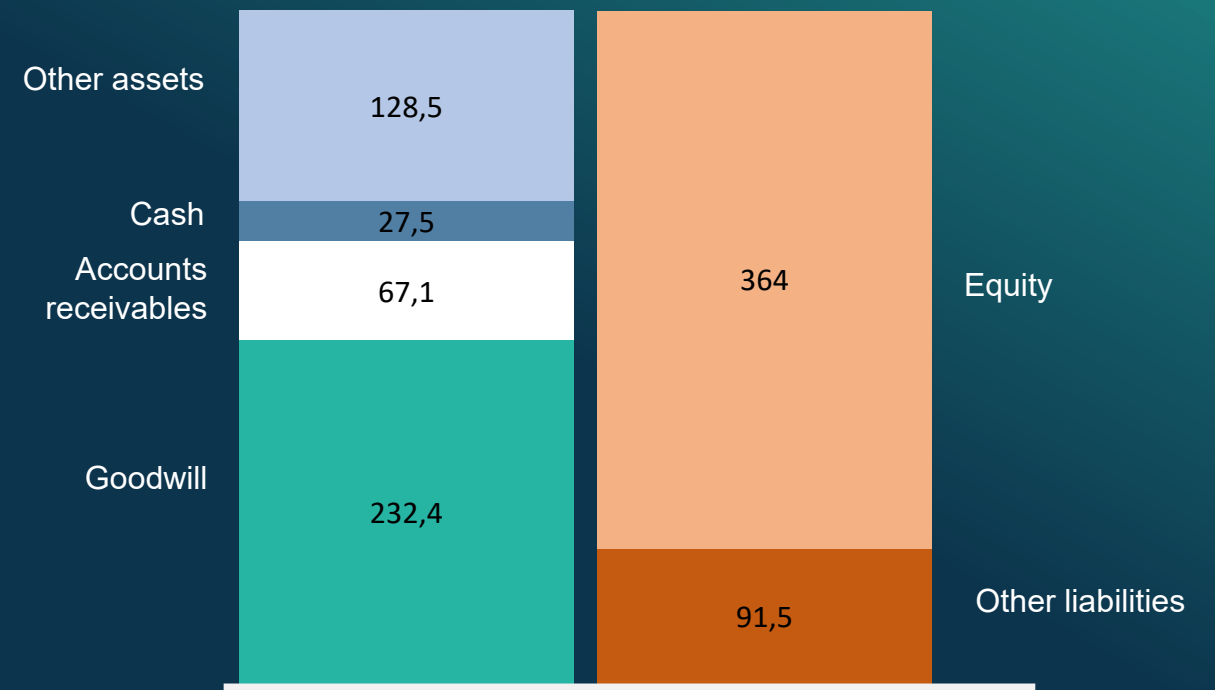
- Operating CF: USD 3.1 million
- CAPEX & Capitalized R&D: USD (2.5) million
- CF from Financing: USD (1.5) million in share repurchases
- FX impact on cash position: USD (1.8) million
- Cash end of quarter: USD 27.5 million

Financial position – Net cash position with no debt and no earn-outs

Financial Position (USD million)



Balance sheet (USD million)



Outlook AdColony

1Q19*

Revenue: Down due to seasonality, but less pronounced vs. recent years

Gross Margins: Flat/Up, continue positive trend

Opex: Flat, continued cost focus

2019

Adj. EBITDA: Positive

* Vs 4Q18

Outlook Bemobi

1Q19

1Q19 impacted by platform migration of major customer and platform fee in Brazil

Continued underlying growth in LATAM and International business

2019

Revenue: Growth vs. 2018

Adj. EBITDA: Growth vs. 2018

Q&A