

QUARTERLY REPORT

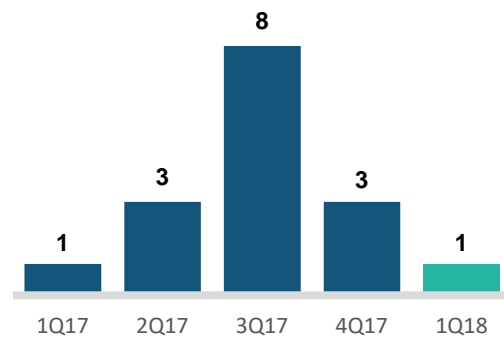
1Q 2018

OTELLO CORPORATION ASA

Revenue (USD million)



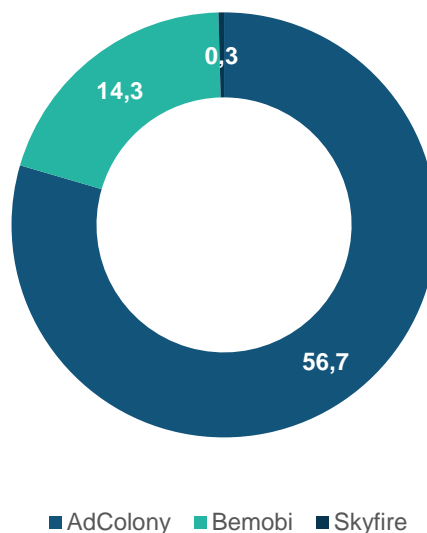
Adj. EBITDA (USD million)



HIGHLIGHTS

- Revenue was down 33 percent to USD 71.4 million (USD 105.9 million) due to decline in revenue from AdColony. This was partly offset by growth in Bemobi
- Adjusted EBITDA* of USD 0.7 million was flat versus 1Q17 with lower revenue fully offset by lower OPEX
- Net income was USD 3.8 million (negative USD 14.4 million), positively impacted by tax effect due to merger of Brazilian entities creating a tax asset of BRL 61 million (USD 16 million)
- Earnings per share amounted to USD 0.03 (negative USD 0.10)

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)	1Q18	1Q17	YTD 2018	YTD 2017
Revenue*	71.4	105.9	71.4	105.9
AdColony (Mobile Advertising)	56.7	93.3	56.7	93.3
Bemobi (Apps & Games)	14.3	12.6	14.3	12.6
Skyfire (P&P)	0.3	0.1	0.3	0.1
Adj. EBITDA	0.7	0.8	0.7	0.8
AdColony (Mobile Advertising)	(2.7)	(2.2)	(2.7)	(2.2)
Bemobi (Apps & Games)	5.4	5.9	5.4	5.9
Skyfire (P&P)	(0.3)	(1.5)	(0.3)	(1.5)
Corporate	(1.7)	(1.3)	(1.7)	(1.3)
EBIT	(4.9)	(12.7)	(4.9)	(12.7)
Net income	3.8	(14.4)	3.8	(14.4)
EPS (USD)	0.03	(0.10)	0.03	(0.10)

* 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 33 percent in first quarter 2018 compared to the same period last year, driven by a decline in AdColony, partly offset by growth in Bemobi. 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.

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 40.8 million in the quarter (USD 62.2 million), down 34 percent from the corresponding period last year as a result of lower revenue in AdColony.

Payroll and related expenses, excluding stock-based compensation expenses, were USD 15.3 million in the quarter (USD 27.3 million), down 44 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 negative USD 1.6 million in the quarter as costs related to terminated employees were reversed in the quarter, compared to an expense of USD 2.7 million in 1Q17.

Depreciation and amortization expenses were USD 7.3 million in the quarter (USD 9.6 million), down 23 percent from the corresponding period last year as intangible assets from prior acquisitions are gradually amortized.

Other operating expenses were USD 14.5 million in the quarter (USD 15.6 million), down 7 percent from the corresponding period last year, with overall cost control partly offset by aggressive user acquisition to drive international growth for Bemobi.

Otello recognized a net restructuring expenses of USD 0.0 million in the quarter primarily comprising salary expenses associated with the reorganization and streamlining of AdColony and costs associated with disposals, fully offset by a reversal of an accrual related to office restructuring expenses.

Adjusted EBITDA and EBITDA

Adjusted EBITDA

Adjusted EBITDA was USD 0.7 million in first quarter 2018, almost flat from USD 0.8 million in the corresponding period in 2017, with overall lower revenue offset by lower expenses. A net total of negative USD 1.7 million was excluded from adjusted EBITDA, related to restructuring expenses and stock-based compensation expenses.

EBITDA

EBITDA was USD 2.4 million in the first quarter 2018, up from negative USD 3.2 million in the corresponding period in 2017, due in particular to a reversal of stock-based compensation expense from terminated employees.

Net financial items

Otello recognized a net loss from net financial items in the quarter of USD 10.2 million, compared to a net loss of USD 5.5 million in corresponding period last year, which was primarily due to FX losses, due to a weaker USD vs NOK.

Net income

First quarter 2018 net income was USD 3.8 million compared to negative USD 14.4 million in the corresponding period last year,

positively impacted by tax effect due to merger of Brazilian entities creating a tax asset of BRL 61 million (~USD 16 million). EPS and fully diluted EPS were USD 0.03 and USD 0.03, respectively, in first quarter 2018, compared to negative USD 0.10 and USD 0.10, respectively, in first quarter 2017.

Financial position and cash flow

Otello's net cash flow from operating activities was negative USD 2.6 million in first quarter 2018, compared to positive USD 1.8 million in first quarter 2017.

Cash flow from investment activities amounted to negative USD 3.6 million, vs negative USD 18.2 million from the corresponding quarter last year, of which USD 3.2 million comprises capitalized R&D costs and USD 0.4 million PP&E additions.

Cash flow from financing activities amounted to negative USD 1.6 million as Otello made

share repurchases of USD 1.5 million in the quarter.

Cash and cash equivalents at the end of the first quarter 2018 were USD 79.9 million compared to USD 194.8 million in the first quarter 2017. The vast majority of the reduction in cash is related to Otello repaying USD 100 million in debt in 4Q17. At the end of the first quarter 2018, Otello has no interest-bearing debt. Otello has, after the end of the quarter, signed an agreement for 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 478.0 million at the end of the quarter, corresponding to an equity ratio of 77.8%.

Organization

At the end of first quarter 2018 Otello had 550 fulltime employees and equivalents.

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

<i>(USD million)</i>	1Q18	1Q17	YTD 2018	YTD 2017
Revenue*	56.7	93.3	56.7	93.3
Performance	26.6	46.6	26.6	46.6
Brand-Managed IO	16.7	29.0	16.7	29.0
Brand-Performance	8.6	10.8	8.6	10.8
Brand-Programmatic	4.8	6.9	4.8	6.9
Gross Profit	19.6	34.3	19.6	34.3
Adj. EBITDA	(2.7)	(2.2)	(2.7)	(2.2)
EBITDA	(0.9)	(5.4)	(0.9)	(5.4)
EBIT	(7.0)	(11.8)	(7.0)	(11.8)

* Revenue and gross profit excludes intercompany transactions

Business Overview

While the global advertising industry continues to experience a macro shift from traditional to digital channels, with mobile increasing its share rapidly, AdColony is expanding its reach to more than 2 billion mobile users worldwide.

The shift from traditional to digital is fueled by several factors as consumers spend more and more time on mobile devices, engaging with apps and sites. At the same time, mobile advertising is becoming more and more efficient and effective compared to traditional advertising, as it enables better targeting, provides opportunities for more user interaction and provides better measurement

capabilities resulting in better return on ad spend.

AdColony is an 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, and it enables 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 formats with particular strength in video and full screen interactive rich media ads. The company has proven to push creative boundaries and be first to market with innovations to lead the mobile ad economy.

Financial Overview

Overall revenue of USD 56.7 million was down by 39 percent in the quarter compared to 1Q17. The slow ramp of key products combined with decay from legacy products and business models, as seen throughout 2017, continued into the first quarter of 2018.

Adjusted EBITDA amounted to negative USD 2.7 million in the quarter as result of lower revenue and overall slightly lower gross margin, almost fully offset by lower expenses. Gross margins have been moving lower in the Performance business due to increased competition for supply and were down from 38.3% in 1Q17 to 28.6% in 1Q18. The Brand/Exchange business has been actively working to improve margins and these were successfully raised in 1Q18 to 39.7% vs 35.2% in 1Q17. Overall, gross margin was down from 36.8% in 1Q17 to 34.5% in 1Q18, but improved sequentially driven by solid execution in the Brand Performance and Brand Programmatic businesses. Considering the business model shifts that we have seen in 2017, we initiated a restructuring program in AdColony which will have material impact on 2018 costs and is expected to yield over USD 50 million in annualized OPEX savings over the cost level entering 2017.

Performance

Revenue was down 43% YoY due to continued decline in the supply that is

available in our platform, combined with our declining ability to drive competitive outcomes with the available supply through our ad server and algorithms. We have restructured the performance and supply groups into one group across North America and Europe and shifted more resources towards enabling supply to become more competitive operationally, in order to combat the decline. YoY impressions and IR declined by 18% and 25% respectively due to publishers consolidating onto fewer SDK's and increased supply competition for in-app mobile video supply.

Gross margin was down from 38.3% in 1Q17 to 28.6% in 1Q18 as we continued to optimize supply and secure higher waterfall positions inside existing supply. We are investing into new areas of supply growth by looking into programmatic partnerships and aim to create demand growth through better alignment of our commercial teams.

Exchange/Brand

1Q18 was the first full quarter where we operated with programmatic 1st mindset following the major restructuring in 2H17. We shut down unprofitable and unsustainable parts of the business which resulted in a revenue decline of 35% YoY, but managed increase gross margin by 5 percentage points from 35% to nearly 40%, whilst delivering a profitable quarter for the business unit. With the launch of our Ad Quality Video Marketplace product, we managed to capture new clients on the private marketplace front which saw strong growth in the quarter. We saw further decline in the managed IO business which more than offset the growth of our programmatic business.

Brand Performance was another important driver of success in 1Q18 as we revamped our capabilities around transparent and high-quality delivery of brand performance outcomes for our key clients. We continue to invest in this area as brands start to embrace mobile as a performance media channel globally.

1Q18 also marked the first period where all our international brand regions were profitable independently as we finalized

integrations of all international businesses into one unified organization.

Product update

In 1Q 2018, the Product and Technical teams worked on projects key to FY2018 success.

GDPR

The European Union's General Data Protection Regulation ("GDPR"), which focuses on data protection and privacy for EEA data subjects, goes into effect on May 25, 2018. Non-compliant companies face stiff penalties and loss of business. In 1Q18, teams began working on updating AdColony systems and contracts to ensure GDPR compliance by the effective date. The project is expected to continue to take up significant Product and Tech team resources through mid-to-late 2Q18.

SDK

AdColony's iOS SDK v3.3 was released early in Q1, which, similar to the 4Q17 Android SDK v3.3 release, focused on stability improvements and memory optimizations to ensure continued adoption and maintenance of the AdColony SDK. Also included was an update to enable IAS viewability measurement, which was included to capture additional managed-service & Programmatic Brand ad spend. As of end 1Q18, iOS SDK v3.x penetration was at 73%. In 2Q18, work is to be carried out on additional memory optimizations and beginning a project to integrate the IAB's Open Measurement SDK, in order to be aligned with industry standards and ensure continued flow and improvement of Brand ad spend.

In 1Q18, we delivered Over-the-Air ("OTA") updates to the AdColony SDK, designed to solve specific problems: improving the programmatic 'play rate' to encourage more DSP spend, responding faster and more often with an ad to improve advertiser volume and publisher earnings, and reducing costs. In 2Q18, we are testing and fully deploying these updates across the network.

Core Improvements

Improvements continue on AdColony's Core™ yield optimization engine, with full deployment in 1Q18 of a new testability framework developed in 4Q17. We have been using the new framework to test and rollout updates designed to improve key business KPIs, e.g. install rate and lower brand spend. In addition, a new data science model has been rolled out that resulted in a ~10% improvement in install rate. In 2Q18, we are working on rolling out updates designed to improve Core accuracy, which helps the platform maintain expected eCPMs and to choose how to allocate ad spend wisely.

Improving Return on Ad Spend

In 1Q18, we have worked to ensure that the Post-Install Event ("PIE") pipeline & data are trustworthy, and the Return on Ad Spend ("ROAS") reports are usable and reliable. These projects were successful and teams are using the suite of tools to maintain or increase Performance ad spend. In 2Q18, we are focused on onboarding our top 50 advertisers so this trend can continue.

Programmatic

Work on TAG certification continued in 1Q18, and in 2Q18, AdColony became one of only a small number of companies that are TAG Certified by an independent, third-party auditor. This positions us as a safe, trusted, low-fraud brand partner and should enable us to win additional dollars from large advertisers. Programmatic Vertical Video Support, Audibility Measurement, and Audibility Targeting were delivered in 1Q18 and have helped to improve Brand advertiser spend. In 2Q18, we will focus on projects that improve play rate and thus spend, as well as tracking and bidding projects that will help AdColony expand supply.

Publisher Tools

Higher waterfall position delivers more impressions, and higher-quality users for Performance advertisers. In 2Q18, the Product team is working on a supply-side toolset to enable more granular management of publisher apps, so that Publisher teams can more easily reach

customer goals, with the end-goal of improving access to high-quality supply.

Bemobi (Apps & Games)

<i>(USD million)</i>	1Q18	1Q17	YTD 2017	YTD 2017
Revenue*	14.3	12.6	14.3	12.6
Gross Profit	10.5	9.2	10.5	9.2
Adj. EBITDA	5.4	5.9	5.4	5.9
EBITDA	5.4	5.8	5.4	5.8
EBIT	4.4	2.7	4.4	2.7

* 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 2017 and into 2018, Bemobi has consolidated its leading position in the subscription-based premium application distribution space within Brazil and across LATAM and Mexico, 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 1Q18 with 59 operator partnerships with various carriers spread across the world, making it possible to offer subscription-based services providing access to apps and games to over 2.2 billion consumers.

Financial Overview

Revenue grew by 13% percent YoY fueled by growth in the international markets. Of the revenue in 1Q18 76% percent came from LATAM while 24% came from international markets.

The gross margin for Bemobi is very strong and was up 1 percentage point from 1Q17, to 73.7% for the quarter.

Subscriber growth has been very strong in in the past year, with LATAM subscribers up from 15.3 million in 1Q17 to 18.6 million in 1Q18. International subscribers were also up from 3.8 million in 1Q17 to 5.5 million in 1Q18.

Revenue from LATAM was USD 10.9 million in 1Q18 compared to USD 10.7 million in 1Q17, while revenue from International was USD 3.5 million in 1Q18 compared to USD 1.9 million in 1Q17. Revenue growth in LATAM was negatively impacted by weaker BRL vs USD in 1Q18 vs 1Q17. Revenue growth in the International business derived from subscription store revenue grew by 100% from USD 1.6 million 1Q17 to USD 3.3 million in 1Q18, partly offset by legacy revenue declining from USD 0.3 million to USD 0.2 million in the same period.

Adjusted EBITDA was down from USD 5.9 million in 1Q17 to USD 5.4 million in 1Q18 a decrease of 8%, as revenue growth was more than offset by increased opex linked to aggressive user acquisition in International markets.

In 1Q18 Bemobi launched Lifecell Ukraine Apps Club giving Apps Club 100% coverage in the Ukrainian market. There were also new Apps Club launches in Myanmar with Ooredoo and in Egypt with Orange in the quarter.

User growth accelerated in 1Q18 in all key geographies due to optimizations and a more balanced channel mix as we further invest into paid digital acquisitions and grow our NDNC portals.

We have started to run third party paid advertising on the NDNC portal in Ncell in Nepal. This offers a new interesting potential revenue source.

Product update

Skyfire (Performance)

<i>(USD million)</i>	1Q18	1Q17	YTD 2018	YTD 2017
Revenue*	0.3	0.1	0.3	0.1
Gross Profit	0.3	0.2	0.3	0.2
Adj. EBITDA	(0.3)	(1.5)	(0.3)	(1.5)
EBITDA	(0.3)	(1.5)	(0.3)	(1.5)
EBIT	(0.3)	(1.5)	(0.3)	(1.5)

* Revenue and gross profit excludes intercompany transactions

Business Overview

SKYFIRE

Today, typically 60 percent or more of total mobile data consumption is video content, putting pressure on the operators existing network capacity. Skyfire enables mobile operators to optimize its network performance and quality as data traffic and the consumption of mobile video is exploding among mobile users. 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 Skyfire's flagship product for managing the explosion of mobile video data traffic in mobile operator networks. It is designed for operator deployment and it provides operators with an instant 60 percent boost in bandwidth

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 1Q18.

In 2017, Bemobi launched a new version of its games offering with TIM Brazil that adds access to console games (Xbox One and 360) in addition to the existing mobile game Catalog. Similar services gaming services beyond mobile are in development now and should go live by 3Q18 with a few selected carriers.

capacity across smartphones, tablets and laptops. Skyfire has signed distribution agreements with Huawei and Nokia. In particular, Huawei has become a very important partner, and during 2017 a new joint solution with Huawei was deployed to joint customers.

Financial Overview

Revenue increased in the quarter from USD 0.1 million in 1Q17 to USD 0.3 million, while Adj. EBITDA increased from USD negative 1.5 million to negative 0.3 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. Overall, the new cost base and contracts signed in 2017 should secure medium term profitability.

Subsequent Events

Settlement of Bemobi earnout

On May 29, 2018, Otello reached a final agreement with the BeMobi Earnout Participants ("EPs"), where the existing BeMobi earnout is terminated, and a significant part of the future earn-out to the EPs is converted into the right of the EPs to receive ownership in BeMobi.

As of March 31, 2018, Otello estimated future earnout payments of USD 56.9 million related to BeMobi, with a maximum payment capped at USD 67.5 million payable through April 2020. Based on achievement in 2H2017 and the payment made in 2Q18 prior to this agreement of USD 11.8 million, a total of USD 45.1 to 55.7 million of future earn-out payments remained, post this payment. A total of USD 20 million will be paid to the EPs with USD 10 million paid on the effective date, May 29, 2018, and USD 10 million paid on October 1, 2018. The remaining earn-out is converted into the right to ownership of BeMobi giving the EPs a total ownership of 11.2%.

Potential sale of Vewd (Opera TV) minority stake

As reported to the market on December 20, 2016, Otello had completed the sale of the majority stake in the Vewd Software business (f/k/a Opera TV) (the "Company") to Moore Frères & Co LLC ("MFC"), which today is the majority shareholder and controls the board of directors of the Company (the "Board").

On February 20, 2018, Otello Corporation ASA ("Otello") entered into a share purchase agreement (the "SPA") for the sale of its remaining ownership stake (approximately 27-28.5%, depending on management options) in the Vewd Software business. The SPA contains certain conditions for completion, such as approval of the sale by the Board and a right of first refusal not being exercised.

MFC's appointed directors on the Board have attempted to block the sale, and formally refused approval during a Board meeting on April 27, 2018. On April 12, 2018, Otello filed a claim with the High Court of Justice in England and Wales against MFC and the Company, and has successfully obtained an order of the Court for the trial to be heard on an expedited basis. The case is listed to be heard in mid-July 2018.

Although Otello remains positive with respect to being able to complete the transaction prior to the long-stop date in the SPA, which has been extended to August 20, 2018, no assurances can be given that such completion will take place. Further announcements will be given if and when new material information is available.

Credit facility

Otello has 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.

OUTLOOK

Otello remains positive about the Group's overall growth prospects, with the following perspective on the Group as a whole:

AdColony operates in a global advertising industry which continues to experience a macro shift in advertising spend from traditional channels to digital online channels. AdColony is well positioned to take advantage of the macro trends and become the highest quality mobile advertising platform in the world. Otello expects AdColony to be adj. EBITDA profitable in 2018. Overall, longer term growth will be driven by our move to more automated delivery of ads and new technology 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 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 be adj. EBITDA profitable in 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, May 30, 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	1Q 2018	1Q 2017	YTD 2018	YTD 2017
(USD million, except earnings per share)	(Unaudited)	Restated (Unaudited)	(Unaudited)	Restated (Unaudited)
Revenue	71.4	105.9	71.4	105.9
Gross profit	30.5	43.7	30.5	43.7
Net income ¹⁾	3.8	(14.4)	3.8	(14.4)
Adjusted EBITDA ²⁾	0.7	0.8	0.7	0.8
EBITDA	2.4	(3.2)	2.4	(3.2)
Normalized EBIT ³⁾	(1.6)	(4.8)	(1.6)	(4.8)
EBIT	(4.9)	(12.7)	(4.9)	(12.7)
EPS	0.03	(0.10)	0.03	(0.10)
EPS, fully diluted	0.03	(0.10)	0.03	(0.10)
Cash flow from operating activities	(2.6)	1.0	(2.6)	1.0
Cash flow from investment activities	(3.6)	(17.9)	(3.6)	(17.9)
Cash flow from financing activities	(1.6)	(10.1)	(1.6)	(10.1)
Segment information	1Q 2018	1Q 2017	YTD 2018	YTD 2017
Revenue (USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
AdColony (Mobile Advertising)	56.7	93.3	56.7	93.3
Bemobi (Apps & Games)	14.3	12.6	14.3	12.6
Skyfire (Performance & Privacy)	0.3	0.1	0.3	0.1
Corporate Costs	0.1	-	0.1	-
Eliminations	0.0	(0.1)	0.0	(0.1)
Total Continued Operations ⁴⁾	71.4	105.9	71.4	105.9
Segment information	1Q 2018	1Q 2017	YTD 2018	YTD 2017
Adjusted EBITDA ¹⁾ (USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
AdColony (Mobile Advertising)	(2.7)	(2.2)	(2.7)	(2.2)
Bemobi (Apps & Games)	5.4	5.9	5.4	5.9
Skyfire (Performance & Privacy)	(0.3)	(1.5)	(0.3)	(1.5)
Corporate Costs	(1.7)	(1.3)	(1.7)	(1.3)
Eliminations	(0.0)	(0.0)	(0.0)	(0.0)
Total Continued Operations (with ICP) ⁴⁾	0.7	0.8	0.7	0.8
Eliminations	0.0	(0.0)	0.0	(0.0)
Total Continued Operations (net of ICP)	0.7	0.8	0.7	0.8
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	1Q 2018	1Q 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	71.4	105.9	-33 %	71.4	105.9	-33 %
Total operating revenue		71.4	105.9	-33 %	71.4	105.9	-33 %
Publisher and revenue share cost	3, 5, 11	(40.8)	(62.2)	-34 %	(40.8)	(62.2)	-34 %
Payroll and related expenses	3, 5, 11	(15.3)	(27.3)	-44 %	(15.3)	(27.3)	-44 %
Stock-based compensation expenses	3, 5, 11	1.6	(2.7)	-161 %	1.6	(2.7)	-161 %
Depreciation and amortization expenses	3, 5, 11	(7.3)	(9.6)	-23 %	(7.3)	(9.6)	-23 %
Other operating expenses	3, 5, 11	(14.5)	(15.6)	-7 %	(14.5)	(15.6)	-7 %
Total operating expenses		(76.3)	(117.4)	-35 %	(76.3)	(117.4)	-35 %
Operating profit (loss), (EBIT), excluding restructuring and impairment expenses		(5.0)	(11.5)		(5.0)	(11.5)	
Restructuring and impairment expenses	13, 14	0.0	(1.3)		0.0	(1.3)	
Operating profit (loss), (EBIT)		(4.9)	(12.7)		(4.9)	(12.7)	
Net financial items	6	(10.2)	(5.5)		(10.2)	(5.5)	
Profit (loss) before income tax		(15.1)	(18.2)		(15.1)	(18.2)	
Provision for taxes ¹⁾		18.9	3.8		18.9	3.8	
Profit (loss)		3.8	(14.4)		3.8	(14.4)	
Discontinuing operations							
Profit (loss) from discontinuing operations, net of tax	10	-	(0.6)		-	(0.6)	
Profit (loss) from discontinuing operations		-	(0.6)		-	(0.6)	
Items that may or will be transferred to profit (loss)							
Foreign currency translation differences		6.3	3.7		6.3	3.7	
Discontinuing operations - reclassified to profit (loss)		0.0	0.0		0.0	0.0	
Total comprehensive income (loss)		10.1	(11.3)		10.1	(11.3)	
Earnings (loss) per share:							
Basic earnings (loss) per share (USD)		0.03	(0.10)		0.03	(0.10)	
Diluted earnings (loss) per share (USD)		0.03	(0.10)		0.03	(0.10)	
Shares used in earnings per share calculation		140 649 875	146 453 218		140 649 875	146 453 218	
Shares used in earnings per share calculation, fully diluted		140 912 525	146 453 218		140 912 525	146 453 218	
Earnings per share (continuing operations):							
Basic earnings (loss) per share (USD)		0.03	(0.10)		0.03	(0.10)	
Diluted earnings (loss) per share (USD)		0.03	(0.10)		0.03	(0.10)	
Shares used in earnings per share calculation		140 649 875	146 453 218		140 649 875	146 453 218	
Shares used in earnings per share calculation, fully diluted		140 912 525	146 453 218		140 912 525	146 453 218	

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	3/31/2018 (Unaudited)	3/31/2017 (Unaudited)	12/31/2017 (Audited)
Assets				
Deferred tax assets		37.2	17.8	16.4
Goodwill		322.8	325.3	322.6
Intangible assets		56.4	80.5	59.6
Property, plant and equipment		11.0	11.5	11.4
Other investments	12	14.8	7.9	14.4
Other non-current assets		0.8	0.5	0.8
Total non-current assets		443.0	443.4	425.2
Inventories		-	0.2	-
Accounts receivable	8	77.6	120.8	111.4
Other receivables	8	14.1	15.6	13.9
Cash and cash equivalents	7	79.9	194.8	86.0
Total current assets		171.5	331.4	211.4
Total assets		614.5	774.9	636.6

(USD million)	Note	3/31/2018 (Unaudited)	3/31/2017 (Unaudited)	12/31/2017 (Audited)
Shareholders' equity and liabilities				
Equity attributable to owners of the company		478.0	500.8	468.0
Non-controlling interests		-	-	-
Total equity		478.0	500.8	468.0
Liabilities				
Deferred tax liability		6.5	8.5	5.8
Loans and borrowings	7	-	-	-
Other non-current liabilities		3.5	2.9	4.5
Provisions	4	17.5	36.3	28.5
Total non-current liabilities		27.5	47.7	38.8
Loans and borrowings	7	-	100.1	0.1
Accounts payable		20.8	25.3	35.3
Taxes payable		(6.5)	(6.2)	(3.8)
Public duties payable		2.5	3.8	2.6
Deferred revenue		3.2	7.4	5.0
Stock-based compensation liabilities		-	0.1	-
Other current liabilities		50.5	61.6	65.2
Provisions	4	38.6	34.2	25.4
Total current liabilities		109.0	226.4	129.8
Total liabilities		136.5	274.1	168.6
Total equity and liabilities		614.5	774.9	636.6

Consolidated statement of cash flows

(USD million)	Note	1Q 2018 (Unaudited)	1Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
Cash flow from operating activities					
Profit (loss) before taxes		(15.1)	(18.9)	(15.1)	(18.9)
Income taxes paid		(3.4)	(3.7)	(3.4)	(3.7)
Depreciation and amortization expense		7.3	9.9	7.3	9.9
Net (gain) loss from disposals of PP&E, and intangible assets		(0.0)	0.0	(0.0)	0.0
Net (gain) loss from sale of discontinued operations, net of tax	10	(0.0)	-	(0.0)	-
Impairment losses on intangible assets and goodwill		-	-	-	-
Changes in inventories, trade receivables, trade and other payables		12.1	18.0	12.1	18.0
Other net finance items		-	-	-	-
Changes in other operating working capital		(11.6)	(10.4)	(11.6)	(10.4)
Share of net income (loss) and net (gain) loss from disposal of associated companies	6	0.1	0.2	0.1	0.2
Share-based remuneration		(1.6)	2.3	(1.6)	2.3
Earnout cost and cost for other contingent payments	4	1.9	3.0	1.9	3.0
FX differences related to changes in balance sheet items		7.6	1.5	7.6	1.5
Net cash flow from operating activities		(2.6)	1.8	(2.6)	1.8
- of which included in continuing operations		(2.6)	1.0	(2.6)	1.0
- of which included in discontinuing operations		0.0	0.8	0.0	0.8
Cash flow from investment activities					
Proceeds from sale of property, plant, and equipment (PP&E) and intangible assets		0.0	0.0	0.0	0.0
Purchases of property, plant and equipment (PP&E) and intangible assets		(0.4)	(5.1)	(0.4)	(5.1)
Capitalized R&D costs		(3.2)	(4.4)	(3.2)	(4.4)
Proceeds from repayment of loans given		-	3.5	-	3.5
Loans to related parties		0.0	-	0.0	-
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed	10	-	-	-	-
Purchases of subsidiaries and associated companies, net of cash acquired ¹⁾	4	-	(12.2)	-	(12.2)
Net cash flow from investment activities		(3.6)	(18.2)	(3.6)	(18.2)
- of which included in continuing operations		(3.6)	(17.9)	(3.6)	(17.9)
- of which included in discontinuing operations		-	(0.4)	-	(0.4)
Cash flow from financing activities					
Proceeds from exercise of treasury shares (incentive program)		-	-	-	-
Purchase of treasury shares		(1.5)	(9.7)	(1.5)	(9.7)
Proceeds from issuance of shares, net (equity increase)		(0.0)	(0.1)	(0.0)	(0.1)
Dividends paid to equity holders of Otello Corporation ASA		-	-	-	-
Proceeds from loans and borrowings	7	-	-	-	-
Repayments of loans and borrowings	7	(0.1)	(0.3)	(0.1)	(0.3)
Net cash flow from financing activities		(1.6)	(10.1)	(1.6)	(10.1)
- of which included in continuing operations		(1.6)	(10.1)	(1.6)	(10.1)
- of which included in discontinuing operations		-	(0.0)	-	(0.0)
Net change in cash and cash equivalents		(7.8)	(26.5)	(7.8)	(26.5)
Cash and cash equivalents (beginning of period) ²⁾		86.0	219.5	86.0	219.5
Effects of exchange rate changes on cash and cash equivalents ³⁾		1.6	1.8	1.6	1.8
Cash and cash equivalents ²⁾		79.9	194.8	79.9	194.8
- of which included in cash and cash equivalents in the balance sheet		79.9	194.8	79.9	194.8
- of which included in the assets of the disposal group (assets held for sale)		-	-	-	-
¹⁾ In Q1 2018, \$0.0 million is related to initial payments for the purchase of subsidiaries, and \$0.0 million is related to earnout payments with cash effect. See note 4 for further information regarding earnout payments. In Q1 2017, \$0.0 million was related to initial payments for the purchase of subsidiaries, and \$12.2 million was related to earnout payments with cash effect.					
²⁾ Of which \$1.8 million (3/31/2017: \$1.7 million) is restricted cash and cash equivalents as of March 31, 2018.					
Reconciliation of profit (loss) before taxes					
Profit (loss) before income taxes		(15.1)	(18.2)	(15.1)	(18.2)
Profit (loss) from discontinuing operations, net of tax		-	(0.6)	-	(0.6)
Provision for taxes, discontinued operations		-	(0.1)	-	(0.1)
Profit (loss) before taxes, as presented in the statement of cash flows above		(15.1)	(18.9)	(15.1)	(18.9)

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)		-	-	-	-	3.8	3.8
Other comprehensive income (loss)							
Foreign currency translation differences		-	-	-	6.3	-	6.3
Total comprehensive income (loss)		-	-	-	6.3	3.8	10.1
Contributions by and distributions to owners							
Dividends		-	-	-	-	-	-
Issuance of ordinary shares related to business combinations		-	-	-	-	-	-
Issuance of ordinary shares related to incentive program		-	-	-	-	-	-
Issuance of ordinary shares related to equity increase		(0.0)	-	-	-	-	(0.0)
Treasury shares purchased	(0.4)	(0.0)	-	(1.5)	-	-	(1.5)
Treasury shares sold		-	-	-	-	-	-
Tax deduction on equity issuance costs		-	-	-	-	-	-
Share-based payment transactions		-	1.4	-	-	-	1.4
Total contributions by and distributions to owners	(0.4)	(0.0)	1.4	(1.5)	-	-	(0.1)
Other equity changes							
Other changes		-	-	-	-	0.0	0.0
Total other equity changes		-	-	-	-	0.0	0.0
Equity as of 3/31/2018	140.6	348.4	52.5	(63.6)	15.8	124.9	478.0
<p>During 1Q 2018, Otello purchased 403,000 own shares for \$1.5 million, and sold 0 own shares. As of March 31, 2018, Otello owned 8,865,000 own shares.</p> <p>During 1Q 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)		-	-	-	-	(15.0)	(15.0)
Other comprehensive income (loss)							
Foreign currency translation differences		-	-	-	3.7	-	3.7
Total comprehensive income (loss)		-	-	-	3.7	(15.0)	(11.3)
Contributions by and distributions to owners							
Dividends		-	-	-	-	-	-
Issuance of ordinary shares related to business combinations		-	-	-	-	-	-
Issuance of ordinary shares related to incentive program		-	-	-	-	-	-
Issuance of ordinary shares related to equity increase		(0.1)	-	-	-	-	(0.1)
Treasury shares purchased	(1.6)	-	-	(9.7)	-	-	(9.7)
Treasury shares sold		-	-	-	-	-	-
Tax deduction on equity issuance costs		-	-	-	-	-	-
Share-based payment transactions		-	2.3	-	-	-	2.3
Total contributions by and distributions to owners	(1.6)	(0.1)	2.3	(9.7)	0.0	0.0	(7.5)
Other equity changes							
Other changes		-	(0.0)	-	-	0.0	0.0
Total other equity changes		-	(0.0)	-	-	0.0	0.0
Equity as of 3/31/2017	146.1	348.4	51.4	(44.4)	1.2	144.2	500.8

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 1 January 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 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 lease 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

Valuation techniques and significant unobservable inputs:

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 balances 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
Non-current consideration	17.5	-	17.5
Current consideration	33.0	5.6	38.6
Balance as of 3/31/2018	50.4	5.6	56.0
Earnout payments made in 2018 (USD million)	Bemobi	Individually immaterial	Total
With cash flow effect			
Q1	-	-	-
Q2	-	-	-
Q3	-	-	-
Q4	-	-	-
Total	-	-	-
With no cash flow effect (released from escrow)			
Q1	-	-	-
Q2	-	-	-
Q3	-	-	-
Q4	-	-	-
Total	-	-	-

Note 4 - Contingent liabilities and provisions (continued)

Estimated payments (USD million)	Bemobi	Individually immaterial	Total
apr.18	11.8	5.6	17.4
sep.18	10.4	-	10.4
apr.19	13.0	-	13.0
sep.19	12.6	-	12.6
apr.20	9.1	-	9.1
Total	56.9	5.6	62.5

The table above shows the estimated future payments. These payments are estimated by considering the possible scenarios of forecast revenue and EBITDA, the amount to be paid under each scenario, and the probability of each scenario.

Contractual maximum payments (USD million)	Bemobi	Individually immaterial	Total
apr.18	20.5	5.6	26.1
sep.18	10.4	-	10.4
apr.19	17.9	-	17.9
sep.19	13.0	-	13.0
apr.20	5.6	-	5.6
Total	67.5	5.6	73.1

Following the signing in 2016 of an amendment to the earnout agreement with the former shareholders of Bemobi, the contractual maximum payments are capped at an agreed amount.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant assumptions (discount rate, forecast annual and half-yearly revenue and forecast EBITDA) would, holding the other assumptions constant ¹⁾, have the following effects on the net present value of the contingent consideration, and on the estimated payments.

¹⁾ A change in the annual and half-yearly revenue is assumed to lead to a directionally similar change in EBITDA.

Effect on net present value (USD million)	Bemobi	Individually immaterial
Discount rate (increase by 200 basis points)	(0.9)	N/A
Discount rate (decrease by 200 basis points)	0.9	N/A
Revenue (20% increase)	2.5	N/A
Revenue (20% decrease)	(4.8)	N/A
Revenue (10% increase)	1.2	N/A
Revenue (10% decrease)	(1.2)	N/A
EBITDA (10% increase)	0.3	N/A
EBITDA (10% decrease)	(0.3)	N/A
EBITDA (5% increase)	0.1	N/A
EBITDA (5% decrease)	(0.1)	N/A

Effect on estimated payments (USD million)	Bemobi	Individually immaterial
Discount rate (increase by 200 basis points)	N/A	N/A
Discount rate (decrease by 200 basis points)	N/A	N/A
Revenue (20% increase)	3.0	N/A
Revenue (20% decrease)	(5.4)	N/A
Revenue (10% increase)	1.5	N/A
Revenue (10% decrease)	(1.5)	N/A
EBITDA (10% increase)	0.4	N/A
EBITDA (10% decrease)	(0.4)	N/A
EBITDA (5% increase)	0.2	N/A
EBITDA (5% decrease)	(0.2)	N/A

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)	1Q 2018	%		YTD 2018	%
USD	53.2	74.6%	USD	53.2	74.6%
BRL	10.4	14.5%	BRL	10.4	14.5%
TRY	2.9	4.1%	TRY	2.9	4.1%
DKK	0.9	1.3%	DKK	0.9	1.3%
AUD	0.8	1.1%	AUD	0.8	1.1%
Other	3.2	4.4%	Other	3.2	4.4%
Total	71.4	100.0%	Total	71.4	100.0%

Operating expenses by currency ¹⁾ (USD million)	1Q 2018	%		YTD 2018	%
USD	(59.7)	78.2%	USD	(59.7)	78.2%
BRL	(5.9)	7.8%	BRL	(5.9)	7.8%
TRY	(2.9)	3.8%	TRY	(2.9)	3.8%
NOK	(2.7)	3.6%	NOK	(2.7)	3.6%
Other	(5.1)	6.7%	Other	(5.1)	6.7%
Total	(76.3)	100.0%	Total	(76.3)	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 1Q 2017 rates	FX effect using 1Q 2017 rates	Recalculated with 4Q 2017 rates	FX effect using 4Q 2017 rates
Revenue	71.6	0.2	71.3	(0.1)
Expenses	(75.8)	0.6	(75.9)	0.5

Note 6 - Financial items

Financial items (USD million)	1Q 2018 (Unaudited)	1Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
Other interest income (expense), net	0.0	(0.4)	0.0	(0.4)
Interest expense related to contingent consideration	(1.6)	(2.6)	(1.6)	(2.6)
FX gains (losses) related to contingent consideration, net	0.0	0.8	0.0	0.8
Other FX gains (losses), net	(8.2)	(1.9)	(8.2)	(1.9)
Revaluation of contingent consideration	(0.4)	(1.2)	(0.4)	(1.2)
Share of profit (loss) from associated companies	(0.1)	(0.2)	(0.1)	(0.2)
Net financial items (loss)	(10.2)	(5.5)	(10.2)	(5.5)

Note 7 - Liquidity risk

Credit facility

In 2017, Otello paid down its outstanding term loan of \$100 million to DNB Bank ASA. As at March 31, 2018, Otello had an undrawn revolving credit facility with DNB of \$50 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 March 31, 2018.

The Revolving Credit facility of \$50 million and the term loan of \$100 million bear an interest rate of LIBOR + 1.75% 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)	3/31/2018 (Unaudited)	3/31/2017 (Unaudited)
Accounts receivable	49.7	81.5
Unbilled revenue	27.9	39.3
Other receivables	14.1	15.6
Total	91.6	136.4

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 March 31, 2018, \$5.7 million consisted of escrow payments related to sale of the SurfEasy business in 2017, and \$0.9 million (3/31/2017: 5.4) consisted of escrow payments in connection with acquisitions.

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	1Q 2018	1Q 2017	YTD 2018	YTD 2017
(USD million)	(Unaudited)	Restated (Unaudited)	(Unaudited)	Restated (Unaudited)
Total operating revenue	71.4	105.9	71.4	105.9
Publisher and revenue share cost	(40.8)	(62.2)	(40.8)	(62.2)
Gross profit	30.5	43.7	30.5	43.7
Reconciliation of operating profit (loss) to EBITDA and adjusted EBITDA	1Q 2018	1Q 2017	YTD 2018	YTD 2017
(USD million)	(Unaudited)	Restated (Unaudited)	(Unaudited)	Restated (Unaudited)
Operating profit (loss), (EBIT)	(4.9)	(12.7)	(4.9)	(12.7)
Depreciation and amortization expenses	7.3	9.6	7.3	9.6
EBITDA	2.4	(3.2)	2.4	(3.2)
Restructuring and impairment expenses	(0.0)	1.3	(0.0)	1.3
Stock-based compensation expenses	(1.6)	2.7	(1.6)	2.7
Adjusted EBITDA	0.7	0.8	0.7	0.8
Reconciliation of operating profit (loss) to normalized EBIT	1Q 2018	1Q 2017	YTD 2018	YTD 2017
(USD million)	(Unaudited)	Restated (Unaudited)	(Unaudited)	Restated (Unaudited)
Operating profit (loss), (EBIT)	(4.9)	(12.7)	(4.9)	(12.7)
Restructuring and impairment expenses	(0.0)	1.3	(0.0)	1.3
Amortization of acquired intangible assets	3.3	6.6	3.3	6.6
Normalized EBIT	(1.6)	(4.8)	(1.6)	(4.8)

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 6 November 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)	1Q 2018 (Unaudited)	1Q 2017 (Unaudited)	% change	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)	% change
Revenue	-	1.1	0 %	-	1.1	0 %
Operating expenses	-	(1.7)	0 %	-	(1.7)	0 %
Operating profit (loss), (EBIT), excluding restructuring and impairment expenses	-	(0.6)		-	(0.6)	
Restructuring and impairment expenses	-	-		-	-	
Operating profit (loss), (EBIT)	-	(0.6)		-	(0.6)	
Net financial items	-	(0.0)		-	(0.0)	
Profit (loss) before income tax	-	(0.6)		-	(0.6)	
Provision for taxes ²⁾	-	0.1		-	0.1	
Profit (loss) from discontinued operations, net of tax	-	(0.6)		-	(0.6)	
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	(0.6)		0.0	(0.6)	
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	140 649 875	146 453 218		140 649 875	146 453 218	
Shares used in earnings per share calculation, fully diluted	140 912 525	146 453 218		140 912 525	146 453 218	

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)	1Q 2018 (Unaudited)	1Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
Cash flow from operating activities	0.0	0.8	0.0	0.8
Cash flow from investment activities	-	(0.4)	-	(0.4)
Cash flow from financing activities	-	(0.0)	-	(0.0)

Note 11 - Segments

Revenue	1Q 2018	1Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	56.7	93.3	-39 %	56.7	93.3	-39 %
Bemobi (Apps & Games)	14.3	12.6	13 %	14.3	12.6	13 %
Skyfire (Performance & Privacy)	0.3	0.1	149 %	0.3	0.1	149 %
Corporate costs	0.1	-	N/A	0.1	-	N/A
Eliminations	0.0	(0.1)	0%	0.0	(0.1)	0%
Total continued operations ¹⁾	71.4	105.9	-33 %	71.4	105.9	-33 %

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

Gross profit	1Q 2018	1Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	19.6	34.3	-43 %	19.6	34.3	-43 %
Bemobi (Apps & Games)	10.5	9.2	15 %	10.5	9.2	15 %
Skyfire (Performance & Privacy)	0.3	0.2	62 %	0.3	0.2	62 %
Corporate costs	0.1	0.0	N/A	0.1	0.0	N/A
Eliminations	-	-	0%	-	-	0%
Total continued operations ¹⁾	30.5	43.7	-30 %	30.5	43.7	-30 %

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

Adjusted EBITDA ²⁾	1Q 2018	1Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	(2.7)	(2.2)	23 %	(2.7)	(2.2)	23 %
Bemobi (Apps & Games)	5.4	5.9	-8 %	5.4	5.9	-8 %
Skyfire (Performance & Privacy)	(0.3)	(1.5)	-83 %	(0.3)	(1.5)	-83 %
Corporate costs	(1.7)	(1.3)	26 %	(1.7)	(1.3)	26 %
Eliminations	(0.0)	(0.0)	0%	(0.0)	(0.0)	0%
Total continued operations ¹⁾	0.7	0.8	-6 %	0.7	0.8	-6 %

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

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

EBITDA	1Q 2018	1Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	(0.9)	(5.4)	-83 %	(0.9)	(5.4)	-83 %
Bemobi (Apps & Games)	5.4	5.8	-6 %	5.4	5.8	-6 %
Skyfire (Performance & Privacy)	(0.3)	(1.5)	-81 %	(0.3)	(1.5)	-81 %
Corporate costs	(1.8)	(2.0)	-10 %	(1.8)	(2.0)	-10 %
Eliminations	(0.0)	(0.0)	0%	(0.0)	(0.0)	0%
Total continued operations ¹⁾	2.4	(3.2)	-177 %	2.4	(3.2)	-177 %

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

Note 11 - Segments (continued)

Normalized EBIT ²⁾	1Q 2018	1Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	(4.7)	(6.7)	-30 %	(4.7)	(6.7)	-30 %
Bemobi (Apps & Games)	5.1	5.3	-4 %	5.1	5.3	-4 %
Skyfire (Performance & Privacy)	(0.3)	(1.5)	-82 %	(0.3)	(1.5)	-82 %
Corporate costs	(1.7)	(1.9)	-8 %	(1.7)	(1.9)	-8 %
Eliminations	-	-	0%	-	-	0%
Total continued operations¹⁾	(1.6)	(4.8)	-66 %	(1.6)	(4.8)	-66 %

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

²⁾ excluding amortization of acquired intangible assets

EBIT	1Q 2018	1Q 2017	%	YTD 2018	YTD 2017	%
(USD million)	(Unaudited)	Restated (Unaudited)	change	(Unaudited)	Restated (Unaudited)	change
AdColony (Mobile Advertising)	(7.0)	(11.8)	-41 %	(7.0)	(11.8)	-41 %
Bemobi (Apps & Games)	4.4	2.7	59 %	4.4	2.7	59 %
Skyfire (Performance & Privacy)	(0.3)	(1.5)	-81 %	(0.3)	(1.5)	-81 %
Corporate costs	(2.0)	(2.2)	-9 %	(2.0)	(2.2)	-9 %
Eliminations	-	-	0%	-	-	0%
Total continued operations¹⁾	(4.9)	(12.7)	-61 %	(4.9)	(12.7)	-61 %

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 costs

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 1Q 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	71.4	-	-	71.4	71.4	-
Gross profit	30.5	-	-	30.5	30.5	-
Adjusted EBITDA	0.7	-	-	0.7	0.7	-
EBITDA	2.4	-	-	2.4	2.4	-
Normalized EBIT	(1.6)	-	-	(1.6)	(1.6)	-
EBIT	(4.9)	-	-	(4.9)	(4.9)	-

Segment figures 1Q 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	105.9	1.4	(0.3)	107.0	105.92	1.1
Gross profit	43.7	1.2	(0.0)	44.9	43.7	1.2
Adjusted EBITDA	0.8	(0.3)	(0.0)	0.5	0.8	(0.3)
EBITDA	(3.2)	(0.3)	(0.0)	(3.5)	(3.2)	(0.3)
Normalized EBIT	(4.8)	(0.4)	(0.0)	(5.3)	(4.8)	(0.4)
EBIT	(12.7)	(0.6)	(0.0)	(13.4)	(12.7)	(0.6)

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	71.4	-	-	71.4	71.4	-
Gross profit	30.5	-	-	30.5	30.5	-
Adjusted EBITDA	0.7	-	-	0.7	0.7	-
EBITDA	2.4	-	-	2.4	2.4	-
Normalized EBIT	(1.6)	-	-	(1.6)	(1.6)	-
EBIT	(4.9)	-	-	(4.9)	(4.9)	-

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	105.9	1.4	(0.3)	107.0	105.9	1.1
Gross profit	43.7	1.2	(0.0)	44.9	43.7	1.2
Adjusted EBITDA	0.8	(0.3)	(0.0)	0.5	0.8	(0.3)
EBITDA	(3.2)	(0.3)	(0.0)	(3.5)	(3.2)	(0.3)
Normalized EBIT	(4.8)	(0.4)	(0.0)	(5.3)	(4.8)	(0.4)
EBIT	(12.7)	(0.6)	(0.0)	(13.4)	(12.7)	(0.6)

Note 11 - Segments (continued)

Segment revenue 1Q 2018 <i>(USD million)</i>	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate costs (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
External revenue	56.7	14.3	0.2	0.1	-	71.3
Intercompany revenue	-	-	0.1	-	0.0	0.1
Total continued operations	56.7	14.3	0.3	0.1	0.0	71.4

Segment revenue 1Q 2017 Restated <i>(USD million)</i>	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate costs (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
External revenue	93.3	12.6	0.1	-	-	105.9
Intercompany revenue	0.0	-	0.1	-	(0.1)	(0.0)
Total continued operations	93.3	12.6	0.1	0.0	(0.1)	105.9

Segment revenue YTD 2018 <i>(USD million)</i>	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate costs (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
External revenue	56.7	14.3	0.2	0.1	-	71.3
Intercompany revenue	-	-	0.1	-	0.0	0.1
Total continued operations	56.7	14.3	0.3	0.1	0.0	71.4

Segment revenue YTD 2017 Restated <i>(USD million)</i>	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate costs (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
External revenue	93.3	12.6	0.1	-	-	105.9
Intercompany revenue	0.0	-	0.1	-	(0.1)	(0.0)
Total continued operations	93.3	12.6	0.1	0.0	(0.1)	105.9

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)	1Q 2018 (Unaudited)	YTD 2018 (Unaudited)
Revenue	10.9	10.9
EBIT	4.7	4.7
Net profit (loss)	0.3	0.3
Assets		127.6
Non-current liabilities		86.0
Current liabilities		9.3
Equity		32.3
Otello's share of equity		8.7
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)		0.1
Elimination		-
Balance as of 3/31/2018		8.7

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)	1Q 2018 (Unaudited)	1Q 2017 (Unaudited)	YTD 2018 (Unaudited)	YTD 2017 (Unaudited)
Salary restructuring expenses	(0.4)	(0.9)	(0.4)	(0.9)
Option restructuring expenses	-	-	-	-
Office restructuring expenses	0.7	-	0.7	-
Impairment expenses	-	-	-	-
Legal and other costs related to business combinations and disposals	(0.3)	(0.3)	(0.3)	(0.3)
Other restructuring expenses	(0.0)	(0.0)	(0.0)	(0.0)
Total	0.0	(1.3)	0.0	(1.3)

Note 14 - Events after the reporting date

Settlement of Bemobi earnout

On May 29, 2018, Otello reached a final agreement with the BeMobi Earnout Participants ("EPs"), where the existing BeMobi earnout is terminated, and a significant part of the future earn-out to the EPs is converted into the right of the EPs to receive ownership in BeMobi. As of March 31, 2018, Otello estimated future earnout payments of USD 56.9 million related to BeMobi, with a maximum payment capped at USD 67.5 million payable through April 2020. Based on achievement in 2H2017 and the payment made in 2Q18 prior to this agreement of USD 11.8 million, a total of USD 45.1 to 55.7 million of future earn-out payments remained, post this payment. A total of USD 20 million will be paid to the EPs with USD 10 million paid on the effective date, May 29, 2018, and USD 10 million paid on October 1, 2018. The remaining earn-out is converted into the right to ownership of BeMobi giving the EPs a total ownership of 11.2%.

Potential sale of Vewd (Opera TV) minority stake

As reported to the market on December 20, 2016, Otello had completed the sale of the majority stake in the Vewd Software business (f/k/a Opera TV) (the "Company") to Moore Frères & Co LLC ("MFC"), which today is the majority shareholder and controls the board of directors of the Company (the "Board").

On February 20, 2018, Otello Corporation ASA ("Otello") entered into a share purchase agreement (the "SPA") for the sale of its remaining ownership stake (approximately 27-28.5%, depending on management options) in the Vewd Software business. The SPA contains certain conditions for completion, such as approval of the sale by the Board and a right of first refusal not being exercised.

MFC's appointed directors on the Board have attempted to block the sale, and formally refused approval during a Board meeting on April 27, 2018. On April 12, 2018, Otello filed a claim with the High Court of Justice in England and Wales against MFC and the Company, and has successfully obtained an order of the Court for the trial to be heard on an expedited basis. The case is listed to be heard in mid-July 2018.

Although Otello remains positive with respect to being able to complete the transaction prior to the long-stop date in the SPA, which has been extended to August 20, 2018, no assurances can be given that such completion will take place. Further announcements will be given if and when new material information is available.

Credit facility

Otello has 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.